

1. History of insurance

Insurance has been known to exist in some form or other since 3000 BC. Various civilisations, over the years, have practiced the concept of pooling and sharing among themselves, all the losses suffered by some members of the community. Let us take a look at some of the ways in which this concept was applied.

2. Insurance through the ages

Babylonian Traders	The Babylonian traders had agreements where they would pay additional sums to lenders, as a price for writing off of their loans, in case a shipment was lost or stolen. These were called 'bottomry loans'. Under these agreements, the loan taken against the security of the ship or its goods had to be repaid only if and when the ship arrived safely, after the voyage, at its destination.
Traders from Bharuch and Surat	Practices similar to Babylonian traders were prevalent among traders from Bharuch and Surat, sailing in Indian ships to Sri Lanka, Egypt and Greece.
Greeks	The Greeks had started benevolent societies in the late 7th century AD, to take care of the funeral - and families of members who died. The Friendly Societies of England were similarly constituted.
Inhabitants of Rhodes	The inhabitants of Rhodes adopted a practice whereby, if some goods were lost due to jettisoning during distress, the owners of goods (even those who lost nothing) would bear the losses in some proportion.
Chinese Traders	Chinese traders in ancient days would keep their goods in different boats or ships sailing over the treacherous rivers. They assumed that even if any of the boats suffered such a fate, the loss of goods would be only partial and not total. The loss could be distributed and thereby reduced.

3. Modern concepts of insurance

In India the principle of life insurance was reflected in the institution of the joint-family system in India, which was one of the best forms of life insurance down the ages. Sorrows and losses were shared by various family members in the event of the unfortunate demise of a member, as a result of which each member of the family continued to feel secure.

The break-up of the joint family system and emergence of the nuclear family in the modern era, coupled with the stress of daily life has made it necessary to evolve alternative systems for security. This highlights the importance of life insurance to an individual.

- i. Lloyds: The origins of modern commercial insurance business as practiced today can be traced to Lloyd's Coffee House in London. Traders, who used to gather there, would agree to share the losses, to their goods being carried by ships, due to perils of the sea. Such losses used to occur because of maritime perils, such as pirates robbing on the high seas, or bad sea weather spoiling the goods or sinking of the ship due to perils of the sea.
- ii. Amicable Society for a Perpetual Assurance founded in 1706 in London is considered to be the first life insurance company in the world