

Various Aspects of Risk and Insurance Management Practices – A Study

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Abstract – Traditionally, risk management has been identical with annual budgeting for insurance premium, and prevarication. This has been particularly true in Indian environment, and the corporate risk manager has the sole responsibility of discuss insurance contracts. In a recent international research programme, most respondents, while offering praiseworthy definitions of risk management, had little to say, by the way of explanations; as to how in practice they would operationalize their grand risk management ambitions. Whatever an individual's attitude to words risk may be, if he/she is to maximize his/her welfare, the first step must be to identify and evaluate the risks to which he/she is, or may become, exposed.

Risk management, as a set of techniques for surviving loss, comes in more or less five forms. First, we can restrict our decisions to those over whose outcomes we have some control, thereby managing the probability of loss. Second, we can diversify in order to reduce the consequences of loss. Third, we can insure as a collective method of diversification. Four, we can change our minds and evade a commitment before all is lost. The only others method available to us is to refuse to play when the risk is unacceptable.

To study and analyze risk management and insurance of automobile industry, identify and evaluate the risk factors associated with Two-wheeler insurance, examine customer awareness on general insurance with reference to two wheelers, Assess the various factors that influence selection criteria of insurer, measure service quality of insurer in the light of service gaps and satisfaction.

Keywords: Risk, Risk Management, Risk Factors Associated with Two-Wheeler Insurance, Service Gaps and Satisfaction.

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INTRODUCTION

Risk management, as a set of techniques for surviving loss, comes in more or less five forms. First, we can restrict our decisions to those over whose outcomes we have some control, thereby managing the probability of loss. Second, we can diversify in order to reduce the consequences of loss. Third, we can insure as a collective method of diversification. Four, we can change our minds and evade a commitment before all is lost. The only others method available to us is to refuse to play when the risk is unacceptable.

In his monumental work, **next to the Gods: The extraordinary narrative of risk**, a powerful indication of fundamental changes affecting societies around the world, Petrel. Bernstein observes that development and progress of society at large implies accepting the risk and uncertainties of life as a fundamental fact, or point of reference.

He remarks how “until now, civilizations have avoided or dismissed risk and uncertainty, initially with the help

of the gods, then with the help of deterministic science”. What is more, he visualize that “in the future, a better, more civilized world might arise, capable of better confronting, and subsequently better managing, the challenges and changes resulting from risk management”.

Accordingly, risk managers, economists, as well as individuals have responded to these challenges in formulating their programmes for dealing with current risk, and for handling future events under changing conditions. Consequently, risk management is broader today in its treatment of risk, control. What is more, it approaches the problem of risk, not from the standpoint of the insurance industry, but from that of the organization or individual exposed to risk. It is also increasingly being recognized that risk management is far more that the management of insurance programmes. New ideas are being brought to bear on problems, and new theories art being developed.

REVIEW OF LITERATURE

Mishra, K.C. et.al (2000)¹ in their article on “Insurance Industry: formula for a knowledge Organization” say that like any other industry, insurance industry in India suffers from one face up to repeatable a hundred times, that is the limitation of communications.

Balasubramanian, T.S. and Gupta, S.P. (2000)² in their book on “Insurance Business surroundings” give details at length the global and Indian pictures of Insurance systems. The impact of globalization and also liberalization on Insurance business surroundings is also discussed systematically to have a clear considerate of the challenges faced by the Insurance industry.

Mitra Debabrata (2000)³ in the thesis entitled “Employees and the PSU: A Study of their association with particular reference to Jalpaiguri Division of the Life Insurance Corporation of India” opines that the State-owned activities provide all sorts of amenities and facilities to employees along with usual emoluments. But, their productive rate is low when compared it with the private sector undertakings. In the Jalpaiguri Division, the employee relationship with the LIC is clearly discussed and some suggestions are also given in the thesis.

Wadikar et.al (2001)⁴ has conducted research on “Innovativeness in the Insurance Industries”, confirms a general estimation that innovativeness in every movement single-handedly rules and dominates the industry. other than, at the similar time, the level-headedness and economic justification of that innovativeness are also to be considered. With the introduction of the latest technology into the industry, innovativeness in the insurance industry is the position of the day.

Shriram Mulgund (2002)⁵ has conducted survey on “From Single to complicated – Risk Based Solvency boundaries for the Indian Life Insurance Industry” discusses the background to the risk-based capital approach for setting up the required solvency margins and its application to the Indian insurance industry. He suggests that the Required Solvency Margin (RSM) level be able to not be strong-minded in competition of the level of the reserves set up by the insurer. It is the total of the Reserve and RSM which is more important and relevant rather than just the level of RSM.

Rejda, G.E. (2002)⁶ his survey on “Insurance and Risk Management” analyses the relationship between insurance industry and risk management techniques. The concepts of Enterprise Risk Management and Risk Based Capital are discussed mainly to draw attention to the importance of managing risks by insurance companies in such a manner to facilitate them to minimize the beating of their risks.

Harrington et.al (2004)⁷ conducted research on “Risk Management and Insurance” provide a brief wide-ranging idea of most important life insurance and annuity products which are very much appropriate to the lower and middle class patrons. The tax reimbursement available to these products and also their pricing measures are discussed

Srujan, A. (2007)⁸ in her article on “Risk Management for Risk Takers – energetic Financial Analysis” presents an insurer’s financial situations with respect to future unhinged economic environment. An challenge is made to study the budding utilities of the process of energetic financial analysis to the insurer in a real situation.

John C.Hull (2007)⁹ in his book on “Risk Management and Financial Institutions” explains in element the various aspects of risk management in different companies. The important unoriginal factors are discussed with position to risk business along with necessary illuminating examples.

Gupta, P.K. (2008)¹⁰ in his book on “Insurance and Risk Management” analyses the special aspects of insurance and also the interconnected risk management apparatus. The comparative cost-benefit analysis of insurance is also depicted comprehensively in the book.

Inderjit Singh et.al. (2009)¹¹ in their Book on “Insurance and Risk Management” analyze the different facets of the privatization of Indian Insurance Sector. The different approaches of managing risk based capital are discussed.

Sahoo, S.C.et.al (2009)¹² in their book on “Insurance Management” provide a all-inclusive insight into the basics of risk management and life insurance. The various facets of the IRDA’s regulations are also analyzed at apposite places in the book. It also covers the social and rural sector obligations of the insurance companies, role of information technology in insurance marketing and various aspects of competitive environment such as mindset of the consumers, adequacy of capital, market related policies and cost-consciousness.

Selvankumar, M. et.al. (2010)¹³ have conducted research on “Indian Life Insurance Industry: prediction of confidential Sector” articulate that the Growth in Insurance Industry has been spur by product innovation, vibrant giving out channels fixed with beleaguered publicity and promotional campaigns by the insurers. Innovations have come not only in the form of the benefits friendly to the products but also in the delivery mechanism through various marketing tie-ups within the realm of financial services inside and outside.

Timothy A Krause, et.al (2016)¹⁴ has conducted a research on "Risk management and firm value. The purpose of this study to provide an update to the risk management literature, as it compiles a survey of 65 recent theoretical and empirical studies on the topic. They have surveyed recent theoretical and empirical research regarding the relationship between risk management and firm value. The research found that the recent empirical evidence provides support for theoretical propositions in the literature that risk management increases firm value and returns, while reducing return and cash flow volatility. The results are largely consistent with early findings, and there have been significant empirical advances that address concerns regarding the endogeneity of risk management practices relative to corporate financial decisions. The literature has become broader and deeper, as there are now studies with larger sample sizes across more industries and geographic areas.

OBJECTIVES OF THE STUDY:

The specific objectives formulated for the study include:

1. To examine customer awareness on general insurance with reference to two wheelers
2. To assess the various factors that influence selection criteria of insurer.

RESEARCH METHODOLOGY:

NEED FOR THE STUDY:

Basis for selection of topic:

Insurance has evolved as a process of safeguarding the interest of people from loss and uncertainty. It may be described as a social device to reduce or eliminate risk of loss to life and property. Insurance contributes a lot to the general economic growth of the society by provides stability to the functioning of process. The insurance industries develop financial institutions and reduce uncertainties by improving financial resources. Automobile industry remains the leading sector in a large number of developing economies. It accounts for one of the major shares of the gross national product and is still the important or key source of employment in India. Hence, research is undertaken on risk management and insurance.

Criteria for selection of the study area: Anantapur, Kurnool, Kadapa, Chittoor, are backward, drought prone and poverty stricken districts of Andhra Pradesh. Hence, insurance require different strategies for awareness, selection and perceptions. There may be studies on risk management and insurance with

respect to Rayalaseema region of Andhra Pradesh. As far as the knowledge and understanding of the researcher is concerned, there is no particular study on insurance awareness, insurance selection factors, insurance service quality and satisfaction with reference to two wheelers. This made the researcher to choose the Rayalaseema region of Andhra Pradesh. This study is useful for insurance policy makers, academicians and others who are determined and functioning for the cause of insurance.

METHODS OF DATA COLLECTION:

The study has made use of both the primary and secondary source of data.

- a) **Primary data:** The primary data is collected through a structured questionnaire. The questionnaire furnishes the information relating to socio-economic profile of respondents, source of risk management and insurance awareness, insurance selection factors, and service quality and satisfaction towards insurance.
- b) **Secondary data:** The secondary source includes books on risk management and insurance, journals, magazines, periodicals, publications of statistical abstracts of Andhra Pradesh and research reports.

SAMPLING METHOD (or) SAMPLING DESIGN AND SELECTION:

Theoretical Population- Theoretical population includes all two-wheeler customers.

Area Population- Two-wheeler customers of Rayalaseema region of Andhra Pradesh which includes the Ananthapuramu, Chittoor, Kurnool and YSR Kadapa

Sampling Frame- Registered (which excludes the outside registered two wheelers) two-wheeler customers in Rayalaseema region of Andhra Pradesh. The details of registered two-wheeler customers are furnished in the Table-1.

Table-1: Two-wheeler customers in Rayalaseema region

DISTRICT	TWO WHEELERS
Ananthapuramu	3,55,117
Chittoor	4,08,610
Kurnool	6,42,353
YSR Kadapa	5,01,981
Total	19,08,061

Source: Statistical abstract of Andhra Pradesh-2014, Page-213. As on 31st March 2014.

Table-2: Two-wheeler respondent customers in Rayalaseema region of Andhra Pradesh

DISTRICT	TWO WHEELERS
Ananthapuramu	340
Chittoor	340
Kurnool	340
YSR Kadapa	340
Total	1360

Source: Primary data

SAMPLING METHOD AND SIZE:

Researcher has determined the sample size considering margin of error 5% and 95% confidence interval using the formula Margin of error = $Z \sqrt{p(1-p)/n}$

Where Z=1.96 for 95% confidence interval

p= proportion

n=sample size

Margin of error is assumed as 5%

Number of respondents for each selected district is determined and summed up to get the sample size as shown in table. The total sample size is 1360. The detailed sample frame work of four districts of Rayalaseema region of Andhra Pradesh is presented in table 2.

Researcher adopts snowball sampling which is a non-probability sampling procedure for selection of final respondents from each district. Referral sources are selected and sample was built through a chain process till the sample size is reached.

HYPOTHESIS FORMULATED FOR THE STUDY:

Based on the objectives of the study the following hypotheses are formulated:

H₀₁: Selection of insurance provider is independent of Awareness of customer on motor insurance

H₀₂: Selection of insurance provider is independent of Influence of Motor dealer

H₀₃: Selection of insurance provider is independent of Demographic (Socio-economic) profile of the customer

H₀₄: Selection of insurance provider is independent of Perceived service quality of insurer

H₀₅: Selection of insurance provider is independent of Satisfaction of risk insurance and management.

LIMITATIONS OF THE STUDY:

Geographically this study is confined to Rayalaseema region of Andhra Pradesh. Functionally it is confined to Risk management and Insurance of Two-wheeler. Certain limitations are there in the present study which includes:

1. The researcher faces some difficulty due to the lack of co-operation from some respondents.

- This study is very large size of the two wheelers customers in rayalaseema region which may fail to give a correct picture of the study.
- The study is confined only to Rayalaseema region of Andhra Pradesh and the sample size is 1360 hence it may not be representative of the universe.

DATA ANALYSIS AND NTERPRETATION

PART A- Awareness on Motor insurance

- Type of Two-wheeler?

TABLE:

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
80 cc-100cc without gear	330	24.26
more than 100cc without gear	480	35.29
Above 100cc with gear	550	40.44
TOTAL	1360	100

Interpretation:

Out of 1360 respondents Maximum 41% of the respondents are having 80 cc-100cc without gear.24% of the respondents are having more than 100cc without gear two-wheeler 35% of the respondents are having Above 100cc with gear

- Make?

Table:

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
HONDA	475	34.92
Yamaha	325	23.89
HERO	400	29.41
BAJAJ	375	27.57
OTHERS	215	15.80

Interpretation:

Out of 1360 respondents Maximum 34.92% Honda company make two wheelers,29.41% hero company make two wheelers,27.57% Bajaj company make two

wheelers,23.89% Yamaha company make two wheelers,15.80% others company make two wheelers.

- Insurer for your vehicle

Table:

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
icici pru life	450	33.08823529
national insurance	500	36.76470588
united insurance	150	11.02941176
others	260	19.11764706

Graph:

Interpretation:

Out of 1360 respondents Maximum 36% national insurance company insurer of two wheelers,33% icici pru life company insurer of two wheelers,19% other company insurer of two wheelers,11% united insurance company insurer of two wheelers.

- I clearly aware of the purpose of motor insurance?

Table:

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
Strongly Agree	355	26.10294118
Agree	300	22.05882353
Neither agree nor disagree	500	36.76470588
Disagree	45	3.308823529
Strongly Disagree	160	11.76470588

Interpretation:

Out of 1360 respondents, 36 % of the respondents are Neither agree or disagree with the purpose of motor insurance, 26% of the respondents are Strongly Agree, 22% of the respondents are Agree, 11% of the respondents are Strongly Disagree,3.3% of the respondents are Disagree.

- Motor Insurance will help for risk management?

Table:

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
Strongly Agree	45	3.3088
Agree	160	11.7647
Neither agree nor disagree	500	36.7647
Disagree	300	22.058
Strongly Disagree	350	25.735
total	1360	100

Interpretation:

Out of 1360 respondents, 36 % of the respondents are Neither agree nor disagree with the Motor Insurance will help for risk management, 3.3% of the respondents are Strongly Agree, 11% of the respondents are Agree, 25% of the respondents are Strongly Disagree,22% of the respondents are Disagre.

PART B- Influencing factors for selection of Motor Insurance

1. Selection of insurance is influenced by cubic capacity of the two-wheeler?

Table:

RESPONSE	NO OF RESPONDENTS	(%)
Strongly Agree	450	33.08
Agree	600	44.11
Neither agree nor disagree	50	3.67
. Disagree	60	4.41
Strongly Disagree	100	7.35
total	1360	100

Interpretation:

Out of 1360 respondents, 47% of the respondents are Agree with the Selection of insurance is influenced by cubic capacity of the two-wheeler,4 % of the respondents are Neither agree nor disagree ,36% of the respondents are Strongly Agree, 5% of the respondents are Strongly Disagree,8% of the respondents are Disagree.

FINDINGS:

1. Maximum respondents are having 80cc-100cc with gear to wheelers

2. Hero company is 39.92% are make two wheelers
3. Honda company is 29.41% are make two wheelers
4. Bajaj company is 27.57% are make two wheelers
5. Yamaha company is 23.89% are make two wheelers
6. Maximum two wheelers users are insurer for vehicles is national insurance company
7. Maximum the respondents are neither agree or disagree with the purpose of motors insurance
8. Maximum respondents are strongly agree with the Motor Insurance will help for risk management
9. Maximum of the respondents are Agree with the Selection of insurance is influenced by cubic capacity of the two-wheeler.

SUGGESTIONS:

1. All the two wheelers users are insured for your vehicles
2. The respondents are increasing the awareness of motor insurance
3. Company's should bring awareness among the two wheelers.
4. Two wheelers user should know the process and procedures to clime the money.

CONCLUSION:

Two-wheeler insurance is mandatory in India. Falling under the general insurance product category, it helps to protect people against accidents that take place on the road. Active two-wheeler insurance shields the vehicle owner from any unexpected occurrences like the accident or any serious damage to the motor vehicle.

A two-wheeler insurance policy is provided by any of the authorized insurance companies registered under the Insurance Regulatory Development Authority of India (IRDAI). The law binds anyone riding a two-wheeler with an insurance policy covering the owner of the vehicle against any unanticipated situations or accidents or the vehicle against damage.

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