

Insurance Domain Overview

Principles, Product Types, and Key Concepts

Fundamentals of Insurance

Understanding the Core Mechanism of Risk Transfer

What is Insurance?

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

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

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

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

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

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

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

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

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



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



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

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

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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