



What is insurance? Benefit Of Quality Insurance Products And Services

Have you ever had a moment — while looking at your insurance policy or shopping for insurance — when you’ve thought, “What is insurance? And do I really need it? Insurance can be a mysterious and puzzling thing. How does insurance work? What are the benefits of insurance? And how do you find the best insurance for you? These are common questions, and fortunately, there are some easy-to-understand answers to them. To help, here are a few simple insurance explanations.



What is insurance? Insurance is a financial safety net, helping you and your loved ones recover after something bad happens — such as a fire, theft, lawsuit, or car accident. When you purchase insurance, you’ll receive an insurance policy, which is a legal contract between you and your insurance provider. And when you suffer a loss that’s covered by your policy and file a claim, insurance pays you or a designated recipient, called a beneficiary, based on the terms of your policy. The most difficult thing about insurance is that you’re paying for something you hope you never have to use. Nobody wants something bad to happen to them. But suffering a loss without insurance can put you in a difficult financial situation. Please go here to this link <https://www.bbb.org/us/ct/waterbury/profile/insurance-agency/american-financial-solutions-llc-0111-22002507/> and know more about quality insurance products and services.

Providing Security: There is always a fear of sudden loss. There may be a fire in the factory, a storm in the sea, or a loss of life. In all these cases it becomes difficult to bear the loss. Insurance provides cover against any sudden loss. In the case of marine and fire insurance, the loss suffered by the insured is fully compensated and he is restored to his earlier position. In the same way, if a bread-bringing member of the family dies prematurely, the family is provided with money to continue with its livelihood. So, insurance gives security to both individuals and businessmen. These days insurance covers various social welfare schemes also. There are schemes providing for unemployment, sickness, accident, health, and old age insurance. These schemes are helpful for poor people and help in establishing social justice.

Spreading of Risk: The basic principle of insurance is to spread risk among a large number of people. A large number of persons get insurance policies and pay premiums to the insurer. Whenever a loss occurs, it is compensated out of the funds of the insurer. The loss is spread among a large number of policyholders. Insurance covers the loss of an individual but the social loss cannot be eliminated. If the property of a person is lost by fire, he will be compensated by the insurance company. The loss of goods will remain a social loss. Insurance cannot eliminate loss but it can reduce the risk to the individual.

Source for Collecting Funds: In lieu of an insurance cover, the insured pays a premium to the insurer. The premium is received regularly in installments. Large funds are collected by way of premiums. These funds can be gainfully employed in the industrial development of a country. Life insurance policies are purchased by persons from all walks of life. It helps in collecting savings from a large number of people. In India, the Life Insurance Corporation of India provides large funds to industries for long-term investments. These funds are productively used in exploiting natural resources which accelerates the industrial growth of a country. Employment opportunities are also increased by big investments made by insurance companies. So, insurance has become an important source of capital formation.

Encourage Savings: Insurance does not only protect against risks but it provides an investment channel too. Life insurance provides a mode of investment. Insurance develops a habit of saving money by paying premiums. The amount of the policy is paid to the insured or to his nominees. In the case of fixed-time policies, the insured gets a lump-sum amount after the maturity of the policy.

Encourage International Trade: International trade involves many risks in transporting goods from one country to another. In the absence of insurance, traders will always be worried about the safe arrival of goods. The quantum of trade will be limited because of uncertainties and risks involved during transit. Insurance provides protection against all types of sea risks. It has helped the development of international trade on a large scale.

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