

**Paper-14 (B-3) : Economics of Insurance**

**Unit-I : Introduction**

Economic security; Human quest for economic security through time; Exposure to losses; Role of insurance; Definition of insurance; Risk pooling and risk transfer; Economic and legal perspectives, Social vs. Private insurance; Life vs. non-life insurance; Classification of life, health and general insurance policies.

**Unit-II : Risk and Risk Management**

Fundamentals of uncertainty and risk; Pure risk and speculative risk; Expected utility and decision – making under uncertainty; Expected utility and the demand for insurance; Moral hazard and insurance demand; Concept of risk management; Essentials of risk management; Elements of risk management – Risk assessment; Risk control and risk financing; World wide risk sharing – Concept of reinsurance, Fundamentals of reinsurance, Types of reinsurers; Reinsurance distribution systems, Reinsurance markets in developing countries.

**Unit-III : Essentials of Life and Health Insurance**

Fundamentals of life and health insurance; Functions of life and health insurance; Mathematical basis of life insurance; Plans of life insurance; Legal aspects of life insurance; Provisions of policies; Selection and classification of risks; Basics of premium construction; Valuation and distribution of surplus; Individual health insurance; Uses, Types of evaluation; Principles of underwriting of life and health insurance; Group insurance and superannuation (pension) schemes; Set-up and management of insurance companies.

**Unit-IV : Essentials of General Insurance**

Definition of general insurance; Types of general insurance; Importance of general insurance; Importance of general insurance in a country's economic development; Concept of short-term risk; Fundamentals of the following concepts – Common law, Equity, Proposal/Accedence, Indemnity, Insurable interest, Contribution subrogation, Representation; Utmost good faith, Material fact, Physical hazard, Moral hazard; Policy endorsements conditions/warranties; Selection of risks; Inspection of risks; Rating and calculation of premiums; Tariffs and non-tariffs; Marketing of general insurance; Technology development and general insurance.

## **Unit-V : Regulation of Insurance**

Regulation of Insurance – purpose of government intervention in markets – Theories of Regulation – Insurance regulation in India – Insurance Regulation and Development Authority.

### **Basic Reading List**

1. Bhole, L.M. (1990), The Indian Financial System, Tata McGraw Hill, New Delhi.
2. Bickelhaupt, D.L. (1992), General Insurance, Irwin Inc., Burr Ridge, III.
3. Black, K. Jr. and H.D. Skipper Jr. (2000), Life and Health Insurance, Prentice Hall, Upper Saddle River, New Jersey.
4. Finsinger, J. and M.V. Pauly (Eds.) (1986), The Economics of Insurance Regulation: A Cross National Study, Macmillan, London.
5. Benjamin, B. (1991), General Insurance, Heinemann, London.
6. Drofman, M.S. (1994), Risk and Insurance, Prentice Hall, Englewood-Cliffs.
7. Insurance Regulation and Development Authority (2001), IRDA Regulations, New Delhi.
8. Stigler, G.J. (1971), The Theory of Economic Regulations, Bell Journal of Economics, Vol.7.