

Insurance term paper examples

[Business](#), [Industries](#)



Introduction

This study, in particular, would tend to gain insight and relevant information on the insurance industry. In order to do so, the history of the insurance would be first taken into consideration. This would significantly help to gain basic information regarding the industry and the target market and target audience of the industry. In addition, the corporate stakeholders of the industry would also be evaluated along with the issues being faced by the stakeholders. For an industry to prosper and flourish in the market, it is essential to take the issues that are being faced by the corporate stakeholders into consideration. This would significantly help to evaluate the response of the industry to resolve the issues of the corporate stakeholders. Moreover, the role of the industry in social, economic and political setting would also be considered. This would help to gain insight regarding the crucial role being played by the insurance industry.

For a business to enhance its growth in the domestic and international market, it needs to follow strict code of conduct along with well established code of ethics. Ethics is a crucial element that guides organizations and industries to justify and act in according with the rules and regulations embedded within the core values. Due to such fact, the domestic and international ethics would also be assessed with an aim to evaluate the industry's ethical standards. The ecological and natural resources that are consumed or used by the industry would also be taken into consideration. This would help to elaborate the level of sustainability incorporated within the industry. In addition, the social issues that are being faced by the industry would also be taken into consideration. The level of social issues

that are managed by the industry would help to identify the social issues that are constantly rising in the insurance industry. Lastly, the overall insurance industry would be rated based on social responsiveness level along with the accomplishments. In addition, the core values of Saint Leo University would be taken into consideration and based on such core values the industry would be rated.

History

Insurance industry in United States had to face various problems and challenges due to high level of known and even more unknown risks in earlier years. Due to such rising challenges, the insurance industry was unaccepted in the American landscape. But the support and appreciation that was provided by Benjamin Franklin helped the industry significantly to finally emerge as one of the most prominent industries in the American Landscape. The first insurance company in America was established by the Philadelphia Contributionship for the insurance of houses that were destroyed due to fire. In earlier years, the houses in London and the rest of the world were almost entirely made of woods. To secure the houses from any accident or unexpected situation, insurance company was established in United States.

The basis of insurance has remained the same throughout the ages that is “guarantee against loss”. The history of insurance dates back to 2100 BC where the Code of Hammurabi was the first ever basic insurance policy. In particular, traders were forced to pay loan as a guarantee of the safe arrival of the goods from one place to another by caravans. In that time, the caravans had to face series of challenges that are quite common in today’s

era as well. The challenges that the travelers had to face included robbery, weather along with breakdowns.

As the history progressed, so did the concept of insurance. With the passage of time, Romans introduced the concept of burial insurance – surviving family members were paid with burial expenses by the members of the club. The first actual insurance contract was signed in the year 1347 in Genoa. Genoa is the place where the term and concept of underwriter came from. In particular, the policies were signed by the individuals and people from different groups by writing their names along with the amount of risk that was being assumed under the insurance proposal. Underwriters have always played an influential role within the insurance industry. Underwriters are the people that calculate the risks based on statistics (Raynes, 1983).

The emergence of a constantly growing nation led to an increase in commerce which eventually led to an increase in risks. The increase in commerce eventually increased the number of ways through which the goods were being damaged and stolen. As a result, higher claims and even higher payouts were hurting the performance of the insurance company. Due to such an increase in claims, the stock members identified an emerging opportunity to establish a profitable business. The first American insurance company was established in the British colony of Charleston. Moreover, the first fire insurance companies were established in New York City and Philadelphia.

With the increase in trade and business, a variety of insurance companies came into existence. Some of the most prominent types of insurance companies are listed below;

- Marine Insurance

- Fire Insurance
- Life Insurance
- Accident Insurance (Aviva, 2013)

Corporate Stakeholders and Response to their Issues

Stakeholders have always played an essential and influential role in the success of the business. Without effective communication and relationship with the stakeholders, the survival of the business has become quite impossible. Some of the most prominent corporate stakeholders in insurance industry are as follows;

- Employees

Employees are the most prominent stakeholders within the insurance industry. Being the foundational strength of the insurance industry, the employees act as key competitive differentiator. The employees are provided with high level of importance and attention within the industry as the performance of the employees can gradually affect the performance of the organization.

The employees are communicated through engagement surveys, focus groups and other communication tools to identify the issues and weakness within the employee along with strengths, employment practices and development need to provide the best result within the industry (Chubb, 2013).

- Customers

Customers are also included in the primary stakeholders of the industry. The customers within the insurance industry are primarily concerned regarding the appraisal and loss control services provided to them. The customers

within the industry are interacted through market research, surveys and participation in industry events and conferences that are tend to motivate the customers to use the services provided to them by variety of organizations operating within the insurance industry (Chubb, 2013).

- Agents and Brokers

The independent agents and brokers play an essential role in bringing customers along with delivering the message effectively to the customers. Agents and brokers are considered to be the most trusted allies within the market through which the industry reach its customers. In addition, fostering relationship with the key agents and brokers within the market is quite important due to which the industry has acknowledged the importance of higher level of relationship with the agents and brokers (Chubb, 2013).

- Government and Industry Relations

Maintaining relationship with government bodies along with state and federal regulators is quite essential and inevitable aspect within the insurance industry. The public policies and regulatory issues are communicated with the agencies and legislative bodies. Moreover, the insurance industry relies heavily on such stakeholders to discuss relevant issues to enhance the performance of organizations operating within the industry along with their key stakeholders (Chubb, 2013).

For the insurance to smoothly operate its business within United States along with the rest of the world, it has become quite essential to respond to corporate stakeholder's issues. Stakeholders can directly influence the performance and survival of organizations within the industry due to which the importance of stakeholders is quite prominent within such industry. The

industry responds to stakeholder's problems through effective communication and interaction through market research, surveys and participation in industry events and conferences.

The Role of the Industry in its Social, Economic, and Political Setting

The insurance industry has emerged with the increase in commerce and trade. With the changes in the business environment, the industry expanded significantly in terms of social, economic and political settings.

Some of the most prominent contributions of insurance industry in terms of social, economic and political setting are as follows;

- Social

Insurance plays an essential role by providing protection to an individual from variety of risks associated with the business. With the passage of time, insurance industry has played an essential role in freeing the individuals from social constraints. Without insurance industry, an individual might have remained dependant on the support of family members or the community. In the most challenging situations, individuals have acknowledged the importance of insurance and have relied upon the use of insurance industry to hedge risks ((Zurich, n. d.).

On the other hand, the social insurance is based on the concept of providing individuals with security to the most possible extent. This eventually indicates that under social insurance, individuals work to enhance his/her future security along with the earnings (Ball, 1961). In fact, Hofstede (1995) pointed out that social insurance provides the individual with confidence and

courage to use insurance to deal with the risks associated with the business or social life. On the other hand, Douglas and Wildavsky (1982) revealed that social insurance in a country highly depends on the unique culture of the country as culture has significant impact on the life of an individual. Due to unique culture of a country, an individual may be affected to averse risk rather than eliminating it through variety of means available in the country.

- Economic

The contribution of insurance industry on the economy of a country is quite difficult to analyze and evaluate as the business conditions are gradually changed from time to time. In addition, the potential to create value in the economy is radically changed due to the insurance industry. But the insurance industry provides the economy with variety of benefits and growth opportunities. The first contribution of insurance industry on the economy of a nation includes the growth opportunities by enhancing the economy-wide value added. The value added can easily be measured through the satisfaction level of the employees along with the industry rising profits. On the other hand, insurance industry has significant impact on the savings rate. This means that by providing the individuals with insurance options, the insurance industry increases the saving rate (Zurich, n. d.).

- Political

The political risks that are covered the insurance industry are quite diverse in nature. Some of the most prominent political risks that are covered by the insurance industry includes; 1) Expropriation, 2) Currency inconvertibility and transfer restrictions, 3) Political violence, 4) Breach of contract and 5) Non-honoring of sovereign financial obligations.

Domestic and International Ethics

The insurance industry in United States and the rest of the world have considered the general ethical principles to guide the industry in the domestic and international market. The common values that are to be demonstrated by the insurance industry and the industry practitioners are as follows;

- Honesty, Integrity and Trustworthiness; for the insurance industry to establish trust with the consumers, qualities such as honesty and integrity are highly relied upon by the industry. Integrity help the industry to successful operation while unequivocal honesty helps to establish trust with the policy holders in the domestic and international insurance sector (USAID, 2006).
- Fairness and Respect; in both domestic and international market, people tend to seek industry where they are treated fairly and with respect. This means that for the insurance industry to operate smoothly, the consumers must be treated with respect and equitably. With such ethical standards, the policymakers and the policyholders tend to create relationship where the essential information is exchanged between both the parties (USAID, 2006).
- Good Faith and Objectivity; the concept of good faith ensures that the policyholders would be provided with undivided attention by the insurance industry. All the actions undertaken by industry professionals must be beneficial to the policyholder.
- Respect for Confidentiality of Information Obtained; gaining sensitive information regarding the policyholder is quite common in insurance industry. Due to such information, the insurance industry takes great

measures to protect the sensitive information from being passed on to other parties.

- Transparency and Proper Presentation of Facts and Details; this means that the shareholders and the policyholders must be provided with clear and detailed information regarding the policies. In addition, the key facts and information associated with the policy should be provided to them in clear and concise way.

Ecological and Natural Resources

Insurance industry being a service industry plays an essential role in the promotion of environmental sustainability. The insurance industry's role in the preservation and improvement in quality of the environmental policy is quite influential through which the concept of environmental sustainability could be highly encouraged (Ahvenharju, Gilbert, Illman, Lunabba, and Vehviläinen, 2011).

- Risks of Damage Caused by the Environment; the damages caused by the environment can be a result of storms, floods, tsunamis and earthquakes along with other natural calamities.

- Risks of Damage Caused to the Environment; the damages caused to the environment are basically the result of increase in traffic that leads to noise pollution along with emission or discharge of gases (Ahvenharju, Gilbert, Illman, Lunabba, and Vehviläinen, 2011).

The main theme of insurance industry for the environmental sustainability is to reduce or minimize the frequency and consequences of risks to the environment. In addition, the insurance industry highly focuses on the actions that could be taken to minimize the impact of natural calamities as

well as natural phenomena (Ahvenharju, Gilbert, Illman, Lunabba, and Vehviläinen, 2011).

Social Issues

The introduction of social security programs in United States is considered to be the most effective and most beneficial programs in the history of United States. Despite the success of the program, the program is consistently facing long-term deficit. Such long-term deficits have put pressures on the policymakers that are continually seeking ways to address the rising social problems i. e. avoiding poverty. The social security program in United States has significantly helped in the reduction of poverty gaps in for senior citizens, but the program is constantly facing pressures due to increase in long-term deficits. As a result, the future generation in United States would have to tolerate higher level of taxation to take optimum advantage from the same security system (Velloso, 2006).

The cause of such problem was the changes in the demographics. As a result of such changes, the life expectancy increased which eventually resulted in the decrease in retirement rate of employees. This eventually indicates that the ratio of money coming in would not be at par with the money going out. On the other hand, it has also been predicted that the concept of social security and IOU's would have to be eliminated due to the rising retirement in forthcoming years. Moreover, the trust funds IOU's along with social security would be depleted till 2037. In order to sustain and maintain the trust funds, the United States government would have to significantly increase the ratio of money (Financial Planning Association, 2013).

Rating of the Industry's Overall Social Responsiveness and its Accomplishments

In order to effectively motivate the investors to provide the organization with capital, CRF has created secondary market that provides it with significant amount of capital that can be invested in public and private nonprofit organizations. With the passage of time, CRF has been consistently providing loans to organization worth more than \$1 billion along with another \$1 billion to distressed communities with an aim to enhance job creation and economic development of the community (Moy, Jensen, and Murrell, 2009).

On the other hand, CRF have played crucial role in enhancing the quality of people's lives by assisting more than 210, 000 families across United States with;

- 16, 242 affordable housing units
- 42, 387 jobs created or retained
- 152, 529 families assisted in community facilities
- Funding for 547 minority- and women-owned businesses (Moy, Jensen, and Murrell, 2009)

Rating of the Industry in relation to the Saint Leo University Core Values

Saint Leo University has served people of all faiths with respect and dignity with an aim to create effective model of life and leadership is constantly challenging environment. The core values of SLU are as follows;

- Excellence
- Community
- Respect

- Responsibility
- Integrity (Saint Leo University, n. d.)

Conclusion

With the rise of commerce in the United States of America, the concept of insurance emerged and with the passage of time became the most prominent concept in the corporate world. With the rise of business emerged the need of more types of insurance. To fulfill the needs of the consumer marine insurance, life insurance, fire insurance along with other types of insurance were introduced in United States.

The insurance industry in United States acknowledges the importance of equitable and fairness through which the industry aims to establish trust with the policyholders. In addition, proper presentation of facts and figures to the policyholders also plays an essential role in the motivation of policyholders. With the rise of businesses in United States, the need of insurance has significantly risen. But with such rise, social issues have also risen to great extent. Social security is one of the social issues that have become a hot topic for debate in insurance industry in United States.

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