بسم الله الرحمن الرحیم

English for Loss Adjusters & Loss Assessors

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Risk

- Risk can be defined as:
- The possibility of an unfortunate occurrence
- Uncertainty about the outcome of an activity
- the possibility of loss or failure
- The chance of gain or success
- Changing circumstances leading to a loss

Risk Management

The process of making and implementing decisions that will minimize the adverse effects accidental losses on an organization

Risk Handling

Risk Avoidance:
A conscious decision on the part of the enterprise to avoid completely a particular risk by discontinuing an operation producing the risk is an example that the risk has been identified and evaluated.

Risk Retention:
planned acceptance of losses by deductibles, deliberate noninsurance, and loss-sensitive plans where some, but not all, risk is consciously retained rather than transferred.

Risk Handling

Risk Reduction:

This technique aims at reducing the frequency or severity of the losses.
Risk reduction can be achieved through safety and security measures and by way of organization planning.

Risk Transfer :

There are major means of loss transfer for legally assigning the cost of certain potential losses to another :

1) by contract other than insurance
2) by contract of insurance

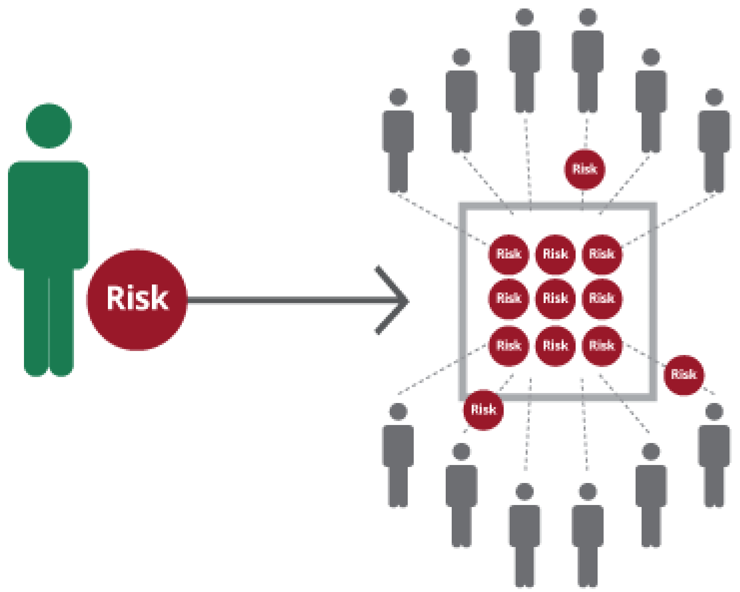
" Risk Transfer" becomes necessary due to the following situations :

a) The loss being too large for an organization to sustain.
b) Organization's legal obligation to transfer the loss.
c) Loss transfer is the most efficient device.

Insurance

- Insurance refers to a contractual arrangement in which one party, insurance company or the insurer, agrees to compensate the loss or damage sustained to another party, the insured, by paying a definite amount, in exchange for an adequate amount called as premium.

Law of Large Numbers (LLN)



- In the field of insurance, the Law of Large Numbers is used to predict the risk of loss or claims of some participants so that the premium can be calculated appropriately.

- Insurance companies must predict losses on a group basis in order to arrive at fair premiums for individuals within groups.

- **Insurer**:

One who undertakes the responsibility of risks i.e. the insurance company.

- **Insured**:

One for whose benefit the insurance is affected i.e. one whose risk is undertaken by the insurance company.

- **Policy**:
  a contract of insurance which promises to provide protection in the event of a covered loss containing terms and conditions of the contract of insurance.

- **Premium**:

It is the consideration (i.e. the price) payable by the insured to the insurer, for the responsibility of risk undertaken by the insurer.

Nature of Insurance contracts

- Nature of contract is a fundamental principle of insurance contract. An insurance contract comes into existence when one party makes an offer or proposal of a contract and the other party accepts the proposal.

- A contract should be simple to be a valid contract. The person entering into a contract should enter with his/her free consent.

Principles of Insurance

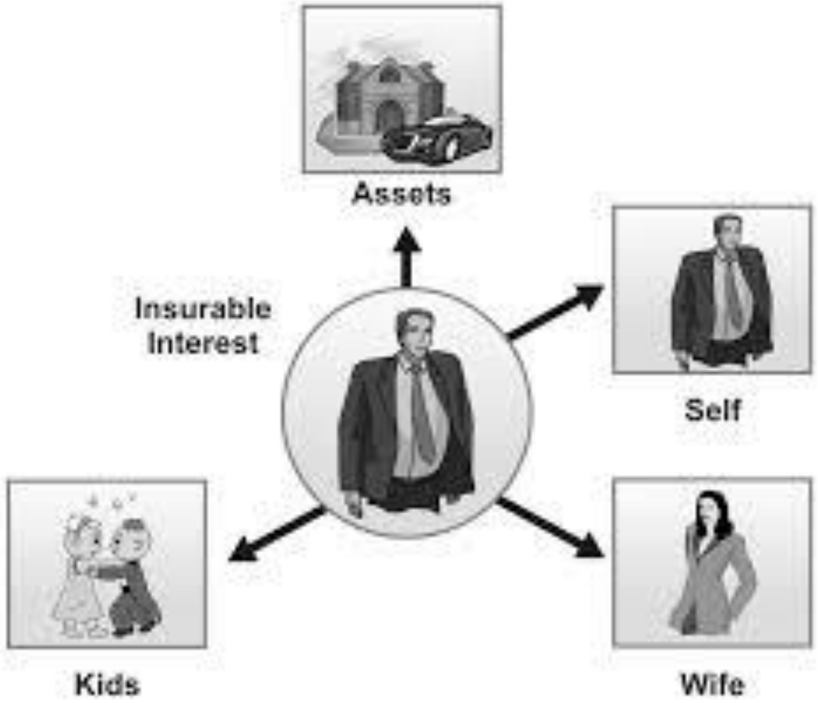
- Utmost good faith
- Insurable Interest
- Indemnity
- Proximate Cause
- Subrogation
- Double Insurance / Contribution
- Arbitration
- Reinsurance

Utmost good faith

- Under insurance contract, both the parties should have faith over each other. As a client it is the duty of the insured to disclose all the facts to the insurance company. Any fraud or misrepresentation of facts can result into cancellation of the contract.

Insurable Interest

- Under this principle of insurance, the insured must have interest in the subject matter of the insurance and suffer in the absence of insurance. If there is no insurable interest, an insurance company will not issue a policy.
- An insurable interest must exist at the time of the purchase of the insurance.



Indemnity

- Indemnity means compensation against loss or damage.
- The principle of indemnity is such principle of insurance stating that an insured may not be compensated by the insurance company in an amount exceeding the insured’s economic loss.

indemnity

Proximate Cause

- Proximate cause literally means the ‘nearest cause’ or ‘direct cause’. This principle is applicable when the loss is the result of two or more causes. The proximate cause means; the most dominant and most effective cause of loss is considered.
- This principle is applicable when there are series of causes of damage or loss.

Subrogation

- The principle of subrogation enables the insurer to claim the amount from the third party responsible for the loss. It allows the insurer to pursue legal methods to recover the amount of loss, For example, if you get injured in a road accident, due to reckless driving of a third party, the insurance company will compensate your loss and will also sue the third party to recover the money paid as claim.

Double Insurance / Contribution

- Double insurance denotes insurance of same subject matter with two different companies or with the same company under two different policies.

- The insured cannot recover more than the actual loss and cannot claim the whole amount from both the insurers.

Arbitration

- Arbitration is the process of using a third party to settle an insurance dispute between an insurer and a policyholder.
- Arbitration is often preferred by insurance companies and policyholders because it can be cheaper and less time consuming than trying to resolve the issue in court with lawyers and a judge or jury.

Reinsurance

- Reinsurance is a transaction whereby one insurance company (the “reinsurer”) agrees to indemnify another insurance company (the “reinsured, or “primary” company) against all or part of the loss that the latter sustains under a policy or policies that it has issued.
- For this service, the primary company pays the reinsurer a premium.
- The purpose of reinsurance is the same as that of insurance: to spread risk.
- Reinsurance helps protect insurers against unforeseen or extraordinary losses by allowing them to spread their risks

Lines of Insurance

- insurance policies can be placed under two branch:

➢ life insurance

➢ non- life insurance

life insurance

- This branch of insurance is also called "personal insurance", which is classified into the following categories:

➢ Life Insurance

➢ Health Insurance

➢ Accident Insurance

non- life insurance

- This branch of insurance is also called "Property and Liability insurances", which is classified into the following categories:

➢ Property Insurance

➢ Pecuniary insurance

➢ Liability Insurance

➢ Engineering Insurance

➢ Fire Insurance

➢ Marine Insurance

➢ Aviation Insurance

➢ Motor Insurance

Professionals in the insurance industry

- ➢Underwriters
- ➢Agents & Broker
- ➢Claimant
- ➢Loss adjusters & Loss assessors

Underwriters

- Insurance underwriters are professionals who evaluate and analyze the risks involved in insuring people and assets. Insurance underwriters establish pricing for accepted insurable risks.

Agents & Broker

- **insurance broker**

An insurance broker is a professional who acts as an intermediary between a consumer and an insurance company, helping the former find a policy that best suits their needs. Insurance brokers represent consumers, not insurance companies, and therefore they can't bind coverage on behalf of the insurer.

- **insurance agent**

An insurance agent is a professional who sells an insurance company's products to consumers for a commission. An agent helps consumers select the right insurance to buy, but represents the insurance company in the transaction.

Claimant

- A claimant is a person or business entity that files a claim for benefits under the provisions of an insurance policy.
- A claimant can be the person or entity that purchased the insurance and is listed on the policy's declarations page.

Loss adjusters & Loss assessors

- Loss Adjusters are claims specialists. They are required to have specific qualifications in relation to their field of expertise.
- Loss Assessors are appointed by a person or a group making a claim. The person making the claim will pay their fees and employ them to deal with substantial claims.

Claim Process

1.Written notice to the insurer

2. Assigned to adjuster

- Loss adjuster should ensure whether the insurance policy is valid; all the premiums are paid up to date; the insurance policy covers the particular loss or damage and whether all the conditions stated in the insurance policy are met by the policyholder; determine the cause of loss; the fair amount to be paid…

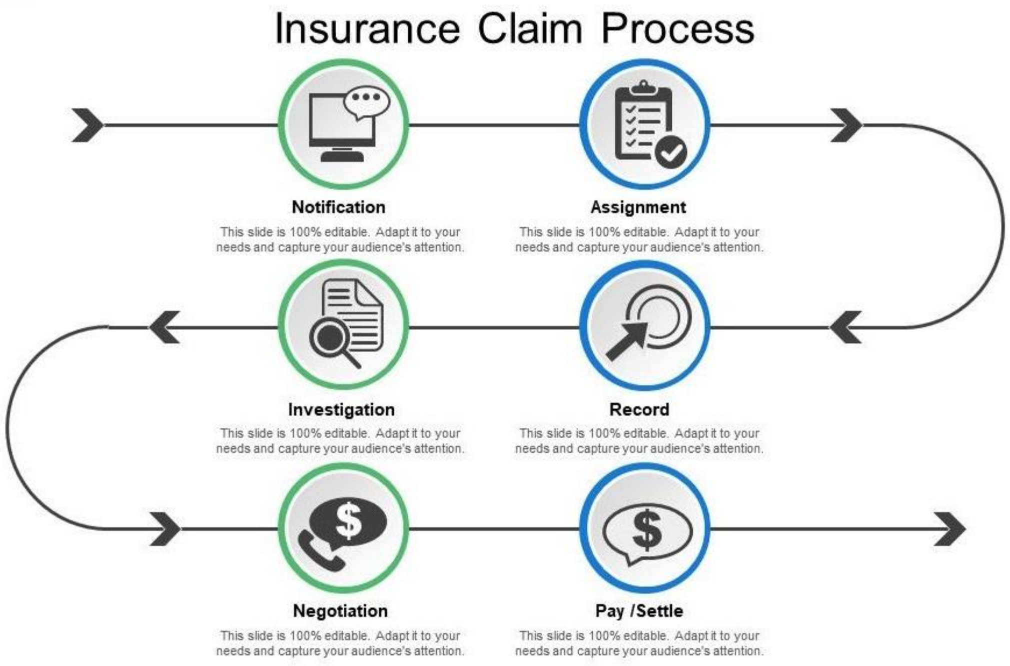
3. Investigation

4. Initial coverage determination,
Reservation of rights

5. Claim calculations

Estimated amount by adjuster; any deductions and franchises according to the policy

6. Payment



- **solvency**

A solvency ratio measures the extent to which assets cover commitments for future payments, the liabilities. The solvency ratio of an insurance company is the size of its capital relative to all risks it has taken.

- **extensions**

Extended coverage is a term used in the property insurance.

Extended coverage added insurance against loss by the perils of windstorm, hail, explosion, civil commotion, riot and strike, aircraft damage, vehicle damage, and smoke damage.

- **unilateral contract**

a contract in which only one party makes an enforceable promise. Most insurance policies are unilateral contracts in that only the insurer makes a legally enforceable promise to pay covered claims. By contrast, the insured makes few, if any, enforceable promises to the insurer.

- **Proposal Form**

A form completed by the policyholder when applying for insurance. He/she will need to fill in information about the risk which is insuring

- **Policy**

written evidence of the contract between the insurer and insured.

- **Premium**

The amount you pay to insurers when you take out an insurance policy, in exchange for the cover provided

- **pure premium**

is the amount of money an insurer must pay to cover claims, including the costs to administer and investigate such claims.

- **Endorsement**:

An amendment or addition to an existing insurance contract which changes the terms or scope of the original policy. Endorsements may also be referred to as riders. An insurance endorsement may be used to add, delete, exclude or otherwise alter coverage.

- **General Conditions:**

As rules of the policy, they outline duties and contract obligations. Virtually all insurance policies contain conditions, which are rules of the policy. They also describe the duties each is obligated to fulfil under the insurance contract.

- **Special Conditions:**

Additional conditions attached to a standard policy which are agreed between insurer and insured for each and every individual policy separately.

- **Express condition**

An express condition occurs when both parties agree that an event, or series of events, must occur before the burden of responsibility to complete the contract arises.

- **Policy Schedule:**

Also known as a schedule of insurance. It is the part of the insurance contract that identifies the policyholder and details the property and persons covered, the amount of coverage, the exclusions, the deductibles, and the payment mode and schedule

- **No Claim Bonus (NCB):**

Is a reward, given by an insurer to a policyholder for making no claims during the policy term.

Primary insurance:

is a health insurance plan that covers a person as an employee, subscriber, or member. Primary insurance is billed first when you receive health care. For example, health insurance you receive through your employer is typically your primary insurance.

- **Hazard**

 Conditions which influences the operation of the peril. Hazard can be Physical or Moral.

- **Physical hazard**

 relates to the physical nature of the risk and includes any measurable dimension of the risk.

Moral hazard

 arises from the attitude and conduct of people.

- **Peril**

An event, such as storm, fire or flood, which can cause loss

- **Loss**

is the injury or damage sustained by the insured in consequence of the happening of one or more of the accidents or misfortunes against which the insurer, in consideration of the premium, has undertaken to indemnify the insured.

- **Exclusions Clauses (or Exception)**

Those perils named in the policy as not covered.

- **Underinsurance**

refers to an insufficient insurance policy.

Keywords

- **Claim**

An insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event.

- **Claim File**

The file that is created to record all of the detail and correspondence that needs to be recorded for the purpose of handling the claim.

- **Claim Form**

The printed form prepared by the insurer for completion by the insured when the latter wishes to make a claim

- **Claims Handling Expenses**

The direct costs of investigation and settlement as distinct from the payments of the claims themselves. These include loss adjusters' fees.

- **Claims Experience**

The insured's claims history with regard to the cost and frequency of previous claims.

- **Claims Reserve**

The provision made in the accounts of an insurer in respect of claims notified but not yet settled.

- **Agreed Value:**

(Usually associated with motor vehicle insurance) A car's agreed value is set at the beginning of each period of cover. It is based on the fair value given then for the cars make and model in the motor trade's most commonly accepted price handbook. The value doesn't change for the period of cover.

- **Effective date**

The date on which the cover of an insurance policy commences

- **Expiry date**

The date upon which a policy ends

- **Claim Report:**

includes the specifics of the claim. It provides a detailed description of the loss, the cause or causes of the loss, and the claim of the insured based on their insurance coverage

- **Outstanding Losses:**

losses that have been reported to the insurer but are still in the process of settlement.

- **Incurred but not reported (IBNR) Claims:**

is the amount owed by an insurer to all valid claimants who have had a covered loss but have not yet reported it. Since the insurer knows neither how many of these losses have occurred, nor the severity of each loss, IBNR is necessarily an estimate.

- **Claims Ratio:**

The claims ratio is the percentage of loss costs incurred in relation to the premiums earned

- **Actual total loss**

Where the property insured is completely destroyed or so badly damaged that it ceases to be a thing of the kind insured.

- **Constructive total loss**

when the cost for repair of an item is more than the current value of that item.

- **Claims history**

The history of losses suffered by an insured which have been covered by insurance

- **Lapsed policy:**

A policy which has been allowed to expire because of non payment of premiums.

- **Open policy**

A type of insurance policy intended to cover and indefinite number of future individual requirement.

- **Reserves**

An insurer will set aside funds from its premiums and/or profits to meet known or anticipated claims in the future

- **Sum insured**

The maximum liability of the insurer’s liability under an insurance contract.

God Bless You!