UNIT I:INTRODUCTION

1. Definition nature and history of Insurance.
2. Concept of Insurance, law of contract and law of tort, future of Insurance in Globalized economy.
3. History and development of Insurance in India.
4. Insurance Regulatory Authority (Role& function) IRDA.

LAW OF INSURANCE

An Introduction: Insurance may be described as a social device to reduce or eliminate risks or loss to life and property. It is a provision which a prudent man makes against inevitable contingencies, loss or misfortune.

Insurance provides financial protection against a loss arising out of happening of an uncertain event. A person can avail this protection by paying premium to an insurance company.

A pool is created through contributions made by persons seeking to protect themselves from common risk. Premium is collected by insurance companies which also act as trustee to the pool. Any loss to the insured in case of happening of an uncertain event is paid out of this pool.Insurance works on the basic principle of risk-sharing. ***A great advantage of insurance is that it spreads the risk of a few people over a large group of people exposed to risk of similar type.***

DEFINITION

Insurance is a contract between two parties whereby one party agrees to undertake the risk of another in exchange for consideration known as premium and promises to pay a fixed sum of money to the other party on happening of an uncertain event (death) or after the expiry of a certain period in case of life insurance or to indemnify the other party on happening of an uncertain event in case of general insurance.

The party bearing the risk is known as the 'insurer' or the 'assurer' and the party whose risk is covered is known as the '***insured***' or '***assured***'.

Risk **-** The concept is closely related to an uncertainty. Risk is defined as an uncertainty, related to the occurrence of a loss.

Important features of risk are-

- unpredictable,
- uncertainty about the future event,
- deviation from desired outcome &
- not favorable.

In a competitive economy, risk bearing is essential. Since every one of us is exposed to some or other risk, the best way is to accept the presence of risk and manage the affairs without being affected.

Features of Insurance:

1. Principle of indemnity.
2. Pooling of risk principle.
3. Principle of spreading the risk.

Advantages of insurance:

- Losses if occurred are compensated by insurer.
- Uncertainty is reduced and business can be transacted without having the fear of losing its infrastructure and capabilities.

- Insurance premium is business expenditure. It reduces your income as well as income tax liability.
- In the case of certain insurances, especially in the nature of life insurance, mediclaim insurance etc.,(income tax concessions are available.)
- You can also avail certain value added services from insurer like loss control advice, exposure analysis, etc.

Benefits of Insurance:

- It is one of the techniques of risk management process.
- It reduces the fear and anxiety in the mind of an individual and also a business unit.
- It is compensatory in nature. It restores the insured position.
- When property or person is brought the umbrella of insurance cover, it adds to the credit worthiness.

Classification of Insurance

There are two type of insurance namely life and non-life insurance. In life insurance, the protection is given for the life of a human being while in the case of General (non-life) insurance the protection is extended for assets and properties.

LIFE INSURANCE	GENERAL INSURANCE
This is not a contract of indemnity.	This is essentially an arrangement of indemnity
Because it is very difficult to ascertain the financial or monetary value of human life.	It is easy to ascertain the economic value of an asset.
Intention may be Risk cover and or savings.	Intention is only to cover the risk.
It is life time contract.	It is yearly contract, subject to renewal.
Death is certain, only timing is uncertain.	Event is totally uncertain.
Earning capacity of the insured is relevant.	Economic value of asset is relevant.
Premium is based on sum insured, age at the time of entry.	It is not relevant.
Premium is calculated with reference to mortality table.	Premium is calculated with reference to experience of past losses, probable risk factors and fixed tariff plans.

PRINCIPLES OF INSURANCE

General principles:

- ***Offer***-Insurance offer is made mostly in the shape of proposal form.
- ***Acceptance***-As per provisions of the Insurance Act, 1938, the acceptance is subject to payment of premium.
- ***Free consent***-Mere consent is not sufficient for an Insurance contract. It means that the person to whom offer was made has understood that, full and correct disclosure of all the material facts has been made to him and then he has taken a decision to accept the offer without being compelled by other person. Such consent is called as free consent. In absence of this free consent, the party to a contract may repudiate the same.

- ***Consideration***- consideration means "something in return", in simple words something must pass on from each party to another. In terms of Insurance contract, premium is paid by the insured to insurer. In return, insurer gives a promise to compensate the insured at the happening of some event. In fact in practice, the insurance protection starts only when the premium is paid. As per section 64 VB of the Insurance Act, prior payment of premium is mandatory for getting the insurance cover.

- ***Competency of the parties***- competency should not be confused with capability. Under Indian contract Act, a person is said to be competent to enter contract with other person if, he has attained the age of majority i.e., he is not minor, not of unsound mind and not disqualified from entering into contract due to any legal provision or law of the land.

- ***Lawful object***- The subject matter of the Insurance contract must be for a lawful purpose. The contract is said to be lawful unless:
  - It is forbidden by law,
  - Is fraudulent,
  - It is of such nature that if permitted, would defeat the provisions and intention of the law or court regards this as an immoral or is opposed to public policy.
    Eg: The goods which are smuggled or stolen cannot be insured.

- ***Other legal formalities***- The contract otherwise complete and valid in all other aspect must also comply with any other formalities. Eg - All policy documents must be duly stamped in accordance with the provisions of the Indian stamp Act.

Insurance is a contract-

"**A contract is an agreement which is enforceable by law**." So we can say that:

AGREEMENT+ ENFORCEABILITY= CONTRACT

Enforceability means, if one of the parties violates the terms and conditions, the other party has a right to take a legal action.Thus a contract essentially creates a set of mutual rights and obligations between the parties, if one of the parties fails to fulfill his obligation, under a contract, the contract is said to be breached. In such circumstance, the other party may knock the doors of court and ask for relief.

Insurance - Origin and its types:

Insurance in the modern form originated in the Mediterranean during 13/14th century. The earliest reference to insurance has been found in Babylonia, the Greeks and the Romans. The use of insurance appeared in the account of North Italina merchant banks who then dominated the international trade in Europe that time. Marine insurance is the oldest form of insurance followed by life insurance and fire insurance. The patterns that have been used in England followed in other countries also in these kinds of insurance.

INSURANCE REGULATORY AUTHORITY (IRDA) ROLE AND FUNCTIONS

Regulatory frame work:

Insurance has its own market. It comprises of Buyers (insured), sellers (Insurance companies), and intermediaries. This marked is a regulated market.The market economy needs to function within the boundaries framed by regulating authority as well as various laws which govern the insurance business.

Some of the laws which govern the Insurance sector are mentioned below:

INDIAN CONTRACT ACT, 1872

One must note that insurance is a contractual arrangement between insured and insurer it is a special type of contract. It must comply all the requirements that are essential to a valid contract. In addition, some specific essentials are also present and unique to the business, say insurable interest, subrogation indemnity etc.In short, it must comply those terms and conditions so as to make it a valid contract which is capable with of being enforced. Since insurance business is a matter of solicitation and is generally marketed by intermediaries, the legal principle of agency creation (as spelt out in Indian contract act) is also applicable in this business.

INCOME TAX ACT, 1961:

Section 10 of this act gives certain exemptions in respect of proceeds out of insurance claim received by the insured.Under ***Chapter VI-A*** of this Act, certain payments made (Like medi-claim insurance premium) are deducted from taxable income of the tax payer. This reduces his taxable income and also tax liability. ***Section 80*** gives the tax rebate in respect of certain premium paid for life insurance.

IRDA ACT:

The office of controller of Insurance was replaced and a new authority, called as IRDA i.e. Insurance Regulatory and development Authority came into existence. This act also put an end to the monopoly of Life Insurance Corporation of India over life insurance business and other nationalized insurance companies and opened the gates even to private sector players. Entry norms have been prescribed under this act. The powers, functions of this IRDA inter alia include all those powers necessary to promote and ensure an orderly growth of this business and reinsurance business. It is also intended to protect the interest of the policyholders in matters relating to nomination, assignment, insurable interest, settlement of claims, surrender value of the policy, condition relating to insurance contract, to supervise the functioning of tariff advisory committee, etc.

This act has made elaborate provisions with respect to:

- Entry and registration of insurance company.
- Licenses for intermediaries, agents etc.
- Investment of funds collected from policy holders.
- Capital adequacy stipulations - Minimum contribution from the promoter must be Rs 100 crores in the case of Life Insurance business and Rs 200 crores for General Insurance.
- Solvency Margin—The manner in which the assets and liabilities of insurance company are to be ascertained.
- Settlement of disputes—IRDA have been given powers to settle the disputes amongst the intermediaries and insurance companies.

- Rule and regulations with respect to the advertisement to be issued by Insurance Company (code for advertisement)
- Minimum business—As per this IRDA Act, every insurance company has to do a minimum rural or social business as prescribed by the authority.
- Deposit with RBI—The insurance company is required to deposit with RBI, certain percentage of its total gross premium in any financial year. In case of Life Insurance business this is 1% and it is 3% in the case of general Insurance.
- Regulations are also specified with reference to the appointment approval of surveyors and loss assessors.
- Maintenance of accounts, audit etc.

IRDA is the administrative agency for Indian insurance industry, and was formed by the GOI for the supervision and development of the Insurance sector in India. The IRDA was legally established by the IRDA Act which was enacted by the Indian parliament in 1999.
The mission of the IRDA is to protect the interest of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and matters connected therewith or incidental thereto.

The Authority is of a ten member team consisting of-

1. A chairman,
2. Five whole-time members and ,
3. Four part- time members.

Objectives of IRDA Act are as follows-

- To protect the investor's interest
- To promote orderly growth of insurance industry in the country, including registration of insurance companies
- To administer the provisions of insurance acts
- To devise control activities need for smooth functioning of the insurance companies including investment of funds and solvency requirements to be maintained by insurance companies
- To lay down the accounting methodology to be adopted
- To adjudicate on disputes.

DUTIES, POWERS AND FUNCTIONS OF THE IRDA [SECTION 14]

a) Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration,
b) Protection of the interest of the policyholders in matters concerning assigning of policy, nomination by policy holder, insurable interest, settlement of insurance claims, surrender value of policy and other terms and conditions of contract of insurance,
c) Specifying requisite qualifications, code of conduct and practical training of intermediary or insurance agents,
d) Specifying the code of conduct for surveyors and loss assessors,

e) Promoting efficiency in the conduct of insurance business, promoting and regulating professional organizations connected with the insurance and re-insurance business,
f) Levying fees and other charges for carrying out vthe purposes of this act,
g) Calling for information, inspecting, conducting enquiries, investigation and audit of the insurer, intermediaries, insurance agents and other organizations connected with the insurance business,
h) Controlling and regulating the rates, advantages and terms and conditions that may be offered by the insurers in respect of general insurance business which is not been done by the insurance Act, 1938,
i) Specifying the forms and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurance and insurance intermediaries,
j) Regulating investment of funds by insurance companies,
k) Adjudication of disputes between insurer and intermediaries etc ,
l) Supervising the functioning of the Tariff Advisory committee;
m) Specifying the percentage of life and non-life business to be done by the insurer in the rural or social sectors, and
n) Exercising such other powers as may be prescribed.

SOCIAL INSURANCE

Social insurance has been developed to provide economic security to weaker sections of the society who are unable to pay the premium for adequate insurance. The following types of insurance can be included in social insurance-

- ***Sickness Insurance:*** In this type of insurance medical benefits, medicines and reimbursement of pay during the sickness period, etc. are given to the insured person who fell sick. The subsidiary companies of General insurance corporation issue" Medi-claim" policies for this purpose.

- ***Death Insurance***: Economic assistance is provided to dependents of the assured in case of death during employment. The employer can transfer his liability by getting insurance policy against employees.

UNIT-II

CLASSIFICATION OF CONTRACT OF INSURANCE

Insurance can be classified into the following categories:-

- On the basis of nature of insurance:-
- Life insurance
- Fire insurance
- Marine insurance
- Social insurance, and (Sickness, Death, Disability, Old age insurance).
- Miscellaneous insurance (Vehicle, personal accident, Burglary, crop, cattle, medical, jewellery insurance etc).

Specific principles of Insurance

- Principle of utmost good faith: -- Insurance contract are based on mutual trust and confidence between the Insured and Insurer. The contracting parties must rely on each other's honesty. "UBERRIMAE FIDES" is the central theme on which Insurance contract are based.

  Basically Insurance contracts are different from commercial contracts in which tangible goods ate dealt under sale of Goods Act. In the case of Insurance contract, since the product is intangible, the required facts which relate to the proposer and which are very personal are known only to him. Both parties need to have utmost good faith in each other, which further implies full, true and correct disclosure of all material facts by both parties to the contract of Insurance. The term "Material" means all those facts which has a significant bearing and impacts on the two most important factors namely Risk involved and its severity and also amount of premium. The breach of utmost good faith arises due to misrepresentation, concealment of material facts etc.

- Principle of Insurable Interest: -- Basically insurance is a cover or protection against the losses that may arise from a risk. Risk is treated as Insurable when it is capable of financial measurement, actual/ statistical estimation of that. Insurable Interest in general it means that the policy holder must have a pecuniary or monetary interest in the subject matter of Insurance. In damage or loss to the subject matter must result in financial loss to the polcy holder. Thus, there has to be presence of a property, interest, right, life, or a potential liability, which is capable of being insured.

- **The presence of pecuniary interest is not applicable in the case of life Insurance.**Thus in the following cases of life Insurance, insurable interest need not be established.
  - Own life.
  - Spouse life.
  - Children's life.

- ***In the following cases of life insurance, the extent of insurable interest/ monetary interest must be proved-***
  - Policies taken by employer in respect of employees.
  - Insurance taken by a creditor for the life of his debtor.
  - Insurance taken by a partner of a firm for the life of another partner.
  - Insurance taken by a Guarantor or a surety for the life of a debtor.

- ***The time when Insurable interest must be present, is as follows for different type of Insurance-***
    - Property Insurance—Insurable interest must be present at the time of inception and also at the time of loss.
    - Life insurance—Insurance interest must be present at the time of inception.
    - Marine insurance—Insurable interest must be present when the loss occurs.

Principle of Indemnity

- - The basic principle of Insurance is the compensation of the loss and not to earn profit. This principle is applied to all other contracts of insurance except life Insurance, personal accident and sickness Insurance. This principle is specially applied to fire, marine burglary or any other policy of indemnity. Under the indemnity contract, the insurer undertakes to "indemnify "the insured agenized loss suffered in the cases of non life Insurance the Insurance Company shall be liable to pay only up to the extent of loss occurred and not more than that. Its basic intention is to restore the position of the insured and to keep him in the same position which existed immediately before the loss. In another word the intention of this principle is to compensate and restore the insured and nothing more. In brief, this principle of indemnity applies to all types of insurance contracts except Life Insurance. In the cases of fire and marine Insurance where there is a total loss of the subject matter, the insured is indemnified for the total loss, but subject to the limit of actual loss. In case of Average clause stated in the policy the indemnity is worked out in proportion to insured sum and actual sum value of the subject matter. The formula is as under:-
Policy Amount X Actual loss
- Amount of Indemnity= Market value of the subject
Matter on the date of loss

Method of Indemnity

- Cash payment (most popular way)
- Replacement (Replacement of article itself/ no payment)
- Repairing of the article to the satisfaction of the insured, it is common in motor car, motor cycle, scooter etc.
- Re-installment/Reconstruction (followed in fire insurance)

Once the insured is indemnified by any method, the insured is required to surrender all his rights relating to the loss or damages to the insurer.

- **Principle of subrogation**- Basically this principle is applicable only in Non- life Insurance and with specific reference to fire and marine Insurance. Subrogation means, after an event occurs which resulted in the loss to insured, and insurer has paid the claim to insured,, then the insurance company i.e. insurer get a right to step into shoes of the insured. Thus, after getting the claim, the insured releases all his rights over the subject matter of insurance, in favour of Insurance Company.

- **Principle of contribution**- Insurance companies are in a position to underwrite a liability on its own. However, sometimes the value of a subject matter is so high, that for one insurance company it becomes difficult to assume so much risk. In such situations, instead of avoiding the business, the Ins. Co. underwrites a part of business. A part of the high value of asset is insured

by a single insurer and the remaining part is insured by other companies. At the time of claim the formula of contribution is applied in such cases.
The Insured has a right to recover the entire amount from one Insurance company on a priority basis. After settling the entire claim, one insurance co. has a right to claim contribution from other Ins. Companies. The concept of contribution simply means that finally the loss has to be shared by Insurance companies, in the proportion of their underwriting.

Following conditions must prevail for invocation of principle of contribution:-

- All the policies must be in force as on the date of event causing loss.
- The insured (owner of asset) must be same.
- The risk insured against (perils) must be the same in all policies.
- The insured asset must be common in all policies.

Calculation of contribution:- The following formula is applicable to calculate the contribution by each:

$$\text{Contribution} = \frac{\text{Sum assured with individual insurer}}{\text{Total sum assured}} \text{ X Total loss}$$

Example:-
A insures a building agenized fire with three fire insurance companies X,Y and Z with Rs. 30,000, Rs. 40,000, and Rs. 30, 000respectively. A fire took place during the period of insurance and a total loss of Rs. 60,000 was calculated. The contribution from X, Y, and Z shall be as under.

Calculation of X company= 30,000X 60,000/1, 00,000=18,000
Calculation of Y company= 40,000X 60,000/1, 00,000=24,000
Calculation of Z company= 30,000X 60,000/1, 00,000=18,000
In case company X has made the payment of claim for Rs. 60.000 to A, X has right to claim Rs. 24,000 and Rs. 18,000 from Y and Z respectively.

Principle of cause proxima or proximate cause:
The literal meaning of this concept is the look at the immediate and direct cause (peril) which resulted into loss.

The cause due to which the subject matter of Insurance suffers losses may be classified into two parts-

INSURED PERILS ⟷ **EXCLUDED PERILS**

The Insured perils are those for the protection of which, the subject matter is insured and in case of any event happening during the period og Insurance gives loss to the subject matter, the Insurer can be made liable.The perils that fall outside insured perils are called excluded perils. The Insurer cannot be made liable for any type of loss that happens due to other causes.

Where the loss happened to the subject matter of insurance directly due to insured peril, the insurer can be made liable for the payment of claim. In such situations, no dispute arises. But, the loss is caused by insured perils and others, both simultaneously or one after another, it becomes difficult to lay the insurer liable for the indemnity. In such a situation, it has to be seen that which one of those perils is more important, effective and powerful, because of which the damages caused to the subject matter. The causes that put no effect on the happening of losses, is known as 'remote' causes. This means proximate cause is the nearest cause.

Proximate does not mean "nearest in time". The time that elapses between cause and result may be long or short, but will not affect the cause and effect. The cause which is truly proximate is that which is proximate in efficiency. It is not the latest, but direct, dominant, operative and efficient cause.

Fire insurance and proximate cause –

In fire insurance, the insurer is liable to indemnity for the following losses:

- Falling of walls of the building due to fire in the building.
- Falling of the building by the fire brigade or throwing furniture from the building in a bid to control the fire.
- The loss due to sprinkling of water for putting out the fire.

Marine insurance and proximate cause–

In Marine insurance , the insurer is liable to indemnity for the following losses:

- Where the loss is caused by insured peril irrespective of the negligence of captain of the ship or of the crew.
- Whether the proximate cause was 'exceeding time limit' and as a result of any insured peril.
- Where the loss was due to breakage, depreciation, pilferage or bad smell of rat or failure of any machinery.

Determination of the proximate cause-while determining the proximate cause for the loss, care be given to the following-

- Where the loss is caused by a single cause, this is considered as proximate cause. If the proximate cause is included in the insured perils, the insurer is liable for the payment of claim. (A fire insurance for a building)
- Where the loss is caused by concurrent reasons that had happened altogether that are not the excluded perils, the insurer is liable to the losses caused by concurrent causes. (A heart patient dies due to accident).
- In case any loss is caused by the joint action of insured and excluded perils, there will not be any liability on the part of the insurer.(Insurance policy for theft of household goods- Things are gone by theft due to civil disturbance in the locality.
- In case any loss is caused by joint action of insured perils and excluded perils the loss happened from each type of peril can be separated, the insurer shall be liable for the loss caused by insured perils.
- In case any loss is happened due to the effect of various causes happened one after another and the main cause is among the insured perils, the insurer liability exists.
- In case any line of excluded perils were behind the loss of the subject matter of Insurance, the insurer is not liable to indemnity.

PRINCIPLE OF MITIGATION OF LOSS

This principle places a duty on the part of the insured to make every effort, and to take all such steps, as a man of ordinary prudence to mitigate or minimize the loss in the event of some mishap to the insured property.

This makes the insured be more careful or active tom protect the subject matter from any possible loss. If he fails to act in such a manner, the insurer can avoid the claim of the insured, on the ground of negligence on the part of insured.

In acting vigilantly in saving the property, the insured is not bound to risk his life in doing all precautions as a man of ordinary prudence; the insurer shall be liable to bear the entire loss resulting from the peril insured against.

DOUBLE INSURANCE AND REINSURANCE

Double insurance refers to the method of getting insurance of same subject matter with more than one insurer or same insurer under different polices.Double insurance is possible in all type of insurance contracts. A person can insure his life in different policies for different sums.

In life insurance the assured can claim the sum assured with different polices on the maturity or to his nominee after his death. This is possible in life insurance because life insurance is not indemnity insurance.

In indemnity insurance such as fire and marine, only the real loss can be claimed by the insured or only the actual loss can be indemnified. In other words, the total claim cannot be exceeded the real loss, payable proportionate by each insurer. If any one of the insurers pays more than his shares, he is entitled to a contribution from other insurers.

In case the total loss is less than the value of insurance policies issued by the different insurance companies, the insured can claim in full against all the policies.

Features of Double insurance

- More than one policy can be obtained against the same subject matter (life).
- All the policies relate to the same subject matter.
- The risk covered in all the policies is the same.
- The risk in all the policies is of the same period.
- The insured has equal insurable interest in the subject matter.
- The policies can be obtained either from the same insurer or from different insurers.
- Double insurance is beneficial in life insurance only.
- In case of life insurance, the money from all the policies can be claimed by the assured or his nominee.
- One can get insurance policies issued on a subject matter more than its value.

REINSURANCE

It is a contract between two or more companies by which a portion of risk of loss is transferred to another insurance company. This happens when an insurance company has undertaken more risk burden on its shoulders than its bearing capacity. Double insurance is, thus, a device to reduce the risk. By transferring the risk to any other insurance company, the insurer reduces his liability. Reinsurance does not affect the contract between the original insurer and the assured. Reinsurance can be restored in all types of insurance contracts.

Characteristics of Reinsurance:-

- It is an insurance contract between two insurance companies.
- In reinsurance, the insurer transfers the risk beyond the limit of his capacity to another insurance company.
- The relationship of the assured remains with the original insurer only.
- It is a contract of indemnity.
- It does not affect the right of assured.
- The fundamental principles of insurance are applicable in re-insurance also.
- The original insurer cannot do re-insurance more than the insured sum.
- Re-insurer is bound only to those liabilities for which the original insurer is legally liable.
- Re-insurance can be possible in all types of insurance.

UNIT –III

LIFE INSURANCE -

Life insurance(NATURE& SCOPE):-

Life insurance may be defined as a contract in which the insurer, in consideration of a certain premium, either in a lump sum or by other periodical payments, agrees to pay the assured, or to the person for whose benefit the policy is taken, the assured sum of money, on happening of a specified event contingent on the human life.

In another word Life insurance is a corporate effort to provide security against economic hazards of man. It is a contract between the insurer and the insured to pay a stated sum of money, for a consideration in the form of premium, on happening of any future event on the life of the assured.

***In the word of Huebner and Black*-**

"Life insurance is a contract whether for a specified consideration, called premium, one party (the insurer) agrees to pay to the other (the insured) or a beneficiary, a defined amount upon the death, disablement or some other specified event"

Characteristics of life insurance

- It is a contract between the insurer and insured.
- Insurance of human hazards is covered by life insurance policy.
- It is a promise to pay the money insured in consideration to a premium.
- The insurance premium is sometimes paid at a lump sum together or periodically.
- A default in remitting the premium may cause discharge of the insurance contract and the insurer shall be relieved from his liability.
- The money insured is paid by the insurer to the insured or assignee on happening of the event specified in the policy.
- The proposal for affecting an insurance policy is executed in the prescribed form.
- The policy is signed by the insurer only.

A contract of life insurance, as in other forms of insurance, requires that the assured must have at the time of the contract an insurable interest in his life upon which the insurance is affected.Insurable interest has only to be proved at the date of the contract of life insurance, and not necessarily present at the time when the policy falls due.

A person can assure in his own life and every part of it, and can insure for any sum whatsoever, as he likes. Similarly, a wife has an insurable interest in her husband and vice-versa. However, mere natural love and affection is not sufficient to constitute an insurable interest. It must be shown that the person affecting an assurance on the life of another is so related to that other person as to have a claim of support.
For example, a sister has an insurable interest in the life of a brother who supports her.
Even a person not related to the other can have insurable interest on that other person.
For example- a creditor has insurable interest in the life of his debtor to the extent of the debt.

LIFE INSURANCE POLICIES

Life Insurance is an attempt to meet the varying wants of community, it has different forms.

- ✓ Duration of Insurance: - such as whole life policies, endowment policies and term policies.
- ✓ Profit sharing: such as profit policies or non- participating policies and with profit policies, or participating policies.
- ✓ Payment of premium:- such as Guaranteed policies and annuity policies.
- ✓ Number of assured: - such as single life policies and Joint life policies.

On the basis of patterns of policies, the LIC has been issuing different types of insurance policies. The insured has the choice to select from these policies according to his requirement.

The LIC provides the following categories of life policies, they are :-

- ✓ The whole life policies/ plans
- ✓ The endowment Assurance policies/ plans
- ✓ The double endowment policies/ plans

The types of whole life policies are as follows:-

- The whole life policies (for whole life, it is issued for not less than Rs.10,000/ , assured to pay premium money till the age of 80 years or 35 years of the policy insured, whichever is later)
- The limited payment whole life policy
- The single premium limited payment whole life policy (sum assured is payable by a single premium, assured sum payable on death of the assured to the nominee or the LR)
- The convertible whole life assurance policy (option of conversion after 5 years to any other policy)

ENDOWMENT ASSURANCE POLICIES/ PLANS

This is the most popular form of life Assurance since it not only makes provisions for the family of the life assured in the event of his early death, but also assures a lump sum at any desired age. The amount assured, if not paid by reason of his early death, becomes payable at the end of the endowment term when it may be invested to provide an annuity during the remainder of his life or in any other way he may think most suitable at the time.

Premiums are usually payable for a term of years equal to the endowment term or until death, if it occurs within this period, but they may be limited to a shorter term of years, if so desired.

However, premium paying term will be restricted to maximum of 25 years for endowment without profit plan.

GENERAL INSURANCE

Concept of general insurance:General Insurance provides much needed protection against unforeseen events such as accidents, illness, fire; burglary etc. unlike life insurance, General insurance is not meant to offer returns but is a protection against contingencies. Almost everything that has a financial value in life and has a probability of getting lost, stolen or damaged can be covered through General insurance policy.

Property (both movable and immovable) vehicle, cash, household goods, health, dishonesty and also one's liability towards others can be covered under General insurance policy. Under certain acts of parliament, some types of insurance like motor insurance and public liability insurance have been made compulsory.

Meaning: General insurance means managing risk against financial loss arising due to fire, marine or miscellaneous events as a result of contingencies, which may or may not occur.
General insurance means to: cover the risk of the financial loss from any natural calamities viz. flood, fire, earthquake, burglary etc, i.e. the events which are beyond the control of the owner the goods for the things having insurable interest with the utmost good faith by declaring the facts about the circumstances and the products by paying the stipulated sum, a premium and not having a motive of making profit from the insurance contract.

General rules regarding General insurance:-

- In the case of mis-discription, mis-presentation or mis-declaration, or non- discloser of any material facts the insurance policy shall be void and the entire premium paid by the insured may be forfeited by the insurance company.
- The insured is bound to take all reasonable steps to safe guard the property insured against any loss or damage by observing with all statuary or other regulations.
- If any claim under the policy may be in any respect fraudulent or if any fraudulent means are used by the insured to obtain any benefit under the insurance policy, all the benefits under the insurance policy may be forfeited.
- The loss or damage or liability or expenses whether direct or indirect occasion by happening through or arising from any consequences of war, invasion, act of foreign enemy, civil war, loot and loss or damage caused by depreciation or wear and tear, will not be covered under general insurance.

FIRE INSURANCE

Fire insurance is a contract under which the insurer in return for a consideration (premium) agrees to indemnify the insured for the financial loss which the later may suffer due to destruction of or damage to property or goods, caused by fire, during a specified period. The contract specifies the maximum amount, agreed to by the parties at the time of the contract, which the insured can claim in case of loss. This amount is not, however, the measure of the loss. The loss can be ascertained only after the fire has occurred. The insurer is liable to make good the actual amount of loss not exceeding the maximum amount fixed under the policy.

A fire insurance policy cannot be assigned without the permission of the insurer because the insured must have insurable interest in the property at the time of contract as well as at the time of loss.

The insurable interest in goods may arise out on account of (1) ownership (2) possession (3) contract. A person with a limited interest in a property or goods may insure them to cover not only his own interest but also the interest of others in them.

Under the fire insurance, the following persons have insurable interest in the subject matter:-

- Owner
- Mortgagee
- Pawnee
- Pawn broker

- Official receiver or assignee in insolvency proceedings
- Warehouse keeper in the goods of customer
- A person in lawful possession e.g. common carrier, wharfinger, commission agent.

The term 'Fire' is used in its popular and literal sense and means a fire which has *'broken bounds'*. 'Fire' which is used for domestic or manufacturing purposes is not fire as long as it is confined within usual limits. In the fire insurance policy, 'Fire means the production of light and heat by combustion or burning. Thus, fire, must result from actual ignition and resulting loss must be proximately caused by such ignition. The phrase' loss or damage by fire' also includes the loss or damage caused by efforts to extinguish fire.

The types of losses covered by fire insurance are:--

- Goods spoiled or property damaged by water used to extinguish the fire.
- Pulling down of adjacent premises by the fire brigade in order to prevent the progress of flame.
- Breakage of goods in the process of their removal from the building where fire is raging.

The types of losses not covered by a fire insurance policy are:-

- Loss due to fire caused by earthquake, invasion, act of foreign enemy, hostilities or war, civil strife, riots mutiny, martial law, military rising.
- Loss caused by subterranean (underground) fire.
- Loss caused by burning of property by border of any public authority.
- Loss by theft during or after the occurrence of fire.
- Loss of damage to property caused by its own fermentation or spontaneous combustion. E.g. exploding of a bomb due to an inherent defect in it.
- Loss or damage by lightening or explosion is not covered unless these cause actual ignition which spread into fire.

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

- The loss must be caused by actual fire or ignition and not just by high temperature.
- The proximate cause of loss should be fire.
- The loss or damage must relate to subject matter of policy.
- The ignition must be either of the goods or of the premises where goods are kept.
- The fire must be accidental, not intentional. If the fire is caused through a malicious or deliberate act of the insured or his agents, the insurer will not be liable for the loss.

Types of fire insurance

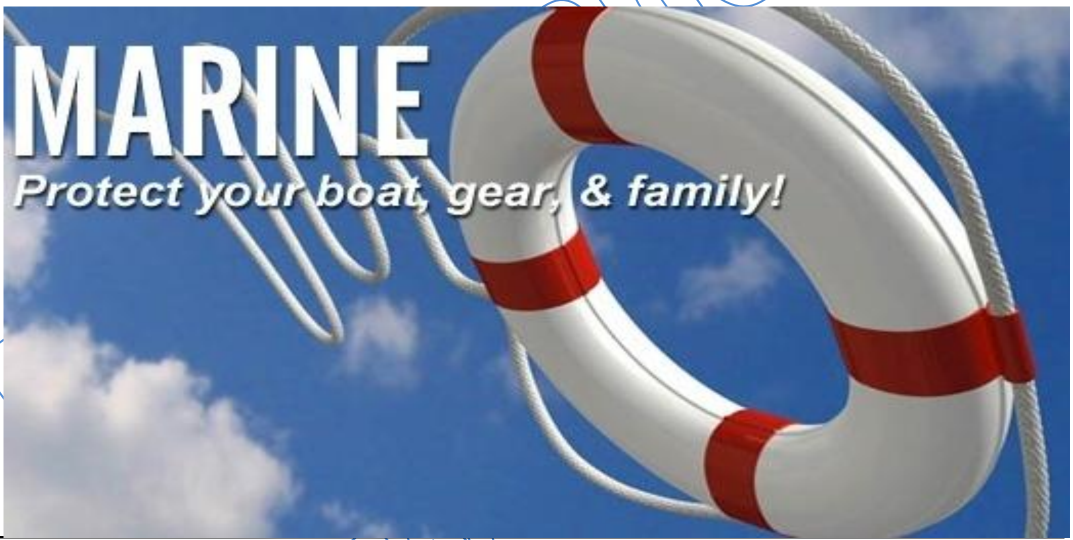
- Specific policy:- It is a policy which covers the loss up to a specific amount which is less than the real value of the property. The actual value of the property is not taken into consideration while determining the amount of indemnity. Such a policy is not subject to 'average clause' Average clause is a clause by which the insured is called upon to bear a portion of the loss himself. The main object of the clause is to check under- insurance, to encourage full insurance and to impress upon the property owners to get their property accurately valued before insurance. If the insurer has inserted an average clause, the policy is known as 'Average policy'.

- Comprehensive policy:-It is also known as 'all in one policy' and covers risk like fire, theft, burglary, third party risks etc. It may also cover loss of profits during the period of business remains closed due to fire.

- Valued policy:-It is a departure from the contract of indemnity. Under it the insured can recover a fixed amount agreed to at the time the policy is taken. In the event of loss, only the fixed amount is payable, irrespective of the actual amount of loss.

- Floating policy:-It is a policy which covers loss bt fire caused to property belonging to the same person but located at different places under a single sum and for one premium. Such a policy might cover goods lying in two warehouses at two different locations. This policy is always subject to 'Average clause'.

- Replacement or Re-installment policy:- It is a policy in which the insurer inserts a Re-installment clause, whereby he undertakes to pay the cost of replacement of the property damaged or destroyed by fire. Thus, he may re-instate or replace the property instead of paying cash. In such a policy, the insurer has to select one of the two alternatives, i.e. either to pay cash or to replace the property, and afterwards ha cannot change to the other option.



MARINE INSURANCE

INTRODUCTION

Marine insurance is the oldest form of Insurance. In India till 1963, marine insurance was governed by the provisions of the British Act, the contract Act and certain provisions of the Insurance Act. The law relating to marine insurance has been codified by the marine insurance Act, 1963 which came into force on 1st august 1963. The Act contains 92 sections and a schedule containing a form of marine insurance policy and the rules of construction.

Contract of "marine insurance" means a contract of marine insurance ***as defined by section3***.

A contract of marine insurance is an agreement whereby the insurer undertakes to indemnify the assured, in the manner and to the extent agreed, against losses incidental to marine adventure. There is a marine adventure when any insurable property is exposed to ***marine perils i.e. perils consequent to navigation of the sea.***

The term 'perils of the sea' refers only to accidents or casualties of the sea, and does not include the ordinary action of the winds and waves. Besides, marine perils include, fire, war perils, pirates, seizures and jettison etc.

"Freight" includes the profit derivable by a ship-owner from the employment of his ship to carry his own goods or other movables, as well as freight payable by a third party, but does not include passage money.

"Insurable property" means any ship, goods or other movable property which are exposed to maritime perils.

"Marine adventure" includes any adventure where:

- Any insurable property is exposed to maritime perils;
- The earning or acquisition of any freight, passage money, commission, profit or other pecuniary benefit, or the security for any other advances, loans or disbursements is endangered by exposure of insurable property to maritime perils,
- Any liability to a third party may be incurred by the owner of, or other person interested in or responsible for, insurable property by a reason of maritime perils.

"**Maritime Perils**" Means the perils consequent on,or incidental to, the navigation of the sea, that is to say, perils of the sea, fire, war perils, pirates, rowers, thieves, captures, seizures, restraints, and detainments of princes and peoples, jettisons, barratry and any other perils which are either of the like kind or may be designed by the policy.

"**Movables**" Means any movable tangible property other than the ship, and includes money, valuable securities and other documents.

"**Ship**" Includes every description of vessel used in navigation
"**Suit**" Includes counter-claim and set-off

"**Policy**" Means a marine policy. An instrument containing the contract of marine insurance. It contains terms and conditions on which contract are entered between the two parties. Section 24 of the act provides for the same. It is concluded when proposal is accepted by the insurer; it is deemed to be accepted when ship or covering note of the instrument of contract is issued through undersigned section 23.

Essentials of a valid marine insurance policy:

- It must fulfill all the essentials of a valid contract
- It must be in writing and duly stamped under the stamp act
- Insured must have insurable interest in the subject matter at the time of loss
- Time period of insurance must not be more than one year
- Good faith must be observed between the parties

A Contract of marine insurance shall not be admitted in evidence unless it is embodied in a marine policy in accordance with this act. The policy may be executed and issued either at the time when the contract is concluded or afterwards.

A marine policy must specify:

- The name of the assured, or of some person who effects the insurance on his behalf,
- The subject matter insured and the risk insured against
- The voyage, or period of time, or both, as the case may be, covered by the insurance,
- The sum or sums insured
- The name or names of the insurer or insurers

A marine policy must be signed by or on behalf of the insurer.Where a policy is subscribed by or on behalf of two or more insurers, each subscription, unless the contrary be expressed, constitutes a distinct contract with the assured.

There are four types of marine insurance

HULL INSURANCE | **CARGO INSURANCE** | **FREIGHT INSURANCE** | **LIABILITY INSURANCE**

Hull insurance:It covers the insurance of the vessel and its equipment's. Furniture and fittings, machinery, tools, fuel, etc.It is affected generally by the owner of the ship.
Cargo insurance:It includes the cargo or goods contained in the ship and the personal belongings of the crew and passengers.
Freight insurance:It provides protection against the loss of freight. In many cases, the owner of goods is bound to pay freight, under the terms of the contract, only when the goods are safely delivered at the port of destination. If the ship is lost on the way or the cargo is damaged or stolen, the shipping company loses the freight. Freight insurance is taken to guard against such risk.
Liability insurance: It is one in which the insurer undertakes to indemnify against the loss which the insured may suffer on account of liability to a third party caused by collision of the ship and other similar hazards.
In a contract of marine insurance, the insured must have the insurable interest in the subject matter insured at the time of loss.Insurable interest is not required at the time of taking the policy. Under marine insurance, the following persons are deemed to have insurable interest:--

- The owner of the ship,
- The owner of the cargo,
- A creditor who has advanced money on the security of the ship or cargo to the extent of his loan,
- The master and crew members of the ship in respect of their wages,
- If the subject matter is mortgaged, the mortgager in respect of full value of the ship, and also in respect of any sumdue to him,
- Any trustee holding any property in trust in respect of such property,
- In incase of advance freight the person advancing the freight in so far as such freight is repayable in case of loss, and
- The insured in the charges of any insurance policy which he may take.

TYPES OF MARINE INSURANCE POLICIES

Voyage policy: It is a policy in which the subject matter is insured for a particular voyage irrespectiveof the time involved in it. In this case the risk attaches only when the ship starts on the voyage.

Time policy:It is a policy in which the subject matter is insured for a definite period of time. The ship may pursue any course it likes; the policy would cover all the risk from perils of the sea for the stated period of time. A time policy cannot be for a period exceeding one year, but it may contain a' continuation clause'. The 'continuance clause' means that if the voyage is not completed within the specified period, the risk shall be covered until the voyage is completed, or till the arrival of the ship at the port of call.

Mixed policy:It is a combination of voyage and time policies and covers the risk during particular voyage for a specified period of time.

Valued policy: It is a policy in which the value of the subject matter insured is agreed upon between the insurer and the insured and it is specified in the policy itself.

Open or Un-valued policy:It is the policy in which the value of the subject matter insured is not specified. Subject to the limit of the sum assured, it leaves the value of the loss to be subsequently ascertained.

Floating policy:It is a policy which only mentions the amount for which the insurance is taken out and leaves the name of the ship(s) and other particulars to be defined by subsequent declarations. Such policies are very useful to merchants who regularly dispatch goods through ships.

Wagering or Honor policy: It is a policy in which the assured has no insurable interest and the underwriter is prepared to dispense with the insurable interest. Such policies are also known as 'policy proof of interest' (P.P.I.)

Insurable Interest

A person has a insurable interest if he is interested in marine adventure in consequence of which he may benefited by the safe arrival of insurable property or be prejudices by its laws, damage or detention..

The following persons has insurable interest in the marine policy:

- Owners of ship for full value
- Owners of cargo
- Mortgagee of a vessel to the extent of his mortgage
- Bailee in respect of property left in his custody and care
- Shippers and their agents
- An underwriter for the risk insured by him which he may re-insure
- Bottomry bond holder (security of the ship money is borrowed by a contract)
- Respondentia bond holder (security of the cargo)
- Master or any crew member of the ship for their wages
- Assured (in the charges of any insurance which he may effect)
- Persons advancing freight, if freight is recoverable in case of loss which must be present at the time of loss.

Insurable Value: if there is no express valuation of the subject matter insured in the policy. Section 18 lays down as to how this value be ascertained

In an insurance on ship: value of ship at the commencement of the risk including her outfits, provisions of storage for officers and crews, money advanced for seaman wages, ship seaworthy for the voyage plus the insurance charges.

On freight: the insurance value is the gross amount of the freight plus charges of insurance
On goods:the insurable value is the prime cost of the goods plus expenses of shipping and insurance charges
On any other subject matter:the insurable value includes the amount of risk plus insurance charges.

According to ***Section 19*** if the good faith which is required to be observed by both the parties and in case it is not observed by either parties, the contract may be avoided by the either of the party.
According to ***Section 20*** of the act assured must disclose to the insurer every material circumstances which is known to him a circumstance is material if it would influence the judgment of a prudent insurer in fixing or determining to take the risk.

WARRANTIES

According to ***Section 35(1)*** of the marine insurance act, warranty is an undertaking by the assured that some particular thing shall or shall not be done, or that some condition shall be fulfilled, or whereby he affirms or negatives the existence of a particular state of facts. A warranty may be expressed or implied

Express warrantiesare those warranties which are expressly mentioned in the policy or incorporated in some document, referred to the policy.

Implied warrantiesare those warranties which are presumed to be present in the contract of marine insurance unless excluded by express words to the contrary these warranties are:.
These warranties are:-

1. **Seaworthiness**: (section 41-42) - In a voyage policy there is an implied warranty that at the commencement of the voyage the ship in seaworthy for the purpose of the particulars adventure insured. It includes the following :-
   a) That the ship is properly constructed
   b) Its machine is in proper working condition
   c) That it has sufficient and efficient crew
   d) That it is sufficiently provided necessities of the voyage.
   e) That it is not over loaded or badly loaded.
   f) Warranty of seaworthiness attaches only up to the time of the sailing of the ship. Once the ship sails, the warranty does not operate.
2. In a voyage policy, where the voyage is to be performed in stages, the ship must be seaworthy at the beginning of each stage.
3. It should be at the commencement of risk be reasonable fit to encounter the ordinary perils of the port.
4. It is also considered that the ship is reasonable fit to carry goods.
5. That the adventure insured is a lawful one (Sec. 43)

Indemnity: This principal is applied in marine insurance also. According to this principal, the insured is entitled to claim the actual loss only, subject to a maximum of sum assured.(Exception – valued policy)

i. **Application of other principles of insurance:**The other principles of insurance such as subrogation, cause of proximal, etc. are also applied to marine insurance also.

Marine Losses

A Marine policy does not cover all the risks an insurer is liable to indemnify an assured in respect of the losses which resulted from perils insured against. Where the loss is happened as a result of any other peril, the insurer shall not be bound by it.

Types of Marine losses –

1. Total loss (Actual /Constructive)

2. Partial loss (particular/general average loss)

The loss may be either total or partial. It may be divided into two types Actual/Constructive total losses.

An actual loss occurs when the subject matter is destroyed or so damaged as to cease to be the thing of the kind insured. The insured irretrievable deprived of the subject matter of insurance.

Constructive total loss cannot be preserved from actual loss without an expenditure which would exceed its value, when the expenditure had been incurred. In case of constructive total loss, the assured may either treat the loss as partial loss or abandon the subject matter to the insurer and treat the loss as if it were an actual total loss.

Losses other than total losses are partial losses; it is of two types- particular average loss, and General average loss.

A particular average loss is a partial of the subject matter insured caused by a peril insured againsed, in which is not a general loss.

Examples of particular average losses: - A ship meets with foul weather, as a result of which she sustains serious damages causing a wreckage of her propeller.

If during violence of the weather, sea water get into the ship through a hole and damages the cargo, the damage so caused is particular average on cargo, and if the cargo is sugar, the damage is a particular average on freight.

General average loss—General average loss is a loss caused by directly or consequential on a general average act. It includes general average expenditure as well as general average sacrifice. It is being done voluntarily in time of peril for the purpose of securing the property on the board.

Essentials: - It must be in peril,

The sacrifice must be voluntary,

It should be made reasonably,

The object of the sacrifice must be to preserve the property on the board.

Usually the general average losses are of two types- General average Sacrifice and General Average Expenses.

UNIT- V- SOCIAL INSURANCE IN INDIA

SOCIAL INSURANCE: Social Insurance has been developed to provide economic security to weaker sections of the society who are unable to pay the premium for adequate insurance. The following type of insurance can be included in social Insurance:

(i) **Sickness Insurance**: In this type of insurance medical benefits, medicines and reimbursement of pay during the sickness period, etc. are given to the insured person who fell sick. The subsidiary companies of General Insurance Corporation issue "Mediclaim" policies for this purpose.

(ii) **Death Insurance**: Economic assistance is provided to dependents of the assured in case of death during employment. The employer can transfer his liability by getting insurance policy againsed employees.

(iii) **Disability Insurance**: There is a provision for compensation in case of total or partial disability suffered by factory employees due to accident while working in factories. According to Employees compensation act, the responsibility to pay compensation is vest with the employer. But the employer transfers his liability on the insurer by taking Group Insurance policy.

(iv) **Unemployment insurance**: Insured in case of unemployment due to certain reason, given economic support till he gets employment.

(v) **Old age Insurance**: Insured or his dependents are paid, after certain age, economic assistance.

"Apart from these insurance social security legislations like ESIC, Workmen compensation Act, provident fund Act etc. are also enacted to provide social security in case of old age pension, sickness, disablement, maternity etc".

Under the concept of social justice, The Indian Government has extended the scope of social insurance. This scheme is now extended to Daily- wagers, Rikshaw pullers, craftsmen etc. through different Insurance plans.

The process of fast development in the society gave rise to a number of risks or hazards. To provide security againsed such hazards, many other type of Insurance also have been developed. Such as, crops, cattle, legal liability insurance etc.

Workmen compensation Insurance:- A employer is required to compensation to his workers who receive injuries or contract occupational diseases during the course of their work. Such compensation is payable under the workmen's compensation act. An employer may obtain an insurance policy to cover such liability. The premiums are payable on the basis of wages. It is also known as 'Employers liability insurance"

Such an insurance policy provides insurance againsed the following risk-

Indemnity to insured againsed his liability as an Employer to accidental injuries (including fatal) sustained by the worker while on duty,

Medical, surgical and hospital expenses etc.(on payment of extra premium)
Liability in respect of diseases mentioned under the Workmen compensation act, which arise out of and in the course of employment.

Public liability Insurance:- With the growth of hazardous industries, risks from accidents , processes and operations, not only affects the persons employed in such undertakings but also to the public who may be in vicinity, have increased. Such accidents lead to death and injury to human beings and other living beings and damage private and public properties. Very often, the majority of the people affected is from the economically weaker sections and suffer great hardships because of delayed relief and compensation. While workers and employees of hazardous installations are protected under separate laws, member of the public are not assured of any relief except through long legal process.
It is felt essential, therefore, to provide for mandatory public liability insurance for installations handling hazardous substances to provide minimum relief to the victim. Such insurance, apart from safeguarding the interests of the victim of accidents, would also provide cover and enable the industry to discharge its liability to settle large claims arising out of major accidents. If the objective of providing immediate relief is to be achieved, the mandatory public liability insurance should be on the principle of "no fault liability "as it is limited to only relief on a limited scale. However, availability of immediate relief would not prevent the victims to go to courts for claiming larger compensation. The public liability insurance Act, 1991 plays an important role in this behalf. The present Act required factory owners to insure againsed potential personal injury and property damage in surrounding communities.

Benefits of the Act are as follows:-

- Provides cover against claims
- Imposes no fault liability
- Relief and reimbursement
- Power to approach courts (u/s 13 of the act central Govt. /authorized person can approach metropolitan Magistrate or JFC for restricting the owner.
- Imposes penalty for contravention and failure to comply with directions.

Third party insurance

In India, under the provisions of the Motor vehicle Act, 1988, it is mandatory that every vehicle should have a valid insurance to drive on the road. Any vehicle used for social, domestic and pleasure purpose and for the insurer's business motor purpose should be insured.
There are two quite different kinds of insurance involved in the damages system. One is third party liability insurance, which is just called liability insurance by insurance companies and the other one is first party insurance.
A third party insurance policy is a policy under which the insurance company agrees to indemnify the insured person, if he is sued or held legally liable for injuries or damage done to a third party. The insured is one party, the insurance company is the second party, and the person you (the insured) injure who claims damages against you is the third party.

Salient features of Third party Insurance:-

- It is compulsory for all motor vehicle and this provision cannot be overridden by any clause in the insurance policy.
- It does not cover injuries to the insured himself but to the rest of the world who is injured by the insured.
- Beneficiary of third party insurance is the injured third party, the insured or the policy holder is only nominally the beneficiary of the policy.
- In third party insurance what is insured is 'legal liability' and it is not possible to know in advance what the liability would be.
- It is purely fault based insurance.
- The maximum amount to be paid under the policy is not known in advance.

Motor vehicle Insurance

Under this insurance a personal or commercial vehicle is subjected to combined insurance againsed the risk of-

1. Loss or damage to the motor vehicle and its accessories on account of accident or theft,
2. Death of or injury to the owner or passenger of the vehicle due to accident,
3. Damages payable to third parties by the owner of the vehicle for accident.

A comprehensive insurance policy may be taken to cover all these risks. Insurance against the first two types of risks is optional. But every owner of motor vehicle is required to take out an insurance policy to cover the third party risks under the Motor Vehicle act, 1956. Such a policy is known as 'Third party insurance or liability insurance'.
Under such a policy, the third party who has suffered any loss can sue the insurer directly even though he was not a party to the contract of insurance.
For Ex. motor insurance by united India insurance co. ltd. This policy provides insurance cover to owners of the vehicle, financers or lessee, who have insurable interest in a motor vehicle.

Mediclaim and health Insurance:- with medical costs sky rocketing daily there is a growing need of having a Mediclaim policy in your name. It will help you cover the medical expenses in case you have to undergo certain medical treatment or are hospitalization for some reason. It basically provides a health cover of a certain amount of money and hence in the case of incurring any medical expenses, the expenses to a certain limit are borne by the particular insurance / Mediclaim Company under whom you might have taken the Mediclaim policy.
It can be taken on an individual basis or for the entire family if the need be. The insurance premium will defer from company to company and will depend upon whether the policy has been taken for an individual or for a group or the policy is cashless or not.

Group Insurance schemes:-It is though a single policy{Also knows as master policy} a large number of persons is covered under such insurance. Insurance coverage is extended to a large segment of the population, especially where it is neither convenient nor economical to take polices on case- to case basis, and for each person separately. Normally the extent of coverage is determined not by ultimate beneficiary, but in accordance with what has been agreed upon between the Insurance Company and the entity which takes out Master Policy. Hence, it does not cover or insure an individual, but several individuals or class of persons. Such type of contract is entered into between the insurance company and the entity purchasing the policy. The most common example of Group Insurance is employer employee group in which insurance cover is obtained for a number of employees. It is essential that the Group should be homogenous and should not have been formed with a sole purpose of getting the benefits of Group Insurance.

Important questions under this unit are as follows:-

1. **Write a note on social insurance in India.**
2. **Write a note on Motor vehicle insurance/Third party insurance.**
3. **Explain the public liability insurance Act, 1991and the powers of Central Govt./authorized officer under the Act.**