

Newsletter 2021

Vo1.9
July Edition



CICL CONNECTIONS

The official newsletter of Corp-EFF Insurance Company Ltd



The Role of Risk in Insurance

Author: Hyacinth Durand-Ducreay

What exactly does the term "risk" imply? The term can be used to refer to the risk that is covered, for as the risk of fire or theft. The term can also refer to the 'thing' being insured, or the insurance's object; for example, the risk could be an automobile, a house or your Life. Underwriters may also refer to being 'on risk' in connection to a specific account.

By focusing on the term 'risk' to refer to a potential hazard, we can begin to grasp how different risks affect us in our daily lives. As part of our personal and professional lives, we all face dangers.

It's impossible to come up with a single, comprehensive definition of risk, however the following are some possibilities:

- ♦ Doubt concerning the outcome of a situation.
- ♦ Unpredictability.
- ♦ The possibility of loss.
- ♦ The chance of a loss.

Think, for example, about owning a car. There are many risks associated with this, including:

- ♦ the car being stolen in the future;
- ♦ a car accident with or without injury to the driver;

- ♦ injuring others as a result of a car accident;
- ♦ damage to the car caused by another driver;
- ♦ the car depreciating in value.

Most of these risks are covered by insurance, and the owner can be shielded from the financial consequences of any loss if a suitable policy is in place. The individual who is insured has no way of knowing how much an occurrence will cost in advance. The purpose of insurance is to cover an unknown loss (the chance of injury, loss, or damage) with a given cost (the premium).

Insurance is defined as a risk transfer mechanism when an insurer accepts an unknown prospective risk in exchange for a predetermined premium. It gives the policyholder peace of mind because the uncertainty of a potential future loss has been replaced by the certainty of the agreed premium.

Corp-EFF Insurance covers risks associated with Mortgage Protection. Life Savings, Loan Protection and Family Bereavement.

Visit the products page on our website at www.corpeffinsurance.com to learn more.

References

(Chartered Insurance Institute, 2020-2021)

*"We Take Away the
Risk, You are Insured"*