KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University Established Under Section 3 of UGC Act 1956)

Coimbatore – 641 021.

LECTURE PLAN

DEPARTMENT OF COMMERCE

STAFF NAME: MANONMANI G

SUBJECT NAME: FUNDAMENTALS OF INSURANCE SUB.CODE: 15PAU506B

SEMESTER: V CLASS: III B.Com (PA)

UNIT I

Lecture Duration Period	Topics to be Covered	Support Material/Page Nos	Lecture Duration Period
1	1	Introduction – Risk – Uncertainty – Definition	R2: 119
2	1	Classifications of risk	R2:128
3	1	Sources, Principles and Identification	R2:132
4	1	External and Internal Insurance	R2:41
5	1	Nature and Functions of insurance	R2:133
6	1	Principles and kinds of insurance	R2:136
7	1	History and Types of insurance	R2:66
8	1	Insurance – Importance and Characteristics	R2: 68
9	1	Privatization of Business in India	R2:77
10	1	Its Performance and Criticisms	R2:79
11	1	IRDA - Structure and History	R2:44
12	1	Constitutions and Objectives	R2:46
13	1	Roles and duties of IRDA	R2:48
14	1	Recent development in Insurance	R2:128
15	1	Recapitulation and Discussion on Important questions	
		Total no. of hours planned for unit-1	**15 Hours**

UNIT-II

S.NO	LECTURE DURATION (HR)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1	1	Life insurance-Introduction- its features	R2:119
2	1	Differences between insurance and assurance	R2:121
3	1	Classifications of life insurance policies	R2:128
4	1	Classifications of life insurance policies	R2:130
5	1	Law relating to life insurance	R2:140
6	1	General principles of life insurance contract	R2:162
7	1	Terms and subject matter of proposal and policies	T1:164
8	1	Assignment and nomination meaning,	R2:152
9	1	Its Differences and terms	R2:154
10	1	Title and claims of LIC of India	T:154
11	1	Concept of trust in life policies	W:1
12	1	History of LIC	T:170
13	1	Concept and structure of LIC in India	R2:173
14	1	Roles , Functions and power of LIC	R2:1175
15	1	Recapitulation and Discussion on important questions	
		Total no. of hours planned for unit-2	**15 Hours**

UNIT-III

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	General Insurance – Introduction	R2:108
2	1	Concept functions of General Insurance	R2:110
3	1	Law relating to General Insurance – Sources – Organisational Structure	R2:111
4	1	Different types of General Insurance	T:11
5	1	General Insurance vs Life insurance	T:14
6	1	Nature of fire insurance	R2:286
7	1	Types and subrogation	R2:288
8	1	Double insurance – Contribution	W1
9	1	Proximate cause	W1
10	1	Claims of recovery	W1
11	1	Accident & motor insurance – Introduction,	T:423
12	1	Nature, disclosure, Terms and condition	W1
1	1	Claims and recovery – Third party insurance	R3:178
14	1	Compulsory motor vehicle insurance – Accident insurance	R2:342
15	1	Recapitulation and Discussion on important questions	
		Total no. of hours planned for unit-3	**15 Hours**

UNIT-IV

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1	1	Introduction on deposit and credit insurance	T:662
2	1	Its nature and terms and conditions	T:663
3	1	Claims and recovery of deposit	T:664
4	1	Credit insurance	W1
5	1	Public liability insurance	T:658
6	1	Features and Procedures	T:660
7	1	Emergency risk insurance	W2
8	1	Structure and powers of risk insurance	W2
9	1	General insurance corporation	R2:112
10	1	History and concept of GIC	R2:113
11	1	Powers and Functions of GIC	R2:115
12	1	Deposit insurance – Terms and Significant	W2
13	1	Credit guarantee Corporation	T:663
14	1	Terms and Significant of CGC	T:665
15	1	Recapitulation and Discussion on important questions	
		Total no. of hours planned for unit-4	**15 Hours**

UNIT-V

S. No.	DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Marine insurance – Introduction and concept	R2:449
2.	1	Law relating to marine insurance	R2:255
3.	1	Scope of nature of marine insurance	R2:259
4.	1	Types of policy – Insurable interest	R2:262
5.	1	Concept of disclosure and representation	R2:264
6.	1	Insured perils – Types, features and significant	R2:266
7.	1	Proximity cause – Voyage	R2:268
8	1	Types of Voyage	R2:270
9	1	Warranties – Measurements – Subrogation	R2:268
10	1	Contribution – under insurance	W2
11	1	Sources, Procedures and Terms	W2
12	1	Recapitulation and Discussion on important questions	
13	1	Discussion of Previous Year ESE Questions	
14	1	Discussion of Previous Year ESE Questions	
15	1	Discussion of Previous Year ESE Questions	
		Total no. of hours planned for unit-5	**15 Hours**

Text Books:

1. M.N. Mishra,(2016) Insurance Principles and Practices, S.Chand & Company New Delhi

Reference Books:

1. N.D. Kapoor (2016) Elements of Business Law, Sultan and Chand & Sons, New Delhi
2. P.Periasamy (2015). Principles and Practices of Insurance, Himalaya Publishing House, New Delh.

WEBSITE:

W1: https://www.scribd.com//insurance/-practice.-pdf

W1: www.nios.ac.in/media/documents/VocInsServices/m1

W1: https://www.ibef.org/industry/insurance-sector-india.aspx

15PAU506B **FUNDAMENTALS OF INSURANCE**

COURSE OBJECTIVE

- To enhance the students knowledge in insurance mechanism
- To enlighten the students knowledge towards the principles and practice of insurance

LEARNING OUTCOME

This paper represents the importance of deposits and credit insurance mechanism . And Demonstrate knowledge of insurance contracts and provisions, and the features of property-liability insurance, life and health insurance, and employee benefit plans.

UNIT I

Risk and uncertainty-Definition- classification of risk-sources of risk-External and Internal insurance-Meaning- Nature –significance -Essential Requirements and principles of Risk Insurance- Reinsurance-Privatization of insurance of Insurance Business in India - Insurance Regulatory Development Authority- Recent Development in the Insurance sector.

UNIT II

Life insurance –Law Relating to Life Insurance- General Principles of life Insurance Contract-Proposal and policy- Assignment and Nomination- Title and claims –concept of trust in life Policy-LIC- Role and functions.

UNIT III

General Insurance – Law relating to general insurance – Different types of general insurance – General Insurance Vs Life Insurance – Nature of Fire Insurance – various types of Fire policy subrogation – Double Insurance – Contribution – Proximate Cause – Claims of Recovery – Accident and Motor Insurance – Nature , Disclosure, Terms and Conditions Claims and Recovery – Third Party Insurance – Compulsory Motor Vehicle Insurance – Accident Insurance.

UNIT IV

Deposit and Credit Insurance – Nature – Terms and Conditions – claim – Recovery etc., Public Liability Insurance – Emergency Risk insurance Structure and power, function of General Insurance Corporation of India – Deposit Insurance and Credit Guarantee Corporation.

UNIT V

Marine Insurance – Law Relating to Marine Insurance – Scope and Nature – Types of Policy – Insurable interest – Disclosure and Representation – Insured Perils – Proximity Cause – Voyage – Warranties – Measurement – Subrogation – Contribution – Under Insurance.

TEXT BOOKS

- M.N. Mishra, (2016), Insurance Principles and Practices , S. Chand & Co., New Delhi.

REFERENCE BOOKS

1. N.D. Kapoor,(2016), Elements of Business Law, Sulthan Chand & Sons, New Delhi
2. Murthy, (2016), Principles and Practices of Insurance, Margham Publications, Mumbai.
3. Senthi Jyotsna and Bhatia Nishwa, (2016), Elements of Banking and Insurance, Phi India Pvt., Ltd., New Delhi.
4. P. Periyasamy,(2015), Principles and Practices of Insurance , Himalaya Publishing House, New Delhi.

SYLLABUS

Risk and uncertainty-Definition- classification of risk-sources of risk-External and Internal insurance- Meaning- Nature –significance-Essential Requirements and principles of Risk Insurance- Reinsurance- Privatization of insurance of Insurance Business in India - Insurance Regulatory Development Authority- Recent Development in the Insurance sector.

UNCERTAINTY

Uncertainty is the inability to predict the future with confidence. Because of the presence of uncertainty, we need to consider the effects of possible deviations from the projected figures.

RISK

Risk is the possibility of adverse variations in financial results. It is important that a general insurer is able to identify the risks it faces and assess the suitability of methods available for managing those risks. The greater the uncertainty, the greater the risk.

WHAT IS INSURANCE?

Insurance is a tool by which fatalities of a small number are compensated out of funds collected from the insured. Insurance companies pay back for financial losses arising out of occurrence of insured events, e.g. in personal accident policy the insured event is death due to accident, in fire policy the insured events are fire and other natural calamities. Hence, insurance is a safeguard against uncertainties. It provides financial recompense for losses suffered due to incident of unanticipated events, insured within the policy of insurance.

Insurance, essentially, is an arrangement where the losses experimented by a few are extended over several who are exposed to similar risks. Insurance is a protection against financial loss arising on the happening of an unexpected event. An individual who wants to cover risk pays a small amount of money to an organization called on Insurance Company and gets insured. An insurance company insures different people by collecting a small amount of money from each one of them and collectively this money is enough to compensate or cover the loss that some members may suffer.

The fixed amount of money paid by the insured to the insurance company regularly is called premium. Insurance company collects premium to provide security for the purpose. Insurance is an agreement or a contract between the insured and the Insurance Company (Insurer).

BRIEF HISTORY OF INSURANCE

The growth of insurance industry is associated with the general growth of industry, trade and commerce. The origin of insurance services may be traced back to 14th Century in Italy when ships carrying goods were covered under different perils. Thus marine insurance become oldest insurance practice. The systematic and orderly beginning of the insurance industry took place in UK at Lloyds coffee house in Tower Street in London. In developing countries, insurance sector has assumed special significance as it has the potential to speed up the rate of growth of the economy. Insurance Industry assists the development process of an economy in several ways. Primarily, it acts as mobiliser of savings, financial intermediary promoter of investment activity, stabilizer of financial market, risk manager and an agent to allocate capital resources efficiently.

Although the insurance industry has grown rapidly in the industrialized countries. Its growth in developing countries has neither been satisfactory nor in tandem with the growth of other sectors of the economy. The most industrialized countries in the world still account for 88% of global premium volume. The share of developing countries is extremely low. The slow growth insurance services in developing countries calls for an in -depth analysis of the nature and pattern of the evolution of these services policies pursued to develop the insurance industry and constraints thereof also need close examination.

BASIC TERMS USED IN INSURANCE:

Different terms are used in the insurance. Important among them are given below

Insured

The party or the individual who seeks protection against a specified task and entitled to receive payment from the insurer in the event of happening of stated event is known as insured. An insured is normally in insurance policy holder.

Insurer

The party who promises to pay indemnity the insured on the happening of contingency is known as insurer. The insurer is an insurance company.

Beneficiaries

The person or the party to whom the policy proceeds will be paid in the event of the death or happening of any contingency is called beneficiary.

Contract

An agreement binding at law between two or more parties is called contract.

Premium

The amount which is paid to the insurer by the insured in consideration to insurance contract is known as premium. It may be paid on monthly, quarterly, half yearly, yearly or as agreed upon it is the price for an insurance policy.

Insured sum

The sum for which the risk is insured is called the insured sum, or the policy money or the face value of the policy. This is the maximum liability of the insurer towards the insured.

Peril

A peril is an event that causes a personal or property loss by fire, windstorm, explosion, collision premature death, sickness, floods, dishonesty etc.

Hazard

Hazard is a condition that may create, increase or decrease the chances of loss from a given peril.

Exposure

An exposure is a measure of physical extent of the risk. An individual who owns a business house may be subjected to economic loss and individual loss because of his business and personal exposure.

Cover note

An unstamped document issued by or on behalf of insurers as evidence of insurance pending issue of policy. Monetary compensation award at law for a civil wrong or breach of contract.

Indemnity

Compensation for actual loss suffered is call indemnity.

REINSURANCE

Reinsurance is a method where by the original insurer transfer all or part of risk he has assumed to another company or companies with the object of reducing his own commitment to an reducing his own commitment to an amount that he can bear for his own account commensurate with his financial resources in the event of loss. It was originally confined to offers and acceptances on individual risk known as facultative reinsurance transactions.

DOUBLE INSURANCE

Double insurance implies that subject matter is insured in two or more insurance companies (insurers) and the total sum insured exceeds the actual value of subject matter. In other words, the same subject matter is insured in more than one insurer.

No claim bonus

The bonus is getting under the policy, if the claim is not reported during the policy period and after that the time renewal (in time) then as per the policy term no claim bonus is avail for the vehicle insurance policy and the rate of bonus is different in different general insurance companies, and the maximum rate should be up to 50% as per the norms.

NATURE AND CHARACTERISTICS OF INSURANCE

Insurance follows important characteristics – These are follows

1. Sharing of risk

Insurance is a co-operative device to share the burden of risk, which may fall on happening of some unforeseen events, such as the death of head of family or on happening of marine perils or loss of by fire.

2. Co-operative device

Insurance saco-operative form of distributing a certain risk over a group of persons who are exposed to it. A large number of persons share the losses arising from a particular risk.

3. Large number of insured prons

The Success of insurance business depends on the large number of persons Insured against similar risk. This will enable the insurer to spread the losses of risk among large number of persons, thus keeping the premium rate at the minimum.

4. Evaluation risk

For the purpose as certaining the insurance premium, the volume of risk is evaluated, which forms the basis of insurance contract

5. Payment of happening of specified event:

On happening specified event, the insurance company is bound to make payment to the insured. Happening of specified event is certain in life insurance, but in the case of fire, marine of accidental insurance, it is not necessary. In such cases, the insurer is not liable for payment of indemnity.

6. Transfer of risk

Insurance is a plan in which the insured transfers his risk on the insurer. This may be the reason that may person observes, that insurance is a device to transfer some economic losses would have been borne by the insured themselves.

7. Spreading of risk

Insurance is a plan which spread the risk & losses of few people among a large number of people. John Magee writes, "Insurance is a plan by which large number of people associates themselves and transfers to the shoulders of all, risk attached to Individuals".

8. Protection against risks

Insurance provides protection against risk involved in life, materials and property. It is a device to avoid or reduce risks.

9. Insurance is not charity

Charity pays without consideration but in the case of insurance, premium is paid by the insured to the insurer in consideration of future payment.

10.Insurance is not gambling

Insurance is not a Gambling is illegal, which gives gain to one party and loss to other. Insurance is a valid contact to indemnity against losses. Moreover, Insurable interest is present in insurance contracts it has the element of investment also.

11. A contract

Insurance is a legal contract between the insurer and insured under which the Insurer promises to compensate the insured financially within the scope of insurance Policy, the insured promises to pay a fixed rate of premium to the insurer.

12. Social device

Insurance is a plan of social welfare and protection of interest of the people. Rieged and miller observe "insurance is of social nature".

13. Based upon certain principle

Insurance is a contract based upon certain fundamental principles of insurance, which includes utmost good faith, insurable interest, contribution, indemnity, causa Proxima, subrogation etc, which are operating in the various fields of insurance.

THE ELEMENT OF RISK

Risk is the possibility that a loss or injury will occur. It is impossible to escape all types of risk in today's world. For individuals, driving an automobile, investing in stocks or bonds, and even jogging along a country road are situations that involve some risk. For businesses, risk is a part of every decision. In fact, the essence of business decision making is weighing the potential risks and gains involved in various courses of action.

There is obviously a difference between, say, the risk of losing money one has invested and the risk of being hit by a car while jogging. This difference leads to the classification of risks as either speculative or pure risks. A speculative risk is a risk that accompanies the possibility of earning a profit. Most business decisions, such as the decision to market a new product, involve speculative risks. If the new product succeeds in the marketplace, there are profits; if it fails, there are losses. For example, PepsiCo repeatedly gambles on the introduction of new products to compete with Coca-Cola and reach the elusive top spot. But the gamble does not pay off when the product fizzles.

A pure risk is a risk that involves only the possibility of loss, with no potential for gain. The possibility of damage due to hurricane, fire, or automobile accident is a pure risk because there is no gain if such damage does not occur. Another pure risk is the risk of large medical bills resulting from a serious illness. Again, if there is no illness, there is no monetary gain. Let us now look at the various techniques available for managing risk.

IMPORTANT OF RISK MANAGEMENT:

Risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce the risk. Identifying, evaluating and understanding risks is a very important aspect of business management.

1. Insurance provides security

The Businessman should not worry about the losses or damages in their property if they are duly insured. Life insurance provides security against death and old age sufferings. Insurance provides financial protection to business assets and properties against the risk of theft, fire accidents or any other natural calamities. Financial protection is given when the individual is unable to earn for personal accident and sickness.

2. Insurance reduces business risk or losses

In Business, commerce and industry, huge properties are employed. The property may be turned into ashes due to the slight negligence. A person may not be sure of his life and health. He cannot continue the business up to the longer period to support his dependents. With the help of insurance, he can be sure of his earning because the insurance company will pay a fixed amount at the time of death, damage by fire, theft, accident and other perils.

3. Insurance provides mental peace

An individual can devote himself to achieve efficiency in economic activities due to the peaceful state of mind. Insurance removes the tensions, fears, frustrate and weakening of the human mind associated with the future uncertainty. It provides peace of mind and stimulates more and better work performance.

4. Insurance maintains your family's standard of living

Insurance has now become an important instrument which provides financial protection against unexpected risk. Insurance is a social device for spreading the chance of financial loss among a large number of people. The insured helps the individual to maintain his standard of living even in old age.

5. Generates financial resources

Insurance generates funds by collecting the premium. The funds are invested in government securities and stock. These funds are gainfully employed in the industrial development of a country for generating more funds. It can be utilized for the economic development of the country. Employment opportunities are increased by big investments that lead to capital formation.

6. Life insurance encourages savings

Insurance develops the habit of saving. It not only protect against risks and uncertainties but also provides an investment channel too. Life insurance enables systematic savings due to the payment of regular premium. Life insurance provides a mode of investment. It develops a habit of saving money by paying a premium. It is a good means to make provision for retirement age. Thus life insurance encourages savings.

7. Promotes economic growth

Insurance plays the significant role in the economy by mobilizing domestic savings. Insurance turn accumulated capital into productive investments. Insurance enables to manage loss, financial stability and promotes trade and commerce activities. Those results into economic growth and development. The insurance plays a crucial role in the sustainable growth of an economy.

8. Medical support

A medical insurance is considered as an essential element in managing risk in health. Anyone can be a victim of critical illness unexpectedly. Rising medical expense is of great concern.

9. Spreading of risk

Insurance facilitates spreading of risk from the insured to the insurer. The basic principle of insurance is to spread risk among a large number of people. A large number of persons get insurance policies and pay the premium to the insurer. Whenever a loss occurs, it is compensated out of funds of the insurer.

10. Source of collecting funds

It collects the small scattered amount from a large number of people and forms large amount of capital. Large funds are collected by the way of premium. These funds are utilized in the industrial development of a country, which accelerates the economic growth. Employment opportunities are increased by such big investments. Thus, insurance has become an important source of capital formation.

RISK ENVIRONMENT OF INSURANCE COMPANIES –

A Systematization provides a systematization of factors discussed in academia and practice as potential drivers of insurance company risk. We distinguish between internal factors, i.e., firm-specific factors that can be influenced by the company, and external factors, i.e., factors that cannot be influenced by the company. An important consideration for an empirical analysis is whether these factors can be quantified and, if so, to what extent data are available. The selection of risk drivers is also guided by recent regulatory reforms (Swiss Solvency Test, Solvency II) and practitioner publications on these topics (see, e.g., Federal Office of Private Insurance, 2004; Commission of the European Communities, 2007; CRO Forum, 2009). These publications also highlight internal and external factors that are important in the current financial crisis. We briefly present the risk drivers and restrict our discussion to the most important arguments.

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I INTERNAL FACTORS IN VALUATION

Company valuation depends on a variety of internal conditions and considerations, including competition, volume, surplus and return management, and loss reserves policies. For a property/ casualty company, the important considerations are what it writes, where it writes it, and how it writes it-or to put it another way, product, geography, and distribution.

Competition

Competition has two aspects: the type of company and the degree of concentration. Because the life and nonlife businesses are so different, Iwill treat them separately, beginning with the nonlife segment.

The first word that comes to most analysts' minds when thinking about the property/casualty insurance business is competition. This is a viciously competitive business. Depending on the definition of local, regional, and national markets, the United States has as many as 5,000 nonlife insurance companies. Some are big nationals, others concentrate in only one state, and some concentrate in one part of one state. Because it is a mature business and a commodity business, it is not a growth business. There may be a few growth stocks, primarily among the specialty companies, but by and large this is a mature, commodity, fragmented, competitive business.

The most obvious form of competition in any business is market share. Most insurance managers consider the term market share to be a bad word. Very few companies admit they want to pick up market share, although in reality they all want to do so. For example, in 1981 AEtna decided unilaterally that it would raise prices in the property/casualty business, even though nobody else was. It raised prices by an average of 15 percent, and its market share went down dramatically-in certain lines by as much as 25 percent. The next year, it decided that strategy was not such a good idea.

Surplus and Return Management

Another important internal factor is the company's capital, or surplus. Obviously, the amount of surplus (or net assets) determines to a great degree how much business a company can write. Ifsurplus goes up a lot, a company can write more business. If surplus goes down, the company may have to write less business.

Reserve Policy

Reserve policy is another key internal consideration in the nonlife insurance business. Loss reserves are estimates subject to change. Normal loss reserves are about two-thirds of a casualty company's liabilities and amount to roughly four times surplus. In 1986, CIGNA told the world that it had underestimated its reserves by 28 percent. That is a massive number, but companies can be off by that much, and CIGNA is unique only in that it cleaned its laundry in one shot and more publicly than any other company ever had.

Product, Geography, and Distribution

Product, geography, and distribution define any insurance company. Some property/casualty companies concentrate in personal lines, such as auto insurance, rather than commercial lines. The economics, regulation, and consumerissues around personallines are very different from those surrounding such commercial lines as worker's compensation and general liability insurance. Geography has been a factor in underwriting results. Historically, insurance companies have wanted to write business in the Midwest and Far West, and not in the Northeast-Boston through Washington. A company writing business in the Midwest should show better underwriting results because that area has less regulatory and social inflation. Distribution varies by company. In the property/ casualty business, most companies write through independent agents, who often write business for six or seven insurance companies. The biggest companies in the insurance business-Allstate and State Farm-have captive agents, who write only for their companies. A few companies, such as GEICO, write business without any people at all. They write through the mail, television, radio advertising, and existing policyholder referrals.

REINSURANCE

Reinsurance is insurance bought by insurance companies. Insurance companies do not bet the company on any given risk, so to spread their exposure, they buy insurance. For example, the largest catastrophe this industry has ever had, 1989's Hurricane Hugo, cost the industry $4 billion dollars. Very few companies went out of business as a result of Hurricane Hugo because they bought reinsurance. The availability of reinsurance is cyclical-as is the cost of reinsurance and the quality.

The quality of reinsurance-that is, how strong the reinsurance company is-is very important, a fact that was not well understood in this country until 1985, when Mission Insurance failed. Its problems were inadequate reserves and poor-quality reinsurance. As a result, analysts began to look seriously at Schedule F, a form that providesinformation on who the company's reinsurers are. It is amazing how many reinsurers you have never heard of, and how many primary companies are being reinsured by companies you never heard of

II. EXTERNAL FACTORS AFFECTING EARNINGS

The external factors can be as important as the internal factors in analyzing an insurance company. Analysts often claim that you only need to know two things to invest in insurance stocks-interest rates and premium rates: premium rates up, stocks up; interest rates down, stocks up. Furthermore, if you are only allowed to know one of those two things on a near-term basis, you want to know the direction of interest rates rather than the direction of premium rates. In addition to interest rates, insurance companies are affected by regulatory activities, inflation, demographics, and globalization.

Interest Rates

The effect of interest rates shows up on the balance sheet, the income statement, and ultimately the book value of an insurance company. Interest rates are important to investors because changes have a direct impact on an insurance company's market value. Most insurance company stocks are driven by mark-to-market book value rather than a given year's operating earnings. Marking to market essentially means marking the bonds to market. When interest rates go down, investor wealth accumulates, because the value of the bonds-which often represent three-quarters of an insurance company's assets-goes up.

Inflation

Inflation is important to this business because liabilities are cost-based, not dollar-based. If you have a car accident, the insurance company pays the cost of fixing the car minus a deductible. It does not pay a flat amount per accident. Therefore, as inflation pushes costs up, claim amounts increase.

Catastrophes

Another external consideration is the size, number, and type of catastrophes such as fires, hurricanes, or tornadoes. This can be a big swing factor in any year. The worst year for this business was 1989-$7 billion in catastrophe losses. They have been running about $2 billion since then. They will run over $2 billion in 1991 because of the Oakland fire, Hurricane Bob, and so on. Catastrophes are important to property writers, who specialize in writing property insurance rather than liability insurance. Obviously, reinsurance is particularly important.

Regulatory Activities

The insurance industry is regulated on a stateby-state basis, rather than federally, and state regulations vary widely. The McCarren-Ferguson Act exempts insurance companies from federal regulation and legislation. Every year, Congress talks about repealing that act, and within a few years, I believe it will be repealed. Federal regulation will focus more on solvency than on price.

Other Factors

A host of other external factors also affect the insurance industry. These include consumerism, distribution networks, product diversification, and soon. Consumerism today is typically wrapped up in one number-Proposition 103, which has been in effect in California since 1988. Under Proposition 103,California voters mandated a 20 percent rollback in auto insurance rates.

Consumerism is a big issue in this business. Also important are distribution networks. Some companies have career agents who write business mainly for one company; others use independent agents, general agents, personal-producing general agents, and a few are direct writers. An important source of competition in the life insurance business is other asset gatherers. In 1979, this business redefined itselffrom one that mainly provided protection for survivors in the event of premature death. It is now an asset gatherer. As a result, it competes with banks, mutualfunds, moneymarketfunds, and other insurance companies.

Insurance occupies an important place in the modern world because the risk, which can be insured, have increased in number and extent owing to the growing complexity of the present day economic system. It plays a vital role in the life of every citizen and has developed on an enormous scale leading to the evolution of many different types of insurance. In fact, now a day almost any risk can be made the subject matter of contract of insurance. The different types of insurance have come about by practice within insurance companies, and by the influence of legislation controlling the transacting of insurance business. Broadly, insurance may be classified into the following categories:

1) Classification on the basis of nature of insurance

(a) Life Insurance

(b) Fire Insurance

(c) Marine Insurance

(d) Social Insurance

(e) Miscellaneous Insurance

(2) Classification from business point of view:

(a) Life Insurance

(b) General Insurance

(3) Classification from risk point of view:

(a) Personal Insurance

(b) Property Insurance

(c) Liability Insurance

(d) Fidelity Guarantee Insurance

However, in the present lesson we will discuss insurance in business point of view, personnel insurance and property insurance.

INSURABLE RISK

Risks are generally divided into two classes: Pure risks and Speculative risks.

Pure Risks- these risks involve only the chance of loss, there is never an opportunity for gain or profit.

Examples: injury from an accident, loss of home from an earthquake.

Only Pure Risks are Insurable

Speculative Risks- These risks involve both the chance of gain or loss.

Examples: Gambling at the race track, or investing in the real estate market.

Speculative Risk is not Insurable

Elements of an Insurable Risk

- Loss must not be Catastrophic
- Loss must be Unexpected or Accidental
- Loss produced by the risk must be Definite and Measurable
- Must be a significantly large number of homogeneous exposure units to make the losses reasonable predictable

Risks can also be evaluated on an economic scale comparing static and dynamic risks:

Static Risks are the losses that are caused by factors other than a change in the economy (for example- hurricanes, earthquakes, other natural disasters)

Dynamic Risks are the result of the economy changing (examples- inflation, recession, and other business cycle changes). Dynamic risks are not insurable.

Self-Insurance

Self-insurance is the process of an individual or company acting like an insurance company to cover its own risks. This involves evaluating a large number of similar potential losses, the ability to predict the overall losses with some degree of accuracy, and the establishment of a formal fund for future losses and their possible fluctuations.

Self-Insurance for both companies and individuals has its pros and cons:

Advantages:

- Avoid the cost of premiums for commercial or personal insurance

- Reserves can be invested in short-term money market instruments and later used by the company or individual when the insurance is no longer needed

Disadvantages:

- Company/individual is exposed to a catastrophic loss
- Services provided by the insurance company are assumed
- Income taxes may be due on the interest/profit from the reserve cash

Insurance Regulatory Act (1999)

After the report of the Malhotra Committee came out, changes in the insurance industry appeared imminent. Unfortunately, instability in Central Government, changes in insurance regulation could not pass through the parliament.

The dramatic climax came in 1999. On March 16, 1999, the Indian Cabinet approved an Insurance Regulatory Authority (IRA) Bill that was designed to liberalize the insurance sector. The bill was awaiting ratification by the Indian Parliament. However, the BJP Government fell in April 1999. The deregulation was put on hold once again.

An election was held in late 1999. A new BJP-led government came to power. On December 7, 1999, the new government passed the Insurance Regulatory and Development Authority (IRDA) Act. This Act repealed the monopoly conferred to the Life Insurance Corporation in 1956 and to the General Insurance Corporation in 1972. The authority created by the Act is now called IRDA. It has ten members.

New licenses are being given to private companies (see below). IRDA has separated out life, non-life and reinsurance insurance businesses. Therefore, a company has to have separate licenses for each line of business. Each license has its own capital requirements (around USD24 million for life or non-life and USD48 million for reinsurance).

Some Details of the IRDA Bill

On July 14, 2000, the Chairman of the IRDA, Mr. N. Rangachari set forth a set of regulations in an extraordinary issue of the Indian Gazette that details of the regulation.

Regulations

The first covers the Insurance Advisory Committee that sets out the rules and regulation.

The second stipulates that the "Appointed Actuary" has to be a Fellow of the Actuarial Society of India. Given that there has been a dearth of actuaries in India with the qualification of a Fellow of the Actuarial Society of India, this becomes a requirement of tall order. As a result, some companies have not been able to attract a qualified Appointed Actuary (Dasgupta, 2001). The IRDA is also in the process of replacing the Actuarial Society of India by a newly formed institution to be called the Chartered Institute of Indian Actuaries (modeled after the Institute of Actuaries of London). Curiously, for life insurers the Appointed Actuary has to be an internal company employee, but he or she may be an external consultant if the company happens to be a non-life insurance company.

Third, the Appointed Actuary would be responsible for reporting to the IRDA a detailed account of the company.

Fourth, insurance agents should have at least a high school diploma along with training of 100 hours from a recognized institution. More than a dozen institutions have been recognized by the IRDA for training insurance agents (the list appears online at http://www.irdaonline.org/press.asp).

Fifth, the IRDA has set up strict guidelines on asset and liability management of the insurance companies along with solvency margin requirements. Initial margins are set high (compared with developed countries). The margins vary with the lines of business (for example, fire insurance has a lower margin than aviation insurance).

Sixth, the disclosure requirements have been kept rather vague. This has been done despite the recommendations to the contrary by the Mukherjee Committee recommendations.

Seventh, all the insurers are forced to provide some coverage for the rural sector.

1. In respect of a life insurer, (a) five percent in the first financial year; (b) seven percent in the second financial year; (c) ten percent in the third financial year; (d) twelve percent in the fourth financial year; (e) fifteen percent in the fifth year (of total policies written direct in that year). (2) In respect of a general insurer, (a) two percent in the first financial year; (b) three percent in the second financial year; (c) five percent thereafter (of total gross premium income written direct in that year).

New Entry

Immediately after the passage of the Act, a number of companies announced that they would seek foreign partnership. In mid-2000, the following companies made public statements that they already were in the process of setting up insurance business with foreign partnerships (see Table 3). However, not all the partnerships panned out in the end (see below).

TABLE 3
INDIAN COMPANIES WITH FOREIGN PARTNERSHIP

Indian Partner	*International Partner*
Alpic Finance	Allianz Holding, Germany
Tata	American Int. Group, US
CK Birla Group	Zurich Insurance, Switzerland
ICICI	Prudential, UK
Sundaram Finance	Winterthur Insurance, Switzerland
Hindustan Times	Commercial Union, UK
Ranbaxy	Cigna, US
HDFC	Standard Life, UK
Bombay Dyeing	General Accident, UK
DCM Shriram	Royal Sun Alliance, UK
Dabur Group	Allstate, US
Kotak Mahindra	Chubb, US
Godrej	J Rothschild, UK
Sanmar Group	Gio, Australia

Cholamandalam	Guardian Royal Exchange, UK
SK Modi	Group Legal & General, Australia
20th Century Finance	Canada Life
M A Chidambaram	Met Life
Vysya Bank	ING

Source: U.S. Department of State FY 2001 Country Commercial Guide: India

Three days before the deadline that the IRDA had set upon itself (October 25, 2000), it issued three companies with license papers:

1. HDFC Standard Life. This will be jointly set up by India's Housing Development Finance Company - the largest housing finance company in India and the Scotland based Standard Life.
2. Sundaram Royal Alliance Insurance Company. It is a partnership created by Sundaram Finance and three other companies of the TVS Group of Chennai (Madras) and the London based Royal & SunAlliance.
3. Reliance General Insurance. This company is fully owned by Mumbai based Reliance Industries which has operations in textile, petrochemicals, power and finance industries.

There are three other companies with "in principal" approvals:

1. Max New York Life. It is a partnership between Delhi based pharmaceutical company Max India and New York Life, the New York based life insurance company.
2. ICICI Prudential Life Insurance Company. This is a joint venture between Mumbai based Industrial Credit & Investment Corporation and the London based Prudential PLC.
3. IFFCO Tokio General Insurance Company. It is a joint venture between Indian Farmers' Fertiliser Cooperative and Tokio Marine and Fire of Japan.

To date (end of April 2001), the following companies have thus been granted licenses: ICICI -Prudential, Reliance General, Reliance Life, Tata-AIG General, HDFC-Standard Life, Royal-Sundaram, Max-New York Life, IFFCO-Tokio Marine, Birla-SunLife, Bajaj-Allianz General, Tata-AIG Life, ING-Vyasa, Bajaj-Allianz Life, SBI-Cardiff Life. Note that all of these companies are either in the life insurance business or in the non-life insurance business. No license has been granted for reinsurance business so far (the size of the reinsurance business can be 10-20% of the total revenue). No stand-alone health insurance company has been granted license so far.

LIBERALIZATION

Liberalization of insurance industry by permitting domestic and foreign private players was among the several important recommendations the committee made so far. Monopolies are awful in themselves especially when they are government monopolies because they do not keep themselves viable. At the time of nationalization of insurance business, it could have been known that state monopolies would not survive over a long time or lead to lack of competition. Yet, at that point of time, it was believed that control over huge funds and their utilization was absolutely necessary to ensure fulfilment of state priorities for investment (Palade, Shah, & Lunawat, 2008). Therefore, Malhotra committee recommended that state monopoly of insurance sector should be broken up by allowing domestic and foreign private firms in the market.

The idea behind this measure was to ensure utilization of untapped potential, introduction of competition, expansion of business and better choices to customers in terms of variety of products, reduction of prices and efficient customer service. In this direction, committee recommend certain measures to be taken (a) no firm should be allowed to do business in both life and general insurance, (b) insurance regulatory authority should be regulatory authority of insurance companies, (c) auditors of the insurance company should report to insurance regulatory authority, and (d) entry to foreign insurance companies should be on selective basis i.e. they should be required to float an Indian company preferably by way of joint ventures with Indian partners (Kumar, 2010; Rao, 2000). In order to ensure financial strength of insurance companies, the committee recommended three basic measures to be taken (a) new entrant should have minimum paid up capital of Rs 100 crores except in case of state level co-operative institution, (b) the promoters' holding in a private insurance company should not be more than 40 per cent of the total and less than 26 per cent, and (c) no person other than the promoter should be allowed to hold more than 1 per cent of the equity (Bhaumik, 1999). The limitation on capital ownership would restrict contribution to those who have a clear sense of responsibility to the corporation. Nobody should be allowed to have monopoly control over the corporation by owning a large chunk of the capital

Supervision and Regulation

On nationalization of life insurance in 1956 and general insurance in 1973, LIC and GIC were provided with most of the regulatory function which became previously carried by Controller of Insurance (COI). Though COI a statutory body attached to the ministry of finance continues to be the supervisory and regulatory authority for insurance industry. To ensure prudent practices while opening insurance industry to competition, the committee recommended that COI should be empowered as prescribed in the Insurance Act. It was also proposed that a multimember statutory body on similar lines to SEBI having full functional autonomy and operational flexibility should be established in order to create a level playing field for all insurers. Therefore, establishment of insurance regulatory authority with supervisory and regulatory powers covering all aspects of insurers in conducting transparent and smooth business was among the important recommendation of committee. In brief, insurance regulatory authority should be act as regulator, controller, supervisor, initiator, conductor, mediator and detector of insurance industry. In order to keep it as an autonomous body, the committee recommended that 0.05 per cent of yearly premium income of insurance companies be levied to finance its establishment and activities (Rao, 2000).

Restructuring

The committee observed that both life and non life insurance sector is facing some serious problem due to mismanagement and poor structure. Therefore, committee proposed restructuring of LIC and GIC.

Life insurance sector: The committee recommended that work should be divided between central and zonal offices of LIC. Central office should concentrate on policy formulation, review and evaluation, pricing and actuarial assessment, product development, personnel policies, investments polices, systems development, etc. Zonal offices should look after the insurance business and related matters. It is generally viewed that state ownership lead to delay and rigidity in decisions making. Therefore, LIC's should be bringing out of state ownership. At that time, LIC had a capital of Rs. 5 crore, contributed entirely by the central government. This amount is not adequate for a life insurer giant. Therefore, committee recommended that capital of Rs 5 crore should be raised to Rs 200 crore, where 50% should be held by the government and the rest by the public at large including company employees (Kapila, 1996).

Non Life insurance sector: The committee recommended that insurance companies should reorganize the staff structures and hierarchies in their offices. At that time, the four subsidiary companies were over staffed in their head offices, regional offices and even divisional offices. Many metropolitan and urban branches were over-staffed; rural and semi-urban branches were often under-manned. Therefore, it became necessary to utilized excess staff for strengthening the branches. There were also numerous restrictive practices which need to be eliminated in order to revamp work culture and productivity. Furthermore, GIC and its subsidiaries were come within the definition of “State”, since the total share capital was directly or indirectly contributed by the Government of India. In the committee’s views, broad basing their shareholding is needed to operate in a more competitive environment. As far as GIC is concerned, it was proposed that GIC should cease to be a holding company of four of its subsidiaries and should act as a national reinsurer. It was further recommended that share capital of GIC should be raised to Rs. 200 crore from its present level of Rs.107.50 crore, where 50% of the equity should be held by the government and the rest by the public at large including employees of GIC. As far as the four subsidiary companies are concerned, it was proposed that they should operate as independent companies run by a board. It was further suggested that the equity capital of each of these companies should be raised to Rs.100 crore with 50% holding by the government and the rest by the public including employees of the respective companies (Kapila, 1996).

Investment Regulations

Keeping in view present developments in the capital market and stiff competition from other saving institutions, the Malhotra committee recommended certain modifications in mandated investment pattern followed by insurance companies. The committee recommended that (a) investment in central government securities should not be less than 20 per cent and the special deposits with government should continue to be considered as investment in central government securities, (b) state government securities and government guaranteed securities inclusive of central government securities should be not less than 40 per cent as compared to the existing 50 per cent, and (c) investments in socially oriented sectors including above should not be less than 50 per cent as compared to the existing 75 per cent. However, no changes should be made to the present level of investments in other than approved investments. Furthermore, investments of any insurer should not be more than 5 per cent of the subscribed equity share of any company (Venugopal, 2006).

Rural Insurance

The committee proposed that life insurance should provide cheap term insurance coverage to relatively backward sections of society including working women. For bringing insurance to door step of rural people, institutions including panchayats, voluntary organisations, mahila mandals and co-operatives should be sought. Apart from these, new entrants into the life insurance business should be mandate to underwrite a specified proportion of their business in rural areas and penalties are to be imposed by the Insurance Regulatory Authority for defaulters. The sponsored relief-oriented welfare schemes except those having an element of insurance should be transferred from LIC to concerned government authorities (Rao, 2000). Postal life insurance should be allowed to operate in the rural market.

Pension Funds

Pension fund schemes should be fully exempted from tax. Private pension funds should be allowed to pay pension to their members under the careful scrutiny of regulatory authority and unit-linked pension plans should be popularised. The committee emphasised that contribution to pension funds by self-employed professionals, traders and workers in the unorganized sectors should be promoted. It is suggested that substantial concessions should also be available for contributions to pension funds and this should cover schemes managed by all the insurance companies as well (Kumar, 2010).

Customer Service

Information and processing technology was insufficient to carry out number of statistics for efficient rate-setting and supervision of insurance business. There should be an integrated and effective management information system. The committee was set up a time limit of 12 to 18 months for comprehensive computerisation in LIC. The Committee believed that imaginative and prudent use of information technology would be lead to efficient customer service, effective management and meaningful regulation (Kapila, 1996). For ensuring efficient customer services, the committee further recommended that LIC should continue as a single entity, pay interest on delays of claim beyond 30 days, use the revised mortality table and revise premium after every 10 years. With regard to general insurance industry, the committee recommended that the institutions of ombudsman should be set up (Bhole & Mahakud, 2009; Gulati, 2007).

Immediately after the recommendations of Malhotra committee, a new committee (called Mukherjee committee) was formed in 1995. The Mukherjee committee submitted its report in 1997, but recommendations of Mukherjee committee never made public. Information from unofficial sources unfolded that the committee proposed inclusion of certain ratio in balance sheet of insurance companies to bring more transparency in accounting standards.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

The enactment of any legislation is not facile process. It requires lot of efforts and time especially with reference to India. Based on the recommendation of Malhotra committee regarding establishment of a strong, effective and independent regulatory body to protect interest of policyholders and development of insurance industry, the Government of India had established interim regulatory authority in January 1996 through an exclusive order. Later on, this Interim Regulatory Authority becomes Insurance Regulatory and Development Authority of India (Kumar, 2010).

The constitution of IRDAI is a landmark in landscape of financial sector. The Insurance Regulatory and Development Authority of India Act provides for composition of IRDAI, tenure of office chairperson and other members, removal from office, salary and allowances of chairperson and members, duties, power and function of IRDAI, finance, account and audit, and other miscellaneous provision (Insurance Regulatory and Development Authority of India Act, 1999). Insurance Regulatory and Development Authority of India Act made several amendments to the Insurance Act 1938, LIC Act 1956 and GIC Act 1972 which revoked the monopoly conferred to the Life Insurance Corporation of India and General Insurance Corporation of India (Karthikeyan, 2007; Raja Babu, 2012).

IRDAI as an autonomous body was formed on April 19, 1999. IRDAI entrusted with the task of regulating, supervising and developing insurance and re-insurance business in India. IRDAI started its functioning on April 19, 2000 headed by N. Rangachary as its first Chairperson with 4 full-time directors, 2 part-time directors and 25-members in Insurance Advisory Council. The members of the council represent various industries and professions (Narula, 2012).

IRDAI as a regulatory authority has heavy responsibilities and difficult roles to play. On the one side, it has to protect against malpractices and secure fair treatment to policyholders. On the other side, it has to impose restrictions in such a manner that growth of insurance industry is not hampered. IRDAI regulations cover minimum requirements for best practices in the area of licensing, prudential regulations and requirements, supervisory powers, managing asset qualities and enhancing corporate governance.

Objectives of the Insurance Regulatory and Development Authority of India

1- To protect the interest of policyholders of insurance policies;

2- To bring about speedy and orderly growth of the insurance industry and to provide long term funds for accelerating growth of the economy;

3- To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates;

4- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery;

5- To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players;

6- To take action where such standards are inadequate or ineffectively enforced;

7- To bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation.

DUTIES AND POWERS OF IRDA:

Section 14 of IRDA Act,1999 lays down the duties and functions of IRDA:

- It issues the registration certificates to insurance companies and regulates them.
- It protects the interest of policy holders.
- It provides license to insurance intermediaries such as agents and brokers after specifying the required qualifications and set norms/code of conduct for them.
- It promotes and regulates the professional organisations related with insurance business to promote efficiency in insurance sector.
- It regulates and supervise the premium rates and terms of insurance covers.
- It specifies the conditions and manners, according to which the insurance companies and other intermediaries have to make their financial reports.

- It regulates the investment of policyholder's funds by insurance companies.
- It also ensures the maintenance of solvency margin (company's ability to pay out claims) by insurance companies.

FUNCTIONS OF INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

1- Issue to the applicant a certificate of registration; to renew, modify, withdraw, suspend or cancel such registration;

2- Protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;

3- Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;

4- Specifying the code of conduct for surveyors and loss assessors;

5- Promoting efficiency in the conduct of insurance business;

6- Promoting and regulating professional organisations connected with the insurance and re-insurance business;

7- Levying fees and other charges for carrying out the purposes of this Act;

8- Calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business;

9- Control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);

10- Specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;

11- Regulating investment of funds by insurance companies;

12- Regulating maintenance of margin of solvency;

13- Adjudication of disputes between insurers and intermediaries or insurance intermediaries;

14- Supervising the functioning of the Tariff Advisory Committee;

15- Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organisations referred to in clause (f);

16- Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and

17- Exercising such other powers as may be prescribed.

Milestones in Post Reform Period

1999	Introduction of Insurance Regulatory and Development Authority of India Act, 1999
2000	Constitution of IRDAI on 19th April, 2000 & Framing of Various Regulations Entry of domestic and foreign private firms into the Indian insurance market Insurance Regulatory and Development Authority of India (Investment) Regulations, 2000
2001	Establishment of Life Insurance Council and General Insurance Council Introducing Third Party Administrators for health insurance services
2002	Regulation on Protection of Policyholders' Interests Introducing New Insurance Intermediaries: Brokers and Corporate Agents Four subsidiary companies of GIC became independent companies
2003	Referral Arrangement with Banks Strengthening of Insurance Councils
2004	Various Committees / Working Groups on issues viz. Earthquake pool, Intermediaries, and Health Insurance Regulation on qualifications of actuary
2005	Guidelines on Group Insurance Policies Introduction of Micro Insurance Regulations De-Tariffing of Marine Insurance Guidelines for Unit Linked Insurance products

	Report of KPN Committee on Provisions of Insurance Act, 1938
2006	Guidelines on Anti Money Laundering/ Counter Financing of Terrorism Entry of Stand-Alone Health Insurance Company
2007	Guidelines on Advertisement, Promotion & Publicity of Insurance Companies, and insurance intermediaries De-tariffing of General insurance sector Creation of Motor Pool for Third party Insurance
2008	Benefit Illustrations for Unit Linked Products Innovation in Products Strengthening on-site & off-site Monitoring
2009	Guidelines for Corporate Governance Guidelines on Health plus Life Combi Products Grievance Redressal Mechanism
2010	Regulations on Treatment of Discontinued Linked Insurance Policies Regulations on Sharing of Database for Distribution of Insurance Products Mandating Public Disclosures
	Creation of IRDAI Grievance Call Centre & Guidelines for Grievance Redressal
2011	Framework for life insurance companies to raise capital through public issue Insurance Regulatory and Development Authority of India (Scheme of amalgamation and transfer of general insurance business) Regulations

	2011 Insurance Regulatory and Development Authority of India (Issuance of capital by life insurance companies) Regulations 2011 Creation of Integrated Grievance Management System Portability of Health insurance policies Mobile application to compare insurance products and premium rates Insurance awareness initiative “Bima Bemisaal"
2012	Web Enabled Facility to Ascertain Insurance Particulars of Motor Vehicles Online application to compare Non Life Insurance products Revised ULIP Guidelines Creation of Consumer Education Website-for Public
2013	Insurance Regulatory and Development Authority of India (Issuance of Capital by General Insurance Companies) Regulations 2013 Insurance Regulatory and Development Authority of India (Health Insurance) Regulations, 2013 Insurance Regulatory and Development Authority of India (Places of Business) Regulations, 2013 Linked & Non-linked Life Insurance Regulations Insurance Repository System for Individual Policy Holders Common Service Centres to sell simple policies in rural areas Circular on Insurance Fraud Monitoring Framework
2014	Report of the working group on File & Use guidelines for General insurance

	products
2015	The Insurance Laws (Amendment) Act, 2015, which provides for raising the foreign investment cap from 26 per cent to 49 per cent Permission to set up IFSC Insurance Office in special economic zones Norms on maintenance of insurance records
2016	IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) (First Amendment) Regulations, 2016 IRDAI (Lloyd's India) Regulations, 2016

Possible questions
Part A(20*1=20 Marks)Online Exam

Part B (5*8= 40 Marks)

1. What are the various principles of Risk Insurance Management?
2. What are the various functions of Insurance?
3. Discuss the organizations of Insurance business in India.
4. Write short note on: Fundamental Risk, Particular Risk and Property Risk.
5. What are the sources of Risk information?
6. Define Reinsurance and explain its methods.
7. Discuss about privatization of Insurance business in India.
8. State the conditions for success of private insurers.
9. Explain the impact on privatization of Insurance business in India.
10. Explain the special features of IRDA.
11. Outline the recent development in the Insurance sector in India.

Questions	A	B	C	D	Answer
Every Banking Company is required to close its accounts on	31st December	31st March	30th June	30th September	31st March
The Percentage of profit to be transferred to statements reserve by the banking company is	25%	15%	20%	10%	25%
The assets which does not generate income to the banker is termed as	Performing Assets	Fixed Assets	Non-performing assets	Current assets	Non-performing assets
Rebate on bills discounted is	An accrued income	an item of income	a liability	income received in advance	income received in advance
A Non banking asset is	An investment	An item of office appliance	Any asset acquired from the debtors in satisfaction of claims	Money at call and short notice	Any asset acquired from the debtors in satisfaction of claims
Schedule 1 relates to ___________	Investment	Advances	Capital	Fixed Assets	Capital
Provision for income tax is shown in the Bank account under the head	Borrowings	Other liabilities	Operating expenses	Contingent liabilities	Other liabilities
The heading other assets does not include	Stationery and stamps	Interest accrued	Gold	Silver	Gold

Demand drafts and Telegraphic transfers are shown in the Bank accounts under the head	Contingent liabilities	Bills payable	Loans and Advances	Borrowings in India	Bills payable
Letter of credit and endorsement are shown in Bank account under the head	Bills payable	Contingent liabilites	Bills for collection	Other assets	Contingent liabilities
In a bank's balance sheet, Gold is shown under _______	Investment	Fixed Assets	other Assets	Advances	Investment
A bank is not allowed to grant loans or advances on the security of its own _______	Debentures	shares	bonds	others	shares
Building acquired in satisfaction of a claim and interest accrued but not due on investments are shown in the Banks Balance sheet under the head	Fixed Assets	Investments	Advances	Other assets	Other assets
Banking Companies are governed by -------- Act 1949	RBI	Banking Regulations	Banking Realization	Banking Organisation	Banking Regulations
Banks in India are under the general supervision of -------	RBI	SEBI	Central Govt	State Govt	RBI
The basis for banking transactions are the ------------ prepared by customers and sometimes by banks	Voucher	Bill	Slips	Receipt	Slips
All appropriations of the profits are shown in the IVth part of ____________	Revenue	Balance Sheet	P&L Appropriation	P&LA/c	P&LA/c

Acceptance, endorsement and other obligations are shown in the Bank's balance sheet under the head-----------	Contingent liabilities	Other liabilities	Contingent Assets	Other assets	Contingent liabilities
Locker rent is shown in P&L a/c of the Bank under the head-------	Schedule 12	Schedule 14	Schedule 13	schedule 15	Schedule 14
At Present, the SLR for a banking company in India, as per the regulations of RBI is ---------	15%	10%	25%	40%	25%
According to present regulations of RBI, a banking company is to maintain a minimum of ------------------ percent as cash reserve over its time and demand liabilities.	12%	20%	15%	5%	5%
Schedule 13 relates to --------------	interest earned	Interest accrued	interest expended	other income	interest earned
Schedule 15 related to --------	other income	interest earned	interest expended	interest received	interest expended
In a bank's balance sheet, Silver is shown under _______	Investment	Fixed Assets	other Assets	Advances	other Assets
A banking company should have atleast ____________ of the subscribed capital as paid up capital	one- half	one-third	two-third	25%	one- half
Schedule 9 deals with ________	Investment	deposits	Advances	Capital	Advances

Provision for doubtful debts is shown under __________ in the profit & loss A/c	Provision and contingencies	interest earned	Operating expenses	other income	provision and contingencies
only after writing off all capital losses like preliminary expenses, brokerage, commission etc The Banking Companies can--------	be allowed to pay dividends	cannot pay dividends	can pay after the approval of RBI	can be paid after the approval of Head office	Can be allowed to pay dividends
If the rebate on bills discounted is given outside the trial balance, the same should be subtracted from schedule 13 shown in ____________	Schedule 12	schedule 5	Schedule 11	schedule 15	schedule 5
Loss on sale of investment is to be shown in ___________	Schedule 14	Schedule 13	Schedule 15	Schedule 16	Schedule 14
Salaries and allowances paid to the directors of a banking company are shown in _________	Schedule 12	Schedule 13	Schedule 14	Schedule 16	Schedule 16
Bills for collection are to be shown under the head _________	Rebate on bills discounted	Provision and contingencies	bad and doubtful debts	other liabilities and provision	provision and contingencies
The Bad Debts of Banks are called as __________	Net performing assets	Non preference assets	net preference assets	nonperforming assets	nonperforming assets
The particulars relating to Borrowings from other banking companies must be sub divided into in India and ______	branches of same bank	branches of other banks	Outside India	head office	Outside India

Schedule 2 deals with ___________	Capital	Reserves and Surplus	Deposits	borrowings	Reserves and surplus
security deposits of employees should shown in ___________	other liabilities	Reserves and Surplus	Deposits	borrowings	other liabilities
Money at call and short notice is treated as	liabilities	assets	income	expenditure	assets
Interest on current deposits is shown under ___________ head	interest earned	interest expended	other Assets	other income	interest expended
Established expenses are recorded in _____________	Schedule 12	Schedule 13	Schedule 14	Schedule 16	Schedule 16
Interest paid the customers on saving bank account should be shown under the head_________	interest earned	interest expended	other Assets	other income	interest expended
Discount on bills discounted is a ___________	income	expenses	deferred expenses	capital expenditure	income
Interest on Cash credit is an item of ___________	liabilities	assets	income	expenditure	income
Director's Fees and Auditor's Fees should be shown under the head __________	operating income	operating expenses	revenue expenses	revenue receipt	operating expenses
Depreciation on Bank's property to be shown under the __________	Schedule 12	Schedule 13	Schedule 14	Schedule 16	Schedule 16
Proposed dividend should be shown under the head __________ of the profit and loss of a banking company	Appropriation	operating expenses	other income	interest received	Appropriation
Transfer fees is a _________	income	expenditure	direct income		

interest expended is show in _______ schedule	1	4	12	15	15
Provision for taxation should be shown In ____________	other liabilities	Provision and contingencies	appropriation	operating expenditure	Provision and contingencies
Interest on loans should be shown in ___________ head	operating income	operating expenses	interest expended	interest earned	interest earned
The profit and Loss account of a banking company has to prepared in _______	Form A	Form B	Form C	Form D	Form B
The Banking Regulations Act ________	1956	1961	1949	1934	1949
The Balance sheet of a Banking Company has ________ schedules	18	20	12	10	12
Statutory reserves is maintained at ____________ of a banking company	income	expenses	profits	loss	profits
Share premium is shown in _____________	Capital	Reserves and Surplus	Loans and Advances	Deposits	Reserves and Surplus
Capital Reserve is shown in ________ schedule	2	1	4	5	2
Demand deposits is an item of ____________	loans	advances	deposits	borrowings	deposits
Debits balances of branch adjustments is shown in __________	other income	Other liabilities	other Assets	other expenditure	other Assets
Government bonds should be shown under the head ___________	deposits	Investments	Loans and Advances	Fixed Assets	Investments

SYLLABUS

Life insurance –Law Relating to Life Insurance- General Principles of life Insurance Contract-Proposal and policy- Assignment and Nomination- Title and claims –concept of trust in life Policy-LIC- Role and functions.

LIFE INSURANCE IN INDIA

LIFE INSURANCE:

In India, insurance started with life insurance. It was in the early 19th century when the Britisherson their postings in India felt the need of life insurance cover.It started with English Companies like. 'The European and the Albert'. The first Indian insurance company was the Bombay Mutual Insurance Society Ltd., formed in 1870.In the wake of the Swadeshi Movement in India in the early 1900s; quite a good number of Indian companies were formed in various parts of the country to transact insurance business. To name a few: 'Hindustan Co-operative' and 'National Insurance' in Kolkata; 'United India'in Chennai; 'Bombay Life', 'New India' and 'Jupiter' in Mumbai and 'Lakshmi Insurance' in **New Delhi**.

WHY LIFE INSURANCE?

It Covers the Risk of Death The risk of death is covered under insurance scheme but not under ordinary savings plans. Incase of death, insurance pays full sum assured, which would be several times larger than the total of the premiums paid. Under ordinary savings plans, only accumulated amount is payable.

It Encourages Compulsory Saving

After taking insurance, if the premium is not paid, the policy lapses. Therefore, the insured is forced to go on paying premium. In other words it is compulsory. A savings deposit can be withdrawn very easily.

Easy Settlement and Protection against Creditors

Once nomination or assignment is made, a claim under life insurance can be settled in a simple way. Under M.W.P. Act, the policy moneys become a kind of trust, which cannot be taken away, even by the creditors.

It helps to Achieve the Purpose of the Life Assured If a lump sum amount is received in the hands of anybody, it is quite likely that the amount might be spent unwisely or in a speculative way. To overcome this risk, the life assured can provide that the claim amount be given in instalments.

Peace of Mind

The knowledge that insurance exists to meet the financial consequences of certain risks provides a form of peace of mind. This is important for private individuals when they insure their car, house, possessions and so on, but it is also vital importance in industry and commerce.

Loss Control

Insurance is primarily concerned with the financial consequences of losses, but it would be fair to say that insurers have more than a passing interest in loss control. It could be argued that insurers have no real interest in the complete control of loss, because this would inevitably lead to an end to their business.

Social Benefits

The fact that the owner of a business has the funds available to receiver from a loss provides the stimulus to business activity we noted earlier. It also means that jobs may not be lost and goods or services can still be sold. The social benefit of this is that people keep their jobs, their sources of income are maintained and they can continue to contribute to the national economy.

Investment of Funds

Insurance companies have at their disposal large amounts of money. This arises from the fact that there is a gap between the receipt of a premium and the payment of a claim. A premium could be paid in January and a claim may not occur until December, if it occurs at all. The insurer has this money and can invest it.

Invisible Earnings

We have already said that insurance allows people and organizations to spread risk among them. In the same way, we can also say that countries spread risk. A great deal of insurance is transacted in the UK in respect of property and liabilities incurred overseas. London is still very much the centre of world insurance and large volumes of premium flow into London every year; these are described as invisible earnings.

Insurance Facilitates Liquidity

If a policyholder is not in a position to pay the premium, he can surrender the policy for a cash sum.

Loan Facility and Tax Relief

The person can also take a loan for a temporary period to tide over the difficulty. Sometimes, a life insurance policy is acceptable as security for a commercial loan. By paying the insurance premium, the insured obtains significant reliefs in Income Tax and Wealth Tax.

NATIONALIZATION OF LIFE INSURANCE IN INDIA:

In 1956, life insurance business was nationalized and LIC of India came into being on 01-09-1956. The government took over the business of 245 companies (including 75 provident fund societies) who were transacting life insurance business at that time. Thereafter, LIC got the exclusive privilege to transact life insurance business in India. Relevant laws were amended in

1999 and LIC's monopoly right to transact life insurance business in India came to an end. At the close of financial year ending 31-03-2004, twelve new companies were registered with the Insurance Regulatory and Development Authority (IRDA) to transact life insurance business in India.

WHAT IS NOMINATION AND ASSIGNMENT IN INSURANCE?

Insurance is basically about risk cover. Hence, the insurance company must know to whom the claim money has to be given in the case of untimely demise of the life assured. The rules for nomination are described under section 39 of the insurance act 1938. The nominee is said to be a custodian of the money received for the welfare of the family. Nomination too follows the concept of insurable interest. A person cannot name his/her neighbour as nominee when he/she has living children, spouse or parents. In case none of the mentioned nominees exist, then the person has no need of life insurance as his/her demise is not going to affect anyone. Except in the case of key-man insurance, where the company has an insurable interest in terms of loss of business in case the life assured dies.

If the father/husband who is the breadwinner of a family, takes a policy on his name and also pays the premium for it then, he will have to nominate his spouse/children/parents.

Life assured, and premium payer (policyholder) are different persons:

If the husband takes a policy in the name of the wife and the husband pays the premium then in such case the life assured will be the wife and husband will be the policyholder. In such cases, the policyholder is the nominee. The same holds good in case of father/mother taking insurance in the name of their children.

Minor as a nominee:

At times, due to emotional value or due to circumstances, the life assured wants the minor children to be the nominee. Legally, no claim money can be paid to a minor and hence in such cases a trustee/guardian has to be appointed. In case of death of the life assured, the guardian will receive the money on behalf of the nominee.

One or more nominee:

A person can have as many nominees as he/she wants. The share of claim money can also be described by way of percentages. Though the life insurance proposal form generally has provision for one nominee only, but the life assured can get the policy endorsed and add as many nominees as he/she likes.

Change in nomination:

It is possible to change the nominees during the tenure of the policy. For example in case the father has nominated one child and during the course of time wants to change the nomination in the name of his wife then it is done by filing a nomination change perform and submitting it to the insurance company along with the original policy document. The company based on the request will endorse the policy document for change in nomination.

Assignment:

Section 38 of the Insurance Act 1938 describes the criteria for assignment. The assignment is a process under which the policyholder loses the right to money in case of death or maturity claim. The assignment can be absolute or temporary. It can be affected out of love & affection or under consideration. In case of assignment, the nomination becomes redundant.

A person can do an absolute assignment in the name of his children or spouse out of love and affection. In such case, the claim money (both death claim and maturity claim) will go to the assignee. Once the absolute assignment is done, then it is an irreversible process, and the policyholder loses all claims on the said policy.

Technically it becomes the property of the assignee.

A person may attach the policy document as security for procuring the loan. In such cases, the lender will ask for the guaranteed surrender value of the policy. The policy will be assigned to the lender with special terms and conditions. The lender will be the owner of the policy as long as the borrower has to pay for the loan taken. Once done, the policy will again be the property of the life assured/policyholder.

Married women property Act is also a form of assignment in which the husband assigns the policy in the name of spouse. By doing so, the policy becomes the property of the wife and even in case of solvency, the court cannot attach the said policy as the asset of the husband.

IMPORTANCE OF LIFE INSURANCE POLICY

- Protection against risks: Life insurance provides protection to the family after the death of the insured. In case of premature death, the amount is paid to the dependents of the insured.
- Provision for old age: A person can make provisions for old age by taking a life policy. The holder feels financially secured and can enjoy economic independence after retirement. You must have seen the movie, "Race" where two brothers want to kill each other just for getting the insurance amount.
- Thrift and savings: Premium is generally paid in installments and thus, it encourages the people to save their money.
- Investment: Life insurance is a good method of investment. He can build funds for higher education of his children, for building a residential house.
- Tax savings: As per the Income Tax act, the amount invested in the life insurance policy is exempted form tax. Thus, it reduces the financial burden on the person.
- Employment generation: Life insurance companies provide employment to million of people as agents and various other posts. Thus, it is good opportunity for self-employment.

TYPES OF LIFE INSURANCE POLICIES

- **Whole life policy**

This policy continues throughout the life time of the insured. The premium is payable as long as the insure is alive. The amount of the policy is payable to his nominees who are then called " beneficiaries". We have has many cases of the son killing his father or his mother just to get the amount. The amount of premium is generally less in this policy. It is mainly taken to support the family members after one's death.

- **Endowment policy**

This policy is taken for a specified time period. The sum insured is payable on the expiry of the time period. This is the most famous from of life insurance which is mainly taken to manage one's old age so that he does not have to depend on his family members.

- **Joint life policy**

It is a policy taken up jointly on the lives of two or more persons. On the death of any one, the sum insured is payable to the surviving holders of the policy. This type of policy may be obtained by husband and wife, parters of a firm etc.

- **Group insurance policy**

An employer may take up one policy on the lives of all his employees instead of taking separately. The policy specifies the amount for each employee. The sum assured is payable to the family members of the employee. If the employee survives, he gets the money for his retired life.

Mediclaim Insurance

Mediclaim Insurance is meant to cover the medical expenses incurred by the insured during the period of insurance under the policy.

SALIENT FEATURES OF THE POLICY

(a) The Policy covers reimbursement of Hospitalization and/or Domiciliary Hospitalization
expenses only for illness/disease contracted or injury sustained by the Insured Person.

(b) In the event of any claim becoming admissible under this scheme, the Company will pay
to the Insured Person the amount of such expenses as would fall under different heads
mentioned below as are reasonably and necessarily incurred in respect thereof anywhere
in India by or on behalf of such Insured Person, but not exceeding Sum Insured for that
person as stated in the Schedule in any one period of Insurance.

(i) Room, Boarding Expenses as provided by the Hospital/Nursing Home.

(ii) Nursing Expenses

(iii) Surgeon, Anesthetist, Medical Practitioner, Consultants, Specialist fees.

(iv) Anesthesia, Blood, Oxygen, Operation Theater Charges, Surgical Appliances,
Medicines & Drugs, Diagnostic Materials and X-Ray, Dialysis, Chemotherapy,
Radiotherapy, Cost of Pacemaker, Artificial Limbs and Cost of Organs and similar expenses.

(c) "Surgical Operation" means manual and/or operative procedures for correction of
deformities and defects, repair of injuries, diagnosis and cure of diseases, relief of suffering
and prolongation of life.

(d) Expenses on Hospitalization for minimum period of 24 hours are admissible. However,
this time limit is not applied to specific treatment i.e. Dialysis, Chemotherapy, Radiotherapy,
Eye-Surgery, Lithotripsy (Kidney stone removal), Tonsillectomy, Dog bite, D&C taken
in the Hospital/Nursing Home and the insured is discharged on the same day, the treatment
will be considered to be taken under Hospitalization Benefit.

The Insurance of goods, property, vehicles etc. is called General Insurance. The General Insurance
Company (GIC) was formed in 1973. There are four companies under GIC.
They are:

(1) National Insurance Company Limited
(2) New India Insurance Company Limited
(3) Oriental Insurance Company Limited
(4) United Insurance Company Limited

All these companies have the same rate of premium (but the names of the schemes may be different).
The various schemes of the GIC cover
(1) Movable and Immovable Property Insurance
(2) Vehicle Insurance
(3) Goods in Transit Insurance
Let us study something about each one of them.

PROCEDURE FOR TAKING LIFE INSURANCE POLICY

- Proposal: The person who wants to get an life insurance policy has to first of all obtain the prescribed form from the agent or directly through the company. The proposal form should contain the information concerning name, address, professions, date of birth, family history, health status etc.

- Medical examination: On receipt of duly filled form, the proposal has to appear before the doctor approved by the insurance company for medical examination. After medical examination, the doctor prepares a full report on the health of the proposer and sends it to the insurance company. The insurance company evaluates the extent of risk from such report.

- Proof of age: The proposer is required to mention his date of birth in the proposal form. He has to submit a satisfactory proof of his age to the company. Birth certificates and high school certificate are generally accepted.
- Acceptance of proposal: If the proposal is good and the medical report is satisfactory, the insurance company will accept the proposal. It will also determine the amount of the premium on the basis of the age and the policy taken. The insurance company will ask the proposer to to make the fist payment of the premium.
- Payment of premium: The proposer will pay the first premium as per the notice. He receives the First premium receipt. The risk cover begins on the payment of the premium.
- Issue of policy: Now the insurance company issues the policy which is stamped and signed by the authorized authorities. It is then sent to the insured through registered post.

CLAUSES OF LIFE INSURANCE POLICY

- Assignment: Assignment of a policy means the transfer of rights and liabilities to a third person. A policy may be assigned at any time before its , maturity.
- Nomination: Nomination means stating the name of the person in the policy who shall receive the amount after the death of the policy holder. The person is called the nominee.In case the policy matures in the life time of the insured, the amount of the policy is paid to the insured and not the nominee.
- Surrender value: If the policy holder wants to discontinue the policy, he may surrender the policy to the insurance company. Surrender value is calculated on the basis of the total amount of premium paid the period for which the policy has been in operation.

- Days of grace: A policy holder is allowed to pay premium within certain days after the due date. In case of monthly premium, 15 days of grace are assured, and in quarterly and yearly payment, 30 days of grace are allowed. If the policy holder dies within the days of grace without the payment of premium, the amount of the premium is deducted form the policy.

PROCEDURE FOR SETTLEMENT OF CLAIM

- Notice of death: The beneficiary of the policy must send a notice of death of the insured to the company. The death date, the cause of death and policy number must be mentioned.
- Death certificate: On receiving the notice of death, the insurance company will send a claim form. The claimant should fill the form carefully and then submit it. The following documents should be attached to the form;
- Death certificate.
- Police report in case of unnatural death
- Original policy
- Identity certificate
- Proof of life: In case the policy is not nominated in the name of the claimant, he will have to obtain a certificate of title of property of the deceased from a court of law.
- Payment: When all the legal formalities are completed, the insurance company will send a discharge form to the claimant. The from should be duly filled in, duly stamped and returned to the insurance company. After the scrutiny of the discharge form, the insurance company will send the cheque to the claimant through registered post.

PRINCIPLES OF LIFE INSURANCE

1. Nature of contract:

Nature of contract is a fundamental principle of insurance contract. An insurance contract comes into existence when one party makes an offer or proposal of a contract and the other party accepts the proposal.

A contract should be simple to be a valid contract. The person entering into a contract should enter with his free consent.

2. Principal of utmost good faith:

Under this insurance contract both the parties should have faith over each other. As a client it is the duty of the insured to disclose all the facts to the insurance company. Any fraud or misrepresentation of facts can result into cancellation of the contract.

3. Principle of Insurable interest:

Under this principle of insurance, the insured must have interest in the subject matter of the insurance. Absence of insurance makes the contract null and void. If there is no insurable interest, an insurance company will not issue a policy.

An insurable interest must exist at the time of the purchase of the insurance. For example, a creditor has an insurable interest in the life of a debtor, A person is considered to have an unlimited interest in the life of their spouse etc.

4. Principle of indemnity:

Indemnity means security or compensation against loss or damage. The principle of indemnity is such principle of insurance stating that an insured may not be compensated by the insurance company in an amount exceeding the insured's economic loss.

In type of insurance the insured would be compensation with the amount equivalent to the actual loss and not the amount exceeding the loss.

This is a regulatory principal. This principle is observed more strictly in property insurance than in life insurance.

The purpose of this principle is to set back the insured to the same financial position that existed before the loss or damage occurred.

5. Principal of subrogation:

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, For example, if you get injured in a road accident, due to reckless driving of a third party, the insurance company will compensate your loss and will also sue the third party to recover the money paid as claim.

6. Double insurance:

Double insurance denotes insurance of same subject matter with two different companies or with the same company under two different policies. Insurance is possible in case of indemnity contract like fire, marine and property insurance.

Double insurance policy is adopted where the financial position of the insurer is doubtful. The insured cannot recover more than the actual loss and cannot claim the whole amount from both the insurers.

7. Principle of proximate cause:

Proximate cause literally means the 'nearest cause' or 'direct cause'. This principle is applicable when the loss is the result of two or more causes. The proximate cause means; the most dominant and most effective cause of loss is considered. This principle is applicable when there are series of causes of damage or loss.

TITLE AND CLAIM :

A **title insurance claim** is an insurance claim that asks the title insurance company to compensate you for the losses resulting from a defect in the title of your property and from invalid or unenforceable mortgage liens against it. Titles are documents that signify that you have a right to own your property. Titles are legally complicated, and any problems with them can lead to prolonged, costly lawsuits. The title insurance helps to ease the resulting financial burden. Yet in order to take advantage of title insurance, you will need to know how to properly file a title insurance claim.

UNDERSTANDING TITLE INSURANCE

A certificate of title, or more informally, a title, is a document used to establish who owns the property. It also describes the condition of the property at the time the current title holder acquired it and what mortgage is currently in force. It may also include information about any loans that use the property as collateral and any mortgage liens held against it.

When you buy property, the title is transferred to you. The information is updated to reflect your ownership. However, if the previous owner obtained the title illegitimately or if the owner did not have the authority to transfer the title to you, you will be vulnerable to lawsuits from the people who do have legitimate claim to the title. You may also face lawsuits if the title did not comply with any state and local laws. If the previous owner used the property as collateral for a loan and the loan was not paid off by the time you bought the property, you would be legally obligated to pay it off. If there are any liens held against the property, you would have to pay them off.

If you don't have title insurance, you would have to handle those issues on your own. When you buy title insurance, the title company handles them on your behalf. It will pay off the debts and try to settle any legal conflicts to the best of its ability.

The title insurance remains in effect for as long as you own your property and make your title insurance payments on time.

Filing a Title Insurance Claim

If any of the above-mentioned issues arise and you want the title company to help you, you will need to file a title insurance claim. First, you will need to fill out the title insurance claim form. You can obtain the claim form from your title company. Typically, your company would be willing to assign a representative to help you complete the form.

Once the claim is filed, the title company will work to address the issue as quickly as possible. In most cases, a title company is able to do so. However, there may be times when a company cannot resolve the situation quickly enough or when it may not be able to resolve the situation in your favor. In that case, you would be responsible for paying damages. In that situation, title insurance would cover all or a portion of the cost of the damages. If the worst-case scenario were to occur, if your title were declared invalid, you would have to give up your property. If that happened, the title insurance would cover all or a portion of the relocation costs and could cover some of the other losses.

It should be noted that many title companies will have caps on how much coverage the title insurance can provide. If the value of the damages exceeds the caps, you will be responsible for covering the difference.

CONCEPT OF TRUST IN LIFE POLICY

A **life insurance trust** is an irrevocable, non-amendable trust which is both the owner and beneficiary of one or more life insurance policies.[1] Upon the death of the insured, the trustee invests the insurance proceeds and administers the trust for one or more beneficiaries. If the trust owns insurance on the life of a married person, the non-insured spouse and children are often beneficiaries of the insurance trust. If the trust owns "second to die" or survivorship insurance which only pays when both spouses are deceased, only the children would be beneficiaries of the insurance trust.

In the United States, proper ownership of life insurance is important if the insurance proceeds are to escape federal estate taxation.[2] If the policy is owned by the insured, the proceeds will be subject to estate tax. (This assumes that the aggregate value of the estate plus the life insurance is large enough to be subject to estate taxes.)[3] To avoid estate taxation, some insureds name a child, spouse or other beneficiary as the owner of the policy.

There are drawbacks to having insurance proceeds paid outright to a child, spouse, or other beneficiary.

- Doing so may be inconsistent with the insured's wishes or the best interests of the beneficiary, who might be a minor or lacking in financial sophistication and unable to invest the proceeds wisely.
- The insurance proceeds will be included in the beneficiary's taxable estate at his or her subsequent death. If the proceeds are used to pay the insured's estate taxes, it would at first appear that the proceeds could not be on hand to be taxed at the beneficiary's subsequent death. However, using insurance proceeds to pay the insured's estate taxes effectively increases the beneficiary's estate since the beneficiary will not have to sell inherited assets to pay such taxes.

The solution to both drawbacks is usually an irrevocable life insurance trust.

If possible, the trustee of the insurance trust should be the original applicant and owner of the insurance. If the insured transfers an existing policy to the insurance trust, the transfer will be recognized by the Internal Revenue Service only if the insured survives the date of the transfer by not less than three years.[4] If the insured dies within this three-year period, the transfer will be ignored and the proceeds will be included in the insured's taxable estate.

Insurance trusts may be funded or nonfunded. A funded life insurance trust owns both one or more insurance contracts and income producing assets. The income from the assets is used to pay some or all of the premiums. Funded insurance trusts are not commonly used for two reasons:

- the additional gift tax cost of transferring income producing assets to the trust and
- the grantor trust rules of IRC §677(a)(3) cause the grantor to be taxed on the trust's income.

Unfunded insurance trusts own one or more insurance policies and are funded by annual gifts from the grantor.

Customarily, the trustee of the insurance trust is authorized, but not required, to either purchase assets from the insured's estate or loan insurance proceeds to his or her estate. Since the trustee of the insurance trust possesses all incidents of ownership in the insurance policy, the insurance trust provides the insured's estate with liquidity while shielding the insurance proceeds or assets purchased with the proceeds from estate tax when the insured dies, provided the trust has the appropriate settler and trustee.

OBJECTIVES OF LIC

- » Spread Life Insurance widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.
- » Maximize mobilization of people's savings by making insurance-linked savings adequately attractive.
- » Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.
- » Conduct business with utmost economy and with the full realization that the moneys belong to the policyholders.
- » Act as trustees of the insured public in their individual and collective capacities.
- » Meet the various life insurance needs of the community that would arise in the changing social and economic environment.
- » Involve all people working in the Corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.
- » Promote amongst all agents and employees of the Corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards achievement of Corporate Objective.

FUNCTIONS OF LIFE INSURANCE CORPORATION OF INDIA (LIC):

Life insurance business in India was being transacted by private companies until 1956. As a result of the long felt need and in the interest of insuring public, the life insurance business was nationalized in 1956. The nationalization resulted in the establishment of Life Insurance Corporation of India (LIC) by an act of the Parliament. The Corporation was formed and began to function on September 1, 1956 by taking over 170 companies and 75 provident societies. The entire initial capital of Rs.5 crore was contributed by the government of India. The objective of nationalization was described by the then finance minister, C. D. Deshmukh as "to see that the gospel of insurance is spread as far and wide as possible so that we reach beyond the more advanced urban areas well into the hither to neglected rural areas." The Corporation is a body corporate having perpetual succession with a common seal with powers to acquire, hold and dispose of property and may by its name sue and be sued.

The functions of the Life Insurance Corporation of India shall be to carry on and develop life insurance business to the best advantage of the community.

The Corporation shall have power;

1. to carry on capital redemption business, annuity certain business or reinsurance business in so far as such reinsurance business relating to life insurance business;
2. to invest the funds of the Corporation in such manner as the Corporation may think fit and to take all such steps as may be necessary or expedient for the protection or realization of any investment; including the taking over of and administering any property offered as security for the investment until a suitable opportunity arises for its disposal;
3. to acquire, hold and dispose of any property for the purpose of its business;
4. to transfer the whole or any part of the life insurance business carried on outside India to any other person or persons, if in the interest of the Corporation it is expedient so to do;
5. to advance or lend money upon the security of any movable or immovable property or otherwise;
6. to borrow or raise any money in such manner and upon such security as the Corporation may think fit;
7. to carry on either by itself or through any subsidiary any other business in any case where such other business was being carried on by a subsidiary of an insurer whose controlled business has been transferred to and vested in the Corporation by this act;

8. to carry on any other business which may seem to the Corporation to be capable of being conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the business of the Corporation; and
9. to do all such things as may be incidental or conducive to the proper exercise of any of the powers of the Corporation.

In the discharge of any of its functions the Corporation shall act so far as may be on business principles.

Possible questions
Part A(20*1=20 Marks)Online Exam

Part B (5*8= 40 Marks)
Unit II

1. Explain the terms Endowment policy, Money Back policy, Joint Life policy and Annuity policy.
2. Explain the various kinds of Life policies.
3. What are the difference between Assignment and Nomination?
4. Write a note on: Surrender Value, Paid up Value, Days of Grace and Days of Death.
5. Explain the essential elements of a Contract of Insurance.
6. What is a Contract of Insurance? Explain the fundamental Principles of Insurance?
7. Discuss briefly the administration of Life Insurance Corporation of India.
8. Explain the important functions of LIC of India.

Question	**A**	**B**	**C**	**D**	**Answer**
Insurance business in India is now regulated by the provision of	The Insurance Act 1938	The IRDA Act 1999	The Banking Regulations Act 1949	The Indian companies Act 1956	The IRDA Act 1999
Number of Schedule to be prepared by the insurance companies for their financial statements are	26 schedules	10 schedules	12 schedules	15 schedules	15 schedules
In life insurance, the policy amount is payable	after the death of the assured	after the expiry of the policy period	On death of the insured or on expiry of policy period whichever is earlier	Only when the insured has incurred loss	On death of the insured or on expiry of policy period whichever is earlier
In General insurance, the policy amount is payable	after the death of the assured	after the expiry of the policy period	only when the loss occurs or the liability raises	Only when the insured has attained a certain age	only when the loss occurs or the liability raises
Claims paid by life insurance companies is shown in	Schedule 1	Schedule 2	Schedule 3	Schedule 4	Schedule 4
The commission received from the re-insurer is called	Commission on reinsurance accepted	commission on reinsurance ceded	Commission on direct business	other business	commission on reinsurance ceded

The bonus which is to be paid on maturity of the policy along with the policy amount is known as	revisionary bonus	Annual bonus	Interim bonus	Eventual Bonus	revisionary bonus
The balance found in the Revenue Account of life insurance companies is considered as	Net profit/Net Loss	Surplus /Deficit	Life Assured Fund	Gross profit/Gross loss	Surplus /Deficit
The balance found in the Revenue Account of general insurance companies is treated as	Provision for unexpired risk	Net profit/Net loss	Operating profit/Loss from insurance business	Gross profit/Gross loss	Operating profit/Loss from insurance business
The Commission paid by the re-insurer is known as	Commission on direct business	commission on reinsurance ceded	commission on reinsurance accepted	Commission received	commission on reinsurance accepted
A valuation of Balance Sheet is prepared by	Joint Stock company	Banking Company	Life insurance Company	General insurance company	Life insurance Company
Preliminary expenses incurred by life insurance companies is treated as	Miscellaneous expenditure	A deduction from paid up share capital	a fixed asset	an operating expenses	A deduction from paid up share capital
Agents balances (Dr) is shown in the balance sheet of life insurance companies as	Current liabilities	Other assets	Fixed assets	Borrowings	Other assets
Appropriation, like interim dividend, proposed final dividend in general insurance business are shown in	Profit and loss appropriation A/c	Revenue A/c	Profit & Loss A/c	Trading A/c	Profit & Loss A/c

The Percentage of Profit of life business to be distributed to policy holders is	95%	100%	40%	50%	95%
Leasehold Ground Rents are shown in	Revenue A/c	P&LA/c	Schedule 8 Investment	Schedule9 Loans	Schedule 8 Investment
the document which contains the terms and conditions of the contract of insurance is called ----------	Policy	Rules	Conditions	Terms	Policy
___________refers to the amount payable by the insurer to the insured when the policy becomes due for payment	Claims	Receipts	Policy	Rules	Claims
Losses of theft are covered by _______ insurance	Burglary	Causality	Annuity	Premium	Burglary
Every year, the accounting year of insurance business is to end on --------	31st December	31st March	30th June	30th September	31st March
In life insurance revenue account, Schedule 4 is named as ----------	Benefits paid	Benefits received	Business Received	Business Paid	Benefits paid
Schedule 15 prepared by insurance companies deals with ----------	expenditure	Miscellaneous expenditure	Miscellaneous income	Income	Miscellaneous expenditure
Claims incurred (Net) by general insurance companies is dealt in schedule no.	2	3	4	5	2

_____________ refers to the lump sum amount paid to the insurer by the customer seeking annuity	Annuity	Consideration	Consideration for annuity granted	other income	Consideration for annuity granted
The life insurance Revenue A/c does not disclose ____________ of the life business	Profit	Gross profit	Net profit	Loss	Profit
The computation of net liability on all outstanding policies is a complicated mathematical process which is carried out only by an ___________	Actuary	Claims	Premium	Bonus	Actuary
Profit on life insurance is found out by the preparation of __________	Valuation Balance sheet	Profit and loss	Profit and Loss appropriation	operating profit	Valuation Balance sheet
The term Surrender value is exclusively applicable only for __________	Life insurance	Marine Insurance	Accidental Insurance	Fire insurance	Life insurance
When the insurance company finds the risk heavy, part of the risk is insured with another insurance company, such a procedure is known as __________	Re-insurance	Re-insured	Re-insurer	Re-insurance claim	Re-insurance

The excess provision maintained by the general insurance company over the minimum reserve is called ________	Additional reserve	Special Reserve	Specific reserve	General reserve	Additional reserve
Survey expenses paid in connection with claim should be included in the item __________	Claims	Provisions	Additional Expenses	Special Expenses	Claims
Insurance business is divided into___________ types	two	three	four	five	two
Insurance companies are regulated by _______	IRDA regulations Act 2002	IRDA regulations Act 1998	IRDA regulations Act1999	IRDA regulations Act 2000	IRDA regulations Act 2002
Insurance carrying life insurance should comply with the _________ of IRDA Regulations 2002	Schedule A	Schedule B	Schedule C	Schedule D	Schedule A
Bonus payable on Maturity of a policy is known as __________	revisionary bonus	Annual bonus	Interim bonus	Eventual Bonus	revisionary bonus
Insurance company final account should also include a __________	cash management	fund flow statement	cash flow statement	asset management	cash flow statement
To ascertain the surplus or deficit, the insurance company prepares __________	Profit and loss appropriation A/c	Revenue A/c	Valuation Balance Sheet	Profit & Loss A/c	Valuation Balance sheet

The provision for unexpired risks is shown as a subtraction from the premium in ___________ a/c	Profit & loss A/c	Profit and loss appropriation A/c	Revenue A/c	Balance Sheet	Revenue A/c
Share capital of insurance companies is dealt in _________	Schedule 5	Schedule 6	Schedule 7	Schedule 8	Schedule 5
_______ is a part of financial statements of insurance company	Revenue A/c	Profit and Loss Appropriation	income & Expenditure a/c	Receipts and payment a/c	Revenue A/c
The general insurance companies should comply with __________ of IRDA regulations 2002	Schedule A	Schedule B	Schedule C	Schedule D	Schedule B
Commission on reinsurance ceded is an __________	expenses	income	deferred expenses	revenue expenses	income
___________ is an annual payment guaranteed and paid by an insurance company to the insured in consideration received as premium	lump sum payment	Annuity	Bonus	sum assured	Annuity
____________ is refers to the bonus which is payable in cash but utilized by the policy holder to adjust the premium due from them	Bonus in Cash	Bonus in reduction of premium	Interim bonus	Revisionary Bonus	Bonus in reduction of premium

The Excess of Revenue income over the revenue expenditure is termed as ___________	Life fund	Bonus Fund	Capital Reserve	Life Assurance Fund	Life Assurance Fund
____________ policies are eligible to receive the bonus paid out of profits earned by the insurance companies	Whole life policy	Endowment policy	With profit policy	Without Profit policy	With profit policy
In case of Life insurance, __________ of the profit of insurance company is distributed among policy holders as Bonus	70%	80%	95%	100%	95%
Taking more than one policy on the same subject matter with two or more insurance companies is called ________	Reinsurance	Double insurance	Single Insurance	Triple insurance	Double insurance
If the net liability is more than the life assurance fund is treated as ___________	Surplus	deposits	Deficit	Excess	Deficit
_________ represents the income received in advance by the insurance companies as premium	income received in advance	Reserve for unexpired risk	outstanding income	Premium	Reserve for unexpired risk
General insurance policies have a life time of ____________	one year	two years	three years	four years	one year
Revenue A/c consists of __________ schedules	1	2	3	4	4

___________ can be made by policy holders at any time during the one year when the policy is in force in general insurance	Premium	Revenue	Claims	Surrender	Claims
___________ is the commission payable by an insurance company to another insurance company for the reinsurance business provided by it	Commission on reinsurance accepted	commission on reinsurance ceded	Commission	Claims	Commission on reinsurance accepted
Schedule1 deals with ___________	Premium	Claims	Commission	operating expenditure	Premium
Schedule 2 deals with ___________	Premium	Claims	Commission	operating expenditure	Claims
Schedule 4 of Revenue account deals with __________	Premium	Claims	Commission	operating expenditure	operating expenditure
the 3rd Schedule of Revenue A/c of insurance companies deals with ___________	Premium	Claims	Commission	operating expenditure	Commission
Schedule 7 of insurance companies deals with __________	Share capital	Reserves and Surplus	Borrowings	investments	Borrowings
Fixed Assets are shown under __________ in Insurance Business	Schedule 5	Schedule 6	Schedule 8	Schedule 10	Schedule 10

Current liabilities of insurance companies are under the head of ________	Schedule 13	Schedule 6	Schedule 12	Schedule 11	Schedule 13

SYLLABUS

General Insurance – Law relating to general insurance – Different types of general insurance – General Insurance Vs Life Insurance – Nature of Fire Insurance – various types of Fire policy subrogation – Double Insurance – Contribution – Proximate Cause – Claims of Recovery – Accident and Motor Insurance – Nature , Disclosure, Terms and Conditions Claims and Recovery – Third Party Insurance – Compulsory Motor Vehicle Insurance – Accident Insurance.

INTRODUCTION

After studying, the life insurance and its importance, the over aspect of insurance other than 'Life Insurance' would is General Insurance. In this chapter, we cover various aspect of General Insurance such as Principles of utmost Good faiths material fact Principle of Insurable Insures and Principle of Indemnity.

General Insurance comprises of insurance of property against fire, burglary etc, personal insurance such as Accident and Health Insurance, and liability insurance which covers legal liabilities. Suitable general Insurance covers are necessary for every family. It is important to protect one's property, which one might have acquired from one's hard earned income. Losses created to catastrophes such as the tsunami, earthquakes, cyclones etc. have left many homeless and penniless. Such losses can be devastating but insurance could help mitigate them. Property can be covered, so also the people against Personal Accident. A Health Insurance policy can provide financial relief to a person undergoing medical treatment whether due to a disease or an injury.

PRINCIPLES OF UTMOST GOOD FAITH

Both the parties to a commercial contract are by law required to observe good faith. Let us say that you go to a shop to buy an electrical appliance. You simply will not enter, pay and pick up any sample piece but will check two, three or even more pieces. You may be even ask the shopkeeper to give a demonstration to ensure that it is in working condition and also ask several questions to satisfy yourself about what you are buying. Then when you go home you find it does not work or is not what you were looking for exactly so you decide to return the item but the shopkeeper may well refuse to take it back saying that before purchasing you had satisfied yourself; and he is possibly right. The common law principle "Caveat Emptor" or let the buyer beware is applicable to commercial contracts and the buyer must satisfy himself that the contract is good because he has no legal redress later on if he has made a bad bargain. The seller cannot misrepresent the item he has sold or deceive the buyer by giving wrong or misleading information but he is under no obligation to disclose all the information to the buyer and only selective information in reply to the buyers queries is required to be given. But in Insurance contracts the principles of "Uberrima fides" i.e. of Utmost Good Faith is observed and simple good faith is not enough. Why this difference in Insurance contracts?

Firstly, in Insurance contracts the seller is the insurer and he has no knowledge about the property to be insured. The proposer on the other hand knows or is supposed to know everything about the property. The condition is reverse of ordinary commercial contracts and the seller is entirely dependent upon the buyer to provide the information about the property and hence the need for Utmost Good Faith on the part of the proposer.

It may be said here that the insurer has the option of getting the subject matter of Insurance examined before covering the risk. This is true that he can conduct an examination in the case of a property being insured for fire risk or of getting a medical examination done in the case of a health policy. But even then there will be facts which only the insured can know e.g., the history of Insurance of the property whether it has been refused earlier for Insurance by another company or whether it is also already insured with another company and the previous claim experience. Similarly a medical examination may not reveal the previous history i.e. details of past illness, accidents etc. Therefore Insurance contracts insist on the practice of Utmost Good Faith on the part of the Insured

Secondly, Insurance is an intangible product. It cannot be seen or felt. It is simply a promise on the part of Insurer to make good the loss incurred by the Insured if and when it occurs.

Thus the Insurer is also obliged to practice Utmost Good Faith in his dealings with the Insured. He cannot and should not make false promises during negotiations.

He should not withhold information from the Insured such as the discounts available for good features e.g., fire extinguishing Appliances discount in fire policies or that Earthquake risk is not covered under the standard fire policy but can be covered on payment of additional premium.

In the recent Earthquake disaster in Gujarat a number of Insured failed to get any relief from Insurance Companies as Earthquake risk was not covered.

Utmost Good Faith can be defined as “A positive duty to voluntarily disclose, accurately and fully all facts material to the risk being proposed whether requested for or not”.

In Insurance contracts Utmost Good Faith means that “each party to the proposed contract is legally obliged to disclose to the other all information which can influence the others decision to enter the contract”.

The following can be inferred from the above two definitions:

(1) Each party is required to tell the other, the truth, the whole truth and nothing but the truth.

(2) Unlike normal contract such an obligation is not limited to any questions asked and

(3) Failure to reveal information even if not asked for gives the aggrieved party the right to regard the contract as void.

How is this duty of Utmost Good Faith to be practiced? And what are the facts that the proposer has to disclose? The answer to both the question is simply the proposer must disclose to the insurer all material facts in respect of the subject matter of Insurance.

WHAT IS A MATERIAL FACT?

Material fact is every circumstance or information, which would influence the judgement of a prudent insurer in assessing the risk.

Those circumstances which influence the insurer decision to accept or refuse the risk or which effect the fixing of the premium or the terms and conditions of the contract must be disclosed.

FACTS, WHICH MUST BE DISCLOSED

i. Facts, which show that a risk represents a greater exposure than would be expected from its nature e.g., the fact that a part of the building is being used for storage of inflammable materials.

ii. External factors that make the risk greater than normal e.g. the building is located next to a warehouse storing explosive material.

iii. Facts, which would make the amount of loss greater than that normally expected e.g. there is no segregation of hazardous goods from non-hazardous goods in the storage facility.

iv. History of Insurance (a) Details of previous losses and claims (b) if any other Insurance Company has earlier declined to insure the property and the special condition imposed by the other insurers; if any.

v. The existence of other insurances

vi. Full facts relating to the description of the subject matter of Insurance

Some examples of Material facts are

(a) **In Fire Insurance:** The construction of the building, the nature of its use i.e. whether it is of concrete or Kucha having thatched roofing and whether it is being used for residential purposes or as a godown, whether fire fighting equipment is available or not.

(b) **Facts covered by policy condition:** Warranties applied to Insurance polices i.e. there is a warranty that a watchman be deployed during night hours then this circumstance need not be disclosed.

Facts covered by policy condition: Warranties applied to Insurance polices i.e. there is a warranty that a watchman be deployed during night hours then this circumstance need not be disclosed.

Duration of Duty of Disclosure

The duty of disclosure remains in force through out the entire negotiation stage and till the contract is finalized. Once the contract is finalized than the contract is subject to ordinary simple good faith.

However when an alteration is to be made in an existing contract then this duty of full disclosure recovers in respect of the proposed alteration.

The duty of disclosure also revives at the time of renewal of contract since legally renewal is regarded as a fresh contract.

For example: a landlord at the time of proposal has disclosed that the building is rented out and is being used as an office. If during the continuation of the policy the tenants vacate the building and the landlord subsequently rents it out to a person using it as a godown then he is required to disclose this fact to the Insurer as this is a change in material facts and effects the risks.

(**Note:** Please note that in long term Insurance Business the Insurer is obliged to accept the renewal premium if the Insured wishes to continue the contract and there is no duty of disclosure operating at the time of renewal. Normally Insurer arranges inspection on each renewal.)

BREACHES OF UTMOST GOOD FAITH

Breaches of Utmost Good Faith occur in either of 2 ways.

(1) **Misrepresentation,** which again may be either innocent or intentional. If intentional then they are fraudulent

(2) **Non-Disclosure,** which may be innocent or fraudulent. If fraudulent then it is called concealment.

It is important to distinguish between the two: Misrepresentation and Non-Disclosure

Deliberate : This is done with a deliberate intention to defraud the insurer entering into a contract, which he would not have done had he been aware of that fact.

A proposer for fire Insurance hides the fact knowingly by not disclosing that he has an outhouse next to his building, which is used as a store for highly inflammable material.

How To Deal With Breaches

How breaches are dealt with depends upon whether the breaches are

(1) Innocent

(2) Deliberate

(3) Material to the risk

(4) Immaterial to the risk

When Breach of Utmost Good Faith occurs the aggrieved party gets the right to avoid the contract. The contract does not become automatically void and it must decide on the course to be taken. The options available are on case-to-case basis like: -

1) The contract becomes void from the very beginning if deliberate misrepresentation or non-disclosure is resorted to with the intention of misleading the insurer to enter into a contract.

2) To consider the contract void, the bereaved party, must notify the offending party that breach has been noticed and as per the conditions of the contract he is no longer governed

with the terms of the contract agreed upon in covering the risk. In case the breach is discovered at the time of claim he will refuse to honour his promise and will not pay the claim. This again occurs when there has been a deliberate breach.

3) When the breach is innocent but it is material to the fact then the insurer may impose a penalty in the form of additional Premium.

4) Where the breach is found to be innocent and is not

PRINCIPLE OF INDEMNITY

Indemnity according to the Cambridge International Dictionary is "Protection against possible damage or loss" and the Collins Thesaurus suggests the words "Guarantee", "Protection", "Security", "Compensation", "Restitution" and "Re-imbursement" amongst others as suitable substitute for the word "Indemnity". The words protection, security, compensation etc. are all suited to the subject of Insurance but the dictionary meaning or the alternate words suggested do not convey the exact meaning of Indemnity as applicable in Insurance Contracts.

In Insurance the word indemnity is defined as **"financial compensation sufficient to place the insured in the same financial position after a loss as he enjoyed immediately before the loss occurred."**

Indemnity thus prevents the insured from recovering more than the amount of his pecuniary loss. It is undesirable that an insured should make a profit out of an event like a fire or a motor accident because if he was able to make a profit there might well be more fires and more vehicle accidents.

As in the case of Insurable Interest, the principle of indemnity also relies heavily on the financial evaluation of the loss but in the case of life and disablement it is not possible to be precise in terms of money.

HOW IS INDEMNITY PROVIDED?

The Insurers normally provide indemnity in the following manner and the choice is entirely of the insurer

- Cash Payment
- Repairs
- Replacement
- Reinstatement

FIRE INSURANCE DEFINITION

Fire insurance means insurance against any loss caused by fire. Section 2(61 of the Insurance Act defines fire insurance as follows: “Fire insurance business means the business of effecting, otherwise than incidentally to some other class of business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies.”

WHAT IS ‘FIRE’?

The term fire in a Fire Insurance Policy is interpreted in the literal and popular sense. There is fire when something burns. In English cases it has been held that there is no fire unless there is ignition. Stanley v. Western Insurance Co. Fire produces heat and light but either o them alone is not fire. Lighting is not fire. But if lighting ignites something, the damage may be covered by a fire-policy. The same is the case with electricity.

HISTORY OF FIRE INSURANCE

The development of fire Insurance can be traced back to 1601 A.D. when the Poor Relief Act was passed in England. Vide this act, letters called “briefs” were read from the church asking for collections from the public to help those who suffered losses from fire. There was a great fire in London–a historical disaster– in which within span of three days from 2nd to 5th Sept.’1666, 80% of the city was destroyed which sowed the seeds of fire Insurance as we know it now.

First, only buildings were insured and the first fire office was established by a builder Nicholas Barbon in 1680. In 1708, Charles Povey founded the Traders Exchange for insuring movable goods, merchandise and stocks against loss or damage and this was the first to insure both the building and its contents.

MEANING OF FIRE INSURANCE

The term fire in a fire insurance is interpreted in the literal and popular sense. There is fire when something burns. In other words fire means visible flames or actual ignition. Simmering/ smoldering is not considered fire in Fire Insurance. Fire produces heat and light but either of them alone is not fire. Lightening is not a fire but if it ignites something, the damage may be due to fire.

Under section 2(6A) Insurance Act 1938, the fire insurance business is defined as follows: “Fire insurance business means the business of effecting, otherwise than independently to some other class of business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies”.

CHARACTERISTICS OF FIRE INSURANCE

1. Fire insurance is a contract of indemnity. The insurer is liable only to the extent of the actual loss suffered. If there is no loss there is no liability even if there is a fire.
2. Fire insurance is a contract of good faith. The policy-holder and the insurer must disclose all the material facts known to them.
3. Fire insurance policy is usually made for one year only. The policy can be renewed according to the terms of the policy.
4. The contract of insurance is embodied in a policy called the fire policy. Such policies usually cover specific properties for a specified period.
5. **Insurable Interest:** A fire policy is valid only if the policy-holder has an insurable interest in the property covered. Such interest must exist at the time when the loss occurs. In English cases it has been held that the following persons have insurable interest for the purposes of fire insurance- owner; tenants, bailees, including carriers; mortgages and charge-holders.
6. In case of several policies for the same property, each insurer is entitled to contribution from the others. After a loss occurs and payment is made, the insurer is subrogated to the rights and interests of the policy-holder. An insurer can reinsure a part of the risk.
7. Fire policies cover losses caused proximately by fire. The term loss by fire is interpreted liberally. Example: A women hid her jewellery under the coal in her fireplace. Later on she forgot about the jewellery and lit the fire. The jewellery was damaged. Held, she could recover under the fire policy.
8. Nothing can be recovered under a fire policy if the fire is caused by a deliberate act of policy-holder. In such cases the policy-holder is liable to criminal prosecution.
9. Fire policies generally contain a condition that the insurer will not be liable if the fire is caused by riot, civil disturbances, war and explosions. In the absence of any specific expectation the insurer is liable for all losses caused by fire, whatever may be the causes of the fire.
10. Assignment: According to English law a policy of fire insurance can be assigned only with the consent of the insurer. In India such consent is not necessary and the policy can be assigned as a

chose-in-action under the Transfer of Property Act. The insurer is bound when notice is given to him. But the assignee cannot be recovering damages unless he has an insurable interest in the property at the time when the loss occurs. A stranger cannot sue on a fire policy.

11. **Payment of Claims:** Fire policies generally contain a clause providing that upon the occurrence of fire the insurer shall be immediately notified so that the insurer can take steps to salvage the remainder of the property and can also determine the extent of the loss. Insurance companies keep experts on their staff of value the loss. If in a policy there is an international over valuation of the property by the policy-holder, the policy may be avoided on the ground of fraud.

FEATURES OF FIRE INSURANCE:

(Dear learner, most of the features to be discussed in the following paragraphs of Fire Insurance you must have studied under Principles of General Insurance in other module)

Offer & Acceptance : It is a prerequisite to any contract. Similarly, the property will be insured under fire insurance policy after the offer is accepted by the insurance company. Example: A proposal submitted to the insurance company along with premium on 1/1/2011 but the insurance company accepted the proposal on 15/1/2011. The risk is covered from 15/1/2011 and any loss prior to this date will not be covered under fire insurance.

Payment of Premium: An owner must ensure that the premium is paid well in advance so that the risk can be covered. If the payment is made through cheque and it is dishonored then the coverage of risk will not exist. It is as per section 64VB of Insurance Act 1938. (Details under insurance legislation Module).

Contract of Indemnity: Fire insurance is a contract of indemnity and the insurance company is liable only to the extent of actual loss suffered. If there is no loss, there is no liability even if there is fire. Example: If the property is insured for Rs 20 lakhs under fire insurance and it is damaged by fire to the extent of Rs. 10 lakhs, then the insurance company will not pay more than Rs. 10 lakhs.

Utmost Good Faith: The property owner must disclose all the relevant information to the insurance company while insuring their property. The fire policy shall be voidable in the event of misrepresentation, mis-description or non-disclosure of any material information. Example: The use of building must be disclosed i.e whether the building is used for residential use or manufacturing use, as in both the cases the premium rate will vary.

Insurable Interest: The fire insurance will be valid only if the person who is insuring the property is owner or having insurable interest in that property. Such interest must exist at the time when loss occurs. It is well known that
insurable interest exists not only with the ownership but also as a tenant or bailee or financier. Banks can also have the insurable interest. Example: Mr. A is the owner of the building. He insured that building and later on sold the building to Mr. B and the fire took place in the building. Mr. B will not get the compensation from the insurance company because he has not taken the insurance policy being a owner of the property. After selling to Mr. B, Mr. A has no insurable interest in the property.

Contribution: If a person insured his property with two insurance companies, then in case of fire loss both the insurance companies will pay the loss to the owner proportionately. Example: A property worth Rs. 50 lakhs was insured with two Insurance companies A and B. In case of loss, both insurance companies will contribute equally.

Period of fire Insurance: The period of insurance is to be defined in the policy. Generally the period of fire insurance will not exceed by one year. The period can be less than one year but not more than one year except for the residential houses which can be insured for the period exceeding one year also.

Deliberate Act: If a property is damaged or loss occurs due to fire because of deliberate act of the owner, then that damage or loss will not be covered under the policy.

Claims: To get the compensation under fire insurance the owner must inform the insurance company immediately so that the insurance company can take necessary steps to determine the loss.

PROCEDURE TO INSURE THE PROPERTY UNDER FIRE INSURANCE:

For insuring any property under the fire insurance policy, the following is the procedure:

1) Filling of proposal form

2) Inspection of the property

3) Payment of premium

4) Issue of Cover note/ Policy document in lieu of acceptance of the proposal.

FILLING OF PROPOSAL FORM

The fire proposal includes the following information :

Description of the property. This would include:

Construction of external walls and roof, number of storeys.

Occupation of each portion of the building.

Presence of hazardous goods.

Process of manufacture.

The sums proposed for insurance.

The period of insurance.

History of previous losses.

Inspection of the property: In case of property of any business organization, whether manufacturing or other type of organization, a risk inspection report is submitted by the insurer's engineers. The engineers submit in their report the nature of risk involved in the factory/ manufacturing unit.

Payment of Premium: Based on the proposal form and the inspection report of the engineers, the insurance company will submit the premium rates to the property owner and if these rates are acceptable to him then he should pay the amount to the insurance company. It is also a legal requirement under section 64VB of Insurance

PROCEDURE TO SETTLE THE FIRE INSURANCE CLAIM:

A) If there are any damage or loss arising due to fire then the policy holder should immediately inform the insurance company in writing and with estimated amount of loss.

B) **Survey Report:** If the amount of loss is small (i.e. up to Rs. 20,000/-), the insurance company may depute an officer to survey the loss and decide on the settlement of the loss on the basis of the claim form and the officer's report. However, in large losses, an independent surveyor duly licensed by the Government is appointed to give a report on the loss.

The survey report would generally deal with the following matters:

(i) Cause of loss.

(ii) Extent of loss.

(iii) Under-Insurance, if any.

(iv) Details and value of salvage, and how it has been disposed of or proposed to be disposed of.

(v) Details of expenses (e.g. fire brigade expenses).

(vi) Compliance with policy conditions and warranties.

(vii) Details of other insurance policies on the same property, and the apportionment of the loss and expenses among co-insurers.

C) **Claim form**: The policy holder will submit the claim form with the following information :

(i) Name and address of the Insured.

(ii) Date of loss, time and place from where the fire started.

(iii) Cause of fire.

(iv) Details of the property damaged such as description, etc.

(v) Value at the time of fire, value of salvage and the amount of loss.

(vi) Details of other policies on the same property giving the name of the insurer, policy number and sum insured.

(vii) Fire Brigade report details.

(viii) F.I.R. at the nearest police station regarding third party liability, if any.

Settlement of claim: On the basis of the claim form and the survey report, decision is taken about the settlement or otherwise of the loss.

PRACTICE OF FIRE INSURANCE IN INDIA

In India, under fire insurance policy, in addition to fire, other perils are also included and the policy is known as **"Standard Fire and Allied Perils Policy".**

The perils specified in the fire policy are:

A. **Fire**: It has been explained as above.
B. **Lightning:** Any lightning due to cloud burst may damage the property and the same will be covered under the fire policy.
C. **Explosion / Implosion:** Sudden change in the temperature in any plant & machinery or exposure to atmospheric pressure may result into loss and the same will be covered under fire policy.

D. **Aircraft Damage:** Any damage to the property due to any droppings by aircraft or by itself will also be covered under the fire policy.

E. **Riot, Strike and Malicious Damage (RSMD):** Any damage to the property due to public or strike by employees or malicious damage (intentional damage) by any person will be covered under this policy.

F. **Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood and Inundation (STFI):** The property damage due to any of these storms and flood will also be covered under this policy. The meaning of these perils lies in different intensity of the storms. Flood not only means the leakage of water through river but also accumulation of water due to heavy rains in the premises.

G. **Impact Damage:** Damage to the property due to impact by any Rail / Road vehicle or animal by direct contact, but not belonging to or owned by the Insured or any occupier of the premises or their employees while acting in the course of their employment.

H. **Subsidence and Landslide including Rock Slide**

Destruction or damage caused by Subsidence of part of the site on which the property stands or Land slide / Rock slide.

I. **Bursting and/or overflowing of Water Tanks, Apparatus and Pipes:** If due to bursting or overflowing of water from the water tanks installed in the premises of the policyholder any damage or loss to the property of the policyholder is caused, it will be covered under this policy.

J. **Missile Testing Operations:** Any loss or damage due to missile testing by the Govt. or otherwise will be covered under this policy.

K. **Leakage from Automatic Sprinkler Installations :** In most of the organizations as a fire protection measure, automatic sprinkler system is installed. If due to non–usage of the sprinkler system or otherwise it starts leaking and damages the property, then it will be covered under the fire insurance policy.

L. **Bush Fire:** It means fire spread from the bushes (small fire) but will not include forest fire.

TYPES OF FIRE POLICIES

There may be various types of fire policies. The principal types are described below:

Specific Policy

A specific policy is one under which the liability of the insurer is limited to a specified sum which is less than the value of property.

Valued Policy

A valued policy is one under which the insurer agrees to pay a specific sum irrespective of the actual loss suffered. A valued policy is not a contract of indemnity.

Average Policy

Where a property is insured for a sum which is less than its value, the policy may contain a clause that the insurer shall not be liable to pay the full loss but only that proportion of the loss which the amount insured for, bears to the full value of the property. Such a clause is called the average clause and policies containing an average clause are called average policies. The phrase "subject to average" is equivalent to the insertion of an average clause. "Lloyd's Fire Policies are usually expressed to be "subject to average".

Reinstatement or replacement Policy

In such policies the insurer undertakes to pay no the value of the property lost, but the cost of replacement of the property destroyed or damaged. The insurer may retain an option to replace the property instead of paying cash.

Floating Policy

When one policy covers property situated in different places it is called a floating policy. Floating policies are always subject to an average clause.

Combined Policies

A single policy may cover losses due to a variety of cases, e.g. fire together with burglary, third party losses, etc. A fire policy may include loss of profits, i.e. the insurer may undertake to indemnify the policy holder not only for the loss caused by fire but also for the loss of profits for the period during which the establishment concerned is kept closed owing to the fire.

SUBROGATION

Subrogation is a term denoting a legal right reserved by most insurance carriers. Subrogation is the right for an insurer to legally pursue a third party that caused an insurance loss to the insured. This is done as a means of recovering the amount of the claim paid by the insurance carrier to the insured for the loss. Subrogation occurs in property/casualty insurance when a company pays one of its insured's for damages, then makes its own claim against others who may have caused the loss, insured the loss, or contributed to it. For Example: Suppose another driver runs a red light and your car is totaled.

THIRD-PARTY INSURANCE

Third-party insurance is essentially a form of liability insurance purchased by the insured, the first party, and issued by an insurer, the second party, for protection against the claims of another, the third party. The first party is responsible for its own damages or losses, no matter how they were caused.

It only insurance (TPO) offers you the legal minimum level of car insurance cover, and is the most basic you're able to get. This kind of policy helps protect other people, vehicles and property in the event of an accident that was deemed to be your fault. When people who are not directly a part of your operation provide your distribution network, website, etc. When you hire an independent writer to provide content which you then distribute.

Motor third-party insurance or third-party liability cover, which is sometimes also referred to as the 'act only' cover, is a statutory requirement under the Motor Vehicles Act. ... However, it covers the insured's legal liability for death/disability of third-party loss or damage to third-party property.

In this the first party is the insured and the second party is the insurance company. The third party here is any third person. . Under your third party insurance, a third party can file a claim for compensation for injury, death, property damage caused by your car. A third-party warranty is so named because it has no direct business relationship with the product it covers. These warranties differ vastly from manufacturer extended warranties, which use original parts and factory-trained technicians to repair your vehicle at a dealership

ACCIDENT INSURANCE

In **insurance**, **accidental** death and dismemberment (AD&D) is a policy that pays benefits to the beneficiary if the cause of death is an **accident**. This is a limited form of life **insurance** which is generally less expensive.

WHAT DOES AN ACCIDENT POLICY COVER?

Accident insurance helps you pay for the medical and out-of-pocket costs that you may incur after an accidental injury. This includes emergency treatment, hospital stays, and medical exams, and other expenses you may face, such as transportation and lodging needs.

WHAT IS CONSIDERED AN ACCIDENT?

Accident insurance will only compensate you for injuries inflicted in an accident. An accident is considered to be a sudden and unexpected event that is caused by an external source without the insured's intention.

PERSONAL ACCIDENT ON CAR INSURANCE

Personal accident cover and car insurance. Personal accident cover on car insurance can offer compensation for death and specified significant injuries sustained as a result of being in a vehicle accident.

DIFFERENT TYPES OF CAR INSURANCE POLICIES

- Liability Coverage. Auto liability coverage is mandatory in most states. ...
- Uninsured and Underinsured Motorist Coverage. ...
- Comprehensive Coverage. ...
- Collision Coverage. ...
- Medical Payments Coverage. ...
- Personal Injury Protection.

Possible questions
Part A(20*1=20 Marks)Online Exam

Part B (5*8= 40 Marks)

1. Discuss the role of General Insurance Corporation of India in Life Insurance business.
2. Explain the various types of General Insurance in India.
3. Discuss the essential features of Fire Insurance Policies.
4. What are the principles of Rate fixation in Fire Insurance?
5. Define Fire Insurance Contract. What are the characteristics of a Fire Insurance Contract?
6. Write a short note on:
   (i) Double Insurance
   (ii) Reinsurance
   (iii) Floating policy
   (iv) Declaration policy
7. Write about the types of Motor Insurance policy.
8. What is personal accident insurance coverage and explain its features?
9. Write short notes on:
   (i) Third party policy
   (ii) Act liability policy
   (iii) Garage Insurance policy

Question	A	B	C	D	Answer
Fire insurance can be taken in respect of	movable and immovable property	person	immovable prpoperty only	on stock	movable and immovable property
In fire insurance, insurable inteest is enough at the time of	effecting policy	loss	maturity	throughout the policy	effecting policy and loss
Personal accident plan is suppliment to	life insurance	fire insurance	marine insurance	health insurance	life insurance
The insurer agrees to compensate the insured in consideration of a sum of money is called	premium	policy	subject matter	loss	premium
The things or property insured is called	subject matter	insurable interest	policy	premium	subject matter
The document which lays down the terms of the contract of insurance is called	subject matter	policy	premium	insurable interest	policy
The interest which the insured has in the subject matter of insurance is called	premium	insurable interst	ownership	liability	insurable interest

Under fire insurance loss of profit policy is also called as	average policy	consequential loss policy	specific policy	adjustable policy	consequential losspolicy
A contract of insurance is ____________ agreement	contingent	constant	special	limited	contingent
__________ is a valid contract between the insured and the insurer is called	policy	insurance	waranties	conditional	insurance
Motor insurance provides insurance cover to	private vehicles	commercial vehicles	motor cycles	all of these	all of these
Burglary insurance policy covers the risk	theft	voyage	perils	any of these	theft
_______ refers to the right of an insurer to refuse admittance of the claim by the insured	replication	repudiation	dufalication	retention	repudiation
Insurance providing financial support to farmers in the event of a crop failure due to drought or flood is called as___	cattle	crop	burglary	fir	crop
Property insurance may not include	burglary	fidelity	insolvency	sickness	sickness

Rashtriya Krishi Bima Yojana is known as	crop insurance	hull insurance	property insurance	sickness insurance	crop insurance
Crop insurance scehme came into existence in India in	1998	1999	1997	2000	1999
Crop insurance covers the risk of	Natural fire	storm	drought	all of these	all of these
Which of the following is not a horticulture crop?	grape	litrus	banana	coffee	coffee
Motor vehicle insurance begin in ______	UK	USA	India	Japan	UK
Provides evidence of insurance to the Police and Registration Authoritires under Motor Vehicle Act	endorsement	policy form	certificate of insurance	cover note	certificate of insurance
Medical expenses insurance is also known as	personal insurance	liability insurance	mediclaim	fidelity	mediclaim
The risk of individuals and families are covered under	personal insurance	property insurance	liability insurance	risk insurance	personal insurance
In _____, the individual risk is offered by an insurer for acceptance or rejection by re-insurer	treaty reinsurance	facultative reinsurance	pool reinsurance	stock reinsurance	facultative reinsurance

Health insurance can be availed by people aged between	10 and 100	7 and 75	5 and 75	10 and 70	5 and 75
A health insurance should be	continuous	risk free	simple	free from regulation	continuous
_______ enables to recoup the losses suffered by people consequent on house breaking	burglary	fire	perils	risk insurance	burglary
The corpus fund created with the contributions from the Central and state governments is on the basis of	60:40:00	55:45:00	50:50:00	25:75	50:50:00
_______ are extra benefits under the policy	riders	loans	death benefits	claim benefits	riders
An exceptionally large risk is known as	great risk	jumbo risk	giant risk	large risk	jumbo risk
_______ is a form of health insurance against loss by accidental bodily injury	property	marine	personal	accident	accident
Higher the percentage of _______in GDP, lower the insurance penetration	agriculture	reinsurance	banking	business	agriculture

__________ insurance is the one where the loss is not due to physical damage but due to disonesty of the employees	liability	pecuniary	motor	personal	pecuniary
Personal accident plan is suppliment to	life insurance	fire insurance	marine insurance	health insurance	life insurance
Personal accident plan can also be issued on	12 months	less than 12 months	less than 6 months	less than 3 months	less than 12 months
Personal accident plan is restricted to persons between	7-70 year	5-70 years	8-70 years	9-70 years	5-70 years
Personal accident plan is not applicabe to one of the following persons	working in mines	working in electrical installation	mountaineering	wood working macinists	wood working macinists
Which one of the following is not an additional benefit in personal accident plan without additional premium	education of children	funeral expenses	cumulative bonus	life running expenses of legal heirs	life running expenses of legal heirs
Janath personal accident plan is meant for	low income group	high income group	middle incomr group	to any person	low income group
Group personal insurance covers	homogeneous group	hetrogeneous group	assorted group	any group	homogeneous group

In case of burglary insurance, the insurershould declare the probable highest amount as it contains	average clause	condition clause	additional clause	without condition claues	average clause
Baggage insurance policy does not cover	wearing clothes	personal effect	jewellary & camera	all these	jewellary & camera
In money in transit ploicy, cover is granted only to	commercial & industrial houses	individuals	co-operatives	partnership firms	commercial & industrial houses
Court bond policy is meant to the person appointed by the court viz.,	liquidator	lawyer	pleader	judge	liquidator
In case of aircraft insurance, the following loss is not covered	standard component parts	mechanical failure	damage caused by fire	damage caused by explosion	mechanical failure
In india sickness, medical treatment, accident death cover are covered under	miscellaneous insurance	life insurance	separate insuance	general insurance	miscellaneous insurance
_______ are used as a valuable tool/ aid to rate making & underwriting	engineering services	market research	personnel management	legal advices	engineering services
_______ helps lower the cost of insurance as well as increase its availability	deductible decisions	objective decisions	selective decision	all the above	deductible decision

_______ is a memorandum specifying some of the details of the property or liability policy to be issued by the company	binder	subrogation	indemnity	endorsement	binder
_______ is a form of health insurance against loss by accidental bodily injury	property insurance	marine insurance	persoonal insurance	accidental insurance	accidental insurance
Unemployment can result from	business cycle downsizing	seasonal factors	imperfection in labour market	all the above	all the above
In group insurance the rate premium is comapratively	less	more	moderate	higher than the individual policy	less
Commercial guarantee are	simple contract	special contract	ordinary contract	noted contract	simple contract
Court bonds are	simple contract	special contract under seal	ordinary contract	noted contract	special contract under seal
Integrated Rural Development Programme is funded by	Central governemnt	State Government	local government	insurance companies	Central governmment
Personal accident plan can also be issued on	12 months	less than 12 months	less than 6 months	less than 3 months	less than 12 months
Personal accident plan is restricted to persons between	7-70 year	5-70 years	8-70 years	9-70 years	5-70 years

Personal accident plan is not applicabe to one of the following persons	working in mines	working in electrical installation	mountaineering	wood working macinists	wood working macinists
Except life insurance, ther term of other insurance is	12 months	24 months	6 months	36 months	12 months
Motor vehicle insurance begin in ______	UK	USA	India	Japan	UK

SYLLABUS

Deposit and Credit Insurance – Nature – Terms and Conditions – claim – Recovery etc., Public Liability Insurance – Emergency Risk insurance Structure and power, function of General Insurance Corporation of India – Deposit Insurance and Credit Guarantee Corporation.

DEPOSIT INSURANCE

Explicit deposit insurance is a measure implemented in many countries to protect bank depositors, in full or in part, from losses caused by a bank's inability to pay its debts when due. Deposit insurance systems are one component of a financial system safety net that promotes financial stability.

The role of deposit insurance is to stabilize the financial system in the event of bank failures by assuring depositors they will have immediate access to their insured funds even if their bank fails, thereby reducing their incentive to make a "run" on the bank.

The primary purposes of the **Deposit Insurance** Fund (DIF) are: (1) to insure the**deposits** and protect the depositors of insured banks and (2) to resolve failed banks. The DIF is funded mainly through quarterly assessments on insured banks, but also receives interest income on its securities.

How Does Deposit Insurance Work?

When you deposit money at a bank or credit union in the United States, your funds are guaranteed up to a standard amount of $250,000 by one of two government agencies: the Federal Deposit Insurance Corporation (FDIC), which insures and monitors banks, and the National Credit Union Administration (NCUA), which does the same for credit unions. Your coverage limit can be higher if you have multiple accounts of different kinds, or have accounts at multiple institutions.

Although a number of banks and credit unions fail every year, not a single bank customer or credit union member has lost a penny of deposits that were properly covered by the FDIC or NCUA.

- Which Accounts Qualify for Deposit Insurance
- Categories of Insured Deposit Accounts

- How to Calculate Your Deposit Insurance Coverage
- What Happens When Banks and Credit Unions Fail
- How Deposit Insurance is Funded
- Is My Bank or Credit Union Insured?

How Deposit Insurance is Funded

FDIC insurance is paid out of the Deposit Insurance Fund (DIF), which is maintained through the payment of premiums by each bank. The premium each bank pays is based on the size of its deposits and the level of risk the bank poses. The DIF is invested in the market as well, but it receives no support from tax dollars, meaning that taxpayers do not bear the burden of deposit insurance.

For credit unions, the analog to the DIF is the National Credit Union Share Insurance Fund (NCUSIF), which is funded with deposits and premiums from all federally chartered credit unions and almost all state-chartered unions. The NCUSIF is primarily invested in U.S. Treasury securities.

Both the bank and credit union insurance funds must meet certain deposit reserve ratios: the balance of available money must equal a designated percentage of all insured deposits. The DIF stands at about 2.0% of insured bank deposits, and the NCUSIF stands at 1.2% of insured credit union deposits. These ratios are considered the minimum levels required for deposit insurance to function properly in the face of a major economic crisis, as occurred in 2008 and 1933.

DEFINITION OF 'CREDIT INSURANCE'

Credit insurance is a type of life insurancepolicy purchased by a borrower that pays off one or more existing debts in the event of a death, disability, or in rare cases, unemployment.

Trade credit insurance, business credit insurance, export credit insurance, orcredit insurance is an insurance policy and a risk management product offered by private insurance companies and governmental export credit agencies to business entities wishing to protect their accounts receivable from loss due to credit

CREDIT DEFAULT INSURANCE:

The use of a financial agreement - usually a credit derivative such as a credit default swap, total return swap, or credit linked note - to mitigate the risk of loss from default by a borrower or bond issuer.

CONSUMER CREDIT INSURANCE (CCI):

Insurance that covers you if something happens that affects your capacity to meet the payments on your loans and other**credit**. CCI usually covers situations of unemployment, illness, involvement in an accident, and death.

CREDIT INSURANCE PREMIUM

The are a number of factors - including the amount of the loan or debt, the type of**credit** and the type of policy - that might impact the cost of a **credit insurance**policy. Companies will generally charge **premiums** by either using a single **premium**method or a monthly outstanding balance method.

INSURANCE CREDIT SCORE

An insurance score is a score calculated from information on your credit report. Credit information is very predictive of future accidents or insurance claims, which is why Progressive, and most insurers, uses this information to help develop more accurate rates.

PUBLIC LIABILITY INSURANCE:

Public liability insurance is designed for professionals who interact with customers or members of the public. It protects against claims of personal injury or property damage that a third party suffers (or claims to have suffered) as a result of your business activities.

Emergency Risks Goods Insurance Scheme

(1) The Central Government may, by notification in the Official Gazette, put into operation a scheme to be called the Emergency Risks (Goods) Insurance Scheme, whereby the Central Government undertakes in relation to persons carrying on business in India as sellers or suppliers of goods, the liability of insurance of such persons against emergency risks, to the extent provided by or under this Act, in respect of goods insurable under this Act which are from time to time owned by such persons in the course of such business.

(2) The Scheme may also extend------

(a) to the undertaking by the Central Government, in relation to any person carrying on business in India as seller or supplier of goods, of the liability of insuring such a person against emergency risks in respect of goods insurable under this Act which are not owned by him but in which he has an interest arising in the course of that business;

(b) without prejudice to the provisions of clause (a) of this sub-section, to the undertaking by the Central Government, in relation to a person carrying on any business in India, of the liability of insuring such a person against emergency risks in respect of------

(i) any goods situated in India which are in his possession, otherwise than under a hire purchase agreement, for the purposes of that business,

(ii) any goods situated in India which are subject to a mortgage, pledge or charge in his favour held by him in the course of that business,

being in either case goods which are not owned by him but which are insurable under this Act in relation to the person by whom they are owned;

(c) to the undertaking by the Central Government, in relation to a person carrying on any business in India, of the liability of insuring such person against emergency risks in respect of any goods situated in India, which having been sold in India, for export from India, are in his possession for the purpose of such export and are goods which were prior to such sale insurable under this Act in relation to the person by whom they were then owned;

(d) to the undertaking by the Central Government, in relation to any person carrying on any business in India as a seller or supplier of goods, of the liability of insuring such a person against emergency risks in respect of goods imported into India through any port of India, while such goods are situated at such port or are in transit to a place in India.

(3) The Scheme shall be such as to secure------

(a) that the liability of the Central Government as insurer shall not extend to more than eighty per cent.of the insurable value of the property insurable;

(b) that any liability of the Central Government as insurer under the Scheme is determined by a policy of insurance issued, in the form and in respect of a period not exceeding the period specified in the Scheme, by a person acting on behalf of the Central Government:

Provided that the form of policy may be such as to limit the extent and nature of the indemnity provided by the Central Government and to impose conditions subject to which the indemnity is provided:

Provided further that the form of policy shall be such as to provide that no liability shall arise thereunder unless the premium in relation to the period in which any loss or damage occurs has been paid before the occurrence of such loss or damage;

(c) that any premium under a policy so issued is payable at a rate not exceeding three per cent.per annum of the sum insured as may be specified in the Scheme; and

(d) that the amount of any one premium payable under a policy so issued is not less than such sum as may be specified in the Scheme.

(4) Different forms of policies may be specified under sub-section (3) in relation to different descriptions of goods.

(5) The Central Government may, by notification in the Official Gazette, add to, amend or vary any Scheme made under this Act.

(6) Every Scheme shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the Scheme or both Houses agree that the Scheme should not be made, the Scheme shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under the Scheme.

6.Employment of agents by Central Government

The Central Government may, by notification in the Official Gazette, employ or authorise the employment of any person to act as its agent for the issue of polices, and making recommendations for the settlement of claims, under the Scheme, and may pay to the person so employed such remuneration as it may think fit.

DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION:

Deposit Insurance and Credit Guarantee Corporation (DICGC) is a subsidiary of Reserve Bank of India. It was established on 15 July 1978 under Deposit Insurance and Credit Guarantee Corporation Act, 1961 for the purpose of providing insurance of deposits and guaranteeing of credit facilities. DICGC insures all bank deposits, such as saving, fixed, current, Recurring_deposit for up to the limit of Rs. 100,000 of each deposits in a bank.

OBJECTIVES:

The functions of the DICGC (Deposit Insurance and Credit Guarantee Corporation)are governed by the provisions of 'The Deposit Insurance and Credit Guarantee Corporation Act, 1961' (DICGC Act) and 'The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961' framed by the Reserve Bank of India in exercise of the powers conferred by sub-section (3) of Section 50 of the said Act.[2]
A maximum of Rs 1,00,000 is insured for each user for both principal and interest amount. If the customer has accounts in different banks, all of those accounts are insured to a maximum of Rs 1,00,000. However, if there are more accounts in same bank, all of those are treated as a single account. The insurance premium is paid by the insured banks itself. This means that the benefit of deposit insurance protection is made available to the depositors or customers of banks free of cost. The Corporation has the power to cancel the registration of an insured bank if it fails to pay the premium for three consecutive half-year periods. The Corporation may restore the registration of the bank, which has been de-registered for non-payment of premium, if the concerned bank makes a request in this behalf and pays all the amounts due by way of premium from the date of default together with interest.

GENERAL INSURANCE CORPORATION OF INDIA (ACTIVITIES AND PERFORMANCE):

The General Insurance Corporation (GIC) was formed by Central Government in 1972. With effect from January 1, 1973 the erstwhile 107 Indian and foreign insurance companies who were operating in the country prior to nationalisation, were grouped into four operating companies, namely,
(a) National Insurance Company Limited.
(b) New India Assurance Company Limited.

(c) Oriental Insurance Company Limited.

(d) United Insurance Company Limited.

With head offices at Kolkata, Mumbai, New Delhi and Chennai, respectively GIC which was the holding company of the four public sector general insurance companies has since been delinked from the later and has been approved as the 'Indian Reinsurer' since 3 November 2000. All the four entities are Government companies registered under Companies Act.

The General Insurance business has grown in spread and volume after nationalisation. The tour companies have 2, 699 branch offices, 1,360 divisional offices and 92 regional offices spread all-over the country.

Activities of GIC:

Some of the schemes in operation of the benefit of poor are the personal account insurance, social security scheme, hut insurance scheme for poor families in rural areas and crop insurance scheme.

Besides the domestic market, the GIC is presently operating in 16 countries directly through branches or agencies and in 14 countries through subsidiary and associate companies. The wholly owned subsidiary of GIC known as Indian International Insurance Private Limited, set up in 1988 in Singapore, has grown into a leading company in the Singapore market.

Performance of GIC:

The gross premium income of the nationalised general insurance industry in India during 1999-2000 was Rs. 9,523 crore as against Rs. 8,759 crore during 1998-99, representing a growth of 8,72 percent over the premium income of 1998-99.

The net premium income of the nationalised general insurance industry in India during the year 1999-2000 was Rs. 8,649 crore as against Rs. 7,732 crore in 1998-99, representing a growth of 11.86 percent over the net premium income of 1998-99.

The gross profit of the industry during 1999-2000 was Rs. 1,152 crore as against Rs. 1,467 crore in 1998-99. Similarly, the net profit of the industry during the year 1999-2000 was Rs. 1,077 crore as against Rs. 874 crore in 1998-99.

According to the latest report the net profit of the Industry during 2001-02 amounted to Rs. 12,229 crore, as against Rs. 10,772 crore during 2000-01 representing a growth of 13.52 percent over the premium income of last year.

Possible questions
Part A(20*1=20 Marks)Online Exam

Part B (5*8= 40 Marks)

1. Explain the functions of General Insurance Corporation.
2. What are the objectives of General Insurance Business? State the sources of funds.
3. Explain the types of public liability Risk Insurance.
4. What is Credit Insurance? What are the types of Credit Insurance?
5. Write short notes on
   (i) Deposit insurance
   (ii) Credit insurance
   (iii) Emergency risk insurance
6. Write the powers and functions of General insurance corporation of India
7. Discuss Public liability insurance
8. What are the terms and conditions to recover Credit insurance?
9. Discuss Emergency Risk insurance structure

Question	**A**	**B**	**C**	**D**	**Answer**
Fire insurance can be taken in respect of	movable and immovable property	person	immovable prpoperty only	on stock	movable and immovable property
In fire insurance, insurable interest is enough at the time of	effecting policy	loss	maturity	throughout the policy	effecting policy and loss
Personal accident plan is supplement to	life insurance	fire insurance	marine insurance	health insurance	life insurance
The insurer agrees to compensate the insured in consideration of a sum of money is called	premium	policy	subject matter	loss	premium
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The risk of individuals and families are covered under	personal insurance	property insurance	liability insurance	risk insurance	personal insurance
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A health insurance should be	continuous	risk free	simple	free from regulation	continuous
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Motor vehicle insurance begin in ______	UK	USA	India	Japan	UK

SYLLABUS

Marine Insurance – Law Relating to Marine Insurance – Scope and Nature – Types of Policy – Insurable interest – Disclosure and Representation – Insured Perils – Proximity Cause – Voyage – Warranties – Measurement – Subrogation – Contribution – Under Insurance.

MARINE INSURANCE

A simple definition of the word insurance would be Protection against future loss. Marine insurance is very important because through marine insurance, ship owners and transporters can be sure of claiming damages especially considering the mode of transportation used

Marine insurance covers the loss or damage of ships, cargo, terminals, and any transport or cargo by which property is transferred, acquired, or held between the points of origin and final destination. When goods are transported by mail or courier, shipping insurance is used instead.

On the basis of value of the insured subject matter Valued Policy: A type of insurance coverage that places a specific value on the insured property, such as the hull or cargo of a shipping vessel. A valued marine policy pays up to, the **specified** value in the event of a total loss.

HISTORY

First codification was the English Marine Insurance Act of 1906. This is the act upon which all subsequent acts are based, including the Canadian statutes. This was a codification of existing jurisprudence and practice. The English Act was probably received in Canada as Canadian law.

Governing Law/Legislation

Although the law of insurance is generally thought to come within Provincial jurisdiction under the heading "property and civil rights" in the Constitution Act, marine insurance is now understood to be a matter governed by Canadian Maritime Law

Federal Marine Insurance Act

Following the decision in Triglav v Terrasses Jewellers, the Federal Parliament enacted the Federal Marine Insurance Act, S.C. 1993, c.22. This act is modelled on the English Marine Insurance Act of 1906.

Provincial Insurance Acts

Prior to the enactment of the Federal Marine Insurance Act many of the provinces had their own acts governing marine insurance. The British Columbia statute is the Insurance (Marine) Act, RSBC 1996 c. 230. These provincial statutes are also modelled on the English Marine Insurance Act of 1906 and are therefore not substantially different from the Federal Act.

The various provinces also have insurance statutes of general application which purport to apply to marine insurance. The B.C. statute is the Insurance Act, RSBC 1996, c.226. Part 2 of this Act contains various provisions of general application. Subject to certain specified exceptions specified in section 3(b), these provisions purport to apply to contracts of marine insurance. The B.C. Insurance Act purports to regulate such things as:

- contents of a policy
- appraisals
- relief against forfeiture
- waiver
- misrepresentation
- payment of premiums
- time for payment of claims
- limitation periods, and
- third party claims against insurers

ORDON Vs GRAIL

Although the various provincial acts have not been repealed and remain in force, the decision of the Supreme Court of Canada in Ordon v Grail casts serious doubt on whether they have any application to contracts of marine insurance. There may, however, be an exception for limitation periods.

NATURE AND SCOPE OF MARINE INSURANCE

The nature and scope of marine insurance is determined by reference to s. 6 of the Marine Insurance Act and by the definitions of "marine adventure" and "maritime perils".

It is a contract of indemnity but the extent of the indemnity is determined by the contract.

It relates to losses incidental to a marine adventure or to the building, repairing or launching of a ship.

A marine adventure is any situation where the insured property is exposed to maritime perils.

Maritime perils are perils consequent on or incidental to navigation.

"MARINE ADVENTURE"

- "marine adventure" means any situation where insurable property is exposed to maritime perils, and includes any situation where
- the earning or acquisition of any freight, commission, profit or other pecuniary benefit, or the security for any advance, loan or disbursement, is endangered by the exposure of insurable property to maritime perils, and

- any liability to a third party may be incurred by the owner of, or other person interested in or responsible for, insurable property, by reason of maritime perils;

“MARITIME PERILS”

"Maritime perils" means the perils consequent on or incidental to navigation, including perils of the seas, fire, war perils, acts of pirates or thieves, captures, seizures, restraints, detainments of princes and peoples, jettisons, barratry and all other perils of a like kind and, in respect of a marine policy, any peril designated by the policy;

TYPES OF MARINE INSURANCE

Hull and Machinery

Cargo

P&I Cover

Other Third Party Liability Coverage

- Towers Legal Liability
- Ship Builders and Repairers Legal Liability
- Terminal Operators Legal Liability
- Marinas and Dock Owners Legal Liability

SPECIFIED PERILS V ALL RISKS

- It is important to distinguish between marine policies that are specified perils v all risks.
- A specified perils policy is one in which the insurer agrees to indemnify the assured for losses caused by specific perils that are identified in the policy. The Canadian Hulls (Pacific) Clauses are examples of a specified perils policy. A loss must be caused by one of the specified perils in order for it to be covered by the policy. Most hull and machinery policies on commercial vessels are insured on a specified or named perils basis.
- An all risks policy, on the other hand, provides much broader coverage. An all risks policy is one in which the insurer agrees to indemnify the assured "against all risks of loss or damage". Things that are not covered by an all risks policy need to be specifically excluded. Most cargo policies and many policies on yachts and pleasure craft are all risks policies.

3 PARTIES

Assured

The assured, also called the insured, is the person who has taken out the policy and is obliged to pay the premium.

Additional Assureds

Policies of marine insurance frequently either name additional assureds or contain a clause that extends the insurance to additional assureds by description.

Underwriters

Underwriters are the entities that agree to indemnify the assured upon the happening of an insured loss. They are also called insurers. Underwriters can be individuals or corporations. Underwriters at Lloyds are represented by various syndicates who negotiate and sign policies on behalf of the “names” they represent.

It is not unusual for a policy of marine insurance to have more than one underwriter. In fact, it is usual for there to be more than one. The policy will name the underwriters and specify the extent of each underwriters interest. The first underwriter named on the policy is the “lead” underwriter. This is the underwriter that will make most decisions that are required to be made in the event of a loss.

Underwriting Agents

Underwriting agents are entities that have the authority to enter into or sign insurance policies on behalf of the underwriters. They sign as agent on behalf of the underwriters and, because they are agents only, they are not personally liable to the assured under the insurance contract. An underwriting agent may represent more than one underwriter and may sign on behalf of more than one underwriter.

P&I Clubs

P&I Clubs are similar to a mutual insurance company that offers third party liability coverage to shipowners. The members of a P&I Club are shipowners. In a sense, the shipowners are both insurers and assureds. P&I Clubs do not normally issue policies of insurance. Rather, the terms of the coverage they provide are usually set out in the club's Rules.

Insurance Companies

The traditional insurance companies also operate in the marine insurance field as underwriters.

They may or may not use an underwriting agent.

Brokers

Brokers play an important role in marine insurance. They are the agents of the assured. The broker will meet with the assured to determine its insurance requirements. The broker will then canvass the market to find underwriters willing to insure the assured and will negotiate terms with those underwriters. The broker may also become involved in the event of a loss by presenting the loss to underwriters and negotiating on behalf of the assured.

THE MARINE INSURANCE CONTRACT

Although the MIA regulates certain aspects of a marine insurance contract it generally preserves freedom of contract. Therefore, the parties are, for the most part, free to determine the nature and extent of their obligations and responsibilities. The terms of the contract are usually contained in the policy of insurance. There may, however, be a slip or cover note which also evidences the terms of the insurance contract.

When reviewing the provisions of the MIA it is extremely important to note that many sections are prefaced with "Unless the policy otherwise provides...". This phrase preserves the parties rights to chose their own contractual terms and it is therefore always important to review the policy terms to see if they differ from the provisions of the MIA.

TIME AND VOYAGE POLICIES

A marine policy may be a voyage or time policy. If it uses the words "at and from" or "from" a particular place to another place it is a voyage policy. If it insures the subject matter for a period of time it is a time policy.

A voyage policy comes to an end at the conclusion of the voyage. A time policy comes to an end upon the expiry of the time specified.

SPECIAL RULES FOR VOYAGE POLICIES

For a voyage policy there is an implied term that the marine adventure will commence within a reasonable time and if it is not, the insurer may avoid the contract unless the insurer waived the right to avoid or was aware of the circumstances causing the delay. (s.40 MIA)

A voyage policy will not attach if the ship sails from or to places different from those specified. (s. 41 MIA)

Where after the commencement of the risk the destination of the ship is voluntarily changed the insurer is discharged from all liability for any loss occurring on or after the time the intention to change is manifested, unless the policy provides otherwise. (s.42 MIA)

A deviation without lawful excuse from the agreed course or customary course discharges the insurer from liability for any loss occurring on or after the deviation. Failure to call at the ports of discharge in the order specified or in their geographical order will be a deviation. (s. 43 MIA)

A voyage policy must be carried out with reasonable dispatch and the insurer is discharged from all liability for any loss occurring on or after the time when the delay becomes unreasonable. (s.44 MIA)

Pursuant to s.45 MIA a deviation or delay is justified if it is

(a) authorised by any special term in the marine policy;

(b) caused by circumstances beyond the control of the master and the master's employer;

(c) reasonably necessary in order to comply with an express warranty or an implied warranty;

(d) reasonably necessary for the safety of the ship or subject-matter insured;

(e) for the purpose of saving human life or aiding a ship in distress where human lifemay be in danger;

(f) reasonably necessary for the purpose of obtaining medical aid for any person on board the ship; or

(g) caused by the barratrous conduct of the master or crew, if barratry is one of the perils insured against.

Where transhipment at an intermediate port or place is necessitated by a peril insured against the insurer continues to be liable under the voyage policy for a loss occurring on or after the date of transhipment.

VALUED AND UNVALUED POLICIES

A marine policy may be a valued or unvalued policy. If it specifies the agreed value of the subject matter it is a valued policy. If it does not specify the agreed valued but instead provides a limit of the sum insured it is an unvalued policy.

In the event of a total loss under a valued policy, the amount of the indemnity is the agreed value.

In the event of a total loss under an unvalued policy, the amount of the indemnity is calculated pursuant to s. 19 MIA. In the case of a ship, the indemnity is the value of the ship at the time of the commencement of the risk plus the insurance charge. In the case of cargo, the indemnity is the prime cost of the goods, plus the shipping and insurance expenses.

FLOATING POLICIES

A marine policy may be a floating policy. A floating policy is one which leaves the name of the ship or other particulars to be provided at a later time by declaration or endorsement. Floating policies are frequently used by shippers who routinely ship cargo. Floating policies avoid a shipper having to negotiate a new policy for every shipment. Using a floating policy the essential terms of the insurance contract are agreed in advance. Thereafter, all of the shippers goods will be covered by that policy provided the shipper declares the goods as required by the contract. The shipper must declare all of the goods that are covered by the policy and their value. A failure to properly declare will jeopardise the insurance coverage although an omission or error made in good faith may be rectified even after a loss or the arrival of the goods. If a declaration of value is not made until after a loss or arrival of the goods, the indemnity is calculated as though the policy was an unvalued policy.

CONSTRUCTION OF THE CONTRACT

The general rules of interpretation of contracts apply to insurance policies.

Intention of the Parties

The first rule of interpretation of contracts is that the court will consider the contract as a whole to search for an interpretation that is consistent with and promotes the intention of the parties to the contract. (Consolidated Bathurst v Mutual Boiler & Machinery, [1980] 1 S.C.R. 888) The application of this general rule is not, however, always straight forward.

Narrow Construction of Exceptions

Generally, courts tend to broadly interpret coverage clauses and narrowly interpret exclusions. (Reid Crowther v Simcoe & Erie General Insurance (1993)13 C.C.L.I. (2d) 16)

Contra Proferentem

If there is any ambiguity in the policy, such ambiguity is almost always resolved in favour of an interpretation that benefits the insured. This is an application of the doctrine known as contra proferentem, which means the words of a contract should be interpreted against the interests of the person who drafted it.

A review of the cases interpreting marine insurance policies will uncover many cases where the courts seem to have used the doctrine of contra proferentem as a tool to avoid the plain meaning of the policy and the intention of the parties as disclosed by the words used. Further, such a review might lead one to believe that the doctrine of contra proferentem is the first rule of interpretation of insurance contracts. This is, however, not the case. Consolidated Bathurst makes it very clear that the doctrine of contra proferentem is but one tool to determine the true intent of the parties. The approach set out in Consolidated Bathurst was recently restated by the Supreme Court of Canada in Bristle v Westbury Life Insurance Co., (1992) 13 C.C.L.I. (2d) 1. In that case the Supreme Court noted that where two or more meanings are possible the court should select the meaning that promotes the intent of the parties. Further, the Supreme Court specifically said that courts should avoid an interpretation which will give either a windfall to the insurer or an unanticipated recovery to the insured.

Utmost Good Faith

A contract is based on the utmost good faith and, if the utmost good faith is not observed by either party, the contract may be avoided by the other party.

PERILS

As we have seen, s. 26 MIA requires that the policy specify the perils insured against. Further, the definition of maritime perils in s. 2 (1) lists the traditional perils covered by a marine insurance policy. These are the minimum perils one will usually find in a marine insurance policy. Many policies extend coverage to include additional perils. Each policy must be carefully reviewed to determine which perils are covered and which are excluded.

Section 53(1) MIA provides that an insurer is liable for a loss proximately caused by an insured peril even if misconduct or negligence of the crew is also an operative cause.

Subject to this Act and unless a marine policy otherwise provides, an insurer is liable only for a loss that is proximately caused by a peril insured against, including a loss that would not have occurred but for the misconduct or negligence of the master or crew.

INSURED PERILS

Perils of the Sea

Perils of the sea is included in the definition of "maritime perils" and is further defined in s.2(d) of the Schedule to the MIA as meaning "fortuitous accidents or casualties of the seas, but does not include ordinary action of the wind and waves".

It is not necessary that the loss be caused by extraordinary violence of the winds or waves in order for it to be a peril of the sea. It is, however, necessary that there be an accident or casualty that could not have been foreseen as one of the necessary incidents of the adventure. (Wilson Sons & Co. v Xanthos, (1887) 12 App. Cas. 503)

Although foreseeability is a key element of a peril of the sea, foreseeable heavy weather will not always operate to exclude a peril of the sea (as it does with peril of the sea defence in a carriage of goods case). A loss caused by the accidental incursion of sea water into a vessel in foreseeable heavy weather will prima facie be a peril of the sea. It is the fortuitous entry of sea
water that is the peril of the sea. (Canada Rice Mills v Union Marine, [1941] A.C. 55)

The leading Canadian cases on what constitutes a peril of the sea are Century Insurance Company of Canada v Case Existological Laboratories Ltd. (The "BAMCELL II"), [1983] 2 S.C.R. 47, and C.C.R. Fishing v British Reserve Insurance Co., [1990] 1 S.C.R. 814. In both cases the insured vessels sinking due to the entry of sea water. In the first case the vessel sank because an employee had negligently left a valve opened. In the second case the vessel sank because a valve was left open and water entered through two corroded screws. In both cases the Supreme Court held that the unintentional entry of sea water into a ship was a peril of the sea. It did not matter that the unintentional entry of sea water was due to negligence or some other cause.

In order for a peril to be “of the sea” it must be something unique to the sea. If it is a peril that could operate on land it is not a peril of the sea. (Century Insurance Company of Canada v Case Existological Laboratories Ltd. (The "BAMCELL II"), [1983] 2 S.C.R. 47)

Fire

Losses caused by fire are generally covered by marine policies. This includes fire losses caused by negligence of the crew (Bush v Royal Exchange (1818) 2 B & Ald. 73) and fire losses caused by arson provided the assured was not privy to the arson (Slattery v Mance, (1962) 1 Q.B. 676).

Damage caused by measures taken to suppress a fire will also be covered, however, if there is damage caused to avoid a fire there will not be coverage. (Watson & Sons v Firemen's Fund, [1922] K.B. 355)

Pirates and Thieves

The coverage afforded to losses caused by pirates and thieves must be considered with reference to the definitions set out in the Schedule to the MIA. The term pirates is defined as including "passengers on the insured ship who mutiny and persons who attack the ship from land". The term thieves is defined as not including "persons who commit a clandestine theft or passengers, officers or members of the crew of the insured ship who commit a theft".

Captures, Seizures and Restraints

The coverage afforded to losses caused by captures, seizures, restraints of Princes etc. must also be considered with reference to the definitions set out in the Schedule to the MIA. Arrests etc. of kings, princes, and people is defined as including "political or executive acts, but does not include riot or ordinary judicial process".

Barratry

Barratry is defined in the Schedule to the MIA as including "every wrongful act wilfully committed by the master or crew of the insured ship to the prejudice of the owner or charterer of the ship".

Excluded Perils

Section 53(2) enumerates the perils that are expressly excluded by the MIA.Without limiting the generality of subsection (1), an insurer is not liable for any loss attributable to the wilful misconduct of the insured nor, unless the marine policy otherwise provides, for

(a) in the case of insurance on a ship or goods, any loss proximately caused by delay, including a delay caused by a peril insured against;

(b) ordinary wear and tear, ordinary leakage or breakage or inherent vice or nature of the subject-matter insured;

(c) any loss proximately caused by vermin; or

(d) any loss or damage to machinery not proximately caused by maritime perils.

It should be noted and remembered that these exclusions only apply "unless the marine policy otherwise provides". Many policies do provide coverage for some or all of these exceptions.

Wilful Misconduct

The wilful misconduct exception must be read together with s. 53(1) of the MIA. Pursuant to s. 53(1), if a loss is caused by a covered peril it does not matter if there was also misconduct or negligence. In order for the loss to be excluded the misconduct must be "wilful". Such conduct goes far beyond negligence or even gross negligence. It requires an element of intention. (McCulloch v Murray, [1942] S.C.R. 141)

Delay

Losses caused by delay are excluded from coverage even if the delay is caused by a peril that is insured against.

Wear and Tear etc.

Losses caused by ordinary wear and tear, ordinary leakage or breakage or inherent vice are not covered. Such losses are not fortuities. They are to be expected in the ordinary course of things and for this reason are not properly the subject of insurance, the purpose of which is to provide protection in the case of fortuities. (Patterson v Harris, (1868) 18 UCCP 305)

All Risks Policies

Policies that provide "all risks" coverage must be distinguished from those that provide named perils coverage. "All Risks" policies of insurance provide coverage against all risk of damage or loss but also provide exclusions. The exclusions must be carefully reviewed. To the extent that any loss comes within the exclusions it will not be covered.

Moreover, even if a loss does not come within an exclusion it may still not be covered under an "All Risks" policy. The leading case on the meaning of "all risks" is British and Foreign Marine Insurance Company Limited v Gaunt, [1921] A.C. 41. In this case the House of Lords held that the words "all risks" do not cover all damage however caused and specifically held that the words would not cover damage caused by wear and tear, inevitable deterioration or inherent vice. The court further held that "All Risks" policies cover only damage caused by an accident or due to some fortuitous circumstance or casualty. The various judgements of the law lords are captured by the following quotation from Lord Sumner at p.57:

> "There are, of course, limits to "all risks". They are risks and risks insured against. Accordingly the expression does not cover inherent vice or mere wear and tear or British capture. It covers a risk, not a certainty; it is something, which happens to the subject- matter from

without, not the natural behaviour of that subject- matter, being what it is, in the circumstances under which it is carried. Nor is it a loss which the assured brings about by his own act, for then he has not merely exposed the goods to the chance of injury, he has injured them himself."

Therefore, in order for there to be coverage under an "All Risks" policy the loss must have been caused by a fortuity i.e. an accident or casualty. A loss caused by wear and tear, deterioration or inherent vice of the subject matter insured is not covered.

WHAT IS A WARRANTY

A warranty is defined in s.32 MIA as follows:

(a) undertakes that some particular thing will or will not be done or that some condition will be fulfilled; or

(b) affirms or negates the existence of particular facts.

A warranty may be an express warranty or an implied warranty.

IMPLIED WARRANTIES

There are three warranties implied by the MIA. They are the warranty of legality, neutrality and seaworthiness. There is an implied warranty in every marine policy that the marine adventure insured is lawful and, in so far as the insured has control, will be carried out in a lawful manner.

The warranty of legality is one which is often expressly included in policies as well as implied. Where there is an express warranty of legality it will have precedence over the implied warranty to the extent the two are inconsistent.

In Harbour Inn Seafoods v Switzerland (1991) 6 ANZ Ins. 61-048, it was held that a breach of the collision regulations was a breach of the implied warranty of legality.

In James Yachts Ltd. v Thames and Mersey Marine Insurance Co. [1976] I.L.R. 1-751, it was held that a breach of Municipal by-laws was a breach of the implied warranty of legality that discharged the insurer from liability.

Express Warranties

An express warranty may be in any form of words from which the intention to warrant may be inferred.

An express warranty must be included in, or written on, the marine policy or be contained in a document incorporated by reference into the policy. An express warranty does not exclude an implied warranty, unless they are inconsistent.

Examples of Express Warranties

The number and type of express warranties are limited only by the imagination and ingenuity of underwriters. Almost anything can be made to be an express warranty provided the proper words are used. Notwithstanding this total freedom to make almost anything a warranty most policies contain relatively few. The more common express warranties are:

Navigation and trading warranties that limit the geographical areas in which a vessel may operate;

Laid up and out of commission warranties that require a vessel to be laid up for a defined period or generally;

Identity of the master warranties that require a named person to command the vessel;

Towing warranties that prohibit the insured vessel from being towed except where customary or when the vessel is in need of assistance;

Private pleasure use warranties that prohibit any commercial use of a yacht; and

Warranties regarding surveys and inspections that require inspections to be conducted or recommendations by surveyors to be complied with.

PROXIMATE CAUSE

The proximate cause in marine insurance is the “dominant cause” of the loss. ... The general principle in English Law is that the insurer will only be liable for any loss, which is proximately caused by a peril insured against. (Marine Insurance Act, 1906, section 55).

SUBROGATION

Subrogation is a term denoting a legal right reserved by most **insurance** carriers. **Subrogation** is the right for an insurer to legally pursue a third party that caused an **insurance** loss to the insured. This is done as a means of recovering the amount of the claim paid by the **insurance** carrier to the insured for the loss. The principle holding that two or more insurers each liable for a covered loss should participate in the payment of that loss. Having paid its share of a loss, an insurer may be entitled to equitable **contribution**—a legal right to recover part of the payment from another insurer whose policy was also applicable.

Contribution Principle Rules

Before the contribution principle kicks in for insurance companies, a double insurance situation has to meet certain requirements. The policies must all cover the same property and the same event, and all the policies must be in effect and enforceable. If all of these conditions have been met and a covered event occurs, damaging the covered property, the contribution principle will go into effect for the involved companies.

Filing the Claim

The insured party files a claim with only one company in the case of a covered damaging event. That insurance company pays out the money to the insured person. Afterward, under the contribution principle, the company is entitled to collect money from the other involved insurance companies according to how much coverage the policyholder has bought from each one. The contribution principle only affects the relationship between insurance companies, and does not concern the policyholder.

Disclosure Of Material Facts

According to section 18 and 19 of the Marine Insurance Act 1906, it shall be the duty to disclose every material fact before the contract is concluded. It means that before entering into a contract it shall be the duty of the assured to disclose every matter that he knows or reasonably expected to know, facts, includes reports, information and opinions from credible sources which are relevant to the contract. The contract does not require disclosure of matters

1. that diminish the risk
2. that is of common knowledge
3. certain other details which indicate that are not required
4. Any matter which is not required either by implied or express warranty.

These disclosures of circumstances play a very important role in fixing upon the premium of the contract or determining whether the risk will be taken or not. In earlier cases the assured should disclose to his hull underwriter reports that his ship may be damaged, if these sort of reports are not disclosed then there can be a breach of duty to be found and contract can be avoided, this principle was modified in the Grecia Express Case and made an impact that if the assured proved that the allegations were unfounded and he had not been dishonest towards the contract, then the insurer cannot avoid the contract on the ground of breach of the duty of good faith on the part of the insurer.

However, it is essential for us to know what are the material circumstance which has to be disclosed to the insurer. It is the duty of the assured to disclose facts to the insurer but not everything. The disclosure made by the assured should contain the risk factor which shall allow the insurer to enable him to make his underwriting judgement. It is necessary for the agent or the broker to disclose every material circumstance known to him. According to Marine Insurance Act of 1906 ‘ every material circumstance which the assured is bound to disclose, unless it comes to the assureds knowledge too late to communicate it to the agent.' It shall be the responsibility of the broker to pass on every material circumstance within the assured's knowledge. The other two important aspects of section 19 of the Marine Insurance Act of 1906 is that he needs to keep the material facts confidential which are obtained from the insurer while acting for another and the second important aspect is that this section does not have impact on the intermediate brokers in a chain but only to a placing broker. The remedy which is available for the breach of duty of disclosure is avoidance of the contract.

Representation

The term representation under the Marine Insurance Act of 1906 carries out principles of uberriame fidei as laid own under section 17.Representations are statements made by the assured or his agent, during the negotiations of the contract, and before the contract is concluded. Representations are nothing but answers to questions put to the assured by his insurer. It shall be the duty of the assured to answer truthfully regardless of the materiality of the question to the risk. If the answer given by the assured turn out to be false with the intention of deceiving the insurer, though it may not be a material fact, and this act by the assured would lead him to a breach of duty of utmost good faith, the effect of which would render the contract voidable at the option of insurer under section 17.

Representations can be made orally or in writing and representation made by the assured to the insurer may be withdrawn or corrected before the contract is concluded. The duty of representation is applied to both the assured and their broker; if anyone of them fails to represent truthfully to deceive another then the remedy shall be recession of the contract. The representation which are made are the material facts which is nothing but the every material circumstances which is known to the assured, and the assured is deemed to know every circumstance which in the ordinary course of business, ought to be known by him. If the assured fails to make such disclosure the insurer may avoid the contract.

The other important feature of representation is that section 20(3) of the Marine Insurance Act tells us that ‘representations may be either a representation as to a matter of fact, or as to a matter of expectation or belief'. It means that if a representation of expectation or belief is true if it is made in good faith, here belief may imply a statement of facts.

There is a difference between representation and warranty. A representation only needs to be substantially correct but a warranty has to be inserted in the policy and must be strict and literally complied. The case Pawson V Watson distinguishes between warranty and representations. In this case a vessel was captured after sailing on a voyage where it was represented that the ship carried 12 guns and 20 men but in fact the ship carried only 9 guns, 6 swivels, 16 men and 9 boys. The court ruled out that the insurers were liable, because the condition in the policy only amounted to a representation and not a warranty.

Types Of Representation

According to Templeman there are three types of representations: a representation as simply of a fact; and not a representation of expectation and belief. Section 20(3) gives the impression that there are two types of representations and they are namely, as to a matter of fact and as to a matter of expectation or belief.

1. a matter of fact

A matter of fact is nothing but disclosure of material circumstances made by the assured to the insurer and it works on the principle of utmost good faith. The disclosure made should be true and before the contract is concluded.

2. a matter of expectation or belief

The term belief or expectation here means any statement of facts made which has reasonable grounds for belief. These statements which are made of a matter of expectation or belief are to be done under good faith.

Avoidance

According to the Marine Insurance Act 1906 it is not possible to claim damages for the breaches of the duty of good faith. The only remedy available for the breach of duty of good faith is avoidance of the policy. Avoidance under section 17 means ‘avoidance by ab intio'. No other remedy can be claimed such as right to damages. For any breach of the duty of utmost good faith, non-disclosure and misrepresentation avoidance shall be the only remedy available.

Avoidance of a contract can be done from the time of a breach of duty is to be found in the contract. Rescission is not compulsory, only if the party discovers that there is a breach of duty of good faith, then the party may choose to avoid the policy or not, the party is under no obligation to avoid the policy and it depends on his decision, it is also not necessary that avoidance of a policy should be exercised for serious breaches of duty and the court shall not have the power to intervene the party to do so.

In Banque Financiere case there was an attempt made by the party to introduce damages for the breach of the duty of utmost good faith on the part of the insurers, but was not successful. The Pine Top case tells us that an insurer does not have an unfettered or invariable right to avoid the contract. The two important points from this case was he has to prove the materiality of the undisclosed information and that he was induced to enter into the contract on the relevant terms. To add other features of avoidance is that once a policy is avoided there cannot be any claims on the policy or any extension of policy. If there are any claims under the policy before avoidance has to be paid back, and any premium paid by the assured under the policy has to be returned to him by the insurer.

Pre Contractual Duties

The sentence of diction 17 of the Marine Insurance Act does not limit the duty of good faith only to pre contractual situations and it is possible to interpret it as a continuing duty of disclosure of duration of an insurance contract. The exact meaning of pre contractual utmost good faith was settled in the case Pan Atlantic Insurance Plc V Pine Top Insurance, here the majority of House of Lords held that it should be the broad, insurer friendly test of what a prudent insurer would wish to know when assessing the risk or deciding the premium rather than the narrower assured friendly test that demands the prudent insurer would have charged a high premium or would have decline the risk the court then introduced another requirement into the utmost good faith and the majority was influenced by the need to temper the harshness of the broad test for the issue of materiality. The additional requirement was that the misrepresented or non disclosed fact must have induced the actual insurer to enter into the contract. This was affected by reasoning that the inducement requirement for misrepresentation in general contract law must also be held to apply to misrepresentations in non disclosure and insurance law. The case Carter V Boehm to played an important role in the pre contractual duties of good faith. Here the case was whether the Fort Marlborough in Sumatra would be captured by an enemy within the year of insurance cover. The Fort was taken by the French, and the Governor of the Fort claimed under the policy. The underwriter put forward the defence that the weakness of the fort and probability of being attacked were not disclosed. The judgement was ruled out in favour of the assured that he was under no obligation to disclose the matter which the underwriter could have investigated themselves. We can see from this that there was no obligation on an assured to disclose, to the underwriter facts material to the risk that came to the assured's knowledge after the contract was made. But in Banque Financiere case Steyn J made a comment that there shall be reciprocal duties rest on both the parties to an insurance contract not only to abstain from bad faith, but to observe in a positive sense the utmost good faith by disclosing all material circumstances. This statement tells us that both the parties in the contract shall have the equal liability to perform the contract in utmost good faith.

In Container transport International Inc and Reliance Group Inc V Mutual Underwriting Association Ltd , in this case CTI was a container leasing company which took insurance for their containers from Crum and Forester, the insurance company was unhappy with the policy and declined to renew the policy after the expiry. Then CTI approached CE health and Co to obtain 100% cover, even they refused to renew it. Later on the insurance was placed with Oceanus, this company refused to pay and sought to avoid the policy when CTI put forward their claims for their losses. The Court of Appeal held that the underwriter was entitled to avoid the policy because there was both non disclosure and misrepresentation to be found. From this we can see that it was necessary to disclose previous claims history. The view of presumption of inducement was followed in St Paul Fire and Marine Insurance Co (UK) Ltd V McDonnell Dowell Constructors Ltd; it was held that it would be sufficient if the non disclosed fact was an inducement and not necessarily the particular inducement. This creates difficulty for the assured while provides more flexibility for the insurer in defence.

This situation was further classified in Marc Rich and Co V Portman. In this case Longmore J held that presumption can only operate where the actual underwriter cannot, for good reason, give evidence and there is no reason to suppose that he acted other than prudently. Longmore J further explained that "where he is called and the court cannot make up its mind, the defence of non disclosure should fail because he will not have been able to show that he had been induced. At the end of the day it is for the insurer to prove that the non disclosure did induce the writing of the risk". The Court of Appeal upheld the decision and the inducement requirement were introduced to remove the advantage given to the insurer by the very broad definition of materiality.

In the case Drake Insurance Plc V Provident Insurance Plc, the Court of Appeal stated that the inducement must be proved by the insurer. Further in this case the court recognised the dilemma whether the allegations would have been of interest to a prudent insurer and was therefore material and held further that avoidance did not depend upon the correctness of the allegation. The Court of Appeal confirmed that any party seeking to rely on a material representation or non disclosure must prove that they were induced into a contract.

UNDERINSURANCE

Underinsurance is the state of an individual having some form of health insurance that does not offer complete financial protection. This results in the underinsured individual to therefore lack the ability to cover out-of-pocket healthcare expenses.

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Uninsured motorist coverage protects you if you're in an accident with an at-fault driver who doesn't carry liability insurance. Underinsured motorist coverage, on the other hand, steps in when you're in an accident with an at-fault driver whose liability limits are too low to cover the damage or medical expenses.

Possible questions
Part A(20*1=20 Marks)Online Exam

Part B (5*8= 40 Marks)

1. Explain the essential elements of Marine Insurance.
2. What is deviation in a Marine Insurance? How does it differ from a change of voyage?
3. Discuss the implied warranties in a contract of marine insurance.
4. Write short notes on
   (i) Marine Insurance
   (ii) Assignment of Marine Insurance policy.
   (iii) Insurable Interest.
5. Explain the various kinds of Marine Insurance Policy.
6. Write short notes on
   (i) Deviation Clause
   (ii) Reinsurance Clause
   (iii) All Risk Clause
   (iv) Running Down Clause
7. What are the important clauses of Maine Insurance policy?
8. State the kinds of marine losses.
9. Discuss the subject matter of Marine Insurance.

Question	**A**	**B**	**C**	**D**	**Answer**
The insurer agrees to compensate the insured in consideration of a sum of money is called	premium	policy	subject matter	loss	premium
The things or property insured is called	subject matter	insurable interest	policy	premium	subject matter
The document which lays down the terms of the contract of insurance is called	subject matter	policy	premium	insurable interest	policy
The interest which the insured has in the subject matter of insurance is called	premium	insurable interst	ownership	liability	insurable interest
A contract of insurance is ____________ agreement	contingent	constant	special	limited	contingent

__________ is a valid contract between the insured and the insurer is called	policy	insurance	waranties	conditional	insurance
Motor insurance provides insurance cover to	private vehicles	commercial vehicles	motor cycles	all of these	all of these
Employee's state Insurance Corporation was established in	1968	1988	1958	1948	1988
Burglary insurance policy covers the risk	theft	voyage	perils	any of these	theft
_______ refers to the right of an insurer to refuse admittance of the claim by the insured	replication	repudiation	dufalication	retention	repudiation
Insurance providing financial support to farmers in the event of a crop failure due to drought or flood is called as___	cattle	crop	burglary	fir	crop
Property insurance may not include	burglary	fidelity	insolvency	sickness	sickness

Rashtriya Krishi Bima Yojana is known as	crop insurance	hull insurance	property insurance	sickness insurance	crop insurance
Crop insurance scehme came into existence in India in	1998	1999	1997	2000	1999
Crop insurance covers the risk of	Natural fire	storm	drought	all of these	all of these
Which of the following is not a horticulture crop?	grape	litrus	banana	coffee	coffee
Public liability insurance Act establishted in	1990	1991	1992	1993	1991
From the following, which is not a type of Public Liability Risk Insurance?	industrial risk insurance	industrial all risk insurance	non-industrial risk insurance	business premises insurance	business premises insurance
Provides evidence of insurance to the Police and Registration Authoritires under Motor Vehicle Act	endorsement	policy form	certificate of insurance	cover note	certificate of insurance
Medical expenses insurance is also known as	personal insurance	liability insurance	mediclaim	fidelity	mediclaim
The risk of individuals and families are covered under	personal insurance	property insurance	liability insurance	risk insurance	personal insurance

In _____, the individual risk is offered by an insurer for acceptance or rejection by re-insurer	treaty reinsurance	facultative reinsurance	pool reinsurance	stock reinsurance	facultative reinsurance
Health insurance can be availed by people aged between	10 and 100	7 and 75	5 and 75	10 and 70	5 and 75
A health insurance should be	continuous	risk free	simple	free from regulation	continuous
_______ enables to recoup the losses suffered by people consequent on house breaking	burglary	fire	perils	risk insurance	burglary
The corpus fund created with the contributions from the Central and state governments is on the basis of	60:40:00	55:45:00	50:50:00	25:75	50:50:00
_______ are extra benefits under the policy	riders	loans	death benefits	claim benefits	riders
An exceptionally large risk is known as	great risk	jumbo risk	giant risk	large risk	jumbo risk

_______ is a form of health insurance against loss by accidental bodily injury	property	marine	personal	accident	accident
Higher the percentage of _______in GDP, lower the insurance penetration	agriculture	reinsurance	banking	business	agriculture
__________ insurance is the one where the loss is not due to physical damage but due to disonesty of the employees	liability	pecuniary	motor	personal	pecuniary
Which one of the following is not an additional benefit in personal accident plan without additional premium	education of children	funeral expenses	cumulative bonus	life running expenses of legal heirs	life running expenses of legal heirs
Janath personal accident plan is meant for	low income group	high income group	middle incomr group	to any person	low income group
Group personal insurance covers	homogeneous group	hetrogeneous group	assorted group	any group	homogeneous group

In case of burglary insurance, the insurershould declare the probable highest amount as it contains	average clause	condition clause	additional clause	without condition claues	average clause
Baggage insurance policy does not cover	wearing clothes	personal effect	jewellary & camera	all these	jewellary & camera
In money in transit ploicy, cover is granted only to	commercial & industrial houses	individuals	co-operatives	partnership firms	commercial & industrial houses
The loss indemnified under livestock insurance is to	loss due to accident/natural death	intentional loss	livestock of more than 8 years	any loss	loss due to accident/natural death
Public liability insurance covers the loss of	death of third party	property of third party	negligent act	all of these	all of these
Government guarantee policy is meant for guaranteeing	the fidelity of government employees	given by the government	premium paid by the government	policy provided by the government	the fidelity of the government employees
Court bond policy is meant to the person appointed by the court viz.,	liquidator	lawyer	pleader	judge	liquidator
In case of aircraft insurance, the following loss is not covered	standard component parts	mechanical failure	damage caused by fire	damage caused by explosion	mechanical failure

In india sickness, medical treatment, accident death cover are covered under	miscellaneous insurance	life insurance	separate insuance	general insurance	miscellaneous insurance
The product liability insurance covers legal liability arising out of	defective manufactures	loss of product	loss of sale of product	loss of manufacture	defective manufactures
The product liability insurance covers legal liability arising out of	defective manufactures	loss of product	loss of sale of product	loss of manufacture	defective manufactures
_______ are used as a valuable tool/ aid to rate making & underwriting	engineering services	market research	personnel management	legal advices	engineering services
_______ helps lower the cost of insurance as well as increase its availability	deductible decisions	objective decisions	selective decision	all the above	deductible decision
_______ is a memorandum specifying some of the details of the property or liability policy to be issued by the company	binder	subrogation	indemnity	endorsement	binder
_______ is a form of health insurance against loss by accidental bodily injury	property insurance	marine insurance	persoonal insurance	accidental insurance	accidental insurance

Unemployment can result from	business cycle downsizing	seasonal factors	imperfection in labour market	all the above	all the above
In group insurance the rate premium is comapratively	less	more	moderate	higher than the individual policy	less
Commercial guarantee are	simple contract	special contract	ordinary contract	noted contract	simple contract
Court bonds are	simple contract	special contract under seal	ordinary contract	noted contract	special contract under seal
Integrated Rural Development Programme is funded by	Central governemnt	State Government	local government	insurance companies	Central governmment
In marine insurance, insurable interest is enough at the time of	claim	loss	maturity	throughout the policy	loss
Maritime perils is also called as ______	perils of sea	moral hazard	wagering	ship perils	perils of sea
Marine insurance do not cover loss or damage to the	ship	cargo	maruine adventure	fidelity cover	fidelity cover
Marin insurance for one year is meant for	voyage	sea loss	ship	cargo	voyage
A marine insurance is a contract of	indemnity	increment	maturity	guarantee	indemnity

What type of insurance is concerned with overseas trade?	life insurance	non-life insurance	fire insurance	marine insurance	marine insurance