Summary

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This section offers an overview of policy types, coverages, and the claims process, along with the characteristics of insured claims.

We also covered exposures, which serve as the fundamental unit for measuring risk. Accordingly, the rate is defined as the price per unit of exposure. The exposure base selected for a specific insurance product should be proportional to the loss and practical to apply. Additionally, it is preferable for the exposure base to remain consistent over time.

Policy Types and Coverages

Common types of **personal insurance** include homeowners insurance, auto insurance, renters insurance, personal articles floater, and personal umbrella insurance.

Common types of **commercial insurance** include commercial property insurance, commercial auto insurance, workers' compensation insurance, general liability insurance, professional liability insurance, and cyber insurance.

Claims

The claim process includes the following steps:

- 1. Reporting a claim
- 2. Reviewing a claim
- 3. Performing claim transactions
- 4. Recovering payments from:
 - Deductibles
 - Salvage
 - Subrogation
 - Reinsurance

Exposures

Criteria of a good exposure base:

- 1. **Proportional to expected loss:** The chosen exposure base should have a direct, proportional relationship to losses, making it responsive to changes in risk exposure and easy for the insured to understand.
- 2. **Practical:** It should be practical—objective, easy to obtain, inexpensive, and consistently measurable.
- 3. **Historical precedence:** Existing industry standards should be considered before changing an exposure base, as changes may cause premium fluctuations, require rating system adjustments, and demand data adjustments for future analyses.