Chapter-2
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History of General Insurance:

The origin of insurance is in loss which is uncertain and which may affect the human life, property, liability and guarantee against unforeseen perils. In ancient times the marine trade included certain conditions which gave the idea of insurance and such contacts were made in Babylorn and India. "Rigveda" which is most sacred book in India religion gave a concept of "Yogakshema" which is more close to the idea of well-being and security of the peoples. The codes of "Hummurabi" and "Manu" also recognised
the provision of sharing the future losses. Which is also near to the concept of Insurance.

However, there is no evidence that insurance in its present form was practised prior to the twelfth century.

History is everchanging and due to the developments there after the main classification of General Insurance came as under:

1. Marine Insurance
2. Fire Insurance
3. Miscellaneous Insurance

Marine Insurance is the earliest form of Insurance. It was followed by Fire Insurance and due to the requirements of modern society many new insurances came and they are known as Miscellaneous Insurance. Let us discuss these developments in detail.

**Development of Marine Insurance**:

Marine trade is one of the oldest from of trade. The trade faced following risks in 13th century.

1. Piracy in high seas.
2. Capture by enemies of the king from whose country the ship had set sail.
3. Wreck and sinking of ship by storms and cyclones on high seas.

The merchants who acquired the ships and mercandise, raised the capital by Bottomry Bonds. It was an advance of money on ship during the period of voyage. If the ship came safely to the port of call, the loan was repaid
with a premium of an amount commensurate with risk. If the ship was lost or sunk, the principal and interest amount were forefeited. Marine traders, therefore agreed upon a voluntary scheme of indemnifying those traders whose ships were lost or captured on high sea or looted by pirates. Thus, whatever happened, the Financial position of the victim was not seriously affected.

In the beginning the operations were entirely voluntary. Later on it moved into the hands of specialists.

The Marine Insurance as a business is believed to have begun from Italy and spread to Spain, France, Germany, Holand and England. Its origin is traced to end of 12th century. It is said that the First Marine Insurance policy was called "Poliza" and was issued in 1300 A.D. in Italy. In the same year "Character of Insurance" was established in Belgium.

Many Italian merchants who were ex-communicated by church in Italy, came to England and settled in a particular street. They were from Lombard in Italy and hence called Lombardies in England. They settled in a street near to London city and their steet was known as Lombardy steet. These merchants were the pioneers in marine Insurance business in England.

Marine Insurance became a subject of regulations during Elizabethian period i.e. 14th and 15th centuries. There were " Chambers of Assurance" organised for individual under standing i.e. members sharing the total risk.
to a specified extent. The adherance to customs and usage of Marine Insurance business was codified and practiced.

The merchants who met at the Coffee house of Edward Liyods under wrote marine risks according to their Financial position. By 1760 the Liyods became the main centre of Marine Insurance. An act of British parliament passed on 25th May 1871 resulted in incorporation of Liyod's association of merchants. The Marine Insurance which was largely based on customs and usage became a law with the passage of Marine Insurance Act 1906.

Development of Fire Insurance:

Fire Insurance developed in sixteenth century. It originated in Germany and later spread to England. In 1609 in Oldenburg in Germany, a scheme was made to identify the fire victims and indemnified them by collecting certain premium. This practice moved to Netherland also. In England donations were collected in churches to indemnify the fire victims. Assessment of risk and determining premium was a major hurdle in development of the fire insurance business.

The city of London was revaged by a great fire in 1666, 85% of the houses were reduced to ashes in that fire. Loss of property was estimated at $100 million. This and the industrial revolution gave impetus to development of fire insurance business. There was great expansion of factories. Machines material etc., due to industrial revolution. For
protection of these assets against hazards of fire, fire Insurance was in demand in Large measure.

While there was great demand for fire insurance cover, the system of reinsurance was not in vogue in 18th century. Some of the owners of factories insured the same property with more than one insurance agency. Thus, the value of the property which could not be fully covered by one insurance cover was covered by more than one insurance policy.

In course of time the insurers learnt to refire their practice. Their new practices were as under :-

(i) If the same property were insured with more than one agency, endorsement of policy by other agencies were made compulsory.

(ii) Loss of fire arising out of invasion, foreign enemy, usurped power were not insurable.

(iii) Hazards were classified by degree as common, hazardous and doubly hazardous and different rates of premium was charged.

Further courts gave decisions on the delicate issues arising out of assignment and transfer of fire policies.

In 1846 the practice among the Scottish Companies as to reinsurance were regularised and made subject to an agreement.

**Development of Miscellaneous Insurance:**

Other forms of miscellaneous insurances are :

Burglary Insurance

Personal Accident and Health Insurance
Fidelity Guarantee Insurance
Engineering Insurance
Aviation Insurance
Employer's Liability Insurance.

The first attempt was made for the issue of burglary policy in 1787 but until 1890 this kind of insurance did not become popular.

Around 1840 personal Accident Insurance business cause into existence. Forty five years later in 1885 the insurance cover came to be extended to sickness also, particularly covering disablement due to sickness.

Fidelity guarantee insurance also were developed about the same time as introduction to personal accident insurance.

About the middle of nineteenth century steam boiler insurance made its appearance. It was widened to cover Engineering Insurance. Machinery breakdown, protection to plant and Machinery against all risks were added to boiler insurance and was named as Engineering Insurance.

Aviation insurance is relatively new product invention.

With the passing of Fatal Accident Act, 1855, it became a necessity to have a cover against employer's liability and hence the employer's liability insurance was developed.

In 1939 the Motor vehicle Act was passed in India. It made it compulsory for every motorist to insure the vehicle against risk of third parties.
Motor Insurance was first started in U.K. With the insurance of policy in 1895. It covered only third party liability. Accidental damage to car was started in 1899.

Currently there are specialised insurance policies such as Plate Glass insurance, Horses insurance, Cattle insurance, Sports insurance, Pedal cycle insurance, Cycle Rickshaw insurance, Missing document indemnity, Crop insurance, deposit insurance etc. This is not an exhaustive list but few illustrations. Due to recent competition in the market caused by new private players the G.I.C. has to come forward with new products of insurance for survival in the business by getting new clients. Development is very fast and liberalisation and globalization has given an opportunity to know the benefits, rights and claims procedure known to customers and for this reason too the future of G.I.C. is hopefully sound and a great player in the insurance market.

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