



Types of Insurance

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Outline

- Types of Insurance
- Private Insurance
- Government Insurance



Objectives

- Understand the Private insurance
- Understand the Insurance under Private insurance
- Understand the type of Insurance under Government Insurance

Types of Insurance



Insurance can be classified as either **private or government insurance**.

1. Private Insurance: Private insurance is owned and operated by private profit driven companies or non-profit organizations. These companies are typically in the business of providing insurance coverage as a commercial service. Private insurance includes life and health insurance as well as property and liability insurance.

❖ **Life Insurance:** Life insurance pays death benefits to designated beneficiaries when the insured dies. The benefits pay for funeral expenses, uninsured medical bills, estate taxes, and other expenses. The death proceeds can also provide periodic income payments to the deceased's beneficiary. Some life insurers also sell;

- Individual and group health insurance plans that cover medical expenses because of sickness or injury
- Disability income plans that replace income lost during a period of disability. and
- Long-term care policies that cover care in nursing facilities.

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2. Health Insurance: Although many of the life insurers we described also sell some type of individual or group health insurance plan, the health insurance industry overall is highly specialized and controlled by a relatively small number of insurers. Medical expenses plans pay for hospital and surgical expenses, physician fees, prescription drugs, and a wide variety of additional medical costs.

3. Property and Liability Insurance: Property insurance indemnifies property owners against the loss or damage of real or personal property caused by various perils, such as fire, lightning, windstorm, or tornado. On the other hand, Liability insurance covers the insured's legal liability arising out of property damage or bodily injury to others; legal defense costs are also paid.

Property and liability insurance is also called *property and casualty insurance*. However, Casualty insurance is a broad field of insurance that covers whatever is not covered by fire, marine, and life insurance; casualty lines include auto, liability, burglary and theft, workers compensation, and health insurance.

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Below is the coverage that insurers typically offers under property and casualty insurance:

Property and Casualty Insurance Coverages

1. Personal lines

- Private passenger auto insurance
- Homeowners insurance
- Earthquake insurance
- Federal flood insurance

2. Commercial lines

- Commercial auto insurance
 - Workers compensation and excess workers compensation insurance
 - Other liability insurance
 - Product liability insurance
 - Commercial and farmers multiple peril insurance
 - Medical malpractice insurance
 - Fire and allied lines insurance
 - Accident and health insurance
 - Inland marine and ocean marine insurance
 - Surety bonds and fidelity bonds
 - Mortgage guaranty insurance
 - Financial guaranty insurance
 - Burglary and theft insurance
 - Boiler and machinery insurance
 - Crop insurance
 - Warranty insurance
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The various coverage given above can be grouped into two major categories; personal lines and commercial lines

- **Personal Lines.** Personal lines refer to coverage that insure the buildings and personal property of individuals and families or provide them with protection against legal liability. Major personal lines include the following:
 - **Private passenger auto insurance:** This protects the insured against legal liability arising out of auto accidents that cause property damage or bodily injury to others. Auto insurance also includes physical damage insurance on a covered auto for damage or loss resulting from a collision, theft, or other perils.
 - **Homeowners insurance:** This is a package policy that provides property insurance and personal liability insurance in one policy. A number of homeowners policies are available that cover the dwelling, other structures, and personal property against loss or damage from numerous perils, including fire, lightning, windstorm, or tornado.

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The policies also include theft coverage and personal liability insurance. A homeowners policy is an example of **a multiple-line policy**, which refers to state legislation that allows insurers to write property and casualty lines in one policy.

- **Earthquake insurance:** This covers damage that can result from the shaking and cracking of buildings and damage to personal property in an earthquake. **Homeowners policies and business insurance policies do not cover damage from earthquake.** However, coverage can be obtained by an endorsement to the policy or by a separate policy.
- **Federal flood insurance:** This is a federal government program that allow private insurers to provides coverage for flood losses to homeowners and business firms in flood zones. **Flood losses are excluded under standard homeowners and renters policies.** Flood insurance is typically sold by participating property and casualty insurers but is insured and subsidized by the federal government.

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- **Commercial Lines:** Commercial lines refer to property and casualty coverage for business firms, nonprofit organizations, and government agencies. Major commercial lines include the following:
 - **Commercial auto insurance:** This covers the legal liability of business firms arising out of the ownership or operation of business vehicles. It also includes physical damage insurance on covered business vehicles for damage or loss resulting from a collision, theft, or other perils.
 - **Workers compensation insurance:** This covers workers for a job-related accident or disease. The insurance pays for medical bills, disability income benefits, rehabilitation benefits, and death benefits to the dependents of an employee whose death is job related.
 - **Excess workers compensation insurance:** This is designed for employers that self-insure and covers excess losses that exceed a specified dollar amount.

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- **Products liability insurance:** This is a separate line that covers manufacturers, distributors, or sellers from legal liability arising out of defective products or conditions that cause personal injury or damage to users of the product.
- **Commercial multiple peril insurance:** This is a package policy that includes coverage for property damage, boiler and machinery losses, general liability coverage, and crime insurance.
- **Farmers multiple peril insurance:** This is similar to homeowners insurance and covers farmers and ranchers for a number of named perils and liability exposures.
- **Medical malpractice insurance:** This covers doctors, other professionals, and facilities for legal liability arising out of the treatment of patients.
- **Other liability insurance:** This covers legal liability arising out of negligence, carelessness, or failure to act that cause personal injury or property damage to others. It includes coverage for legal liability arising out of errors and omissions, liquor liability, and umbrella liability.



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2. Government Insurance: Government insurance can be divided into social insurance programs and other government insurance programs.

Social Insurance: Social insurance programs are government insurance programs with certain characteristics that distinguish them from other government insurance plans. These programs are financed entirely or in large part by mandatory contributions from employers, employees, or both, and not primarily by the general revenues of government.

The contributions are usually earmarked for special trust funds; the benefits in turn, are paid from these funds. most social insurance programs are compulsory. Covered workers and employers are required by law to pay contributions and participate in the programs.



Any Question?

Thank You



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