

## Insurance

• Insurance is an agreement between an insurer and the insured whereby the insured agrees to pay the premium and the insurer agrees to pay compensation that the insured face from insured risks.

• Insurance contribute <sup>to</sup> the continuous existence of businesses.

• Insurance is pooling of risks.

Risks → The possibility of occurring damage which can be estimated financially.

Cause → The reason for loss

Damage → Destruction occurred to a insured property due to a cause.

Loss → Assessing the damage in terms of money.

### Insurable risks —

• Characteristics of insurable risks.

1. Risks can be forecasted

2. Risks can be calculated in terms of money

3. The loss should happen in a random way.

4. The loss that has happened should not be related to any other insured loss.

5. The cause for the loss, the place where it occurred, time and amount should be analysed.

eg:- The risk of motor-vehicle accidents.

Damages happen to money in transit

The risk of not receiving the money from a debtor.

