UNIT – I

MEANING

- Insurance is a contract a legal agreement between two parties, i.e., the individual named insured and the insurance company called insurer.
- In this agreement the insurer promises to help with the losses of the insured on the happening contingency.
- The insured on the other hand pays a premium in return for the promise made by the insurer.

DEFINITION

- **Allen H. Willett :** Insurance is that social device for making accumulations to meet uncertain losses which is carried out through the transfer of the risks of many individuals to one person or to a group of persons.
- **Mowbray and Blan Chard :** Insurance is a social device for eliminating or reducing the cost to society of certain type of risk.
- **Allen Z: Mayerson** : Insurance is a device for the transfer to an insurer certain risks of economic loss that would otherwise come to the insured.

FUNCTIONS OF INSURANCE

A. Primary Functions

1. **Provide protection**

   - The primary purpose of insurance is to provide protection against future risk, accidents and uncertainty.
   - Insurance cannot check the happening of the risk, but can certainly provide for the losses of risk.
   - Professor Hopkins observes, "Insurance is a protection against economic loss by sharing the risk with others." He further adds "Insurance is the

protection against economic loss".

2. **Collective Risk Sharing / Distribution of Risk**
   - Insurance is it wise to share the financial loss.
   - It is a cooperative effort where the risk is distributed among the group of people.
   - Similarly, Rigel and Miller observe. "Insurance is a device whereby the uncertain risks may be made more certain."
3. **Evaluation of risk**
   - Insurance determines the probable volume of risk by evaluating various factors that give rise to risk.
   - Risk is the basis for determining the premium rate also.
4. **Ensure certainty**
   - No one knows what will happen next the future is uncertain.
   - Any misfortune happening may occur at any stage of life amount of loss and time of losses both are uncertain.
   - Insurance is a device which helps to change from uncertainty to certainty.
   - Insurance provides certainty of payment for the uncertain loss.
5. **Spreading risks**
   - Professor Thomas has correctly written that "Insurance is the device for spreading or distributing risks."

B. Secondary Functions

1. **Insurance Prevent Losses**
   - Insurance plays important role in preventing losses, it provides certainty and prevent losses.
   - Insurance provides certainties towards risks in entrepreneurship so that entrepreneurs can concentrate on Innovative and profitable techniques of the production.
2. **Provides Capital and Help in Economic Progress**
   - As we know insurance plays important role in human life.

- Insurance helps in Economic Progress of Insured. It provides capital and helps in commercial prosperity. It develops the trade and commerce of the nation.

3. **Ensure Welfare of Society**
   - Insurance serves the sociological purpose; Insurance indirectly helps Nation and contributes its progress.
   - Insurance provides security and minimizes worries of losses or damage, destruction, and death.
   - It develops the trade and commerce of the nation.
   - Insurance gives Confidence in the general public.

Other Functions or Indirect functions of Insurance

1. **Saving and Investment**
   - It is one of the important source of investment.
   - In India, One more important thing is that in India, Income Tax Act gives relief in payment of income tax.
   - It encourages the habit of savings among the people. In India, Life Insurance is also a method of Savings.
2. **Risk-Free Trade**
   - As above mentioned insurance provides certainty and provides protection for future loss or damage.
   - It provides Indemnity in the event of unexpected loss or damages or disaster.
   - Insurance boosts exports, making foreign trade risk free with the help of the different type of Policy.
3. **Medium of Earning Foreign Exchange**
   - In International Business, any country can earn foreign exchange by way of issue of marine insurance policies.
   - There are some other ways also available.
   - In India, it is compulsory to take Marine Insurance Policy in foreign trade.

NATURE OF INSURANCE

1. **Contract**
   - Insurance is a contract between the insurance company and the policyholder wherein the policyholder (insured) makes an offer and the insurance company (insurer) accepts his offer.
   - The contract of insurance is always made in writing.
2. **Consideration**
   - Like other contracts, there must be lawful consideration in insurance also.
   - The consideration is in the form of premium which the insured agrees to pay to the insurer.
3. **Protection of financial risks**
   - Insurance offers protection to those risks which can be measured in terms of money i.e., financial risks.
   - As such insurance compensates only financial or monetary loss or risks.
4. **Based upon certain principles**
   - The insurance is based upon certain principles like insurable interest, utmost good faith, indemnity subrogation, causa-proxima, contribution, etc.
5. **Regulated by Law**
   - In almost all the countries in the world, statutory Jaws are being enacted to regulate the functioning of insurance companies.
   - In India too, life insurance and general insurance are regulated by Life Insurance Corporation of India Act 1956, and General Insurance Business (Nationalization) Act 1972, and IRDA Regulations etc.
6. **Value of Risk**
   - Before insuring the subject matter of the insurance contract, the risk is evaluated in order to determine the amount of premium to be charged on the insured.
   - Several methods are being adopted to evaluate the risks involved in the subject matter.
   - If there is an expectation of heavy loss, higher premiums will be charged.

- Hence, the probability of occurrence of loss is calculated at the time insurance.

7. **Amount of payment**
   - The amount to be paid to the policyholders depends upon the value of loss occurred due to the particular risk, provided insurance cover is there up to that amount.
   - In life insurance, the assurer has to pay the agreed amount on the happening of an event.
   - But in the case of property and general insurance, the amount of loss as well as the occurrence of loss is required to be proved.
8. **Insurance is not a charity**
   - Premium collected from the policyholders under an insurance is the cost of risk so covered.
   - Hence it cannot be taken as charity
9. **Co – operative Device**
   - All for one and one for all is the basic for Co – operation.
   - The insurance is a system wherein large number of persons, exposed to a similar risk, are covered and the risk is spread over among the large insurable public.

PRINCIPLES OF INSURANCE

1. **Principle of Utmost Good Faith**
   - The fundamental principle is that both the parties in an insurance contract should act in good faith towards each other, i.e. they must provide clear and concise information related to the terms and conditions of the contract.
   - The Insured should provide all the information related to the subject matter, and the insurer must give precise details regarding the contract.
2. **Principle of Proximate Cause**
   - This is also called the principle of 'Causa Proxima' or the nearest cause.
   - This principle applies when the loss is the result of two or more causes.
   - The insurance company will find the nearest cause of loss to the property. If the

proximate cause is the one in which the property is insured, then the company must pay compensation.

3. Principle of Insurable interest

- This principle says that the individual (insured) must have an insurable interest in the subject matter.
- Insurable interest means that the subject matter for which the individual enters the insurance contract must provide some financial gain to the insured and also lead to a financial loss if there is any damage, destruction or loss.

4. Principle of Indemnity

- Indemnity means security or compensation against loss or damage.
- The insured should be compensated the amount equal to the actual loss and not the amount exceeding the loss.
- The purpose of the indemnity principle is to set back the insured at the same financial position as he was before the loss occurred.
- Principle of indemnity is observed strictly for property insurance and not applicable for the life insurance contract.

5. Principle of Subrogation

- Subrogation is a principle of substitution and recovery.
- The principle of subrogation enables the insured to claim the amount from the third party responsible for the loss. It allows the insurer to pursue legal methods to recover the amount of loss

6. Principle of Contribution

- Contribution principle applies when the insured takes more than one insurance policy for the same subject matter.
- It states the same thing as in the principle of indemnity, i.e. the insured cannot make a profit by claiming the loss of one subject matter from different policies or companies.

7. Principle of Loss Minimization

- This principle says that as an owner, it is obligatory on the part of the insurer to take necessary steps to minimize the loss to the insured property.

- The principle does not allow the owner to be irresponsible or negligent just because the subject matter is insured.

INSURANCE CONTRACT

1. Life Insurance

- Human lives are insured under life insurance.
- A life insurance is a combination of savings as well as security element.
- The insured is assured that the insurance company will pay his family the insured amount in case of his premature death.
- If he is alive and the policy matures for payment, the savings so made will be helpful in his old age.

2. General Insurance

- All insurances, other than life insurance, fall under general insurance.
- Only the General Insurance Corporation of India transacts general insurance business in India.
- The following are the different types of general insurances:

A. Marine Insurance

- The marine insurance is the oldest form of insurance and covers all the marine perils.
- Due to marine perils, the ship can be or destroyed, cargo can be lost and consequently there can be loss of freight.
- Therefore, the marine insurance covers the risk to ship, cargo and freight on the high seas.

B. Fire Insurance

- The fire insurance covers the risk of fire to property because there is every likelihood of fire spreading in big factories, godowns, warehouses, houses, shops and ships.
- The fire insurance not only covers the risk of fire, but also the consequential losses from such fire.

C. Liability Insurance

- The liability insurance includes the risk of liability towards third parties which the insured is required to pay, such as damage to property belonging to third person or injury or death of third person or both in the case of accident.
- It also covers the employer's liability towards death of or injury to the employees while on duty.

D. Social Insurance

- The social insurance is meant to protect and uplift the weaker sections of society and may be in different forms like pension plans, disability benefits, unemployment benefits, sickness insurance, industrial insurance, etc.
- Premium under such insurance schemes is paid by the Government or the employers or by both.
- In some cases the employees or beneficiaries also contribute their share of the premium.

E. Miscellaneous Insurance

- All other general insurance fall under the miscellaneous category.
- For example, guarantee insurance, theft and burglary insurance, export credit insurance, crop insurance, cattle insurance, personal accident insurance, etc. are of new developments in the field of insurance business.

IMPORTANCE / ADVANTAGES OF INSURANCE

I. Importance to an Individual

1. The greatest advantage of insurance is to provide security and safety to the assured against uncertainty.

2. The insurance protection gives mental peace to the insured and enables him to eliminate constant about the loss of his possession.

3. It enhances the habit of savings among the people, especially in life insurance.

4. It helps the insured to avoid or minimize loss by making recommendations through various channels of advertisement from the insurers.

5. The insurance policy can be used as a security by the insured for the mortgage of property.

6. Insurance supplies old-age provisions to the life-policy holders.

7. The insured easily gets credit facility for his trade on the insured goods or properties.

8. Life insurance is a means of capitalization of money in the event of death before the maturity of the policy

9. The insured gets tax benefits in life insurance.

10. Insurance has made it possible to increase the efficiency of the insured in determining what risk should be insured against and what risk he can afford to face himself.

II. Importance to Society

1. The entire economic system is revolving round the insurance for safety against risk.

2. Rapid industrialisation is made possible by insurance as its funds are employed in the development of business and industry.

3. The working population feel a sense of security if there is an insurance.

4. The keymen insurance provides protection to the industry in case of death of professional executives.

5. Insurance indirectly reduces the cost of manufacturing goods.

6. Life insurance provides social security to a family.

7. The insurance fulfils its social obligations by providing employment opportunities to the general public.

8. Insurance funds are employed for the development of basic human facilities like housing, electricity, water, sanitation, etc.

9. Insurance distributes the loss of few among a large group of society.

10. Insurance has the effect of raising the living standard of the people.

III. Importance to Business and Government

1. Insurance increases national savings.
2. It develops the money market.
3. It contributes to the national plans.
4. Insurance provides funds to the government for providing basic facilities and to develop infrastructure.
5. It has enabled the country to get foreign exchange (49% FDI is permitted in the insurance sector in India).
6. Insurance relieves the government of the burden of supporting a family, in case of the untimely demise of the bread winner.
7. Insurance promotes trade and industry by providing risk cover.
8. Insurance companies pay taxes out of profits earned. This is an important revenue source to the government.
9. Insurance companies are permitted to invest 5% of the funds in the capital market. LIC alone has invested around Rs.28,000 crore in the Indian capital markets. Such investments develop the capital market.

UNIT – II

MEANING

- Life insurance is a contract between the insurer and policy owner.
- Insurer is agreed to pay an amount to the person insured or his nominee either at the date of maturity or a periodic interval or unfortunate death of the policy owner.
- Policy owner has to pay a fixed amount called premium in periodic intervals.
- This can be monthly, quarterly, half yearly or yearly.
- Policy owner is allowed to choose the type of payment and payment cycle.

DEFINITION

- R.S. Sharma : Life insurance is a contract whereby the insurer, in consideration of a premium paid either in lumpsum or in periodical instalments, undertakes to pay an annuity or a certain sum of money either on death of the insured or on the expiry of a certain number of years.
- D.S. Hansell : Life insurance is a contract in which a sum of money is paid by the assured in consideration of insurer's incurring the risk of paying a large sum upon a given contingency.

FEATURES OF LIFE INSURANCE

1. **Offer and acceptance**
   - Like other contracts of insurance, the life insurance contract is also the outcome of an offer made by the pol owner and its acceptance by the insurer.
   - Generally, the life insurance contract is made in writing.
2. **Agreed sum of money**
   - The insurer agrees to pay a certain sum of money either on the death of the policy owner or on the maturity of t policy, whichever is earlier.

3. Premium

- The policy owner is liable to pay periodically the amount of payment in the form of premium till the death of the policy owner or expiry of the period of policy, whichever is earlier.

4. Not a contract of indemnity

- Life insurance contract is not a contract of indemnity as the loss caused by the death cannot be measured iterms of money nor money is a compensation for loss of one's life.

5. Insurable interest

- The person who has been assigned a life policy need not have insurable interest in it as the insurable interest was already present at the time of taking policy.

6. Lending helping hand

- Life insurance provides helping hand to those who are left supportless and helps financially in case of death of the insured.
- It is also considered to be the best alternative for making savings.

7. Covers other risks

- Life insurance covers other risks which are connected with the human life in addition to the risk of death.

CLASSIFICATION OF POLICIES

1. ON THE BASIS OF PERIOD OR DURATION

A. Whole-life Policies

- The Whole-life Policy will mature for payment only on the death of the assured or as an exception on the date of his attaining 100 years of age.

❖ Ordinary Whole-life Policy

- Under the Ordinary Whole-life Policy premiums are payable throughout the lifetime of the assured.
- If the policy completes 35 years or the assured attains 80 years of age.

- **Limited Payment Whole-life Policy**
  - Under the Limited Payment Whole-life Policy the premiums are paid for a limited or selected period (say up to the retirement age of the assured) but the policy will mature for payment only on the death of the assured.
- **Convertible Whole life Policy**
  - The Convertible Whole-life Policy gives the option of conversion into endowment policy alter the expiry of live years of the policy.
- **Anticipated Whole life Policy**
  - The Anticipated Whole-life Policy is a combination of limited whole life and anticipated endowment policies.

B. Endowment Policy

- The Endowment Policy is issued for a fixed period and the premium is payable during that period only.

- **Ordinary Endowment Policy**
  - The Ordinary Endowment Policy will mature for payment on the survival of the assured on the date of maturity or on the date of his death within the endowment period.
- **Pure Endowment Policy**
  - The Pure Endowment Policy will mature for payment, only if the insured person survives the endowment period.
- **Joint-life Endowment Policy**
  - The Joint-life Endowment Policy is taken on the lives of two or more persons and will mature for payment on the expiry of the endowment period or on the death of any one of the life assured before the endowment period.

- **Special Endowment Policy**
  - The Special Endowment Policy is issued to meet the special needs of film artistes and professionals on foreign assignments who have a very short span of earning life.
  - The income of such persons is high over a limited period and its continuation is uncertain.

C. Term-Insurance Policy

- The Term-Insurance Policy is issued for short-term ranging from three months to specified number of years and will mature for payment only on the death of the assured within the term period, but if he survives, nothing is payable.

- **Straight Term Policy**
  - The straight term policy is issued for very short period of years and the premium is generally paid in one installment called the single premium.
  - The policy money is payable only if death occurs within the term.
- **Decreasing (or Diminishing) Term Policy**
  - The Decreasing Term Policy is issued to the borrowers of money and the amount of the policy payable at the end of each year is automatically reduced and is equal to the outstanding loan which will be paid if the assured dies before the end of the term.
  - This is also called as 'Mortgage-Redemption Policy
- **Renewal (or Renewable)-Term Policy**
  - The Renewal-term Policy can be renewed after the expiry of the term without medical examination but at a different rate of premium applicable to the age at the time of renewal.
- **Convertible-Term Policy**
  - Under the Convertible-Term Policy an option is available to the assured to convert it into whole-life or endowment life policy without going in for fresh medical examination.

2. ON THE BASIS OF PAYMENT OF PREMIUM

- **Regular-Premium Policy or Level-Premium Policy**
  - The premium is regularly paid in equal instalments at fixed intervals throughout the policy period.
- **Limited Premium Policy**
  - The payment of premium is limited to a period of attaining certain age of the assured, say, retirement age.
- **Single-Premium Policy**
  - The premium is paid only once in a lump sum.
- **Early-Reduced Premium Policy**
  - The premium payable under the early reduced premium policy will be low for the beginning period of the policy and high after some years.
- **Early-Increased-Premium Policy**
  - The premium payable under the early-increased premium policy will be more for the beginning period of the policy and less after some years

3. ON THE BASIS OF LIVES COVERED

- **Single-life Policy**
  - Under the Single-life Policy one individual is insured.
  - If one taking insurance on the life of another person, he is called the insuring party and the person on whose life the insurance is taken is the life insured.
- **Joint Whole or Multiple-life Policy**
  - Under the Joint Whole or Multiple-life Policy more than one life is covered.
- **Group Insurance Policy**
  - Group Insurance Policy is granted only when 50 or more employees join the scheme.

(i) Employer-employee group

(ii) Labor Union group

(ii) Creditor-Debtor group; or (iv) Voluntary group like that of teachers, doctors or lawyers.

- The Life Insurance Corporation of India provides the following schemes:

(a) Group-Term Insurance scheme

(b) Group-Superannuation Scheme and

(c) Group-Gratuity Assurance Scheme.

4. ON THE BASIS or PARTICIPATION IN PROFITS

- **With Profit or Participating Policies**
  - Under the with-profit or participating policies, the policy-holders are entitled to share in the profits of the insurer, called bonus, which is paid along with the insured sum.
- **Without Profit or Non-participating Policies**
  - Under the without profit or non-participating policies, the policy- holders are not entitled to share in the profit of the insurer.

5. ON THE BASIS OF PAYMENT OF CLAIMS

- **Instalment Life Policy**
  - When the Instalment Life Policy matures for payment, the policy money is paid by a fixed number of equal annual instalments starting from the date of maturity of the policy.
- **Lumpsum Policy**
  - When the Lumpsum Policy matures for payment the policy money will be paid in a single lumpsum to the beneficiary.

6. Miscellaneous policies

- To suit the needs and requirements of the public the LIC has offered the following different types of policies with various covers and benefits:
    - Jeevan Raksha Policy
    - Jeevan Mitra Policy
    - Jeevan Akshay Policy
    - Bima Sandesh Policy
    - The Money back policy
    - Children Anticipated Policy
    - Progressive Protection policy

LIFE INSURANCE AND LIFE ANNUITY

- An annuity is a plan that helps us to get a regular payment for life after making a lump sum investment.
- The life insurance company invests the money of the investor and pays back the returns generated from it.

1. Protection

Annuity is a protection against living too long. Insurance is a protection against living too short.

2. Premium Calculation

Premium is calculated on the basis of longevity for annuity, but on the basis of mortality tables for insurance.

3. Funds

A life policy creates the funds gradually. Annuity gradually liquidates the accumulation of the funds created by the insurer.

4. Purpose

Annuity is taken mostly for self-benefit. Life insurance is made for self-benefit as well as for dependents.

5. **Benefit**

   The annuity payments are usually made in instalments up to the date of death of the beneficiary. The insured sum is paid in lumpsum to the beneficiary on the date of the assured or on the maturity date.

6. **Premium payment**

   The payment of premium is usually made in one lumpsum in annuity, but usually in instalments in insurance.

7. **Medical Examination**

   Most of the life insurances require medical examination of the proposer but it is not necessary in case of annuities.

PREMIUM DETERMINATION

1. **Assessment Premium Plan**
   - The premium is charged or collected only when an insured dies, all other insured will equally contribute to the claim as their premium.
   - So no life fund is needed.

   Demerits

   a) The premium amount is not fixed, as it relates to the number of claims in a year.
   b) Collection of premium at every claim is very difficult.
   c) Equal contributions are collected from all members irrespective of their age.

2. **Natural Premium Plan**
   - Premium is graded according to the age of the persons and persons at different ages have to pay different premiums.
   - With the increase in the age of a person, his chances of death increase and so the premium also increases every year.
   - This plan is also called 'Annual Premium Plan'.

   Demerits

a) Increasing rate of premium is charged at higher ages.

b) People at higher ages may not go for insurance.

3. **Level-Premium Plan**
   - Level or equal or uniform premium is charged every year irrespective of the age or years of insurance.
4. **Net Premium**
   - The net premium is based on the mortality and interest rates.
   - No consideration is given for expenses incurred and for future contingencies.
5. **Gross Premium**
   - Gross premium includes the mortality rate, the assumed rate of interest, the expenses and bonus loading.
   - So if expenses and bonus to policy holders are added to net premium, it becomes gross premium, also known as "the office premium'.
   - Gross Premium = Net Premium + Loading

INVESTMENT OF FUNDS

- The reserve or life fund represents the accumulated liabilities of the insurance company towards policy-holders and is to be kept as trust money.
- The company invests it to earn the assumed interest.
- The supreme consideration in the investment of life fund is to preserve the interests of the policy-holders.

PRINCIPLES OF INVESTMENT

1. **Security and Safety**
   - The primary purpose of investment of life fund is not to earn profits, as the insurer is merely a trustee, but to maintain complete security.
   - Therefore, the securities in which it may be invested should never at any time fall in their face value.
   - The Central Government has prescribed certain rules for investments in the Insurance Act called statutory guidelines for investments According to which 50

per cent of the life fund should be invested only in Government and other approved securities.

2. Liquidity

- The funds should be invested in such a way that they may be readily convertible whenever claims are payable.
- To ensure the proper degree of liquidity, investments are so made that the maturities will occur at intervals adjusted to meet the needs of maturing policies.
- As a provision against sudden demand for surrender values or policy loans, the insurer may keep a part of the fund in cash or in such securities which can be realised quickly and without loss.
- This could be used to meet a sudden contingency or to avail of an exceptional investment opportunity.

3. Yield

- The assumed rate of interest is also a factor for calculating the premium and so the insurer must earn at least this rate on its investment.
- But the investment should be made in such securities which can yield the highest return but not at the cost of safety.
- It has been realized that safety and profitability are opposed to each other and so a fair and balanced policy of investment should be observed.

4. Diversification

- The investment should be in different channels.
- It means spreading over investments among different classes of securities so that risks and returns are adjusted.
- The diversification can be according to time factor.
- It provides maximum security and yields an efficient rate of return.

5. Aid to Life Business

- The investment should be made in such projects or activities which may provide more and more employment opportunities and may also increase the standard of living of the people, so that the insurer can get the benefits of the lower mortality rate and increase in new business.

6. **National Economy**
    - Though being the trustee of the policy-holders, the LIC of India is to fulfil its basic liability towards them, it has to keep before it the interest of the community as a whole.
    - It should, therefore, invest in ventures which help in the social advancement of the nation.

SURRENDER VALUE

- Surrender value if the sum of money that is payable by the insurance company when you terminate your insurance policy before its maturity.
- Generally, most of the traditional insurance plans can be surrendered for cash after completion of three policy years.
- That means policy acquires surrender value on completion of the first three years.

TYPES OF THE SURRENDER VALUE

1. **Guaranteed surrender value**:
    - The amount of money guaranteed to be payable by the insurance company on surrendering the insurance policy before completion of maturity.
    - Guaranteed surrender value is determined based on the surrender value factor specified in the policy document.
    - The surrender value factor is the percentage of total premiums paid.
    - Surrender value factor increases with the number of years of the policy.
    - Surrender value factor will get close to 100% of premiums paid when the policy nears maturity.
    - Hence, the guaranteed surrender value is calculated as total premiums paid multiplied by the surrender value factor.
2. **Special surrender value**:
    - Special surrender value is usually higher than the guaranteed surrender value.

- However, it depends on the insurance company.
- Special surrender value depends on the sum assured, premiums paid, policy term and bonuses.
- Generally, special surrender value is calculated, Special surrender value = (Paid-up value + accrued bonuses) X surrender value factor Where paid-up value = Basic sum assured X (Number of premiums paid/Number of premiums payable)

PREMIUM DETERMINATION

1. **Assessment Premium Plan**
   - The premium is charged or collected only when an insured dies, all other insured will equally contribute to the claim as their premium.
   - So no life fund is needed.

   Demerits

   d) The premium amount is not fixed, as it relates to the number of claims in a year.
   e) Collection of premium at every claim is very difficult.
   f) Equal contributions are collected from all members irrespective of their age.

2. **Natural Premium Plan**
   - Premium is graded according to the age of the persons and persons at different ages have to pay different premiums.
   - With the increase in the age of a person, his chances of death increase and so the premium also increases every year.
   - This plan is also called 'Annual Premium Plan'.

   Demerits

   c) Increasing rate of premium is charged at higher ages.
   d) People at higher ages may not go for insurance.

3. Level-Premium Plan

- Level or equal or uniform premium is charged every year irrespective of the age or years of insurance.

4. Net Premium

- The net premium is based on the mortality and interest rates.
- No consideration is given for expenses incurred and for future contingencies.

5. Gross Premium

- Gross premium includes the mortality rate, the assumed rate of interest, the expenses and bonus loading.
- So if expenses and bonus to policy holders are added to net premium, it becomes gross premium, also known as "the office premium'.
- Gross Premium = Net Premium + Loading

LIFE POLICY CONDITIONS

- The policy conditions in life insurance may be grouped under the following heads:

1. Build

The build relates to the present condition of health and physical build, such as height, weight and other measurements of the life to be insured.

2. Physical Condition

Predicted future mortality of an applicant depends in varying degrees on the abnormalities present in one or more of the important systems of the body. The medical examiner's report will reveal the physical condition of the life to be insured.

3. Personal History

The personal history relates to the records of illness suffered, accidents met with, surgical operations undergone, etc. by the life to be insured.

4. Habits and Temperaments

The habits and temperament like using alcoholic drinks, ganja, opium or any other narcotic drugs, etc. to a great extent determine the longevity of life that is to be insured.

5. Moral Hazards

The moral hazards depend upon the character, occupation, ethics, environment, sex relations, etc. of the life to be insured.

6. Hobbies or Avocations

Some hobbies or avocations like mountaineering, rock climbing, competitive racing, aviation, etc. have to be considered as they involve accidents and health hazards.

7. Family History

The family history relates to the record of health and longevity of members of the family and the hereditary nature of some diseases may continue in the life to be insured.

8. Occupational Hazard

Hazardous and extra-hazardous occupations, such as of electrician, chemist, scientist, etc. account for significant difference in mortality rates.

9. Residence

The residence has an important bearing on longevity. Mortality rates in the tropics are substantially higher than in the cold climates.

10. Age

The higher the age, the higher will be the mortality. The maximum ages at entry under the various policies are from 40 to 60. The life to be insured must be within these age limits.

11. Plan and Amount of Insurance

It depends upon the previous insurance taken by the applicant and also on his premium-paying capacity for the new insurance.

12. Sex

The mortality rate among the women is higher than among the men. The females are also subject to pregnancy risks.

LIFE INSURANCE FOR THE UNDERPRIVILEGED

Industrial insurance is a form of life insurance; therefore, most of the characteristics of life insurance are present in this insurance apart from the following dissimilarities of life insurance for the underprivileged:

1. The premiums in industrial insurance are payable weekly and monthly whereas in ordinarily life insurance, they are payable annually, semi-annually, quarterly, and monthly.
2. The premiums, instead of being payable at the office of the insurer are collected in most of the cases at the houses of the assured persons by insurance agents.
3. The amount of policy in industrial insurance is generally not more than Rs. 1,000 whereas in other forms of insurance it is usually more than Rs. 1,000.
4. In Industrial insurance, a medical examination is not essential, but in other forms of life insurance, a medical examination is required in most cases.
5. Industrial insurance is extended to every member of the family. Thus, it covers more areas than other forms of insurance.

UNIT – III

FIRE INSURANCE

- Fire insurance is a legal contract between an insurance company and the policyholder which guarantees that any loss or damages caused to the policyholder's property in a fire will be paid by the insurance company.
- Fire insurance provides coverage against incidents of accidental fire, lightning, explosion, etc.

NATURE OF FIRE INSURANCE

1. **Utmost Good Faith**
   - The principle of good faith requires the insured as well as the insurer to disclose to each other all material facts for insurance.
   - In the case of ordinary risks, the statements made by the insured in the proposal form are quite sufficient for a correct estimation of the risk.
   - But in complicated cases, the insurer's surveyor makes an estimation of the property.
   - Any facts open to his observation are presumed to have been disclosed.
   - The observance of good faith is necessary throughout the term of insurance.
   - Any contrary behavior by either of the parties will become a breach of faith.
2. **Insurable Interest**
   - The insured must have insurable interest in the subject matter of insurance.
   - Such an interest may arise legally (by virtue of legal ownership) or equitably (by virtue of some other pecuniary relationship following short of ownership).
     a) an owner on his property;
     b) a creditor on a property over which he has a mortgage
     c) a warehouse-keeper on his customer's goods
     d) a trustee on the goods held by him in trust
     e) an agent on the goods of his principal
     f) an insurer on the insured properties for reinsurance.

3. **Indemnity**
    - Fire insurance is a contract of indemnity and the insurer will compensate the insured with the actual loss incurred, subject to the maximum of the insured sum only.
    - The indemnity may be in the form of cash, repair, replacement or reinstatement.
    - The fire insurance can also cover the consequential loss, if desired.
4. **Subrogation**
    - After the settlement of claim, the insurer stands in the place of the insured with all the rights and remedies against the third parties.
5. **Contribution**
    - After the payment of claim, the insurer has the right to recover a proportionate amount from other co-insurers who are liable for the same loss.
    - In other words each co-insurer has to contribute the loss ratably to the insured.

KINDS OF FIRE POLICIES

1. **Valued Policy**

    A policy is taken for a fixed amount (usually for the value of the property) and in the event of risk happening, the actual loss subject to a maximum of the insured value will only be payable irrespective of its market value.
2. **Valuable Policy**

    A policy is taken not for a fixed amount, but the value of the property is to be determined only at the time of risk happening. The market value of the property at that time will be the basis for payment of loss. It is just the opposite of the valued policy.
3. **Floating Policy**

    A floating policy is taken to cover one or several kinds of goods lying in different localities under one sum for one premium and in relation to the same owner. It is specifically to meet the requirements of traders whose stock of goods might be lying at different places like godown, workhouse, port, railway station, etc.

4. Excess Policy

When stock in hand fluctuates every time, the insured takes one policy called the First Loss Policy for an amount below which the stock never goes and another policy called the Excess Policy for the balance amount of stock declared every month for which premium is charged on average monthly excess amount. Thus any loss more than the minimum stock value is covered by the second policy.

5. Reinstatement Policy

The insurer undertakes to reinstate or replace the insured property affected by the risk, irrespective of its value at the time of loss. It is also called 'replacement policy'.

6. Comprehensive Policy

The insurer undertakes to indemnify the insured not only against the fire risk, but all other risks such as burglary, theft, riot, civil commotion, lightning, flood, etc. The comprehensive policy is also known as 'All Risk Policy' or 'All In Policy' which does not mean to cover each and every risk. There are certain exclusions also.

7. Sprinkler Leakage Policy

The sprinkler leakage policy provides protection against loss caused by the accidental leakage of water from the sprinklers installed in any premises to operate automatically when there is fire.

8. Declaration Policy

The declaration policy is taken for a maximum value of stock which may go up at any time; but a provisional premium is paid for only 75 per cent of the sum insured. At regular intervals the insured is required to furnish the declaration of stock in hand. At the end of the period of insurance an average is taken of the total declarations and the premium actually payable is calculated for the average. If this premium exceeds the provisional premium, the extra premium is collected. Otherwise, refund of premium is allowed.

9. Transit Policy

Only transit risk caused by fire is covered under the transit policy. The risk is commenced with the loading of goods on rail or motor truck and terminates as soon as they are unloaded at the place of destination or arrival.

10. Building Construction Policy

The building construction policy covers loss or damage caused by fire to buildings while under construction.

11. Consequential Loss Policy

The consequential loss policy provides protection not only against fire loss, but also against loss of profit due to stoppage of work in the factory affected by fire. Thus the consequential loss following the outbreak of fire is also covered under this policy. This policy is also called Loss of Profits' policy.

FIRE POLICY CONDITIONS

In relation to the contract

A. Exclusion

1. Excluded Perils

(a) War and civil war

(b) Earthquake, volcanic eruption or convulsions of nature

(c) Mutiny, riot, military action

(d) Typhoon, hurricane tornado, cyclone

(e) Explosion, except as given in the preamble, and

(f) Bush fire, prairie, pampas or jungle fire.

2. Excluded Articles

(a) Goods held in trust or on commission

(b) Work of art or curiosity not exceeding an amount of Rs. 1,000

(c) Any precious stones or bullion; (d) Manuscripts, plans, drawings, models or mold's

(e) Any kind of stamps, coins or paper money, cheque books, human work and computer system records; and

(f) Explosives.

3. Excluded Losses

(a) Loss or damage due to inherent vice, natural heating or spontaneous combustion;

(b) Loss by theft after occurrence of fire:

(c) Loss or damage by nuclear weapon;

(d) Loss by burning public property;

(e) Loss or damage caused by radiation or contamination due to radio activity or nuclear fuel or fission; and

(f) Loss or damage caused by electrical machines fitting.

B. Warranty

1. Express Warranty

- An express warranty is one which is set out in the policy itself.

2. Implied Warranty

- An implied warranty is one which is implied in nature.
- As per this clause every warranty to which the subject matter insured is made a subject shall, from the time the warranty attaches, apply and continue to be in force during the whole currency of a policy.
- Non-compliance of any such warranty, whether it increases the risk or not, shall be a bar to any claim in respect of that subject matter.

In relation to the principle of good faith

1. Misdescription

- As per this clause, there should be no misdescription or misrepresentation or non-disclosure of the material facts as regards the subject matter is concerned, otherwise the policy be voidable at the option of the insurer.

2. Alteration

a) By removal of the property to a place other than stated

b) Whereby the risk of destruction or damage is increased

c) Whereby the insurer's interest ceases except by will or operation of law.

3. Fraud

a) If the claim be in any respect fraudulent;

b) If any fraudulent means or devices be used by the insured or anyone acting on his behalf to obtain any benefit; and

c) If any destruction or damage be occasioned by the willful act or with the connivance of the insured.

In relation to the principle of indemnity

1. **Reinstatement**

Generally the insurer's liability on a claim is to pay either in cash or to reinstate the property. As per this clause, the reinstatement is at the option of the insurer and once the insurer becomes bound to replace the property, it cannot thereafter force the insured to accept cash compensation.

2. Contribution and Average

When there are two or more policies covering the same subject matter, the contribution clause lays down that each co-insurer has to contribute a rateable proportion of loss as payable on the claim of the insured.

3. Subrogation

This clauses lays down that when the insurer has compensated the insured on his fire loss, he can avail himself of any rights and remedies possessed by the insured against the third party in connection with the fire which gave rise to compensation.

In relation to settlement of claims

1. Claim

a) Forthwith give a notice or intimation in writing to the insurer;

b) Deliver to the insurer a claim in writing with necessary particulars of loss within 15 days after the destruction or

c) Give to the insurer all such proofs and information with respect to the claim; and

d) Furnish a statutory declaration of the truth of the claim and of any other matters connected therewith.

2. **Insurer's Right after the Fire**
   a) Enter, take or keep possession of the premises where the event has happened;
   b) Take possession or require to be delivered to it any of the property insured;
   c) Keep possession of and deal with such property for all reasonable manner.
3. **Marine Clause**

If the insured property is also subject to marine insurance in addition to the fire insurance, as per this clause any fire claim is to be settled first by the marine insurer and any balance left will be met out by the fire insurer.

4. **Arbitration**

As per the arbitration clause, in the event of any dispute between the insured and the insurer regarding settlement of claim, such dispute shall be referred to an Arbitrator to be appointed by both the parties and his decision shall be final, unless there is any legal interpretation required from a court of law.

5. **Limitations**

   The insured forfeits his claim if he does not take the claim to a court of law within one year from the date of refusal by the insurer.

STEPS TO CLAIM A FIRE INSURANCE

1. **Step:1 Communicate With Your Insurance Company**

First of all, let the Insurance Firm know about all the destruction that happened due to the fire accident. We don’t have to be accurate; here an approximate damage report works. Make sure that all burned materials are preserved as proof when assessing the damage.

To determine the total damage, the insurance company will then send a professional surveyor. Also, guarantee that we do not redecorate or fix any harm to the property during this period as it can delay the reimbursement process.

2. **Step:2 Fill The Claim Request Carefully**

We will be prompted to file a claim after contacting the insurance provider. This is where accuracy is needed for us Make sure that we specify each specification on the claim request form.

The claim request form would demand that the following things be recorded accurately:

- Fire Explosion Date
- The Damage Category
- Any associated accidents
- State of properties
- Summary of products damaged
- Place of the estate
- Others enlisted
- Copy of Police FIR (In the event of police involvement)

3. **Step 3: Be Co-operative**

Although being in such a situation could be a tough time for us, we encourage us to have confidence in the insurance industry. The organisation will select a certified surveyor who will assess total damages.

Note the estimate of the claim would be based on the surveyor's analysis, which is why we suggest that you completely comply with the surveyor. Send all the original documentation and proof needed for the loss evaluation by the surveyor.

Provide all the details needed and your full cooperation.

4. **Step 4: Do Not Hurry**

Perhaps we are in a rush to demand reimbursement and fix the harm. We demand that we take our time! We still seem to forget stuff in a rush, maybe something important that we missed out on the first look.

Take the time, then and examine all the losses that happened before the lawsuit was filed. The more time you take, the more you'll be sure of your argument.

File your claim until you are completely assured, and let the insurance professionals do their work.

Documents Required

- Properly completed claim form
- Certificated copy of the regulation
- Photographs of property damaged
- A study by Fire Brigade
- Copy of the Police FIR (if any) Report
- Copy (if any) of a newspaper article
- Previous experience of allegations (if any)

REINSURANCE

- Reinsurance means insurance for insurance companies. Insurance companies cover the risks for individuals and businesses.
- Reinsurance covers the risk of excessive claims due to different reasons for insurance companies.

OBJECTIVES OF REINSURANCE

- Distribution of risk to ensure the coverage of a claim.
- It provides a great level of stability for underwriting in the period of the claim.
- The financial obligation out of the capacity of the insurance company is outsources to another company having such capacity. Thus, the ceding company is left with only the financial obligation which it can fulfill.

- Earning premium on the net amount.
- The actual insured person has to coordinate with only one insurance company to satisfy their claims.
- Another objective is to increase the capacity of risk exposure.

TYPES OF REINSURANCE

1. Treaty Reinsurance

- This type of reinsurance covers the insurances on the basis of the nature of the policy. This means no exact specific policy is covered. But all such policies falling within the same nature are covered.
- This type of reinsurance specifies the qualification criteria. In case, such criterion is met, all such policies get reinsured automatically. The treaty reinsurance is further divided into two sub-categories namely, pro-rata reinsurance and excess of loss reinsurance.
- Pro-rata reinsurance (also known as quota share) means the proportional risk assumed by the reinsurer. In respect of such proportion, the reinsurer assumes the proportional risk.
- Excess of loss reinsurance is where the losses are protected above a certain predetermined level. In case the protection is for the occurrence of a single event, such type is called as “per occurrence” type of reinsurance. In case the protection is for all losses which may occur during the specified period, such type is called an “aggregate” type of reinsurance. In such the protection is for individual specific risk classes, such type is called as “per risk” type of reinsurance.

2. Facultative Reinsurance

- In such type of reinsurance, the reinsurance is taken for specific types of risk rather than reinsuring for the entire policy as a whole.
- However, such a type of reinsurance demand a due diligence process in case of occurrence of any claim.
- Thus, such reinsurance is always subjective.

FUNCTIONS OF REINSURANCE

Some of the key functions of reinsurance are:

- It helps the main insurer to grow or multiply in terms of volume of premium.
- It protects the main insurer from catastrophe to occur.
- It increases the capacity to assume more risks and to issue to more policies.
- It provides a great stability to the profits of insurance business.
- Distribution of risk to big players.
- Assurance of claim settlement from big players.

ADVANTAGES

Following are the advantages:

- One of the main advantages is the diversification of assurance risk.
- The insurance funds are protected.
- It further encourages new underwriters.
- It reduces the number of deals that normally happens with co-insurance.
- It provides a limit on the quantum of liabilities.
- It further increases the goodwill of the main insurer.
- Thus, it boosts the insurance business.
- It provides stability to profits by reducing the deviations.

DISADVANTAGES

Following are the disadvantages are given below:

- One of the main disadvantages is the sharing of premium.
- Reduction of profits.
- More cost to the insured person
- Length process of settlement of claims.
- Reduction in the growth rate of profits.

REINSURANCE

- Reinsurance means an insurance for insurance companies. Insurance companies cover the risks for individuals and businesses.
- Reinsurance covers the risk of excessive claims due to different reasons for insurance companies.

DOUBLE INSURANCE

- Double insurance refers to insurance where the same subject matter is insured twice or more than that.
- In such scenarios, the same subject is insured but with different insurance companies. The concept of Double insurance is not illegal at all.
- Double insurance come to light when a business avail insurance w.r.t the same risk and subject matter from two different insurers.
- This write-up will explore different instances where double insurance may occur and the real-life implications for businesses

GENERAL PRINCIPLES OF DOUBLE INSURANCE

- The first point on concurrent insurance is that, in principle, a business entity should not be left without an insurance payment. Where there is a presence of double insurance, & a ***business*** entity intends to claim w.r.t a loss covered by more than one policy, it will be entitled to claim whichever insurance policy it prefers.
- The insurance company that does not dispense cover w.r.t the double insured risk can approach other insurers for the contribution which has rendered similar cover.
- Therefore, if a business does claim under one insurance policy & not the other, the insurance company that has not paid out probably has to pay a share to the insurer who has paid out.

CLAUSES PERTAINING TO DOUBLE INSURANCE

- **Escape clause:** The escape clause allows the insurers to reject any claim request if they found that the insured is levering another policy that renders the same benefits.
- **Notification clause:** The notification clause mandates the insurer to make prior intimation to the insurer regarding the existence of the alternative policy, failing to which policy will be cancelled.
- **Excess clause:** Excess clause talks about the disbursement of the actual claim amount that comes out after subtracting the claim sum that already has been availed by the insured from another insurer.
- **Rateable clause:** This clause prevents insurers from dispensing the entire claim amount to the insured in the case of Double insurance.

UNIT – IV

MEANING

- Marine insurance is closely linked with international trade which mostly seaborne.
- The risks, to which goods sent by sea are liable, are almost numerous.
- The shipowner or the shipping company is liable for some of these risks under the terms of contract of affreightment or contract of carriage either a bill of lading or a charter party.
- But there is a large number of other risks for which he cannot be held responsible and which are mentioned in the 'Excepted Perils Clause of the bill of lading or the charter party.

NATURE OF MARINE INSURANCE

1. **Utmost Good Faith**
    - It is necessary for each party to observe utmost good faith and to disclose all material facts to the other party.
    - By material facts are meant those which are likely to influence the judgement of the other party.
2. **Insurable Interest**
    - The insured must have insurable interest in the subject matter of insurance. When a man stands in a pecuniary relationship with the subject matter of insurance, he is said to have insurable interest.

        (a) Cargo owners on their cargo to be shipped;

        (b) Shipowner on his ship;

        (c) Shipping company on their freight receivable;

        (d) An insurer on the insured properties for reinsurance;

        (e) Captain and crew in respect of their wages and salaries;

3. Indemnity

- The general object of the law relating to marine insurance is that n insured should not be allowed to secure a sum by way of indemnity in excess of the loss actually suffered by him.
- The indemnity in cash is to place the insured as far as possible in the same financial position as occupied by him before the happening of the event.

4. Subrogation

- In the marine insurance the right of subrogation arises to the insurer only after the payment of claim money to the insured.
- The insurer gets all the insured's rights against the third party, but cannot sue the third party in his own name.
- The insured can give up his right to claim from the third party, but in such case the insured will be liable to repay the amount he forgoes to the insurer.

5. Causa Proxima or Proximate Cause

- This doctrine defines and limits the scope within which liability may attach to the insurer.
- The maxim is 'Causa Proxima non remota spectator', see the immediate cause and not the remote cause. If the immediate or nearest cause for the loss is an insured peril, the insurer is liable to make the payment under the policy, otherwise not.

6. Warranty

- According to the Marine Insurance Act, a warranty is an undertaking on the part of the insured that some particular thing shall or shall not be done or that some conditions shall be fulfilled or whereby he affirms or negates the existence of a particular state of the facts.

KINDS OF MARINE POLICIES

1. Voyage Policy

- When the marine risk during a particular voyage only is covered under a policy, it is called voyage policy.

2. **Time Policy**
   - When a policy is taken for a definite period of time it is called "time policy".
3. **Mixed Policy**
   - A policy which combines the features of voyage policy and time policy is known as a mixed policy.
4. **Valued Policy**
   - When the value of the subject matter is declared at the very outset in the policy itself at the time of taking insurance, it is called valued policy. Such declared insured value consists of:

     a) Cost of goods
     b) Freight and shipping charges, etc; and
     c) A margin for anticipated profits.
5. **Unvalued Policy**
   - When the value of the subject matter is not expressly declared at the time of taking insurance and is left to be decided at the time of loss it is called unvalued policy and the value to be decided later is known as insurable value.
6. **Floating Policy**
   - A floating policy is one which is taken for a sufficient round sum to cover several shipments; the name of the ship and other particulars about shipments made under it being declared as and when they are made till the total sum insured or 'opened' is exhausted.
   - This policy is also known as 'Declaration Policy or Open Policy.
7. **Blanket Policy**
   - When a policy is issued for an amount of maximum protection for which the premium is fully collected at the time of granting insurance and is readjusted at the end of the term of the policy in accordance with the actual amount at risk during the term, it is called, blanket policy'.

8. Block Policy

- A block policy is one which covers both on and off the insured's premises, including incidental inland risk.
- The subject matter is covered from the time of collection through the land journey and then to the port of shipment and finally reaching the port of destination.

9. Single-Vessel Policy

- When a policy is issued to cover the risk for one vessel of the insured it is called single-vessel policy.

10. Fleet Policy

- When a policy is issued, covering the risks for all vessels of the insured it is called fleet policy.

11. Named Policy or Specific Policy

- When a policy contains the name of the ship by which the shipment is made, it is a named policy.

12. Currency Policy

- A policy issued in foreign currency is called currency policy.
- This is to avoid the fluctuation in foreign currency rates.

13. Port-Risk Policy

- A port risk policy is one which protects the loss to the ship when it is anchored in a port.

14. Construction Builder's Risk Policy

- The Construction builder's risk policy is issued to the builders of the ships, covering risks of vessels during the period of construction which may be more than a year.

MARINE POLIOCY CONDITIONS

1. Perils of the Seas

- Perils of the seas refer to only fortuitous accidents or causalities of the seas and do not include ordinary action of the winds and waves.
- These perils relate to causalities which might occur and not to those which must occur.

- The insurer is liable for losses caused by perils of the sea and not for perils on the sea.

2. Fire

- Fire is one of the insured perils. But the loss by fire arising through the inherent vice or nature of the subject matter or by the willful misconduct of the insured will not be covered in the policy.

3. Enemies

- The risk from enemies includes all types of ships belonging to the foe or enemy countries.
- Any loss arising out of their actions is covered under the policy.

4. Jettison

- Jettisoning is the voluntary and intentional throwing overboard or away a part of the cargo or part of vessel's equipment for the purpose of lightening or relieving the ship in case of necessity or emergency to have a safe adventure or voyage.

5. Barratry

- Barratry refers to every wrongful act willfully committed by the master or crew to the prejudice of the owner without the connivance of the owner

6. War Risks

- The following type of war-risk losses can also be covered in a policy by paying extra premium:

A. Pirates, Rovers, Thieves

- The policy covers the loss caused by pirates, rovers and thieves, but not the clandestine theft or theft committed by any of the ship's own crew or the passengers.

B. Men-of-War

- Men-of-War refer to vessels authorized and maintained by nations for the purpose of defense or attack in the event of hostilities and the loss arising out of collision against a man-of- war is covered in a policy.

C. Letter of Mart or Letter of Marque

- Letter of mart is power granted by a country to persons authorizing them to attack an enemy's merchant ship.

D. Letter of Countermart

- Letter of countermart is power granted by the opposing nation to other person to resist and retaliate such attacks.

E. Surprisal's

- Surprisal's refer to the capture of vessel and cargo by enemies.

F. Taking at Sea

- Taking at sea relates to stopping and taking into port for examination a ship suspected of carrying contra of war to the enemy.

G. Arrest

- Arrest means forcibly taken away and refers to political or executive acts.

H. Restraints

- To prevent the free use of port by the concerned Government is called Restraint.

I. Detainment

- Detainment refers to forcible stoppage of vessel.

CALCULATION OF INSURANCE PREMIUM

- The premium for marine insurance can be calculated by following the below-mentioned steps.
- First, determination of the shipment value or the cost of freight.
- Then add 10% for the escalation costs.
- The total value obtained and multiplied by the insurance premium, quoted by the insurance provider.
- The final value obtained is thus, the amount to be payable as a premium.
- In an open marine insurance policy, the insurance provider can charge the premium at regular intervals depending upon the requirements of the insured.

- The rate % applied to the sum insured for the calculation of premium depends upon factors like the susceptibility of the goods for any damage or theft, the quality of packaging, the claim history, etc.
- Hence, the premium of marine insurance varies from case to case and does not calculate on a universal basis. It is mainly influenced by factors like applicable freight incurred for transportation, the route being considered for the voyage, the destination of the goods, and other issues that can influence the delivery of goods like riots, commotion, or political risks.

MARINE LOSSES

The loss in marine insurance may arise in the following nature:

I. Total Loss

- If the subject matter insured, is totally lost or destroyed there is a total loss.

1. Actual Total Loss

- where the subject matter insured, is destroyed or damaged as to cease to be a thing of the kind insured,
- where the insured is irretrievably deprived thereof.

2. Constructive Total Loss

- where the subject matter insured is reasonably abandoned on account of its actual total loss appearing to be unavoidable,
- Where it could not be preserved from actual loss without an expenditure which would exceed its insured value.

3. Salvage Loss

- In case of total loss, any amount realized by the insured on the sale of the damaged subject matter is deducted from the insured sum and the balance amount will only be payable by the insurer.
- This net amount received from the insurer is termed a "Salvage Loss”.

II. Partial Loss

- Any loss other than a total loss is a partial loss which is also known as average.

1. **Particular Average Loss**

- A particular average loss is defined as a partial loss of a particular interest (subject matter) accidentally and proximately caused by a peril insured against.
- It requires that:

(a) the loss is a partial one (loss of a part of the subject matter or damage thereto or both);

(b) it must attach to a particular interest;

(c) it must be accidental and not intentional; and

(d) it should have been caused by a peril insured against.

2. **General Average Loss**

- A general average loss is one which is caused by an extraordinary sacrifice, or expenditure voluntarily and reasonably made or incurred in times of peril for the general safety of the properties of others who are known as contributing interests because each of the contributing interests has to bear and pay a ratable contribution towards the general average loss subject to the provisions of maritime law. Each insurer of the property insured is liable to pay that general average contribution as a partial loss arising through general average loss.
- The general average loss should satisfy the following elements:

(a) The loss must be the direct result of a general average act;

(b) The loss must be extraordinary in nature;

(c) The sacrifice or expenditure must be made or incurred reasonably and prudently;

(d) The sacrifice or expenditure must be voluntary and intentional;

(e) The sacrifice or expenditure must be done in time of peril;

(f) The object of sacrifice or expenditure must be for the safety of the whole properties

3. **Salvage Charges**

- Maritime law provides that any third party may try to save the property in maritime peril.
- The interest (property) saved is called ''salvage' and the party saving the property is called 'salvor, who is entitled to a reward known as 'Salvage Award'.

(a) The salvor should be third party;

(b) The expenses can be claimed only for the services in saving the insured property;

(c) The salvage services must be either wholly or partially successful.

4. **Particular Charges**

- The expenses incurred by or on behalf of the insured for the safety or preservation of the subject matter insured, other than general average and salvage charges are known as particular charges or special charges.

(a) The charges have been incurred to avert or minimize a loss insured against;

(b) They must have been incurred in respect of a particular interest only;

(c) They must have been incurred by the insured or his agent (usually the captain of the ship); and

(d) They must have been incurred short of destination.

CLAIM PROCESS FOR MARINE INSURANCE POLICY

- Here is the process and documents required for online marine insurance claim intimation and procedure
  - For claim intimation the insured need to provide the insurance policy number as printed on the policy document.
- Below is the list of documents that are required for the claim process

• Claim Bill Invoice

• KYC (above Rs. 1lakh)

• GR/LR

• Damage Certificate

- Monetary Claim on Transporter
- Letter of Subrogation
- Photographs
- NEFT mandate duly filled & stamped by the bank / cancelled cheque with the name of the policy holder / Account number/ IFSC code

- Once the claim is successfully filed the insurer will provide the URN/claim number that can be used for uploading documents and checking the insurance claim status.
- If the insured items are damaged, all the necessary steps should be taken to protect from further damage or loss.

UNIT – V

PERSONAL ACCIDENT INSURANCE - MEANING

- A personal accident policy is a type of insurance policy that offers you protection against death or disability caused due to an accident.
- In case of death due to an accident, the policy pays out a lump sum amount to the nominee of the policyholder.

ADVANTAGES OF PERSONAL ACCIDENT POLICY

- Provides financial security to your family and loved ones.
- There no external tests and documents needed over and above the current condition.
- Extensive coverage at much affordable rates.
- Plans available in two categories, self and family.
- It offers worldwide coverage.
- Easy and seamless claim process.
- Support centres available on all days and around the clock.
- We can customize the policy to suit your specific needs.

TYPES OF PERSONAL ACCIDENT INSURANCE POLICY

1. **Individual accident insurance**:

    - This accident insurance policy provides insurance benefits to an individual in case of any accidental damage.
    - Typically, the insurance covers accidental death, loss of limbs or sight, or other permanent disabilities resulting due to an accident.
    - This is best for self-employed, salaried persons and persons who are engaged in a business.
    - Certain insurers also provide education benefit as part of the policy.
    - In case of death or a permanent total disablement claim, the child is eligible to receive support for education at a government approved educational institute.

2. **Group Accident Insurance:**

   - This personal accident insurance is often obtained by employers to obtain coverage for the employees.
   - These policies are good incentives for small enterprises as the cost of obtaining them is very low.
   - Group accident insurance only provides limited benefits when compared to an individual accident insurance plan.
   - However, most insurers provide complete cover in case of death or temporary partial disablement or permanent total disablement of the insured due to accidents occurring anywhere in the world.

COVERAGES OF PERSONAL ACCIDENT INSURANCE POLICY

1. Accidental Death Cover: Death due to an accident can be one of the most devastating things for a family. In the event of death, the entire sum assured is paid to the nominee.
2. Permanent/Total Disability Cover: In some cases, accidents can result in permanent disabilities or lifelong total impairment. These impairments could be in the nature of loss of both the limbs and hands. In case total disability, a specified sum insured is paid to the insured.
3. Permanent Partial Disability Cover: It is also possible that the injuries sustained during an accident result in permanent partial disabilities. In such cases, a certain amount of the benefit is paid to the insured.
4. Temporary Total Disability: Disabilities can also be temporary. If the insured sustains temporary disabilities, a different type of benefit is provided. Typically, the insurer will provide a weekly allowance to recompense the loss of income. This cover is helpful for the loss of income sustained by the insured.
5. Other common inclusions are: Medical expenses/ hospitalization charges, Child education support, life support benefit etc.

MOTOR INSURANCE

- Motor insurance is compulsory under the Motor Vehicles Act.
- The types of risks involved in using motor vehicles are legal liability to the third party and loss or damage to owner's vehicles.
- The Act policy is enough to satisfy the provisions of the Motor Vehicles Act, but provides only the minimum cover to the insured against his legal liability towards the loss or damage caused to the third party, by the use of vehicles in a public place.
- But a third party policy covers all risks towards the third party and protects the insured against his legal liability arising due to the use of vehicle in respect of loss or damage to the third parties (death or bodily injury) as well as to the property of the third parties.
- The third type of policy known as "comprehensive policy" normally covers the following:
    1. Third Party liabilities
    2. Damage to vehicles
    3. Tug-and-tow charges
    4. Repair charges
    5. Medical expenses and Other expenses incurred in connection with risk.
- The following risks are also covered in motor insurance by paying extra premium:
    1. Fire
    2. Theft and burglary
    3. Strike, riot and civil commotions
    4. Legal liability towards persons employed for operation, maintenance loading and unloading of vehicles and
    5. Death or injury to any members of the family who travelled
- Different rates of premium are charged for each of the following vehicles:
    1. Private vehicles
    2. Hire vehicles
    3. Private carriers
    4. Public carriers

5. Two-wheelers
6. Three-wheelers.

BURGLARY INSURANCE – MEANING

- Burglary insurance is an insurance policy which covers the financial loss that you suffer in case of a burglary or attempted burglary into your home or business premises.
- Burglary is defined as an act of forceful entry into the house or business premises with an illegal intention of theft.

FEATURES OF BURGLARY INSURANCE

- They can be bought by homeowners, tenants as well as business organizations to cover the financial loss suffered due to burglary
- A burglary insurance policy can also cover theft and robbery. That is why the plans are also called burglary and theft insurance plans
- There are different types of burglary insurance plans available in the market
- We can avail different types of burglary insurance policies for covering different types of assets which are exposed to the risk of theft
- A standard burglary insurance policy can be extended to cover losses suffered due to burglaries committed during riots, strikes, fire, etc.

WHAT IS COVERED UNDER BURGLARY INSURANCE?

Burglary insurance covers the following losses which you might face in case of a burglary or attempted burglary

- Damage to the home or business premises due to forceful and unlawful entry
- Loss of assets or property due to theft and burglary

Coverage under burglary insurance policies can be taken for the following types of assets –

- Cash and valuables
- Home appliances
- Electronic gadgets
- Money in transit
- Cash stored in safe
- Stock in trade

- Business assets
- Plants and equipment used in the factory or business premises
- Jewellery, etc.

What is not covered under burglary insurance?

Burglary insurance policies have the below-mentioned exclusions in which case the claims are not paid

- Loss or damage which occurs due to war, strikes, riots, etc. unless otherwise specified
- Losses due to natural calamities
- Losses suffered when the property is under renovation
- Losses due to nuclear threats or contamination
- Loss of property because it was confiscated by the Government
- Consequential losses
- If the family members are involved in the burglary, claims would not be covered
- Precious metals and cash might be excluded unless specifically covered under the plan
- Theft or burglary of share certificates, promissory bonds, treasury bills, etc. are not covered
- Theft by employees or housemaids are not covered
- Burglary or theft when the premises were left unattended or when the premise was not completely locked
- Fraudulent claims are not covered
- Theft using a duplicate key is not covered unless the key was acquired forcefully
- Burglary, when proper security was not maintained, would not be covered

TYPES OF BURGLARY INSURANCE POLICIES

1. **Stock Declaration Policy**

   This policy is for businesses which cannot estimate the exact value of their stock in trade. In such cases, the highest possible value of the stock is taken to be the sum insured so that the losses can be sufficiently covered.

2. **First Loss Policy**

   Under this policy, a portion of the stock is insured which is likely to be burgled. This type of policy is relevant when the total loss cannot be plausibly estimated.

3. **Full Value Policy**

   This policy covers the asset for its full value so that in case of loss the full value can be claimed.

4. **Money in Transit Insurance**

   This policy covers the risk of theft or burglary on an amount of money which is in transit. The policy is relevant for businesses where the movement of physical cash is involved.

5. **Business Premises Insurance**

   This policy covers the risk of burglary and theft in the place of business.

6. **Dwelling Insurance**

   Under this policy, your residential house is covered against burglary and theft.

7. **Jewellery and Valuable Policy**

   This policy specifically covers precious jewellery, valuable, works of art and other valuables against burglary.

8. **Cash in Safe Policy**

   This burglary insurance policy covers the risk of theft of the cash which is kept in a safe at the house or at the business premises.

RURAL INSURANCE

- Rural insurance ensures that families living in rural areas have a safe and secure future so that they can lead a happy life.
- The insurance helps them to cover risks related to various aspects of their life.
- Rural Insurance policies come with the affordable premium rates and faster claim process.

WHAT RURAL INSURANCE COVERS?

- Rural insurance is associated with the lifestyle risks of people residing in villages.
- This insurance policy includes:
  - Hut insurance

- Poultry insurance
- Cycle rickshaw policy
- Sericulture insurance
- Honey bee insurance
- Failed- well insurance
- Sheep and goat insurance
- Lift irrigation insurance
- Farmers' package insurance
- Agricultural pump-set policy
- Animal-driven cart insurance
- Gramin personal accident insurance
- Aqua-culture (prawn/ shrimp) insurance
- Horticulture/ plantation insurance scheme
- Animals included in rural insurance are elephants, rabbits, pigs, birds, zoo and circus animals.

HOW RURAL INSURANCE FUNCTIONS?

➢ In order to get the best deal, it is important to understand rural insurance well and also, know how it functions:
  - Analyse your requirement and the loss associated with your assets so that you know which type of insurance to opt for
  - The analysis will also help in deciding the premium amount Check and compare various insurance companies and plans to pick up the best one for you
  - The insurer checks whether the applicant resides in the rural area The premium is mutually agreed between the insurer and the insured after going through the property/ livestock details
  - When a risk occurs, the insured immediately informs the bank/insurer company about the mishap

- Evidence of the event, duly filled claim form and FIR Report (if needed) are submitted by the insured
- The claim is verified by bank officials. If authentic, the claim is settled, else it is rejected

ELIGIBILITY CRITERIA

- According to the Insurance Regulatory and Development Authority of India (IRDA), rural sector which is eligible for this insurance has to fulfil the following categories:
  - Has a population less than 5,000 people
  - Density of population is not more than 400 per square kilometer
  - Minimum 75% of male population must be engaged in farming activities

CLAIM PROCESS

- After the eventuality, inform the insurance company as soon as possible
- Provide the duly filled in claim form along with the required documents
- Submit the proofs and certificates
- After an assessment, if the provider finds it fit, your claim will be accepted and you will receive your compensation, else it will be rejected
- If you are not satisfied with the decision, you can approach the court of law

Some of the documents required to be submitted to the insurance company for making claims are:

- Duly filled in claim form
- Photocopy of insurance policy
- FIR report in case of accidents/ vandalism Death certificate (in case of death of the insured)
- Evidence of equipment damage (in case of property insurance) Ear tags (in case of cattle insurance)
- Ear tags (in case of cattle insurance)

- Demand draft/cancelled cheque of the bank account where the claim amount has to be paid.

HEALTH INSURANCE – MEANING

- Health insurance is an insurance product which covers medical and surgical expenses of an insured individual.

- It reimburses the expenses incurred due to illness or injury or pays the care provider of the insured individual directly.

Types of Health Insurance

1. Individual Health Insurance

- These policies typically cover all kinds of medical expenses, including hospitalisation, day care procedures, hospital room rent and more.

- Under an individual health insurance plan, each member has their own sum insured amount. Each one able to claim a maximum amount of 8 lakhs per policy year against your health insurance.

2. Family Floater Health Insurance

- A family floater plan allows us to cover your family members under a single policy and everybody shares the sum insured amount.

- These plans are typically more affordable than individual plans since the sum insured is shared. In a single policy year, we can make claims worth only INR 8 lakhs.

3. Senior Citizens Health Insurance

- These health plans have been designed specifically keeping the medical needs and requirements of senior citizens in mind.

- Most senior citizens policies offer additional cover, such as domiciliary hospitalisation and even some psychiatric benefits.

- Since older citizens are more likely to have health issues, these policies may require a full medical check-up beforehand and could be more expensive than regular insurance policies.

4. Critical Illness Insurance

- There are a number of lifestyle-related diseases that are on the rise. Health issues such as cancer, stroke, kidney failure and cardiac diseases can be very expensive to deal with and manage long-term.

- This is precisely why critical illness insurance policies have been created. They can either be purchased as a rider or add-on with your regular health insurance plan or separately as their own plan.

- These policies offer cover for very specific issues and often provide claim pay-outs as a single lump sum payment after the diagnosis of a critical illness.

5. Group Health Insurance

- Unlike individual and family floater policies, group health insurance plans can be purchased by a group manager for a large number of individuals.

BENEFITS OF HEALTH INSURANCE

1. Helps Deal with Rising Medical Costs

- People purchase health insurance policies to safeguard their finances against ever-rising medical costs.

- An accident or medical emergency could end up costing us more than a few thousand rupees.

- With a medical insurance plan, us enjoy cover for everything from ambulance charges to day-care procedures, making it easier for we to get the care you need to recover.

2. Critical Illness Cover

- Many health insurance policies will also offer cover for critical illnesses at an additional cost.

- Given the rising incidence of lifestyle-related diseases today, this is another crucial cover to have.
- We will be provided with a lump sum pay out in case you are diagnosed with any of the covered critical illnesses.
- These issues are often very expensive to deal with and manage, so critical illness cover is another vital benefit of having health insurance.

3. Easy Cashless Claims

- Every health insurance provider will tie-up with a number of network hospitals where us can enjoy cashless claims.
- This makes the entire process of receiving emergency medical care much easier.
- At a network hospital, you aren't really required to pay for any of the covered treatments.
- For all valid claims, we'll take care of the medical costs, without you having to pay for anything, except non-covered expenses and the mandatory deductibles.

4. Added Protection

- If we enjoy cover under a group health insurance plan, you may wonder why you should purchase your own health insurance policy.
- Well, individual health insurance plans offer provider more and better cover than group plans.
- Additionally, if you happen to leave the group at any time, you risk losing the cover, which could make you and your finances vulnerable.

5. Tax Savings

- Under Section 80D of the Income Tax Act, 1961, premiums paid towards the upkeep of health insurance policies are eligible for tax deductions.
- For a policy for yourself, your spouse, your children and parents below the age of 60, you can claim a deduction of up to INR 25,000 per year from your taxable income.

- If you've also purchased a policy for a parent who is over the age of 60, you can claim an additional deduction of INR 50,000.

LIABILITY INSURANCE

- Liability insurance is a part of the general insurance system of risk financing to protect the purchaser from the risk of liabilities imposed by lawsuits and similar claims and protects the insured if the purchaser is sued for claims that come within the coverage of the insurance policy.

TYPES OF LIABILITY INSURANCE

1. **Public Liability Insurance**
- Although only certain countries have made this type of an insurance mandatory, most industries, especially those that have an affect on third parties such as visitors, trespassers, etc.
- Regardless of whether it is mandatory or not, most companies procure it so as to avoid unnecessary risk.

2. **Product Liability**
   - This is again not a compulsory insurance requirement in many countries, but it is highly important.
   - This is procured by companies whose products are widely used such as chemicals, tobacco, medical products, food, recreational products and others.

3. **Employer Liability**
   - This type offers cover to liabilities that an employer may incur if an employee is injured during his/her employment due to the job.
   - Sometimes, companies do not deem this as important but if faced with a claim, they might be driven to bankruptcy.

4. **Third-Party Liability**
   - This policy covers damages caused by the insured to another.
   - The insured is considered as the first party, the insurance company is the second and the third is the injured or the person/company making the claims.

BANCASSURANCE

- Bancassurance is an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base.
- This partnership arrangement can be profitable for both companies.

ADVANTAGES OF BANCASSURANCE

To banking institutions

- Diversification of product and customer portfolio
- Improved Profitability and Non-Interest Fee Income
- Customer Loyalty and Retention
- Cost-effective use of existing Resources
- Increased customer lifetime value

To customers

- One stop-shop for all financial needs
- Improved application and policy processing time
- Ease of Renewals
- Trust in insurance products and services
- Customized product and expert advice

To insurance companies

- High Market Penetration Rate
- Relevant offer generation and customer engagement
- Increased operational efficiency and reduced costs
- High service and product responsiveness
- Increased Premium Turnover

DISADVANTAGES OF BANCASSURANCE

- Association and dependence may cause conflict of interest between the partners leading to new operational and performance risk.
- The conflict of interest between bank products and insurance products and their policies could confuse the customers regarding where to make the investment.