1.1. LEARNING OBJECTIVES

After completing Unit 1—Principles of Insurance, you will be able to do the following:

- Define risk and describe various methods used to manage risk
- Explain the basic purpose of insurance
- Describe how the law of large numbers is used by the insurance industry
- Identify factors that determine whether a risk is insurable, including whether a risk is speculative or pure and whether insurable interest exists
- Explain the difference between a peril and a hazard
- Identify the different types of hazards

1.2. OBJECTIVES OF THIS COURSE

Congratulations on your decision to become a part of the challenging property-casualty insurance industry. As an insurance professional, you will have broad responsibilities to your company, the industry, and the public that you will serve.

This course will prepare you to begin these new responsibilities with confidence. You will learn about the principles underlying insurance and how the insurance industry operates. You will become familiar with all of the major categories of property-casualty products, the kinds of situations they are designed to cover, and the characteristics that make them unique.

Of course, no one training program will tell you everything you'll ever want to know about insurance. *Property-Casualty Concepts* will give you the knowledge you need to take your first career steps and prepare you for the challenges and training opportunities that lie ahead.

1.3. RISK, EXPOSURE

To understand what insurance is and how it works, you must first understand something about risk. Risk means the same thing in insurance that it does in everyday language. **Risk** is the chance or uncertainty of loss. For instance, the possibility that your house might be burglarized or that you might be hit by a car while crossing the street represents uncertainty of loss. Both are risks.

Now notice that risk is not the loss itself but the *uncertainty* of loss. There are some losses that are certain to occur eventually, such as when a rug finally wears out after years of use or a car runs out of gas. Such losses are not risks because they represent a certainty, instead of an uncertainty, of loss.