TRINITY COLLEGE FOR WOMEN NAMAKKAL

Department of Commerce

FUNDAMENTALS OF INSURANCE

19UCCE03- Even Semester

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MEANING OF INSURANCE

An arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.

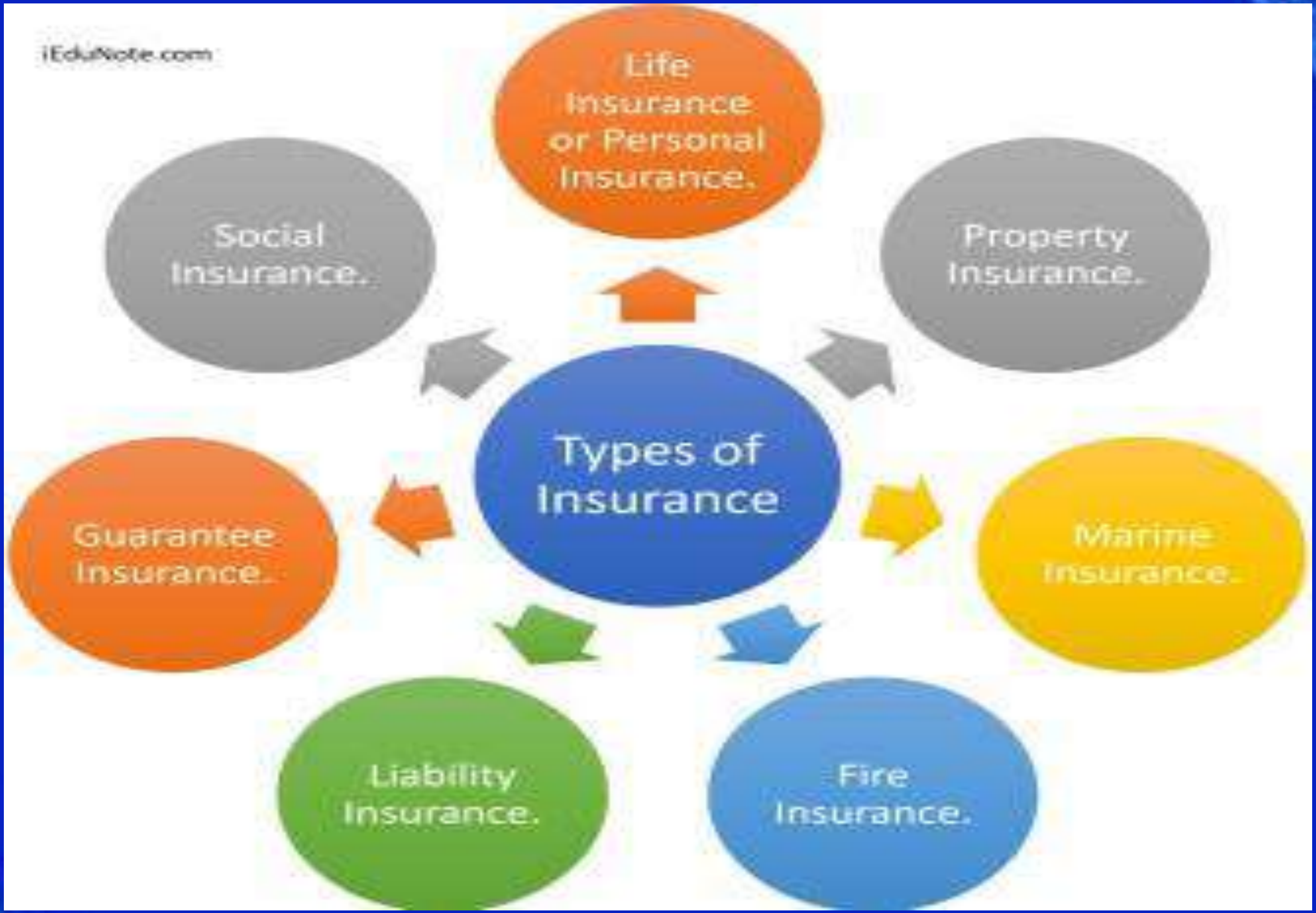
DEFINITION OF INSURANCE

Insurance is defined as a contract, which is called a policy, in which an individual or organisation receives financial protection and reimbursement of damages from the insurer or the insurance company. At a very basic level, it is some form of protection from any possible financial losses.

GENERAL PRINCIPLES OF INSURANCE:

1) Principal of Utmost Good Faith
2) Principle of Insurable Interest
3) Principle of Indemnity
4) Principle of Contribution
5) Principle of Subrogation
6) Principle of Loss Minimisation
7) Principle of Causa Proxima

TYPES OF INSURANCE



BASIS FOR COMPARISON	LIFE INSURANCE	GENERAL INSURANCE
Meaning	Life insurance can be understood as the insurance contract, in which the life risk of an individual is covered.	General insurance refers to the insurance, which are not covered under life insurance and includes various types of insurance, i.e. fire, marine, motor, etc.
What is it?	It is a form of investment.	It is a contract of indemnity.
Term of contract	Long term	Short term
Claim payment	Insurable amount is paid, either on the occurrence of the event, or on maturity.	Loss is reimbursed, or liability incurred will be repaid on the occurrence of uncertain event.
Premium	Premium has to be paid over the years.	Premium should be paid in lump sum.
Insurable interest	Must be present at the time of contract.	Must be present, both at the time of contract and at the time of loss.
Policy value	It can be done for any value based on the premium the policy holder willing to pay.	The amount payable under non-life insurance is confined to the actual loss suffered or liability uncured, irrespective of the policy amount.
Savings	Life insurance place has a component in savings.	General insurance has no such savings component.

INTRODUCTION TO LIFE INSURANCE

When you buy life insurance, you enter into a contract with an insurance company that promises to provide your beneficiaries with a certain amount of money upon your death. In return, you make periodic payments, called premiums. The premium amount is based on factors such as your age, gender, medical history, and the dollar amount of life insurance you purchase

BENEFITS OF LIFE INSURANCE

1. Risk Coverage
2. Difference plans for different uses
3. Cover for Health Expenses:
4. Promotes Savings/ Helps in Wealth creation
5. Guaranteed Income
6. Loan Facility
7. Tax Benefits

TYPES OF LIFE INSURANCE POLICIES

1. Term insurance plan
2. Endowment policy
3. Unit Linked Insurance Plan
4. Money Back Policy
5. Whole Life Policy
6. Annuity/ Pension Plan

FEATURES OF LIFE INSURANCE POLICIES

- Waiver of premium
- Accelerated death benefit
- Long-term care riders.
- Spouse or child term riders
- Mortgage protection
- Cash withdrawals and loans
- Survivor support services
- Employee assistance programs

NOMINATION

Nomination is an act by which the policy holder authorizes or gives consent to another person to receive the money from the policy. The person authorized by the policy holder is called Nominee.

ASSIGNMENT

Assignment is known as the transfer of policy right and ownership from the policyholder to the person chosen for the Assignment. The person who is chosen for Assignment Is known as Assignee. Assignment is also permitted under Section 38 of the Insurance Act.

LAPSES AND REVIVALS OF POLICIES IN INSURANCE POLICIES

The policy for which all benefits to the policy holder cease and which gets terminated due to non-payment of premium amount on the due date or even after the grace period is called a lapsed policy. If the due premium is not paid beyond the grace period, the policy lapses, thereby leading to termination of all the benefits and coverages provided under it.

REVIVAL OF A LAPSED LIFE INSURANCE POLICY

The process of revival of a lapsed life insurance policy is dependent on the time elapsed between date of policy lapse and date of request for revival.

Within 6 Months From The Date Of Lapse

If you apply to revive your policy within 6 months from the date it got lapsed, the process is simple. You can contact your insurance company and pay off the overdue premiums along with any interest, and revive your policy. This can be done online also.

After 6 Months From The Date Of Lapse

If it's been more than 6 months from the date of policy lapse when you apply for revival, you would have to pay the overdue premiums, along with interest at a rate between 12-18% of the premium amount. Penalty is also levied depending on the insurer's norms, policy lapse time, and type of policy.

FIRE INSURANCE

Fire insurance is a legal contract between an insurance company and the policyholder which guarantees that any loss or damages caused to the policyholder's property in a fire will be paid by the insurance company. Fire insurance provides coverage against incidents of accidental fire, lightning, explosion, etc.

COVERAGE UNDER FIRE INSURANCE POLICIES

- Fire, explosion or implosion
- Lightning
- Damage due to an aircraft
- Strikes, riots or any other type of malicious acts which cause damage
- Storm, typhoon, flood and inundation which is collectively called STFI
- Impact damage which occurs on impact with road or rail vehicles, animals, etc.
- Subsidence, rockslides or landslides
- Overflowing or bursting of water tanks, pipes and other apparatus
- Missile testing operations and the damages caused thereof
- Water leakage from automatic sprinkler installations which causes damage
- Bush fire

TYPES OF FIRE INSURANCE POLICIES AVAILABLE IN INDIA

- **For fixed assets**
  - Replacement value policy
  - Reinstatement value policy
- For goods, stocks and other non-fixed assets
  - Floater policy
  - Declaration policy
  - Floater declaration policy
  - Specific policy
  - Comprehensive policy
  - Valued policy
  - Valuable policy
  - Average policy
  - Consequential loss policy

MARINE INSURANCE

Marine insurance covers the loss or damage of ships, cargo, terminals, and any transport by which the property is transferred, acquired, or held between the points of origin and the final destination. Cargo insurance is the sub-branch of marine insurance.

Marine Cargo Insurance is governed by Marine Insurance Act, 1963. Section 3 of the Act defines a contract of Marine insurance as 'an agreement whereby the insurer undertakes to indemnify the assured in the manner and to the extent thereby agreed to against losses incidental to marine adventure'.

MARINE INSURANCE POLICY

A marine insurance policy must specify:

- Name of the assured or person who effect the insurance on his behalf.
- Subject matter (goods) insured
- Risk insured against
- Voyage or period or both covered by the insurance
- Sum(s) insured
- Name(s) of insurer(s)

A Marine Cargo Policy is freely assignable to any one who may acquire an insurable interest and can be assigned either before or after a loss.

MISCELLANEOUS INSURANCE

Miscellaneous Insurance refers to contracts of insurance other than those of Life, Fire and Marine insurance.

TYPES MISCELLANEOUS INSURANCE

- Motor insurance
- Personal Accident
- Burglary Insurance
- Travel Medical Insurance
- Cash In Transit
- Money Insurance
- Bankers Blanket Indemnity
- Bankers Blanket Indemnity
- Medical Insurance
- Workmen Compensation
- All Risk
- Fidelity Insurance
- cattle insurance

CATTLE INSURANCE

Death of cattle Covers the cattle insured whilst within a geographical area specified in the policy schedule, in case of loss of life accident or diseases contracted or surgical operation. The policy also covers death of cattle which are the subject matter of insurance occurring outside the said geographical area in the event of drought, epidemics and other natural calamities.

CROP INSURANCE

Crop Insurance is a comprehensive yield-based policy meant to compensate farmers' losses arising due to production problems. It covers pre-sowing and post-harvest losses due to cyclonic rains and rainfall deficit. These losses lead to reduction in crop yield, thus, affecting the income of farmers. In India, crop insurance is offered in the form of Pradhan Mantri Fasal Bima Yojna.

TYPES OF CROP INSURANCE

Crop insurance is categorized into 3 types:

Multiple Peril Crop Insurance: Provides financial coverage to manage risks arising from weather-related losses, such as a flood, drought, etc.

Actual Production History: Covers losses due to wind, hail, insects, etc. Also includes coverage for lower yield and compensates for the difference between the estimate and the real

Crop Revenue Coverage: This is based not only on the crop yield but on the total revenue generated from this yield. In case of a drop in crop price, the difference is covered by this type of crop insurance

INSURANCE AGENT

Insurance agents sell insurance policies to customers on behalf of insurance carriers and brokerages. Agents must be familiar with the types of policies their agency sells, and help customers determine which policy best suits their needs. They should also have strong sales, marketing, and customer service skills in order to locate and attract potential customers. Insurance agents may sell one of many different types of insurance, including life, health, automobile, and liability insurance.

Agents who work for an insurance carrier sell policies only from that agency, while those who work for brokerages sell policies from a variety of insurance providers

FUNCTIONS OF AN INSURANCE AGENT

An insurance agent may work in a team or individually. They have to deal with different people, such as team members, their seniors, and clients, and their work is usually target based.

- Take details of the client’s requirements, understand it, and then suggest the appropriate insurance plan to the client.
- Calculate the premium details of the policy and discuss the same with the client.
- Attend programs, seminars, and meetings related to the field, and to learn about the latest techniques, products, and services.
- Call clients and policyholders to explain and deliver the insurance policy, to modify beneficiary, if asked, to estimate the insurance plan and recommend alterations or additions.
- Monitor insurance claims and make sure that they have settled rightfully for both the parties i.e., the insurer and the client.

THANK YOU

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