STET WOMEN'S COLLEGE , MANNARGUDI

PG & RESEARCH DEPARTMENT OF COMMERCE

INSURANCE MANAGEMENT-

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BY

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- INSURANCE MANAGEMENT

UNIT IV&V

- **Introduction**

"Uncertainty is inherent in human life". Every business is exposed to different types of risks such as fire, theft, accident etc. Some of the risks can be transferred to specialized institution known as Insurance Companies. Insurance substitute this uncertainty by providing financial compensation . Insurance is nothing but socialization of risks. Insurance companies indemnify the loss of the insured.

Insurance

Insurance is a contract between the insurer and the insured under which the insurer undertakes to compensate the insured for the loss arising from the risk insured against, in consideration the insured agrees to pay premium regularly. The person whose risk insured is called the insured or assured. The person who agrees to compensate the loss arising from the risk is called the insurer or assurer (or underwriter).

"Insurance is a plan by themselves which large number of people associate and transfer to the shoulders of all, risk that attacks to individuals"

- According to John Merge

Types of Insurance

Insurance covers different types of risks.

All contracts of insurance can be broadly classified as follows:

1. Life Insurance (or) Life Assurance
2. Non-life Insurance (or) General Insurance

It can be further classified into:

(i) Fire Insurance; (ii) Marine Insurance; (iii) Health Insurance and (iv) Miscellaneous Insurance.

- **Types of Life Insurance Policies**

Life insurance policies are of many kinds.

Some of them are given below:

i) Whole Life Policy

In this kind of policy, the sum insured is payable only on the death of the assured to the beneficiaries or heir of the deceased. The premium is payable for a fixed period (20 or 30 years) or for the whole life of the assured. If the premium is payable for a fixed period, the policy will continue till the death of the assured.

- **1. Life Insurance**
- Life Insurance may be defined as a contract
- in which the insurance company called
- insurer undertakes to insure the life of a
- person called assured in exchange of a sum
- of money called premium which may be
- paid in one lump sum or monthly, quarterly,
- half yearly or yearly and promises to pay a
- certain sum of money either on the death of
- the assured or on expiry of certain period.

- **Importance of Life Insurance**

a) Life insurance provides protection to the family at premature death of an individual.

b) It gives adequate amount at an old age when earning capacities are reduced.

c) Life insurance is not only a protection but is a sort of investment because a certain sum is returnable to the assured at the time of death or at the expiry of a certain period.

TYPES OF LIFE INSURANCE POLICIES

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II) ENDOWMENT LIFE ASSURANCE POLICY

Under this type of policy, the insurer undertakes to pay the assured a specified sum, on the attainment of a particular age or on his death, whichever is earlier. In case of death of the assured before he attains the specified age, the sum is payable to his legal heir or the nominee. Otherwise, the sum is paid to the assured, when he attains a particular age. Thus, the endowment policy matures after a limited number of years.

III) JOINT LIFE POLICY (JLP)

The policy is taken up jointly on the lives of two or more persons is known as Joint Life Policy. On the death of any one person, the assured sum or policy money is paid to the other survivor or survivors. The premium is paid jointly or by either of them in installments or lump sum.

Usually this policy is taken up by husband and wife jointly or by two partners in a partnership firm, where the amount is payable to the survivor on the death of either of the two.

IV) ANNUITY POLICY

Under this policy, the assured sum or policy money is payable in monthly or annual instalments after the assured Life Insurance attains a certain age. In this case, either the whole amount of the premium is paid once or premium is paid in instalments over a certain period. This policy is useful to those who prefer a regular income after a certain age.

V) CHILDREN'S ENDOWMENT POLICY

This policy is taken to provide funds for the education or marriage of children. For example, Jeevan Anurag Policy. In this policy, the amount is payable by the insurer when the children attain a particular age. The premium is paid by the person entering into the contract. However, no premium will be paid, if he/she dies before the maturity of the policy.

2. NON – LIFE INSURANCE

It refers as the insurance not related to human but related to properties.

(a) Fire Insurance

Fire insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by a fire during a specified period up to the amount specified in the policy.

A claim for loss by fire must satisfy the following two conditions:

(i) There must be actual loss; and

(ii) Fire must be accidental and nonintentional.

ESSENTIAL ELEMENTS OF FIRE INSURANCE CONTRACT

1. The insured must have insurable interest both at the time of insurance and at the time of loss.
2. The contract is based on the principle of utmost good faith.
3. It is based on the principle of strict indemnity.
4. Fire must be the proximate cause of damage or loss.

(B) MARINE INSURANCE

Marine insurance is a contract of insurance under which the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses. The insured pays the premium in consideration of the insurer's (underwriter's) guarantee to make good the losses arising from marine perils or perils of the sea. Marine perils can be collision of ship with the rock, fire, ship attacked by the enemies,etc.

ESSENTIAL ELEMENTS OF MARINE INSURANCE CONTRACT

1. It is based on the principle of indemnity
2. The contract is based on utmost good faith.
3. The insurable interest must exist at the time of loss.
4. The principle proximate cause will apply to marine loss only.

TYPES OF MARINE INSURANCE POLICIES

The three different types of marine insurance Policies are

1. **Hull or Ship Insurance:**

When a ship is insured against any type of danger, it is known as hull insurance. This policy is taken to indemnify the insured for losses caused by damage to ship.

2. **Cargo Insurance:**

When a marine insurance policy is taken by the cargo owner to be compensated for loss caused to his cargo during the Voyage, it is known as cargo insurance.

3. Freight Insurance:

When a marine insurance policy is taken to guard against non-recovery of freight, it is known as freight insurance.

A contract of marine insurance covers the ship, cargo and the freight.

(c) Health Insurance

In mid 80's, most of the hospitals in India were government owned and treatment was free of cost. With the advent of Private Medical Care, the need for Health Insurance was felt and various Insurance Companies introduced Health Insurance as a Product.

Health insurance policy is a contract between an insurer and an individual or group, in which the insurer agrees to provide specified health insurance at an agreed upon price (premium).Disability

resulting from illness or accident may be peril to family because it not only cuts off income but also creates large medical expenses.

Types of Health Insurance

There are mainly three types of Health Insurance covers:

1. **Individual Mediclaim**

It covers the hospitalization expenses for an individual up to the sum assured limit

2. **Family Floater Policy**

It covers the hospitalization expenses for entire family up to the sum assured limit.

3. Unit Linked Health Plans

This policy combines health insurance with investment and pays back an amount at the end of the insurance terms.

Health Insurance provides following types of coverage:

Medical expenses – It covers the expenses of hospitalization/nursing home bills and doctors' services.

Disability income – It replaces the income lost while the insured is unable to work.

Claims Settlement

There are two ways by which health

insurance claims are settled:

a. **Cashless:** The claim amount needs to be approved by the TPA and the hospital settles the amount with the TPA. (TPA or Third Party Administrator is a middleman between Insurer and the Customer)

b. **Reimbursement:** The insured avails himself or herself of the treatment and settles the hospital bills directly at the hospital.

- **d) Miscellaneous Insurance**
- **(i) Motor Vehicle Insurance**

This is also known as ‘Auto Insurance’. This policy comes under General Insurance. This insurance has become very popular and is gaining importance.

(ii) Burglary Insurance

This policy comes under the category of insurance of property. Any loss of damage

- **CASCO INSURANCE**

The motor Casco is a voluntary insurance. It covers the motor vehicle against various risks

such as fire, natural disaster, theft of the motor vehicle or the equipment installed therein,

a breakdown as a result of collision with another vehicle or object on the road etc. due to theft, larceny, burglary, housebreaking and acts of such nature are covered by this policy. Compensation of actual loss is done.

- (iii) Cattle Insurance

This is a bond in which a sum of money is secured to the insured in case of an event of death of animals like bulls, buffaloes, cows and heifers.

(iv) Crop Insurance

This policy is to provide financial support to farmers in case of a crop failure due to drought or flood. It generally covers all risks of loss or damages relating to production of rice, wheat, millets, oil seeds and pulses etc.

- **(v) Sports Insurance**

This policy is a comprehensive cover for amateur sports persons regarding their sporting equipment, personal effects, legal liability and personal accident risks.

Amartya Sen SikshaYojana

The General Insurance Company offers to secure the education of dependent children under this policy.

- **(vii) Rajeswari Mahila Kalyan Bima Yojana**

This policy envisages to provide relief to the family members of insured women in case of their death or disablement due to any kinds of accidents and/or death and / or disablement arising out of other factors incidental to women only.


THANK
YOU!