



MUTHAYAMMAL ENGINEERING COLLEGE

(An Autonomous Institution)

(Approved by AICTE, New Delhi, Accredited by NAAC & Affiliated to Anna University)
Rasipuram - 637 408, Namakkal Dist., Tamil Nadu.



MUST KNOW CONCEPTS

MKC

MBA

2020-21

Course Code & Course Name : 19MBC15- Risk Management and Insurance
Year/Sem/Sec : II/III/-

S.No.	Term	Notation (Symbol)	Concept / Definition / Meaning / Units / Equation / Expression	Units
Unit-I : Introduction To Risk Management				
1.	Risk		The chance of loss. Specifically the possible loss or destruction of property or the possible incurring of a liability. Sometimes refers to the subject of an insurance contract.	I
2.	Accident		Unexpected or chance event. This term is frequently defined in older commercial general liability (CGL) policies	I
3.	Claims management		Involves proper and timely notification and record keeping of specific claims and overall loss history for the organization.	I
4.	Seasonal Risk		A risk occupied only part of the year, such as a summer dwelling. 2) In manufacturing, it may be a plant operating seasonally, such as a cannery	I
5.	Claim Form		Under workers' compensation, a form to report a work injury or illness to the employer	I
6.	Actual cash value (ACV)		Replacement cost of damaged or lost property less depreciation	I
7.	Theft		The wrongful taking of the property of another. It is a broad term and includes larceny, pilfering, hold-up, robbery and pick-pocketing	I
8.	Underwrite		More commonly, to scrutinize a risk and decide on its eligibility for insurance.	I
9.	Stock		Merchandise for sale or manufacture, as distinguished from furnishings, fixtures or equipment	I
10.	Benefit		Under workers' compensation, a payment	I

			made to a worker or a dependent in relation to a compensable injury or condition	
11.	Broker		An insurance professional/intermediary who markets and explains insurance products to insureds and prospective insureds. Brokers are typically licensed by a state to place insurance on behalf of clients	I
12.	Additional insured endorsement		An additional insured endorsement is the contract by which an additional insured (a person or entity, other than the named insured) is protected by a particular insurance policy.	I
13.	Risk Transfer		Transferring the financial consequences of a loss to another party, such as an insurance company	I
14.	Warranty		Statement or stipulation in a contract, the breach of which nullifies the contract	I
15.	Risk Retention		Retaining or bearing the risk	I
16.	Bond, Blanket		A broad bond covering all employees	I
17.	Risk Management		The identification of loss exposures and treatments for those exposures	I
18.	Impact		The influence and effect of a risk	I
19.	Agent		The insurance company representative who sells policies on behalf of the insurer. An independent agent represents more than one company; a captive agent represents only one company	I
20.	Risk Control		Techniques used to control the frequency and magnitude of losses	I
21.	Claim Assignment:		The act of assigning a claim or lawsuit for adjusting	I
22.	Physical Hazard		A physical condition that increases the chance of loss	I
23.	P&C		Property and Casualty Insurance.	I
24.	Aggregate limit		Maximum amount that the insurer will pay under a liability policy during one annual policy period, regardless of the number of occurrences, usually in addition to legal defense costs	I
25.	Risk Avoidance		Avoiding the risk altogether	I

Unit-II : Risk Assessment

26.	Broker		Represents the interests of the insured in searching for insurance coverage at the lowest cost and highest benefit to the insured.	II
27.	Builder's Risk		Insurance against loss to buildings and materials in course of construction; also, known as "Course of Construction" (COC)	II
28.	Risk Assessment		The prioritization of potential business disruptions based on the impact and likelihood of occurrence	II
29.	Private Insurance		Voluntary programs that are available from the government or private firms	II
30.	Risk Control Consultant		A person with expertise in risk management techniques that reduce the frequency and severity of losses	II
31.	Contract		Legally binding agreement between two parties who wish to exchange some sort of consideration	II
32.	Risk Tolerance		A metric that sets the acceptable level of variation around organizational objectives and provides assurance that the organization remains within its risk appetite	II
33.	Expense Ratio		The ratio of all operating expenses divided by the premiums written	II
34.	Accident		An event or occurrence which is unforeseen and unintended	II
35.	Claim Liability		The funds set aside to cover all claims, reported and currently reserved, including claim adjustment expense; and, also, includes a reserve for Incurred But Not Reported (IBNR) claims	II
36.	Decision-maker		The person or organizational unit who decides on a course of action in relation safety	II
37.	Expected value		The average or central tendency of a random variable	II
38.	Disaster		A serious disruption of the functioning of a community or a society causing widespread human, material, economic or environmental losses which exceed the ability of the affected community or society to cope using its own resources	II

39.	Cause of Action		Basis upon which a suit may be brought against another party	II
40.	Human factors		Human factors refer to environmental, organisational and job factors, and human and individual characteristics which influence behaviour in a way which can affect safety	II
41.	Loss		An undesired and unplanned reduction of financial value	II
42.	Premium		The price of insurance protection, paid by the policyholder to the insurer	II
43.	Cede		To buy reinsurance	II
44.	Prevention		Activities to provide outright avoidance of the hazards and their consequences	II
45.	Hazard:		A specific situation that introduces or increases the probability of occurrence of a loss arising from a peril	II
46.	Probability		A measure of the degree of certainty	II
47.	Random variable		A quantity, the magnitude of which is not exactly fixed, but rather the quantity may assume any of a number of values described by a probability distribution	II
48.	Incident Report		A report of an occurrence or incident out of which no claim or lawsuit has yet been filed	II
49.	Risk analysis		The use of available information to estimate the risk to individuals or populations, property or the environment, from hazards	II
50.	Claim		Notification by or on behalf of a claimant that an event likely to be covered by a policy has occurred, or is likely to occur, and giving formal notice to the insurer accordingly	II
Unit-III : Introduction To Insurance				
51.	Risk evaluation		The stage at which values and judgment enter the decision process, explicitly or implicitly	III
52.	Caveat emptor		Let the buyer beware. Insurance contracts are NOT Caveat emptor (buyer beware) contracts	III
53.	Hearing		Under workers' compensation, formal proceeding held at the California Workers' Compensation Appeals Board before a workers' compensation administrative law judge, to discuss issues or receive information	III

			from various sources in order to make a decision about a dispute or a proposed settlement	
54.	Claims Ratio		The ratio of the cost of claims to earned premiums	III
55.	Safety coefficient		Factor of Safety	III
56.	Risk mitigation		A selective application of appropriate techniques and management principles to reduce either likelihood of an occurrence or its adverse consequences, or both	III
57.	Coinsurance:		An insurance provision requiring Chapman University to contribute a fair share of the total premiums out of which losses are paid	III
58.	Uncertainty		Describes any situation without certainty, whether or not described by a probability distribution	III
59.	Salvage		Property taken over by an insurer to lower its loss	III
60.	Flood		Means the inundation or covering of normally dry land by water which: escapes or overflows from, or cannot enter, because it is full or has overflowed	III
61.	Fraud		The term "fraud or dishonesty" encompasses all those risks of loss that might arise through dishonest acts or omissions	III
62.	Common Law		The principles of law arising from court decisions	III
63.	Consequential Loss		A loss of property may also result in a "loss of profits" and/or additional expenses	III
64.	Disaster		A disaster is said to have occurred when the normal community and organisational arrangements cannot cope with a hazard impact	III
65.	Event		An incident or situation, which occurs in a particular place during a particular interval of time	III
66.	Intangible Property		Property without a physical component; for example, goodwill, etc.	III
67.	Residual risk		This refers to the remaining levels of risk, after risk treatment measures have been taken	III

68.	Liability		An obligation, usually financial, and the probable cost of meeting the obligation	III
69.	Light Duty		Temporary change in job assignment to accommodate work restrictions while an injured employee is healing	III
70.	Friendly Fire		A fire confined to the place it is supposed to be, e.g., in the fireplace; in the incinerator. See Hostile Fire	III
71.	Loss Development		The phenomenon of change in the dollars of reported or paid losses for a particular accident year at different points in time	III
72.	Limit, Excess		A limit higher than the basic limit.	III
73.	Fair Market Value		Price at which a buyer and seller, under no compulsion to buy or sell, will trade	III
74.	Fraud		Any knowingly false or fraudulent material statement for the purpose of obtaining or denying insurance coverage, claim payments or workers' compensation benefits	III
75.	Closed Claim		A claim for which no further action or activity is expected; or a claim which is not actively being adjudicated for any benefits or appears	III
Unit-IV : Life Insurance				
76.	Glass Insurance		Coverage designed to replace, or to pay for, replacing of damaged glass and to pay certain incidental costs	IV
77.	Earnings		Under workers' compensation, wages, salary, overtime or any other related remuneration designated as such	IV
78.	Fixed Assets		Tangible long-term assets such as land, building, furniture, fixtures, machinery, equipment etc. held for use rather than for sale	IV
79.	Disabling Injury		Usually an injury which causes loss of working time beyond the day or shift on which the injury occurs	IV
80.	Lapse		An insurance policy which, having reached its expiry date, is not renewed or extended is said to have lapsed	IV
81.	Independent Adjuster		One who adjusts losses on behalf of insurance companies, but is not employed by any one insurance company.	IV

82.	Insolvency		A situation where a person is unable to pay debts as and when they fall due for payment	IV
83.	Insurance Policy		A written contract of insurance	IV
84.	Proposer		A person who proposes for insurance	IV
85.	Condemnation		Legal taking of private property for public use and interest	IV
86.	Daily Report		Copy of the policy or bond for company or agency records. This term may also include all correspondence, notes, inspection reports, credit reports, etc. pertaining to the policy	IV
87.	Insurer		The party to an insurance arrangement who undertakes to provide cover or to render services, on the happening of specified events	IV
88.	Indemnity		To restore the loss victim to its position prior to the loss occurring	IV
89.	Premium		The price of insurance cover for a specified risk for a specified period of time	IV
90.	IA		Industrial Accident	IV
91.	Lapsed policy		A policy which has been allowed to expire because of non payment of premiums	IV
92.	Loss Reserve		An amount set aside to provide for outstanding claims	IV
93.	FEHA		Fair Employee Housing Act	IV
94.	Fire:		An agent that produces heat and a flame or glow	IV
95.	Credibility		The measure of relative weight attached to a body of loss experience data for purposes of actuarial analysis	IV
96.	Injury		For workers' compensation purposes, any injury or disease arising out of employment.	IV
97.	Morale hazard		Morale hazards involve the attitudes of individuals	IV
98.	FLSA		Fair Labor Standards Act	IV
99.	Loss Adjustment Expense		Expenses incurred during claims adjustment; for example, attorney expense, court costs, etc	IV
100.	Operative clause		The insuring clause of a policy document which sets out the cover provided under the	IV

			policy	
Unit-V : Risk Aversion And Risk Management				
101.	IME		Independent Medical Evaluator	V
102.	Insurable Interest		Any interest that may suffer loss by a peril that may be insured against.	V
103.	Liability Limits		The maximum amount of insurance provided under a policy of liability insurance. There may be different limits for bodily injury and property damage, or, more commonly, a single amount for all claims for bodily injury or property damage arising from one accident or occurrence.	V
104.	Insurance		A pooling of hazards in order to indemnify those who experience losses	V
105.	Loss		A word often used in place of the word "claim." It refers to the amount an insurer must pay because one of the possibilities of loss insured against under a policy, has happened	V
106.	Damages, Economic		Compensatory damages for the loss of earnings or earning capacity	V
107.	Product Liability		Liability insurance, generally for contractors, for products liability and for claims arising out of completed work	V
108.	Quantum		Amount or quantity	V
109.	Declaration		That part of an insurance policy which contains information regarding the insurance for which the policy is issued	V
110.	Regulator		The federal, provincial or territorial government agency responsible for the control and regulation of the insurance industry under its jurisdiction	V
111.	Policy Year		Period between anniversary dates	V
112.	Disability Income		An income based on the amount of coverage in case of permanent-total disability	V
113.	Peril		The event that caused a loss covered by the policy, e.g., fire windstorm	V
114.	Minor		A person under the age of being legally capable of transacting business on his own behalf.	V

115.	Excess Insurance		Policy designed to provide coverage over primary coverage which does not pay until the primary coverage has paid its limits	V
116.	Demolition Insurance		Covers loss due to the demolition of any part of a building not damaged by a covered peril, if required by law or ordinance	V
117.	Rider		Another name for an endorsement	V
118.	FMLA		Family Medical Leave Act	V
119.	Flood Insurance		Coverage against loss caused by tidal wave, overflowing of rivers and streams, and cloudbursts	V
120.	Exposures		A rating element used to measure an insured's expected risk of loss	V
121.	Sum Insured		The amount for which insurance is effected and the one on which the premium is based. Often in life insurance, the term is "sum assured."	V
122.	Stock Company		A company owned by a series of investors or stockholders (shareholders) who assume the risks of profit or loss.	V
123.	Endorsement		An amendment in writing added to or taken from and made a part of the coverage or insurance contract.	V
124.	Marine Insurance		Covers property against various risk or losses while being transported; may, also, be termed "Floater", for example, builder's risk, installation floater, etc	V
125.	LTD		Long-Term Disability	V

Placement Questions

126.	Insurance		A legal contract whereby the insurer, for a consideration (the premium) agrees to indemnify the insured for loss from specified perils and under certain conditions.	
127.	Underwriter		One who researches and then accepts, rejects, or limits prospective risks for an insurance company	
128.	Warranty		In the insurance context, a pledge or statement by the insured that the facts relating to the person or thing insured, or the risk insured are as stated.	

129.	Sole proprietor		a self-employed owner of an unincorporated business and includes working partners and members of working associations.	
130.	Reinsurance		An agreement between an entity or insurer and a reinsurance company by which the risk of loss is apportioned.	
131.	Annuity		An insurance policy paying a specified amount in regular payments for the life of the annuitant	
132.	Applicant		The person or firm requesting insurance.	
133.	Declaration		Statement, signed by the insured, warranting that information given by him is true.	
134.	Face of Policy		The front of the policy on which normally the name of the insurance company, the name of the insured, the amount of insurance and the type of insurance appear among many other items.	
135.	Fire Damage		Damage caused by fire.	
136.	Fixed Assets		Tangible long-term assets such as land, building, furniture, fixtures, machinery, equipment etc. held for use rather than for sale.	
137.	Fraud		Methods used to deceive to cause unwarranted favorable decision for one's own benefit.	
138.	Inventory		Itemized list of goods and property on hand.	
139.	Lease		A contract by which one party, called the lessor, conveys to another, called the lessee, real estate, equipment or facilities for a specified term and for a specified rent.	
140.	Merchandise		Those goods which a commercial enterprise ordinarily sells to its customers.	
141.	Natural Disaster		A disaster caused by the elements such as flood, earthquake, tornado, lightning, etc.	
142.	Premium		The price of insurance protection for a specified risk for a specified period of time.	
143.	Property Damage Liability Insurance		Protection against liability for damage to the property of another including loss of the use of the property.	
144.	Surrender		Cancellation of a policy before its normal expiry by mutual consent of insured and	

			insurer.	
145.	Beneficiary		The person named in the policy to receive the insurance proceeds at the death of the insured. Anyone can be named as a beneficiary.	
146.	Direct Response		Insurance sold directly to the insured by an insurance company through its own employees by mail or over the counter.	
147.	Mortality		The incidence of death at each attained age; frequency of death.	
148.	Risk Classification		The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of individuals	
149.	Standard Risk		The classification of a person applying for a life insurance policy who fits the physical, occupational and other standards on which the normal premium rates are based.	
150.	Grievance		A complaint that you communicate to your health insurer or plan	

Faculty Team Prepared

Signatures

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HoD

