

- a) **Education and training**, such as holding regular “fire drills” for employees, or ensuring adequate training of drivers, forklift operators, wearing of helmets and seat belts and so on.

One example of this can be educating school going children to avoid junk food.

- b) **Making Environmental changes**, such as improving “physical” conditions, e.g. better locks on doors, bars or shutters on windows, installing burglar or fire alarms or extinguishers. The State can take measures to curb pollution and noise levels to improve the health status of its people. Regular spraying of Malaria medicine helps in prevention of outbreak of the disease.

- c) **Changes made in dangerous or hazardous operations**, while using machinery and equipment or in the performance of other tasks.

For example leading a healthy lifestyle and eating properly at the right time helps in reducing the incidence of falling ill.

- d) **Separation**, spreading out various items of property into varied locations rather than concentrating them at one location, is a method to control risks. The idea is, if a mishap were to occur in one location, its impact could be reduced by not keeping everything at that one place.

For instance one could reduce the loss of inventory by storing it in different warehouses. Even if one of these were to be destroyed, the impact would be reduced considerably

4. Risk financing

This refers to the provision of funds to meet losses that may occur.

- a) **Risk retention through self-financing** involves self-payment for any losses as they occur. In this process the firm assumes and finances its own risk, either through its own or borrowed funds, this is known as **self-insurance**. The firm may also engage in various risk reduction methods to make the loss impact small enough to be retained by the firm.

- b) **Risk transfer** is an alternative to risk retention. Risk transfer involves transferring the responsibility for losses to another party. Here the losses that may arise as a result of a fortuitous event (or peril) are transferred to another entity.

Insurance is one of the major forms of risk transfer, and it permits uncertainty to be replaced by certainty through insurance indemnity.

Insurance vs Assurance

Both insurance and assurance are financial products offered by companies operating commercially. Of late the distinction between the two has increasingly become blurred and the two are taken as somewhat similar. However there are subtle differences between the two as discussed hereunder.

Insurance refers to protection against an event that **might** happen whereas assurance refers to protection against an event that **will** happen. Insurance provides cover against a risk while assurance covers an event that is definite e.g. death, which is certain, only the time of occurrence is uncertain. Assurance policies are associated with life cover.