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Business Notes: Insurance 2

Household & Business Insurance:

Similarities:

1. Under Irish law, **both businesses and individuals must take out motor insurance** if they want to drive a motor vehicle
2. Both businesses and households **must fill in a proposal form when seeking insurance**
3. Both businesses and individuals **make claims** and must **fill in claim forms** to do so

Differences:

1. **Businesses take out more insurance policies than households** because there are more risks for a business that require cover
2. **Businesses** tend to own **more insured assets** and therefore **pay much higher premiums** than households

Household Insurance Types:

Health Insurance:

- Insurance **pays medical bills** incurred by members for a **monthly/annual fee**

Life Assurance:

- Life assurance **pays compensation to the family** of a loved one (the insured), who dies unexpectedly
- **Whole Life policies** only pay out upon death of the insured person
- **Endowment Policies** pay out upon reaching a certain age or on prior death

House & Contents Insurance:

- Insurance pays out compensation following **loss of property or contents**

Motor Insurance:

- Protects a person from any **claims made due to motor accidents** with their owned vehicles
- For **3 types** - see business motor insurance

Mortgage Protection Insurance:

- This insurance **pays off a house loan** in the event of the death of a mortgage holder
- A variation of this may cover **inability to pay the monthly mortgage payments** due to ill health or redundancy

Insurance Premium:

Definition:

It is the **amount of money** that a business or household **pays to the insurance company:**

- **Each year** for insurance **cover**
- The **premium depends on** each of **5 factors**

5 Factors:

Risk:

- The **bigger the risk**, the **bigger the premium** you must pay
- **Higher risk** people & businesses **pay a loading**
  - This can be a **fraction or multiple** of the basic premium
- Ex:
  1. Inexperienced **young drivers** pay more for **car insurance**
  2. **Smokers** pay more for **life insurance**
  3. People living in **Dublin** pay more for **house insurance** due to **higher claims risk**

Value of Item:

- The **more valuable** the asset, the **higher** the insurance **premium**

Claims:

- **The higher the total cost of compensation** paid out by insurers, **the higher the premiums** they will charge customers
- Ex:
  1. **Healthcare costs** constantly rising causes increases in premiums every year
  2. **Severe storms** increase claims & force insurers to increase premiums the next year

Profit:

- Insurance companies **must make a profit** to continue in business
- They have **2 sources of income**
  - **Premium receipts** from customers
  - **Income on invested funds** from premiums collected

Government Tax:

- Since **Government has had to bail out several failing insurance companies:**
  - It **adds a tax to insurance premiums** to compensate for this
  - This **increases the cost of insurance** for businesses and households

This is a sample Leaving Cert Business MindMap. For samples in other subjects please visit www.LeavingCertMindMaps.ie ©Copyright Tammy Strickland 2014