

Fundamentals of Insurance

Meaning and features of Insurance

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WHAT IS INSURANCE ?

- Insurance is a risk transfer mechanism.
- It means a promise of compensation for any potential future losses.
- It facilitates Financial protection against by reimbursing losses during crisis.
- The loss may be of life or property.

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company.

An entity which provides insurance is known as an insurer, insurance company, insurance carrier. A person or entity who buys insurance is known as an insured or as a policyholder.

The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insurer will compensate the insured. The amount of money charged by the insurer to the policyholder for the coverage set forth in the insurance policy is called the **premium**.



The important terms used in contract

- a) Insurer**
- b) Insured**
- c) Happening of the event**
- d) Premium**



FEATURES OF INSURANCE

- **Sharing of risk** : Insurance is an event that is a person to share a financial event that may occur when a specific incident occurs on a person or his family.
- **Price of Risk:** There are several ways to evaluate risks. If the higher loss is expected, then a higher premium can be charged. Therefore, the probability of loss is calculated at the time of insurance.
- **Cooperative Equipment:** The most important feature of each insurance plan is the cooperation of a large number of individuals who in reality agree to share the financial loss arising from any particular risk of the insured.

Payment on contingency: Payment is made on a certain casualty insured. If contingency happens then payment is made. Since the life insurance contract is the contract of certainty, because the termination, death or expiry of the term will definitely be, payment is definitely fixed.

A large Number of Insured Persons: To spread the loss immediately, smoothly and cheaply, a large number of persons should be insured. The co-operation of a small number of persons may also be insurance but it will be limited to the smaller area.

Amount of Payment : The amount of payment depends upon the value of loss that occurred due to the particular insured risk provided insurance is there up to that amount.



Thanks for Watching

