Subject :

Law of Insurance

Paper : 5.2

10 YEARS CELEBRATION

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SUBJECT TOPICS

1. **OBJCTIVES AND FUNCTIONS OF LIC**
2. **KINDS OF GENERAL INSURANCE POLICIES**
3. **INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA**
4. **PUBLIC LIABLITY INSURANCE ACT,1991**
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OBJECTIVES OF LIC

» Spread Life Insurance widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.

» Maximize mobilization of people's savings by making insurance-linked savings adequately attractive.

» Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.

» Conduct business with utmost economy and with the full realization that the moneys belong to the policyholders.

» Act as trustees of the insured public in their individual and collective capacities.

» Meet the various life insurance needs of the community that would arise in the changing social and economic environment.

» Involve all people working in the Corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.

» Promote amongst all agents and employees of the Corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards achievement of Corporate Objective.

FUNCTIONS OF LIC

Life insurance business in India was being transacted by private companies until 1956. As a result of the long felt need and in the interest of insuring public, the life insurance business was nationalized in 1956. The nationalization resulted in the establishment of Life Insurance Corporation of India (LIC) by an act of the Parliament. The Corporation was formed and began to function on September 1, 1956 by taking over 170 companies and 75 provident societies. The entire initial capital of Rs.5 crore was contributed by the government of India. The objective of nationalization was described by the then finance minister, C. D. Deshmukh

as “to see that the gospel of insurance is spread as far and wide as possible so that we reach beyond the more advanced urban areas well into the hither to neglected rural areas.” The Corporation is a body corporate having perpetual succession with a common seal with powers to acquire, hold and dispose of property and may by its name sue and be sued.

The functions of the Life Insurance Corporation of India shall be to carry on and develop life insurance business to the best advantage of the community.

The Corporation **shall have power**;

1. to carry on capital redemption business, annuity certain business or reinsurance business in so far as such reinsurance business relating to life insurance business;

2.to invest the funds of the Corporation in such manner as the Corporation may think fit and to take all such steps as may be necessary or expedient for the protection or realization of any investment; including the taking over of and administering any property offered as security for the investment until a suitable opportunity arises for its disposal;

3. to acquire, hold and dispose of any property for the purpose of its business;

4.to transfer the whole or any part of the life insurance business carried on outside India to any other person or persons, if in the interest of the Corporation it is expedient so to do;

5. to advance or lend money upon the security of any movable or immovable property or otherwise;

6. to borrow or raise any money in such manner and upon such security as the Corporation may think fit;

7. to carry on either by itself or through any subsidiary any other business in any case where such other business was being carried on by a subsidiary of an insurer whose controlled business has been transferred to and vested in the Corporation by this act;

8. to carry on any other business which may seem to the Corporation to be capable of being conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the business of the Corporation; and

9. to do all such things as may be incidental or conducive to the proper exercise of any of the powers of the Corporation.

CROP INSURANCE

Crop insurance is purchased by agricultural producers, including farmers, ranchers, and others to protect themselves against either the loss of their crops due to natural disasters, such as hail, drought, and floods, or the loss of revenue due to declines in the prices of agricultural commodities. The two general categories of crop insurance are called crop-yield insurance and crop-revenue insurance.

A farmer or grower may desire to grow a crop associated with a particular defined attribute that potentially qualifies for a premium over similar commodity crops, agricultural products, or derivatives thereof. The particular attribute may be associated with the genetic composition of the crop, certain management practices of the grower, or both. However, many standard crop insurance policies do not differentiate between commodity crops and crops associated with particular attributes. Accordingly, farmers have a need for crop insurance to cover the risk of growing crops associated with particular attributes.

In India a multiperil crop insurance called National Agriculture Insurance Scheme (NAIS) was implemented. This scheme is being implemented by Agriculture Insurance Company of India, an Indian government owned company. The scheme is compulsory for all farmers who take agricultural loans from any financial institution. It is voluntary for all other farmers. The premium is subsidized for farmers who own less than two hectares of land. This insurance follows the area approach. This means that instead of individual farmers, a specific area is insured. The area may vary from gram panchayat (an administrative unit containing 8-10 villages) or block or district from crop to crop or state to state. The claim is calculated on the basis of crop cutting experiments carried out by agricultural departments of respective states. Any shortfall in yield compared to past 5 years average yield is compensated.

Pradhan Mantri Fasal Bima Yojana

The new Crop Insurance Scheme is in line with One Nation – One Scheme theme. It incorporates the best features of all previous schemes and at the same time, all previous shortcomings/weaknesses have been removed.

The highlights of this scheme are as under:

•There will be a uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the premium to

be paid by farmers will be only 5%. The premium rates to be paid by farmers are very low and balance premium will be paid by the Government to provide full insured amount to the farmers against crop loss on account of natural calamities.

•There is no upper limit on Government subsidy. Even if balance premium is 90%, it will be borne by the Government.

•Earlier, there was a provision of capping the premium rate which resulted in low claims being paid to farmers. This capping was done to limit Government outgo on the premium subsidy. This capping has now been removed and farmers will get claim against full sum insured without any reduction.

• The use of technology will be encouraged to a great extent. Smart phones will be used to capture and upload data of crop cutting to reduce the delays in claim payment to farmers. Remote sensing will be used to reduce the number of crop cutting experiments.

National Crop Insurance Programme (NCIP) / Rashtriya Fasal Bima Karyakram (RFBK)

NCIP is a Central Sector Scheme formulated by merging National Agricultural Insurance Scheme (NAIS), Pilot Weather Based Crop Insurance Scheme (WBCIS), Pilot Modified National Agricultural Insurance Scheme (MNAIS) and and Pilot Coconut Palm Insurance Scheme (CPIS). The scheme came into force from Rabi 2013-14 and covers all districts.

Loanee farmers will be covered on compulsory basis under the component- scheme of NCIP notified by the concerned state, while non-loanee farmers will choose either MNAIS or WBCIS component.

Private sector Insurers with adequate infrastructure and experience will be permitted to implement NCIP besides Agriculture Insurance company of India (AlC).

Insurance Products from Agriculture Insurance Company of India Limited (AIC)

Agriculture Insurance Company of India Limited (AIC) has been formed at the behest of Government of India, consequent to the announcement by the then Hon'ble Union Finance Minister in his General Budget Speech FY 2002-03 that, "to subserve the needs of farmers

better and to move towards a sustainable actuarial regime, it was proposed to set up a new Corporation for Agriculture Insurance".

AIC has taken over the implementation of National Agricultural Insurance Scheme (NAIS) which, until FY 2002-03 was implemented by General Insurance Corporation of India. In addition, AIC also transacts other insurance businesses directly or indirectly concerning agriculture and its allied activities

In the discharge of any of its functions the Corporation shall act so far as may be on business principles.

LIVESTOCK INSURANCE

The Livestock Insurance Scheme, a centrally sponsored scheme, which was implemented on a pilot basis during 2005-06 and 2006-07 of the 10th Five Year Plan and 2007-08 of the 11th Five Year Plan in 100 selected districts. The scheme is being implemented on a regular basis from 2008-09 in 100 newly selected districts of the country. Under the scheme, the crossbred and high yielding cattle and buffaloes are being insured at maximum of their current market price. The premium of the insurance is subsidized to the tune of 50%. The entire cost of the subsidy is being borne by the Central Government. The benefit of subsidy is being provided to a maximum of 2 animals per beneficiary for a policy of maximum of three years. The scheme is being implemented in all states except Goa through the State Livestock Development Boards of respective states. The scheme is proposed to be extended to 100 old districts covered during pilot period and more species of livestock including indigenous cattle, yak & mithun.

The Livestock Insurance Scheme has been formulated with the twin objective of providing protection mechanism to the farmers and cattle rearers against any eventual loss of their animals due to death and to demonstrate the benefit of the insurance of livestock to the people and popularize it with the ultimate goal of attaining qualitative improvement in livestock and their products.

Guidelines for Implementation of Livestock Insurance Scheme: Livestock Sector is an important sector of national, especially rural economy. The supplemental income derived from rearing of livestock is a great source of support to the

farmers facing uncertainties of crop production, apart from providing sustenance to poor and landless farmers.

For promotion of the livestock sector, it has been felt that along with providing more effective steps for disease control and improvement of genetic quality of animals, a mechanism of assured protection to the farmers and cattle rearers needs to be devised against eventual losses of such animals. In this direction, the Government approved a new centrally sponsored scheme on Livestock Insurance which was implemented on pilot basis during the 10th Plan. From 2008-09 onwards, the scheme is being implemented as a regular scheme in the100 newly selected districts till the end of 11th Five Year Plan i.e. 2011-12. The broad guidelines, subject to the plausible discretion of the Chief Executive Officers to be followed by the States for implementing the scheme are detailed below: -

- **Implementing Agency:**
  Department of Animal Husbandry, Dairying & Fisheries is implementing the Centrally Sponsored Scheme of National Project for Cattle and Buffalo Breeding (NPCBB) with the objective of bringing about genetic up-gradation of cattle and buffaloes by artificial insemination as well as acquisition of proven indigenous animals. NPCBB is implemented through State Implementing Agencies (SIAs) like State Livestock Development Boards. In order to bring about synergy between NPCBB and Livestock Insurance, the latter scheme will also be implemented through the SIAs. Almost all the states have opted for NPCBB. In states which are not implementing NPCBB or where there are no SIAs, the livestock insurance scheme will be implemented through the State Animal Husbandry Departments.

- **Executive Authority:**
  The Chief Executive Officer of the State Livestock Development Board will also be the executive authority for this scheme. In those states where no such Boards are in place, the Director, Department of Animal Husbandry will be the Executive Authority of the scheme. The CEO will have to get the scheme implemented in various districts through the senior most officer of the Animal Husbandry Department in the district; the necessary instructions for this purpose will have to be issued by the State Government. The Central funds for premium subsidy, payment of honorarium to the Veterinary Practitioners, awareness creation through Panchayats etc. will be placed with the S.I.A. As Executive Authority of the scheme, the Chief Executive Officers

will be responsible for execution, and monitoring of the scheme. The main functions of the CEO will be: -

1. Managing the Central funds carefully and in accordance with instructions issued by the Department of Animal Husbandry, Dairying and Fisheries, Government of India.
2. Calling quotations from the insurance companies for implementing the scheme, carrying out negotiations with them and selecting suitable company (companies).
3. Signing the contract with the selected insurance company/companies.
4. Payment of subsidy premium to the Insurance Company (including advance, if any and its subsequent adjustment).
5. Preparing district wise list of veterinary practitioners (Government/Private) and providing the same to the insurance company and also to concerned Panchayati Raj bodies.
6. Creating awareness among the general public as well as the officials whose services may be required for implementation of the scheme.
7. Carrying out field inspections and also facilitating field inspections by Central teams.
8. Release of funds to the District Officers in charge of the Department of Animal Husbandry for payment of honorarium to the Veterinary Practitioners.
9. Regular monitoring and preparation of reports for submission to the Central/State Governments.
10. Such other functions necessarily required for efficient implementation of the scheme.

The Principal Secretary/Secretary in-charge Animal Husbandry of the State Governments/Director of State Animal Husbandry Department will ensure availability of sufficient infrastructure in terms of manpower and other logistic support to the CEO/District level officer, needed for effective implementation of the scheme. (The exact name, designation, address of CEO/District Officer in-charge for Insurance work will be made available to Central Government and same will be prominently displayed on important places within the district and especially in the rural areas of the district. Any change in the name and designation of CEO will also be properly communicated to all concerned.). For effective implementation and monitoring of the scheme, if states feel necessity, a district committee could be formed suitably involving the officers/organizations having interest in the field of

Animal Husbandry. The Dairy Cooperative Societies, if interested, could also be involved and given responsibility of implementing the scheme wherever possible.

Districts in which the scheme will be implemented:

The scheme is to be implemented on regular basis in 100 newly selected districts of the country. The scheme will be restricted to crossbred and high yielding cattle and buffaloes only. The list of districts selected for this purpose is given in Annexure-I. The scheme is to be implemented in these districts only.

Selection of Insurance Companies:

In order to get the maximum benefit in terms of competitive premium rates, easier procedures of issue of policy and settlement of claims, Chief Executive Officer will be empowered to decide upon the Insurance company(s) and the terms and conditions. While selecting Insurance Company, besides premium rates offered, their capacity to provide services, terms and conditions and service efficiency should also be taken in to account. The CEO will invite quotations in writing from those public and private general insurance companies having a fairly wide network in the state or a considerable part of the state. The CEO should select the Insurance Company/Companies after negotiating with the insurance companies for successful and efficient implementation of the scheme and popularizing the scheme amongst the livestock owners. If any Insurance Company is offering cover for any type of disability in addition to death of the insured animal, such offer could be considered, however, no subsidy in the premium for such additional risk coverage will be provided. The entire cost of premium on account of the risk coverage other than death of the animal has to be borne by the beneficiaries. As mentioned above, the CEO has to ensure that the premium rate agreed to is competitive. Under no circumstances, the rate of premium should exceed 4.5% for annual policies and 12% for three year policies. Normally, a single insurance company should be entrusted for insurance with the work in a district. However, for the purposes of encouraging competition and popularizing the scheme more than one insurance company may be allowed to operate in a district, if other terms and conditions are remaining same. Default in settlement of claim or any types of deficiency in services on part of Insurance Companies could be brought to the notice of the Insurance Regulatory and Development Authority which is a nodal authority in the country in this regard.

Involvement of Veterinary practitioners:

- The active involvement of the veterinary practitioners at the village level is required for the successful implementation of the scheme. They are to be associated with the work of identification and examination of the animals to be covered under the scheme, determination of their market price, tagging of the insured animals and finally issuing veterinary certificates as and when a claim is made. Besides, being in touch with the farmers and cattle-rearers, they may also help in promoting and popularizing the scheme. As far as possible, only the veterinary practitioners working with the state government may be involved. Private veterinary practitioners who are registered with Veterinary Council of India may be involved only if Government veterinary practitioners are not available. A list of such veterinary practitioners will be prepared for every district by the district officer of the Department of Animal Husbandry. The list of veterinary practitioners will be made available with the insurance company selected for the district as well as to the concerned Panchayati Raj bodies.

Commencement of Insurance policy cover and adjustment of premium subsidy:

In order to generate confidence among the cattle owners about the efficacy of the scheme, it is important that the policy cover should take effect once the basic formalities like identification of animal, its examination by the veterinary practitioner, assessment of its value and its tagging along with payment of 50% of the premium to the insurance company or its agent by the cattle owner. The selected insurance company will have to agree to this. However, it is possible that the insurance company may point out a provision in the Insurance Act that insurance cover can take effect only after the whole premium is paid in advance. In order to take care of this problem, there could be an arrangement by which certain amount is paid in advance to the insurance company directly by the CEO. This amount should not exceed 50% of the premium of the number of animals expected to be insured in a period of 3 months. The insurance company, on its part, should issue instructions to their branches that as and when 50% of the premium is paid by the cattle owner, they should issue the policy by suitably adjusting the balance 50% from this advance. The insurance company should prepare monthly statements of the policies issued indicating the assessed value of each animal and the Government share for each district duly countersigned by the district officer of the Animal Husbandry Department and submit to the CEO so that, that much amount can be recouped to

the insurance company by the CEO. Target of getting the number of animals insured in a three months period for payment of advance to the Insurance Company should be on realistic basis and recouping of the advance fund should be on the basis of subsequent progress made by the concerned insurance Company.

Animals to be covered under the scheme and selection of beneficiaries:

All those female cattle/buffalo yielding at least 1500 litre of milk per lactation are to be considered high yielding and hence can be insured under the scheme for maximum of their current market value. Animals covered under any other insurance scheme/plan scheme will not be covered under this scheme. Benefit of subsidy is to be restricted to two animals per beneficiary and is to be given for one time insurance of an animal up to a maximum period of three years. The farmers will have to be encouraged to go for a three-year policy which is likely to be more economical and useful for getting the real benefit of insurance on occurrence of natural calamities like flood and drought etc. However, if a livestock owner prefers to have an insurance policy for less than three years period for valid reasons, benefit of the subsidy under the scheme would be available to them also, with the restriction that no subsidy would be available for further extension of the policy. Field performance recorders of the NPCBB could also be involved for identification of beneficiaries. The Gram Panchayats will assist the Insurance Companies in identifying the beneficiaries.

Determination of market price of the animal:

An animal will be insured for the maximum of its current market price. The market price of the animal to be insured will be assessed jointly by the beneficiary, authorized veterinary practitioner and the insurance agent.

Identification of insured animal:

The animal insured will have to be properly and uniquely identified at the time of insurance claim. The ear tagging should, therefore, be fool proof as far as possible. The traditional method of ear tagging or the recent technology of fixing microchips could be used at the time of taking the policy. The cost of fixing the identification mark will be borne by the Insurance companies and responsibility of its maintenance will lie on the concerned beneficiaries. The nature and quality of tagging materials will be mutually agreed by the beneficiaries and the

Insurance Company. The Veterinary Practitioners may guide the beneficiaries about the need and importance of the tags fixed for settlement of their claim so that they take proper care for maintenance of the tags.

Change of owner during the validity period of insurance:

In case of sale of the animal or otherwise transfer of animal from one owner to other, before expiry of the Insurance Policy, the authority of beneficiary for the remaining period of policy will have to be transferred to the new owner. The modalities for transfer of livestock policy and fees and sale deed etc required for transfer, should be decided while entering into contract with the insurance company.

Settlement of Claims:

The method of settlement of claim should be very simple and expeditious to avoid unnecessary hardship to the insured. While entering into contract with the insurance company, the procedure to be adopted/documents needed for settlement of claim should be clearly spelt out. In case of claim becoming due, the payment of insured amount should be made within 15 days positively after submission of requisite documents. While insuring the animal, CEOs must ensure that clear cut procedures are put in place for settlement of claims and the required documents are listed and the same is made available to concerned beneficiaries along with the policy documents.

Effective monitoring of the scheme:

In order to effectively implement the scheme, there is need of strict monitoring at different stages. The monitoring should be in terms of financial releases, number of animals insured and type of insurance. Monitoring at the Central and State levels is extremely important. CEO will be required to make special efforts for effective monitoring. Secretary in-charge Animal Husbandry in State Government/Director of state animal Husbandry will take periodic review of the implementation of the scheme.

Payment of honorarium to the veterinary practitioners:

The involvement of veterinary officer in the scheme is from beginning to end. His active interest and support is essential for success of the scheme. In view of this it is essential to

provide some incentive to the veterinary practitioners to motivate them to carry out these activities wholeheartedly. It has been decided to pay an honorarium of Rs 50/- per animal at the stage of insuring the animal and Rs100/- per animal at the stage of issuing veterinary certificate (including conducting post-mortem, if any) in case of any insurance claim. Central Government will provide the amount needed for payment of honorarium to the S.I.As. The CEOs should ensure that Boards will pay to Veterinary Practitioners at end of each quarter depending on number of animals insured and veterinary certificates issued by them in that quarter.

Publicity:

The scheme is new and people inclusive of the concerned officials are not much aware of the scheme. Therefore, public as well as the machinery involved in this have to be made aware of the scheme and benefits thereof. Pamphlets, posters, wall paintings, radio talks, TV clippings etc. will help in creating awareness among the farmers about the benefits of insuring their high yielding animals under the scheme. Publicity campaigns on special occasions like animal fairs etc. will also be taken up for wide publicity. The Panchayati Raj institutions will be involved in publicity in a big way. The task of disseminating information on the scheme and inviting farmers to offer their animals for identification for insurance will be entrusted to the Intermediate Panchayats. For this purpose, the CEOs are empowered to provide assistance not exceeding Rs 5000/- for each intermediate Panchayat (in both cash and in the form of publicity material).

Commission to Insurance Agents:

The active and dedicated involvement of insurance agent is most essential for efficient implementation of the scheme. The insurance company should be persuaded to pay at least 15% of the premium amount to the agent out of their premium income. While entering into contract with the Insurance Company, this has to be ensured by the implementing agency.

BURGLARY INSURANCE

This policy provides cover for property contained in business premises, stocks owned by you or held in trust and/or commission. It can be further extended to cover cash, valuables, securities kept in a locked safe or cash box in locked steel cupboard.

The policy provides cover for the following occurrences:

•Loss or damage to insured property due to burglary and/or housebreaking

•Damage to premises caused by burglars during burglary or attempts at burglary The policy pays actual loss / damage to the insured property caused by burglary / house breaking subject to the limit of sum insured.

•If the sum insured is not adequate, the policy pays only proportionate loss. There is also a provision in the policy to cover bulk items on "first loss" basis, wherein a percentage of total stock stored can be taken as that exposed to the risk of burglary and housebreaking. The premium is charged on this percentage selected only. A nominal premium is charged on the balance stock.

•The policy can be extended to cover riot, strike, malicious damage and theft. Further, policies can be issued on declaration basis and on floater basis for stocks.

Main exclusions

The policy will not pay for loss or damage:

•For goods held in trust / commission, Cash, jewellery, curios, title deeds, business books (unless specifically insured)

•Due to shop lifting, acts involving you or your family members / employees

•Due to war perils, riot & strike (covered by payment of additional premium), natural calamities and nuclear perils

•For items stolen from a safe using a key or duplicate key, unless it is obtained by violence or threat.

PERSONAL ACCIDENT INSURANCE

The purpose of personal accident insurance is to pay fixed compensation for death or disablement resulting from accidental bodily injury. The personal accident insurance policy provides that, if at any time during the currency of this policy, the insured (person who has

taken the policy) shall sustain any bodily injury resulting solely and directly accident caused by external violent and visible means, then the insurance company shall pay to the insured or his legal personal representative(s), as the case may be, the sum or sums set, forth, in the policy, if resulting in specified contingencies such as death, permanent disablement etc.

Injuries Covered

Bodily injury: Any disease due to accident is known as bodily injury but does not include any disease due to natural cause. Mental shock or grief does not amount to accident unless and until some physical injury is caused. In current scenario it is noticed that due to grief some disablement i.e paralysis is taking place and the same is covered under this policy.

b) **Solely & Directly:** The bodily injury shall have been caused solely and directly by an accident and the bodily injury must directly and independent of any other cause result in death or disablement.

For eg: 1) A person is thrown from his horse while hunting and so injured that he cannot walk and he lies on the wet ground until he is pick up. He thus catches chill which turns pneumonia and dies. Though he dies because of pneumonia but the actual cause is an accident and it covered under personal accident insurance policy.

2) If a person breaks a leg in an accident and taken to hospital where he contracts an infectious disease from another patient which result in to death and the same is not covered under the personal accident insurance policy.

c) **Accident**: An accident is an event which is wholly unexpected not intended or designed. For example, Snake biting, Drowning suicide and unprovoked murder are covered under this policy.

d) **External, violent and visible means**: The cause of accident i.e. the means must be within the definitions as a whole but the result may not be external. In other words the means or cause of accident must be within the definitions but the result or effect need not be external or visible so long as it is bodily injury e.g. injury may be internal i.e. inside the body but the result must be death or disablement.

e) **Disablement :** When a person is prevented by an accidental bodily injury from engaging in any occupation or business he is said to be disabled and his ability to attend to any occupation or business is call disablement

Coverage's /compensation

a) Death: If a person dies due to an accident the risk is covered under the personal accident policy. His legal heirs are entitled to get the sum insured. e.g. If the sum insured is Rs 1.00 lakhs and in case of death his legal heirs will get Rs 1.00 lakhs as compensation.

b) Disability: Disability can be classified further as follows:

Permanent Total Disability (PTD)

Permanent Partial Disability (PPD)

Temporary Total Disability (TTD)

Exclusions (not covered under personal Accident insurance policy)

No compensation is payable in respect of death, injury or disablement of the insured

(i) From intentional self-injury, suicide or attempted suicide.

(ii) Whilst under the influence of intoxicating liquor or drug

(iii) Whilst engaging in Aviation or Ballooning whilst mounting into, dismounting from or traveling in any balloon or aircraft other than as passenger (fare paying or otherwise) in any duly licensed standard type of aircraft anywhere in the world

(iv) Directly or indirectly caused by venereal diseases or insanity

(v) Arising or resulting from the insured committing any breach of law with criminal intent.

(vi) From service in the armed forces

(vii) Resulting directly or indirectly from child birth or pregnancy.

HOUSEHOLDERS COMPREHENSIVE INSURANCE

Home is an environment offering affection and security. To ensure complete security & protection against accidental damages Householder policy provides cover both to building and its contents. Now you can buy and renew policies Online. Buy a new House Insurance policy, Renew an existing Oriental Insurance Householder's policy or renew policies bought from any other general insurance company by registering yourself on our Portal and paying online through your debit card / credit card or Net-banking. To check out various online facilities available, you may login on the Portal.

Householder Insurance Policy offers comprehensive protection for your home (residential building) and its contents against a variety of risks. This is a composite policy spilt into ten

sections covering number of contingencies like Loss to the residential building, household goods & personal effects - as per Fire Policy + Earthquake Risk., Damage to electrical appliances (refrigerator, mixer etc.) due to electrical or mechanical breakdown, Loss by Fire & allied perils Housebreaking / Theft, Accidental external means etc.

Salient Features of the Home Insurance Policy

1. The Householder Insurance Policy may be taken for any dwelling of Pucca construction.
2. 15% (fifteen percent) of the sum insured is waived for the purpose of under insurance for section I.
3. All items having value of more than 5% (five percent) of the total sum insured under Section I B should be separately specified along with their values.
4. Under the All Risks Section (Section III) any article valued at more than 10% (ten percent) of the sum insured has to be separately specified along with its value.
5. Jewellery and valuables kept in the bank locker may also be covered on first loss basis.
6. For taking coverage under more than four (4) sections 15% discount is allowed. For more than six (6) sections 20% discount is allowed.
7. Long term policy for upto 4 (four) years at discounted rate is also available.
8. There is no upper limit for sum insured either on building or contents.
9. The policy carries varying excess applicable to different sections.
10. Art-work, show pieces may be covered provided these are valued by Government approved valuers and their report is submitted.
11. Terrorism risk may also be covered at additional premium at the option of Insured and sole acceptance of company.
12. Housing societies having their own security arrangement can be given discount of upto 20% (Twenty Percent) for Section II. Housing societies can also be given Volume Discount.
13. The discounts may be granted in such a manner that the minimum net premium after allowing all discounts should not be less than 50% of gross total premium under the policy
14. The premium will be loaded by 10% / 25% depending on whether one policy period / two policy periods have been affected by claims.

BASIC FEATURES OF IRDA (INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA)

- The insurance sector in India has been thrown open to the private sector. The second and third schedules of the Act provide for removal of existing corporations (or companies) to carry out the business of life and general (non-life) insurance in India.
- An Indian insurance company is a company registered under the Companies Act, 1956, in which foreign equity does not exceed 26 per cent of the total equity shareholding, including the equity shareholding of NRIs, FIIs and OCBs.
- After commencement of an insurance company, the Indian promoters can hold more than 26 per cent of the total equity holding for a period of ten years, the balance shares being held by non-promoter Indian shareholders which will not include the equity of the foreign promoters, and the shareholding of NRIs, FIIs and OCBs.
- After the permissible period of ten years, excess equity above the prescribed level of 26 per cent will be disinvested as per a phased programme to be indicated by IRDA. The Central Government is empowered to extend the period of ten years in individual cases and also to provide for higher ceiling on shareholding of Indian promoters in excess of which disinvestment will be required.
- On foreign promoters, the maximum of 26 per cent will always be operational. They will thus be unable to hold any equity beyond this ceiling at any stage.
- The Act gives statutory status for the Interim Insurance Regulatory Authority (IRA) set up by the Central Government through a Resolution passed in January 1996.
- All the powers presently exercised under the Insurance Act, 1938, by the Controller of Insurance (CoI) will be transferred to the IRDA.
- The IRDA Act also provides for the appointment of CoI by the Central Government when the Regulatory Authority is superseded.
- The minimum amount of paid-up equity capital is Rs.100 crore in case of life insurance as well as general insurance, and Rs.200 crore in the case of re-insurance.
- Solvency margin (excess of assets over liabilities) is fixed at not less than Rs.50 crore for life as well as general insurance; for reinsurance solvency margin is stipulated at not less than Rs.100 crore in each case.

- Insurance companies will deposit Rs.10 crore as security deposit before starting their business.
- In the non-life sector, IRDA would give preference to companies providing health insurance.
- Safeguards for policy holders" funds include specific provision prohibiting investment of policy holders" funds outside India and provision for investment of funds in accordance with policy directions of IRDA, including social and infrastructure investments.
- Every insurer shall provide life insurance or general insurance policies (including insurance for crops) to the persons residing in the rural sector, workers in the unorganized or informal sector or for economically vulnerable or backward classes of the society and other categories of persons as may be specified by regulations made by IRDA.
- Failure to fulfill the social obligations would attract a fine of Rs.25 lakh; in case the obligations are still not fulfilled, license would be cancelled.

BASIC FEATURES OF PUBLIC LIABLITY INSURANCE ACT,1991

Public Liability Insurance Act, 1991 is to provide the **compensation for damages to victims of an accident of handling any hazardous substance** or it is also calls, to save the owner of production/storage of hazardous substance from hefty penalties. This is done by proving compulsory insurance for third party liability. As from the name of the act, it is Public Liability.

First time owner is put on anvil to provide the compensation/relief, when death or injury to any person (please note-other than a workman) or damage to any property has resulted from an accident of hazardous substance.

Actually **the owner shall buy one or more insurance policies before he/she starts handling any hazardous substance.** When any accidents come in knowledge of Collector, then he/she verify the occurrence of accident and order for relief as he/she deems fit.

The **only restriction** that is put on Public Liability Insurance Act is that the **application for relief should within five years of the occurrence of the accident.**

When Collector finds the guilty, the **insurer (means person or insurance company) is required to pay amount as deems to be fit as per law within a period of thirty days of the date of announcement of the award.** The Owner shall also pay the relief as Collector deems fit because it is duty of owner to keep the hazardous material safe in his custody. The amount is normally deposited in account of "**Relief Fund"** and Collector arrange the relief to pay from the Relief Fund.

The **Collector shall have all the powers of Civil Court** for the purpose of taking **evidence on oath and of enforcing the attendance of witnesses and of compelling the discovery and production of documents and material objects** and for such other purposes as may be prescribed.

Where an offence has been **committed by any Department of Government** in case of hazardous chemical, **the Head of the Department shall be deemed to be guilty of the offence and shall be liable to be punished**.

Insurance policy taken out by an owner shall not be for a **amount less than the amount of the paid-up capital** of the under taking handling any hazardous substance and owned or controlled by that owner and more than the amount, not exceeding fifty crore rupees, as may be prescribed. "Paid-up capital" in this sub-section means, in the case of an owner not being a company, the market value of all assets and stocks of the undertaking on the date of contracts of insurance.

INSURANCE OMBUDSMAN

The Insurance Ombudsman scheme was created by the Government of India for individual policyholders to have their complaints settled out of the courts system in a cost-effective, efficient and impartial way.

There are at present 17 Insurance Ombudsman in different locations and any person who has a grievance against an insurer, may himself or through his legal heirs, nominee or assignee,

make a complaint in writing to the Insurance ombudsman within whose territorial jurisdiction the branch or office of the insurer complained against or the residential address or place of residence of the complainant is located.

Complaint to the Ombudsman can be about:

a) Delay in settlement of claims, beyond the time specified in the regulations, framed under the IRDAI Act, 1999.
b) Any partial or total repudiation of claims by the Life insurer, General insurer or the Health insurer.
c) Any dispute about premium paid or payable in terms of insurance policy
d) Misrepresentation of policy terms and conditions at any time in the policy document or policy contract.
e) Legal construction of insurance policies in so far as the dispute relates to claim.
f) Policy servicing related grievances against insurers and their agents and intermediaries.
g) Issuance of life insurance policy, general insurance policy including health insurance policy which is not in conformity with the proposal form submitted by the proposer.
h) Non issuance of insurance policy after receipt of premium in life insurance and general insurance including health insurance and
i) Any other matter resulting from the violation of provisions of the Insurance Act, 1938 or the regulations, circulars, guidelines or instructions issued by the IRDAI from time to time or the terms and conditions of the policy contract, in so far as they relate to issues mentioned at clauses (a) to (f)

THE SETTLEMENT PROCESS

Recommendation:

The Ombudsman will act as mediator and

- Arrive at a fair recommendation based on the facts of the dispute
- If you accept this as a full and final settlement, the Ombudsman will inform the company which should comply with the terms in 15 days

Award:

- If a settlement by recommendation does not work, the Ombudsman will:
  - § Pass an award within 3 months of receiving all the requirements from the complainant and which will be binding on the insurance company

Once the Award is passed

- The Insurer shall comply with the award within 30 days of the receipt of award and intimate the compliance of the same to the Ombudsman

MOTOR INSURANCE

Vehicle insurance is an integral part of vehicle ownership. There are two types of vehicle insurance viz. Comprehensive and Third Party.

Third Party (or Liability Only policy): Any injury/death of a third person and/or damage to his/her property - on account of any accident caused by your vehicle - is covered under Third Party Insurance. It also includes compulsory personal accident cover for the owner-driver. However, it does not cover any damage to your vehicle. As per law, it is mandatory for every vehicle owner to take Third Party Cover.

Comprehensive (or Package policy): To cover for loss/damage to your vehicle, you have to buy a Comprehensive Policy. This will provide both Third Party and Own Damage covers. As is not well known, taking policy for Own Damage is not mandatory. However, it is advisable to cover for damages to own vehicle too.

Risks covered

The damage to your vehicle could be on account of
Natural disasters such as earthquake, flood, storm, etc. and also
Man-made disasters such as accident, theft, fire, riots, malicious act, etc.
While in transit by rail/road, lift, elevator, etc

Claims

Similar to your health insurance, many insurers nowadays offer cashless facility if the vehicle is repaired at their authorized garages. Alternatively, you always have the option of getting the vehicle repaired at your preferred garage and then claim reimbursement from the insurer.

Exclusions

You will not be eligible for claim if It is a normal wear and tear, depreciation, mechanical or electrical breakdown using the vehicle for purposes other than what is it intended for (e.g. using a private car as a taxi) Person driving the vehicle does not hold valid license Person driving the vehicle is under the influence of alcohol or drugs.

Deductible

Deductible is the minimum specified amount of any claim that you will bear, with the balance claim amount being payable by the insurer. A standard policy normally has a compulsory deductible or excess of Rs.50 for 2-wheelers/Rs.500 for 4-wheelers.

Higher deductible reduces the insurer‟s liability as also the likelihood of fraudulent claims. As such he may offer lower premium for higher deductibles. However, too high a deductible may defeat the very purpose of insurance. Hence an appropriate balance is desirable.

Portability

Vehicle insurance is portable. In other words, you can change your insurer without losing the benefit of any no-claim bonus that you may be eligible for.

SOCIAL INSURANCE

Social insurance is one of the devices to prevent an individual from falling to the depths of poverty and misery and to help him in times of emergencies. Insurance involves the setting aside of sums of money in order to provide compensation against loss, resulting from particular emergencies.

The elimination of the risk of the individual is the basic idea of insurance. It is primarily the effort of the social group, in place of the individual effort, to lessen the incidence of loss on the individual.

Social insurance may be defined as **"a co-operative device, which aims at granting adequate benefits to the insured on the compulsory basis, in times of unemployment, sickness and other emergencies, with a view to ensure a minimum standard of living, out of a fund created out of the tripartite contributions of the workers, employers and the State, and without any means test, and as a matter of right of the insured"**.

In the words of Sir William Beveridge, social insurance can be described as the giving in return for contribution, benefits upto subsistence level, as right and without means tests, so that individual may build freely upon it.

Main Features of Social Insurance:

(1)It involves the establishment of a common monetary fund out of which all the benefits in cash or kind are paid, and which is generally built up of the contribution of the workers, employers and the State

(2) The contribution of the workers is merely nominal and is kept at a low level so as not to exceed their paying capacity, whereas the employers and the State provide the major portion of the finances. This means that there is no close correspondence between workers‟ own contribution, and the benefits granted to them.

(3) Benefits are granted as a matter of right and without any means test, so as not to touch the beneficiaries‟ sense of self-respect.

(4) Social insurance is now provided on a compulsory basis so that its benefits might reach all the needy persons of the society who are sought to be covered.

(5) The benefits are kept within fixed limits, so as to ensure the maintenance of a minimum standard of living of the beneficiaries during the period of partial or total loss of income.

(6) It has to be borne in mind that social insurance alleviates the sufferings of the individual from the particular event, but, it does not prevent it. As a matter of fact, when prevention is impossible, or nearly so, that insurance has its greatest appeal.

Characteristics of Social Insurance:

1. A common fund is established by employer, State and the workers out of which all the benefits in cash or kind are paid.

2. The contribution of the workers is nominal which generally does not exceed their paying capacity, whereas the employers and the State provide the major portion of the finances.

3. The object of the benefits is to ensure the maintenance of a minimum standard of living to the beneficiaries during the period of partial or total loss of income.

4. Benefits are granted as a matter of right and without any means test, thus, they do not touch the self-respect of the beneficiaries.

MARINE INSURANCE

A simple definition of the word insurance would be "Protection against future loss." Marine insurance is another variant of the general term „insurance" and as the name suggests is provided to ships, boats and most importantly, the cargo that is carried in them.

Marine insurance is very important because through marine insurance, ship owners and transporters can be sure of claiming damages especially considering the mode of transportation used. Of the four modes of transport – road, rail, air and water – it is the latter most which causes a lot of worry to the transporters not only because there are natural occurrences which have the potential to harm the cargo and the vessel but also other incidents and attributes which could cause a huge loss in the financial casket of the transporter and the shipping corporation.

Incidents like piracy and possibilities like cross-border shoot-outs also pose a major threat when it comes to water transportation and therefore in order to avoid any loss because of such events and happenings, in the interest of the corporation and the transporter, it is always beneficial to have a back-up like a marine insurance

TYPES OF MARINE INSURANCE

- **Cargo Insurance**: Cargo insurance caters specifically to the cargo of the ship and also pertains to the belongings of a ship‟s voyagers.

- **Hull Insurance:** Hull insurance mainly caters to the torso and hull of the vessel along with all the articles and pieces of furniture in the ship. This type of marine insurance is mainly taken out by the owner of the ship in order to avoid any loss to the ship in case of any mishaps occurring.

- **Liability Insurance:** Liability insurance is that type of marine insurance where compensation is sought to be provided to any liability occurring on account of a ship crashing or colliding and on account of any other induced attacks.

- **Freight Insurance:** Freight insurance offers and provides protection to merchant vessels‟ corporations which stand a chance of losing money in the form of freight in case the cargo is lost due to the ship meeting with an accident. This type of marine insurance solves the problem of companies losing money because of a few unprecedented events and accidents occurring.

In addition to these types of marine insurance, there are also various types of marine insurance policies which are offered to the clients by insurance companies so as to provide the clients with flexibility while choosing a marine insurance policy. The availability of a wide array of marine insurance policies gives a client a wide arena to choose from, thus enabling him to get the best deal for his ship and cargo. The different types of marine insurance policies are detailed below:

- **Voyage Policy:** A voyage policy is that kind of marine insurance policy which is valid for a particular voyage.

- **Time Policy**: A marine insurance policy which is valid for a specified time period – generally valid for a year – is classified as a time policy.

- **Mixed Policy**: A marine insurance policy which offers a client the benefit of both time and voyage policy is recognized as a mixed policy.

- **Open (or) Unvalued Policy**: In this type of marine insurance policy, the value of the cargo and consignment is not put down in the policy beforehand. Therefore reimbursement is done only after the loss to the cargo and consignment is inspected and valued.

- **Valued Policy:** A valued marine insurance policy is the opposite of an open marine insurance policy. In this type of policy, the value of the cargo and consignment is ascertained and is mentioned in the policy document beforehand thus making clear about the value of the reimbursements in case of any loss to the cargo and consignment.

- **Port Risk Policy:** This kind of marine insurance policy is taken out in order to ensure the safety of the ship while it is stationed in a port.

- **Wager Policy:** A wager policy is one where there are no fixed terms of reimbursements mentioned. If the insurance company finds the damages worth the claim then the reimbursements are provided, else there is no compensation offered. Also, it has to be noted that a wager policy is not a written insurance policy and as such is not valid in a court of law.

- **Floating Policy:** A marine insurance policy where only the amount of claim is specified and all other details are omitted till the time the ship embarks on its journey, is known as floating policy. For clients who undertake frequent trips of cargo transportation through waters, this is the most ideal and feasible marine insurance policy.

Marine Insurance is an area which involves a lot of thought, straightforward and complex dealings in order to achieve the common ground of payment and receiving. But as much as complex the field is, it is nonetheless interesting and intriguing because it caters to a lot of people and offers a wide range of services and policies to facilitate easy and uncomplicated business transactions. Therefore, in the interest of the clients and the insurance providers, it is beneficial and relevant to have the right kind of marine insurance. It resolves problems not just in the short run, but also in the long run as well.

LOSS UNDER MARINE INSURANCE

Marine losses can be broadly classified into two

Total loss and Average loss

1. TOTAL LOSS: Total loss can be further classified into Actual Loss and Constructive Loss

A. ACTUAL LOSS: Actual Total Loss in Marine Insurance may occur when;

(i) The insured cargo is physically destroyed such that there is no possibility of salvage or recovery of the goods.

(ii) The insured cargo is damaged that it ceases to be a thing or description insured. E.g. cement bag turns into concrete due to sea-water contact.

(iii) The cargo is irretrievably lost. For example, when the ship sinks, the cargo can be retrieved only after a long time and the salvaged goods cannot be of any value to the insured.

B. CONSTRUCTIVE LOSS: Constructive Total Loss can take place when the cargo is damaged to such an extent that the cost of saving and repairing or reconditioning of the goods is more than the value of the goods.

2. **AVERAGE LOSS:** If loss is less than total cost, it is called an average loss. Average loss may be Particular or General.

A. PARTICULAR AVERAGE LOSS: There are two types of particular average losses i.e. the Total loss of a part of goods and Goods arrived in damaged condition.

(i) Total loss of a Part of Goods: When a part of total consignment is lost, this method is applied. Value will be arrived by multiplying the number of items lost with per unit value declared in the invoice.

(ii) Arrival of Damaged Goods: In case, the goods arrive in a damaged condition at the point of destination, the consignee or his agent and ship surveyor attempt to arrive at the agreed percentage of depreciated value of goods for settlement. Say, the depreciated value is

arrived at 30%, insurance company will pay the balance 70% of the declared value. If both the parties fail to arrive at a settlement, the damaged goods will be sold, locally, in the open market. To arrive at the claim amount, the sale proceeds will be deducted from the wholesale value of those goods at that place and time where damaged goods are sold. The claim amount and sale proceeds are given to the insured. Auction charges and other incidental expenses have to be borne by the insurer. If the damaged goods can advantageously be repaired, the underwriter pays the repair charges to the insured, not exceeding the insured value.

(B) General Average Loss: This may occur whether the goods are insured or not. It results from an intentional sacrifice or expenditure incurred by the master of the vessel to save the ship or goods from danger for the common benefit of the owners of the ship and goods. It needs to be emphasized that the sacrifice or expenditure should be made knowingly, but prudently, and in a reasonable manner.

General average loss in a Marine Insurance would arise in the following circumstances:

(i) Some goods are thrown to lighten the ship when the ship is caught in a rough weather.

(ii) Make payment to the nearby agency to tow the ship in danger of sinking to the nearby safe port or

(iii) Pour water to extinguish fire.

When general average loss occurs, Master of the ship reports the matter of loss to the port authorities. An Average Adjuster is appointed for preparing the statement of general average adjustment and fixing the contribution to be made by the owner of the vessel and various shippers. After cargo owners make payment of their contribution, the shipping company gives delivery of goods to the concerned owners.

The preparation of general average adjustment is a complex accounting operation. This job is normally entrusted to the professionally trained average adjuster.

The average adjuster also gives a certificate of contribution to the shippers in respect of the amount of contribution, payable by different parties. The insured would be able to get the contribution certificate from the shipper, soon after payment. The insured can get settlement

of claim from the insurance company, producing the evidence of contribution certificate and its payment.

PERILS OF THE SEA IN MARINE INSURANCE

Perils of the sea in marine insurance include extraordinary forces of nature which maritime ventures might need to face during the voyage. Broadly speaking, „peril of the sea" is defined to cover everything that happens to ship during the voyage by the Acts of God. It means perils of the sea include those accidents or casualties which do not happen due to the free will of a human-being. Even if we talk about natural perils, it will not include the natural and ordinary action of wind. Some of the examples of these perils include collision, sinking, heavy wave action and high winds.

Further, „perils of the sea" in marine insurance comprise of losses only to goods which are on board that happens due to some irresistible force or natural cause or from the overwhelming power which is beyond the human skill and prudence. Also, the „perils of the sea" won"t cover every accident or casualty that arises in the sea.

To sum up, perils of the sea means everything which happens to the vessel during the voyage by the Act of God without any intervention of a human. Here are some of the instances which are covered under perils of the sea are-

- **Foundering at Sea**- If a ship is found to be missing for a duration of time and there is no news about the missing ship, it would be considered as foundering at sea. Here, the loss would be assumed as caused by the perils of the sea.
- **Ship wreckage**- In a case where the ship collides against a hill or rock and is driven to the shore by the violent winds, it would be considered as shipwreck.
- **Stranding**- In a situation where a ship got out of the action after an accident and struck up in a shallow region of sands, it would be called stranding.
- **Collision**-In a case, where the ship collides with another ship, it will be considered as a collision.

There are some risks which are not covered under perils of the sea in marine insurance, like:-

- Wear and Tear
- Breakage of goods
- Springing a leak
- Inherent vice
- Death of animals on board due to natural perils
- Loss by rats

The burden of proving that losses actually happened due to perils of the sea remains with the marine insurance policyholder only.

FIRE INSURANCE

Fire insurance is a contract between a policyholder and the insurance company in which the insurer agrees to compensate the insured in case of loss or damage happens to a particular property due to fire. The premium is also pre-decided and the insurer compensates for the loss up to the insured amount only.

If you are also planning to buy a fire insurance policy, here are some of the important characteristics of the insurance contract –

1. **Insurable Interest** – It is necessary for the insured party to have the insurable interest in the property for which he/she wants to buy insurance. With insurable interest, we mean, the policyholder is benefited by the survival of the insured things and suffers a loss in case of its destruction. Remember, the insurable interest should exist both at the time of buying the policy and at the time of filing a claim.
2. **Utmost Good Faith** – A fire insurance contract is governed by the principle of utmost good faith that says it is necessary for the policyholder to disclose all vital points with regard to the subject-matter of the insurance policy so that the insurer can have a proper calculation with regards to the risks involved. The policyholder should give information pertaining to the environment, construction of the house, the possibility of catching fire, etc. The insurance company has all rights to terminate the contract if it finds that important points are not disclosed.

3. **Contract of indemnity –** The insurer will settle the claim only up to the insured limit. In case there is no loss, no claim is applicable.

4. **Personal insurance contract** – As a fire insurance is a personal contract, the policyholder is involved with the property. As a result, it is necessary that the insurance company should have complete knowledge about the behavior of the policyholder. Moreover, the policyholder can't transfer the insurance policy without the permission of the insurer. In case the possession of goods is transferred to a third-party, the insurer has all rights to terminate the insurance contract.

5. **Personal right –** The person whose name is mentioned in the fire insurance contract as the policyholder is eligible to receive the insured amount in case of any loss or damage.

6. **Direct loss –** As it is a fire insurance, the fire should be the direct and immediate cause of the loss or damage.

7. **Description of property –** It is an important part of the insurance contract, which says that the location of the property should be mentioned in the policy document. Moreover, at the time of claim, the insurer will settle the claim only when the accident happened at the insured place. In the case of any change in the location, it is necessary to inform the insurance company.

IMPORTANT PRINCIPLES OF FIRE INSURANCE

Six principles of fire insurance are;

1. Insurable Interest in Fire Insurance.
2. The principle of Good Faith in Fire Insurance.
3. The principle of indemnity.
4. Proximate Cause of Fire Insurance.
5. The doctrine of Subrogation.
6. Warranties in Fire Insurance

Doctrine of Subrogation

Subrogation means the right of one person to stand in the place of another and to avail himself of the latter‟s rights and remedies. The principle of subrogation is just a corollary to the principle of indemnity.

The insured can realize only the actual value of the loss or damage to the property according to the principle of indemnity and it follows that if the damaged property has any value left or the assured can recover the lost property or has any right against a third party regarding that property. These must pass on to the insurer.

If the assured is allowed to retain them, he shall have realized more than the actual loss which is contrary to the indemnity principle. The assured can proceed against the third party, if he so, desires, and if lie recovers damage the insurer is relieved of liability. If the insured has received the full amount of his loss any sums obtained from the third party belong to the insurer up to the amount of their disbursement. The right of subrogation is exercisable at common law after the insurer has paid the claim made against him.

Warranties in Fire Insurance

The contents of proposal form are expressly incorporated in the policy, which forms warranty.

Warranty is that by which the assured undertakes that some particular thing shall or shall not be done, or that some conditions shall be fulfilled or whereby he affirms or negatives the existence of a particular state of facts.

Warranties which are mentioned in the policy are called express warranties and those warranties which are not mentioned in the policy are called implied warranties.

Implied Warranties

The first implied warranty is that the property structure is not inferior e.g. kaccha house should not be made of wooden roof of thatched leaves grass, hay or bamboo cloths, etc.

There is a second warranty that Fire Extinguishing Appliances should be fixed with the property. Annual maintenance is essential. There should not be the possibility of silent risks

i.e. new construction addition. The special articles and property exposed to fire must be provided to the safety senders against fire. The subject-matter of insurance must exist when the contract is affected and should be identified in the event of a loss.

The identification is based on the locality, municipal number, surrounding and full description of the place, A breach of warranty enable the insurer to avoid the claim. Warranties must be complied with literally and the effect of a breach of warranty is to render void the relevant item of the policy, even if no increase in risk is involved.

Every warranty to which the property insured or any item thereof is, or maybe, made subject, shall from the time the warranty attaches apply and continue to be in force during the whole currency of the policies, and non-compliance with any such warranty, whether it increases the risk or not, shall be a bar to any claim in respect of such property or item.

The condition states that every warranty is attached during the whole currency of the policy and if during this period a warranty has not been complied with, the insured will not entertain any claim in respect of the property or item affected. However, if the policy is renewed and there was a breach of a warranty before the renewal date and not after it and a loss occur after the renewal is affected, in such a case the claim can be made.

Non-compliance with a warranty prior to the current renewal period of a policy is not a bar to a claim. The non-compliance with a warranty avoids a cover only during the period of insurance in which the breach occurred. These are the ways that the principles of insurance used in fire insurance.

GENERAL PRINCIPLES OF LAW OF INSURANCE:

PRINCIPLE OF SUBROGATION: The right of subrogation is the corollary to the principle of indemnity. The insurer will step into the shoes of the assured and avail to himself all those benefits when he has paid the amount of the policy to the assured. If the insured himself receives compensation for his loss from another party, after he has been indemnified by his insurers, subrogation thus refers to the process an insurance company uses to seek reimbursement from the responsible party for a claim it has already paid. It does not allow making profit out of the loss thus ensuring principles of indemnity.

PRINCPLE OF UTMOST GOOD FAITH: Good faith lies at the root of the insurance contract. Every contract of insurance is a contract of utmost good faith. Both the parties the assured as well as the insurer should display the utmost good faith towards each other in regard to the contract. This implies that at the time of entering into an insurance contract both paties should disclose all the material facts that increases and decreases the substantial risk factor and circumstances to each other which will affect the risk insured against. The insured should not make any misrepresentation and at the same time disclose all facts affecting the risk insured against.

PRINCIPLE OF INDEMNITY: Principle of indemnity is the regulating principle of insurance and is applicable in all contracts of insurance except life, personal accident and sickness insurance. Indemnity is the controlling principle of insurance law and it is with reference to this principle that all problems in insurance can be solved. Under the insurance contract, the insurer undertakes to indemnify the insured against loss suffered by the latter. Indemnity literally means security against damage or loss or compensation for loss or make good the loss. It means a promise to save another person from harm or from loss caused as a result of a transaction entered into the instance of the promisor it is an exact financial compensation. According to this principle, the assured in the case of loss against which the policy has been madeshall be indemnified for only the actual loss than suffered by him but will never be more than fully indemnified. In other words, indemnity restores the insured to the same financial position after a loss as he enjoyed immediately prior to the loss.

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General Principles of Law of Insurance Objective:

After reading this module, the learners will have a clear picture of: The aim of all types of insurance is to make provision against such risks. In this way, life insurance is a social device to share the risk of loss of life. Learning Outcomes: It means an agreement in which one party agrees to pay a given sum of money upon the happening of a particular event contingent upon duration of human life in exchange of the payment of a consideration.

MEANING AND DEFINITION: Insurance is a co-operative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to insure themselves against the risk. The aim of all types of insurance is to make provision against such risks. In this way, life insurance is a social device to share the risk of loss of life. In simple words, it means an agreement in which one party agrees to pay a given sum of money upon the happening of a particular event contingent upon duration of human life in exchange of the payment of a consideration. **Insurer**: The person who guarantees the payment is called Insurer, the amount given is called Policy Amount, the person on whose life the payment is guaranteed is called Insured or Assured. The particular event on which the payment is guaranteed to be given may be Death or Life. The consideration is called the Premium. The document evidencing the contract is called Policy. "Life insurance contract is a contract whereby a person (insurer) agrees for a consideration (that is payment of a sum of money) or a periodical payment, called the premium to pay to another (insured or his estates) a stated sum of money on happening of an event dependent on human life. The best explanation of the definition and nature of life insurance contract undoubtedly occurs in the case titled **Dalby v. India** and London Life Assurance Company. The basic fact about life insurance recognized in this case is that a contract of life insurance is not a contact of indemnity (against a loss). One of the effects of life insurance not being a contract of indemnity is that on happening of the event insured against the insurer should pay the agreed amount irrespective of whether the assured suffers any loss or not. The essential features of life insurance can be summed up as under: (i) It is a contract relating to human life (ii) The amount is paid at the expiration of certain period or on death of the person.

TYPES OF INSURANCE: The risks which can be insured have increased in number and extent due to the growing difficulty of the present-day economic system. Insurance occupied an important place in the modern world. Generally, insurance is divided in to two main branches; (a) Life insurance. (b) General Insurance. a. Marine insurance b. Fire insurance c. Motor vehicle insurance d. Miscellaneous insurance Utmost good faith Most commercial contracts are subject to the principle of caveat emptor (let the buyer beware). Under these contracts, there is no need to disclose information that is not asked for. Insurance contracts are different in that they are based on facts which are within the knowledge of the insured; the law imposes a duty of uberrima fides or 'utmost good faith'. The principle of utmost good faith requires anyone seeking insurance to disclose all relevant facts. Where material non-disclosure can be proved, a contract can be voided. Insurable Interest Interest in the object: The principle of insurable interest states that the person getting insured must have insurable interest in the object of insurance. A person has an insurable interest when the physical existence of the insured object. In simple words, the insured person must suffer some financial loss by the damage of the insured object. For example: The owner of a taxicab has insurable interest in the taxicab because he is getting income from it. But, if he sells it, he will not have an insurable interest left in that taxicab. From above example, we can conclude that, ownership plays a very crucial role in evaluating insurable interest. Every person has an insurable interest in his own life. A merchant has insurable interest in his business of trading. Similarly, a creditor has insurable interest in his debtor. The classical definition of insurable interest was given by Lawrence, J., in **Lucena v. Craufurd** which is as under: "The having some relation to, or concern in, the subject of the insurance.

CAUSA PROXIMA: - More than one causes: Principle of Causa Proxima (a Latin phrase), or in simple English words, the Principle of Proximate (i.e Nearest) Cause, means when a loss is caused by more than one causes, the proximate or the nearest or the closest cause should be taken into consideration to decide the liability of the insurer. General Principles and Concepts of Insurance The principle states that to find out whether the insurer is liable for the loss or not, the proximate (closest) and not the remote (farest) must be looked into. For example: A cargo ship's base was punctured due to rats and so sea water entered and cargo was damaged. Here there are two causes for the damage of the cargo ship - (i) The cargo ship getting punctured beacuse of rats, and (ii) The sea water entering ship through puncture.

The risk of sea water is insured but the first cause is not. The nearest cause of damage is sea water which is insured and therefore the insurer must pay the compensation. However, in case of life insurance, the principle of Causa Proxima does not apply. Whatever may be the reason of death (whether a natural death or an unnatural death) the insurer is liable to pay the amount of insurance.

DOCTRINE OF SUBROGATION: - The doctrine of subrogation is a result to the principle of indemnity and as such applies only to fire and marine insurances. In the case of Simpson Vs. Thomson 22, Lord Cairns defined subrogation thus: "a right founded on the well-known principle of law that where one person has agreed to indemnify another, Example: the owner of a motorcar having a comprehensive insurance cover, has got two alternatives in case of an accident with another car or person (third party) who caused the accident. Firstly, he can claim for the damages from the Insurance Co. or from the third party. If the car owner decides to collect compensation from the Insurance Co., his right against the third party is subrogated to the Insurance Co. so that the company can afterwards claim the damages from the third party. Reinsurance Two or more insurance companies: Reinsurance is a contract between two or more insurance companies by which a portion of risk of loss is transferred to another insurance company called the reinsurer. Usually, an insurance company insures a profitable venture that comes in its way, even if the risk involved is beyond the capacity. But if at a particular stage it feels that the risk undertaken by it is beyond its capacity, then it may retain the risk which it can bear and transfer the balance. Under the reinsurance method, if an insurance company receives an insurance proposal worth Rs. 10 crore, where its risk bearing capacity is of Rs. 5 crore only, it has two options either to reject the proposal or to accept it. After accepting the proposal, the insurer can limit his liability by getting re-insured for Rs. 5 crore with another insurer. In case of complete loss the original insurer makes the payment of claim to the insured for Rs. 10 crore and then claims Rs. 5 crore from the reinsurer(s). Double Insurance Double insurance refers to the method of getting insurance of same subject matter with more than one insurer or with same insurer under different policies. This means that a person may get two or more policies on same subject matter and can claim the amount of all these policies. However, the insured cannot profit from this arrangement because the insurers are legally bound only to share the actual loss in the same proportion in which they share the total premium. It is also called dual insurance.

Double insurance is possible in all types of insurance contract. A person can insure his life in different policies for different sums. In life insurance the assured can claim the sum insured with different policies on maturity or to his nominee after his death. This becomes possible in life insurance because life insurance is not indemnity insurance.

PRINCIPLE OF INDEMNITY: Indemnity means guarantee or assurance to put the insured in the same position in which he was immediately prior to the happening of the uncertain event. The insurer undertakes to make good the loss. It is applicable to fire, marine and other general insurance. Under this the insurer agreed to compensate the insured for the actual loss suffered. Indemnity means security, protection and compensation given against damage, loss or injury. According to the principle of indemnity, an insurance contract is signed only for getting protection against unpredicted financial losses arising due to future uncertainties. Insurance contract is not made for making profit else its sole purpose is to give compensation in case of any damage or loss. In an insurance contract, the amount of compensations paid is in proportion to the incurred losses. The amount of compensations is limited to the amount assured or the actual losses, whichever is less. The compensation must not be less or more than the actual damage. Compensation is not paid if the specified loss does not happen due to a particular reason during a specific time period. Thus, insurance is only for giving protection against losses and not for making profit. However, in case of life insurance, the principle of indemnity does not apply because the value of human life cannot be measured in terms of money. Definition of Condition Certain terms, obligations, and provisions are imposed by the buyer and seller while entering into a contract of sale, which needs to be satisfied, which are commonly known as Conditions. The conditions are indispensable to the objective of the contract. There are two types of conditions, in a contract of sale which are: Expressed Condition: The conditions which are clearly defined and agreed upon by the parties while entering into the contract. Implied Condition: The conditions which are not expressly provided, but as per law, some conditions are supposed to be present at the time making the contract. However, these conditions can be waived off through express agreement. Some examples of implied conditions are: The condition relating to the title of goods. Condition concerning the quality and fitness of the goods. Condition as to wholesomeness. Sale by sample Sale by description.

Definition of Warranty: A warranty is a guarantee given by the seller to the buyer about the quality, fitness and performance of the product. It is an assurance provided by the manufacturer to the customer that the said facts about the goods are true and at its best. Many times, if the warranty was given, proves false, and the product does not function as described by the seller then remedies as a return or exchange are also available to the buyer i.e. as stated in the contract. A warranty can be for the lifetime or a limited period. It may be either expressed, i.e., which is specifically defined or implied, which is not explicitly provided but arises according to the nature of sale like: Warranty related to undisturbed possession of the buyer. The warranty that the goods are free of any charge. Disclosure of harmful nature of goods. Warranty as to quality and fitness.