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# BUSINESS OF LAW

INSURANCE LAW

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## **INTRODUCTION :**

Insurance law is one of the most important branches of commercial and civil law. It governs the relationship between the insurer (the company that provides insurance) and the insured (the person or organization that receives insurance coverage). Insurance law regulates how insurance contracts are made, interpreted, and executed. It also ensures that both parties act in good faith and respect their legal obligations. Because insurance affects individuals, businesses, and entire economies, insurance law plays a crucial role in maintaining financial security and social stability.

## **Definition of Insurance and Insurance Law:**

Insurance is a contractual agreement in which one party, known as the insurer, promises to compensate another party, the insured, for specific losses or damages that may occur in the future. In exchange, the insured pays a regular amount called a premium.

Insurance law, therefore, is the legal framework that regulates all aspects of this agreement. It defines how insurance contracts are formed, the rights and duties of each party, and the conditions under which claims can be accepted or denied. It also sets out the legal procedures for resolving disputes between insurers and policyholders.

## **Main Principles of Insurance Law:**

Several key legal principles form the foundation of insurance law:

**Utmost Good Faith:** Both parties must act honestly and disclose all relevant information before signing the contract. If the insured hides important facts, the insurer can cancel the contract.

**Insurable Interest:** The insured must have a legal or financial interest in the subject of the insurance. For example, a person can insure their own house, but not their neighbor's house.

**Indemnity:** This principle ensures that the insured is compensated only for the actual loss suffered, not more. The purpose of insurance is protection, not profit.

**Subrogation:** After compensating the insured, the insurer has the right to take legal action against the third party responsible for the loss.

**Contribution:** If the same property is insured by more than one insurer, each must contribute fairly to cover the loss.

### **Types of Insurance Regulated by Law:**

Insurance law covers many types of insurance, including:

Life insurance (protection against death or disability)

Health insurance (medical coverage)

Property insurance (fire, theft, and damage)

Liability insurance (protection against legal claims)

Vehicle insurance (road and accident coverage)

Each type has its own specific rules, but all are based on the same general legal principles.

### **Importance of Insurance Law**

Insurance law is essential for protecting both consumers and companies. It ensures fairness, prevents fraud, and promotes transparency in financial transactions. It also strengthens public confidence in insurance institutions, which is necessary for economic stability. Governments and supervisory bodies use insurance law to regulate the market and make sure that insurance companies remain solvent and trustworthy.

### **Conclusion**

In conclusion, insurance law provides the legal foundation for one of the most important financial sectors in the modern world. It balances the interests of the insured and the insurer, ensures honesty and fairness, and protects society from the effects of unforeseen events. Without insurance law, the insurance system would lose its reliability and purpose. Therefore, understanding insurance law is essential for anyone involved in business, finance, or public administration, as it promotes justice, trust, and economic safety.

## **Glossary:**

**Policy:** The written contract between the insurer and the insured, detailing the terms and conditions.

**Insured:** The person or entity covered by the policy.

**Insurer:** The insurance company that provides coverage.

**Coverage:** The specific risks or events that the policy protects against.

**Premium:** The regular payment made by the policyholder to the insurer.

**Deductible:** The amount the insured must pay out-of-pocket for a covered loss before the insurance company pays.

**Policy limit:** The maximum amount an insurer will pay for a covered loss.

**Exclusions:** Specific risks or events that are not covered by the policy.

**Certificate of insurance:** An official document that provides proof of insurance coverage.

**Claim:** A formal request for compensation from the insurance company for a covered loss.

**Grace period:** An extension of time to make a premium payment after the due date, without the policy lapsing.

**Lapse:** The termination of a policy due to non-payment of the premium.

**Underwriting:** The process insurers use to evaluate an applicant's risk and determine the premium.

**Indemnity:** A principle of insurance where the insurer repays the policyholder for the financial loss suffered.

**Actual Cash Value (ACV):** The replacement cost of an item minus depreciation.

**Replacement Cost:** The cost to repair or replace a damaged item with a new one of similar quality

**Broker:** a person who buys and sells goods or assets for others.

**Peril:** serious and immediate danger.

**Investment:** the action or process of investing money for profit.

**Beneficiary:** The person designated to receive a death benefit from a life insurance policy.

**Rider:** An amendment or add-on to an existing insurance policy that provides additional coverage for specific risks.

**Cooling-off period:** A period after purchasing a policy during which you can cancel it without penalty.