CHAPTER III
COMPARISON BETWEEN LIFE INSURANCE AND OTHER INSURANCE

INSURANCE AND ASSURANCE

Insurance is a contract by which one party in consideration of a premium, engaged to pay agreed sum on a certain event on indemnity another against a contingent loss and is the action of insuring or securing the value of property in the event of its being lost or of securing the payment of a specified sum in the event of a person’s death. In Assurance contract making secure or insure, the act of assuring a declaration tending to inspire full confidence. There is tendency to use assurance for contracts of life insurance companies and Insurance for risks upon property.¹

The distinction between assurance and insurance is that a person insures his life, his house or his ship and the office assures to him in each of these cases a sum of money payable in certain contingencies and assurance represents the principle and insurance the practice.²

"It has been conceived from a passage in Suetonius that Claudius Caeson was the first who invested this custom, of assurance, but with greater probability.³ Assurance custom was first introduced by the Jews in the year 1182 but whoever was the first contriver, or original inventor of the useful branch of business ⁴ it has been for many ages practiced in the United Kingdom and is supposed to have been introduced there by some Italians from Lombardy and this prior to the building of the Royal Exchange, they used to meet in a place when Lombard street now is, at a house they had called the Pawn House or Lombard, for transacting business and as they were then the sole negotiators in Insurance, the policies made by others in after-times had a clause inserted, that those latter ones should have as much force and effect as those formerly made in Lombard street.

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¹ Black Dictionary of Law
² Encyclopaedia Britanica XIII, 169
³ Tomlin’s Law Dictionary
⁴ Savary Law Dictionary de Commerce
Insured or Assured it has been contended that the former applies to the person whose life is insured, while the later applies to the person for whose benefit the insurance is affected.

Life insurance differs from other insurance in life insurance the sum assured becomes payable in full without requirement of proof of loss and not a contract of indemnity, the event insured against namely death is certain event and it bound to happen sooner or later uncertainty lies only in the time when it occurs, the insurable interest need exist only at the time of contract and it is not necessary that the interest should continue to subsist at the time when the policy falls due, insurable interest is incapable of being valued in terms of money and so no question of avoiding the policy on the ground of over-valuation however gross it may be arises, life insurance contract is for the whole life or generally for sufficiently long time and is continuous contract with provision that if the premium is not paid annually or at stated intervals the contract should lapse. Fire and marine insurances are contracts of indemnity and the assured cannot recover more than the loss suffered by him subject to the maximum of the insured amount. The amount recoverable under these policies is measured by the actual loss suffered by the assured, the event insured against may not happen at all and the assured must have an insurable interest at the time of loss, the insurable interest is such that it is capable of valuation in terms of money and so where there is gross over-valuation the policy become void as wager, the contract is for a short time usually for year to year only and the insurance automatically come to an end after the expiry of the year and if the assured desires can extend it by renewing if for a further period by paying the premium in which case the policy continues for the extended period.

Table 3.1 Companies existing in Insurance Sector in India

<table>
<thead>
<tr>
<th>Re Insurer</th>
<th>Non-Life Insurer</th>
<th>Life Insurer</th>
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<tbody>
<tr>
<td>Public Sector</td>
<td>Public Sector</td>
<td>Public Sector</td>
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<tr>
<td>General Insurance Corporation</td>
<td>National Insurance Co. Ltd</td>
<td>Bharti Axa General Insurance Co.Ltd</td>
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<tr>
<td>New India Assurance Co. Ltd</td>
<td>Bajaj Allianz General Insurance Co. Ltd</td>
<td>Bharti AXA Life insurance Co. Ltd</td>
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<tr>
<td>Oriental Insurance Co. Ltd</td>
<td>Cholamamandalam MSGeneral Insurance Co. Ltd</td>
<td>Bajaj Allianz Life Insurance Co. Ltd</td>
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<tr>
<td>United India Insurance Co. Ltd</td>
<td>Future Generali India Insurance Co. Ltd</td>
<td>Aviva Life Insurance Co. Ltd</td>
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<tr>
<td>Agriculture Insurance Co. Ltd</td>
<td>HDFC ERGO General Insurance Co. Ltd</td>
<td>Aegon Religare Life Insurance Co. Ltd</td>
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<tr>
<td>Export Credit Gurantee Corporation Ltd</td>
<td>ICICI Lombard General Insurance Co. Ltd</td>
<td>Canara HSBC OBC Life Insurance Co. Ltd</td>
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<td>IFFCO Tokio General Insurance Co. Ltd</td>
<td>Edleweiss Tokio Life Insurance Co. Ltd</td>
<td>DHFL Pramerica Life Insurance Co. Ltd</td>
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<td>L and T General Insurance Co. Ltd</td>
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<td>Liberty Videocon General Insurance Co. Ltd</td>
<td>Exide Life Insurance Co. Ltd</td>
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<td>Magma HDI General Insurance Co. Ltd</td>
<td>Future Generali Life Insurance Co. Ltd</td>
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<tr>
<td>Raheja QBE General Insurance Co. Ltd</td>
<td>HDFC Standard Life Insurance Co. Ltd</td>
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<tr>
<td>Reliance General Insurance Co. Ltd</td>
<td>ICICI Federal Life Insurance Co. Ltd</td>
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<td>Royal Sundaram Alliance Insurance Co. Ltd</td>
<td>IDBI Federal Life Insurance Co. Ltd</td>
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<td>SBI General Insurance Co. Ltd</td>
<td>India First Life Insurance Co. Ltd</td>
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<td>Shriram General Insurance Co. Ltd</td>
<td>Kotak Mahindra Old Mutual Life Insurance Co. Ltd</td>
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<td>TATA AIG General Insurance Co. Ltd</td>
<td>Max Life Insurance Co. Ltd</td>
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<td>Universal Sompo</td>
<td>PNB Met Life</td>
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<tr>
<td>General Insurance Co. Ltd Standalone Health Insurers</td>
<td>India Insurance Co. Ltd</td>
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<tr>
<td>Reliance Life Insurance Co. Ltd</td>
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<td>Sahara Life Insurance Co. Ltd</td>
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<td>Shriram Life Insurance Co. Ltd</td>
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<td>Star Union Dai-ichi Life Insurance Co. Ltd</td>
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<tr>
<td>TATA AIA Life Insurance Co. Ltd</td>
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**GENERAL INSURANCE**

The non-life insurance is called general insurance. General insurance means fire, marine, or miscellaneous insurance business whether carried on singly or in combination with one or more of them, but does not include capital redemption business annuity certain business.\(^5\)

Marine Insurance

\(^5\) Section 3(g) General Insurance Business(Nationalization) Act, 1972
“A contract of marine insurance is an agreement whereby the insurer undertakes to indemnify the assured, in the manner and to the extent thereby agreed against marine losses, that is so say, the losses incidental to marine adventure”6

“Marine insurance business means the business of affecting 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 transits by land or water or both and whether or not included warehouse risks or similar risks in addition or as incidental to such transit and includes any other risks customarily included among the risks insured against in marine insurance policies. A marine insurance covers the consignment from warehouse to warehouse.”7

Nature and Scope

Marine insurance is a contract of indemnity by which one party promises to save the other from loss caused to him by the conduct of any other person.8

In State of Orissa Vs United India Insurance Co. Ltd9 it has been observed that indemnity as applicable to marine insurance must not be an indemnity as contemplated by the Indian Contract Act, as the loss in such a contract is covered by the contract itself and such loss need not necessarily be caused to the assured by the conduct of the insurer or by the conduct of any other person.

Marine insurance is concerned with both sea and land risks. A contract of marine insurance may, by its express terms or by usage of trade, be extended so as to protect the assured against losses on inland waters or any land risk which may be incidental to any sea voyage.

Where a ship in course of building or the launch of a ship, or any adventure analogous to a marine adventure is covered by a policy in the form of a marine policy. An adventure analogous to a marine adventure includes an adventure where any ship, goods or other movables are exposed to perils incidental to local or inland transit.10

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6 Section 3 of the Marine Insurance Act, 1963
7 Section 2(13-A) Insurance Act, 1938
8 Section 124 Indian Contract Act 1872
9 [AIR 1997 SC 2671]
10 Section 4 of the Marine Insurance Act, 1963
Every lawful marine adventure in a contract of marine insurance what is insured is not the property exposed to peril but only the risk or adventure of the assured. Marine adventure includes any adventure where any insurable property is exposed to maritime perils and the earnings or acquisition of any freight, passage money, commission, profit or other pecuniary benefit, or the security for any advances, loans or disbursements is endangered by the exposure of insurable property to maritime perils and any liability to a third party may be incurred by the owner of or other person interested in or responsible for, insurable property by reason of maritime perils.11

Marine insurance related to maritime perils means the perils consequent on, or incidental to, the navigation of the sea, that is so say, perils of the seas, fire, war perils, pirates, rovers, thieves, captures, seizures, restraint and detainments of princes and peoples, jettisons, barratry and any other perils which are either of the like kind or may be designated by policy.12

Marine insurance covers only losses due to accidental cause’s incidental to maritime adventure and does not include loss caused by inherent vice, or mere wear and tear or capture and it does not cover loss caused by the voluntary acts of the assured.

Marine insurance contains the element of the general contract of proposal, acceptance, consideration, issue of policy.

Insurable interest

A person is interested in a marine adventure where he stands in any legal or equitable relation to the adventure or to any insurable property at risk therein, in consequence of which he may benefit by the safety or due arrival of insurable property, or may be prejudiced by its loss, or by damage thereto, or by the detention thereof, or may incur liability in respect thereof.13

In Piper Vs Royal Exchange Assurance it has been observed that an owner of a ship is interested in its safety. A buyer of a ship becomes interested only when the property has passed to him. As long as the property in the seller, the buyer does not have any insurable interest in the ship. However a mortgagee of a ship has an interest in it.

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11 Section 2(d) Marine Insurance Act 1963
12 Section 2(e) Marine Insurance Act 1963
13 Section 7 Marine Insurance Act 1963
Quantum interest where the subject-matter insured is mortgaged, the mortgagor has an insurable interest in full value thereof, and the mortgagee has an insurable interest in any sum due or to become under the mortgage. A consignee, mortgagee or other person having an interest in the subject-matter insured may insure on behalf and for the benefit of other persons interested and the owner of insurable property has an insurable interest for full value notwithstanding that some third person agreed or be liable to indemnify in case of loss.  

Assignment of interest “Where the assured assigns or otherwise pars with his interest in the assured-matter insured, he does not thereby transfer to the assignee his rights under the contract of insurance, unless there be an express or implied agreement with the assignee to that effect and do not effect transmission of interest by operation of law”.  

Charges of Insurance the assured has an insurable interest in the charges of any insurance which the assured may affect.  

Advance freight provides that in the case of the person advancing the freight has an insurable interest in so far as such freight is not repayable in case of loss.  

Contingent Interest where the buyer of goods has insured them, he has an insurable interest, notwithstanding that he might at his election, have rejected the goods, or have treated them at the seller’s risk, by reason of the latter’s delay in making delivery or otherwise and a defeasable and contingent interests are insurable. Liability for salvage expenses, liability for carriage of passenger’s liability for loss caused by jettison is insurable. If a party had an insurable interest at the time that the policy was effected, whatever change may have taken place in the property in the boats since, can have no effect in relieving the underwriters from their liability, as the party may sue on the policy for the benefit of the party to whom such benefit has passed.  

Partial interest of any nature is insurable a person having interest in a ship, in its cargo or in its freight has right to insure his interest.

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14 Section 16 Marine Insurance Act 1963  
15 Section 17 Marine Insurance Act 1963  
16 Section 15 Marine Insurance Act 1963  
17 Section 14 Marine Insurance Act 1963  
18 Section 9 Marine Insurance Act 1963  
19 Section 10 Marine Insurance Act 1963
Reinsurance the insurer under a contract of marine insurance has an insurable interest in his risk and may reinsure in respect of it and unless the policy otherwise provides the original assured has no right or interest in respect of such reinsurance.\textsuperscript{20}

Bottomry money or respondentia has an insurable interest in respect of the loan.\textsuperscript{21}

Masters and Seamen’s wages the master or any member of the crew of a ship has an insurable interest in respect of his wages.\textsuperscript{22}

Disclosure and Representation

In marine insurance the material facts are as to the subject matter, the ship and the perils to which the ship is exposed knowing these facts the underwriter must from his own judgment of the premium and other people’s judgment is quite immaterial. In marine proposal it is not material to disclose whether any other office has refused the proposal the duty of the utmost faith applies to the insurer and he may not urge the proposer to affect an insurance which he knows is not legal or has run off safety but the duty of disclosure of material fact rests highly on the insured because he is aware of the material common in other branches of insurance are not used in the marine insurance.\textsuperscript{23}

Disclosure by assured the assured must disclose to the insurer, before the contract is concluded, every material circumstance which is known to the assured and the assured is deemed to know every circumstances which in the ordinary course of business, ought to be known by the insured. If the assured fails to make such disclosure, the insurer may avoid the contract and every circumstance is material which would influence the judgment of a prudent insurer in fixing the premium or determining that insurer will take the risk.

The inquiry of circumstance diminishes the risk, any circumstances which is known matters of common notoriety or knowledge and matters which an insurer in the ordinary course of his business and any circumstance as to which information is waived by the insurer, circumstances which it is superfluous to disclose by reason of any express or implied warranty and any particular

\textsuperscript{20} Section 11 Marine Insurance Act 1963
\textsuperscript{21} Section 12 Marine Insurance Act 1963
\textsuperscript{22} Section 13 Marine Insurance Act 1963
\textsuperscript{23} Section 19 Marine Insurance Act 1963
circumstance which is not disclosed be material or not. It includes any communication made to or information received by the assured. Disclosure by agent where an insurance is effected for the assured by an agent must disclose every material circumstance which is known to himself and an agent to insure is deemed to know every circumstance which in the ordinary course of business ought to be known by or to have been communicated to him and every material circumstance which the assured is bound to disclose.

Representation pending negotiation every material representation made by the assured or his agent to the insurer during the negotiations for the contract, and before the contract is concluded must be true and material which would influence the judgment of a prudent insurer in fixing the premium, or determining whether he will take the risk. A representation as to matter of expectation made in good faith and may be withdrawn or corrected before the contract is concluded.

Contract is deemed to be concluded when the proposal of the assured is accepted by the insurer whether the policy is then issued or not and for the purpose of showing when the proposal was accepted by reference may be made to slip, covering note or other customary memorandum of the contract, although it is unstamped.

Fire Insurance
Fire insurance is a device to compensate for the loss consequent upon destruction by fire. The fire insurance shifts the burden of fire losses from their actual victims over to other insured members in the society. It is a cooperative device to share the loss and relieves the insured from the horror of the fire losses to which he is exposed. The insurer acts as a middleman between all the members of the society who are exposed to the fire risk and the members who will be the actual victims of the fire losses. The insurer changes the premium from all the insured members and makes good the loses 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

24 Section 20 Marine Insurance Act 1963
25 Section 21 Marine Insurance Act 1963
26 Section 22 Marine Insurance Act 1963
27 Section 23 Marine Insurance Act 1963
compensates someone and this saves him from a ruinous loss, at the cost of group of some others.

Fire insurance is meant for indemnification of loss by fire accidents and act 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. Doctrine of indemnification the financial loss suffered by the peril of fire insured against will be compensated in full. The fire insurance provides protection by indemnifying the financial loss suffered by the insured person which occurred beyond the control of insured.

Fire insurance contract is an agreement whereby one party in return for a consideration undertakes to indemnify the other party against financial loss which the later may sustain by reason of certain defined subject-matter being damaged or destroyed by fire or other defined perils up to an agreed amount.

Insurable interest is necessary to the validity of an fire insurance policy like all other insurance and there where the subject-matter should be in such a position that the insured may suffer loss at the time of damage and may gain by its protection. Insurable interest constitute a physical object capable of being damaged or destroyed by fire and the insured must stand in such relationship as recognized by law where the insured benefited by the safety of the subject-matter or the prejudicial by its loss. The insurable interest is the 'Pecuniary interest'. The fire insurance is a personal contract between the insured and the insurer. So, the transfer of interests would invalidate the contract.

Principal of Indemnity aim to compensate the insured for a loss sustained and the compensation should be such as to place him as nearly as possible in the same pecuniary position after the loss as he occupied immediately before the occurrence. The assured amount is not the measure of indemnity but it sets an upper limit up to which the loss can be indemnified and the actual amount of indemnity will be the market value of the subject matter destroyed or damaged by fire at the time and place of the occurrence of fire. It will never exceed the assured amount. When the actual loss is more than the assured amount then only the insured sum will be paid and nothing more is paid.

Measure of indemnity varies with type of property for damaged buildings is the cost of repairing or reinstating the buildings to their pre-loss condition, for
machinery is the market value which is arrived at after taking into account wear and tear and depreciation and for stock in trade the measure is the net cost to the insured. The indemnification may be in the form of cash, repair, replacement and reinstatement.

Subrogation is transfer of right from one person to another and it is applicable to the fire insurance policies. If the property insured is lost owing to the negligence of a third party, the insured has a right to recover the loss from that third party only not from the insurer in case the claim is met by the insurer he can sue the third party under the doctrine of subrogation to recover the amount. The rights of insured against the third party gets subrogated to the insurer and the insurer enters into the shoes of the third party to sue and recover the amount. Fire insurance policies contain an express condition to the effect that the right of subrogation can be exercised by the insurer even before payment of a claim.

Proximate cause in a fire insurance policy it is necessary that fire must be proximate cause of loss or damage occasioned by fire mean either by ignition of the article consumed or by ignition of part of the premises where the article is the one case there is a loss or damage by fire. The rule is that the immediate and not the remote cause is to be regarded as ‘causa proxima non-remota spectature’. The insurer always takes the proximate cause in paying the claim and if the property insured is burnt but the fire was preceded and brought into operation by an expected peril, the legal position depends upon whether the expected peril was the proximate.

Fire insurance contract is a contract of indemnity and is different from the contract of wager and contract of guarantee. In wager contract risk creates and the insurer stand for guarantee in contract of guarantee. Cause of fire is immaterial and if the assured or his servants are negligent the claim must be allowed and the exception is when the assured willfully and voluntarily sets fire to the insured property or allows others to do so it amounts to playing fraud on the insurer.

Fire insurance is personal contract between the insurer and the assured for the payment of money in case the loss is occasioned to the property of the contracting party by fire and the purpose of contract is not to insure the safety of
the property but to save the insured from the loss caused by damage to the property by fire.

The contents of proposal form are expressly incorporated in the fire policy which form warranty and by which the assured undertakes that some particular thing shall or shall not be done or that some conditions shall be fulfilled or whereby assured affirms or negatives the existence of a particular state of facts. Warranties which are mentioned in the policy are called express warranties and which are not mentioned in the policy are called implied warranties.

**Table 3.2 Policies relating to Fire Insurance and Marine Insurance**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Fire Insurance policies</th>
<th>Marine Insurance policies</th>
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<tbody>
<tr>
<td>1.</td>
<td>Valued policy</td>
<td>Voyage policies</td>
</tr>
<tr>
<td>2.</td>
<td>Unvalued or Valuable or Open policy</td>
<td>Time policies</td>
</tr>
<tr>
<td>3.</td>
<td>Specific policy</td>
<td>Voyage Time policy or Mixed policy</td>
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<tr>
<td>4.</td>
<td>Floating policy</td>
<td>Valued policy</td>
</tr>
<tr>
<td>5.</td>
<td>Average policy</td>
<td>Insurable Value</td>
</tr>
<tr>
<td>6.</td>
<td>Excess policy</td>
<td>Unvalued policies</td>
</tr>
<tr>
<td>7.</td>
<td>Declaration policy</td>
<td>Floating policies</td>
</tr>
<tr>
<td>8.</td>
<td>Floater Declaration policy</td>
<td>Blanket policies</td>
</tr>
<tr>
<td>9.</td>
<td>Adjustable policy</td>
<td>Named policies</td>
</tr>
<tr>
<td>10.</td>
<td>Maximum Value with discount policy</td>
<td>Single Vessel and Fleet policies</td>
</tr>
<tr>
<td>11.</td>
<td>Reinstatement policy(‘New for Old’ policy)</td>
<td>Block policies</td>
</tr>
<tr>
<td>12.</td>
<td>Comprehensive policy (All-in policy)</td>
<td>Currency policies</td>
</tr>
<tr>
<td>13.</td>
<td>Consequential Loss policy</td>
<td>Policy Proof of Insurance (PPI) policies</td>
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<tr>
<td>14.</td>
<td>Sprinkler Leakage policy</td>
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</tbody>
</table>
Reinsurance

Reinsurance is an arrangement whereby an original insurer who has insured a risk insures a part of that risk again with another insurer, reinsurers a part of the risk in order to diminish his own liability. Reinsurance is contract between the reinsured(insurer) and the reinsurer therefore the original insured is not a party to the contract of reinsurance the insurer and the reinsurer enter into a reinsurance agreement which details the conditions upon which the reinsured would pay the insurer's losses in terms of excess of loss or proportional to loss and reinsurer is paid a reinsurance premium by the insurer, and the insurer issues insurance policies to its own policy holders. The insurers buy reinsurance is to transfer risk from the insurer to the reinsurer. The reinsurance contracts is to safeguard the interests of the reinsured’s policy holder that is the original insured and clause of 'loss assumption clause' is incorporated in the body of the reinsurance contract in which the original insured can recover his loss on the policy from the reinsurers, if the reinsured goes into liquidation.

Limits- the financial status and premium income of the insurer and new insurer with small premium income cannot afford to sustain loss which might be borne with ease by established insurer with ample reserve.

The experienced in a particular class of risk the degree of the fire hazard present, extent of the damage likely to be sustained and the fire extinguishing facilities available and the limit vary according to the nature and size of the concerns proposing for insurance, location and other factors affecting the risk are also taken into account while calculating the amount of limit.

Reinsurance practice in India

In Indian insurance business the two professional reinsurers namely India Reinsurance Corporation Ltd and India Guarantee and General Insurance Co. Ltd with the nationalization of general insurance reinsurance portfolio was taken over by the General Insurance Corporation and 20% quota shall of all Indian gross direct business in being ceded to the GIC as obligatory cessions and applies to fire, marine and miscellaneous.

The large industrial complexes like petrochemical, fertilizer factories etc., involve huge sum insured and combined reinsurance capacity of the obligatory cessions,
Market fire pool and first and second surplus treaties is not enough to take care of such large values therefore any surplus remaining in ceded to the Market Surplus Treaty which is arranged by the GIC on behalf of the Indian insurance market after these cessions any surplus remains it is reinsured faculties abroad. Shopping or Street Reinsurance no standings agreement regarding reinsurance of risk of one company by the other and each policy is treated on an individual basis. The reinsurer is sought only when the need of reinsurance on a policy arises and scrutinizes each case on its merits and accept the risk on any terms and conditions or may decline it, when the ceding company is not certain about the availability of reinsurance and a term it will exercise a greater care in selecting the risk.

Facultative reinsurance ceding company cedes and the reinsurer assumes all or part of the risk assumed by a particular specified insurance policy and negotiated separately for each insurance contract that is reinsured, normally purchased by ceding companies for individual risks not covered by their reinsurance treaties for amounts in excess of the monetary limits of their reinsurance treaties and for unusual risks. Underwriting expenses in particular personnel costs are higher relative to premium written on facultative business because each risk is individually underwritten and administered.

Treaty Reinsurance is a method of reinsurance in which the insurer and the reinsurer formulate and execute a reinsurance contract and then covers all the insurance policies coming within the scope of the contract and the reinsurer to accept reinsurance of all contracts within the scope or require the insurer to give the reinsurer the option to reinsure each such contract.

- Pool or Syndicate method a number of insurer agrees to pool together all their business to a leading office and the payment is made by this leading office and the profit of this association is distributed amongst the insurers according to their shares to the business.
- Quota Share Treaty the ceding insurer is bound to cede and the reinsurer is bound to accept a fixed share of every risk and where the direct insurer is new in the field with little or no past experience or ad versed experience in the past and it enables the reinsurer to consider any marked divergence of underwriting
standards and if persistent to its disadvantage, it indicate the need for revision or cancellation of the treaty in respect of new business.

- Excess of Loss Treaty provides against catastrophic loss and the excess of loss reinsurance comes into operation when the total net loss suffered by the insured due to one event exceeds the figure agreed in the treaty excess amount or a proportion paid by the reinsurer subject to a maximum limit and net loss means the loss computed after taking into account recoveries from facultative and treaty reinsurers, the total net loss exceeds the maximum limit provided in the treaty the excess amount is paid by the reinsurer and premium depends upon the nature and extent of reinsurance.

- Surplus treaty is to reinsure the surplus of a risk beyond the amount of the ceding insurers retention and extent to the surplus reinsured is determined by size of the treaty measured in terms of line and second surplus treaty to absorb the amounts which are beyond the capacity of the first surplus treaty.

Miscellaneous Insurance Policy

‘Miscellaneous Insurance business’ as the business of affecting contracts of insurance which is not principally or wholly of any kind or kinds included in Life, Fire and Marine Insurance.

Miscellaneous Insurance business cover a multifarious and varied varieties of risks and variety of new insurance including Social Security or Liability Insurance, Industrial Insurance, Motor Vehicles Insurance, Aviation Insurance and covered the risks of person, property and liability in Miscellaneous category. Person includes and covered the risk of person and liability at law cover liability arising out of negligence. Accident in a householder’s covers nuisance liability without neglect of the part of the assured and types of liability insurance includes public liability insurance, liability arising in connection with professional negligence, compulsory insurance, employer's liability insurance, guarantee insurance.

I. Social Security or Rural Insurance

A. Agriculture related insurance

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28 Section 2 Insurance Act, 1988
Crop insurance provides cover against unavoidable loss of production due to or arising from climatic reasons like drought, flood, cyclone, pest infection, plant diseases, riots and strikes. The insurance charges and claims in respect of crop insured in any State is shared between the Central Crop Insurance Fund and Crop Insurance Fund set up by the State Government and liaison with State Governments, RBI, NABARD, State Co-operative Banks, Commercial Banks, Regional Rural Banks, and other agencies involved for smooth implementation of the scheme.

Horticulture and Plantation Insurance applies to the crops like grape, citrus, chikoo, pomegranate, banana, mushroom, papaya, coconut and plantation crop like rubber eucalyptus, poplar, teakwood, oil palm, betelvine, sugarcane, tea, floriculture, polyhouse, nursery’s, tissue culture crop duration or twelve months whichever is shorter is the period of insurance and the sum insured is based on the cost of cultivation on input costs or cost of raising and development of trees depending on the crop which is insured.

Aqua culture insurance the government is applicable to licensed farms in accordance with the Government notification growing brackish water shrimp, fresh water prawns by adopting extensive, modified extensive, semi-intensive system and cover total loss and destruction of shrimp.

Sericulture insurance policy is applicable to mulberry silkworms of univoltine, bivoltine, multivoltine breed and indemnity for total destruction or loss of the cocoons, death of silkworm due to accident or disease during the period of insurance.

Honey Bee insurance policy indemnifies the insured against all accidental losses or damage to the hire and bee colony to the exclusion of loss of production, malicious or willful act or neglect or improper management, theft, clandestine sale or missing of worms, war invasion and value for cost of hire and cost of bee colony as insured value and valuation based on the figures provided by the State Khadi and Village Board.

Salt water Insurance applies to earthwork, mudwork, salt stored on platform against the risk of storm, cyclone, flood and allied perils and unseasonal rainfall and sum insured in the actual cost of construction and the indemnity is restricted to the cost of repair and reconstruction.
Agricultural pump set policy indemnifies the insured against unforeseen and sudden physical damage to the pump sets caused by mechanical or electrical breakdown, fire and lighting, theft and burglary and insurance is of Centrifugal Pump sets electrical and diesel up to 25 H. used for agricultural purposes.

Failed well insurance applies to dug wells, bore wells or dug-cum-bore well used for developing ground water and financed by cooperative or commercial banks and sponsored by National Bank for Agriculture and Rural Development. A group policy issued to the bank covering number of farmers provided the required details are supplied for each well and determined with reference to prescribed parameters and certified by the District or Block certifying agency constituted by State Government.

New well insurance is applicable to dug wells or borewells which are being newly installed and does not apply to existing well. The cover is given to financing banks and individuals.

Lift irrigation insurance covers intake well, delivery chambers, jack well, pump house, water storage tank, pipeline cables, switch gears, starters, electrical motors and provides indemnity against unforeseen and sudden physical loss or damage by fire, riot, strike and malicious damage storm, flood, earthquake, landslide, theft, bursting of pipelines, mechanical or electrical breakdown and sum insured equal to the cost of replacement of insured property by new property of the same kind and capacity.

B. Animal insurance

Cattle insurance cover against death of animals like bulls, buffaloes, cows and heifers within the geographical area specified in the policy arising from any disease, parturition or pregnant condition or accident and the indemnity payable under the policy is the loss which the insured suffers by death of the animal and not exceeding the sum insured by the policy.

Blood- Stock Horse insurance used for racing, on stud farms etc. and provides indemnity against the loss sustained as a result of death of the animal occurring during the period of insurance from accident, illness or disease sustained or contracted within specified geographical area.

Pet Dog Insurance is granted for pure or cross-breed pedigree dogs, watch dogs, sheep dogs, within the age limit of 2 months 8 years and purchase price taken as
sum insured and cover is against death by disease or accident. The disease like Rabies, Canine distemper, Canine virus is covered only when necessary vaccination certificate is submitted.

Sheep and Goat Insurance provides indemnity against death of sheep and goats due to accident including fire, lightning, flood, cyclone, famine, strike, riot and civil commotion, disease occurring or contracted during the period of insurance. The premium rates are separately applied for indigenous animal, cross breed animals, exotic animals and animals should be identified by metal ear tagging and tattooing method.

Other animal insurance for camel, Draught horses, ponies, mares, mules, yak, pig insurance, Rabbit insurance, Elephant insurance.

Poultry Insurance provides indemnity against death of birds due to accident or disease. The sum insured has to be fixed as per the valuation chart for layers and broilers and for parent stock birds the valuation chart has to be fixed in consultation with the Hatchery owners.

Duck insurance policy provides indemnity against death of duck due to accident or diseases and policy is applicable to all types of migratory and non-migratory birds in India.

C. Rural Transport

Pedal cycle insurance covers loss of or damage to pedal cycle by fire, lightning, explosion, burglary, housebreaking, theft or accidental external means and loss of or damage to rubber tyres, lamps, tools and accessories is covered if they are lost or damaged in the same accident in which the pedal cycle damaged. Legal liability towards third parties for accidental bodily injury or damage to the property and personal accident benefit also be granted on payment of additional premium.

Cycle Rickshaw insurance provides protection against damage to the cycle rickshaw and third party personal injury or property damage and legal liability of passenger also covered.

Animal Driven Carts Insurance (Bullock Cart Insurance) cover risk against death or permanent total disablement of the animal driving the cart and sum assured will be the market value of cart or tonga and animal. Third party liability also covers under this policy.
II Industrial Insurance or Engineering Insurance

Boiler explosive insurance cover boiler, pressure vessels, economizers, superheater, stem pipes, air receivers, and other vessels, under steam air-pressured and indemnify the insured against damage other than by fire to the boilers and other pressure plants and to surrounding property of the insured and legal liability of the insured on account of bodily injury, fatal and non-fatal to the person or damage to the property of third parties and the boiler and pressure plants insured are inspected annually by inspectors appointed by the appropriate statutory authority and they are operated by attendants holding a valid certificate.

Machinery Breakdown insurance covers the engine plant which includes steam engines, oil and gas engines, diesel engines, pumps and air compressors and electric motors, generators, transformers, turbines, lifting machinery, refrigeration plant is provided by the policy in respect of sudden and unforeseen damage to the insured machinery in operation due to internal causes like faulty material, short circuit, in operation or at rest due to external causes such as lack of still, sabotage, entry of foreign bodies etc. Accidental damage is also covered during dismantling of machinery for overhauling, clearing or repairs and during subsequent re-erection. Indemnity is the cost of repairs or the market value and third party liability added to the policy.

Erection all risk insurance policy covers plant and machinery from the arrival at site of erection of the material and operates during storage of materials, erection and test run of the plant and terminates on the commissioning of the plant and cover is along all risks with fire risks and accidental damage during assembly, collapse collision, burglary, theft, malicious damage, electrical and mechanical breakdown and explosion during tests.

Storage-cum-erection insurance cover storage risks at site and commences for the time the first consignment arrives at site and terminates on completion of erection and testing.

Marine-cum-erection insurance cover commences right from the time machinery leave the manufacturers warehouse abroad or within the country and remains to force during the voyage and the transit to the site of erection, during storage at site and terminates on completion of erection and testing. The marine cover is
against all risks of physical loss or damage and the erection cover of the risks in
transport and erection.

Loss or profit machinery insurance policy provides an indemnity against
financial losses caused by interruption of production due to machinery break-
down and provided is generally in line with that available under loss or profit
fire policy.

Refrigeration plant insurance policy provides indemnity in respect of damage to
the refrigerating plant caused by breakdown and maybe extended to cover the
risk of damage to the goods in the cold chambers by deterioration, caused by
breakdown of the plant.

III Aviation insurance

Aircraft Comprehensive Insurance policy grants protection against the loss or
damage to aircraft the indemnity is provided for aircraft hull and the body of
aircraft or component parts to any cause whatever except those that are
specifically excluded by the policy and insurer indemnify the insured or any
member of the operative crew of the aircraft acting in the course of their duties
with the insured against all sum which they become legally liable to in case of
death, sickness or disease, and bodily injury sustained by any person and caused
by an accident arising out of the ownership, maintenance our use of the aircraft.

IV Other classes of Miscellaneous Insurance Policies

1. Banker's Blanket policies or Bankers indemnity insurance is a combination of
several specific covers such as fire, burglary, money-in-transit, fidelity guarantee
and provides indemnity for direct loss of money and securities sustained by the
insured and discovered during the period specified in the policy.

2. Jewellers block policies is a package scheme covering several types of losses and
jewellery gold or silver ornaments, plate, pearls and precious stones, cash and
currency notes and merchandise and materials to the conduct of the insured’s
business is covered.

In National Insurance Co. Ltd Vs Ishar Dar Madanlal\(^29\) the claim was under
‘Jeweller Block Policy’ theft of 140 gms of jewellery worth of Rs. 63,000/-
occurred on the business premises. The policy covered risk of theft also. The
insurer argued that there was exclusion clause which excluded liability of loss

\(^29\) [(2007) 4 SCC 105]
caused by the conduct of a customer to whom items lost were entrusted. It has been held that there was no entrustment by owner to the customer and that the act of removal of the jewellery by the customer was a plain theft and that the insurer was liable.

**In Oriental Treasures (p) Ltd Vs United India Insurance Co. Ltd.** The insured had declared in the proposal form of the Jewellery block insurance policy that even after business hours jewellery worth about rupees two crores may remain outside safes. The company accepted premium on that basis and the insurer repudiated the claim on the ground that the jewellery was kept outside the burglar proof safe. The NCC said that the term goods should be kept in burglar proof safe was vague because such safe has still not been invented, an ambiguity has to be interpreted in favour of the assured and the company was not allowed to reject the claim.

3. Sports Insurance cover available to sportsmen and not professionals and cover is in respect of any one or more sports including angling, badminton, cricket, golf lawn tennis, squash, use of sporting guns and the indemnity of loss or damage to sporting equipments, accessories, sporting apparel and to personal effect and clothing caused by fire, burglary, house-breaking or theft and property covered excludes watches, jewellery, money, securities, documents and any sporting article. Legal liability of the insured or accidental bodily injury to the insured and the limits of sum insured are specified for each cover.

4. Hut insurance policy indemnifies the insured against all accidental losses or damages due to fire, earthquake, inundation, storm, tempest, impact damage, strike, malicious damage, and aircraft damage subject to the exclusions of war, invasion, act of foreign enemy, hostilities, civil war, rebellion, revolution, insurrection, mutiny, military or usurped power and the business is shared with the State Government on fifty percent co-insurance basis and are processed by Claim Enquiry-cum-Settlement officers, major claims by flood or fire are surveyed and assessed by a Task force constituted by the insurer. Gobar Gas insurance is applicable to all khadi and village industries workers/artisans, IRDP beneficiaries, scheduled castes, scheduled tribes and such other identifiable groups and the sum assured is inclusive of digester gas

\[30\] [AIR 2007 (NOC) 2506 (NCC)]
holder and cost of construction depending on type and cubic capacity and in master policy agreement is preferable due to concessional rate of premium and to reduce overall administrative expenses.

Plate Glass Insurance provides cover against the actual breakage of plain glass of ordinary glazing quality completely and securely fixed but breakage due to fire, explosion, gas, heat, earthquake, flood, war, riot ad strikes excluded. The rate of premium depends on the type of glass, situation, neighborhood and past claim experience. Actual damage is covered superficial damage like scratching or disfiguration is not covered, plain glass of ordinary glazing quality is covered if embossed silvered or ornamental glass is to be covered additional premium is required to be paid.

Personal Accident Insurance

Life Insurance and Person Insurance both deal with the person but there some variation in both of them. Life insurance involves death of person due to any cause or till the maturity date of policy or life of the person. Insurance of the person means insurance for individuals and groups of persons against any personal accident which may lead for death or disablement.

The risk insured in personal accident insurance is bodily injury resulting solely and directly from accident cause by violent, external and visible means. Person insurance is dealt by the General insurance corporation and life insurance Life Insurance Corporation of India and other private players.

Personal accident insurance is one of the popular classes of insurance and as a supplement to life insurance and insurance is to pay fixed compensation for death or disablement resulting from accidental bodily injury. The majority of the policies still issued are to individuals, found favour with employers who offer personal accident benefits as a part of the service benefits to their employees. 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 visible means.
<table>
<thead>
<tr>
<th>S.No.</th>
<th>Accident cover</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Death only</td>
<td>100%</td>
</tr>
<tr>
<td>2.</td>
<td>Loss of two limbs, two eyes or one limb and one eye</td>
<td>100%</td>
</tr>
<tr>
<td>3.</td>
<td>Loss of one limb or one eye</td>
<td>50%</td>
</tr>
<tr>
<td>4.</td>
<td>Permanent total disablement other than the above</td>
<td>100%</td>
</tr>
<tr>
<td>5.</td>
<td>Permanent partial disablement</td>
<td>Percentage as shown in the Table in the policy</td>
</tr>
<tr>
<td>6.</td>
<td>Temporary total disablement</td>
<td>One percent of the capital sum insured subject to a maximum of 104 weeks. The amount of weekly payment is restricted to a maximum of Rs. 3000/- per week.</td>
</tr>
<tr>
<td>7.</td>
<td>Reimbursement of Medical/Surgical/ Hospital/Nursing Home expenses necessarily incurred</td>
<td>Subject to a limit of 10% of CSI or 25% of valid claim whichever is less.</td>
</tr>
</tbody>
</table>

**Disablement**

Permanent total disablement the insured person is incapacitated for all work which he was capable of performing at the time the injury was sustained and to prevent the insured person from engaging in gainful employment of any kind. It includes loss of sight of both eyes or the actual loss by physical separation of the two entire hands or two entire feet or one entire hand and one entire foot or loss of sight of one eye and such loss of one entire hand and foot are deemed as equivalent to permanent total disablement. Partial disablement is of a temporary
nature such disablement as reduces the earning capacity of a workman in any employment in which he was engaged at the time the injury was sustained, and the disablement is of permanent nature as reduced his earning capacity in any employment which he was capable of undertaking at that time. Temporary total disablement which is total but for a temporary period and it is for days, weeks or months.

Underwriting consideration involves the selection of risks for insurance and has to decide to accept particular risk and decides to accept at what premium and on what terms. The proposal contains personal details age, height and weight, full description of occupation and average monthly income, health and physical condition, habits and pastimes, other or previous insurances, previous accidents or illness, selection of benefits and sum insured, declaration. The sum insured is selective by the insured but insurers exercise some control and compared with the average monthly income of the insured and it is difficult to specify the exact amount for which the cover granted it may equal to 60 to 72 months earning of the insured. The minimum age limit is 5 years and maximum 70, in case of persons who already have cover, policies may be renewed after they complete 70 years but up to the age of 80 to a loading of the renewal premium and for fresh proposals from persons above 70 years but below 80 years cover may be granted at normal rates plus loading of 10%, no medical examination is required for renewal of fresh cover.

Flight insurance Coupons provides cover for accidental bodily injury sustained which in or entering into or descending from any aircraft owned and or operated by a regular airline over a scheduled route by which the insured is travelling as a passenger during the flight specified.

Group personal accident policy issued to individuals or on group basis covering employees of a firm, company, association, club with employer-employee relationship. The coverage of group policy is same as individual personal accident policy except that cumulative bonus and education grant do not apply.

Janata personal accident policy is a simplified policy specially designed for the weaker sections of the society. The General Insurance Corporation of India introduced this scheme with effect from 1.11.1999 under a market agreement.
Any person irrespective of sex and occupation in the age group 10 to 70 years may be covered.

New personal accident insurance schemes

Raj Rajeshwari Mahil Kalyan Yojna is a personal accident insurance scheme designed for women in the age group of 10-75 years irrespective of their income, occupation or vocation and the insurance cover applies on 24 hour risk basis, if the assured sustain any bodily injury resulting solely and directly from accident caused by outward, violent and visible means, and if such injury within six calendar months of its occurrence lead to disablement then the company pay to the insured the sum of Rs 25000/- on permanent total disablement, loss of one limb and one eye or loss of both eyes and loss of both limbs Rs 25000/- and loss of one limb and sight in one eye Rs 12500/- death due to accident is also covered. In case of unmarried woman the compensation of Rs 25000/- is payable to the nominee or legal heir and married woman compensation of twenty five thousand rupees is paid to husband. Premium is of only Rs 15/- per women per year.

Bhagyashree child welfare policy is applicable to girl children in the age group of 0 to 18 years whose parents age does not exceed 60 years. The scheme is intended to provide insurance cover to one girl child in a family who loses either the father or mother due to accident death.

Election insurance scheme a policy was taken covering the whole period of election work risk for the amount of Rs. 10 lakhs and was for the whole period of one month covering risk to officers involved in the election duty.

Gramin personal accident policy is applicable to persons between the age group of 10 to 65 years living in rural areas. The benefits are Rs. 6000/- at death or permanent disablement due to accident or Rs. 3,000/- at the loss of two eyes or two limbs or one eye and one limb due to accident at flat premium or Rs. 6/ per month.

Pradhan Mantri Surakha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bhima Yojana the Prime Minister of India Shri, Narendra Modi launched two schemes on May 9, 2015 to enhance the welfare of citizens specially for worker worked in unorganized sector. The provision of these schemes is to protect individuals and households to ensure their health and income specially in old age,
unemployment, sickness work injury, maternity or loss of a sole earning member and the premium of only Rs 12/- and Rs 330/- per year.

Public Liability Insurance

Liability insurance is a contract by which the insurer agrees to indemnify the insured against loss by reason of the liability imposed by law for damages on account of bodily injuries including death, suffered by a person or persons through accident or casualty occurring within a specific term. The liability insurance insures against the risk of death and personal injury or damage, deterioration or destruction of property and the risk incurring liability to third parties. The liability of third parties may arise by his own conduct or in using his property. Liability policies are expressed as providing indemnity against 'liability in law' and used to cover liability arising out of negligence and covers liability in tort. Liability insurance includes Public liability insurance, Compulsory insurance, Employer's liability insurance, Guarantee insurance, Liability arising in connection with professional negligence.

In public liability insurance public liability does not mean liability of the State or its agencies but means liability imposed by law as opposed to self-imposed liability as in contract. The growth of hazardous industries process operations in India has been accompanied by the growing risks from accidents not only to the workmen employed in such undertakings but also innocent members of the public and such accidents lead to death and injury to human beings and other living beings and damage private and public properties. Work and employees of hazardous installations are protected under separate laws members of public are not assured of any relief except through long legal processes.

Industrial units seldom have the willingness to readily compensate the victims of accidents and the only remedy available for the victims is to go through prolonged litigation in a Court of law and some units not have the financial resources to provide even minimum relief therefore public liability is mandatory to provide cover and enable the industry to discharge its liability to settle large claims arising out of major accidents.

'No fault liability' irrespective of any wrongful act, neglect or default on the owner to pay relief in the event of death or injury to any person and damage to property of any person arising out of an accident while handling any hazardous
substance and the claimant is not required to prove that death, injury or damage was due to any wrongful act or neglect or default of any person.\textsuperscript{31}