WHAT IS INSURANCE?

Insurance

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

An insurer, or insurance carrier, is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (indemnify) the insured in the case of a financial (personal) loss. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.

Insurability

Risk which can be insured by private companies typically share seven common characteristics:

Large number of similar exposure units: Since insurance operates through pooling resources, the majority of insurance policies are provided for individual members of large classes, allowing insurers to benefit from the law of large numbers in which predicted losses are similar to the actual losses. Exceptions include Lloyd's of London, which is famous for insuring the life or health of actors, sports figures and other famous individuals. However, all exposures will have particular differences, which may lead to different premium rates.

Definite loss: The loss takes place at a known time, in a known place, and from a known cause. The classic example is death of an insured person on a life insurance policy. Fire, automobile accidents, and worker injuries may all easily meet this criterion. Other types of losses may only be definite in theory. Occupational disease, for instance, may involve prolonged exposure to injurious conditions where no specific time, place or cause is identifiable. Ideally, the time, place and cause of a loss should be clear enough that a reasonable person, with sufficient information, could objectively verify all three elements.

Acidental loss: The event that constitutes the trigger of a claim should be fortuitous, or at least outside the control of the beneficiary of the insurance. The loss should be pure, in the sense that it results from an event for which there is only the opportunity for cost. Events that contain speculative elements, such as ordinary business risks or even purchasing a lottery ticket, are generally not considered insurable.

Large loss: The size of the loss must be meaningful from the perspective of the insured. Insurance premiums need to cover both the expected cost of losses, plus the cost of issuing and administering the policy, adjusting losses, and supplying the capital needed to reasonably assure that the insurer will be

able to pay claims. For small losses these latter costs may be several
times the size of the expected cost of losses. There is hardly any point in paying such costs unless the protection offered has real value to a buyer.

Affordable premium: If the likelihood of an insured event is so high, or the cost of the event so large, that the resulting premium is large relative to the amount of protection offered, it is not likely that the insurance will be purchased, even if on offer. Further, as the accounting profession formally recognizes in financial accounting standards, the premium cannot be so large that there is not a reasonable chance of a significant loss to the insurer. If there is no such chance of loss, the transaction may have the form of insurance, but not the substance. (See the US Financial Accounting Standards Board standard number 113)

Calculable loss: There are two elements that must be at least estimable, if not formally calculable: the probability of loss, and the attendant cost. Probability of loss is generally an empirical exercise, while cost has more to do with the ability of a reasonable person in possession of a copy of the insurance policy and a proof of loss associated with a claim presented under that policy to make a reasonably definite and objective evaluation of the amount of the loss recoverable as a result of the claim.

Limited risk of catastrophically large losses: Insurable losses are ideally independent and non-catastrophic, meaning that the losses do not happen all at once and individual losses are not severe enough to bankrupt the insurer; insurers may prefer to limit their exposure to a loss from a single event to some small portion of their capital base. Capital constrains insurers' ability to sell earthquake insurance as well as wind insurance in hurricane zones. In the US, flood risk is insured by the federal government. In commercial fire insurance it is possible to find single properties whose total exposed value is well in excess of any individual insurer's capital constraint. Such properties are generally shared among several insurers, or are insured by a single insurer who syndicates the risk into the reinsurance market.

Legal

When a company insures an individual entity, there are basic legal requirements. Several commonly cited legal principles of insurance include:

Indemnity – the insurance company indemnifies, or compensates, the insured in the case of certain losses only up to the insured's interest.

Insurable interest – the insured typically must directly suffer from the loss. Insurable interest must exist whether property insurance or insurance on a person is involved. The concept requires that the insured have a "stake" in the loss or damage to the life or property insured. What that "stake" is will be determined by the kind of insurance involved and the nature of the property ownership or relationship between the persons. The requirement of an insurable interest is what distinguishes insurance from gambling.

Utmost good faith – the insured and the insurer are bound by a good faith bond of honesty and fairness. Material facts must be disclosed.

Contribution – insurers which have similar obligations to the insured contribute in the indemnification, according to some method.

Subrogation – the insurance company acquires legal rights to pursue recoveries on behalf of the insured; for example, the insurer may sue those liable for insured's loss.

Causa proxima, or proximate cause – the cause of loss (the peril) must be covered under the insuring agreement of the policy, and the dominant cause must not be excluded

Mitigation - In case of any loss or casualty, the asset owner must attempt to keep loss to a minimum, as if the asset was not insured.

Indemnification

To "indemnify" means to make whole again, or to be reinstated to the position that one was in, to the extent possible, prior to the happening of a specified event or peril. Accordingly, life insurance is generally not considered to be indemnity insurance, but rather "contingent" insurance (i.e., a claim arises on the occurrence of a specified event). There are generally two types of insurance contracts that seek to indemnify an insured:
an "indemnity" policy, and
a "pay on behalf" or "on behalf of" policy.

The difference is significant on paper, but rarely material in practice. An "indemnity" policy will never pay claims until the insured has paid out of pocket to some third party; for example, a visitor to your home slips on a floor that you left wet and sues you for $10,000 and wins. Under an "indemnity" policy the homeowner would have to come up with the $10,000 to pay for the visitor's fall and then would be "indemnified" by the insurance carrier for the out of pocket costs (the $10,000).

Under the same situation, a "pay on behalf" policy, the insurance carrier would pay the claim and the insured (the homeowner in the above example) would not be out of pocket for anything. Most modern liability insurance is written on the basis of "pay on behalf" language.

An entity seeking to transfer risk (an individual, corporation, or association of any type, etc.) becomes the 'insured' party once risk is assumed by an 'insurer', the insuring party, by means of a contract, called an insurance policy. Generally, an insurance contract includes, at a minimum, the following elements: identification of participating parties (the insurer, the insured, the beneficiaries), the premium, the period of coverage, the particular loss event covered, the amount of coverage (i.e., the amount to be paid to the insured or beneficiary in the event of a loss), and exclusions (events not covered). An insured is thus said to be "indemnified" against the loss covered in the policy.

When insured parties experience a loss for a specified peril, the coverage entitles the policyholder to make a claim against the insurer for the covered amount of loss as specified by the policy. The fee paid by the insured to the insurer for assuming the risk is called the premium. Insurance premiums from many insured’s are used to fund accounts reserved for later payment of claims — in theory for a relatively few claimants — and for overhead costs. So long as an insurer maintains adequate funds set aside for anticipated losses (called reserves), the remaining margin is an insurer's profit.

Effects

Insurance can have various effects on society through the way that it changes who bears the cost of losses and damage. On one hand it can increase fraud, on the other it can help societies and individuals prepare for catastrophes and mitigate the effects of catastrophes on both households and societies. Insurance can influence the probability of losses through moral hazard, insurance fraud, and preventive steps by the insurance company. Insurance scholars have typically used morale hazard to refer to the increased loss due to unintentional carelessness and moral hazard to refer to increased risk due to intentional carelessness or indifference. Insurers attempt to address carelessness through inspections, policy provisions requiring certain types of maintenance, and possible discounts for loss mitigation efforts. While in theory insurers could encourage investment in loss reduction, some commentators have argued that in practice insurers had historically not aggressively pursued loss control measures - particularly to prevent disaster losses such as hurricanes - because of concerns over rate reductions and legal battles. However, since about 1996 insurers began to take a more active role in loss mitigation, such as through building codes.

Insurers' Business Model

Underwriting and investing

The business model is to collect more in premium and investment income than is paid out in losses, and to also offer a competitive price which consumers will accept. Profit can be reduced to a simple equation:

Profit = earned premium + investment income - incurred loss - underwriting expenses.

Insurers make money in two ways:

Through underwriting, the process by which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks;

By investing the premiums they collect from insured parties.

The most complicated aspect of the insurance business is the actuarial science of ratemaking (price-setting) of policies, which uses statistics and probability to approximate the rate of future claims based on a given risk. After producing rates, the insurer will use discretion to reject or accept risks through the underwriting process.

At the most basic level, initial ratemaking involves looking at the frequency and severity of insured perils and the expected average payout resulting from these perils. Thereafter an insurance company will collect historical loss data, bring the loss data to present value, and compare these prior losses to the premium collected in order to assess rate adequacy.[8] Loss ratios and expense loads are also used. Rating for different risk characteristics involves at the most basic level comparing the losses with "loss relativities" - a policy with twice as many losses would therefore be charged twice as much. More complex multivariate analyses are sometimes used when multiple characteristics are involved and a univariate analysis could produce confounded results. Other statistical methods may be used in assessing the probability of future losses.

Upon termination of a given policy, the amount of premium collected and the investment gains thereon, minus the amount paid out in claims, is the insurer's underwriting profit on that policy. Underwriting performance is measured by something called the "combined ratio"[9] which is the ratio of expenses/losses to premiums. A combined ratio of less than 100 percent indicates an underwriting profit, while anything over 100 indicates an underwriting loss. A company with a combined ratio over 100% may nevertheless remain profitable due to investment earnings. Furthermore, it may not be advantageous for an insurer to rely on underwriting profits, as it may be a sign of exorbitant premiums.

Insurance companies earn investment profits on "float". Float, or available reserve, is the amount of money on hand at any given moment that an insurer has collected in insurance premiums but has not paid out in claims. Insurers start investing insurance premiums as soon as they are collected and continue to earn interest or other income on them until claims are paid out. The Association of British Insurers (gathering 400 insurance companies and 94% of UK insurance services) has almost 20% of the investments in the London Stock Exchange.

In the United States, the underwriting loss of property and casualty insurance companies was $142.3 billion in the five years ending 2003. But overall profit for the same period was $68.4 billion, as the result of float. Some insurance industry insiders, most notably Hank Greenberg, do not believe that it is forever possible to sustain a profit from float without an underwriting profit as well, but this opinion is not universally held.

Naturally, the float method is difficult to carry out in an economically depressed period. Bear markets do cause insurers to shift away from investments and to toughen up their underwriting standards, so a poor economy generally means high insurance premiums. This tendency to swing between profitable and unprofitable periods over time is commonly known as the underwriting, or insurance, cycle.

Claims

Claims and loss handling is the materialized utility of insurance; it is the actual "product" paid for. Claims may be filed by insureds directly with the insurer or through brokers or agents. The insurer may require that the claim be filed on its own proprietary forms, or may accept claims on a standard industry form, such as those produced by ACORD.

Insurance company claims departments employ a large number of claims adjusters supported by a staff of records management and data entry clerks. Incoming claims are classified based on severity and are assigned to adjusters whose settlement authority varies with their knowledge and experience. The adjuster undertakes an investigation of each claim, usually in close cooperation with the insured,

determines if coverage is available under the terms of the insurance contract, and if so, the reasonable monetary value of the claim, and authorizes payment.
The policyholder may hire their own public adjuster to negotiate the settlement with the insurance company on their behalf. For policies that are complicated, where claims may be complex, the insured may take out a separate insurance policy add on, called loss recovery insurance, which covers the cost of a public adjuster in the case of a claim.

Adjusting liability insurance claims is particularly difficult because there is a third party involved, the plaintiff, who is under no contractual obligation to cooperate with the insurer and may in fact regard the insurer as a deep pocket. The adjuster must obtain legal counsel for the insured (either inside "house" counsel or outside "panel" counsel), monitor litigation that may take years to complete, and appear in person or over the telephone with settlement authority at a mandatory settlement conference when requested by the judge.

If a claims adjuster suspects under-insurance, the condition of average may come into play to limit the insurance company's exposure.

In managing the claims handling function, insurers seek to balance the elements of customer satisfaction, administrative handling expenses, and claims overpayment leakages. As part of this balancing act, fraudulent insurance practices are a major business risk that must be managed and overcome. Disputes between insurers and insureds over the validity of claims or claims handling practices occasionally escalate into litigation (see insurance bad faith).

Marketing

Insurers will often use insurance agents to initially market or underwrite their customers. Agents can be captive, meaning they write only for one company, or independent, meaning that they can issue policies from several companies. The existence and success of companies using insurance agents is likely due to improved and personalized service.

LINES OF INSURANCE

Marine Hull Insurance

Covers the loss or damage of vessels at sea or on inland waterways, and of cargo in transit, regardless of the method of transit. When the owner of the cargo and the carrier are separate corporations, marine cargo insurance typically compensates the owner of cargo for losses sustained from fire, shipwreck, etc., but excludes losses that can be recovered from the carrier or the carrier's insurance. Many marine insurance underwriters will include "time element" coverage in such policies, which extends the indemnity to cover loss of profit and other business expenses attributable to the delay caused by a covered loss.

Contractor’s All Risk Insurance

Also known as Builder's risk insurance is a special type of property insurance which indemnifies against damage to buildings while they are under construction.[1] Builder's risk insurance is "coverage that protects a person's or organization's insurable interest in materials, fixtures and/or equipment being used in the construction or renovation of a building or structure should those items sustain physical loss or damage from a covered cause.
It also covers liability towards third parties while executing civil construction work.

Fire & Allied Perils Insurance

Fire insurance covers your property against fire and other similar perils such as Lightning, Explosion, Aircraft damage, Impact Damage, Earthquake, Storm, Tempest, Flood, Bursting and overflowing of water tanks apparatus or pipes, Riot/strikes/civil commotion, Malicious damage, impact of vehicles, and burglary.
Unlike Property All Risk insurance, under this class of insurance, only the named perils are covered.

Property All Risk Insurance

Property insurance provides protection against risks to property, such as fire, theft or weather damage. This may include specialized forms of insurance such as fire insurance, flood insurance, earthquake insurance, home insurance, inland marine insurance or boiler insurance. The term property insurance may, like casualty insurance, be used as a broad category of various subtypes of insurance, some of which are listed below:

Aviation insurance
Protects aircraft hulls and spares, and associated liability risks, such as passenger and third-party liability. Airports may also appear under this subcategory, including air traffic control and refueling operations for international airports through to smaller domestic exposures.

Boiler insurance
Also known as boiler and machinery insurance, or equipment breakdown insurance) insures against accidental physical damage to boilers, equipment or machinery.

Crop insurance
May be purchased by farmers to reduce or manage various risks associated with growing crops. Such

risks include crop loss or damage caused by weather, hail, drought, frost damage, insects, or disease.

Earthquake insurance
Is a form of property insurance that pays the policyholder in the event of an earthquake that causes damage to the property. Most ordinary home insurance policies do not cover earthquake damage. Earthquake insurance policies generally feature a high deductible. Rates depend on location and hence the likelihood of an earthquake, as well as the construction of the home.

Fidelity bond
Is a form of casualty insurance that covers policyholders for losses incurred as a result of fraudulent acts by specified individuals. It usually insures a business for losses caused by the dishonest acts of its employees.

Flood insurance
Protects against property loss due to flooding. Many insurers in the US do not provide flood insurance in some parts of the country. In response to this, the federal government created the National Flood Insurance Program which serves as the insurer of last resort.

Home insurance,
Also commonly called hazard insurance or homeowners insurance (often abbreviated in the real estate industry as HOI), provides coverage for damage or destruction of the policyholder's home. In some geographical areas, the policy may exclude certain types of risks, such as flood or earthquake that require additional coverage. Maintenance-related issues are typically the homeowner's responsibility. The policy may include inventory, or this can be bought as a separate policy, especially for people who rent housing. In some countries, insurers offer a package which may include liability and legal responsibility for injuries and property damage caused by members of the household, including pets.

Landlord insurance
Covers residential and commercial properties which are rented to others. Most homeowners' insurance covers only owner-occupied homes.

Marine insurance and marine cargo insurance
Cover the loss or damage of vessels at sea or on inland waterways, and of cargo in transit, regardless of the method of transit. When the owner of the cargo and the carrier are separate corporations, marine cargo insurance typically compensates the owner of cargo for losses sustained from fire, shipwreck, etc., but excludes losses that can be recovered from the carrier or the carrier's insurance. Many marine insurance underwriters will include "time element" coverage in such policies, which extends the indemnity to cover loss of profit and other business expenses attributable to the delay caused by a covered loss.

Supplemental natural disaster insurance
Covers specified expenses after a natural disaster renders the policyholder's home uninhabitable. Periodic payments are made directly to the insured until the home is rebuilt or a specified time period has elapsed.

Surety bond insurance is a three-party insurance guaranteeing the performance of the principal.

Terrorism insurance
Provides protection against any loss or damage caused by terrorist activities. **Volcano insurance** Is a specialized insurance protecting against damage arising specifically from volcanic eruptions.

Windstorm insurance

Is an insurance covering the damage that can be caused by wind events such as hurricanes.

Group Medical Insurance Medical insurance

is insurance against the risk of incurring medical expenses among individual groups. By estimating the overall risk of health care and health system expenses among a targeted group, an insurer can develop a routine finance structure, such as a monthly premium or payroll tax, to ensure that money is available to pay for the health care benefits specified in the insurance agreement. The benefit is administered by a central organization such as a government agency, private business, or not-for-profit entity.

Machinery Breakdown Insurance

Machinery Breakdown Insurance Policy protects the machinery against sudden and unforeseen breakdown/ s of installed machinery whilst it is in operation. Machinery Insurance covers diverse spectrum of machines and equipment in commercial and production facilities, such as Power generating units (boilers, turbines, generators, gas turbines, etc), Power distribution plant (transformers, high- and low-voltage switchgear, etc) Production machinery, plant and equipment (electric motors, compressors, pumps, gear boxes vessels, reactors, etc) Machinery Insurance is a supplementary cover for the machinery/equipment which are otherwise required to be insured along with building, stock etc on the premises under the standard fire/property policy

Money Insurance

This type of insurance usually goes with the property all risk cover; it covers clients from risks of loss of money in safe & in transit due to fire or theft. Cash in Safe or while in transit cover will not protect business owners against embezzlements or theft by business owner’s employees which is usually covered under fidelity guarantee insurance.

General Liability Insurance

Liability insurance is a very broad superset that covers legal claims against the insured. Many types of insurance include an aspect of liability coverage. For example, a homeowner's insurance policy will normally include liability coverage which protects the insured in the event of a claim brought by someone who slips and falls on the property; automobile insurance also includes an aspect of liability insurance that indemnifies against the harm that a crashing car can cause to others' lives, health, or property. The protection offered by a liability insurance policy is twofold: a legal defense in the event of a lawsuit commenced against the policyholder and indemnification (payment on behalf of the insured) with respect to a settlement or court verdict. Liability policies typically cover only the negligence of the insured, and will not apply to results of willful or intentional acts by the insured.

Public liability insurance

Covers a business or organization against claims should its operations injure a member of the public or damage their property in some way.

Directors and officers liability insurance (D&O)

Protects an organization (usually a corporation) from costs associated with litigation resulting from errors made by directors and officers for which they are liable.

Environmental liability insurance

Protects the insured from bodily injury, property damage and cleanup costs as a result of the dispersal, release or escape of pollutants. • Errors and omissions insurance (E&O) is business liability insurance for professionals such as insurance agents, real estate agents and brokers, architects, third-party administrators (TPAs) and other business professionals.

Prize indemnity insurance

Protects the insured from giving away a large prize at a specific event. Examples would include offering prizes to contestants who can make a half-court shot at a basketball game, or a hole-in-one at a golf tournament.

Professional liability insurance,

Also called professional indemnity insurance (PI), protects insured professionals such as architectural corporations and medical practitioners against potential negligence claims made by their patients/clients. Professional liability insurance may take on different names depending on the profession. For example, professional liability insurance in reference to the medical profession may be called medical malpractice insurance.

Group Life Insurance

Group life insurance (also known as wholesale life insurance or institutional life insurance) is term insurance covering a group of people, usually employees of a company, members of a union or association, or members of a pension or superannuation fund. Individual proof of insurability is not normally a consideration in the underwriting. Rather, the underwriter considers the size, turnover and financial strength of the group. Contract provisions will attempt to exclude the possibility of adverse selection. Group life insurance often includes a provision for a member exiting the group to buy individual coverage.

Motor Comprehensive Insurance / Auto Insurance

Motor insurance (also known as auto insurance, GAP insurance, car insurance, or Vehicle insurance) is insurance purchased for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage and/or bodily injury resulting from traffic collisions and against liability that could also arise therefrom. The specific terms of vehicle insurance vary with legal regulations in each region. To a lesser degree vehicle insurance may additionally offer financial protection against theft of the vehicle and possibly damage to the vehicle, sustained from things other than traffic collisions. Coverage typically includes: 1. Property coverage, for damage to or theft of the car; 2. Liability coverage, for the legal responsibility to others for bodily injury or property damage; 3. Medical coverage, for the cost of treating injuries, rehabilitation and sometimes lost wages and funeral expenses. Most countries, such as the United Kingdom, require drivers to buy some, but not all, of these coverage's. When a car is used as collateral for a loan the lender usually requires specific coverage.

Small Groups & Individual Medical Insurance for small business owners and single investors.

Medical insurance is insurance against the risk of incurring medical expenses among individual groups. By estimating the overall risk of health care and health system expenses among a targeted group, an insurer can develop a routine finance structure, such as a monthly premium or payroll tax, to ensure that money is available to pay for the health care benefits specified in the insurance agreement. The benefit is administered by a central organization such as a government agency, private business, or not-for-profit entity.

Accident, sickness and unemployment insurance

Workers' compensation, or employers' liability insurance, is compulsory in some countries
Disability insurance policies provide financial support in the event of the policyholder becoming unable to work because of disabling illness or injury. It provides monthly support to help pay such obligations as mortgage loans and credit cards. Short-term and long-term disability policies are available to individuals, but considering the expense, long-term policies are generally obtained only by those with at least six-figure incomes, such as doctors, lawyers, etc. Short-term disability insurance covers a person for a period typically up to six months, paying a stipend each month to cover medical bills and other necessities.

Long-term disability insurance covers an individual's expenses for the long term, up until such time as they are considered permanently disabled and thereafter. Insurance companies will often try to encourage the person back into employment in preference to and before declaring them unable to work at all and therefore totally disabled.

Disability overhead insurance allows business owners to cover the overhead expenses of their business while they are unable to work.

Total permanent disability insurance provides benefits when a person is permanently disabled and can no longer work in their profession, often taken as an adjunct to life insurance.

Workers' compensation insurance replaces all or part of a worker's wages lost and accompanying medical expenses incurred because of a job-related injury.

Savings & Investment with Protection

Life Insurance

Retirement

Education

Investment & Savings

Life Insurance Life insurance provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity. Annuities provide a stream of payments and are generally classified as insurance because they are issued by insurance companies, are regulated as insurance, and require the same kinds of actuarial and investment management expertise that life insurance requires. Annuities and pensions that pay a benefit for life are sometimes regarded as insurance against the possibility that a retiree will outlive his or her financial resources. In that sense, they are the complement of life insurance and, from an underwriting perspective, are the mirror image of life insurance. Certain life insurance contracts accumulate cash values, which may be taken by the insured if the policy is surrendered or which may be borrowed against. Some policies, such as annuities and endowment policies, are financial instruments to accumulate or liquidate wealth when it is needed. In many countries, such as the US and the UK, the tax law provides that the interest on this cash value is not taxable under certain circumstances. This leads to widespread use of life insurance as a tax-efficient method of saving as well as protection in the event of early death. In the US, the tax on interest income on life insurance policies and annuities is generally deferred. However, in some cases the benefit derived from tax deferral may be offset by a low return. This depends upon the insuring company, the type of policy and other variables (mortality, market return, etc.). Moreover, other income tax saving vehicles (e.g., IRAs, 401(k) plans, Roth IRAs) may be better alternatives for value accumulation.

You can insure your own life, or choose joint life cover for both you and your partner, in which case benefits are paid when the first partner dies.

Credit Insurance

Credit insurance repays some or all of a loan when certain circumstances arise to the borrower such as unemployment, disability, or death.

Mortgage insurance insures the lender against default by the borrower. Mortgage insurance is a form of credit insurance, although the name "credit insurance" more often is used to refer to policies that cover other kinds of debt.

Many credit cards offer payment protection plans which are a form of credit insurance.

Trade credit insurance is business insurance over the accounts receivable of the insured. The policy pays the policy holder for covered accounts receivable if the debtor defaults on payment.

Other Types

All-risk insurance is an insurance that covers a wide-range of incidents and perils, except those noted in the policy. All-risk insurance is different from peril-specific insurance that cover losses from only those perils listed in the policy. In car insurance, all-risk policy includes also the damages caused by the own driver. High-value horses may be insured under a bloodstock policy

Bloodstock insurance covers individual horses or a number of horses under common ownership. Coverage is typically for mortality as a result of accident, illness or disease but may extend to include infertility, in-transit loss, veterinary fees, and prospective foal.

Business interruption insurance covers the loss of income, and the expenses incurred, after a covered peril interrupts normal business operations.

Collateral protection insurance (CPI) insures property (primarily vehicles) held as collateral for loans made by lending institutions.

Defense Base Act (DBA) insurance provides coverage for civilian workers hired by the government to perform contracts outside the US and Canada. DBA is required for all US citizens, US residents, US Green Card holders, and all employees or subcontractors hired on overseas government contracts. Depending on the country, foreign nationals must also be covered under DBA. This coverage typically includes expenses related to medical treatment and loss of wages, as well as disability and death benefits.

Expatriate insurance provides individuals and organizations operating outside of their home country with protection for automobiles, property, health, liability and business pursuits.

Kidnap and ransom insurance is designed to protect individuals and corporations operating in high-risk areas around the world against the perils of kidnap, extortion, wrongful detention and hijacking.

Legal expenses insurance covers policyholders for the potential costs of legal action against an institution or an individual. When something happens which triggers the need for legal action, it is known as "the event". There are two main types of legal expenses insurance: before the event insurance and after the event insurance.

Locked funds insurance is a little-known hybrid insurance policy jointly issued by governments and banks. It is used to protect public funds from tamper by unauthorized parties. In special cases, a government may authorize its use in protecting semi-private funds which are liable to tamper. The terms of this type of insurance are usually very strict. Therefore it is used only in extreme cases where maximum security of funds is required.

Livestock insurance is a specialist policy provided to, for example, commercial or hobby farms, aquariums, fish farms or any other animal holding. Cover is available for mortality or economic slaughter as a result of accident, illness or disease but can extend to include destruction by government order.

Media liability insurance is designed to cover professionals that engage in film and television production and print, against risks such as defamation.

Nuclear incident insurance covers damages resulting from an incident involving radioactive materials and is generally arranged at the national level. (See the nuclear exclusion clause and for the US the Price-Anderson Nuclear Industries Indemnity Act.)

Pet insurance insures pets against accidents and illnesses; some companies cover routine/wellness care and burial, as well.

Pollution insurance usually takes the form of first-party coverage for contamination of insured property either by external or on-site sources. Coverage is also afforded for liability to third parties arising from contamination of air, water, or land due to the sudden and accidental release of hazardous materials from the insured site. The policy usually covers the costs of cleanup and may include coverage for releases from underground storage tanks. Intentional acts are specifically excluded.

Purchase insurance is aimed at providing protection on the products people purchase. Purchase insurance can cover individual purchase protection, warranties, guarantees, care plans and even mobile phone insurance. Such insurance is normally very limited in the scope of problems that are covered by the policy.

Title insurance provides a guarantee that title to real property is vested in the purchaser and/or mortgagee, free and clear of liens or encumbrances. It is usually issued in conjunction with a search of the public records performed at the time of a real estate transaction.

Travel insurance is an insurance cover taken by those who travel abroad, which covers certain losses such as medical expenses, loss of personal belongings, travel delay, and personal liabilities.

Tuition insurance insures students against involuntary withdrawal from cost-intensive educational institutions

Interest rate insurance protects the holder from adverse changes in interest rates, for instance for those with a variable rate loan or mortgage