Chapter – 4

Study & Analysis of Insurance Coverage obtained by the industries
To assess the insurance coverage purchased by the industries in the Kanpur region I conducted a survey of general insurance policies available in the market. In India insurance sector has been opened up for the private insurance players. Before the opening up of the industry the market was dominated solely by four public sector insurers. However after the opening of the sector many private players were allowed to sell insurance products.

Before opening up the types of products available in the insurance market were quite rigid. There was no product development as such depending upon the need of the insured. However in the current scenario there has been lot of flexibility in designing of the insurance products. The insurers can now provide insurance policies tailor made to the specific needs of the insured.

I am listing below the basic insurance covers available in the insurance market and the respective need of the policy. Insurance Covers may be broadly classified into 4 major classes in insurance parlance :-

1. Fire Insurance
2. Marine Insurance
3. Motor Insurance
4. Miscellaneous Insurance
Here since we are specifically dealing with the industries and the policies required by them we shall categorize the covers available into 4 categories:

- Industrial
- Liability
- Commercial
- Personal

**Industrial Policies**

Under this category following policies are available in the market:-
- Fire Policy
- Burglary Policy
- Machinery Breakdown Policy
- Electronics Equipment Policy
- Consequential Loss Policy
- Contractors All Risk Policy
- Marine cum Erection / Storage cum Erection Policy
- Advanced Loss of Profit / Delay in Startup Policy
- Contractor Plant and Machinery Policy

**Fire Policy:**

The Standard Fire and Special Perils Policy covers all properties on land (excluding cost of land), moveable or immovable, at various locations against named perils. Policy can be extended to cover certain additional perils and expenses at additional premium.

**Properties that are covered:**

All moveable/ immovable properties of the proposed on land (excluding those in transit) broadly categorised as follows:
1) Building (including plinth and foundations, if required):
Whether completed or in course of construction (excluding the value of land). Interiors, Partitions and Electricals.

2) Plant & Machinery, Equipments & Accessories (including foundations, if required)
   - Bought Second hand.
   - Bought New
   - Obsolete Machinery

3) Stocks:
   - Raw Material
   - Finished Goods
   - In process
   - In trade belonging to Wholesaler, Manufacturer and Retailer.

4) Other Contents such as
   - Furniture, Fixtures and Fittings
   - Cables, Piping
   - Spares, Tools and Stores
   - Household goods etc.

5) Specific Items such as bullion, unset precious stones, curios, work of arts, manuscripts, plans, drawings, securities, obligations or documents, stamps, coins or paper money, cheques, books of accounts, computer system records, explosives.
Special types of Policies available for Stocks:

1) Declaration Policy:

- To take care of frequent fluctuations in Stocks/ Stock Values
- Minimum Sum Insured Rs. 1 crore per location.
- Monthly declaration on any one of the following basis to be submitted before the last day of the succeeding month average of the highest values at risk on each day (or) highest value on any day of the month.
- Refund of premium, on expiry of policy, based on the average declaration upto 50% of the provisional premium.

2) Floater Policy:

- To take care of frequent changes in values at various locations.
- Single sum insured for all the stocks in all the locations.
- Nominal premium loading to cover all the stocks in all the locations.

Burglary Policy

Policy is designed to cover business premises only like godown, factory, office etc.

There are three types of policies available:-

Full Value Insurance: The policy must be effected for the full value of the property to be insured.
**First Loss Insurance:** In the event of improbability of total loss, proposer can opt for a percentage of total stocks to be insured

**Stock Declaration Policies:** These policies are given where large stocks frequently fluctuate in quantity during the year. The sum insured is fixed at the maximum value of stocks which the insured anticipates he will hold at any one time. A deposit premium of 100% of the annual premium will be paid at the beginning of the insurance. Monthly declarations of value are to be sent to the company and the "deposit" premium will be adjusted at the end of the policy period based upon the average of the monthly declarations

**Machinery Breakdown Policy**

- This is a policy which covers financial loss incurred by the insured due to loss or damage to machinery as a result of accidental electrical and mechanical breakdown. It reimburses the insured for the cost of repairs or replacement of machinery of like nature. This insurance can be taken by the individual owner of the machine or a person or company having financial interest in the machine.

**Kinds of machines can be covered:** All types of industrial machinery like compressors, pumps, turbine etc. as also electrical machines like transformer, electrical motor, generator etc. can be covered under this policy.
Sum insured or value for which policy is to be taken: It is a requirement of this policy that the sum insured or value for which the particular machine is insured should represent the present day purchase value of a similar new machine including all incidental expenses like custom duties, taxes, excise, freight, insurance charges, handling charges etc. In case the sum insured under the policy is less than as per the above requirement the claim will be paid only in such proportion as the sum insured bears to the current replacement cost of similar new machinery.

Electronics Equipment Policy

This is a specially designed policy which covers accidental loss or damage to electronic equipment.

What equipment can be covered under this policy: The policy covers the following types of equipments:

- Electronic data processing machine.
- Telecommunication equipment.
- Transmitting and receiving installations(including Radio, TV, Cinema Sound Reproduction and Studio Equipment).
- Material testing and research equipment.
- Electro-Medical Installations.
- Signal and transmitting units.
• Office calculators, duplicating machines and Reproduction machines.
• Control and supervisory units.

This policy can be taken by the owner, lessor or hirer of electronic equipment.

The policy covers sudden and unforeseen physical damage including breakdown to the electronic equipment covered under the policy due to any reason not specifically excluded.

**Consequential Loss Policy**

Generally insurance policies cover only physical damage to property by insured perils. This, at best covers the expenses incurred for repairing or replacing the damaged property. But what about the financial loss suffered due to interruption of business operations whilst the damaged property is being repaired or replaced?

This policy offers a solution by covering profit lost due to reduction in turnover arising from interruption of business following damage to the property insured.

This policy can be taken only in conjunction with Fire Policy or Machinery Breakdown policy. This policy is also known as Business Interruption Policy or Loss of Profit Policy.
The policy covers:

- Loss of gross profit
- Increased cost of working

Contractors All Risk Policy

This policy is specially designed to give financial protection to the Civil Engineering Contractors in the event of an accident to the civil engineering works under construction.

In case the policy period exceeds 12 months, the premium can be paid in quarterly installments with the first installment being more by 5% and the last installment being paid 6 months before expiry of the policy.

The policy comprises of 2 Sections:

Section I- Material Damage-covering physical loss, damage or destruction of the property insured by any cause, other than those specifically excluded in the policy.

Section II- Third Party Liability-covering the legal liability falling on the insured contractor as a result of bodily injury or property damaged belonging to a third party.

Marine cum Erection / Storage cum Erection Policy

This is a comprehensive policy covering all physical risks which a project is exposed to right from the warehouse of the supplier of
equipments - whether imported or indigenous - to its erection, testing and commissioning at the site.\textsuperscript{4}

In case the supplier has arranged transit insurance upto the site, a Storage cum erection policy can be issued limiting coverage to risks that the project is exposed to at the site only.

In case the policy period exceeds 12 months, the premium can be paid in quarterly installments with the first installment being more by 5\% and the last installment being paid 6 months before expiry of the policy. For project value exceeding Rs.1500crs, specially designed policies are available.

The policy covers all risk of physical loss or damage of insured property other than those specifically excluded, including:-

- marine voyage for imports
- offloading / storage at port
- inland transit to site
- storage, handling, erection at site
- testing and commissioning at site

**Advanced Loss of Profit / Delay in Startup Policy**

The Advance Loss of Profit is designed to cover:

Loss of Gross Profit = Net Profit+Standing Charges

OR
Loss of Gross Earnings = Turnover-Specified Working Expenses

OR

Fixed Operation & Management Costs

Debt Service Charges

Increased Cost of Working

Special Expenses e.g. penalties

The policy pays for the actual loss of gross profit incurred during the period of delay, commencing from the scheduled date of commencement of commercial operation upto the actual date of commencement of commercial operation subject to a time excess and indemnity period selected. The delay, however should have occurred due to a claim payable under marine -cum- erection policy, storage-cum -erection policy or contractor's all risk policy.

The policy does not cover delay due to:

- Inventory losses
- Delay in shipment of supplies
- Normal project schedule slippages
- Non availability of funds for repairs/replacement to damaged items
- Cancellation of license or Govt. restrictions etc
Contractor Plant and Machinery Policy

This policy covers all different types of machinery used for handing material or construction.

The policy covers sudden, accidental, external damage to the insured machinery due to any cause other than those specifically excluded in the policy.

The policy covers the machinery whilst they are in operation or at rest or whilst being dismantled for the purpose of cleaning or overhauling or whilst being shifted within the premises or during subsequent re-erection, but in any case only after successful commissioning.

Liability Policies

This policy covers the amount which the insured becomes legally liable to pay as damages to third parties as a result of accidental death, bodily injury, loss or damage to the property belonging to a third party. The legal cost and expenses incurred in defending the case with prior consent of the insurance company are also payable subject to certain terms and conditions.

One can insure more than one unit situated in different locations under a single policy.
The policy offers a benefit of Retroactive period on continuous renewal of policy whereby claims reported in subsequent renewal but pertaining to earlier period after first inception of the policy, also become payable.

**Types of Public Liability Policies:**

**Public Liability Non Industrial Risk** - For offices, hotels, cinema houses, hospitals, schools etc.

**Public Liability Industrial Risk** - For godowns, warehouses and factories.

**Public Liability Insurance Act 1991** - This is a mandatory policy to be taken by owners, users or transporters of hazardous substance as defined under Environment (Protection) Act 1986 in excess of the minimum quantity specified under the Public Liability Insurance Act 1991.

In Public Liability Policy, the sum insured is referred to as Limit of Indemnity. This limit is fixed per accident and per policy period which is called Any One Accident (AOA) limit and Any One Year (AOY) limit respectively. The ratio of AOA limit to AOY limit can be chosen from the following:

a. 1:1

b. 1:2
The AOA limit which is the maximum amount payable for each accident should be fixed taking into account the nature of activity of the insured and the maximum number of people who could be affected and maximum property damage that could occur, in the worst possible accident in the insured's premises.

In the case of Public Liability Insurance Act 1991, the AOA limit should represent the paid up capital of the company subject to maximum of Rs.5 crores. The AOY limit is fixed at 3 times the AOA limit (Max.Rs.15 Crores).

**Products Liability Policy**

This policy covers all sums (inclusive of defense costs) which the insured becomes legally liable to pay as damages as a consequence of:

- accidental death/ bodily injury or disease to any third party
- accidental damage to property belonging to a third party

arising out of any defect in the product manufactured by the insured and specifically mentioned in the policy after such product has left the insured's premises.

The policy offers the benefit of retroactive period on continuous renewal of policy whereby claims reported in subsequent renewal but
pertaining to earlier period after first inception of policy, also become payable.

The defect in the product may be a manufacturing defect or may even be due to faulty packaging, delivery specifications or instructions as to use of the product.

The policy covers the sales turnover of the company - both domestic and/or exports. The policy is on claims made basis i.e. the claims must arise and be made in writing on the insurance company during the policy period.

The policy does not cover any liability for product recall, product guarantee, pure financial loss such as loss of goodwill or loss of market. The policy also does not pay for the cost incurred for repairing or reconditioning or modifying the defective part of the product.

The policy can be extended to cover liability arising out of judgments or settlements made in countries which operate under the laws of U.S.A or Canada (which is an exclusion under the policy) by opting for the North American Jurisdiction Clause.

The policy can also be extended to cover Limited Vendors Liability for named or unnamed vendors. Limited vendor's liability means liability arising out of the sale and distribution of named insured products by
vendors with original warranties and instructions of use of the product specified by the manufacturers.

**Professional Indemnity Policy**

This policy is meant for professionals to cover liability falling on them as a result of errors and omissions committed by them whilst rendering professional service.

The policy offers a benefit of Retroactive period on continuous renewal of policy whereby claims reported in subsequent renewal but pertaining to earlier period after first inception of the policy, also become payable.

Group policies can also be issued covering members of one profession. Group discount in premium is available depending upon the number of members covered.

The policy covers all sums which the insured professional becomes legally liable to pay as damages to third party in respect of any error and/or omission on his/her part committed whilst rendering professional service. Legal cost and expenses incurred in defense of the case, with the prior consent of the insurance company, are also payable, subject to the overall limit of indemnity selected.
Only civil liability claims are covered. Any liability arising out of any criminal act or act committed in violation of any law or ordinance is not covered.

The policy is meant for professionals. 'Professional Indemnity' policies cover the following group of professionals:

- Doctors and medical practitioners - which covers registered medical practitioners like physicians, surgeons, cardiologists, pathologists etc.
- Medical establishments - which covers legal liability falling on the medical establishment such as hospitals and nursing homes, as a result of error or omission committed by any named professional or qualified assistants engaged by the medical establishment.
- Engineers, architects and interior decorators.
- Lawyers, advocates, solicitors and counsels.
- Chartered accountants, financial accountants, management consultants.

Directors and Officers Liability Policy

This cover is suitable for those Directors & key officers who are in a decision-making position. These directors and officers in pursuance of their duties may take some actions which may be in violation of certain statutes or Indian Laws.
Provides cover

- Against any loss that the Organization may incur, on account of mistaken actions taken in their individual capacity as Directors & Officers in pursuance of their duties under Memorandum and Articles of Association.

- Against loss arising from claims made against them by reason of any wrongful Act in their Official capacity.

- Legal costs & expenses incurred with the written consent of the insurers arising out of prosecution (criminal or otherwise) of any Director/officer and attendance at any investigation, examination, inquiry or other proceedings by the authority empowered to do so.

- Expenses incurred by any shareholder of the Company in pursuance of a claim against any Director / Officer, which the Company is legally obliged to pay, pursuant to an order of a Court.

- Provide indemnity to the estate of, legal heirs or legal representatives of the Director / officer in the event of the Director / officer becoming insolvent.
Lift (Third Party) Insurance

Designed for owners of passenger lifts in buildings to cover third party liabilities for personal injuries or property damage arising out of the use and operation of lifts including their machinery, plant, doors, safety devices or other appliances.

The Policy covers

- Death or bodily injury of any person (not being a member of the Insured's family or an employees of the insured)
- Loss or damage to property (not being the property of the insured or of his family members or of his employees)
- Direct damage to personal effects of any person (not being a member of the Insured's family or an employees of the insured)

Employers' Liability Policy

The policy covers statutory liability of an employer for the death of or bodily injuries or occupational diseases sustained by the workmen arising out of and in course of employment.

Who can be Insured?

Any employer whether as a Principal or contractor engaging "workmen" as defined in WC Act to cover his liability to them under statute and at common law. Employer can cover Employees who do not qualify as "Workmen" under separate table.
The policy will pay

- To pay all sums which the insured is legally liable to pay the employees in respect of personal injury by accident or diseases 'arising out of and in the course of the employment'
- Insured's liability arising either under common law or the laws set out in the schedule Workmen's Compensation Act 1923.
- Costs or expenses incurred by the insured with the consent of the company, to defend any claims are paid in addition.

Workmen Compensation Insurance

The policy covers liability of an employer for employment injury (including death) of any of his employees who is a 'workman' as defined under Workmen Compensation Act.

Any employer whether as a Principal or contractor engaging "workmen" as defined in WC Act to cover his liability to them under statute and at common law. Employer can cover Employees who do not qualify as "Workmen" under separate table

Coverage will be provided for

- Indemnity to insured against his liability as an 'employer' to accidental injuries (including fatal) sustained by the 'workman' whilst at work.
• On extra premium-medical, surgical, and hospital expenses including the cost of transport to hospital for accidental employment injuries
• Liability in respect of diseases mentioned in Part C / schedule III of WC Act, on additional premium; which arise out of and in the course of employment.

Commercial Insurance Policies

Marine Cargo Policy

This policy covers goods, freight and other interests against loss or damage to goods whilst being transported by rail, road, sea and/or air. Different policies are available depending on the type of coverage required ranging from an ALL RISK cover to a restricted FIRE RISK ONLY cover. This policy is freely assignable and is basically an agreed value policy.

Transportation of goods can be broadly classified into three categories:

i. Inland Transport
ii. Import
iii. Export

The types of policies issued to cover these transits are:

For Inland Transit

a. Specific Policy - For covering a specific single transit

Open Policy - For covering transit of regular consignments over the same route. The policy can be taken for an amount equivalent to three
months dispatches and premium paid in advance. As each consignment is dispatched, a declaration giving details of the dispatch including GR/RR No. is to be sent to the insurer and the sum insured gets reduced by the amount of the declared dispatch. The sum insured can be increased any number of times during the policy period of one year; but care should be taken to ensure that adequate sum insured is available to cover the consignment to be dispatched.

**Special Declaration Policy** - For covering inland transit of goods wherein the value of goods transported during one year exceeds Rs.2 crores. Although the premium for the estimated annual turnover [i.e. the estimated value of goods likely to be transported during the year] has to be paid in advance, attractive discounts in premium are available.

**Multi-transit Policy** - For covering multiple transits of the same consignment including intermediate storage and processing. For e.g. covering goods from raw material supplier's warehouse to final distributor's godown of final product.

**For Import/Export**

*Specific Policy* - For covering a specific import/export consignment.

*Open cover* - This policy which is issued for a policy period of one year indicates the rates, terms and conditions agreed upon by the insured and insurer to cover the consignments to be imported or
exported. A declaration is to be made to the insurance company as
and when a consignment is to be sent along with the premium at the
agreed rate. The insurance co. will then issue a certificate covering the
declared consignment.

Custom duty cover - This policy covers loss of custom duty paid in
case goods arrive in damaged condition. This policy can be taken even
if the overseas transit has been covered by an insurance company
abroad, but it has to be taken before the goods arrive in India.

Special Contingency Policy

This policy caters to the requirements of the clients who desire to have
all risks in respect of their machinery and/or equipment or any other
property covered under a single policy. Damage or financial loss
caused due to fire, lightning, burglary etc. are covered.

Neon Sign Insurance

Insurance in respect of loss or damage to the neon sign installation.

This policy covers loss or damage to the neon sign installation by

- accidental external means
- fire, lightning, external explosion and theft

Fidelity Guarantee Insurance Policy

The policy covers the employer in respect of any direct financial loss
which he may suffer as a result of employees dishonesty. The
Company shall indemnify the insured against a direct pecuniary loss sustained by reason of any act of fraud/dishonesty committed

- On or after the date of commencement of this policy.
- During uninterrupted service with the Insured and discovered during the continuance of this policy or within twelve calendar months of the expiration thereof.
- In the case of death, dismissal or retirement of the Employee with twelve calendar months of such death, dismissal or retirement whichever of these events shall first happen.

**Personal Line Insurance**

**Mediclaim Policy**

Expenses incurred by the insured for hospitalisation for illness / diseases or injury sustained (domiciliary hospitalisation also payable as per policy). These include Hospital charges (Room, Boarding & Operation theatre) fees for surgeon, Anesthetist Nursing, specialist etc., diagnostic tests, cost of medicines, blood, oxygen etc., cost of appliances like pacemaker, artificial limbs etc.,

- Any person in the age group of 5 to 75 years Children between 3 months and 5 years can be covered only along with parent/s.
- Institutions (Government or Private) for their employees
- Clubs / association for their members in the said age group.
- Group schemes for homogenous groups of more than 50 persons.
For industries group mediclaim scheme is also offered where policy can be taken for employees.

Besides personal accident policies as mentioned above all industrial units employing more that 10 persons in factories using power and 20 persons in factories not using power are required to compulsorily register under Employee State Insurance Act. The details of the scheme under operation are given below:-

**Employees' State Insurance Scheme**

Employees' State Insurance Scheme is an integrated multidimensional social security scheme tailored to provide social protection to workers in the organised sector and their dependants in times of sickness, maternity, death or disablement due to an employment injury or occupational disease. The scheme tailored to suit health insurance requirements of workers provides full medical facilities to insured persons and their family members, as well as, cash benefits to compensate for loss of wages or earning capacity in different contingencies.

E.S.I. Act was implemented in our country for the first time in Delhi & Kanpur on 24th Feb. 1952. Progressively it was extended to other 57 centres of U.P. Region. The Act applies in the first instance to non-seasonal factories using power and employing 10 or more employees and non-power using factories employing 20 or more employees.
The ESI Act contains an enabling provision under which appropriate Govt. may extend the scheme to other classes of establishment, industrial, commercial, agricultural or otherwise. Under these provisions Govt. of U.P has extended the provisions of Act to new classes of establishment viz. hotel and restaurant, cinema including preview theaters, road motors transport undertakings, newspaper establishment and shops employing 20 or more employees. In Uttar Pradesh, a total number of 16186 factories /establishments employing 4,53,000 employees were covered under the ESI Scheme as on 31.03.2005. At present, the employees of covered factories and establishments drawing wages up to Rs. 10,000/- (excluding remuneration for over time work) per month come under the purview of the ESI Act, 1948.

The Employer should get his factory/ establishment registered within 15 days after the Act becomes applicable. The employer should ensure to pay employer's contribution at the rate of @ 4.75% of the wages (rounded to next higher rupee) and the employee's contribution @ 1.75% of the wages (rounded to next higher rupee) within 21 days of the following month. Employees whose average daily wages is up to Rs.50.00 is exempt from payment of employees' contribution.

The employer should maintain accident book on Form-11 as prescribed under the ESI Act. An annual return regarding information of factory / establishment covered under the ESI Act is to be submitted.
in Form -01 A by the employer by 31st January every year to Regional
Office/ Sub Regional Office.

Medical Benefit

Medical benefit under ESI scheme is provided mainly through state
government except in Noida areas where medical benefit is provided
to the insured person's and their family members directly by ESIC.
One modal hospital at Noida is also functioning under direct control of
E.S.I. Corporation. Entire expenditure of this Model Hospital is borne
by the E.S.I. Corporation. In other areas, medical treatment and
attendance to insured persons and their family members is provided
through a network of dispensaries and hospitals run by Director, ESI
Scheme, Govt. of U.P. Sarvodaya Nagar, Kanpur under the overall
control and superintendence of the labour department, Govt. of U.P.

The total expenditure in administering the medical benefit is shared by
the Corporation and the State government in the ratio of 7:1. Out
door treatment is provided in ESI dispensaries and in-patient treatment
through hospitals. In case any, super specialty treatment is required
which is not available in ESI hospitals, the insured person, family
members are referred to super specialty hospitals havings tie-up
arrangement with the State government.
A ceiling of Rs.900.00 per Insured Person per annum has been fixed with effect from 01.04.2005 towards medical care. E.S.I. Corporation and the State Govt. share the expenditure on medical care at a agreed ratio of 7:1 and excess expenditure beyond the ceiling is borne by the State Govt. The following table gives the details of quantum of benefits

Table 4.1 ESI- Quantum of benefits

<table>
<thead>
<tr>
<th>S.I.</th>
<th>Benefit</th>
<th>Contributory condition</th>
<th>Duration</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(a)</td>
<td>Sickness benefit</td>
<td>Payment for any two least 78 days in the relevant contribution period</td>
<td>91 days in any two consecutive benefit periods.</td>
<td>Standard Benefit Rate (About 50% of the wages)</td>
</tr>
<tr>
<td></td>
<td>EXTENDED SICKNESS BENEFIT (for 34 specified long term diseases)</td>
<td>Continues employment for a period of two year and contribution for 156 days in four consecutive contribution periods</td>
<td>Two years</td>
<td>140% of the Standard Benefit rate (about 70% of the wages)</td>
</tr>
<tr>
<td>1(b)</td>
<td>Enhanced sickness benefit</td>
<td>Same as for Sickness Benefit at (a) above.</td>
<td>7 days for vasectomy and 14 days for tubectomy; extendable in cases of post operative complication etc.</td>
<td>Twice the Standard Benefit rate (full wages)</td>
</tr>
</tbody>
</table>

(ii). Disablement benefit (employment injury)

| (a). | Temporary disablement benefit                  | He should be an employee on the date of employment injury | Till the incapacity lasts | 140% of the Standard Benefit rate (about 70% of the wages). |
| (b). | Permanent disablement benefit                 | -Do-                                                      | for life                  | Depends upon the loss of earning capacity of the workers which is determined by a Medical Board. |

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| Dependants benefit | The deceased should be an employee on the date of fatal employment | 1. To widow/widows for life or until remarriage.  
2. To widowed mother during life.  
3. To legitimate or adopted son and to legitimate or adopted unmarried daughter till the age of 18 years.  
4. To legitimate or adopted son or adopted unmarried infirm daughter till infirmity lasts.  
5. To legitimate or adopted unmarried infirm daughter till infirmity lasts.  
6. To other dependants for life or till marriage, cessation of infirmity or due to age of 18 years as the case may be. | 40% of the Standard Benefit rate (about 70%) of the wages to be divided amongst the dependants in the prescribed ratio. |
<p>| Maternity benefit | Payment of contribution for 70 days in immediately preceding two consecutive contribution periods | 12 weeks of which not more than six can precede the expected date of confinement; 6 weeks for miscarriage and one month for sickness arising out of pregnancy confinement, premature birth of child or miscarriage. | Double the standard benefit |
| Funeral expenses | He should be an insured person on the date of death | Actual expenditure on funeral not exceeding Rs.2500/- |
| Rehabilitation allowance | Entitlement to medical benefit or if disabled due to employment injury | For each day on which insured person remains admitted in Artificial Limb-Centre for fixation/replacement of artificial limb | At double the Standard benefit rate. |
| Medical benefit | No condition (insured person and his family the date of entry of I. P. into insurable employment) | Till the disability/disease lasts | Full medical care (all facilities including hospitalization) for I. P and members of their family. |</p>
<table>
<thead>
<tr>
<th>(viii) Medical benefit to retired/disabled insured persons and his/her spouse</th>
<th>On payment of Rs.10/- p.m. in lump-sum for one year in advance. (i) by insured persons who leave insurable employment on attaining the age of superannuation after being insured for not less than five years, (ii) by insured persons who cease to be in insurable employment on account of permanent disablement due to an employment injury.</th>
<th>Period for which contribution is paid. Period for which contribution is paid, till attaining the age of superannuation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ix) Confinement expenses</td>
<td>To an insured Woman or an I. P. in respect of his wife in case facilities for confinement are not available in E.S.I. Institutions</td>
<td>Rs.1000/- per confinement</td>
</tr>
<tr>
<td>(x) Vocational rehabilitation allowance</td>
<td>Not more than 45 years of age and disability not less than 40% due to employment injury.</td>
<td>All the days of training in Vocational Rehabilitation Centre, Whichever is higher</td>
</tr>
<tr>
<td>(xi) Unemployment allowance</td>
<td>An I. P. who has lost employment due to closure of factory, retrenchment or permanent invalidity and the contribution in respect of him have been paid / payable for a minimum of five years prior to the loss of employment</td>
<td>Maximum six months during life time</td>
</tr>
</tbody>
</table>

Standard Benefit Rate (about 50% of wages).
The status of coverage on a pan India basis is as below:

**Table 4.2 ESI coverage in India 2005-06'**

<table>
<thead>
<tr>
<th>No. of Insured Person family units</th>
<th>91,48,605</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Employees</td>
<td>84,00,526</td>
</tr>
<tr>
<td>Total No. of Beneficiaries</td>
<td>3,54,96,589</td>
</tr>
<tr>
<td>No. of Insured women</td>
<td>15,43,250</td>
</tr>
<tr>
<td>No. of Employers, etc</td>
<td>3,00,718</td>
</tr>
</tbody>
</table>

**Table 4.3 ESI coverage in U.P. Region – 2005-06'**

<table>
<thead>
<tr>
<th>No. of Insured Person family units</th>
<th>4,82,050</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Employees</td>
<td>4,53,000</td>
</tr>
<tr>
<td>Total No. of Beneficiaries</td>
<td>18,31,790</td>
</tr>
<tr>
<td>No. of Employers, etc</td>
<td>16186</td>
</tr>
</tbody>
</table>

**Table 4.4 ESI coverage in Kanpur 2005-06'**

<table>
<thead>
<tr>
<th>No. of Insured Person family units</th>
<th>2,02,940</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Employees</td>
<td>1,90,715</td>
</tr>
<tr>
<td>Total No. of Beneficiaries</td>
<td>7,87,407</td>
</tr>
<tr>
<td>No. of Employers</td>
<td>9404</td>
</tr>
</tbody>
</table>

The table 4.2 depicts the status of Employees State Insurance coverage all over India. The total number of insured persons were 91,48,605 and the number of employees registered were 84,00 526. The total number of employers were 3,00,718.
Similarly in whole of Uttar Pradesh the total number of insured persons were 4,82,050 and the number of employees registered were 4,53,000.

In the Kanpur region the total number of insured persons was 202940 and the number of employees registered was 190715. The total number of employers was 9404. The total number of beneficiaries under the scheme were 7,87,407.

As per the census data of the year 2001 the total number of workers in Kanpur Nagar and Kanpur Dehat were 17,61,044. Out of this only 1,90,715 employees were registered. This figure of total workers includes small industries also where less than 10 persons are employed. The Act was originally applicable to non-seasonal factories using power and employing 20 or more persons; but it is now applicable to non-seasonal power using factories employing 10 or more persons and non-power using factories employing 20 or more persons. There are many unregistered industries in Kanpur who are not registered under ESI Act even though they qualify the criteria of employment of 10 persons. The government should see that all factories register under the Act and avail the benefit of employee's health scheme for the overall benefit of employees at large.
Covers obtained by Industries

A survey was carried out to find the extent of coverage taken by the industries. I surveyed around 250 industries and collected data to find out the number of policies taken by the industries. I have categorized the results according to different classes of Insurance. In the following tables I am listing the number of policies taken by the industries in each segment, followed by analysis of the data.

In brief the result of the survey carried out is given below:

**Table 4.5 Industrial Policies**

<table>
<thead>
<tr>
<th>Survey Lot: 250 units (Industries)</th>
<th>Industries taken insurance</th>
<th>Industries not having the cover</th>
<th>Total number of industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Policy</td>
<td>235</td>
<td>15</td>
<td>250</td>
</tr>
<tr>
<td>Burglary Policy</td>
<td>76</td>
<td>174</td>
<td>250</td>
</tr>
<tr>
<td>Machinery Breakdown Policy</td>
<td>83</td>
<td>167</td>
<td>250</td>
</tr>
<tr>
<td>Electronics Equipment Policy</td>
<td>34</td>
<td>216</td>
<td>250</td>
</tr>
<tr>
<td>Consequential Loss Policy</td>
<td>32</td>
<td>218</td>
<td>250</td>
</tr>
<tr>
<td>Contractors All Risk Policy</td>
<td>24</td>
<td>226</td>
<td>250</td>
</tr>
<tr>
<td>Marine cum Erection / Storage cum Erection Policy</td>
<td>180</td>
<td>70</td>
<td>250</td>
</tr>
<tr>
<td>Advanced Loss of Profit / Delay in Startup Policy</td>
<td>22</td>
<td>228</td>
<td>250</td>
</tr>
</tbody>
</table>
Results of survey

The survey showed that most of the industries did not have the adequate industrial insurance cover. On analysis of above tables and chart we can find that out of 250 industries, 235 had obtained fire insurance cover. Only few did not have the cover. In some industries renewal expired and they informed they will be renewing soon. Most of the industries did not have burglary policies, machinery breakdown, Electronic Equipment, Consequential loss, Advanced loss of profit policy. However most of them took cover for Marine cum erection policy since cover was necessary for purchase of raw materials or dispatch of finished goods.

Out of industries which had insurance cover most of the cover were compulsory insurance ie insurance protection was purchased due to bank clause in the loan agreement or any other factor. Insurance was
not really purchased for protection rather it was purchased for
complying the laws.

The knowledge about insurance covers was also very low. The
industries were quite unaware of special type of products available in
the market. They were more concerned to complete the formality
rather than purchase insurance protection for their factory.

Table 4.6 Liability Policies

<table>
<thead>
<tr>
<th>Survey Lot : 250 units (Industries)</th>
<th>Industries taken the insurance cover</th>
<th>Industries not having the cover</th>
<th>Total number of industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Liability Policy</td>
<td>24</td>
<td>226</td>
<td>250</td>
</tr>
<tr>
<td>Product Liability Policy</td>
<td>14</td>
<td>236</td>
<td>250</td>
</tr>
<tr>
<td>Professional Indemnity Policy</td>
<td>12</td>
<td>238</td>
<td>250</td>
</tr>
<tr>
<td>Directors &amp; Officers Liability Policy</td>
<td>1</td>
<td>249</td>
<td>250</td>
</tr>
<tr>
<td>Lift Third Party Policy</td>
<td>0</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Workmen’s Compensation Policy</td>
<td>174</td>
<td>76</td>
<td>250</td>
</tr>
<tr>
<td>Employers Liability Policy</td>
<td>75</td>
<td>175</td>
<td>250</td>
</tr>
</tbody>
</table>

Chart 4.2 Liability Policies taken by Industries

Primary Data collected personally from industries in Kanpur region
Results of Survey

The survey showed that most of the industries did not have the adequate liability insurance cover. Around 83% of the industries did not have any insurance cover. Out of 17% industries which had insurance cover most of the cover were compulsory insurance.

In liability policy segment most of the policies are in specialized. These are taken to protect the interest of the company against any third party liability by the act of own employees or their product. Since the industrial units we visited were smaller in size they did not felt the need of purchasing such kind of insurance. Also these type of policies are in demand from medium and big industries.

The knowledge about insurance covers was also very low. The industries were quite unaware of special type of products available in the market. Most of the policies under this category were of specialized nature which was not directly needed but would be helpful for the company if any loss arise to their employees, customers etc.

Table 4.7 Commercial Policies  

<table>
<thead>
<tr>
<th>Survey Lot (Industries)</th>
<th>250 units</th>
<th>Industries taken the cover</th>
<th>Industries not having the cover</th>
<th>Total number of industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine Cargo Insurance</td>
<td>215</td>
<td>35</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Neon Sign Insurance</td>
<td>14</td>
<td>236</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Special Contingency Policy</td>
<td>12</td>
<td>238</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Fidelity Guarantee Policy</td>
<td>1</td>
<td>249</td>
<td>250</td>
<td></td>
</tr>
</tbody>
</table>
Primary Data collected personally from industries in Kanpur region

**Results of Survey**

Again in this segment also the survey showed that most of the industries did not have the adequate insurance cover. In case of commercial policies almost most of the industries took only marine insurance cover i.e. insurance which is required during transportation of raw material/finished products. Apart from that they were least concerned with the special types of cover available in the market. The awareness about commercial insurance cover was awfully low. The special types of policies can protect the companies from dishonesty of employees which is very much possible, special contingency policy, etc.
Table 4.8 Personal Line Policies

<table>
<thead>
<tr>
<th>Survey Lot (Industries)</th>
<th>Industries taken the insurance cover</th>
<th>Industries not having the cover</th>
<th>Total number of industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Mediclaim Insurance</td>
<td>24</td>
<td>226</td>
<td>250</td>
</tr>
<tr>
<td>Individual Risk Cover</td>
<td>16</td>
<td>234</td>
<td>250</td>
</tr>
</tbody>
</table>

![Chart 4.4 Personal Line Policies taken by Industries](chart)

Primary Data collected personally from industries in Kanpur region

**Results of Survey**

The survey showed that most of the industries did not have the adequate insurance cover for the employees. They were not bothered for insurance of employees as this would have resulted in payment of extra premium for health insurance of employees.

In many industries since laborers were earning daily wages the question of insurance did not arise. But overall 84% of the industries were not interested to spend on the health of the employees.
Summary

Overall I found that majority of the industries were not having cover at all or were having very low insurance coverage. Most of the insurance was compulsory in nature. Most of the industries took insurance just as a mere formality and did not actually buy insurance as a means of protection. They were more concerned with their current cost for purchase of insurance rather than the future loss.

The knowledge about insurance products available in the insurance market was very low. Most of them said it was the lookout of insurance agent. Insurance was considered by most of the industries as wasteful expenditure. The insurance was the last item on the agenda of industries.

Under Insurance

In most of the industries we found that the industries were grossly under covered. Under insurance means insuring the property for less than the replacement or reinstatement value. If a loss takes place the insurance company will not pay the full amount insured. It will deduct the depreciation, wear & tear before paying the claim. Now suppose a machinery is costing Rs.100000. It was used for 5 years. Its depreciated value was Rs. 63000. The cost of replacement of a similar machinery was Rs. 152000. Now if the loss takes place the insurance company will pay only Rs.63000. But the person will have to buy that machinery by paying Rs.152000. So he suffers a loss of Rs. 89000.
To avoid these situation insurance companies has a reinstatement clause which can be separately attached to the policies by paying some extra premium. If this clause is attached to the policy the insurance company in case of any loss to machinery will replace it with similar kind of machinery available in the market and this will save a lot of amount to the insured ie the industries.

Thus overall it was found that industries were more interested to take insurance which was compulsory by nature due to obligation of loan or any act.
References


2. Policies issued by four Public sector units in India viz New India Assurance Company Ltd, Oriental Insurance Company Ltd, United India Insurance company limited, National Insurance company and Private sector Insurance Companies in India


5. Employees State Insurance Corporation, Kanpur

6. Primary Data collected personally from industries in Kanpur Nagar and Kanpur Dehat.