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INSURANCE

PRINCIPLES AND PRACTICE

FOR GRADUATION AND PROFESSIONAL COURSES

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A decorative graphic consisting of several overlapping, wavy lines in shades of gray, creating a sense of movement and depth. The lines are centered horizontally and extend across the width of the page.

*To
My Respected Parents
Who were Loving Me a Lot*

PREFACE TO THE TWENTY-SECOND EDITION

Insurance in India is at a galloping stage. It has shown maximum growth rate of 13.0 per cent in 2007 in the world after liberalisation although it has slightly declined in 2013 by one per cent. It is expected to grow by 4.2 per cent in 2016. De-tariffing since January 1, 2007 has facilitated the insurers to serve the society with quality and lowest cost in the competitive environment. Now, insurance is not limited only to life and property risks; it has expanded its scope to insure all the uninsurable risks. It has innovated awareness to manage all the risks attached to business, industry, individuals, institutions, agriculture, transport, banking and credit, householders, interests, Neon sign, pet animal, sports, shops, LPG and export, health, catastrophe, liability, guarantee and surety, bank assurance and Corporate Governance. Recently, many health insurers have tried to find out awareness to insure even HIV/AIDS and other occupational risks. New sections have been added for Transport Insurance, Commercial Insurance, Micro Insurance, Total Insurance and Social Security Schemes in this edition. Burglary and Personal Accident Insurance have been discussed under Urban Traditional Insurance. Reinsurance has been given more emphasis by bringing out from fire insurance to total insurance. It is expected that in future, political parties would go for insurance of the risks involved in election. However, the present state of insurance has tried to insure all the risks related to family, society, business, industry and other economic activities.

This edition has included all sorts of innovative insurance products. Long Term Care needs for ageing population have become a growing problems of the society. So, Long Term Care (LTC) insurance has been thoroughly discussed in the chapter of insurance innovation. New Pension Schemes, life insurance to weaker sections, social benefits schemes and micro life insurance are discussed under insurance for underprivileged. Every chapter is thoroughly revised and new developments have been added in the respective chapters. International insurance scene is updated giving all the current information and data. Marine Insurance is known for its clauses and words which are added in the appendix. LIC has originated new life products which are given at a proper place.

This book is divided into seven parts. After discussing insurance concepts, life insurance, marine insurance and fire insurance in Parts One to Four; Part Five has discussed miscellaneous insurance which includes, transport insurance and motor insurance, miscellaneous forms of insurance such as employers' liability insurance, householder's insurance policy, Employees State Insurance Act, fidelity guarantee insurance, pedal cycle insurance, plate glass insurance, glow sign insurance, aviation insurance, livestock insurance, cattle insurance, crop insurance, credit guarantee insurance, engineering insurance, construction insurance, social security, sports insurance, shopkeepers insurance, export risk insurance; rural insurance including agriculture insurance; urban traditional and non-traditional insurance; progress of miscellaneous general insurance; progress of total general insurance and Appendix. Part Six of this book discusses prospects of insurance; privatisation of insurance industry, insurance innovation, and Long-Term Care (LTC) insurance risk management and, commercial insurance; health insurance; catastrophe insurance; liability insurance; microinsurance, total and credit insurance; reinsurance; corporate governance and corporate social responsibility, bancassurance; international insurance scene and Appendix. Part seven of this book discusses insurance legislation in India.

For preparation of this present edition, we have taken the help of Sigma, IRDA and LIC. The Head of Economic Research and Consulting of Sigma has supplied all the information and data which we required for completing this edition. We are highly thankful to him and his team of researchers. We are indebted to IRDA officials, editors and friends who helped us a lot for updating the book. LIC has always been kind enough to us for writing this book since the beginning. Their officials have

been excellent supporters throughout the period beginning from 1976 to 2015 for helping, guiding and discussing insurance problems. No word is enough to thank them. The book is comprehensively rewritten to educate the students of the latest development of insurance in India and abroad. Though the book is written primarily undergraduate and postgraduate students, it is becoming popular amongst the insurance personnel who are required to have general knowledge of insurance as well as develop their specialities in a particular field of insurance.

We are thankful to our family members who have been giving us sufficient time for rewriting the book. We hope that book will be a guiding star for all the insurance minded people. We shall feel obliged if comments and suggestions are given for the improvement of the book.

Varanasi
2015

M. N. MISHRA
Dr. S. B. MISHRA

PREFACE TO THE FIRST EDITION

Insurance is as old as the civilization. It was present in the form of mutual help. Joint Stock Companies and Corporations are the recent forms of the insurance. The 'Yogakshena' has been the oldest term of insurance used in the Rigveda for some kind of insurance. Manu had emphasised that a special charge be made on goods carried from one town to another to ensure their safe carriage. Manusmriti says—

क्रयाविक्रयमध्वानं भक्तं च सपरिव्यम्।
योगक्षेमं च संप्रेक्ष्य वणिजो दापयेत्करान्॥

(Chap.7)

“The Trader should be made to pay taxes or duty taking into account the price of purchase, the price of sale, the length of the journey, incidental expenses and yogakshema *i.e.*, Risk and Safety”. Ancient India was a prominent maritime power. Today, the nationalisation of life insurance business and general insurance business is expected to contribute maximum for the well-being and safety of the people by providing insurance services in every walk of life. The principles and practices of insurance have been changing from time to time according to needs.

The present book 'Insurance—Principles and Practices' has been written taking into consideration the prevailing principles and practices in different fields of insurance in India. The book has been written according to the Syllabi prescribed for B.Com. and Honours examinations of Indian universities and of Federation of Insurance Institutes. Various authoritative works have been consulted so that all the required subject-matter could be given in a concised and comprehensive form. The book has been divided into Five Parts. Introduction, Life, Marine, Fire and Miscellaneous. Each part includes all the required chapters on the subject in a brief and illustrative form. It is expected that the book will be interesting for the general readers as well.

I am highly obliged to the officials of the LIC and the GIC who supplied all the information and statistics required by me.

I shall be grateful to receive comments and criticism of this book for the further improvement of the book.

M. N. MISHRA

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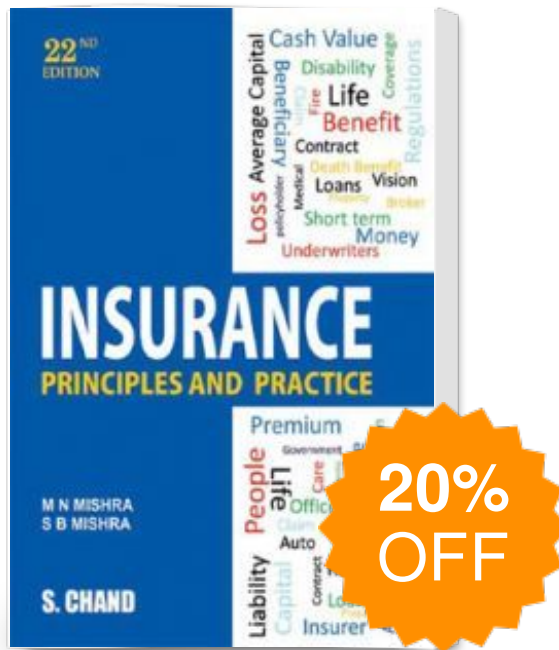
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PART ONE
INTRODUCTION

Insurance Principles And Practice



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