

INSURANCE

Importance of Insurance for an Individual

- Risk is the possibility of a disaster that cannot be avoided.
- The purpose of insurance is to transfer the risks from individuals to the insurance companies.
- The importance of insurance is to reduce financial burden on the occurrence of loss or accident.

Risk Accumulation Principles

Risks faced by insurers are collected and dispersed among them so that the risks encountered can be minimized. The premium paid by the policyholder is a contribution to the general fund that will be managed by the insurance company by making profitable investments so that the fund will increase. Based on the analysis of actuarial statistics, from the vast majority of people at the same risk, only a small number of policyholder will suffer losses and claim from the insurance company in the event of damages taken from the general fund.

Insurance Terms

- Insurance company – Company which provides coverage
- Policyholder – Individuals who buy insurance policies
- Premium – Payments made by insured to obtain coverage
- Policy – Agreement between insurer and insured
- Compensation – Money paid in the event of a disaster

Life Insurance

- Lifetime life insurance
- Endowment life insurance

Types of Insurance

- Life insurance
- Motor accident insurance
- Education insurance
- Health insurance
- Theft insurance
- Fire insurance
- Travel insurance

Motor Accident Insurance

- Comprehensive policy
- Third party policy

Deductible and Co-Insurance

Deductible is the amount that the policyholder has to pay for medical expenses before the insurance company starts to pay while the co-insurance is the cost sharing between the policyholder and the insurance company (in percentage) for the remaining medical expenses after the policyholder pays all deductibles.