CHAPTER - II

CONCEPT OF INSURANCE
AND
TYPES OF INSURANCE POLICIES
"WE SELL CONTRACTS FOR TIME AND MONEY,
WE CANNOT GUARANTEE TIME,
BUT WE CAN GUARANTEE MONEY THROUGH
INSURANCE".

MARKETING VISION
(IFCERT).
CHAPTER-II.

CONCEPT OF INSURANCE AND TYPES OF INSURANCE POLICIES.

The general object of any contract of insurance is to mitigate financial loss arising on account of fortuitous events like fire, accidents etc. The general theory of insurance is that loss incurred by a few is shared by many and this sharing of loss is accomplished through the agency of insurance company. When applying the general theory of insurance to loss of human life, certain difficulties are encountered. Therefore principle of indemnity cannot be applied to life insurance without modification.

One of the objects of life insurance contract is to encourage thrift savings through life insurance schemes today. It constitutes the foundation for economic prosperity, the individual and society prosperity. A unique feature of life insurance contract is the creation of an immediate estate created at inception out of all proportions to the initial contribution made. This lessens mental disturbance of worry and gives sense of security to individual. The essential feature of life insurance like any other insurance is its element of protection. Insured have a sense of protection because in the event of his death, the insured sum will be paid to his nominees. Moreover investment element is also important.

Therefore, insurance is there to help the unfortunate few who find themselves the victim of loss or accident.

MEANING.

According to Oxford Dictionary, the meaning of "Insurance" is "Securing payment of money in event of loss or damage to property, life etc. by payment of Premium".
In broad sense meaning of insurance can be discussed as, In day to day life the man is confronted with various risks. However great a genius he may be, it is not possible for him to foresee all the calamities that are in store for him and to provide for them in advance, insurance is the only remedy. Many happy lives are ruined either by the untimely death of the earning member of the family or by other disastrous calamities such as floods, fire, earthquake, war, accident etc., which may take a heavy toll of human life and property. "The occurrence is bound to happen. Death will come, fire will consume, tornado will strike. In some cases the probability of the occurrence or the amount of the loss may indeed be somewhat lessened by the preventive action. A good Police force will diminish burglary, an efficient fire department and a model building code may decrease fire losses, carefully devised factory laws will lessen accident.

Similarly, nutritive diet, improved sanitation and efficient medical service may enhance the average expectation of life. The preventive action though helpful in lessening or shifting the risk, cannot eliminate it altogether.

These risks are such which cannot be known in advance as to when they will happen and it is physically impossible for an individual to make provision against them by itself. Insurance is a device not to avert these risks but to mitigate their rigours on individuals.

PARTIES TO INSURANCE.

There are several parties generally involved in a bargain (legally known as contract) of insurance.
Two main parties involved in such contract are discussed below.

(A) Insurer or under writer:—The party who takes and accepts risks for a premium and agrees to pay full value in case of loss or damage caused by such risks.

(B) Insured or Insurant:—The party who gives or transfers such risks to the insurer or underwriter, on his life or property or goods and pays premium.

TERMINOLOGY.

The party who seeks protection against a particular risk is called the insured, while the party undertaking to protect the insured is called insurer. Mostly the insurers are Insurance Companies these days. The amount for which the risk is insured is called the insured amount or policy money or is also known as face value of the policy. The amount which is paid by the insured to the insurer as a consideration of the insurance contract is called the premium, this is the price of insurance. The document which contains the terms and conditions of the insurance contract is termed as the Insurance Policy.

RISK

The insurance business is a social device for eliminating or reducing the cost to society of certain types of risks. Risk means the chance of loss. Two things are implied here. Firstly uncertainty as to the outcome of some future event or events secondly loss as the result of at least one possible outcome.

The term 'risk' occurs frequently in insurance
transactions. To the ordinary man on the street risk means exposure to danger. But, for insurance purposes risk means uncertainty about loss i.e. financial loss or loss which can be satisfied with finance.

Financial loss may take several forms. For example, a factory building may be burnt. This is a physical loss. Because of the damage by fire, the production in the factory is stopped. This causes loss of profits. The fire in the factory premises has spread to a nearby godown, whose owner files a civil suit for damage caused to his godown. Because the fire was caused by negligence, the court awards that the factory owner shall pay compensation to the owner of the godown. This is a financial loss arising out of legal liability. The factory suffers serious injury to his right arm. This causes financial loss to him in terms of medical expenses (which can be measured). This is a financial loss arising out of bodily injury.

Hence there are two categories into which economic risks may be divided according to their nature, that is,

(A) Speculative Risks.
(B) Pure risks.

In both these classes there is uncertainty as the outcome of the event under consideration, with at least one outcome producing loss. In case of speculative risks, there is also a possible outcome producing profit which could not result from pure arisks. Thus speculative risks can result in a gain or a loss. For example, Due to out break of war, one business may suffer loss, another may make profit. One more example may be cited here,
that is, any new commercial or manufacturing enterprise, even under the best laid plans there is more or less uncertainty whether the enterprise will succeed or fail. If it succeeds it will yield profit. Failure means loss. A simpler example of speculative risk is the ordinary wages on the loss of a coin or throw of a dice.

Possession of any form of distributable property is an example of pure risk, and its destruction results in loss, while its prevention does not itself yield any increase in value or profit. Pure risks always produce losses. Hence insurance covers pure risks for money.

**DISTINCTION BETWEEN LIFE AND GENERAL INSURANCE.**

Life Insurance is a contract for payment of a sum of money to the person assured on the happening of the event insured against in consideration of payment of periodical premiums. Usually the contract provides for the payment of a stipulated amount on the date of its maturity or at unfortunate death of the life assured, if it occurs earlier. General insurance is a contract between the insurer and the insured whereby in consideration of payment of premium by the insured, the insurer agrees to make good any financial loss the insured may suffer due to the incidence of a peril insured. In life insurance the contingency insured, that is, death or survival is certain but in general insurance the peril insured against is uncertain. General insurance means product/belongings insurance where as life insurance is insurance of a person's life. But life insurance is more popular, because people are of the opinion that if a bread earner is alive then products can flow in. Moreover in case of general insurance if
calamity does not arise during the term of policy, then premium paid is lost whereas in case of life insurance immaterial of death or not during the term of policy, the premium is given to the policy holder along with bonus depending upon the terms of policy.

**TYPES OF POLICIES.**

There is no clear cut demarcation or classification as to Urban Insurance in Life of General Insurance, that is, all policies can be taken by everybody or anybody if principle of insurable interest is applicable.

But on the basis of utility and characteristics of the policy and also taking into consideration the nature of population in urban and rural area, some classification has been made in General Insurance schemes. The main forms of insurance in case of general insurance are fire, Marine and Motor and Miscellaneous. But the sub-forms of the main forms of insurance which fall under Urban Non-Traditional Insurance schemes are applicable mostly to urban population and are the major form of policies under discussion for this study.

The main categories of Life Insurance and General Insurance schemes transacted are given in the chart below.
FORM the data collected from various sources the following list gives in a summary form, the entire picture of the types of polices offered by L.I.C. and G.I.C, under the main categories of Urban Non-Traditional schemes and Life Insurance Schemes. As already mentioned all schemes are open to any body, whether it is urban or rural area. Hence following is the list of the types of polices under the main category.
Urban Non-Traditional (General Insurance).

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I) General Schemes

1) Burglary and House Breaking, House Holders Insurance.
2) Machinery Break Down Policy.
3) "All Risk" Insurance.
4) Contractors "All Risks".
5) Medi-Claim Insurance.
6) House-breaking (Business Premises).
7) T.V, V.C.R. & V.C.P.
8) Glass-Plate Insurance.
9) Domestic Pumpset Insurance.
10) Workmens Compensation Insurance.
11) Personal Accident Insurance.
12) Bhavisa Arogya.
13) Childrens Birth Right Insurance.
14) Cancer Medical Expenses Insurance.
15) Baggage Insurance.

II) Schemes Generally meant for industries.

1) Boiler and Press-Plant Insurance.
2) Machinery Break Down Policy.
3) Project Insurance.
4) Contractors "All Risks".
5) Life Insurance (Third Party Insurance).
6) House-breaking (Business Premises).
7) Professional indemnity.
8) Cash-in-transit.
9) Group Accident Insurance.
10) Product liability.

III) Social Security schemes (Though mentioned in rural, but applicable to urban population also).

1) Hut Insurance.
2) Janata Personal Accident Scheme.
3) "All Risk" Insurance.
4) Contractors "All Risks".
5) Life Insurance (Third Party Insurance).
6) House-breaking (Business Premises).
7) Professional indemnity.
8) Cash-in-transit.
9) Group Accident Insurance.
10) Product liability.
12) Public Liability Insurance.
LIFE INSURANCE SCHEMES.

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<th>Oldage Policy</th>
<th>General Schemes</th>
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<td>2) Jeevan Bal</td>
<td>2) Jeevan Sarita</td>
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<td>12) Janarksha Policy</td>
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<td>13) Asha-Deep</td>
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(A) GENERAL INSURANCE SCHEMES.

The main category of general insurance schemes are as follows.

(1) FIRE.

The fire policy covers loss/damage for fixed assets and
stocks as a result of fire, lightning, explosion of domestic and explosion of gas used for domestic purposes. Losses caused as direct consequence of fire are also payable. For eg: Damage to property during removal of belongings from a burning building, expenses incurred to extinguish fire etc. Additional perils can be covered under this policy by paying extra premium. For eg. Malicious damage, Riot, strike, storm, cyclone etc. If any alterations are made they should be immediately informed to the company. For trade etc. Description of all the property insured should be given and the warranties should be strictly complied with, as to those mentioned on the policy cover.

(2) **FIRE (LOSS OF PROFITS).**

Loss of net profit due to interruption of business consequent on the operation of fire or any other allied peril insured under the basic fire policy. The fire consequential loss insurance policy will be issued only in conjunction with the fire policy for the property relating to the business and those perils for which the fire cover has been extended.

(3) **MARINE TRANSIT POLICY.**

It is advisable to insure all items under transit against "All Risks" in respect of war, imports and exports and strike riot and civil commotion risks in respect of inland transit. Risk covered under this policy are all physical losses accidental in nature, damage breakage, leakage, shortage, fresh water, rain water damage, theft, pilferage, non-delivery, malicious damage etc. Risk is covered from the time the goods leave the despatch warehouse till they reach the destination warehouse the risk does not cover for wilful misconduct, wear and tear, delay etc.
(4) **MARINE CUM ERECTION.**

Firstly it covers for transit risks to take care of the interest during the transit from the suppliers warehouses to the site of erection. Secondly it also covers the interest during storage erection, testing and commissioning. All risk covered under transit policy is also covered against war, strike, riot etc. For erection the risks covered are fire, riot, strike, malicious damage, storm tempest, flood, earth quake, theft and burglary of property stored at the site of erection. It also covers damages to equipment during the commissioning and testing.

(5) **MOTOR.**

Though it is advisable to insure all vehicles on comprehensive basis. But the risk covered under this policy fall under two heads, that is, firstly damage to vehicle and secondly liability to third parties due to the use of the vehicle. Even riot, strike, flood, storm and earthquake etc, are included in the basic comprehensive policy. If any of these risks are not required to be covered then the client is eligible for certain discounts. The risk covered under comprehensive policy for private cars, motor cycle, commercial vehicle are as follows.

a) Loss or damage to vehicle.

b) Fire, Malicious damage.

c) Risk whilst in transit by road, rail, inland waterways, inland air ways etc.

d) Burglary, house-breaking or theft.

e) Expenses incurred at garage to the maximum of Rs. 300/- for private cars, Rs. 100/- for motor cycle and Rs. 500/- for commercial vehicles.
f) Liability towards death or bodily injury to any person including occupants carried provided they are not carried for hire or rewards in case of private cars. Liability to drivers in case of motor cycle or two-wheeler, liability to driver, cleaner, coolies or passengers in pursuance of a contract in case of commercial vehicles.

g) Liability to third party (Death or bodily injury).

h) Damage to property or other belonging to third party.

Same exclusions are also prevalent under this cover, for example, Driving by a person other than a duly licensed driver consequential loss, depreciation and wear and tear etc. In case of third party only liability to life and property of third party is covered.

6 MISCELLANEOUS.

Miscellaneous Insurance Department deals with covers which are not traditionally handled by Fire, Marine and Motor Departments. Hence are known as non-traditional business. Frontiers of Miscellaneous Department are ever expanding. Additional covers have to be devised to cater to the changing needs of the insuring public. In the miscellaneous department some covers are governed by Tariff, certain others are subject to market Agreement and the rest are left to the discretion of the Insurers. In Miscellaneous Insurance again their are two categories, Firstly Rural Non-Traditional and Secondly Urban Non-Traditional. But specifically only urban non-traditional business is taken into consideration for this study. Again further bifercation is made only for the study i.e. Allied Scheme/General
The Burglary Insurance policy covers loss or damage by burglary or house-breaking. It covers any damage to the premises, caused by burglars, if the insured is responsible for such repairs. The policy defines the term Burglary as theft involving entry or to exit from the insured premises by forcible and violent means or theft committed after assault or violence or threat to the insured or his family members. Loss arising out of some actions are not payable such as, theft committed by using duplicate keys. But if duplicate keys are obtained by violent means then it will be paid, war, storm flood earthquake etc. is also not covered.

HOUSE HOLDERS/PACKAGE POLICY INSURANCE.

It is designed to cater to the requirements of the householder by combining under a single policy a number of contingencies which are otherwise covered separately. The policy covers against fire, lightning, explosion of gas, in domestic appliances, bursting and over flowing of water tanks, riot, strike, malicious damage, earthquake, flood, storm impact and damage etc. It also covers burglary, house breaking, theft etc. If proposer desires to specifically insure items of Jewellery and valuables, can be insured against loss or damage by accident or misfortune. Even loss or damage to fixed plate glass in the insured premises by accidental breakage subject to the limit of the sum insured and break down of domestic appliances, where in
damage caused by mechanical and electrical breakdown. Moreover, T.V. set is also covered against fire, lightning, bursting earthquake, flood etc. and electrical breakdown lightning, bursting earthquake, flood etc. and electrical breakdown legal liability up to Rs.25,000/- and damage to insured's own property due to collapse of antenna up to Rs.3000/- Even pedal cycle is covered against fire, riot, strike etc. Baggage of insureds accompanied whilst the insured is travelling on tour or holiday anywhere in India is also covered which is baggage insurance. Lastly death or bodily injury by accidental, violent, external and visible means to the insured persons named in the proposal and subject to limits as specified in the schedule, and even legal liability for bodily injury or loss to property of third party and litigation expenses up to the limit of Rs.25,000/- and Public liability is also covered to the employees under Fatal Accidents Act 1855 and Workmen's Compensation Act, 1923.

(3) "ALL RISK" (JEWELLERY AND VALUABLES).

It covers jewellery and valuables against loss or damage from any fortuitous cause except wear and tear, depreciation, moth or vermin, any process of cleaning, repairing or restoring invasion etc.

(4) PEDESTAL CYCLE INSURANCE.

If covers loss or damage of pedal cycle by accident, fire, external explosion, malicious damage, theft and liability to third parties towards death or bodily injury to any person and to the property to the maximum limit of Rs.10,000/-. 

(5) MEDI-CLAIM INSURANCE.

As per this policy, if any insured is hospitalised the
company will pay to the insured person the amount of such expenses as are actually and necessarily incurred in respect there of anywhere in India by or on behalf of such insured person. The age limit for this cover of insured is 5 years to 70 years. But hospitalisation starts only after 30 days for diseases from the commencement of the policy. However, it is not applicable to renewal policy. Even family discount is given, when the insured and family, that is spouse, dependent children and parents are covered.

(6) **OVERSEAS MEDI-CLAIM POLICY.**

Overseas Medi-claim covers any one between the age of 5 and 70 years for the cost of any medical emergency in any part of the world. The cover extends right from the time one undertakes a journey to the time one returns, subject to the period of insurance selected. This policy is not intended for people to get pre-planned medical treatment abroad. It is meant only for sudden or unexpected illness, emergencies or accidents arising during one's stay overseas. Persons undertaking bonafide trips aboard for business, official, professional purpose including training assignment officially sponsored are eligible for this cover including either groups or individual. Premium is paid in Indian rupees and claim is paid in foreign exchange without any special application to R.B.I. The premium is payable per trip, depending on the age, duration and destination.

(7) **T.V.V.C.P. AND V.C.R. INSURANCE.**

These items are covered in house holders policy, but specifically only these items can be covered for a comparatively
smaller premium. The insurance is against loss or damage for T.V, V.C.P and V.C.R. described in the proposal or any part thereof due to any cause whatsoever except the amount payable on account of accidental bodily injury to any person not being a member of the insured, household or service and accidental damage to property not belonging to insured's family or household. The maximum claim amount is Rs.25,000/- for all claims arising out of any one event.

(8) **GLASS-PLATE INSURANCE.**

It covers loss of insured's glass occasioned by breakage. The indemnity is value of the glass at the time of occurrence of loss or insured's estimate of value mentioned in the proposal which ever is less. The policy does not cover breakage caused directly or indirectly through fire, gas heat etc. or any loss that could be covered by a fire policy, even earthquake, volcanic eruption etc. is not covered. Moreover loss or damage to window frames and fittings, cracked or imperfect glass or scratches etc is not covered. The insured shall take all reasonable precautions to protect the glass while possession, building alterations, or repairs etc. The policy can be cancelled from both side within 7 days notice in writing.

(9) **DOMESTIC PUMPSET INSURANCE.**

The domestic pumpset is covered for loss due to short circuit, single phasing, faulty design, lack of skill, fluctuation in power supply, theft, Burglary, fire and lightning. The premium is based on H.P. of electric motor. The standard policy provides the necessary protection against losses, indemnifies against unforeseen and sudden physical loss, by Mechanical/Electrical break down of the insured set.
WORKMENS COMPENSATION INSURANCE POLICY.

The Indian workmens compensation Act 1923 provides for the payment of compensation by the employer to his employees (for their dependants in the event of fatal accidents) if personal injury is caused to them by accidents or disease arising out of and in the course of their employment and in addition the company will also pay for all legal costs and expenses incurred with its consent in defending any claim for such compensation. The maximum and minimum compensation payable depends upon the following scale as per W.C.Amendment act.1984.

<table>
<thead>
<tr>
<th>I) Total injury</th>
<th>Minimum 20,000/-</th>
<th>Maximum 91,416/-</th>
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<tr>
<td>II) Permanent total Disablement</td>
<td>24,000/-</td>
<td>1,14,270/-</td>
</tr>
<tr>
<td>III) Permanent Partial Disablement</td>
<td>According to incapacity caused.</td>
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</tr>
<tr>
<td>IV) Temporary Disablement</td>
<td>Rs.500/- Per Month upto a period of 5 years.</td>
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According to the latest amendments in 1984. The wage limit was removed by omitting the words, "On monthly wages not exceeding Rs.1000/- as a result the W.C. Act would apply to all employees irrespective of the amount of wages. However it states that, where the monthly wages of a workman exceeds Rs.1000/-, his monthly wages for the purposes of computation of compensation for Death and Permanent Disablement shall be deemed to be Rs.1000/- only". Therefore calculations for maximum liability under the act would be based on a monthly wage of Rs.1000/- only.

This policy is very beneficial to the employer because
every time it is difficult for him to pay compensation. The employer should take steps to ensure that every accident is brought to the notice of the company. Every fatal or serious accident should be reported to workmen's compensation commissioner within the time limit specified in the Act. The compensation should be deposited with the commissioner and then it is paid to the person concerned.

(11) PERSONAL ACCIDENT INSURANCE.

The policy provides compensation in the event of the insured sustaining injuries, fatal or otherwise, resulting solely and directly from accident caused by external, violent and visible means, then the company undertakes to pay the insured or his legal personal representative, as the case may be, within 12 calendar months of its occurrence, of such injury results in death, loss of 2 limbs or 2 eyes or one limb and one eye, permanent total disablement, permanent partial disablement, and temporary total disablement. Moreover the expenses incurred for carriage of dead body of insured (only if death caused due to accident) to place of residence is also given but subject to the maximum of 2% of capital sum assured or Rs.1000/- which ever is less.

(12) BHAVISA AROGYA.

It is a scheme which helps a person in his earning phase to provide for his old age hospitalisation expenses. The annual instalments are to be paid from the age of entry upto the age of retirement. Even one time payment of premium at the time of entry can also be made. The earlier, one enters into the scheme, the lower premium, is to be paid. Bhavisa Arogya provides hospitalisation expenses upto Rs.50,000/- for the rest of insureds
life from the selected retirement age. But at a time per illness one can get only a maximum of Rs. 20,000/-. An earliest enterant for this policy ought to be 25 years and maximum late entry is 4 years prior to retirement age selected. Retirement age can be selected from 55 to 60 years of age. But the policy does not cover injury or disease directly or indirectly arising from Invasion Foreign Energy Etc. Even routine eye examination and cost of glasses, dental treatment, general weakness, medical check-up, expenses of vitamins, hospitalisation expenses incurred out side India is not covered. Moreover Domiciliary hospitalisation benefits for asthma, Bronchities, Diabetes, Hypertension, Cough, Arthritis etc. will not be covered. There is also a tax benefit under section 80 D of the income tax act.

(13) **CHILDREN BIRTH RIGHT INSURANCE.**

The policy can be obtained by the expectant mother, father and the employer of the expectant mother up to 3 months of pregnancy. The employer may already have schemes for the health of employees which covers medical care for delivery. But the child of the employee is not covered. The cost of correcting a congenital defect is very high. Hence employer can obtain it on behalf of the employee if expectant.

Even expectant father and mother can take the benefit. For expectant mother what could be more heartening than the arrival of a baby. The preparation to welcome a new born starts months before its due. Taking into account unforeseen aspects of the anticipated events, there may be remote possibility that the new borned baby may require special medical alteration that may
prove to be very expensive. In case of babies born with congenital defects, immediate medical treatment would be necessary. This may be prolonged for considerable period of time and may also involve expenses on account of surgery and other things. The policy does not cover ionising radiations or contaminations by radio-activity, expenses of vitamins and tonics etc.

(14) **Cancer Medical Expenses Insurance.**

This policy is introduced in collaboration with the Indian Cancer Society. Any person who has been admitted as a member of the society can get the benefits of this scheme. The policy lapses immediately after the insured ceases to be a member of the society for any reason. On payment of prescribed membership fees, the membership will be allotted by the society. But cancer check-up will be done before membership is given. The insurance premium is Rs.100/-p.a. This policy covers the member and his/her spouse for the purpose of meeting the cost of treating the cancer. If either of two contracts cancer earlier then he/she will be entitled to benefits of the policy. In that case the other partner will not be entitled for benefits. No other relation except the spouse is covered. The policy covers expenses upto Rs.50,000/- for costs of diagnosis, biopsy surgery, chemotherapy, radiotherapy, hospitalisation and rehabilitation etc.

(15) **Baggage Insurance.**

This is covered in House holders or Package insurance as a part thereof. But a separate baggage Insurance can also be availed of. This policy covers personal accompanied baggage of the insured and or his family members travelling with him against the risks of their baggage being lost, destroyed or damaged by
accident, fire or theft. Extra premium will have to be paid for special items like camera, jewellery, musical items etc. The policy does not cover wear and, tear, moth, vermin etc.

(II) **GENERAL INSURANCE SCHEMES.**

(GENERALLY MEANT FOR INDUSTRIAL/BUSINESS PURPOSES)

The schemes under this category are as follows.

(1) **BOILER AND PRESSURE PLANT INSURANCE.**

This policy covers explosion of a Boiler or Pressure vessel, due to steam pressure which is rare, but when any explosion in a boiler as pressure vessel due to steam pressure takes place, it is catastrophic. If not only damages itself, but also the machines surrounding the boilers as well as personnel working in the Boiler House. It will also damage the property of neighbouring industry involving third party liability. Even collapse of pressure vessels due to conditions created due to lack of steam pressure or condensation of steam is also covered.

(2) **MACHINERY INSURANCE POLICY.**

Even in a well-known industry inspite of best preventive maintenance procedures adopted, accident to machine resulting into a break down is experienced. Causes could be many, for example, faulty material, unexperienced operator of machine, malfunctioning, electrical short-circuits etc. Any industrial machine like compressors, pumps turbines etc. as also electrical machines such as transformers, electrical motor generator etc. can be covered under this insurance policy. There is another policy much similar to this, where in loss of net profit due to interruption of business consequent on the operation of any peril insured under
the basic machinery break down policy. This policy covers standing charges and increase in cost of working etc. It is an extension to the main machinery break-down policy.

(3) **PROJECT INSURANCE ERECTION ALL RISKS.**

This policy is for a particular project and ends as soon as the project ends depending on the period of the policy. Various details have to be furnished, while obtaining the policy like the type of work, location of site etc. All the material at site till erection are covered under this policy.

(4) **CONTRACTORS, ALL RISKS INSURANCE.**

Calamities, strike without any warning is covered. It therefore, pays to be cautious particularly when so much money, material and man-power is at stake. It is specially designed for civil engineering project like dwelling houses, building, business houses, bridges etc. that is, construction work. The policy besides covering civil engineering projects undergoing construction, also extends coverages to the temporary structures and on site equipments.

(5) **LIFT INSURANCE (THIRD PARTY).**

This policy covers legal liability at law for compensation of any accidental death or bodily injury sustained by any person whilst in the lift. The employee or person being a member of insured's household etc. is not covered. Hence only third party is covered. The policy can be cancelled by giving 7 days notice in writing on either side.

(6) **HOUSE-BREAKING INSURANCE (BUSINESS PREMISES).**

This insurance policy provides cover against loss or
damage by Burglary or House breaking, that is, theft following on actual forcible and violent entry of and or exit from the premises in respect of contents of offices, warehouses, shops, etc and cash in safe or strong room and also damage caused to the premises. But it does not cover loss or damage arising from war, riot, strikes, etc.

(7) **PROFESSIONAL INDEMNITY.**

Any person who acts in a professional capacity is bound to excercise the care and skill required by a competent practitioner in that profession. If he fails, then he is open to an action being brought against him by his client. Any person having a profession can obtain this policy like Engineers, Doctors, Solicitor, Chartered Accountant, etc. which covers gross negligence of staff, error of judgement etc.

(8) **CASH-IN-TRANSIT POLICY.**

This insurance policy not only covers loss of money in transit, by the insured or insured’s authorised employees occasioned by robbery, theft or any other fortuitous cause. It also covers loss by burglary or house breaking whilst money is retained at insured’s premises in safety or strong room. The policy does not cover loss or damage due to flood, cyclone, earthquake use of duplicate keys etc.

(9) **GROUP ACCIDENT INSURANCE POLICY.**

This policy is applicable to group of persons. The policy is exactly similar to Personal Accident Insurance for individuals. Two types of group policies can be obtained, one covering employees of firm, company, association or club and other
a covering members of an institution, society, association or club are covered in groups.

(10) **PRODUCTS LIABILITY INSURANCE.**

This insurance covers legal liability arising out of defective product manufactured and have left the premises. But maximum limit of indemnity under this policy is restricted to Rs.3.5 crores in any one year and applies only to liability arising within India. Even export to U.S.A/Canada and other countries can be covered together with domestic turnover. But this cover is available subject to signed declaration by the insured as regards fulfilment, of all statutory requirements. Payment is made in Indian rupees only.

(11) **ELECTRONIC EQUIPMENT INSURANCE POLICY:-**

This policy covers electronic equipments against material damage, and increased cost of working. Under material damage computer and other equipments are covered against sudden physical loss, repairs or replacements. Even any additional expenses incurred for the use of substitute E.D.P. Equipment, consequent on damages to the equipment covered under the policy resulting in partial or total interruption is paid. It does not cover costs incurred for maintenance, existing faults or defects, deductible franchise etc.

(12) **PUBLIC LIABILITY INSURANCE.**

It has been effective from 1.1.88. It applies to industrial and storage risks such as godowns, tank farms etc. with aggregate limits upto Rs.15 crores within geographical limits of India. Moreover Public liability Insurance Bill has been passed by Parliament and one has to take this insurance cover if one falls
under the purview of the Act before 31.3.92. The policy covers death, total permanent disability, partial disability, loss of wages due to temporary partial disability not exceeding Rs.1,000/- per month maximum up to three months subject to hospitalisation exceeding three days. Moreover medical expenses up to Rs.12,500/- and property damage up to Rs.6000/- on damage to private property not belonging to leased. The beneficiaries for this policy are other than the owner including employees not definable as workmen as per the workmens compensation act.

(III) SOCIAL SECURITY SCHEMES.

Following are the social security schemes meant for down trodden people.

(1) HUT INSURANCE.

The policy is applicable to labourers and other poor workers residing in huts. One of the important criteria for getting the benefit is that the total income of the whole family should not exceed Rs.4800/- per annum. Moreover compensation is paid only when the hut catches fire, hence there are not other coverage for this scheme. Claim should be forwarded within forty-five days of accident. Claim is paid by Central Government of India with the help of General Insurance Corporation and its subsidiaries. Not many are aware of this scheme and hence has not gained popularity.

(2) JANATA PERSONAL ACCIDENT.

This policy is evolved for the benefit of the common man and can be taken by any person between the age group of 10-65 years. The sum assured is Rs.15,000/- and the annual premium amounts to Rs.12/- only. A person is covered against death and
accident under this scheme. In the event of claim for death, the nominee has to submit the original policy along with claim form and death certificate etc. Inspite of low premium it is not very popular.

(B) **LIFE INSURANCE SCHEMES.**

Life Insurance have a separete stream of policies compared to that of general insurance. The life insurance contract provides elements of protection and investments. The life insurance schemes taken for this study are as follows.

(I) **LIFE INSURANCE SCHEMES MEANT FOR CHILDRENS.**

(1) **JEEVAN KISHOR.**

Both male and female child between the age group of 1 to 12 years are eligible on behalf this plan. Either the father or mother can obtain this policy on behalf of the child. Mother can only obtain the policy only if she is earning. If both father and mother are not alive, even legal guardian can propose. Age proof is necessary. Premium is dependent on the age at entry and the selected maturity age. that is, for the number of year policy is obtained. Minimum term for obtaining policy is 10 years and maximum is 35 years.

(2) **JEEVAN BALYA.**

This plan is specially designed to enable a parent who is the proposer to provide for child, by payment of a very low premium, a Endowment Assurance policy. The risk commences on the age nearer to 21 years of life assured.

Under this plan the minimum sum assured is Rs.50,000/- and maximum is Rs.1,00,000/-. The age of the proposer can be between 21 years to 50 years on the date of taking the policy. The age of the
assured should not be more than 17 years for being eligible for this policy. Premiums depend on age at entry and maturity age.

(3) **JEEVAN CHAYA.**

This policy is combination of Jeevan Mitra and Money Back policy. The couples having a child (not adopted) and the child not being more than one year is eligible for this policy. Policy cannot be obtained within 3 months of the delivery, and should be obtained before first birthday of the child. One forth of sum assured each is given at the end of last four years of the term of policy. For example, If the term of policy is 20 years, one forth of the sum assured will be paid at the end of 17th, 18th, 19th and at the end of last year, that is, 20th year, one forth amount, along with bonus will be paid. The term of the policy can be 20 to 25 years. Maximum sum assured is 1,00,000/- and minimum is Rs. 10,000/-. This plan is very beneficial.

(4) **JEEVAN SUKANAYA.**

This policy is only meant for female child. This policy can be obtained in between the age group of 1 year to 12 years. But the risk on the life of the child will commence at the age of seven or after two years from obtaining the policy. Once the policy holder (Female/Child) gets married, then her husband is also covered under same policy, but on the terms and conditions laid down by the insurance company. The minimum sum assured is Rs. 10,000/- and maximum sum assured is Rs. 5,00,000/- including the sum assured of Jeevan Kishor Policy if obtained for the same child.

(5) **CHILDRENS ANTICIPATED POLICY.**

On behalf of the child the parents can obtain this
policy. If parents are not alive then legal guardian can also obtain this policy. But risk on the child's life will commence at the age of 18 or 21 years as desired by the proposer. Policies under this plan will be issued on the lives of both male and female up to 14 years of age and/or 17 years of age. Under this plan proposals on the lives of minors will be entertained only if the social, cultural and educational background of the family is good and provided father and other insurable members of the family are adequately insured. The minimum yearly premium is Rs.250/- and minimum sum assured is Rs.10,000/-.

(6) **CHILDRENS DEFERRED ASSURANCE.**

The policy is similar to the above, with the basic difference that the risk commences when the child attains the age of 12 years. The period from the date of commencement to the date on which the risk commences is called the deferment period. Sum assured will be payable on attainment of selected maturity age or on death if it occurs after the expiry of the deferment period, but prior to selected maturity age. The minimum sum assured is Rs.10,000/- and maximum is Rs.2,00,000/-. Mode of payment of premium is yearly only. Moreover medical examination is compulsory.

(II) **JOINT INSURANCE POLICIES.**

Such policies which can be jointly held by both the husband and wife are as follows.

(1) **JEEVAN SATHI.**

This policy is issued on the lives of husband and wife subject to certain in rules and regulation. The sum assured is paid on the first death and again on the death of the survivor during
the term of the policy. Vested bonus would also be paid along with
the sum assured on second death. If one or both are alive till the
maturity date then the sum assured along with the vested bonus is
payable on maturity. The premium is payable during the joint life
time of the two lives and cease on the first death or on the
expiry of the selected term which ever is earlier. Accident benefit
is available under this plan on the first death occurring due to
accident.

(2) **JEEVAN SARITA.**

This plan is offered only to lives who are husband and
wife. This plan was introduced to over come the draw back of
Annuity plan. This is joint life Assurance cum last survivor
Annuity plan. Minimum age at entry is 21 years for male and 18 years
for female and maximum entry age is 50 years. Minimum maturity age
is 50 years and maximum maturity age is 65 years. Premiums are
calculated on the basis of the age of the older of the two lives
and will be payable for a period one year less than the term of
the policy or till the first death if earlier. This plan has
double accident benefits.

(III) **OLD AGE INSURANCE SCHEMES.**

These insurance polices are generally to help the
proposer after retirement which are as follows.

(1) **JEEVAN AKSHAY.**

Under this plan a fixed lumpsum amount is deposited with
corporation. The corporation gives twelve post dated cheques every
year till the death of the assured after the retirement. Under
this scheme the money deposited can neither be taken back by the
assured or given by the corporation during the life of the
assured. Only the nominee can get the money along with bonus.

(2) **JEEVAN DHARA.**

It is an excellent instrument which is a regular, post-retirement income. This plan helps the assured after the age of fifty five years, as normally after retirement the amount received in the form of provident fund etc. is spent in the form of children's marriage education etc. and the pension received every month is not enough due to current rate of inflation and the growing expenditure involved in day to day living. For example, A 30 years old person paying premium of Rs.1107/- every year for 25 years will get an annuity of Rs.14,936/- every year along with bonus increase, after the age of 55 as long as he is alive. On his death after annuity starts his heirs will get a payment of Rs.1,24,463/- with additional lump sum bonus.

(IV) **GENERAL LIFE INSURANCE SCHEMES.**

These policies are not strictly for any particular section of people. But to everybody which are as follows some schemes of these are either latest ones or those which are very old or those which have been withdrawn for various reasons or those which are for particular purpose.

(1) **JEEVAN MITRA.**

It is issued to both male and female lives, but not to those engaged in hazardous occupation. This policy is issued to all eligible lives between age group of 18 years to 50 years. The maximum maturity age is 65 years. The policies are issued for terms 15 to 30 years. Besides the benefits of Endowment Assurance Policy, this plan provides additional insurance cover equal to sum assured
in the event of death during the term of the policy, so that insurance cover in the event of death is twice the basic cum assured. Bonus will be given on the basic sum assured as rates applicable.

(2) **ENDOWMENT ASSURANCE POLICY.**

There are various types of endowment polices. For example, joint live endowment, with profit, without profit etc. It is a popular form of life assurance, since it not only makes provision for the family of life assured in the event of early death, but also assures a lump sum at any desired age. The amount assured, if not paid by reason of his earlier death, becomes payable at the end of the endowment term, when it may be invested to provide on annuity during the reminder of his life or in any other way he may think most suitable at that time. Premiums are usually for a term of years equal to the endowment term or until death if it occurs within this period.

This policy is useful to those person who do not care to present himself for medical examination. It is sort of compulsory saving for oldage.

(3) **WHOLE LIFE POLICY.**

There are few types of whole life polices like the limited payment life policy and the convertible whole life assurance policy. Under this plan premium are payable for a selected period of years or death if it occurs within this period, the life assured thus having the satisfaction of knowing the maximum amount he will be required to pay no matter how long he lives. The policy continues in full force provided all premiums are paid under this plan, generally the life assured
cannot get the policy amount during his life time, only his dependents will get the advantage of policy.

(4) **MONEY BACK POLICY.**

This policy is useful for those who, besides desiring to provide for their own old age and family, feel the need for lumpsum benefits for periodical intervals. There are various types of money back polices, that is, depending upon the term of policy which are available for four terms that is, 12 years, 15 years, 20 years, and 25 years. This policy provides cash at periodical intervals, during the policy period which may satisfy many important events in life like childrens education, marriage and a helping hand for purchase of household articles etc. Under this plan full protection against premature death continues throughout the term irrespective of periodical payments received. Similarly bonus is accumulated on the face value throughout the term. Premium depends upon the age at entry. Under the various plan money is given in instalments to the assured. Minimum age at entry is 14 years and maximum age is 58 years for 12 years plan, 55 years for 15 years plan etc.

(5) **MORTGAGE REDEMPTION ASSURANCE**

This plan is designed to meet the requirements of institutions and individual borrowers to ensure that the outstanding loan is automatically extinguished in the event of the borrowers death. Minimum sum assured is Rs. 25,000/- Premiums can be paid either by single premium or yearly or monthly premium.

(6) **IMMEDIATE ANNUITY PLAN.**

This form of contract is of special interest to persons
without dependents. Since it provides the maximum possible income on the invested capital which is consistent with absolute safety. The income is assured throughout life, but ceases of course, on the death of the assured. The purchase of annuity is the best possible investment for sums with drawn from provident funds on retirement from service and it is the most satisfactory method of providing pensions to assured.

(7) **EDUCATIONAL POLICY.**

Like endowment policies or like marriage endowment policy this policy is also taken out on life of the father or guardian who undergoes medical examination.

The child for whose benefit (education) the policy is obtained is called beneficiary. The difference to that of endowment policy is that the sum assured is not payable in a lumpsum, but is payable in equal instalments over a period of five years. It is payable in half yearly instalments for five years.

(8) **MULTIPURPOSE POLICY.**

This policy has been drawn by life insurance corporation, as the name suggests, serves the several needs of life. If needs of an individual may be old age, death provision for the family, education or marriage of child etc. These needs were served under one single policy called multipurpose policy.

(9) **JEEVAN SUROBHI.**

This is an improved version of the Money-Back plans, its distinguishing features are, earlier payment of survival benefits, increasing risk cover and limited premium paying term. Hence this plan provides for periodical payments on survival upto the end of term. Thus the full sum assured gets paid as survival benefits by
the end of the premium paying period. Even though the full sum assured gets paid as survival benefit by the end of the premium paying term. The risk cover continues and the policy holder participates in profits till the end of the policy term. Even death benefit is prevalent, that is, if death occurs at any time during the term of policy then the basic sum assured along with vested bonus is paid. The survival benefit paid, if any will not be deducted from the claim amount.

(10) **KEY MAN INSURANCE.**

Key man Insurance is a new concept in Business Insurance. It is the insurance taken by a company on the life of an employee, in order to protect the company against the financial loss which may occur from the employees premature death or resignation of employee. Key-man may not be one person from one company. There can be many in one company. Key-man can be an Director or employee. The company proposes under key-man insurance. Key-man is open for all categories of business or firms but except proprietorship. The restriction is key man and his family members should not hold more than 50% of the shares in the company and individually key-man should not hold more than 25% of shares in company. There is no maximum limit on sum assured. The company is the beneficiary and not the key man himself.

(11) **BIMA KIRAN.**

It is a unique low cost life insurance plan, specially to suit young men and women. The main features of this policy are risk cover during the term, in-built accident benefit, and free Insurance cover after maturity. The speciality of this scheme is
low premium and maximum risk cover. Minimum age required to obtain this policy is 18 years and maximum age required is 35 years. Under this scheme loan is not given. This is the latest scheme introduced by the corporation on lines of foreign insurance schemes, with the intention of facing privatization or globalisation.

(12) **JANARKSHA POLICY.**

This is an life insurance, which is designed to cater to the needs of weaker section who are faced with fluctuating income, due to various reasons, which results in non payment of premium regularly and in time. A special facility is given, where by the policy continues to provide for full cover for three years on payment of an initial extra single premium. No accident benefit is given, but disability benefit is applicable. In the event of non-payment of premium within the days of grace, after the payment of premium for first two years, the policy is still kept in force for a period of three years. Loan and surrender of policy is also granted under this plan.

(13) **ASHA DEEP.**

This was a close end policy, which means, it was open for a very short period, that is, from 7th September 1993 to 30th November 1993 only. The minimum age to obtain this policy was 18 years and maximum age was 50 years and the age at maturity of policy was limited to 65 years. The minimum sum assured was Rs.50,000/- and maximum sum assured was Rs.3,00,000/-. The main intention behind this policy was to cover the risk of four major ailments like cancer, Paralytic stroke, failure of both kidneys and Artery disease. During the term if the policy holder contracts the above diseases then 50% of sum assured will be paid immediately.
Moreover future premiums will be waived and 50% balance sum assured and vested bonus will be given to policy holder on maturity. This policy gained good public response.

**REVIEW OF RELATED LITERATURE.**

Research work in the field of insurance is not done in the past. But many are diverting towards doing able research work in this field. One and the only most important survey done in this field not for study purpose, but for policy making which was done for the Government. The Government of India had set up a committee known as Malhotra Committee to study the reforms in Insurance sector. The committee was set up by the Government of India in April 1993. The committee presented its report as on 7th January 1994, some of the very important findings of the committee are as follows.

(a) The committee has recommended that insurance sector should be opened to competition, which implies the loss of monopoly for L.I.C. as well as G.I.C. and its subsidiary companies. But the prospective entrants should have a minimum capital of Rs.100 crore. Moreover an prospective insurance company, should either deal with Life or General Business, but not both.

(b) The existing and new entrants into the insurance business should be governed fully by the Insurance Act.1938. Though act has to be amended. But as financial conditions have greatly changed since 1972, that is, the latest amendment. Hence some change in the existing act is advised.

(c) The committee has recommended that the new insurance regulatory authority should be a board, with a chairman and full
time and part time members. This has been recommended as office of 
the Controller of Insurance has suffered erosion of power and 
authority.
(d) L.I.C. and G.I.C. and its subsidiaries are at present wholly owned by Government. But committee has recommended Government holding only upto 50% of their capital.