Subject : Business studies
Topic : Insurance
Class : JSS2 A&B
Week : Week 7

Learning objectives:
1. Explain Insurance
2. List and explain the types of Insurance
3. Mention the importance of Insurance

Business involves risk taking. The business premises can be destroyed by fire. Goods in warehouse can be destroyed by flood or fire. Vehicles can be involved in accidents resulting in damages to the vehicles, and loss of life. All these are examples of some of the risks involved in running a business. Steps may be taken to guard against these risks. In spite of the steps taken, the risks will still be there. This is why insurance becomes necessary. Insurance is the transfer of risks of loss of life or property from one person to another.
MEANING OF INSURANCE
Insurance is the transfer of risks of loss of life or property from one person (called insured) to another person (called insurer), in return for fixed regular advance payments from the insured to the insurer. The payment made is called insurance premium and the insurer to whom the premium is paid is called insurance company.
PRINCIPLES ON WHICH INSURANCE CONTRACTS ARE BASED
Insurance contracts are based on the following principles without which, the contract becomes invalid.
1. Insurable Interest: This means that the insured must be the one to benefit financially from the insured property
2. Utmost Good Faith: This principle states that a person who takes out an insurance policy must disclose all material facts that will enable the insurance company to assess the extent of risk involved and determine the premium to be charged.
3. Indemnity: This is a principle whereby the insurance company undertakes to pay the insured for losses incurred as a result of the event.
4. Subrogation: This principle applies where a third party is held responsible for the occurrence of the event on which the insurance company has made payment.
5. Proximate Cause: According to this principle, the cause of the loss or damage must be closely connected with the risk insured against. Thus, losses due to age, ordinary wear and tear, etc. cannot be covered.
6. Premium: This is a fixed amount of money paid by the insured to the insurer.
7. Insured: This is a person or organization covered by insurance.
8. Insurer: This is the person or organization that compensate the insured
TYPES OF INSURANCE ARE LISTED BELOW FROM A TO J:

(A) Vehicle Insurance: There are two types of vehicle insurance. One of these is comprehensive insurance and the other, third party insurance. Comprehensive insurance covers all risks to which the vehicle may be exposed. While third party insurance protects against accidents caused to other roads users or other people's property by the vehicle owner. The third party insurance policy is compulsory for every motor vehicle owner.
(b) Fire Insurance: This type of insurance is taken against fire outbreaks in the factories, warehouses where goods are stored etc.
(c) Burglary Insurance: This is taken against burglary which is breaking a place with the intent to steal. This type of insurance will enable the businessman to recover the value of the items burgled.
(d) Marine Insurance: This is a kind of insurance against risks involved when goods are carried by sea.
Types of marine insurance
1. Marine insurance to cover goods: this policy covers the goods only against any misfortune

2. Marine insurance to cover ship: this policy covers the ship that carries the goods against any misfortune.

(e) Life Assurance: There are two types of life assurance policies. One of these is whole life assurance and the other, endowment assurance policy. Whole life assurance policy is taken by an individual to cover his lifetime. The sum assured is payable to his dependents only when he dies. While endowment assurance policy is a fixed term policy in which a lump sum is paid to the assured at the end of the fixed term or to his family if he dies before then.

(f) Pension Insurance: A pension fund is a type of insurance where an employee contributes part of his or her current income to an insurance company with the aim to build a fund for his or her retirement. The federal Government has made pension insurance compulsory for all employees. Government, in order to encourage its own employees in the civil service, contributes 7.5% towards the pension insurance scheme while each employee contributes 7.5% making it 15% total. This is also practice in most of private establishments.

(g) Health Insurance: This is a type of insurance where the insured pays a certain rate (premium) each month to a health insurance company. In return, when the insured is sick, injured or have medical conditions, the insurance company pays the medical or surgical expenses.

(h) Home Insurance: This insurance provides compensation for any misfortune that happens in the home.

Types of Home Insurance

1. Property home insurance: this is the insurance of the building itself.
2. Content home insurance: this the insurance of the items contained in the building, such as furniture, electronics, machines etc.

(i) Disability Insurance: this is the financial converge provided to an individual when they lose the ability to work due to an illness or accident, it can be either long-term disability insurance in which the victim gets benefits for the rest of his/her life or short-term disability which the victim gets benefits only for the maximum period of 2 years.

(j) Business Insurance: this is the financial converge provided to business whenever there is misfortune to business. The most popular business insurance policy is Business Owners Policy (BOP). BOP is that general package policy that covers for business property, business interruption and liability protection against loss or misfortunes. That means companies can buy insurance policy for only business properties, business interruption or business liability protection.

Importance of Insurance

1. Insurance boosts commercial activities
2. It ensures family and business stability in times of crisis.
3. It reduces the risks of business ownership.
4. It serves as a source of fund in case of health challenge.
5. It serves as a continues source of fund to retirees.
6. It provides enough security for goods under shipment.
7. It reduces the burden of loss on the business or individual taking on it.
8. It provides succour for families who loss their breadwinners which are insured.
9. It reduces uncertainty about the future.
10. It helps to raise capital for investment.

ASSIGNMENT

1. Explain five (5) reasons why you should encourage your parents to take insurance.