

# Insurance Domain Overview

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Principles, Product Types, and Key Concepts

# Fundamentals of Insurance

Understanding the Core Mechanism of Risk Transfer



# What is Insurance?

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## The Mechanism of Protection

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.

### Core Concept: Pooling of Risk

- The company pools clients' risks to make payments more affordable for the insured.
- It transfers the risk of financial loss from the individual to the insurer in exchange for a premium.








# The 7 Principles of Insurance


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 **Utmost Good Faith:** Both parties must disclose all material facts honestly.


 **Insurable Interest:** The insured must suffer financial loss if the event occurs.

 **Indemnity:** Compensation is typically strictly for the actual loss, not for profit.

 **Proximate Cause:** The nearest or direct cause of loss determines the claim liability.

 **Subrogation:** Insurer gains legal rights to pursue a third party after paying a claim.

 **Contribution:** Multiple insurers share the cost of a claim proportionally.

 **Loss Minimization:** The insured must try to minimize the loss, not just rely on insurance.

# Classification of Insurance

Distinguishing Between Life and General Insurance



# Comparison: Life vs. General Insurance

Feature	Life Insurance	General Insurance
Subject Matter	Human Life (Survival or Death)	Assets (Car, House) or Liability
Contract Term	Long-term (10, 20, 30 years or Whole Life)	Short-term (Usually 1 year, renewable)
Primary Purpose	Financial protection for family & Savings	Indemnity (Restoring asset value)
Claim Event	Certain (Death) or Maturity	Uncertain (Accident, Fire, Theft)
Premium	Usually level throughout the term	Variable (re-assessed on renewal)



# Types of Life Insurance

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## Term Life

Pure protection plan. Pays a sum assured only if the insured dies during the policy term. No maturity benefit.



## Whole Life

Provides coverage for the entire lifetime of the insured. Often includes a cash value component that grows over time.



## Endowment

Combines insurance and investment. Pays a lump sum after a specific term (on maturity) or on death.



# General Insurance Sectors

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## Motor Insurance

Covers vehicle damages and third-party liabilities.



## Health Insurance

Covers medical expenses, hospitalization, and treatments.



## Home Insurance

Protects property structure and contents against fire/theft.






# Domain Concepts

Key Terminology and Operational Processes



# Key Terminology

-  **Premium:**  
The amount paid by the policyholder to the insurer to keep the policy active.
-  **Deductible (Excess):**  
The amount the insured must pay out-of-pocket before the insurance company pays a claim.
-  **Sum Assured:**  
The maximum amount the insurer agrees to pay in the event of a covered loss or death.





# Underwriting

## The Risk Assessment Process

Underwriting is the backbone of insurance profitability. It involves evaluating the risk associated with a potential client.

### Key Activities:

- Analyzing statistical data (mortality/morbidity tables).
- Determining the appropriate premium price.
- Deciding whether to accept or reject the risk.





# Claims Management

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## The Moment of Truth

The claims process is where the insurer fulfills their promise. An efficient claims process is critical for customer satisfaction.

### Steps involved:

1. **Notification:** Insured informs the insurer of the loss.
2. **Investigation:** Surveyor assesses validity and extent of loss.
3. **Settlement:** Payment is processed if the claim is valid.







# Reinsurance

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## Insurance for Insurers

Reinsurance occurs when an insurance company (the cedant) transfers portions of its risk portfolio to other parties (reinsurers).

### Why is it needed?

- To reduce the likelihood of paying a large obligation resulting from an insurance claim.
- To spread the risk of catastrophic events (like hurricanes or pandemics) across a global network.



# Q & A

Thank you for your attention.



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