

Benefits of the insurance



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Be aware that when you come back home and share your excitement with your parents they may be a bit sceptical and respond: "... Insurance? Oh! It is a waste of money! If nothing bad happens to your mobile phone you will lose money... ". But that is not actually true. All you paying for is a piece of mind. And that is the first benefit of the insurance to an individual. Then by making a contribution or in other words by paying a premium of i?? 10 in a common pool person can spread the costs which is the second benefit. That means person will avoid financial consequences of buying a new mobile phone costing i??

300. Why? As you already know the risk of mobile phone being damaged, lost or stolen is transferred to insurance company. The idea of insurance being a risk transfer mechanism is closely linked with the third benefit of an insurance which is reducing the severity of the risk occurring. So the money you will pay in insurance premiums is only a small fraction compared with the money you will be paid out from common pool to compensate the financial losses you have faced. This can be said not only about risk presented to your mobile phone but also peoples heath, life or lifestyle.

So if you have a high paying job and can afford lots of things like an expensive car, dinner in restaurants, travel abroad and so on, you can insure against the risk of losing that lifestyle (if you are unlucky to lose your job or face health problems). Insurance has a lot of benefits to businesses too. Fire or any other disasters like flood or a hurricane may damage factory and that will cost a lot of money to rebuild it. Employees may suffer during fire accident and may claim compensation for their health treatment.

Business may suffer if other company stops operating but owes a lot of money to that business. On the opposite scenario business itself can get into trouble owing a lot of money to other people. Employees insurance or third parties insurance protects business from actions caused damage to other people by employees or by business' operations. Insurance protects business reputation and brings more certainty about future prices. But do not get confused! In the examples above insurance does not protect from various events (risks) happening. All insurance does is protects against potential financial consequences.

In other words by having insurance policy business are entitled to compensation if it suffered the losses. When businesses know insurance financially protects them against many forms of risk it impels innovation and brings ultimate development to communities. Moreover by creating common pool, security and peace of mind, by reducing the severity of losses, when the vast funds of money are invested for the prosperity of the economy and the country is relieved from financial burden to compensate the victims of loss all that shows how beneficial the insurance is to communities.

To summarize today you became familiar with the definition of a risk, what does it mean and how you deal with it in your daily life. Then we identified and examined there stages of risk management process which are: risk identification or being aware a risk; second stage was risk evaluation and finally actual risk management. We also analysed the ways of managing the risk. Now you are aware that the two ways physically managing the risk are avoidance and reduction. When we manage risk financially we can go with retention of transferring the risk of financial loss.

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Here is where insurance comes in. The first part of presentation was finished by getting familiar with common pool principal. Second part of our presentation was dedicated to look at more practical aspects of insurance especially the benefits it provides to individuals, businesses and societies. The bottom line is insurance cannot protect you against something bad happening. However what insurance does is protects against potential financial loss and that is the key message to take.