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B.Com Honours

Semester VI

Calicut University

RISK MANAGEMENT IN BANKS AND INSURANCE

Course Code: COM6EJ304 • Module 4 Notes

Module IV: Commercial Risk Applications & Insurance Environment

Covers commercial property & liability risk management, commercial property insurance policies, business interruption insurance, Workers' Compensation, insurer functions, and IRDAI statutory regulation.

Unit 15: Commercial Property & Liability Risk Management

Commercial Exposure: Direct property loss (fire, explosion), consequential loss (Business Interruption / Loss of Profits), & Commercial General Liability (CGL - product liability, premises liability).

Unit 16: Commercial Policies & Workers' Compensation

Commercial Policies: Standard Fire & Special Perils Policy (SFSP), Industrial All Risks (IAR), Directors & Officers (D&O) Liability, & Workers' Compensation Insurance (mandatory employer statutory liability under Employees' Compensation Act).

Unit 17: Insurance Industry Environment & IRDAI Regulation

Insurer Functions: Underwriting (risk selection & pricing), Actuarial pricing, Reinsurance (treaty vs facultative reinsurance), & Claim settlement. **IRDAI:** Statutory regulator under IRDA Act 1999 safeguarding policyholders & solvency margins.

Practical Case Framework 1 (Commercial Property & Liability Insurance Policies Matrix): Compare policy contract, coverage scope, risk financing mechanism, and commercial use.

Commercial Insurance Policies Reference Table:

Commercial Policy Name	Primary Coverage Scope	Commercial Risk Financing Utility
Standard Fire & Special Perils (SFSP)	Physical damage to buildings, plant, & inventory	Covers direct property destruction losses
Business Interruption (Consequential Loss)	Loss of gross profit & continuing fixed costs	Protects net income during plant shutdown
Workers' Compensation Policy	Occupational injury, disability, & death of workers	Meets statutory liability under Employees Comp Act

Practical Case Framework 2 (IRDAI Regulatory Framework & Functions Matrix): Compare regulatory function, statutory mandate, policyholder protection rule, and solvency norm.

IRDAI Statutory Regulatory Functions Table:

IRDAI Regulatory Function	Statutory Mandate Scope	Consumer / Market Protection Rule
Solvency Margin Regulation	Mandatory Solvency Ratio $ge 1.50$ (150%)	Ensures insurer financial capacity to pay claims
Policyholder Protection Regulations	Mandatory claim settlement timelines & grievance redressal	Ombudsman mechanism for dispute resolution