

Quadrant II - Notes

Paper Code: COG104

Module Name: Role of insurance in economic development & its benefits to society

Role of Insurance in Economic Development

1) Provides safety & security

- Sudden loss due to fire, marine accidents.
- Provides Financial support & reduce uncertainties.

2) Source of collecting funds

- Large funds are collected through premium.
- Important source of capital formation.

3) Generates financial resources

- Generates funds by collecting premium.
- Provides employment opportunities.

4) Promotes economic growth

- Generates impact by mobilizing domestic savings.
- Promotes trade and commerce activities.

Benefits of Insurance to Society

(a) Indemnification for loss

- Maintains financial security.
- Contributes to family & business stability.

(b) Reduction of worry & fear

- Worry & fear are reduced.
- Assurance that the loss will be compensated.

(c) Loss Prevention

- Programs consists of safety engineers & specialists.
- Includes prevention from fire, thefts etc.

(d) Enhancement of credit

- Helps to enhance person's credit.
- Protects the lender's financial interest.