3.1 INTRODUCTION

Insurance companies bear risk in return for a fee called premium. These insurance companies are risk bearers. They accept and underwrite the risk in return for an insurance premium. Insurance may be defined as a co-operative mechanism to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk. Risk is in fact, an uncertainty of a financial loss. Risk must not be confused with loss itself that is the unintentional decline in or disappearance of value arising from a contingency. The functions of insurance include providing certainty, protection, risk sharing, and prevention of loss and capital formation. Wherever there is uncertainty with respect to a probable loss there is risk. It is a commonly acknowledged phenomenon that there are certain risks in every sphere of life. For property, there are fire risks; for shipment of goods, there are perils of sea; for human life, there are risks of death or disability; and so on. The chances of occurrence of the events causing losses are quite uncertain because these may or may not take place. Therefore, with this view in mind, people facing common risks come together and make their small contributions to the common fund. While it may not be possible to tell in advance, which person will suffer the losses, it is possible to work out how many persons on
an average out of the group may suffer losses. When risk occurs, the loss is made good out of the common fund. In this way, each and every one shares the risk. In fact, they share the loss by payment of premium, which is calculated on the likelihood of loss. The insurance is a social apparatus to accumulate funds to meet the uncertain losses arising through a certain hazard to a person insured for such hazard. In this way the general insurance companies offer various products to fulfil the needs of public. In this chapter an attempt is made to describe the various products and their features offered by the general insurance companies.

3.2 FIRE INSURANCE

Fire insurance has got a long history. The real establishment of fire insurance came only after the Great Fire of London in 1066. This fire lasted for four days and nights burning over 436 acres of ground and destroying over 13,000 buildings. It was the most disastrous fire in history and forcibly awakened the people to the necessity for a form of protection against such calamities. The main cause of its late development was slow progress of trade and commerce. After a certain period when the business and commerce ran high, fire insurance received a real fillip. Previously there was no basis on which the premium could be based. There were a few concerns which made a remarkable progress. Gradually as they gained experience the date went on accumulating and the premium rates became more equitable and scientific. The decisions of law court also brought the
principles of fire insurance to a standard form. With increasing competition and experience, the fire insurance is evolved in its present scientific form. However, the progress in fire insurance was not as tremendous and categorical as was in the case of life insurance.

Fire insurance is a device to compensate for the loss consequent upon destruction by fire. Thus the fire insurer shifts the burden of fire losses from their actual victims over to all the members of the society. It is a cooperative device to share the loss. It relieves the insured from the horror of the fire losses to which he is exposed.

3.2.1 Nature of Fire Insurance

It is a well-known fact that the fire causes huge losses every year. The individual owner by taking fire insurance can prevent the fire waste to some extent. The insurer acts as a middle man between all the members of the society who are exposed to the fire risk on the one hand and the members who will be the actual victims of the fire losses on the other. The insurer charges the premium from all the insured members and makes good the losses when they occur to any of them.

The system of fire insurance cannot save the society from the economic loss to the community to the extent of the property lost by fire, but it compensates someone and this saves him from a ruinous loss at the cost of group of some others.
3.2.2 Causes of Fire

Fire waste is the result of two types of hazard viz., ‘physical’ and ‘moral’.

1. Physical Hazard:

It refers to the inherent risk of fire in the property which may occur due to inflammable nature, construction, artificial lighting and heating, lack of extinguishing apparatus use of the property etc.

2. Moral Hazard:

The moral hazard depends upon the man as physical hazard depends on the property. The property may be set on fire by the owner or by any person with his willingness; carelessness and lack of sense of duty may also increase the fire waste. Sometimes, when market price is going down the owner can willingly set fire on the property and gain from the payment of insurance money. Thus, where the property was destroyed with the willingness of the property owner, moral hazard exists.

3.2.3 Prevention of Loss

Insurance is meant for indemnification of loss and not for prevention of loss although every reasonable step can be taken to eliminate it or minimize it through the agencies engaged in prevention of loss. Thus, insurance may help in two ways namely indemnification and preventive efforts.
1. Indemnification or curative efforts:

According to doctrine of indemnification, the financial loss suffered by the perils insured against will be compensated in full, not more than this and not less than this. The insurance provides protection by indemnifying the financial loss suffered by that insured person which occurred beyond the control of the insured and the insurer.

2. Preventive efforts:

The loss cannot be prevented by insurance. But, the insurers help those who are engaged in the preventive efforts by granting financial and other assistance. This will benefit insurers as well because if the loss of society is reduced, they can charge lesser premium which will stimulate the public for purchasing more insurance policies because of cheaper rate of insurance. Fire insurers stimulate the installation of protective devices and better types of construction through granting credit. They help in installation of firefighting apparatus, water supply and engineering services.

Preventive efforts are further divided into two parts viz Private activities and Public activities.

1. Private Activities

Private activities are those which include those activities which the property owner may engage in for the purpose of preventing fire
loss. Insurers give sincere advice of financial help to property owner on the following factors.

**a) Construction**  In construction of fire proof buildings, fire resistive materials are to be used. In fire proof construction, greatest care in exercising selection of the type and planning of the construction, availability of fire extinguisher, water supply, and proper passage in emergency are to be provided which reduce the chance of fire. For these activities, the insurers provide assistance.

**b) Fire services**  The important thing is to extinguish fire before it reaches large proportions. The owner should consider equipping his building with an automatic sprinkler system. Similar fire fighting equipment may be established. Such services can be provided by insurers with the help of fire fighting associations.

**c) Occupation**  There are considerable hazard in certain occupation e.g. in oil or coke or chemical industry. Insurance in these concerns is available at higher rate. Insurers help by stimulation and charging lesser premium in fire fencing occupation.

**d) Management**  Good management of property may reduce the chances of fire. Carelessness and indifference cannot be over emphasized because these increase the chance of fire.
e) **Exposure** Fire insurance rates are determined on the basis of possibility of exposure. Fire-proof services may reduce the chances of exposure to a greater extent.

2. **Public Fire Prevention Activities**

Fire insurers have performed numerous important services to reduce the fire waste with the help of public institution which are engaged in fire fighting activities.

a) **Community Surveys Engineering** Survey of the cities and localities is made. As a result of its investigation many have improved their fire departments, water supplies and other facilities involved in the protection against fire.

b) **Standard Schedule for grading cities** Under this schedule a number of cities and towns are divided, according to fire preventive devices. The deficiency in each part is sorted out and attempts are made to remove them.

c) **Underwriters’ laboratories** The laboratories are to find out the possible causes of fire losses. Every time research or investigation is made to find out the possible attempts to prevent fire losses.

d) **Equipment** Fire can be properly checked only through the possession and maintenance of adequate equipment, personnel fire alarm system and water supply. Fire fighting apparatus and
equipment for any city or town can be determined by the Fire Protection Association.

e) **Salvage Crops and salvage works by fire departments** The chief aim of the crops is to protect property from unnecessary smoke and water damage. The protective benefits are extended to all those who suffer fire damages regardless of whether they are insured or not. Training school and colleges are, sometimes, engaged in giving general education to all and particular education to a few students to train them in fire fighting methods and fire preventive methods.

f) **Legislation and Regulation** National Board of fire underwriters fire brigade and other such associations are engaged in fire preventive and protective efforts under a certain law. The property owner and the fire protection engineer must keep in mind the numerous legal requirements relating to the various phases of fire prevention.

### 3.2.4 KINDS OF POLICIES

The policies of fire insurance can be of various types which are analyzed in this section.

1. **Valued Policy**

The value of the property to be insured is determined at the inception of the policy. In this case, the insurer pays the total
admitted value irrespective of the then market value of the properties. This policy is used for insuring specially, pictures, sculptures, and works of art, jewelry, rare things, and articles of everyday use. The measure of indemnity is, in consequence, not valued at the time of fire, but a value agreed at the inception of the policy. Since the value of damage of these articles cannot be easily determined at the time of loss, the valued policies are commonly used. Strictly speaking the valued policies are betrayal from the principle of indemnity because the market price is not paid in this case.

The valued policy is beneficial to the insured because he is relieved of proving the value of property at the time of loss by searching of invoices and receipts. The insurer will have to pay more than the actual loss if the market price of the property has gone down. It may increase the moral hazard. There may be difficulty in settling the partial losses. The valued policies can be disputed on grounds of fraud.

2. Valuable Policy

Valuable policy is that policy where claim amount is to be determined at the market price of the damaged property. The amount of loss is not determined at the time of commencement of risk but is determined at the time and place of loss. This policy is truly representing the doctrine of indemnity.
3. Average Policy

Policy containing ‘Average Clause’ in called Average Policy. The amount of indemnity is determined with reference to the value of the property insured. If the policyholder has taken policy for lesser amount than the actual value of the property, the insured will be deemed to be his own insurer for the amount of under-insurance. The insurer will pay only such proportion of the actual loss as his insurance amount bears to the actual value of property at the time of loss.

The average clause is operative only in case of under-insurance. This clause is ineffective when the property is insured for the full value as in that case the insured is protected to the extent of his total loss. The under-insurance penalizes the assured by inserting ‘Average Clause’ to the policy because he is supposed to insure himself for the amount by which he under-insurance his property and, therefore, is supposed to contribute in that ratio to the loss sustained.

4. Excess Policy

Sometimes, the stock of a businessman may fluctuate from time to time and he may be unable to take one policy or specify policy. If he takes a policy for a higher amount, he has to pay a higher premium. On the other hand, if he takes insurance for lower amount, he will have to bear the proportionate amount of loss. The insured in this case can purchase two policies, one ‘First Loss Policy’ and second, ‘Excess Policy’. The ‘First Loss Policy’ will cover that stock below
which the stock never goes. The minimum level of stock can be found out from the past experience and for the other portion of stock which exceeds the minimum limit; he can purchase another policy called ‘Excess Policy’. The actual value of the excess stock is declared every month. The amount of premium is calculated on the average monthly excess amount. Since the chances of payment on the excess amount are very remote, the rate of premium is also very nominal. Thus, the insured will pay very nominal premium as compared to the premium payable on the total amount had the policy been a specific one. The average clause also applies to this policy.

5. Declaration Policy

The excess policy contributes to only a ratable proportion of the loss because if the amount of excess stock exceeds the sum set in the excess policy, the businessman will not have a full cover owing to average condition. Moreover, if the First Loss Policy was also subject to average condition, the assured will be at a loss. The declaration policy will give a better protection in such cases where the stock fluctuates from time to time. Under the declaration policy, the insured takes out time to time. The declaration must be made on a specified day or within the next 14 days. Otherwise the sum insured will be deemed to be the declaration value.

The great advantage of this policy is that the premium is limited to the actual amount at risk irrespective of the sum insured. Unlike the excess policy, the premium is not unnecessarily paid. Moreover,
the insurer may pay up to the full sum insured throughout the period of the policy because the premium amount can be adjusted accordingly.

6. Reinstatement Policy

This policy is issued to avoid the conflict of indemnity. In other types of policies only the market value of the damage or loss is indemnified but, this policy undertakes to reinstate the insured property lost by fire to new condition irrespective of its value at the time of loss.

7. Comprehensive Policy

This policy undertakes full protection not only against the risk of fire but combining within the risk against burglary, riot, civil commotion, theft, damage from pest and lighting. The policy is also termed as 'All in Policies'. Here the ‘Comprehensive’ does not mean that every type of risk is covered. There may be many exclusions and limitations. This policy is beneficial to the insured and the insurer. The insurer can get higher premium and the assured is protected against losses due to several specified perils.

8. Consequential Loss Policy

The fire insurance is originally purchased to indemnity the material loss only. The intangible interest was not indemnified. This provided a check on the insured to exercise a greater care with respect to the property. However, the settlement of a loss covering material
damage only was not sufficient. The consequential loss was also to be provided. Thus, the consequential loss policy includes the loss of tangible and intangible properties.

Thus, this policy provides an indemnity to the insured for loss of net profits, payment of standing charges and expenditure in respect of increased cost of working. As a consequence of fire, there is a reduction in the volume of business which in its turn leads to a reduction in the net profit which the lost business would have ordinarily contributed and to an increase in the proportion of the standing charges such as rents, rates, salaries and others to the total business done. Thus, the policy is to indemnify the insured against financial loss which he may sustain due to the interruption of his business following a fire. The resultant loss is calculated by estimating figures of loss of profits based on a reduction in turnover or output and secondly, increased cost of working in maintaining the business on its pre-fire level.

3.3 MARINE INSURANCE

Marine insurance is a contract between insurers and insured whereby the insurer undertakes to indemnify the insured in a manner and to the interest thereby agreed, against marine losses incident to marine adventure.

Section 2(13) of the Insurance Act, 1938 defines marine insurance as the business of effecting contracts of insurance upon
vessels of any description, including cargoes, freights and other interests which may be legally insured in or in relation to such vessels, cargoes and freights, goods, wares, merchandise and property of whatever description insured for any transit by land or water or both, and whether or not including warehouse risks or similar tasks in addition or as incidental to such transit and includes any other risks customarily included among the risks insured against in marine insurance policies.

3.3.1 MARINE INSURANCE POLICIES

The marine insurance policy is issued only when the contract has been finalized and it would be legal documents of evidence of the contract. The form of marine insurance policies has been taken from pretty old times. There has been a slight change in the wordings of the policies. For example, ‘But it known that’ is substituted for the words ‘In the name of God, Amen’. The old form of policy has been practised today due to its practicabilities which took after a numerous legal decisions during the past centuries. It has also been practised that only form of policy is standardized and different clauses’ are added for applying to various types of policies. The standard policy generally contains the following information:

1. Name of the insured or his agent.
2. Subject matter insured. It may be ship (hull), cargo and freight.
3. Risks insured against.
4. Name of the vessel and officers.
5. Description of voyage or period of insurance.

6. Amount and term of insurance.

7. Premium

There are various clauses which are suitably inserted according to the nature and type of policies. Hull, cargo and freight policies have different standard clauses. In case of hull insurance, the clauses provide that if the insured vessel at the expiration of the policy is at sea, or at a port of refuge. Generally the ship may be covered until arrival at port of destination. In case of cargo policies with Average, Free of particular Average, or All Risks are generally used. There are standard clauses which are invariably used in marine insurance. Firstly, policies are constructed in a plain, ordinary and popular sense, and, later on, specific clauses are added to them according to terms and conditions of the contract. Clauses attached to the policy would override the printed wording in the policy

3.3.2 KINDS OF POLICIES

Different classes of policies are used in marine insurance.

1. Voyage policies:

The policy is issued to cover a particular voyage from one port to another and from one place to another. The policy mentions the port of departure and the port of destination, between which the risks are generally underwritten. In this case the risk may be covered from one place to another covering a period of one year. The policy is used
mostly in case of cargo insurance. The goods remain covered even when the ship halts at intermediate ports. The risks at the port of departure and at the port of destination may be covered by incorporating suitable clauses in the policy. The liability of the insurer continues during landing and re-shipping of the goods.

2. Time Policies

Under this policy, the subject-matter is insured for a definite period of time. The policy is generally taken for one year although it may be for less than one year. This policy is commonly more used for hull insurance than for the cargo insurance. Risks covered under construction are for more than 12 months. There are standard clauses in relation to freight, premium, interests, etc, which are added to this policy. The time policy may be taken in case of goods and other movable vessels.

3. Voyage and Time Policy or Mixed Policies

The elements of voyage policy and time policy are combined in this policy. The reference is made certain period after completion of voyage. It may be beneficial to hull as well as cargo insurance.

4. Blanket Policies

The policy is taken to cover losses within the particular time and place. The policy is taken for a certain amount and premium is paid on the whole of it in the beginning of the policy and is readjusted at the end of the policy according to the actual amount at risk. If the
actual coverage of risk is less than the total amount of insurance, the
premium related to the excess amount is returned to the insured. On
the other hand, if the amounts of shipments are greater than the
insured sum, additional premium is charged over the excess
protection.

5. Single Vessel and Fleet Policies

A ship or a fleet of ships is insured in a single policy, when one
policy is assured, it is called single vessel policy and when a fleet of
ship is insured in single policy, it is called fleet insurance policy. The
advantages of the fleet policies are that even old and weak ships are
also insured. This insurance facilitates easy and smooth functioning
of insurance benefits.

6. P.P.I. Policies

The policy is issued to avoid the complication of the principle of
insurable interest. This is called ‘Policy Proof of Interest’ and is
honored by the insurer even in the absence of insurable interest.
This policy is based on mutual understanding. So, it is called
honoured policies. This is also called wagering policies because
insurable interest is not required; consequently, it cannot be legally
enforceable.
3.4 MOTOR INSURANCE

Motor insurance got recently a great momentum. In the older times, persons, who were injured or killed through the negligence of the motorists could not get financial redress either to them or to their legal heirs because no scheme of insurance was present at that time. To mitigate the financial hardship caused to the persons, the Motor Vehicles Act, 1939, as amended form time to time, has made it compulsory for the motorists to insure against the risk of liability to third parties.

The rate of premium is standardized because the business is tariff. No insurer can charge lower rates the tariff rates and no insurer can grant benefits exceeding than those prescribed by the tariff.

Vehicles for the purpose of insurance are classified as below:

1. Private Car (not used for carrying passengers for hire or reward).
2. Commercial vehicles such as goods carrying vehicles, passenger vehicles, tractors and others.

3.4.1 KINDS OF POLICIES:

The policies under motor insurance are as follows:-

1. Act Liability only.
2. Third Party only.
3. Comprehensive Policy.
1. Act Policies:

This policy is designed to meet the requirements of Motor Vehicles Act, 1939, which provides for compulsory insurance in regard to liabilities arising out of use of motor vehicles in a public place. This kind of policy is limited to physical injury or death of the third parties. Section 95(2) of the Motor Vehicles Act lies down that a policy of insurance shall cover any liability incurred in respect of any one accident.

The Act policy besides the cover as required under the Motor Vehicles Act provides for indemnification of the claimants costs and expenses with the insured becoming legally liable to pay as also costs and expenses incurred with the written consent of the insurer. The policy may extend to indemnify any driver who is driving the motor vehicles on the Insured's order or with his permission provided, he is not entitled to indemnify under any other policy.

2. Third Party Policy

This policy covers the liabilities of third parties who suffered loss in connection with the damage of property and personal injury or death. Thus, this policy indemnifies the insured against his legal liability in respect of damage to property of third parties.

The private car policy extends to indemnify the insured (individual only) against legal liabilities incurred by him subject to limitation of indemnity whilst personally driving a private motor car.
Private car policy covers legal liability of the insured to passengers (not for hire or reward) in the car although under the passengers (not for hire or reward) in the car although under the Motor Vehicles Act it is not required to be covered. Liabilities arising while the motor car is being used in private places are also covered. The policy covers bodily injury or death, property damage and medical expenses. Due to the amendment to the Motor Vehicles Act, 1994, liability on third party claims has gone up as ‘No fault’ as liability compensation has been enhanced and Structured Compensation introduced.

3. Comprehensive Policy:

The comprehensive policy covers the following risks:

1. Damage to car parts or body
2. Removal charges for repairs
3. Third Party liabilities.
4. Costs and expenses incurred with risk
5. Repair charges
6. Medical expenses

Jald Rahat Yojna (Pre-litigation Settlements) has been introduced to help claim and to get payment of compensations without approaching courts. Structured compensation formula has been used for quick settlements of claims.
3.5 MISCELLANEOUS INSURANCE

Burglary Insurance is one of the major classes of business underwritten in the miscellaneous department accounts for a sizeable portion of the department's premium income. For the business house Burglary insurance is as essential as Fire insurance, as it enables them to recoup the losses suffered by them consequent on burglary or house breaking. In addition to the burglary policy, other types of policies giving wider cover also has been devised by the burglary department. The main types of policies are Business Premises Policy, Private Dwelling Policy, Jewellery and Valuable Policy, All Risks Policy and Money in Transit Policy.

3.5.1 Burglary

The criminal law of the country does not speak of an offence called burglary. Hence it becomes necessary for the insurers to lay down in the policy the definition of the term. As normally understood burglary is theft of property from the premises following entry of the said premises by violent and forcible means.

3.5.2 Theft

Indian Penal code in section 378 defines theft as whoever intending to take dishonestly any moveable property out of the possession of any person without the consent of that person or of any person having for that purpose authority, moves that property in order and taking is said to commit theft.
3.5.3 House-breaking:

The word in practice is equal to ‘Burglary’. Section 445 of the Indian Penal Code has laid down a definition of the term. A person is said to commit house breaking by committing house trespass if he effects his entrance into the house (or any part of it) for the purpose of committing an offence, or having committed an offence therein he quits the house. Such entrance or exit being made by use of force in one of the six ways is described in the Indian Penal Code.

Coverage

Business premises are generally covered against burglary and house breaking only. Mere thefts without the use of force and violence are not covered, robbery and dacoit being aggravated forms of theft. Burglary and house breaking fall within the scope of this cover. Under policies issued for private dwellings, the contents are covered against burglary, house-breaking and theft risks. Similarly jewellery and valuables are also insured in the same manner.

3.5.4 All Risks (Jewellery and Valuables) Insurance

Policies under this form of insurance cover risks in respect of jewellery, plate, watch, personal ornaments and other valuable. Loss or damage by any accident or misfortune including fire, theft, robbery from the person, defective settings or fastening and accidental damage are thus covered. The policies do not, however, cover loss or damage:

i) occasioned by or in consequence of war, invasion, act of foreign enemy, hostilities, civil war, rebellion, revolution,
insurrection, military or usurped power, riot, civil commotion, earthquake or other convulsions of nature;

ii) caused by or arising from any process of repairing, restoring or renovating any property insured;

iii) Due to moth, wild dew, wear or other deterioration of inherent defect in any property insured. The insurance is applicable in all places within the geographical limits provided for in the policy.

3.5.5 Insurance of Money in Transit:

This is modified version of Burglary Insurance covering money or securities in transit between the insured’s premises and bank or post office or other specified places or between the insured’s (main) premises and branch premises. The cover is granted only to commercial and industrial establishments.

3.6 PERSONAL ACCIDENT INSURANCE

Personal accident insurance is one of the popular classes of accident insurance and as a supplement to life insurance it provides an ideal protection against death or disability. Though the majority of the policies still issued are to individuals, it has found favour with employers who offer personal accident insurance benefits as a part of the service benefits to their employees.

Due to rapid industrialization, and more and more use of complex machinery industrial accidents are more frequent. To cater
to the varying and increasing needs, different forms of cover are available. Individuals are granted this cover under an individual personal accident insurance policy. For a group of individuals, the insurers have devised a group personal accident insurance policy.

**Coverage**

Personal accident policy provides for specific benefits of insured person suffering injury resulting in death or disablement arising solely and directly from an accident caused by violent external and visible means. The bodily injury within twelve calendar months (period varies) from occurrence thereof shall solely and directly cause or result in death, loss by physical separation and temporary total disablement.

**3.6.1 Features of Policy:**

1. The maximum liability of the insurer is the capital sum insured.

2. The amount of the claim is payable to the insured person or his legal representative in case of death. Appointment of nominee is desirable.

3. No weekly compensation shall become payable until total amount shall have been ascertained and agreed.

4. Personal accidents cover (other than coupon insurance) with another insurer must be within the knowledge and written permission of the insurer or else policy becomes void.
5. Age limit is between 16 and 25 years. The upper age limit may be relaxed in certain cases on merit.

3.6.2 Medical Benefits and Hospitalization Schemes

As part of their service benefits, many employers reimburse to their employees the expenses incurred by their employees for medical treatment. Insurers have, therefore, devised medical benefits and hospitalization schemes which they offer to the employers. There is a tendency on the part of many employers to buy such insurance schemes rather than choosing to reimburse the employees from their funds, because such schemes reduce the cost of providing medical facilities for the employees and cut out clerical work for them.

3.7 RURAL INSURANCE

Rural insurance policies comprise the insurance of the livestock, plantation and horticultural crops. Market agreements have been formulated by the General Insurance Companies for the insurance of cattle, crop, sheep, poultry etc. An attempt is made to provide particulars regarding certain rural insurance schemes.

The GIC and the four subsidiaries viz., National Insurance Co. Ltd., The New India Assurance Co., Ltd., The Oriental Insurance Co. Ltd., and The United India Insurance Co. Ltd. hereby known as National, New India, Oriental and United India have taken the responsibilities of insuring the rural masses against the growing risks in the areas of personal, property, livestock and packages. Their brief
descriptions will highlight how far the General Insurance Industry has been successful to harness the existing opportunities in rural areas.

3.7.1 Livestock Insurance

Livestock insurance refers mainly to the insurance of horses and cattle. Since cattle insurance is discussed later in this section, we shall confine our discussion here to the insurance of horses alone.

A proposal form together with a report from a qualified veterinary surgeon on the form drawn up by the insurers is always insisted upon to minimize the difficulty of identification even as each horse must be adequately described giving colour, natural markings and age. All horses of a particular type owned by the proposer must be insured so as to eliminate the possibility of the proposer making a selection against the insurers. The policy provides indemnity against the losses of a horse by death resulting either from an accident or a disease specified in the policy including the destruction of the animal on human grounds arising from an accident or disease.

Exclusions

Death of the animal arising out of the following, are excluded

1. War and allied risks, strikes, riot and civil commotion

2. Slaughter of the animal without prior consent of the insurers

3. Fire, lighting, seagoing transit, surgical operations, breeding and loss occasioned by the animal becoming
unfit or incapable of fulfilling the functions for which it is kept or employed.

### 3.7.2 Cattle Insurance

The cattle and livestock insurance were demanded since independence. No worth mentioning progress was made till 1972 when the general insurance was nationalized. Recently some progress has been made and figure of the progress has been available since 1982. This insurance provides cover against death of animals, like bulls, buffaloes, cows and heifers, arising out of result of accident, disease, parturition or pregnant condition as the case may be. The insurance is arranged on a kind of the excess basis, and provides for payment of an amount in excess of a certain other amount which is known as first loss. The Policy excludes, inter alia, destruction in compliance with any statute or orders of any government or local authority, or because of unfitness or incapacity from fulfilling duties for which the animal is kept. Any death arising out of castration or other surgical operation is also excluded.

### 3.7.3 Crop Insurance

Crop insurance on a restricted scale is being underwritten in the Fire department where damage by fire to standing sugarcane crops is insured. Insurance of all crops against all risks of loss or damage has not found a beginning in our country so far. One of the chief reasons why crop insurance has not gained currency in the country is the inadequate data available on the position of loss. Since
our country is dependent to a large extent on agriculture, such non-availability of data acts as a damper on undertaking the job. The climate conditions in the country vary from extreme heat to extreme cold and from swamping rains to severe drought. All the same, a beginning has been made and some crops have been insured on input basis, i.e., the indemnity comprises the cost of all inputs like seeds, pesticides, weedicides, fertilizers, manure; labour; water; crop spraying, etc. The crop insured are crops like cotton where controlled conditions of cultivation can be applied. The experiment too is still redimentary and may be extended to other crops like rubber, coffee and tea. GIC has taken up insurance of cotton grown by small and marginal farmers through adoption of Nursery Technology in Gujarat and Maharastra.

The countrywide comprehensive crop insurance scheme introduced by the Government of India commenced from Kharif 1985-86. The GIC has been entrusted with the task of administering the scheme on behalf of the Government. The insurance charges and claims in respect of crops insured in any state is shared between the Central Crop Insurance Fund and Crop insurance Fund set up by the State Government concerned in the ration of 2:1. The GIC maintains close and constant liaison with State Governments, RBI, NABARD, State Cooperative Banks, Commercial Banks, and other agencies involved from smooth implementation of the scheme.
3.11 SUMMARY

Insurance companies bear risk in return for a fee called premium. Thus, insurance companies are risk bearers. They accept to underwrite the risk in return for an insurance premium. Insurance may be defined as a co-operative mechanism to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk.

It is a commonly acknowledged phenomenon that there are certain risks in every sphere of life. For property there are fire risks; for shipment of goods, there are perils of sea; for human life there are risks of death or disability and so on. The chances of occurrence of the events causing losses are quite uncertain because these may or may not take place. Therefore, with this view in mind, people facing common risks come together and make their small contributions to the common fund. While it may not be possible to tell in advance, which person will suffer the losses, it is possible to work out how many persons on an average out of the group may suffer losses. When risk occurs, the loss is made good out of the common fund. In this way, each and every one shares the risk.

The insurance is a social apparatus to accumulate funds to meet the uncertain losses arising through a certain hazard to a person insured for such hazard. In this way the general insurance companies offer various products to fulfil the needs of public. The various
products and their features offered by the general insurance companies are described.

Fire insurance is a device to compensate for the loss consequent upon destruction by fire. Thus the fire insurer shifts the burden of fire losses form their actual victims over to all the members of the society. It is a cooperative device to share the loss. It relieves the insured from the horror of the fire losses to which he is exposed. The nature of policy causes of fire and kinds of policies are provided.

Marine insurance is a contract between insurers and insured whereby the insurer undertakes to indemnify the insured in a manner and to the interest thereby agreed, against marine losses incident to marine adventure. The old form of policy has been practiced today due to its practicabilities which took after a numerous legal decisions during the past centuries. It has been practiced that only form of policy is standardized and different clauses’ are added for applying to various types of policies.

Motor insurance got recently a great momentum. In the older times, persons, who were injured or killed through the negligence of the motorists could not get financial redress either to them or to their legal heirs because no scheme of insurance was present at that time. The policies under motor insurance are Act Liability only, Third Party only and Comprehensive Policy.
Miscellaneous insurance is as essential as fire insurance, as it enables them to recoup the losses suffered by them consequent on burglary or house breaking. In addition to the burglary policy, other types of policies giving wider cover also have been devised by the burglary department. The main types of policies are Business Premises Policy, Private Dwelling Policy, Jewellery and Valuable Policy, All Risks Policy and Money in Transit Policy.