UNIT-I

MEANING OF FIRE

Peking man, who lived about 250,000 years ago is thought to be the first human able to start and control fire. Begin able to make and use fire was man's first steps towards civilization. Fire was put to use by all accident peoples and many worshipped fire. Hindu mythology tells the story of the horse of the sun galloping across the sky and dropped the sparks down to the people. The Greeks, the Egyptians and the Romans kept fire burning in their temples.

Fire is helpful in many ways when it is properly used and controlled. But it can cause serious damage and loss of life. It has been the experience of mankind all the time. Fire is, therefore, known as a "Good Servant but a Bad Master". Cities suffered greatly from fire in early days because the buildings were made of wood and were built close together. Once a fire got a good start, it was hard to stop it. Rome caught fire in AD 64 and burned for eight days. The great London fire of 1666 raged for four days. It was after terrible fire that the first Fire Insurance Company was formed.

Fire can consume everything on earth. It is only a question of favorable conditions being present. It could be in different magnitudes. The effect also could be in varying degrees. A wooden plank may be reduced to ashes while a steel structure may get buckled and twisted completely out of shape. Whatever be the extent of such damages it results in monetary loss to the property. Fire Insurance seeks to provide protection against such losses.

Meaning of Fire:

The term "Fire" connotes actual ignition under accidental or fortuitous circumstances, so far as the inured is concerned spontaneous fermentation or heating or scorching without ignition is not a fire. A fire lighted for a definite purpose, say, for warming or manufacturing is not a fire as understood in the Fire Insurance Parlance if it is confined within its own limits. If such fire breaks out of its bounds and ignites other property, then the loss within the scope of Fire Insurance in view of both the elements "ignition", and "accident" being present in other-words, there is said to be a fire within the meaning of Fire Insurance when

a) There is actual ignition

b) The property which ought not to have been on fire; and

c) The fire is purely accidental or fortuitous in origin, as far as the insured is concerned.

The Direct Consequences of Fire:

The direct consequences of fire fall within the scope of the Fire Insurance Policy.

a) Damage during or immediately following a fire caused by:

i) Smoke

ii) Scorching

iii) Falling walls

b) Damage caused by fire brigade in the discharge of their duties eg.

i) Damage cause by water

ii) Damage caused by blowing up the property to prevent spreading of fire.

c) Damage to property removed from a burning building caused by exposure to weather provided the removal was made in an Endeavour to mitigate the loss.

QUESTIONS

1. WHEN did the Great Fire of London occur?

2. WHAT are the conditions favorable for fire to take place?

3. WHAT is the meaning of "Fire" insurance?

4. WHAT are the Direct Consequences of fire?

STANDARD FIRE POLICY

The policy is the evidence of the contract of fire insurance. The policy contains printed clauses and conditions with individual details of the contract typed thereon.

The standard fire policy form consists of the following parts:

1. The Recital Clause

2. The Operative Clause

3. The Attestation Clause

4. The Conditions

5. The Schedule

The Recital Clauses refers to the parties to the correct, thye insurer and rhe insured and also the consideration under the contract.

The operative clause defines the perils covered under the policy and the liability of the insurer under the contract.

The attestation clause provides for the signature of the insurers.

The conditions regulate the cover provided under insurers.

The schedule is the space provided in the policy for describing the property insured in detail including the period of cover.

COVER PROVIDED UNDER FIRE POLICY

The standard fire policy provides cover against loss or damage to the insured property resulting from the following perils:

i) Fire(including fire resulting from explosion)

ii) Lightning

iii) Explosion of boiler used for domestic purpose

iv) Explosion of gas used for domestic purpose only or for heating in a building not forming part of any gas works.

VALIDITY OF COVER

The cover is valid from the option of indemnifying the insured in any one of the following manner:

i) Cash payment

ii) Repairing the damaged part

iii) Replacing the property

Nevertheless the liability of the insurance company is limited to the sum insured specified in the policy representing the value of the property insured.

Exclusions:

The standard fire policy by express condition excludes certain losses, perils and properties.

EXCLUDED LOSSES (CONDITION NO. 5)

Loss by theft of insured property during or after the occurrence of a fire is excluded. If goods are stolen from burning premises according to doctrine of proximate cause no liability attaches as the fire is the remote cause and theft immediate cause.

Loss by fermentation, natural heating, spontaneous combustion, heating or drying process is considered as an inevitable loss and not an accidental loss. These losses result from carelessness or defective storage for which this condition penalises the insured. The term "its own" appearing in the condition has the effect that liability is excluded only in respect of that property actually affected by fermentation, heating or drying process or spontaneous combustion and not in respect of other properties damaged by fire so originated.

Loss by burning under orders of public authority is not payable since it is an international destruction of property.

Loss or damage caused by nuclear weapons material or radioactive contamination is also excluded in view of catastrophic hazard involved in these perils.

The loss or damage to electrical machine, fixtures fittings etc caused by "electrical risks" such as short-cir-cuiting, self heating, near-running is excluded. However, this exclusion applies only to the particular electrical machine which is affected by electrical risk loss or damage to other electrical machine is payable.

EXCLUDED PERILS (CONDITION NO. 6)

Loss or damage occasioned by or in consequence, proximately or remotely of any of the following occurrences:

i) Earthquake, Volcanic eruptions or other convulsions of nature.

ii) Typhoon, hurricane, tornado, cyclone, storm, tempest, or other atmospheric disturbances, flood and inundation.

iii) War, invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not), CIVIL WAR.

iv) Riot, mutiny, military, or popular rising, insurrection rebellion, revolution, military or usurped power, material law or state of siege, or any other events or causes, which determine the proclamation or maintenance of material law or state of siege.

v) Explosion, expect the two cases stated on the face of the policy.

vi) Forest fire.

Nevertheless, certain of the above perils could be covered as an extension under fire policy (viz) earthquake, typhoon etc riot risks, explosion and forest fire.

It is to be noted that loss or damage directly or indirectly, proximately or remotely caused by the excluded perils is outside the scope of the policy. The burden of proof that the loss is not cause by the excluded perils is placed upon the insured.

EXCLUDED PROPERTY (CONDITON NO. 7)

Following property is not covered under standard fire policy:

i) Goods held in trust or on commission (i.e.) other than insured's own goods.

ii) Bullion or unset precious stones.

iii) Any curios or work of art when it exceeds Rs. 1,000 in value.

iv) Manuscripts, plans, drawings, designs, patterns, models and modules.

v) Securities, documents of any kind, stamps, coins, paper money, cheques, books of accounts, or other business books, computer systems records.

vi) Explosives.

However, these properties could be covered if they are specifically described in the policy and values furnished separately.

It is to be established whether the insured is legally liable for loss or damage to the property not belonging to him but held by him in trust or on commission. The question of insurable interest is relevant. In practice cover in respect of these goods is granted if there is cleat insurable interest.

QUESTIONS:

1. WHAT are the different parts of fire insurance policy?

2. WHAT is the cover provided under standard fire policy?

3. MENTION the "Excluded Perils" of a standard fire policy?

4. WHAT are the properties excluded in the standard fire policy?

5. WHAT are the losses excluded in a standard fire policy?

UNIFORM POLICY CONDITIONS

The cover granted under fire insurance policy is governed and regulated by conditions expressed in the policy. The conditions also provided for practical application of the principle of fire insurance. The conditions printed on the policy form as express conditions. In the absence of these express conditions, the contract of fire insurance would be subject to the implied conditions only. With the gradual evolution of fire insurance within the farm work of common law and the various judicial interpretations of the principles of common law it became necessary and desirable to make the contract of fire insurance complete and well defined with uniform policy conditions on a standard basis.

Though the policy conditions were adopted from the standardized policy conditions of U.K, they were revised and altered to suit the local experiences of fire insurance in India, The present conditions are 20 in number and they were formulated in 1933; the conditions subsequently had only minor alterations and conditions. An analysis of the conditions will show that some of them are concerned with principles and the others with details of practice some of them emphasize the common law principles whilst the others modify or extend these principles.

CONDITION NO. 1- MISREPRESENTATION

This condition states that the insurer will not be liable, if there be any misdescription of any of the property insured or any misrepresentation of any material facts concerning the property, by the insured. If the risk is divisible into distinct parts misdescription or misreprentation affecting one part will not render the entire contract voidable but will limit the avoidance of the contract to that part of the property which is affected. This is only a reiteration of the implied condition of utmost good faith.

CONDITION NO. 2- PAYAMENT OF PREMIUM:

This condition explains that the payment of premium is to be property made to the company and printed form of receipt signed by an official or duly appointed agent of the company should be obtained.

It should be noted that under the provision of the insurance act 1938 no risk can be assumed by an insurer unless the premium is paid in advance. It is emphasized that the premium should have been received by the company before acceptance of the risk.

CONDITION NO. 3- OTHER INSURANCES

This condition requires the insured to inform the insurer the details of any insurance already taken or insurance arranged during the currency of the policy, covering the same property now placed for insurance with the company. By this condition the insurer is enabled to bring the other companies into contribution in the event of a claim.

CONDITION NO. 4- FALL OR DISPLACEMENT

This condition provides for automatic cessation of cover in the event of collapse of the building or of any important portion of the building which would be considered as radical alteration of the risk originally accepted. If a fire accident occurs after the building has collapsed due to dilapidated conditions or in a state of major repairs then the insurer is not liable.

CONDITION NO. 5- Excludes certain losses; CONDITION NO. 6 Excludes certain perils. And **CONDITION NO. 7 Excludes certain property, and there have already been discussed earlier.**

CONDITION NO. 8 ALTERATIONS

This conditions provides for cessation of cover in the event of any material alteration in the property insured, unless the alterations are notified to the insurer and their acceptances is obtained by endorsement on the policy.

The natures of alterations are also given for guidance:

a) If the trade or manufacture carried on is altered.

b) If the nature of occupation is altered.

c) If there is any change which would increase the risk in the insured's property.

d) If the insured building is left unoccupied and so remains for a period of more than 30 consecutive days.

e) If the property insured is removed to any other building than that described in the policy.

f) If the interest in the property insured is passed from the insured otherwise than by will or operation of law.

The alterations introduce more hazardous in the risk than were present at the time of original acceptance of the proposal and insurance requires notification of such changes in order to assess the risk and decide about continuance of cover by charging additional premium.

The transfer of property from one location to another may involve increase of risk or the insurer may be already having commitments at the new location and such commitment may be enhanced by this transfer.

The transfer of interest automatically terminates the policy as the insured's insurable interest ceases e.g. sale of property insure; or on the insured' the policy vests in the legal heirs named in the will; in the absence of a will; the ownership is determined by operation of law. A trustee in bankruptcy proceedings automatically acquires insurable interest in the subject matter and the policy devolves on him.

CONDITION NO. 9- MARINE CLAUSE

This condition relieves insurers of any liability for loss which is also recoverable under a marine insurance policy. Merchandise in port premises might have been covered both by a fire policy and marine policy. Sine marine policy also covers against fire; the insured is prevented from recovering the loss under both the policies and get double amount. Therefore this condition restricts that the fire policy will meet the loss only if the loss is in excess of the amount covered under marine policy, covering the same risk.

CONDITION NO. 10- CANCELLATIONS

Normally any contract cannot be terminated in the middle, unless there is a condition to that effect. Therefore, by this cancellation condition both the insurer and the insured can exercise the option to cancel the insurance during the currency of the policy, if they so desire. The only difference is that if the insurer cancels the insurance, the insured should be paid the refund of premium calculated on pro-rata basis for the unexpired portion of insurance; and if the insured to can cel the insurance, he is entitled to the refund of premium on short period scale i. e, the insured gets a little less than the proportionate premium.

CONDITION NO. 11- CLAIMS PROCEDURE

This condition lays down the duties of the insured in the event of loss or damage and the procedure to be followed by him.

1) Immediate notification of loss to the insurer

2) Submission of a written statement of the claim within 15 days of loss, giving full particulars of the loss or damage and of the property affected and details of other insurances, covering the same property against the same peril

3) Submission of all reasonable information and proof in respect of the loss at the insured's expense

4) A declaration on oath about the truth of the details furnished

CONDITION NO. 12- RIGHT OF ENTRY CONDITION

This condition confers certain on the insurers which are necessary for the insurers to ascertain the cause and extent of loss or damage to minimize the damage and to protect the salvage. The right of entry is explicitly reserved by insurers without committing the offence of trespass.

The insured has not the right to insist that the insurer should take possession of the property and pay him the sum insured in full. Te right of abandonment is expressly denied to the insurers is without prejudice and cannot be constructed as an admission of liability.

CONDITION NO. 13- FRAUD

This is only a reiteration of common law principle. According to this condition, all benefits under the policy should be forfeited in the following circumstances:

i) The claim is in any way fraudulent

ii) The claim is supported by a false deceleration

iii) Fraudulent means are used by the insured or by any one acting on his behalf

iv) Loss or damage caused by the willful act of the insured or any one acting on his behalf

Utmost good faith is an implied condition is an insurance contract and places upon the insured the duty to deal honestly with the insurer when a claim arises. Fraud vitiates the contract so also willful fire caused by the insured or with his connivance.

CONDITION NO. 14- REINSTATEMENT

This condition explains the circumstances under which the insurer can elect to reinstate the property damaged and also the methods:

1. Reinstatement is at the option of the insurer. The insured has no right to claim reinstatement.

2. Reinstatement shall not be exact or complete but shall be in reasonably sufficient manner.

3. Expenditure is limited to the cost of reinstating the property to its pre-fire condition and to the sum insured.

4. The duty of the insured is to furnish at his expense all plans and other particulars as may be required by the insurer.

5. If due to municipal or other regulations in respect of building construction etc the insurer is unable to reinstate, the liability is limited to such sum as would be requisite for the property of the same kind lawfully reinstating to its former condition.

The main object of inserting this condition is to have some protection against unreasonable or exaggerated claims. Reinstatement under this condition is to be distinguished from reinstatement provided for under fire policies with the special 'Reinstatement Vale' clause attached.

CONDITION NO 18 - ARBITRATION:

In the event of claim, in a few cases there may be some difference of opinion between the insured and the insurer and some Insured may immediately like to take the dispute to the court. In order to avoid this situation, this condition is inserted in the fire policy which stipulates that if any dispute arises as to the amount of settlement of claim it should be first referred to arbitration.

The salient points under this condition are:

1. Difference in respect of quantum (amount) of claims are to be referred to only arbitration.
2. Matters involving the liability under the policy can not be referred to Arbitration.
3. A single Arbitrator is to be appointed in writing by the insured and the insurer.
4. If the Insurer / Insured cannot agree upon a single Arbitrators may be appointed in writing one arbitrator by the Insured and the other by the insurer.

5. If either the insured or insurer fails to appoint the Arbitrator, the other partis at liberty to appoint a sole Arbitrator.

6. If there be any disagreement between the arbitrators. The umpire's decision is final and binding.

The object of this condition is to ensure that disputes in respect of the claim amount could be settled quickly because court proceedings are time consuming. Arbitration procedure is less expensive and the proceedings are in private and avoid undue publicity of the dispute.

CONDITION NO. 19 - LIMITATION :

ACCORDING to this condition, the liadility of the insure for any loss ceases after the expiry of 12 months from the date of loss, unless the claim is subject to panding legal action of Arbitration. Further if the liability for any claim is disclaimed by the Insurer and the Insured has not the field a suit in a court of law, within 12 calender months from the date of disclaimer then the claim is deemed to be abandoned and cannot be recovered therefoer. In otherwords, the claim becomes time barred .

THIS condition provides necessary protection to the insurer against inordinate delay on the part of the part of the insured as it is not possible for the insurer to keep their books of account open for an indefinite period. In the absence of this conditions it might be possible for the insured to reopen his claim after a long time when the insurer might have lost all trances of evidences as to the claim .

CONDITON NO. 20 - NOTICE :

THIS condition requires that all communications to the Insured should be in writing. This will avoid the contention by the insured that he had informed the Insurer orally or over telephone.

QUESTIONS

1. CLASSIFY the condition of the standard fire policy according to the principles of Insurance.

2. WHAT does the average Condition state? Explain with two examples.

3. WHAT are the duties of the Insured at the time of loss in terms of the policy conditions ?

4. WHAT are the right of the Insurer on the occurrence of a loss in accordance with the standard fire policy .

5. EXPLAIN the following :

i) Marine clause

ii) Alteration condition

iii) Condition about "Fraud"

6.STATE the arbitration condition of the fire policy.

SPECIAL PERILS

THE standard fire policy is limited by the exclusion of lossor damage caused by certain abormal perils . The insuring public may request for the deletion of some of these exclusiors. The perils are coverd by Insurers by charging aaditional premium and amending the fire policy by means of endorsement . The perils covered by endorsement of the basic fire policy are collectively called Special Perils.

THE special Perils may be classfied into four type they are :

1. Natural Perils : Flood, Inundation, Earthquake, Storm, Tempest.

2. Social perils : Riot and Strike, Malicious damage,

3. Perils arising from Chemical Reactions , eg. Spontaneous Combustion.

4. Miscellaneouse Perils , Aircraft damage, Imapact damage.

THE following Ganeral principles govern the Special perils

A.A. The cover is arranged as an extension of the standard. Fire Policy and the amount of insurance for extended perils and basic fire policy must be identical.

B.B. The liability under the extension and the policy shall in nocase exceed the sum insured by the policy.

C.C.Conditions of the standard fire policy are rqually applicable to the extension except to the extent modified by the special condition incorporated in the extansion endorsement.

D.D. The onus of proof that the loss or damage is caused by the perils cavered under the extension rest on the Insured.

E.E. The basic cover od fire Policy can be extended by payment of suitable extra premeium to Include additional defined risk.

STORM, TEMPEST, TYPHOON, HURRICANE, TORNADO, FLOOD AND INUNDATION :

THESE are some times known as " weather perils " and althought the damage occasined from these perils is not analogous to fire damage ,customerily these are coverd under fire Insurance policies .

THESE perils are generally of catastrophic nature and although they have a low frequency of occurrence , they strike ,The morvi floods,Flash floods in madres and the bursting of panshet Dam near Pune are the happening of the recent past. These incidents have taken heavy toll of human life and property .

THE term "storm " may be defined as a "Violent Storm " Flood is usually as a violent distirbance of vthe atmosphere with thunder or strong wind or heavy rainfall. A "Tempest" is defined usually as a "Violent Storm". Flood is usually defined as " escape" from its normal confine of a body of water . due to a rise in its jevel , or to the breakdown of the rise of water to an abnormal level .

THE liability arises only if the loss exceeds as regards any individual building including its constants either $2^{1/2}$% of the total sum insured by all policies in the name of the insured on such building and contents or Rs 2,500 /- whichever is less .

EARTHQUQKE FIRE AND SHOCK:

AN Earthquake has been defined as "aconvulsion of the Earth's surface produced by volcanic or similar forces within its crust".

AN earthquake could result in serious fire demage or more commonly ,extensively heavy damage was caused by the bihar Earthquake of 1934, and the assam Earthquake in 1950 The Koyna Earthquake of 1967 is a reminder of danger from such occurrences.

THREE types of cover are provided in the tariff:

1. Earthquake Fire Cover : Loss or damage by fire to the property insured ,caused by Earthquake

2. Earthquake Shock Cover : Loss or damage (other than loss or damage by fire) caused by Earthquake.

3. Earthquake Fire and Shock : Loss or damage (including Loss or damage by fire)cause by earthquake.

THE cover against damage caused by Flood or overflow of the Sea, lakes etc. cause by earthquake can be provided only in case where full Earthquake Fire and Shock are covered at an additional Premium.

THE excess clause applicable for earthquake is as follows: $2^{1/2}$ % of the totel sum insured by all polices in the name of the insured on the insured building, or contents or both or Rs. 750/- whichever is less.

1. RIOT AND STRIKE PERILS :

THE cover in respect pf bfire and other damage caused by roiters , strikers or locked-out worker is necessitated by conditions of industrial unrest "" has been defined by the Indian Penal Code as follow :

"WHENEVER force or violece is used by an unlawfull asembly every member of the common object of such assembly every member of such assembly is guilty of the offence of rioting" .

a. RIOT FIRE - Loss of or damage to the insured proprty by fire directly caused by the act of any person taking part together with others in any disturbance of the public peace (whether in connection with a strike or lock out or not) not being an accurrence mentioned in condition 6 of the special conditions.

b. The action of any lawfully constituted authority in suppercting or attempting to suppress any such disturbance.

2. RIOT AND STRIKE

a.The act of any person taking part together with other in any disturbance of the public peace (whether in connection with a strike or lock or not) not being an occurance mentioned in condition 6 of the special condition i.e war kindred perils.

b.The action of any lawfully constituted autrhority in suppressing or attending to suppress any such disturbance or in minimising the consequnces of any such disturbance.

c.The willful act of any striker or locked out worker done in furtherence of a strike or in resistance to a lock-out resulting in visible physical damage by external means.

d.The action of any lawfully constitutied authority in preventing or attempting to prevent any such act ising the cinsequences of any such act.

3. MALICIOUS DAMAGE

THE Roit and Strike cover may be extended to include Malicious damage for additional premium. The Malicious damage is defined as follow :

"Loss or damage to the property insured, directly caused by the Mailicious act but excluding any omission of any kind of any person (whether or not such act is committed in the course of a disturbance of public peace) not being an act amounting to or committed in connrction with an occurrence mentioned in special condition 6 of the Riot and Strike endorsement".

SPECIAL RATES FOR RIOT AND STRIKE RISKS AND ,MALICIOUS DAMAGE

THEY Tariff Advisory Committee may sanction lower rates than the normal rate , for large risks which comply with the following norms.

1.1. The sum insured is not less than Rs . 1 Crore.

2.2. The risk is situatad in its own compound with a fence or awall and has adequate security arrangement.

3.3. A fair claim experiance in respect of risk alredy in exisence.

SPONTANEOUS COMBUSTION:

THE Standerd Fire policy excludes loss of property occasioned by its own fermentation or natural heating or pontaneous combustion. The fire damage to the property as a result of spontaous combustion is not excluded. The itself subject to spontaneous combustion.

SPONTANEOUS combustion is ignition resulting from internal heating which takes place due to chemical reaction in certain ausbstances when stocked or stored in bulk . heat is generated by the combination of the substance with atmospheric oxygen (e.g. vegetablesoils, coal) or by thye action of micro-organism or by the raection with water or some substance other than oxygen or by decvomposition.

EXPLOSION :

EXPLOSION normally results in two distinct types of damage viz.

i. Fire Damage

ii.Conclussion Dmage

As far as fire damage resulting from an explosion is the some is included in the basic fire cover. The fire damage or the conclussion damage can be covered by explosion enorsoment. The cover Afforded by this endorsement is wide enought to include all explosion, but excludes loss or damage to boiuler, economiser.

THE Explosion may be defined as" a sudden violent burst with a loud report " and the technical definition is " sudden in pressure in the surrounding Air, or Gases, from sudden and violent expansions of any substance in their neighborhood".

EXPLOSION endorsement also gives cover in respect Implosion damage. The ephemeron of explosion is diameter call opposite to the explosion. Where an equipment is working under vacuum it may so happen collapse of the equipment ; such as eventuality is now catered to in the explosion endorsement.

AIRCRAFT DAMAGE

THE fire policy may be extended to include loss or damage to the property insured (by fire or otherwise directly) causes by any aircraft and other aerial devise and or articles dropped therefrom.

THE extansion excludesd the following :

a.Destruction or damage occasioned by presuure wave causes by aircraft and other aerial devices ttavelling a sonic or supersonic speeds.

b.Loss or damage causes by an aircraft to which [ermission to land had been extended by the insured.

QUESTION :

1.Clasify the Special perils.
2.Define the following:
i) Riot

ii)Flood

iii) Spontaneous Combustion
iv) Excess

3. What are the principlees that generally govern the issue of the fire
4. What are the scope of cover under Earthquake Risks?

5. What are the various excesses applicable to the different types of special perils?

Types of policies

Declaration policy:

In the case of insurance of stocks of merchandise the insured may be storing and clearing stock from his godowns frequently and therefore there may be fluctuation of value of stock in the godowns. It is necessary for the insured to insure his stock for the appropriate market value and that value should represent the maximum amount likely to be stored during the policy period in order to keep the sum insured adequate, the insured has to advise the insurance company whenever there is alteration in the value of stock, at the same time keeping a watch that the sum insured is adequate all the time.

As an alternative if the insured desires to insure for the maximum value of stock likely to be stored then he may be paying a higher premium, in spite of the fact that there may be less stock during certain period. Therefore, in order in order to help the insured in such a situation a cover known as “declaration policy” is devised by insurers under the declaration policy, he gets the full protection but has to pay premium only on the average value of the stocks help during the period of insurance.

The policy is taken for the maximum amount likely to be at risk during the 12 months and a deposit premium is charged representing 75% of the annual premium at the appropriate traffic rate. The insured will declare periodically the average of the values at risk on each day. In the event of the insured failing to declare on any particular day the sum insured is taken as the declared value. On expiry of insurance the average amount at risk is calculated from the various declaration made. The earned premium on the average amount is calculated and an additional premium is charged or a refund of premium is made depending on whether the earned premium is greater or less then the deposit premium. The refund shall not exceed 50% of the deposit premium. The sum insured is the limit of the company’s liability upto which the declarations will be accepted. The sum insured can however be increased during the currency of the policy by payment of a further proportionate deposit premium.

1. The minimum sum insured for which declaration policy may be issued is Rs.1 crore in one or more locations and not less than Rs. 25 lakhs in atleast one of these locations.

2.Monthly declarations based on either (i)the average of the value at risk on each day of the month or (ii) the highest value at risk during the month shall be submitted by the insured latest by the last day of the succeeding month.

3. If declarations are not received within the specified period, the full sum insured under the policy shall be deemed to have been declared.

4 .Reduction in sum insured shall not be allowed under any circumstances.

5. Refund of premium on adjustment based on the declarations/cancellations shall not exceed 50% of the total premium.

6. The basis of value for declaration shall be the market value anterior to the loss.

7. It is not permissible to issue declaration policy in respect of:

a) Insurance required for a short period
b) Stock undergoing process
c) Stocks at railway siding

8. If after occurrence of any loss it is found that the amount of last declaration prior to the loss is less than the amount that ought to have been declared, then the amount which would have been recoverable by the insured shall be reduced in such proportion as the amount of said last declaration bears to the amount that ought to have been declared.

The salient points may be understood by the following example:

Sum insured:	Rs. 1, 00, 00,000 {1 crore}
Rate :	Rs.1.00 per mille
Premium :	Rs. 10,000/-

Monthly Declarations

January	52, 00,000
February	56, 00,000
March	46, 00,000
April	46, 00,000

May	30, 00,000
June	30, 00,000
July	30, 00,000
August	30, 00,000
September	40, 00,000
October	40, 00,000
November	40, 00,000
December	40, 00,000
Total Declarations	**4, 80,00,000**
Average Sum Insured	**40, 00,000**
Premium	Rs. 10,000
Premium on average sum insured	Rs. 4,000
	Rs. 6,000

FLOATER DECLARTION POLICY

2. FLOATER POLICY:

A floater policy is issued to cover stocks at various locations under a single sum insured. For example,the insured may have stocks in two or more godowns.He is abie to declare for total value of goods in all godowns but not separate values for each godown.

Similarly,in a manufacturing risk,the stocks in the process blocks ,godowns or in open can be covered under one sum insured .

The highest rate applicable to insured's property at any location must be charged at any location must be charged plus 10%loading.

3. BUILDING IN COURSE OF CONSTRUCTION :

Insurance on building in course of construction or machinery in course of installation or newly constructed building can be effected on the following basis:

1. Policy is issued for the sum insured required at the outset:

   Increase in the sum insured may be allowed from time to time as required by the insured by payment of additional premium om pro-rata basis.

2. Policy is issued for the total estimated completed value of the building and to cover the whole period of operation at pro-rata of half the tariff rate.

On completion of the building, cancellation of the policy is allowed with return of premium no pro-rata basis, a fresh policy being issued for fire simultaneously at appropriate tariff rata.

In the event of an accident, the liability of the company, under the policy shall be the actual value of the building so far constructed upto that time, subject also to the sum insured.

3. REINSTATEMENT VALUE POLICIES
   This is the [olicy with the reinstatement value memodranum attached thereto. Under the standard fire policy losses are settled on the basis of market value immediately before the fire. Under the reinsatetment value policy, the basis upon which the claim is payable in the event loss or damage is the cost of replacing or reinstating on the same site, property of the same kind or type but not superior to or more extensive than the insured property when reinstated. Reinstatement value insurance may be granted on building and machinery other than merchandis and /or stock in trade or personal effect subject to incorporation of the appropriate clause.

   There are certain conditions to be observed in reinstatement value policy and they are:

   1. Replacement value of new machinery will be the sum insured .
   2. The reinstatement will be carried out in the same site.
   3. The machinery replaced will be of same type but new one.
   4. If the insured requires reinstatement at different site and be replaced with a better type machinery, then insured has to bear the difference.

5. Reinstatement work must be completed within 12 months from the date of accident.
6. First the insured should replace the machine and then claim for payment.
7. If at the time of replacement the value of machine is more than the sum insured, insurer is liable only for the proportion of the sum insured in relation to the actual value.

4. TRANSIT POLICY

Under this policy, cover is provided for loss or damage by fire to the property whilst in transit by rail road. The liability of the insurer arises when the railway or carrier is not legally liable for the damage.

The cover commences from the time the goods are loaded into the vehicle or wagon and ceases immediately on the unloading of the goods at the railway station or the godown of the carrier at destination. The risk during transshipment is also covered. For example, goods sent from Madurai to new delhi will have to be transhiooed at madras from meter gauge rain to broad guage train. So also the transport operator may bring the goods by some lorries from the south to madras and from madras they may send the goods by some other lorries. Therefore, any fre damage occurring in the transshipment place also is covered.

QUESTIONS:

1. What is a floater extra?
2. What are salient features of a declaration policy?
3. What is the significance of reinstatement value? What are the conditions attached to reinstatement value policy?
4. Is transit policy issued in fire? What does it cover/
5. What type of policy would you suggest for a building under construction?

UNIT-II

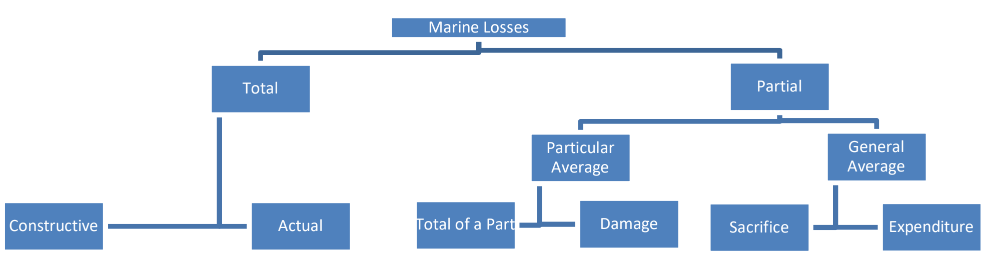
Marine Insurance

Definition of Marine Insurance
Section 2(13) A of the insurance Act 1983 defines marine insurance as “The business of effecting contract of insurance upon vessels of any description including cargoes, freights and other interest which may be legally insured in or in relation to such vessels, cargo and freights, goods, wares and property of whatever description insured for any transit by land or water or both.

Meaning, Nature and Need of Marine Insurance
Marine insurance is the oldest known insurance which pertains to the concept of insuring marine adventures involving ships and cargos. The purpose of marine insurance is to indemnify the interested person against loss, damage, expense, occasioned accidentally in connection with vessels cargos and freight charge through any of the numerous risk incidence to transportation by water.
Marine insurance covers the perils of the sea including fire, stranding of ships, collisions, sinking etc. It protects ship owners, cargo owners and the shipping companies’ maritime perils cover all perils such as fire, war, pirates, thieves etc. Cargo insurance, freight insurance and Hull insurance are subject matter of marine Insurance.

Marine Insurance Policies
1. Voyage Policy: An insurance policy that provides coverage for losses due to unforeseen risks on goods in transit by sea. Also known as Marine Cargo insurance.
   A Voyage Policy is important for business who work in Exports. Voyage policies is intended to protect against unforeseen risks and not against preventable risks.
2. Time Policy: Marine Insurance policy which is valid for a specified time period I called as time policy. All the marine perils during that period are insured. This type of policy provides the insured to cover all type of Marine Risks.
3. Mixed Policy: Combination of voyage policy and time policy is called mixed policy.
   A marine insurance policy which offers a client the benefits of both time and voyage policy. Under mixed policy subject matter is insured for a particular period and for a certain voyage.
4. Floating Policy: This type of policy is especially suited to those merchants who make shipments regularly on a scheduled route. There is no mention of name of the vessel and the insurance is effected for a round sum. It covers risks for a series of shipments. As each shipment is made its value is declared to the insurer and the amount thus declared is written off from the policy amount. It continues until the full amount for which insurance was effected is exhausted.
5. Blanket Policy: this policy covers the risks in a specified time and geographical area. Under this type of policy, the insured is required to pay a Lump-sum premium based on the total amount of cargo without differentiating fixed and current assets.

Marine Losses



The purpose of going in for insurance is to seek protection against possible losses. The marine insurance Act also classifies the different types of losses. A loss may be either total or partial. Any loss other than total loss is a partial loss.

Total Loss

A total loss can be either an actual Total Loss or Constructive Total Loss. An Actual Total loss may arise when the insured property is destroyed eg. ship catches fire with the result of both Cargo and Vessel are lost or the damages are such that the cargo is said to have lost its specie. The other type of total loss is the Constructive Total Loss. Such a loss can arise where an actual total loss appears unavoidable with the result the property is abandoned or the cost of preventing an actual total loss may exceed the value of the property when saved. Thus an actual loss means a physical loss whereas a constructive loss is only a commercial loss. In addition, the property will have to be abandoned in the case of constructive total loss.

Partial Loss

Partial loss may be particular average or general average. Particular average includes total loss of part. A machinery may be packed in 25 cases out of these, 5 may be dropped into the sea at the time of unloading, thereby resulting in a total loss of the five cases.
A machinery may be damaged necessitating repairs or replacement which is a partial loss.
The other type of partial loss is the General Average. It may consist of sacrifice or Expenditure which may be voluntarily and reasonably made or incurred during times of common peril with the sole intent of saving the voyage. If these requirements are fulfilled there is General Average loss. The commonest example for this type of loss is jettisoning of the cargo by the master of the vessel at times of heavy weather. The purpose of General Average Act is to save the voyage. Jettisoning of the cargo is an example of sacrifice. If the vessel is also damaged during her encounter with the heavy weather, she may have to enter the nearest port for repairs. The cost of entry into the port, unloading the cargo for repair of the ship, storage expenses of the unloaded cargo and reloading charges for the same are examples of General Average Expenditure. The sacrifice and expenses are to be made good by the interest saved.

For Particular average claim there must be an element of accident whereas a General Average Act is an intentional one.

Marine Claims

Procedure of settlement of Marine Claims

1. Notice of Claim: A prompt notice of claim by the insured is required. It should contain all relevant particulars. Besides, for constructive losses, a notice of abandonment is also to be served on the Insurer.
2. Insurance policy: The insurance policy taken to cover the risk has to be submitted along with the notice and other documents.
3. Invoice Bill: In case of cargo an invoice or bill is attached along with the policy so that the value of the goods can be known.
4. Bills of Loading: A copy of the bill of loading is also submitted which acts as a receipt for goods delivered to a ship for carriage. It is issued and signed by the ship owner or his agent for the captain of the ship.
5. Survey Report: If possible a survey report should be obtained from the agent and it is to be submitted to the insurer in support of the claim stated.
6. Assessment and Payment of loss: After receiving the above documents from the insured, the expert makes an assessment of the loss. After a detailed assessment of loss, the insurer makes payment for the indemnification under the policy.

Documents required to settle marine cargo claim

1. The original Policy: This evidences the contract of Insurance. Since the policy is freely assignable, the original is to be surrendered to the insurers. If the policy is either lost or misplaced a letter of indemnity can be taken.
2. Bill of loading: this evidences the contract of affreightment. This also serves as an evidence that the goods were actually shipped as also their condition at the time of shipment. If a cargo is shipped in externally good condition, the bill of loading is clean. If bill of loading will not be clean but will have endorsements as to the condition of the cargo such a bill of loading is known as dirty bill of loading.
3. Invoice: This evidences the contract of sale and contains the full description of the goods, sale price, etc. If a separate packing list is available, it will indicate the details of the contents in the different packages.
4. Short Landing Certificate: Where the cargo is not landed at the port of carrier a short landing certificate has to be obtained. This serves as proof of loss. This certificate is issued either by the port trust or by the agents of the carriers.
5. Copy of Protest: Where a vessel encounters heavy weathers, the captain of the ship will be extending a note of protest before a Notary Public. A copy of the note has to be obtained for heavy weather damage claim.

Documents required to settle Particular Average claim

1. Tally sheets: As the cargo is unloaded, the port authorities will be making note of the condition quantities etc. of the cargo discharged. This is a document issued by the port and will enable insurers to pursue recovery from carrier.
2. Joint Survey Report: If the cargo was delivered in a damaged condition, the carriers Agent will have to be advised and a joint survey of the damaged cargo be arranged. This document will help in recovery from carriers.
3. Survey Report: This is the report issued normally by an independent licensed surveyor. This will indicate the date of arrival of the ship, date of discharge of cargo, date of delivery, date and place of survey, the external conditions of cargo, probable cause of loss, the quantum of loss prospects of recovery and value of salvage.
4. Repairs/Replacement bills: in case of damage or breakage.
5. Bankers' Certificate: A claim on export, payable in foreign currency can be settled only if the insurers are satisfied that the ownership of the goods vest with the overseas buyer.
   A certificate from the negotiating bank in India will indicate that the overseas buyer has not only paid for the goods but also the amount has been realised and accounted in India in an approved manner.

Documents in Total Loss and Partial Loss

a) Total Loss: Insurance Policy; Bill of lading; copy of the invoice Protest, Letter of Subrogation; notice of abandonment.

b) Partial Loss: Surveyor's Report; Bill of sale; Letter of Subrogation, Cost of protection, besides the policy, the invoice, the bill of lading, the copy of master's protest or an extract from log book of the ship.

Questions

1. Define marine insurance.
2. What is the scope and Importance of Marine insurance?
3. What is the nature of marine insurance?
4. State and Explain various marine Insurance policies.
5. State and Explain marine classification of marine losses with the help of a chart.
6. What is the procedure involved is settlement of marine Insurance claim?
7. State and explain documents required to settle marine cargo claim.
8. State and explain documents required to settle particular Average claim of marine insurance.
9. State documents required to settle total loss and partial loss.

UNIT-III

MISCELLENEOUS INSURANCE

INSURANCE OF PERSONS.

Type of policies:

1. Personal accident Insurance

Personal Accident insurance is one of the popular type of miscellaneous accident insurance. Such a policy provides that if the insured dies or becomes totally or partially disabled because of an accident, he or his survivors will get the amount of the policy. It is a supplement to life insurance. An employer can take a personal accident insurance on the employee and it can be treated as additional service benefit to the employee.

An accident is an unexpected and undersigned event that brings about generally un pleasant feelings to people. These are fortuitous occurrence caused by external visible and violent means. Any person meeting with an accident has to suffer. The result of accident may widely vary from simple injury to death.

Depending upon the nature and degree of the injuries sustained accidents are generally classified into

1. Permanent total disability
2. Permanent partial disability
3. Temporary total disability
4. Temporary partial disability

1. **Permanent total disability.** As a result of accident a person is permanently and totally disabled. He is practically reduced to a mere mass of flesh. For the rest of his life he need some body' help. It is an unpleasant and pitiable situation.
2. **Permanent partial disability.** This is a situation where as a result of accident part of the body (such as a finger arm, or leg) is permanently severed from the body. He can attend to his duties partially if not to the same extend as before once the wound is healed.
3. **Temporary total disability.** The person is completely laid up in his bed due to accident. During this time he cannot do anything. He will be fit to resume his duties after his recovery from illness.
4. **Temporary partial disability.** In this case he is partially disable and that too a short period only. He can attend to his duties partially during his illness and after his recovery.

Quantum of Benefit

The amount of compensation depends upon the extend to which the injured sustained the injury. The following table shows the amount of benefit for different injuries.

SI.NO.	Accident cover	Benefit
1	Death	Capital sum insured
2	Loss of two limbs, two eyes or one limb and one eye.	Capital sum insured
3	Loss of one limb or one eye or irrecoverable loss of use of one limb without physical separation.	50% of sum insured
4	Permanent total disablement from injuries other than those named above.	Capital sum insured
5	Permanent total disablement (depends on parts affected)	stipulated % of capital sum insured
6	Temporary total disablement at 1% of capital sum insured.	upto 104 weeks Rs. 1000 per week however limited to capital suss insured
7	Temporary Partial disablement at 0.3% of capital sum insured.	

2. Janatha Personal Accident Insurance

This is a policy designed to meet the needs of common man. It was introduced in the year 1976. It covers almost all the risks involved in daily life of a common man such as road accidents, risks involved in place of work, risk involved at house, risk involved while travelling etc. It is the cheapest insurance scheme available in India. Sum involved is Rs.15000 for a premium payment of Rs.12 per annum. No medical examination of the insured is required. Anybody in the age group of 16 to 60 can join this insurance. Benefits cover death, permanent total disablement partial disablement. Temporary total and temporary partial disablement are not covered. The insured is required to inform about the accident causing loss and relevant information within one month of the occurrence of the accident to the insurer to settle his claim.

3. Gramin Personal Accident Insurance.

This is similar to janatha personal Accident insurance. The premium for this insurance in Rs.5 and the sum insured is Rs.6000/-. This is designed to cater to the need of poor villagers. Person between the age of 10 to 65 can join in this policy. To settle claim in case of death the nominee of the insured should submit death certificate, original policy and claim form duly filled. In case of injury the insured should submit medical certificate and medical bills for settlement of claim.

4. Personal Accident for School going Children.

Groups of students in school recognized by state government or central board can take this insurance. Sum insured is Rs.10000 per student. Separate proposal Form each student is not obtained. A joint declaration from Headmaster or principal of the school as well as parent is obtained. Age limit of this policy is 3 to 19 years. The cover is operative for 24 hours ***i.e.*** for accident with in school and outside school. The school authorities collect the premium and remit it to the insurance company with the declaration form. The cover commences with the receipt of premium by the insurer. The policy is in the name of school. A statement of student showing their name, age class etc is attached to the policy. Benefit is provided against death, loss of two limbs, two eyes or one limb and one eye, permanent total disablement and permanent partial disablement.

5. Group Personal Accident insurance.

When a single policy is given with a statement showing a number of persons covered by the policy is called group insurance. Group accident policy can be taken covering all the employees of an organization, or members of an institution. There will be group discounts on a prescribed scale varying from 5% to 45% of the premium.

6. Air Travel Personal Accident.

These policies are issued to cover accidents in air travel. Accidents in the following circumstances will be covered under this policy.

1. While travelling airline vehicle from Booking office to air port.
2. While in airport for the purpose of travelling.
3. While mounting in the aircraft.
4. While travelling in aircraft as a fare paying passenger.
5. While travelling from airport to Booking office.

7. Health Insurance.

This provides hospitalization and medical expense to the insured. This insurance is taken by the employer to provide reimbursement in respect of expenses. Three types of benefits are given.

1. Hospitalization
2. Domiciliary treatment.
3. Maternity-Expenses in the case of women.

In the case of hospitalization expenses the following types are included.

a) Accommodation and nursing charges.
b) Physician's and surgeous charges
c) Expenses for diagnostic tests
d) Cost of medicine/drugs.

In the case of Demiciliary treatment the following expenses are covered.

a) Physician/consultant fees
b) Diagnostic charges
c) Cost of medicine/drugs

The following expenses under maternity benefits are allowed.

a) Accommodation and nursing charges
b) Diagnostic charges
c) Charges for obstetrical procedure
d) Surgical fees

The annual premium vary with benefits required. The age limit is 12 years to 70 years.

INSURANCE OF PROPERTY

Property insurance is a contract of indemnity whereby the insurer undertakes to indemnify the other party against financial loss which the latter may sustain due to damage to property by reason of various kinds of risk. As such different types of insurance of property are available.

Money in transit

This policy covers money in transit between the insureds premises and bank orpost office or other specified places or between the insured premises and branch premises.It is granted only to commercial or industrial concerns. It is a non tariff class of business.

Money in transit policy cover the following.

1.wages in transit.

2.cash in transit

3.postal orders postage and revenue stamps

4.cheque,Bill of exchange, money orders

5.Undisbursed wages kept overnight

Money in transit policy provide cover to the following types of losses.

1.Theft or accident while in transit

2.Loss by burglary or house breaking of locked safe

3.Loss of property while in transit due to negligence or lack of care on the part of person carrying such property.

All risk Insurance Policy

All risk Policy provide wide cover but it does not cover all the risks of loss or damage.It cover loss or damage by fire ,burglary or theft or by any other accidential or fortuitous circumstances. This policy is suitable for jewellary,valuables ,watches,clocks, cameras,etc.

Exceptions

1.Loss caused while repairing the insured property.

2.Loss due to vermin, insects,wear and tear and other defect or deterioration of the property.

3.Loss or damage to watches and clocks due to over winding ,breakage of glass.

4.Loss to camera and other optical instruments by mechanical derangement ,scratching or breakage of lens.

UNIT-IV

P0LICY CONDITIONS AND PRIVILEGES

In view of the large number of policies issued by the Life Insurance Corporation of India it is convenient to have a printed policy form for each major plan of insurance incorporating a schedule wherein particulars specific to each individual contract such as sum assured, premium, name and address of the life assured, etc., could be inserted by use of mechanical aids. The advantages of using a schedule type of forms are:

1) P0licy can be easily prepared by using modern mechanical aids for filling up the schedule.

2) A few standard policy forms containing all other common matters can be printed and kept ready for use to suit all plans of assurance the insurer may grant.

3) The important items relating to the contract are all brought together and printed in such a way so as to make it easy for the reader to understand the terms of the contract.

It is usual to divide the policy document into the following sections

1) Policy preamble:-It states "Where as the life Insurance corporation of India (hereinafter called "the corporation") has received a Proposal and Declaration for Assurance which proposal and Declaration with the Statements contained and referred to therein the proposer and Life Assured named in the schedule hereto has agreed shall be and are hereby declared to be the basis of this Assurance, and has received the first premium for an assurance of the amount and on the terms stated in the said schedule.

2) Operative Clause: - The mutual obligations of the parties are dealt with in the operative clause. The assured has to pay the premiums as stipulated in the policy. In consideration of this, the insurer undertakes to pay the sum assured on the happening of the event at which the amount is payable with profits, if any, at a specified place subject to, the age of the life assured being found correct, and the title or right of the person claiming the money being established.

3) Provision: - The proviso makes the policy subject to the privileges and conditions which are printed overleaf. This clause is necessary because the signature of the Divisional Officer is on the first page and the privileges and conditions follow later.

4)Schedule:-The particulars usually embodied in the schedule are , Policy number ,name, residence, occupation of life assured, date of commencement of insurance, the sum assured amount, to whom and when payable, whether with or without profits ,mode of payment personal statement, special conditions or provisions etc.

5) Attestation: - Attestation appears at the end of the policy testifying to the insurer's entering into the assurance contract. The policy is signed by authorized officer of the insurer.

Privileges and Conditions:-The conditions may be grouped as under.

1) Those which expand the nature of the contract and its legal implications.

2) Those which limit the scope of the assurance or restrictive conditions.

3) Those which add to the benefits of the benefits of the assurance or privileges

4) Those which incorporate supplementary benefits.

The first groups of conditions are intended for information of the assured. For example, there is a clause which states that if the proposer had made any untrue or incorrect statements, the policy shall be void subject to the provisions of the Insurance Act. Another

Clause states that in case premiums are not paid as and when due the policy shall lapse.

Conditions limiting the scope of the assurances are restrictive conditions. The restrictive conditions are designed to eliminate certain risks which are not taken into account when fixing the premiums. If any such risk is incurred the assurance is limited to the payment of the surrender value or the return of the premiums or some specified prop oration of the sum assured. The risks against which generally restrictive conditions are imposed are:

1) Suicide: It is provided that if death is due to suicide within one year, the sum assured shall not be payable. The bonafide interest which any person has acquire in the policy for valuable consideration, about which due notice is given at least one month before, is however, protected in the event of suicide, but only to the extent of such interest.

2) Hazardous occupations: Generally, this restriction is not imposed and an extra premium necessary to cover the risk is charged wherever it is essential.

3) Foreign residence and travel: Corporation's policy is free from all restrictions as to travel, residence and occupation.

4) War and Aviation: Corporation's policies are free from war risk restriction. For covering aviation risks extras are usually charged where necessary, but if the policy-holder does not wish to pay the extra a policy subject to a restrictive clause is issued.

Conditions adding to the benefits of the assurance privileges: - Premium are payable when they fall due and failure of the policy-holder to pay any of the renewal premiums, strictly on the due date, would involve complete forfeiture of the assurance. However, it has been the practice of the insurer to offer certain concessions to the policyholder.

The privileges that are granted are as follows:-

1) Days of grace :-It is a condition that the policy will not lapses if the renewal premium be paid within 15 days in case of monthly premiums and all other cases, 30 days or one calendar month whichever is longer after it becomes due. It means the premium will be accepted within days of grace without any charge of interest or any penalty and irrespective of the health of the life assured. If death occur during the days of grace and premiums are unpaid the claim would be made subject to the deduction of unpaid renewal premium and where premiums are payable otherwise than yearly all the outstanding installments of premiums of the current policy year would be deducted.

2) Revival of lapsed policies:- When a policy lapses this condition enables the policy holder to apply for its revival within 5 years from the due date of the first unpaid premium. The revival must be effected during the life time of the life assured. Medical and or other evidence of any alteration of the risk is called for by the corporation. If there is any adverse change in health or Insurability, the insurer reserves the right to impose its own terms on which revival can take place. The overdue premiums with interest or revival fee must be paid before the Corporation assumes full liability again. The corporation revives policies within 6 months from the due date of the first unpaid premium without asking for evidence of health but only on payment of overdue premiums with interest subject to a minimum revival fee.

SCHEMES OF REVIVAL OF POLICIES

Corporation offers following schemes of revival

Ordinary Revival

Generally, policies which are in lapsed condition for more than 5 years only can be revived. The requirements for revival are normally, payment of arrears of unpaid premiums with interest thereon and submission of evidence of health. The requirements of revival for endowment type of policies are only arrears of premium and interest. No evidence of health is required, if the period is 12 months prior to maturity date.

Where policy has not run for 5 years on the date of lapse, whether issued under Non medical or medical scheme can be considered for revival on the strength of personal statement of health if, overdue premiums and interest thereon are received within one month from the expiry of “six months’ period” from the date of first unpaid premium (i.e. within 7 months from the date of first unpaid premium) and if the personal statement of health called for is Submitted within 2 weeks of its being called for and provided further that :

1) The original Policy is issued at O.R.

2) If the policy was issued or subsequently received with an Extra, Lien or Endorsement, such Extra, Lien or Endorsement was due to occupation or sex only.

3) There is no adverse information regarding health, habits, or occupation etc. of the life assured either on our records or is not disclosed in the personal statement of health which is received for consideration of revival.

Special Revival:

The policy can be revived under the Scheme provided:

1) It has not acquired any surrender value.

2) It has lapsed for not less than 6 months and not more than 3 years as on the date of revival

3) It has not been revived under this scheme on earlier occasion

On revival, the policy will be dated back for such period as the lapsed policy was in force subject to the condition that the date of commencement of the policy on Revival does not fall beyond two years from the date of commencement of the original lapsed policy. A fresh policy will be issued on revised conditions.

Installment Revival:

Revival under this scheme will be permitted:

1) Where the policyholder is not in a position to pay the arrears of premiums in one lump sum and the policy cannot be revived under our special revival scheme.

2) Where the arrears of premia are for more than one year.

3) There is no Loan outstanding under the policy at the time of revival (Outstanding loan, if any, must be repaid with interest to avail of the facility of Installment Revival.

4) No survival benefit falls due immediately after the revival.

The arrears of premium will be calculated in the usual manner as under ordinary revival scheme. Depending upon the mode of payment, the life assured has to pay initially six monthly premiums or two quarterly premium or one half yearly premium or half of yearly and balance of the arrears will be spread in the remaining premium due dates in the current policy Anniversary and two full policy Anniversaries thereafter.

If the lapsed is under SSS, the installment revival scheme should be offered only if policyholder agrees to get the policy excluded from the purview of the salary savings scheme and transferred to ordinary class.

The evidence of health, for revival under this scheme will be the same as mentioned under the heading ordinary revival.

Loan cum Revival Scheme:

As the name itself indicates, it involves two functions, viz. granting of loan and revival of the policy simultaneously. This facility is utilized by policy holders who would like to avail of loan to cover the arrears of premiums to revive policies.

The arrears of premiums required for revival is calculated as in the ordinary revival scheme. The loan available under the policy,Treating the premiums as paid up to date as on the date of revival, is calculated and the amount available as loan is utilized to adjust the arrears of premiums. In case any balance of amount is required, the same is called for. In case where the available loan is more than the arrears of premium with interest there on, the excess of loan is paid to the policy holder. The life assured can also avail such amount of loan as required just to cover the arrears of premium with interest. The assured has also to submit evidence of good health, wherever required and also the loan papers duly completed.

Non-forfeiture regulations

This represents a valuable privilege to the policy-holder in case the premiums could not be paid by him. Corporation offers automatic paid up benefits under its non forfeiture regulations. Under this clause, provided three full years' premiums are paid, the policy automatically becomes paid up for a reduced amount in case of non-payment of premiums. In general, the paid up amount will be that proportion of the sum assured which the number of premiums paid bears to the number originally payable provided such reduce sum, in the case of policy for sum assured of Rs.1000 |- or more ,is not less than Rs 250|- and in the case of policy for sum assured of less than Rs.1000|- ,Is not less than Rs.100|- The existing vested bonuses are added in full and are not proportionately reduced. But the reduced paid up policy does not participate in the profits after conversion.

Surrender Value: The guaranteed surrender value of the policy is stated in the policy document. Generally, it is 30% of all the premium paid excluding the first year and all extra premiums and or additional premium for accident benefit. For single premium a policy guaranteed surrender value, is generally, is 90% of the single premium. But more liberal surrender value than this amount is offered.

Loans: Availability of loan on the security of the policy is an important privilege to the policy-holder. It provides ready money in times of emergency, business need, etc. Loans are generally granted up to 90% of the surrender value and 85% for reduced paid up policies. Sometimes higher percentage is also given. The rate of

Interest currently charged is 10.5% per annum payable half-yearly, such loans may be repaid during the currency of the policy or may remain as debt on the policy monies until the claim arises provided interest is paid regularly as stipulated.

Accident Benefit: Accident benefit provides for payment of an additional benefit equal to the sum assured in installments on permanent total disability and also waiver of subsequent premiums payable under the policy. It also provides for payment of an additional amount equal to the sum assured in case of death by accident. In case of a policy entitled to this additional benefit, while it is in force for full sum assured and before the expiry of the period for which premium is payable or before the policy anniversary on which the age nearer birthday of the life assured is 70, whichever is earlier, If the life assured is involved in an accident resulting in either permanent disability or death and the same proved to the satisfaction of the corporation the benefits payable are as under:

Benefits payable on disability to the life assured: Payment in monthly installments spread over 10 years of an additional sum equal to the sum assured by the policy, the first installment becoming payable One month after the date of disablement provided, however, if the policy becomes a claim before the expiry of the said period of years, the disability benefit Installments which have not fallen due will be paid along with the claim. This is subject to the condition that such additional sum payable in respect of the policy together with any such additional sums payable under other policies on the life of the assured issued by the corporation or any insurer whose business has been taken over by the corporation, will not exceed Rs. 5,00,000|-

Waiver of the payment of future premiums up to an assurance of Rs. 5,00,000|-, the first installment to be waived being that falling due immediately after the date of disablement.

The benefits mentioned shall be payable subject to the following conditions.

1) The maximum aggregate limit of assurance under all policies issued by the corporation and insurer whose business has been taken over by the corporation on the same life to which the benefit of the waiver will apply will not in any event exceed Rs. 5, 00,000.

2) The waiver of premium will extinguish, all options available under the policy except as to such assurance if any as exceeds the maximum aggregate limit of Rs.5,00,000|- and which may have been kept in force by continued payment of premiums and the sum assured payable on death of the life assured by Accident.

3) The disability above referred must be the disability which is the result of an accident and must be total and permanent and such that there is neither then nor at any time thereafter any work, occupation or profession that intimation to that the life assured can ever sufficiently do or follow to earn or obtain any wages, compensation or profit. Accidental injuries which independently of all other causes and within 90 days from the happening of such accident result in the irrecoverable loss of the entire sight of both eyes or in the amputation of both feet at or above the ankles, or in the amputation of one hand at or above the wrist and one foot at or above the ankle, shall be deemed to constitute such disability.

4) Immediately after the happening of the disability, full particulars thereof must be given in writing to the divisional office of the corporation to which the policy is attached together with the then address and whereabouts of the life assured and within 90 days after the happening of the disability there must be given to the divisional office of the corporation in the manner required by it.

5) In the event of its being discovered at any time that a claim under the clause has been wrongly admitted, all premiums falling due after the date of the corporation's Intimation to that effect shall be paid and no further installments of additional sum assured shall be paid as if no disability had occurred.

Benefits payable on death of Life Assured:

Payment of an additional sum equal to the sum assured under the policy is made if while the policy is in force for full sum assured the life assured shall sustain any bodily injury resulting solely and directly from accidents caused by outward violent and visible means and if such injury within 90 days of its occurrence, solely, directly and Independently of all other intervening causes results in the death of the life assured. However, such additional sum payable in respect of this policy together with any additional sums payable under other policies on the life of the assured shall not exceed Rs. 5, 00,000|-The corporation shall not be liable to pay the benefits on account of disablement of the life assured or on account of the death of the life assured if the disability or the death of the life assured shall:

A) Be caused by intentional self injury, attempted suicide, insanity, or immorality or whilst the life assured is under influence of intoxicating liquor, drug or narcotic or

B) Take place as a result of accident while the life assured is engaged in aviation or aeronautics in any capacity other than that of a fare-paying, part-paying or non-paying passenger in any aircraft which is authorized by the relevant regulations to carry such passengers and flying between established aerodromes, the life assured having at that time no duties on board the aircraft or requiring descent there from; or

C) be caused by injuries resulting from riots, civil commotion rebellion, war, invasion, hunting, mountaineering, steeple-chasing or racing of any kind; or

D) Result from the life assured committing any breach of law; or

E) Arise from employment of the life assured in the armed forces or Military service of any country at war or from being engaged in police duty in any military, naval or police organization.

Accident benefit is granted subject to the following further conditions:

1) The maximum entry age upto which the benefit can be granted is 55 years nearer birthday.

2) The benefit will be granted to persons employed in the army navy, excluding navy personnel having driving duties and submarine personnel

3) The benefit will not be granted to certain categories of sub standard lives of students. In the case of female lies, the benefit will be allowed only to educated ladies in receipt of earned income .

4) The annual premium for the accident benefit which will be Rs. 1.00 per thousand sum assured will be payable till he date of last payment of premium under the policy or till the policy anniversary on which the life assured will be 70 years nearer birthday whichever is earlier.

5) Premiums for the accident benefit will have to be paid along with the premiums payable under the policy and in case the policy lapses, the accident benefit will also lapse.

Disability Benefit

This benefit is granted on the first Rs. 20,000|- of assurance on any male or female life. No extra premium is payable and this benefit, unless explicitly excluded, as a rule is available to all the policy-holders. In the event of permanent and total disablement through accident the payment of future premiums are waived. Permanent and total disablement is of such a nature that the 1life assured is wholly disabled by bodily injury and he is permanently and continuously unable to engage himself in any work or occupation and earn any remuneration. Examples of such disability mentioned in the relevant clause are:

1) Loss of sight of both eyes.

2) Amputation of both hands or feet.

3) Amputation of any one hand and one foot.

The disability benefit is applicable only when such disability occurs before the policy anniversary on which the age nearer birthday of the life assured is 70. Satisfactory proof of disability must be furnished within 90 days of its occurrence. This benefit is specifically excluded in the case of those persons engaged in certain hazardous occupations or those having certain physical defects with increased probability of accidents and disabilities

Extended Disability Benefit

This is another form of disability benefit where in addition to the waiver of future premiums , corporation will pay in monthly installments spread over ten years an additional sum equal to the sum assured. If the policy becomes a claim before the expiry of the ten-year period, the disability benefit payment which have not fallen due will be paid along with the claim amount. In addition to the points referred to above the following also are operating.

1) The extended Disability Benefit is available only to those who avail of Double Accident Benefit. Double Accident Benefit provides for payment of double the sum assured on death by accident

2) Over and above the cash payment the full sum assured is payable on death or maturity.

3) Where the extended disability benefit is secured the maximum sum assured under different policies on any life for which the waiver of premium can apply is Rs.5,00.000|-. The maximum additional amount payable in the event of disability is also Rs.5,00,000 |-. This benefit is not available to those who are ineligible for accident benefit.

Double Accident Benefit

This provides for payment of double the sum assured on death by accident at an annual extra premium of Rs.1.00 per thousand sum assured. The following conditions apply:

The benefit is payable on satisfactory proof being given to the Corporation to show that the death of the life assured resulted directly and independently of all other causes, from bodily injury sustained solely through(1) accidently,(ii) Violent, (iii) visible, and (iv) external means, and such death occurred within 90 days after sustaining such accidental injury. The expression “accidental” means that the cause and the result of what happened must be accidental. For example, if death occurs as a result of jumping from a moving train, the result of what happened must be accidental but the cause is not accidental. Where disease was the real or contributory cause, such cases may not be termed as accidental. For instance, where the insured has a heart attack while driving his car and is killed in an ensuing accident, the real cause of death is the disease.

With a view to avoid cases involving increased accident hazard, this benefit is not granted to :

(a) Persons following hazardous occupations such as navy personnel having diving duties and those employed in submarines;

(b) Certain categories of substandard lives with physical impairments such as loss of one eye or deaf in one ear;

(c) Female lives except certain categories;

(d) Minor students.

NOMINATION

Sec. 39 of the Insurance Act, 1938 governs the nomination of life policy and empowers the life assured only, and not the proposer, to nominate a person or persons which includes society or institution or company who should receive the policy money in the event of the policy becoming a claim by death of the life assured.

A nomination can be incorporated in the text of a policy or can be made by an endorsement on the back of a policy.

When no blank space is available on the policy to make the endorsement of nomination, it can be done on a slip of paper pasted to the policy and signed across by the life assured at the edges where the slip is attested to the policy.

The life assured has a right to cancel the nomination or effect change of nomination during the currency of the policy and without the consent of the nominee.

When a nominee is a minor an appointee should be appointed by the holder of the policy on his own life, i.e. the life assured and the appointee may be any major person not necessarily the father of minor nominee (sec.39(1)). The appointment of an appointee is validated by the Indian Insurance (Amendment) Act, 1950 and therefore it is valid only under such policies which provide for payment of policy money at any place in India including Jammu& Kashmir.

When there are more nominees than one, the policy money will be payable to them jointly or to the survivors or survivor of them (sec. 39(6)). As such, no specific share for each nominee should be mentioned , otherwise, it would be impossible to carry out the provisions of the Act.

An assignment automatically cancels a nomination. It can also be cancelled by a will provided there is a specific reference which means an express clause in the will cancelling the nomination or bequeathing the policy moneys to a person other than the nominee (sec. 39(2)).Execution of a fresh nomination or a fresh appointment of an appointee does not necessarily cancel previous nomination or appointment of an appointee unless accompanied by a death certificate of a nominee or an appointee.

DISTINCTION BETWEEN NOMINATION AND ASSIGNMENT

Nomination	Assignment
1) It can be done before issue of the policy by mentioning the nominee's name, age, relationship and address in the Proposal form or by a letter giving the details.	1) It cannot be done before issue of the policy, as the life assured has not acquired the property which he can assign.
2) It is effected where Insce. Act 1938 applies	2) It can be executed anywhere in the world according to the law of that country.
3) Need not be supported	3) Must be supported by a

by a consideration.	consideration.
4) May be witnessed.	4) Must be witnessed otherwise It will be invalidated.
5)Notice is required to safeguard the nominee's Interest.	5) Notice is required to enable the assignee to acquired to Priority over earlier assignee Earlier assignee.
6) No right to sue under the policy	6) Right to sue under the policy.
7) Where nominee is a minor, appointment of an appointee by the life assured only is required.	7) Where assignee is a minor guardian is to be appointed by the father of the assignee.
8) Appointment can be incorporated in the wording of the nomination.	8) Appointment cannot be incorporated in the wording of the assignment.
9) No vested interest in favour of nomination is created.	9) vested interest is created In favour of assignee.
10) Nominee's right is only to collect Policy money on the death of the life assured and when paid by the Corporation	10) on receipt of the notice, the corporation has to recognize the assignee as the person legally

entitled to receive the

policy money.

Questions

1) What are the advantages of using a schedule type of form?

2) Explain the various sections of policy document.

3) What is suicide clause?

4) What is importance of Days of Grace?

5) Why is a non forfeiture regulation a privilege to the policy holder?

6) What is surrender value?

7) What is a paid-up policy?

8) Why availability of loan on the security is important privilege to policy holder?

9) Explain various revival schemes offered by LIC of India?

10) What is accident benefit?

11) What is disability benefit?

12) What is extended disability benefit ?

13) What is double accident benefit?

14) What are the various circumstances under which disability benefits are not granted ?

15) Explain the conditions for granting accident benefit.

16) What are conditions to be fulfilled for availing double accident benefit ?

17) What is nomination ?

18) What is assignment ?

19) Distinguish between nomination and assignment .

The salary savings scheme

The salary saving scheme enables salaried employees to obtain the benefits of life insurance with the convenience of payment of premiums by monthly deductions effected by the employer from the salaries of the employees. It is a plan of co-operation between the employer, his employees and the life Insurance Corporation of India. Since deductions are generally made every month, the individual by joining such a scheme derives the advantage of insurance scheme, on easy instalment system. The scheme saves the policy-holder the trouble of direct payment of premiums to the insurer as and when it falls due. He gets accustomed to this method of saving and adjusts his living on his net income; life insurance premium becomes the first charge on his salary. A business firm, corporation, partnership or any other organizations where there is a sufficient number of permanent employees and where there is not too great labour turn-over can conveniently introduce the salary savings scheme facility for its employees.Where an organization has a total number of employees less than 100, minimum number of employees joining the scheme must be fifteen and where the number of employees is more than 100, the minimum number that should join the scheme must be 25. The employer's consent for the introduction of the scheme is essential as the employer has to accept the responsibility to make deductions regularly from the salaries of his employees and remit the premiums to the corporation. For smooth functioning of the scheme, the monthly remittance by the employer should be duly reconciled with that for the previous month, taking into account terminations, transfers, new entrants to the scheme, etc. The employer acts under the authority of the employees and is an agent of the Employee's and he is not an agent of the corporation. The groundwork is paved for the introduction of the Salary Savings Scheme when divisional Office approves the institution for the introduction of the scheme after proper appraisal of all relevant facts. The administrative set-up of the employer and his accounting procedure are studied by the Salary Saving Scheme Department of the Divisional Office with a view to developing mutual under standing and facilitating the work of each other in the matter ofpremiums collection. Based on such a study, a system is devised that would work for the mutual advantage of all the three parties, viz., employees, employer and the corporation. Code numbers are allotted to each employer or department of the employer so that identification of the policy-holder could be easy. The employer or each paying authority designated by him is furnished with a demand list every month giving details of the employees for whom premiums are to be deducted and the amount of deduction to be made. Such demand invoices are furnished to the employers at a date that is convenient for them. Allotment of code numbers to the paying authorities is an important element in the Salary Savings Scheme.

Generally, all confirmed employees including executives and supervisors can take advantage of this scheme.

All the L.I.C.'s plan available as individual life policies are available under the salary savings scheme except Pure Endowment plan. Children's Deferred Assurance, Convertible Term Assurance Plan Policies under Deferred Annuity plan can be brought under Salary Savings Scheme provided such policies are in force for 6 months. Minimum sum assured under any of the plan must not be less than Rs. 1,000|-

The special Benefit offered to policy-holders of salary saving scheme is that the additional charge of 5% of premium normally made for payment of premium on monthly mode is waived.

It should be noted that the special benefit will be available only so long as the premiums are paid by way of deduction from his salary. It is made clear in the endorsement placed on the policy that in the event of the cessation of payment of premiums in this manner this benefit will be automatically withdrawn and the premium payable will increase.

The proposal form used for ordinary policies is used for Salary Savings Scheme Assurances. At the top of the proposal form indication is given by writing "Salary Savings Scheme" and particulars are given about the paying authority code number, sub-code number (if any), etc., allotted by the Corporation for the purpose of identifying the employer and employee. Details of the Department where the employee policy-holder is working must be furnished so as to enable the office to make sure that the paying authority code number indicated is correct. The permanent address of the employee is also to be stated so that the employee may be contacted at his address whenever necessary. In all the salary savings scheme policies the employee must give an " Authority Letter " in duplicate at the time of the proposal authorizing his employer to deduct the premium from his salary .One copy of the "Authority Letter" will be sent to the employer by the Life Insurance Corporation of India so as to enable the employer to deduct and remit the premiums. At the time of submitting the proposal, two monthly premiums are collected from the proponent to allow two months time for the processing of the proposal papers and set the machinery in operation for further premium collections. When the policy is back-dated the appropriate additional monthly instalments are also collected.

An appropriate endorsement is placed on the policy as under :

"The Corporation's Salary Savings Scheme having been made applicable to the employees of the present employer of the life assured whose address is mentioned in the within schedule, it is hereby declared that the usual addition of 5% of the premium chargeable for policies under the monthly mode will also be waived and that monthly premiums under the within mentioned policy shall be payable at the rate as mentioned therein so long as the life assured continues to be an employee of the present employer and the premiums are collected by the employer out of the salaries of the employee and remitted by the employer to the Corporation without any charge. In the event of the life assured leaving the employment of the present employer, or the premiums ceasing to be so collected and |or remitted to the corporation, the life assured must intimate the fact to the Corporation and all premiums falling due on or after the date of his leaving the employment of the present employer or cessation of collection of the premiums and remittance thereof in the manner aforesaid, as the case may be, shall stand increased to the premium that would have been payable if the policy had not been under the salary savings scheme.

During the period in which the premium is remitted to the Corporation through the employer the instalment premium will be deemed to fall due on the 20th day of each month instead of the due date within mentioned".

Questions

1) What is salary savings scheme ?

2) What is the importance of Authority Letter ?

3) What are the pre-requisites to be complied with for introducing salary savings scheme?

4) What are the advantages of salary savings scheme to policyholder?

5) What is demand list ?

UNIT-V

PREMIUM AND BONUSES

Meaning of Premium

In a contract of Insurance, the Insurer promises to pay the policy holder specified sum of money. In the event of certain specified happening the policy holder has to pay specified mount to the insure, in consideration of this promise premium is the name given to the consideration that to policy holder has to pay in order to secure benefit offered by insurance contract. It may be on time payment. It is than called a "single premium policy "And often it has to be paid regularly over a period of time.

If the premium is not paid regularly then policy will be treated as lapsed and expected benefits may not be available to policy holder.

Calculation of premium is complex technique process involving actual and statistical principle only trained professional called Actuaries do it tables of premium rates for each plan of insurance are made available by insurance company for use of stating premium for particular policy.

TYPES OF PREMIUM

1) **Level Premium**

   The uniform premium that an insured is required to pay throughout the term of the policy is called Level premium.

   Age-25-Rs1.45 per 1000 SA

   Age-26-Rs 1.50 per 1000 SA

   Age-27-Rs 1.55 per 1000 SA

   If it is expected that out of 10,000 person at a specified age the probability is that one may due within 1 year. If a policy has a term of 20 years, the risk premium and therefore the premium charge would vary for each of the 20 years. It would be increasing steadily from year to year. A part from that the premium at later ages, towards the end of policy term would be very high and people may find it beyond their ability to pay that

.To off this problem, insurers spread the risk premium on a uniform bases throughout the term thus the premium will remain constant for 20 years.

2) **Office Premium**
The level premium figure arrives at after loading the net premium figure; premium is called the office premium. The premium figures printed in the promotional literature broachers are the office premium they are also referred to as the tabular premium.

3) **Extra Premium**
Extra premium may be charge on any particular policy .This may happen due to grant of some benefit in addition to basic benefits like accident benefit or premium wavier benefit. If the risk of the person to be insured is assessed as more than normal because of health or because of occupation of habits insurers may charge extra premium these are usually started per 2 per 100 SA will be added to tabular premium.

4) **Risk, Net or Pure Premium**
The business of insurance is based on the probability of risk. The premium to be paid by each person is determined on the basis of assumptions made relating to the probability to risk which cover is sought with regards to each kind of peril and associated risk, probability of risk will depend partly on how frequently peril may occur and how survivor can impact be both frequently of occurrence of the peril extend of damage depends on a number of factors some of the factors may be controlled and some of them may not be controlled. For Example:-Earthquake and Storm are not controllable by Men.

5) **Tabular Premium**
Tabular premium is the premium arrived at after making modification considering the various factors which might influence the premium computation.

BONUS

The distribution of the valuation surplus to the policy holder is done through bonus only. Policy holder who opt for participating or with profit policies would be entitle to bonus other policy holders who have non participating or without profit policies would be paying a slightly lesser amount of premium for the same insurance cover because of the absent of bonus loading. The premium surplus and other surpluses after the claim settlement and other expenses are invested by the insurance companies which generates additional surplus, this surplus is distributed to the policyholder based on their type of policy. The amount distributed is called as Bonus.

Vested Bonus

The total amount of bonus allotted to a policy as a result of various valuations is called vested bonus the bonus should be calculated separately for each policy year. The bonus to a allotted for the particular policy year will be at the rate which was declared on the valuation date does not fall during policy year, the bonus will be allotted at the rate which was declared on the valuation date which immediately follows the close of that policy year the bonus for a particular policy year full sum assured on the relevant valuation date.

Final additional bonus

In tits valuation as on 31stmach 1979 the LIC declares for the first time in addition to simple revisionary bonus or terminal bonus is called final additional bonus.

UNIT-VI

LAW AND REGULATIONS

INSURANCE ACT, 1938

The Insurance Act 1938, which came into effect from 1st July 1939, and was amended in 1950 and later in 1999, is the principal enactment relating to the business of insurance in India. The Act contains provisions regarding licensing of agents and their remunerations, prohibtion of rebate and protection of policyholder's intersts. It also has provisions placing limits on expenses of insurers, use of funds and patterns of investments, maintaning solvency levels and constution of Insurance Association and Insurance Councils and the Tariff Advisory Comitee for general insurance.

Till the constitution of the IRDA by the IRDA Act in 1999, the controller of insurance was responsible for the administration of the Insurance Act since 1999, the IRDA has replaced the controller of Insurance. The Insurance Act vests the IRDA with powers to

* register insurance companies and also cancel their registrations

* moniter and certify the soundness of the terms of life insurance business

* inspect documents of insurers

* appoint additional directors

* issue directors

* take over the management of an insurer and appoint adminitrators

* adjudicate on disputes between insurers and intermediaries or between intermediaries

* decide on disputes relating to settlement of claims of amounts not exceeding Rs.2000.

By the end of december 2006, the IRDA had issued more than 25 regulations and also issued several guidelines to isurers on a variety of matters

LIFE INSURANCE CORPORATION ACT, 1956

This act was the basis for the establishment of the L.I.C. as a body corporate consisting of not more than 16 members appointed by the Central Goverment, one of them being Chairman. The corporation's duty was to carry on life insurance business to the best advantage of the community. Section 30 gave the L.I.C. exclusive privilege to transact life insurance business in India.This exclusive privilege ceased as a result of the amendments made in 1999. These amendments were made in pursuance of the Goverment's policy of economic reforms. 16 insurance companies were registered had commenced life insurance business till 31/8/2007.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY ACT, 1999

The IRDA is a corporate body. It is advised by an Insurance Advisory Committee consisting of not more than 25 members to represent the interests of commerce, industry, transport, agriculture, consumer forums, surveyors, agents, intermidiaries, organisations engaged in safety and loss prevention, research bodies and employees's associations in the insurance sector.

Objects of IRDA Act 1999

*To protect the interests of insurance policyholders

*To regulate, promote an ensure orderly growth of the insurance industry and matters connected with insurance industry

*To ammend the Insurance Act of 1938, the L.I.C. Act of 1956 and the General Insurance Business (Nationalization) Act 1972.

*It looks into matters of registrations, licensing, and laying down regulations for the proper conduct of the business of Life and General Insurance.

CONSUMER PROTECTION ACT 1986 [COPA]

In the past several decades , there had been a movement to safeguard the interest of the consumer. This movement among the consumers was known as consumerism and had developed as a reaction to business community ignoring the rights of consumer and exploiting them.

Issue of safety were raised particularly in the case of motar cars. The following four consumer rights have been accepted as basic;

[a] The right to safety

[b] The right to be informed

[c] The right to choose

[d] The right to be heard [redressal]

In order to attend to complaints under this act, consumer dispute redressal forums are to be established in each district and for each state. The forum at the district level will hear complaints upto the value of Rs 2,000,000 and the forum at the state level will hear complaints upto value of Rs 10,000,000. The national commision will attend to matters beyond the-jurisdiction of the state forums and also appeals against the decisions of a state forum.

The application of COPA to Insurance

The policyholders have the right to seek redress against unfair practices or unsatisfactory sevice from insurers and agents. The majority of disputes relating to insurance arise out of repudiation and delays. On all these matters, agents can help a great deal to mitigate the complaint or grievance. If due care is taken at the time of proposal and all material information supplied, there cannot be a repudiation of a claim.

OMBUDSMAN

The governing body of the Insurance Council is authorized by law to appoint Ombudsmen for the insurance industry. The function of the Ombudsman is to resolve complaints in respect of disputes between policyholders and insurers in cost efective, efficient and impartial manner.

The Ombudsman acts as counsel and madiator in matters within its terms of reference. It is not a judicial authority. It hs no right to summon witnesses. It has to make its decision on the basis of documents submitted to it. The complaint and the insurer are allowed to make personal submissions. But lawyers are not permitted to agree the case.

<u>The compaints to the Ombudsman may relate to</u>

[a] partial or total repudiation of claims.

[b] any dispute regarding premium paid or payable in terms of the policy.

[c] any dispute on the legal construction of the policy relating to claims.

[d] dlay in settlements of claims.

[e] non-issue of any insurance document to costumers after receipt of premium.

MARRIED WOMEN'S PROPERTY ACT 1874

Section 6 of the MWP Act provides that a policy of insurance effected by any married man on his own life and expressed on the face of it for the benefit of his wife and children, shall be deemed to be a trust for the benefit of his wife and children and shall not be the subjet to the controll of the life assured for his crediters or form part of his estate. Each policy will be treated as a separate estate. they will not be aggregated with the estate of the person who had taken out this policy in assessing.