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# UNIT 21 NON-LIFE INSURANCE

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## Objectives

After reading this unit, you should be able to:

- 1 describe the various non-life insurance products;
- 1 explain the objectives of the various non-life insurance policies; and
- 1 discuss the scope of cover and exclusions under various insurances.

## Structure

- 21.1 Introduction
- 21.2 Marine Insurance
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- 21.3 Fire Insurance
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## 21.1 INTRODUCTION

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Risk in simple terms is uncertainty of occurrence of a loss. The risks associated with human life in general are covered under life insurance which we have already discussed in the previous unit. Having discussed about the life insurance products we now move on to another important segment, i.e. the non-life insurance. However, non-life insurance covers various categories, such as fire insurance, marine insurance, liability insurance etc. In this unit, we will be discussing each of these categories of non-life insurances in detail.

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## 21.2 MARINE INSURANCE

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### 21.2.1 Introduction

Marine insurance is the oldest form of insurance. It is also called Transportation Insurance. Generally all trades depend heavily upon the availability of insurance for successful and expeditious handling. Marine insurance has been originated from

England in the 16th century. At that time goods were transported by ocean way. Marine insurance came into existence in order to protect, if the ship or cargo were lost as a result of ocean. Due to engine failure ship gets driven by storm and breaks up by the pressure of waves grinding it against rocks and sand. Fires are very frequent and low visibility cause collision. Goods are sometime lost due to negligence, dishonesty or incompetence of the crew handling them or fault in vessel management.

Marine Insurance is the contract between insurer and insured. Marine insurance gives protection against fortuitous losses that occur during marine adventure. Marine insurance business means the business of effecting contracts of insurance upon vessels of any description including cargoes, freight and other interest which may be legally insured in or in relation to such vessels, cargoes and freights, goods, merchandise and property of whatever description insured for any transit by land or water or both and whether or not including warehouse risks or similar risks in addition to or as incidental to such transit and includes any other risks customarily included among the risk insured against, marine policy. Marine insurance covers maritime perils i.e. perils consequent on or incidental to navigation like fire, collision, standing, sinking, storm, tempest, gale, typhoon, hurricane, etc. War perils and certain other additional perils may be covered by payment of suitable additional premium.

### 21.2.2 Classification of Marine Insurance

From the above definition we can classify marine insurance in 4 categories viz. Hull insurance, Cargo insurance, Freight insurance & Liability insurance.

On the basis of period of cover marine policies are further classified into:

- 1) **Time Policy:** Time policy is for fixed period usually not exceeding twelve months.
- 2) **Voyage Policy:** Voyage policy is operative for the period of the voyage. It protects cargo from warehouse to warehouse.
- 3) **Mixed Policy:** Mixed policy covers the subject matter for the voyage and some period of time thereafter e.g. while subject matter is in port.
- 4) **Building Risk Policy:** Building risk policy provides protection while the vessels are under construction.

#### a) Marine Hull Insurance

Marine Hull Insurance is a specialised type of cover and hence needs appropriate understanding. Big and small ships are to be covered against maritime perils. Ships need protection when they are under construction and even after its construction when they are in operation and during their lifetime till they are in use. The main buyers of these insurance policies are ship builders and ship owners. Hull Insurance is a unique field wherein underwriter's function is of a developmental and technical nature and servicing of insurance. Therefore, along with development function he should have technical expertise on this, specialised branch of insurance. There is a direct contact between ship owners – Clients and the Hull Underwriters. Normally there is no agent or broker involved in servicing of Hull Insurance, therefore; hull underwriters perform the function as a Broker to the client in Indian Market. Hull Underwriters have greater accountability in meeting the requirements of a suitable cover for their clients. Besides constant consultation and counselling the Hull Underwriters in India are to perform personalised service to shipping community in Indian Market.

This insurance covers vessel itself. The policy may cover ship only during a given period i.e. hulls, machinery, material and other ancillary interest of ocean going vessels of all types i.e. small fishing vessels, tugs, salvage vessels, ferry/steamers,

launches, yatches and other pleasure crafts, lighter crafts, iron cargo boats, etc. The cover granted is so formulated as to meet the requirements of the individual ship owner and protects the ship owner against Partial Loss. Total Loss (actual or constructive) ship's proportion of General Average and salvage charges etc. The policy also covers Sue and Labour expenses and ship owners' liability towards other vessels arising from collisions. Normally, only  $\frac{3}{4}$  of the collision liability is covered under the Hull and Machinery policy and the remaining  $\frac{1}{4}$  is covered with the protection and Indemnity Clubs. Sometimes the collision liability is fully covered under the Hull Policy.

Marine hull policies are not assignable without the insurer's consent because the ownership and management of a ship are important factors considered for acceptance and rating. Though the ship is sold or transferred to new owner, the hull policy is not allowed to be transferred to the new owner. In the event of change of ownership the policy shall be cancelled and a refund of premium made for the unexpired portion. The policy may be assigned only if the insurer approves the new owner.

**Premium Reducing:** Should a vessel be lost soon after the risk was attached, the owner in fact, loses the premium, which would have covered him for the entire period of the year. This policy covers premium on the Hull and Machinery, Freight and Disbursement interests including premium on premium reducing policy following total loss of the vessel. The amount of indemnity is reduced by  $\frac{1}{12}$ <sup>th</sup> monthly.

**Loss of Hire Policy:** This covers loss of hire suffered by the ship owners if the vessel, which is given a charter, is laid-up for repairs following a casualty covered under terms of the Hull and Machinery Policy.

#### **b) Marine Cargo Policies**

It protects cargo against various types of loss. Generally the policy is written for a specified voyage. Cargo insurance means export and import of shipment including sending by air and registered post. Coastal shipment by steamer or shipment by smaller vessels in Indian water and inland vessels of different types or goods in transit by rail/road/port. Marine cargo policies are freely assignable without prior consent of insurer provided assignee has acquired insurable interest in the subject matter insured or at least expects to acquire the insurable interest. Under Marine Cargo policy when insured goods are in transit the ownership of goods frequently changes and it becomes necessary to ensure that the benefit of the policy should pass on to the new owner. Even blank endorsement on balance of the policy is sufficient for negotiation and so is a negotiable instrument.

Due to high claims ratio, Marine cargo class of insurance warrants special care and sound knowledge about the nature of various goods and merchandise, type of damages to which cargos are susceptible and port conditions prevailing all over the world.

#### **Cargo Insurance covers the following risks**

- 1) Loss of damage reasonably attributable to fire and explosion
- 2) Vessel or craft being stranded grounded, sunk or capsized.
- 3) Overturning or derailment of land conveyance
- 4) Collision or contact of vessel craft or conveyance with any external object other than water
- 5) Discharge of cargo at the port of distress
- 6) Earthquake, volcanic eruption or lightening and

- 7) Loss or damage caused by
  - a) general average sacrifice
  - b) Jettison, washing overboard
  - c) Entry of sea, lake or river water into vessel, craft, hold, conveyance, container, liftman or place of storage, loading on to or unloading from vessel or craft
  - d) Any other risk not specifically excluded in the policy of clauses

**Exclusions**

- 1) Attributable to willful misconduct of the assured
- 2) Ordinary leakage, loss in weight or volume, ordinary wear and tear of the subject matter insured
- 3) Caused by insufficiency or unsuitability of packing or preparation
- 4) arising from the use of any weapon of war employing atomic or nuclear fission, etc.
- 5) Caused by war, civil war, hostile, etc., or caused by derelict mines, torpedoes, etc. or caused by terrorist or any person acting from a political motive.

**Inland Transit Insurance By Rail or Road**

Goods dispatched by rail or road within India can be insured against basic risks or against basic plus extraneous perils or against all risks. All India Marine Cargo Tariff provides uniform clauses for basic cover for rail and road risks known as Inland transit Clause (B) (Rail or Road Basic Cover). The clause includes warehouse to warehouse risks and the rates for the basic cover provided in the tariff have been slightly loaded to take care of additional warehouse risk. For all risk cover Inland Transit (rail or road) Clause A is also available.

Risks covered under Inland Transit (rail or road) Clause A covers all risks of loss or damage to the subject matter insured except as provided in exclusion nos. 2 to 4.

Risks covered under Inland transit (rail or road) clause – B (basic cover) are:

- a)
  - i) fire
  - ii) lightening and
  - iii) breakage of bridges.
- b)
  - i) Collision with or by the carrying vehicle
  - ii) Overturning of the carrying vehicle
  - iii) Derailment or accidents of like nature to carrying railway wagon/vehicle

Exclusions under Inland Transit (rail or road) Clauses A & B are as under:

**General exclusion clause**

2. In no case shall this insurance cover
  - 2.1 Loss, damage or expense attributable to willful misconduct of the assured
  - 2.2 Ordinary leakage, ordinary loss in weight or volume or ordinary wear and tear of the subject matter insured
  - 2.3 Loss or damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject matter insured (for the purpose of this clause)

**War Exclusion clause**

3. In no case shall this insurance cover loss damage or expense caused by
  - 3.1 War, civil, war revolution, rebellion insurrection or civil strike a risking there from or civil strike a risking there from or any hostile act by or against a belligerent power.

- 3.2 Capture, seizure, arrest restraint or detainment and the consequences thereof or any attempted threat.
- 3.3 Derelict mines, bombs or other derelict weapons of war.
- 4. In no case shall this insurance cover loss or damage or expense
  - 4.1 caused by strikers, lock out by workmen or persons taking part in labor disturbances, riot or civil commotion.
  - 4.2 Resulting from strikes, lock outs labor disturbances, riots or civil commotions.
  - 4.3 Caused by any terrorist or any person acting from a political motive.

**c) Freight Insurance**

The amount that is paid for transport of goods and use of vessel is called as freight. If the ship sinks, the freight is lost. In other words, the hull owner gets the freight on the safe delivery of cargo otherwise he will lose the expenses incurred and profit. In the event of damage of hull leading to destruction of cargo in that case it cannot be delivered. Owner of cargo has an interest in freight arising from the obligation to make payment of transport charges.

**d) Legal Liability Insurance**

Marine policies include liability hazards viz. personal injuries, loss of life or damage to property other than vessels. Therefore protection and indemnity ( P & I) clause is generally added to the hull policies. Secondly these policies covering hull, the hull owner is protected against Third party liability claims that may arise due to collision. Running down clause is intended to give protection in case shipowner is held liable for negligent operation of the vessel, which is proximate cause of damage to certain property of others. The vessel owner if fails to exercise proper degree of care in operation of ship may be legally liable for damage to the other ship and for loss of freight revenues.

The use of aeroplane as a mode of transport is increasing every year and the risks associated with it are high. Aircrafts ranging from small craft to jumbo jet due to their specialized and technical nature, the high potential cost of accidents is associated with all aviation risks. All these aircrafts are insured in the aviation insurance market. Generally the policies are All Risks policies subject to certain restrictions. Usually a comprehensive cover is issued for aircraft (hull) i.e. insurance of aircraft against loss or damage, the liabilities to passengers and liabilities to third party ; liabilities for freight, mail, etc. carried; insurance of pilots, crew and ground staff against personal accident risks; Insurance of pilots and other crew members against loss of professional licences, etc.. Normally corporate aircraft owners, large commercial airlines, private owners and flying clubs purchase these policies.

**Activity 1**

List out the major types of marine insurance.

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## 21.3 FIRE INSURANCE

### 21.3.1 Introduction

As compared to marine insurance, fire insurance is of comparatively recent origin. Fire is ignition under accidental circumstances. Generally almost all the material objects are vulnerable to fire. Vulnerability of wood is more than steel structure. Fire causes huge losses due to material damage. Therefore it is necessary to take some preventive measures to avoid or reduce fire losses and protect the property against pecuniary losses. Fire Insurance is governed by All India Fire Tariff effective from 31.3.2001 issued by Tariff Advisory Committee, a Statutory Body. The tariff contains among other things, the rates to be charged for different types of risks. These risks have been codified and a great deal of simplification has been brought about by applying the principle of one risk-one rate, especially for industrial and manufacturing risks. Insurers are permitted to charge rates higher than those given under the tariff. The minimum premium will be Rs. 50/- per policy for dwellings and small sector industries and Rs. 100/- for all other sectors.

### 21.3.2 Objective

The objective of fire insurance policy is to provide compensation to the insured in the event of damage to the property insured. The scope of standard fire policy is limited to the damage caused to the property by fire, lightening or explosion, viz. explosion of gas cylinder or boilers used for domestic purposes. But in reality there are number of different ways in which property can be damaged and to meet these extra perils special perils can be included to the standard policy. These perils are flood, earthquake, aircraft, explosion, collision, etc.

Three physical conditions lead to fire viz. there must be flammable gas or vapour, presence of oxygen, and there should be source of heat e.g. electrical spark, flame, etc. There are greater chances of fire where these three factors are present. These are damages covered under fire policy. In addition to these three, fire policy covers following damages also:

- 1) Damages done by fire fighting force while executing their duties
- 2) Damages to property during removal from burning building
- 3) Property demolished by fire brigade to prevent from fire propagation risk
- 4) Damage due to water in extinguishing fire
- 5) Damage due to falling walls and smoke damage caused by fire

Fire insurance policy is suitable for the owner of property, one who holds property in trust or in commission; individuals/financial institutions who have financial interest in the property. All immovable and movable property located at a particular premises such as buildings, plant and machinery, furniture, fixtures, fittings and other contents, stocks and stock in process along with goods held in trust or in commission including stocks at suppliers/ customer's premises, machinery temporarily removed from the premises for repairs can also be insured.

### 21.3.3 Perils Covered Under Standard Fire Policy

Along with the basic coverage against loss or damage by occasional fire, the standard fire and special perils policy provides protection from a host of other perils such as

#### Perils Covered

- 1) Fire
- 2) Lightening Explosion/Implosion
- 3) Aircraft Damage Loss, Destruction or damage caused by Aircraft, other aerial or space devices and articles dropped there from excluding those caused by pressure waves.

- 4) Riot, Strike, Malicious and Terrorism Damage (RSMTD) Loss of or visible physical damage or destruction by external violent means directly caused to the property insured
- 5) Impact Damage. Loss of or visible physical damage or destruction caused to the property insured due to impact by any Rail/ Road vehicle or animal by direct contact not belonging to or owned by the Insured or any occupier of the premises or their employees while acting in the course of their employment or damage caused by sprinkler leakage, overflow, leakage of water tanks, pipes etc.
- 6) Subsidence and Landslide including Rock slide In addition to these perils covered under standard fire policy, the special fire policy also included following perils
- 7) Missile Testing operations
- 8) Bush Fire

The policy may be extended to cover earth quake, fire and shock; deterioration of stock in the cold storages following power failure as a result of insured peril, additional expenditure involved in removal of debris, architect, consulting engineers' fee over and above the amount covered by the policy, forest fire, spontaneous combustion and impact damage due to own vehicles.

### **Exclusions**

Following exclusions are applicable to the fire policies:

**Perils not covered** are War and allied perils, Ionising radiations and contamination by radioactivity, Pollution or Contamination

### **Period of Coverage**

- i) Fire Policy is an annual policy, generally, renewable each year. Long Term policy (for a minimum period of three years) can be considered for covering "dwellings" only with suitable discounts in premium.
- ii) Cover for STFI and RSMTD perils can be considered during currency (where they are deleted at inception by choice) in special circumstances.
- iii) Policy can be cancelled at any time during the currency with suitable refund of premium for the unexpired period.

### **Deletion of Perils at the inception**

Initially the proposer has a choice to delete STFI and RSMTD perils for which suitable reduction in package premium rate is allowed.

## **21.3.4 Role of Fire Insurance**

In case of a partial loss, Insurance Company shall effect payment for repairs and replacement. In case of policy with reinstatement value clause, cost of reinstatement will be paid on completion of reinstatement subject to overall limit of the sum insured. Insurance company may at its option, also repair or replace the affected property instead of paying for the cost of restoration.

Any loss or damage to material and property causes hardship and results in national waste. Monetary relief is essential to rebuild and renew the property damaged to bring back the business to its normal course. It is here that fire insurance plays its role. The after effects of fire may be drastic. Therefore, one has to take fire insurance to safeguard the property. Since the standard fire and special perils policy covers many risks in addition to fire, coverage of the property under this policy is recommended.

### 21.3.5 Scope of Fire Policy

All moveable/immovable properties of the proposer on land (excluding those in transit) are broadly categorised as follows

- i) Building (including plinth and foundations, if required) whether completed or in course of construction (excluding the value of land), Interiors, Partitions and Electricals.
- ii) Plant and Machinery, Equipments and Accessories (including foundations, if required) Bought second hand, Bought new, Obsolete Machinery.
- iii) Stocks of Raw Material, Finished Goods, In process, In trade belonging to Wholesaler, Manufacturer and Retailer.
- iv) Other Contents such as Furniture, Fixtures and Fittings, Cables, Pipings, Spares, Tools and Stores, Household goods etc.
- v) Specific items such as bullion, unset precious stones, curios, work of arts, manuscripts, plans, drawings, securities, obligations or documents, stamps, coins or paper money, cheques, books of accounts, computer system records, explosives.

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## 21.4 LIABILITY INSURANCE

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### 21.4.1 Public Liability Insurance

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

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

There are three types of Public Liability Policies.

- 1) Public Liability Non Industrial Risk - For offices, hotels, cinema houses, hospitals, schools etc.
- 2) Public Liability Industrial Risk - For godowns, warehouses and factories.
- 3) Public Liability Insurance Act 1991 - This is a mandatory policy to be taken by owners, users or transporters of hazardous substance as defined under Environment (Protection) Act 1986 in excess of the minimum quantity specified under the Public Liability

### 21.4.2 Product Liability

This covers various types of legal liabilities arising out of goods sold or supplied. The product liability policy is a contract of indemnity and it is one of the strict legal liability. If the insured is found liable at law then alone the insurers undertake to indemnify him. The insured's moral obligation is not covered.

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

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

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

The policy offers coverage in the following cases:

The defect in the product may be a manufacturing defect or may, even be due to faulty packaging, delivery specifications or instructions as to the usage of the product. It also covers the sales turnover of the company – both domestic and/or exports.

The policy is on a claims made basis i.e. the claims must arise and be made in writing on the insurance company during the policy period.

The policy does not cover any liability for product recall, product guarantee, pure financial loss such as loss of goodwill or loss of market.

The policy also does not pay for the cost incurred for repairing or reconditioning or modifying the defective part of the product.

### **21.4.3 Professional Indemnity**

The cover is granted to professionals like Doctors, Engineers, Chartered Accountants, Architects, etc. to cover liability falling on them as a result of errors and omissions committed by them whilst rendering professional service.

The policy covers all sums which the insured professional becomes legally liable to pay as damages to third party in respect of any error and/or omission on his/her part committed whilst rendering professional service. Legal cost and expenses incurred in defence of the case, with the prior consent of the insurance company, are also payable, subject to the overall limit of indemnity selected.

Only civil liability claims are covered. Any liability arising out of any criminal act or act committed in violation of any law or ordinance is not covered.

Other types of liability insurance extend to cover the third party liability e.g. motor third party liability, pedal cycle, television, etc.

### **21.4.4 Contractual Liability**

Contractual Liability is one's liability that may be assigned to another by contract. An employer under certain circumstances may employ a contractor to do certain portions of a job and the contractor may in turn subcontract it to another. When an action for damages arises, the employer (Principal or contractor) may be joined as a co-defendant in an action against the contractor/subcontractor as the case may be; an action can also be brought independently against the principal contractor. In order to avoid such situation the contractor/ subcontractor may be required to hold the principal/contractor harmless against any action in negligence by third parties.

### **21.4.5 Employer-employee Liability**

Employers are subject to the law of negligence with respect to employment not covered by workmen's compensation act. This act does not cover unorganized labor like farm workers or who work on daily wages. It is necessary that employer should provide a safe place to work or employer must warn employees of danger or the employer must employ individuals reasonably competent to carry out their tasks, failing in such duties give rise to liability.

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

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

This policy provides cover to pay all sums which the insured is legally liable, to pay the employees in respect of personal injury by accident or diseases arising out of and in the course of the employment . So also the insured’s liability arising either under common law or the laws set out in the schedule Workmen’s Compensation Act 1923. And the costs or expenses incurred by the insured with the consent of the company, to defend any claims paid in addition.

The policy does not offer any protection if the liability arises due to any injury by accident or disease directly attributable to war and nuclear risk or insured’s liability to employees of contractors to the insured or any liability of the insured which attaches by virtue of an agreement.

### **Activity 2**

Mention the period for which a fire insurance policy usually provides coverage.

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## **21.5 MISCELLANEOUS INSURANCE**

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### **21.5.1 Introduction**

This is a broad field of insurance and covers whatever is not covered under fire, marine, and life insurance. In other words, all other insurances like engineering, rural, social insurance and personal insurances like mediclaim, accident insurance, etc. fall under miscellaneous insurance. To illustrate, burglary insurance is a major business in this class which covers the loss of property, money and securities due to burglary robbery and other crimes. Glass insurance offers broad coverage for glass breakage in the covered building or Jewellery and valuables insurance provides cover for loss or damage to jewellery and valuables, belonging to all the family members residing in the house caused by any accident or misfortune anywhere in India. We will be discussing each of these in the subsequent sub sections.

### **21.5.2 Personal Lines of Non-life Insurance**

- 1) Burglary Insurance
- 2) Jewellers Block Policy
- 3) Bankers Indemnity Policy
- 4) Money Insurance
- 5) Shopkeepers Policy
- 6) Householders Policy
- 7) Suhana Safar Policy
- 8) All Risk Insurance Policy
- 9) Mediclaim Policy
- 10) Overseas Mediclaim Policy
- 11) Personal Accident Policy

We will discuss some important covers under the personal lines of Insurances.

### **Burglary Insurance**

There are two types of Burglary insurance viz. Burglary of Business Premises and Burglary of Private residence. In case of business premises like godown, factory, office etc. There are three types of policies available –

**Full Value Insurance:** The policy must be effected for the full value of the property to be insured.

**First Loss Insurance:** In the event of improbability of total loss, proposer can opt for a percentage of total stocks to be insured.

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

The coverage is for loss or damage to the property insured by theft following upon actual, forcible and violent entry into the premises. Also damage to the premises following upon entry as above or any attempt thereat.

The indemnity provided is to the extent of the intrinsic value of the property so lost or damaged, subject to the limit of the sum insured.

### **Exclusions**

The company shall not be liable in respect of

- i) Gold, watches, jewellery, precious stones, plans, designs, money, business books etc. unless specifically insured.
- ii) Loss or damage where any insured or member of the insured’s household or of his business staff is concerned in the actual theft or damage.

The claim is not payable

- a) If the premises are left uninhabited for 7 or more consecutive days and nights.
- b) In the event of material alterations to the premises whereby the risk is increased.
- c) If the insurable interests has passed from the insured otherwise by will or operation of law.

### **Jewellers Block Policy**

This is a package policy specially designed for jewellers & diamontaires i.e. those establishments dealing solely in diamonds. Jewellers premises are categorised into Class I, II or III depending upon the type of security provided for the premises.

The policy comprises four sections which are optional except for section I which is compulsory.

**Section I:** Covers loss or damage to jewellery , gold and silver ornaments or plates , pearls, precious stones, cash and currency notes whilst contained in the premises insured, by fire, explosion, lightning, burglary, house breaking, theft, hold up, robbery, riot, strike and malicious damage and terrorism.

**Section II:** Covers loss or damage to jewellery, gold etc. as described in Section I whilst it is in the custody of the insured, his/her partners, employees, directors, sorters of diamonds or whilst such property (excluding cash and currency notes) is in the custody of brokers, agents, cutters and goldsmiths.

Section III: Covers loss or damage to property described in Section I whilst in transit by registered parcel post, air freight or through angadia.

Section IV: Covers loss or damage to trade and office furniture and fixtures in insured premises due to fire, explosion, lightening, burglary, house breaking, theft, hold up, robbery, riot, strike and malicious damage and terrorism.

### **Exclusions**

Loss/damage due to

- a) Denting, scratching or breakage of lenses and glass;
- b) Moth, mildew and vermin;
- c) During cleaning, dyeing, repairing etc.
- d) Mechanical derangement or over winding of clocks and watches.
- e) While being carried by a carrier under a Contract of Carriage.

### **Bankers Indemnity Policy**

A package policy designed specially to cover the risks related to banking sector. Any banking company as defined under various Banking Acts like Banking Regulation Act 1945, State Bank of India Act 1955 etc. A single policy covering all branches in India of the particular bank.

Retroactive period facility available whereby losses discovered during policy period due to an incident occurring in earlier period but after inception of first policy, also become payable, provided the policy has been continuously renewed with us without break.

The policy comprises of following 7 sections. It covers losses

**On Premises:** Covers money and/or securities belonging to, or in the custody of bank, whilst on their own premises or on the premises of their bankers, against loss or destruction by Fire, Riot & Strike, Malicious damage, terrorist act, burglary, theft, robbery or hold-up.

**In Transit:** Covers money and/or securities if they are lost, stolen, mislaid, misappropriated or made away with, whilst in transit in the hands of its employees whether by negligence or fraud of the employees. Registered postal sending by robbery, theft or any other cause not specifically excluded, provided that each post parcel shall be insured with the post office.

**Forgery or Alteration:** Covers losses suffered as a result of payment of bogus, fictitious, forged cheques or drafts as also forged endorsements on genuine cheques or drafts or FDRs.

**Dishonesty:** Covers loss of money and/or securities/ goods or commodities pledged or hypothecated to the insured bank and under its control suffered due to dishonest or criminal act of its employees and Janata Agents, Chhoti Bachat Yojana Agents/ Pygmie Collectors.

The additional perils can be covered on payment of an additional premium viz., Losses due to flood, inundation, hurricane, typhoon, storm, tempest, tornado and cyclone and Losses due to earthquake - Fire & Shock.

### **Money-in-Transit Insurance**

Money-in-Transit Insurance policy provides cover for loss of money in transit between the insured's premises and bank or post office, or other specified places occasioned by robbery, theft or any other fortuitous cause. The policy also covers loss by burglary or housebreaking whilst money is retained at Insured's premises in safe(s) or strong room.

**Scope of Cover**

**Section I** Covers money in transit under the following heads Cash, Bank Drafts, Currency Notes, Treasury Notes, Cheques, Postal Orders and current Postage Stamps.

**Section II** Covers money in safe / on premises.

**Basis of Sum Insured**

Two amounts are specified in the policy

- 1 Limits of liability for any one loss (i.e. maximum liability of the Company)
- 1 Estimated amount in transit during the year for the purpose of premium computation.

This policy can be extended to include the risk of infidelity of the employees, terrorism and disbursement risk.

**Exclusions**

- 1) Shortage due to error or omission.
- 2) Losses due to the fraud/dishonesty of the employee of the insured.
- 3) Losses which are covered by other policies.

**Shopkeepers Policy**

This is a package policy specially designed for small shopkeepers. It is a single policy combining the various insurance requirements of shopkeepers. Only one policy can be taken by one shopkeeper for each shop in a specific location having separate books of accounts.

The policy comprises of following 11 sections

**Section I: Building and Contents**

Covers shop building and/or contents therein against loss or damage caused by Fire & Allied perils.

**Section II: Burglary and Housebreaking**

Covers contents of insured shop premises(excluding money and valuables) against loss or damage by burglary and/or housebreaking.

**Section III: Money Insurance**

Covers loss of money in transit, loss of money/valuables whilst contained in a locked safe, loss of money contained in cashier's till and/or counter by burglary/ housebreaking.

**Section IV: Pedal-Cycles**

Covers loss/damage to pedal cycles belonging to insured by Fire, lightening or external explosion and allied perils. This section also covers legal liability of insured for death/injury to third parties or damage to their property arising out of use of the insured pedal cycles.

**Section V: Plate Glass**

Covers loss of or damage to fixed plate glass in insured's shop by accidental means.

**Section VI: Neon Sign/Glow Sign**

Covers loss of or damage to neon sign/ glow sign by accidental external means Fire, lightning or external explosion or theft and allied perils.

**Section VII: Baggage**

Covers loss or damage to accompanied personal baggage of insured or baggage in connection with his trade, whilst anywhere in India, by accident or misfortune.

**Section VIII: Personal Accident**

Covers insured and spouse and/or his children, named in the schedule and aged between 5&70 years, against bodily injury caused solely and directly by accident and resulting in death or permanent total or partial disablement or temporary total disablement within 12 calendar months of such injury.

**Section IX: Fidelity Guarantee**

Covers direct pecuniary loss suffered by the insured due to fraud or dishonesty committed by any of insured's salaried employees.

**Section X: Public Liability Cover**

- a) Legal liability in respect of accidental death or bodily injury to a third party or accidental damage to their property during performance of any act in connection with insured's business.
- b) Compensation to insured's employees under Workmen's Compensation Act or Common Law.

**Section XI: Loss of Profit**

Covers loss of profit due to interruption of business consequent upon loss or damage sustained by property insured under Section I of the policy due to insured perils. It is necessary to opt for a minimum of 4 sections for this policy to be issued of which Sections I&II are compulsory.

One may purchase all these policies separately but in the above policy all the covers are packaged for the purpose of convenience of shopkeeper.

**Householders Policy**

This is a package policy specially designed to meet the insurance requirements of a householder by combining under a single policy, a number of our standard policies usually taken by householders. The policy comprises of different covers to protect house and household goods, given as under:

**Fire and Allied Perils**

- A - Coverage for building
- B - Covers contents of the dwelling belonging to the proposer and his/her family members permanently residing with him/her.

**Allied Perils**

- a) Fire, Lightning, Explosion of gas in domestic appliances.
- b) Bursting and overflowing of water tanks, apparatus or pipes.
- c) Damage caused by Aircraft.
- d) Riot, Strike, Malicious or Terrorist Act.
- e) Earthquake, Fire and/or Shock, subsidence and Landslide (including Rockslide) damage.
- f) Flood, Inundation, Storm, Tempest, Typhoon, Hurricane, Tornado or Cyclone.
- g) Impact damage

**Burglary and House Breaking including larceny and theft**

Covers contents of the dwelling against loss due to burglary, house breaking or theft.

**All Risks (Jewellery and Valuables)**

Covers loss or damage to your jewellery and valuables by accident or misfortune

whilst kept, worn or carried anywhere in India subject to the value declared in the schedule.

Like Shopkeeper's package policy, Householders' Package Policy also includes the covers like Plate Glass, Breakdown of Domestic appliances, T.V. Set including VCP/ VCR (All Risks), Pedal Cycles (All Risks), Baggage Insurance, Personal Accident and Public Liability.

### **Travel Insurance**

Travel insurance has been basically designed keeping an eye on the domestic travel market. The domestic traveler can now avail of an insurance policy for a short duration or travel upto a period of 60 days within India. The policy covers any mode of transport i.e. by Rail/Road/Air/Water including own vehicle.

The policy covers the risk of personal accident, loss or damage to the accompanied baggage of a family consisting of Insured, spouse and dependent children. The cover operates from declared place of departure and terminates on schedule date of return or on actual return, whichever may happen earlier. The policy provides for Personal Accident risk upto Rs.1 lacs per head with reimbursement of rescannable actual emergency incidental expenses upto Rs.1,000/- per head. It also covers loss or damage to baggage upto the sums insured based on insurance of accompanied persons.

Any item of the baggage which costing more than Rs.500/- should be declared in advance. Intimation of accident should be given to the nearest office of the Company. Cancellation of policy is allowed if the trip is cancelled before 2 days of the departure.

### **Health Insurance Covers**

#### **Universal Health Insurance Scheme (For families Below the Poverty Line)**

This policy provides reimbursement of hospitalization expenses upto Rs.30,000/- to an individual /family subject to the sublimits. It also offers Personal Accident Cover for Death of the Earning Head of the family (as named in the schedule) due to accident Rs. 25,000/-. Disability Cover is also available under this policy if the earning head of the family is hospitalized due to an accident / illness a compensation of Rs.50/- per day, is paid per day of hospitalization up to a maximum of 15 days after a waiting period of 3 days. The policy covers people between the age of 3 months to 65 years.

For families Below the Poverty Line the Government will provide a premium subsidy of Rs.100/- per family. For an individual premium is Rs. 1.00 per day i.e. Rs. 365/- per annum. For a family upto 5 (including the first 3 children) premium is Rs. 1.00 per day & Rs. 548/- per annum and for a family upto 7 (including the first 3 children and dependent parents) Rs. 2.00 per day and Rs. 730/- per annum.

The policy does not cover any pre-existing diseases or all diseases contracted during the first 30 days from the Commencement date of the policy. Some of the diseases such as Cataract, Hysterectomy, hernia, etc. are not covered in the first year of the policy. Treatment for Pregnancy, Childbirth, Miscarriage, abortion etc. or Corrective, cosmetic or aesthetic dental surgery or treatment or cost of spectacles, contact lens and hearing aid or Vaccination, inoculation, change of life or cosmetic treatment or surgery HIV, AIDS, Sterility, Venereal Disease, Intentional Self injury, use of Intoxicating Drugs/ Alcohol or Primarily diagnostic expenses not related to sickness/ injury.

The benefit of family will operate on floater basis i.e. the total reimbursement of Rs.30,000/- can be availed of individually or collectively by members of the family.

### **Mediclaim Policy**

Mediclaim policy is to protect you from financial worries in case of hospitalization. This policy provides for cashless hospitalization in India for the treatment of any illness or disease or accidental injury (not specifically excluded) suffered during the policy period. The payment of claim is made through Third Party Administrators who have been empanelled by the Company to provide hassle free admission and discharge from the Network hospital without making any payment. The reimbursement of domiciliary hospitalization claims will also be made through the TPA. A family package cover can be taken covering proposer, spouse, dependent parents and two dependent children with a 10% discount in premium. Group policies can be issued to specified groups and group discount can be availed provided group size is more than 100 members. Premium upto Rs.10,000/- paid by cheque for this policy is entitled for tax rebate under section 80D of the Income Tax Act.

This policy becomes operative when treatment is taken as an in-patient in a hospital / nursing home in India. The policy provides for Domiciliary Hospitalization expenses when medical treatment is taken for a period exceeding 3 days for an illness/disease/ injury (not specifically excluded) which normally would require treatment as an in-patient in a hospital/nursing home but is actually taken whilst confined at home in India under the following circumstances. Either the condition of the patient is such that he/she cannot be removed to the hospital/nursing home OR the patient cannot be removed to the hospital/nursing home for lack of the accommodation therein.

The policy does not cover any disease / injury which the insured is suffering from, at the time of taking the first policy. Certain specified illnesses are also excluded during the first year of insurance.

In individual mediclaim policy only, there is a provision for reimbursement of expenses incurred for a medical check-up, subject to certain limits, once every 4yrs, provided the policy is renewed without break and no claim has been preferred during this period. This payment can be claimed from TPA after submission of bills.

### **Premiums paid for medical insurance : Section 80D**

The insurance scheme should be in accordance with schemes framed by approved insurer. You have to pay the premium by cheque. You must pay the premium out of your taxable income. This means that if you pay the premium out of your agricultural income, which is exempt from tax, you cannot claim a deduction from your other, nonagricultural income. (Relevant section/rule Section 80D).

- 1) Category of assesses allowed deduction Individual assessee and Hindu Undivided Family assessee.
- 2) Eligible premiums are premiums paid by assessee by cheque out of his taxable income to effect or to keep in force an insurance on the health of following persons; In case of individual assessee – himself/herself, spouse, dependant children and dependant parents. In case of HUF assessee – any member of HUF.
- 3) Deduction and upper limit The qualifying amounts under Section 80D is upto Rs. 10,000/-. However, a higher amount of upto Rs 15,000/- is permitted if the person, for whose health insurance the premium was paid, was aged 65 years or more at any time during the financial year in which the premium was paid. Such amounts of premium paid would be allowed as deduction from the total income of the assessee.

### Overseas Mediclaim Policy

Premium payable in Rupees and Claims settled abroad in foreign Currency. Policy is available for frequent corporate travelers. Medical expenses incurred by the insured persons, outside India as a direct result of bodily injuries caused or sickness or disease contracted are covered. Eight different Plans are available under this policy. Policy may be purchased for ages commencing from 6 months and above upto 70 years. Policy is to be taken prior to departure from India.

Travelers over 60 years of age and for those traveling to USA & Canada over 40 years the Medical reports (from an MD Cardiologist) ECG, Fasting Blood Sugar or Urine Strip test need to be submitted along with the proposal form. These reports are required if the travel period exceeds 60 days and above. In case of travellers unable to submit the above Medical reports cover stands restricted to USD 10,000.

Like Domiciliary Mediclaim policy all pre-existing disease/illnesses are not covered (known and unknown). Traveling against Medical advice or for Medical treatment including routine check-up.

First USD 100 of all claims are to be borne by the traveller. ( refer to Policy for further details).

### Personal Accident Policy

This policy offers compensation in case of death or bodily injury to the insured person, directly and solely as a result of an accident, by external, visible and violent means. The policy operates worldwide and is a 24 hours cover. Different coverages are available ranging from a restricted cover of Death only, to a comprehensive cover covering death, permanent disablements and temporary total disablements. Family Package cover is also available to Individuals under Personal Accident Policy whereby the proposer, spouse and dependent children can be covered under a single policy with a 10% discount in premium. Group personal accident policies are also available for specified groups with a discount in premium depending upon the size of the group.

This policy is basically designed to offer some sort of compensation to the insured person who suffers bodily injury solely as a result of an accident which is external, violent and visible. Hence death or injury due to any illness or disease is not covered by the policy.

The following types of coverages are offered under a Personal Accident policy-

#### Table D

- 1) Death cover wherein 100% of the capital sum insured is payable.

#### Table C

- 1) Coverage under Table D
- 2) Loss of two limbs / both eyes / one limb and one eye wherein 100% of the capital sum insured is payable.
- 3) Loss of one limb or one eye wherein 50% of the capital sum insured is payable.
- 4) Permanent Total Disablement other than above e.g. paralysis due to an accident, wherein 100% of the capital sum insured is payable.

#### Table B

- 1) Coverage under Table C
- 2) Permanent Partial Disablement i.e. where a part of the body becomes permanently disabled due to an accident, e.g. total and irrevocable loss of use of a finger due to an accident. In such cases, a percentage of the capital sum insured as specified in the policy is paid.

**Table A**

- 1) Coverage under Table B
- 2) Temporary Total Disablement i.e. where the insured person becomes temporarily disabled from undertaking any work as a result of an accident for e.g. fracture of legs. In such cases, a weekly payment of 1% of the capital sum insured subject to a maximum limit, is paid for the number of weeks or part thereof (maximum 100 weeks), during which the insured person is totally disabled.

The insured can claim only under any one of these sections as a result of any one accident.

The policy also covers expenses incurred for carriage of dead body from place of accident to the residence subject to a limit of 2% of the capital sum insured or Rs.2,500 whichever is less. Under an Individual Personal Accident policy or Family Package Policy, an education fund is payable for a maximum of 2 dependent school going children, in case of death or permanent total disablement of the insured person.

There are several types of personal accident policies such as -

- 1 Individual Personal Accident policy.
- 1 Group Personal Accident policy.
- 1 Passenger Flight Coupon - Covering personal accident risk whilst traveling as a passenger on a scheduled flight.

**Social Insurance**

- 1 Gramin Personal Accident Policy - for persons residing in rural areas where benefits as per Table C mentioned above are covered for a capital sum insured of Rs.10,000/-.
- 1 Janata Personal Accident policy - where benefits as per Table C mentioned above are covered for a maximum sum insured of Rs.1,00,000/- . Long Term Policies can also be issued upto 5yrs.
- 1 Student Safety Insurance - for schools and colleges, covering students against Personal Accident benefits as per Table B mentioned above for a capital sum insured of Rs.10,000/-.
- 1 Raj Rajeshwari Mahila Kalyan Yojna - for women in the age group of 10 to 75 years, where benefits as per Table C mentioned above are covered for a capital sum insured for Rs.25,000/-. In case of death of an unmarried woman due to an accident, Rs.25,000/- is payable to the nominee or legal heir. In case of a married woman, if the husband dies due to an accident, Rs.25,000/- is payable to the wife but if the wife or insured dies no compensation is payable.
- 1 Bhagyashree Child Welfare Policy - for girl child in the age group of 0 to 18 years, whose parents age does not exceed 60 yrs. In case of death of either or both parents due to an accident, a sum of Rs.25,000/- is deposited in the name of the girl child with a financial institution named in the policy which will disburse amounts as specified for the benefit of the girl child to the living parent or to the nominated guardian. Group policies can also be issued.

Any adult residing in India can take the policy covering himself / herself and dependent family members between the ages of 5 and 70 yrs. It is very difficult to put a value to a human life. Hence the principle of indemnity cannot be applied in this policy. However it becomes necessary to apply some yardstick for fixing the sum insured so that human lives are not overvalued for ulterior motives. Hence the capital sum insured is restricted to 72 months income from gainful employment. In case of Gramin Personal Accident, Student Safety, Raj Rajeshwari, Bhagyashree policies the sum insured is fixed.

In Individual Personal Accident policy, facility of cumulative bonus is given whereby the capital sum insured is increased by 5% every year on claim free renewals subject to a maximum of 50%. This cumulative bonus is available only under tables A, B & C.

### **Engineering Insurance**

This is a highly specialized branch of commercial insurance that covers machinery, electrical, mechanical, boilers, turbines generators and other equipments. There are various covers which protect the interest of contractors and principals in respect of construction of buildings, bridges, etc. i.e. civil engineering projects. There are some policies which combines two or more coverages like Erection All Risks (EAR) which combines Contractor's all risk policy coverage along with third party liability coverage.

Main types of covers granted under Engineering Insurance are:

- 1 Machinery Breakdown Policy
- 1 Electronics Equipment Policy
- 1 Contractors All Risk Policy (CAR)
- 1 Marine cum Erection / Storage cum Erection Policy/ Erection All Risks (EAR) Policy
- 1 Advanced Loss of Profit / Delay in Startup Policy
- 1 Contractor Plant and Machinery Policy

We will discuss a few important coverages under Engineering Insurance:

**Machinery Breakdown Policy:** This is a policy which covers financial loss incurred by the insured due to loss or damage to machinery as a result of accidental electrical and mechanical breakdown. It reimburses the insured for the cost of repairs or replacement of machinery of like nature. Moreover the machines are also protected against damage while the machinery is idle or undergoing repairs, overhauling, etc. even due to non-operational causes. Insurance can be sought on selective basis. The policy covers sudden and unforeseen physical loss sustained by the property necessitating repairs and or replacement. Sum insured will be current new replacement value.

All types of industrial machinery like compressors, pumps, turbine etc. as also electrical machines like transformer, electrical motor, generator etc. can be covered under this policy. The policy covers all kinds of electrical and mechanical breakdown.

The following perils are excluded from the policy coverage–

Overload experiments, Normal wear and tear, Wilful act, negligence, Defects at the time of commencement of insurance, Loss/damage to belts, ropes, chains, rubber tyres, dies, blades, cutters etc. or exchangeable tools, glass refractory etc., Manufacturers contractual/legal obligations, Natural perils, social perils, war and nuclear perils.

**Electronics Equipment Policy:** This is a specially designed policy which covers sudden and unforeseen physical damage including breakdown to the electronic equipment covered under the policy due to any reason not specifically excluded. The policy covers the electronic equipments which are not portable or mobile viz. Electronic data processing machine, Telecommunication equipment, Transmitting and receiving installations (including Radio, TV, Cinema Sound Reproduction and Studio Equipment), Material testing and research equipment, Electro-Medical Installations, Signal and Transmitting units, Office calculators, duplicating machines and Reproduction machines, Control and supervisory units.

Thus it covers damage caused by the perils viz;

- 1) Smoke, soot, dust, corrosive gases etc., Water and Humidity, Fire, lightning, explosion. Short circuit and Electrical fire risk

- 2) Faulty operations, lack of skill.
- 3) Riot and strike and malicious damage and terrorism, Theft and burglary.
- 4) Natural calamities – flood, inundation, storm, cyclone and earthquake, Subsidence, landslide, rockslide.

Loss of damage caused by the following perils are specifically excluded from the scope of the policy.

- 1) Normal wear and tear and corrosion of parts arising from use and continuous operation (limited to parts immediately affected, subsequent damage to other parts of the unit covered).
- 2) War, wilful acts, gross negligence, Faults for which third party is responsible by law or contract, Failure due to interruption of gas, water or power supply.
- 3) Aesthetic defects, Consequential loss of any kind, Loss to consumables and operating media etc.

### **Contractors All Risk Policy (CAR)**

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

The policy comprises of 2 Sections

- 1 **Section I:** Material Damage-covering physical loss, damage or destruction of the property insured by any cause, other than those specifically excluded in the policy.
- 1 **Section II:** Third Party Liability-covering the legal liability falling on the insured contractor as a result of bodily injury or property damage belonging to a third party.

### **Exclusions**

The main exclusions under Section I for which no claim is payable, are loss or damage due to

- i) faulty design or rectification of aesthetic defects of structure not relating to any physical loss or damage to the structure due to any accident, or of material defect or of workmanship defect. The exclusion of defective material / workmanship is limited to the parts of the structure immediately affected and does not apply to any consequential loss to correctly executed items, arising out of the accident due to defective material or workmanship.
- ii) loss or damage due to gradual deterioration, atmospheric condition, rusting etc.
- iii) loss discovered only at the time of taking inventory.
- iv) loss arising out of penalty for delay, non-fulfillment of terms of contract.

Unlike other policies where the period of insurance is one year, in this policy the period of insurance should be equivalent to the period of contract, commencing from the date of unloading of the first batch of material at the site of construction and expiring on the date of handing over of the contract work to the principal. Although it is possible to extend the policy period in case of delay in completion of contract, it is always advisable to choose a slightly longer period of insurance initially, to avoid paying the higher extension premium.

### **Marine cum Erection/Storage cum Erection Policy/Erection All Risks (EAR) Policy**

Erection All Risks (EAR) Policy is also known as storage cum erection policy which is dealt with erection of electrical plant and machinery and equipment and structure

involving very little civil work. The coverage is same as CAR in addition to third party liability cover.

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

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

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

For project value exceeding Rs.1500 crore, specially designed policies are available.

### **Exclusions**

The main exclusions are –

- a) loss or damage due to faulty design, defective material or casting, bad workmanship other than faults in erection. This exclusion is limited to the items immediately affected and does not apply to any consequential loss to correctly executed items.
- b) cost necessary for rectification or correction of any error during erection unless resulting in physical loss or damage.
- c) loss or damage due to gradual deterioration, atmospheric condition, rusting etc.
- d) loss discovered only at the time of taking inventory.
- e) loss arising out of penalty for delay, non-fulfillment of terms of contract.

The period of insurance should not be less than the period of contract and should commence from the date of unloading of the first consignment at the site of the erection and shall continue upto the conclusion of the first test operation or test loading subject to a maximum of 4 weeks from the date, trial running is made and/or readiness for work is declared by the erectors. If a part of the plant or one or several machines are tested and put into operation, the coverage under the policy for that particular part of the plant or machine will cease, whereas the coverage will continue for the remaining parts which are not yet ready.

In case approval of the plant or any part thereof is not given by the concerned authorities even after expiry of 4 weeks of trial running, the policy can be extended and the extra premium is to be arranged beforehand.

### **Rural Insurance**

In India 76% people are staying in rural areas occupying 5.76 lakh villages. Nearly 65% people are dependent on agricultural sector for their living. About 60% of rural income is generated from agriculture and constitute approximately 40% of national income.

Government of India, NABARD and RBI have taken major steps in diversifying agriculture and allied activities with the intention of rural development. It has lead to the growth of poultry, sheep and goat rearing, dairy, horticulture, aquaculture. To protect the financial losses resulting from these activities general insurance industry has devised various insurance products way back in 1974. Today we have number of policies marketed by general insurance companies. We will briefly discuss the various schemes which are designed and developed for the rural sector of India.

**Rural Insurance Covers**

- 1) Cattle Insurance
- 2) Sheep & Goat Insurance
- 3) Poultry Insurance Scheme
- 4) Dog Insurance
- 5) Silkworm Insurance
- 6) Honeybee Insurance
- 7) Crop Insurance
- 8) Agricultural Pumpsets Insurance Scheme
- 9) Hut Insurance
- 10) Lift Irrigation Insurance
- 11) Horticulture/Plantation Insurance

Some of the important rural insurance covers are discussed in brief :

**Cattle Insurance**

The major portion of rural insurance schemes in India belongs to this area.

This scheme covers the following whether indigenous, exotic or cross-bred. Milch Cows and Buffaloes; Calves/Heifers; Stud Bulls; Bullocks (Castrated Bulls) and Castrated Male Buffaloes. All insured animals should be suitably identified by natural Identification marks and ear tags made of suitable material are applied to the ear of the animals and the code number is entered into the Veterinary Health Certificate. Animals within a specified age group are accepted under the Standard Insurance Scheme. Sum Insured under the policy will be the Market Value of the animal. The premium rates under the policy are concessional for covering animals under government subsidized schemes.

The policy shall give insurance cover for death due to

- a) Accident (Inclusive of fire, lightning, flood, inundation, storm, hurricane, earthquake, cyclone, tornado, tempest and famine).
- b) Diseases contracted or occurring during the period of this policy.
- c) Surgical Operations.
- d) Riot and Strike.

The Policy can also be extended to cover Permanent Total Disability on payment of extra premium. Of course general exclusions are applicable to this policy also.

Common Exclusion like Malicious or willful injury or neglect, overloading, unskillful treatment or use of animal for purpose other than stated in the policy without the consent of the Company in writing or Accidents occurring and /or Disease contracted prior to commencement of risk or Theft and clandestine sale of the insured animal or War, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, mutiny, tumult, military or usurped power or any consequences thereof or attempt threat or Any accident, loss, destruction, damage or legal liability directly or indirectly caused by or contributed to by or arising from nuclear weapons or Consequential loss of whatsoever nature or Transport by air and sea or Any non-scheme claim arising due to diseases contracted within 15 days from the date of risk are not covered.

Policies are also available to cover sheep and goat, dogs so also zoo, circus animals on similar lines to that of cattle insurance. Some of these covers are still in initial stage but increase in awareness among the insuring public, the existing covers can be

modified and innovative covers will be placed in the market to meet the needs of the rural sector.

### **Poultry Insurance Scheme**

This is a comprehensive insurance scheme applicable to poultry farms consisting layer birds, broiler birds and parent stock (Hatchery) which are exotic and cross-bred. The Policy shall provide indemnity against death of birds due to accident (including fire, lightening, flood, cyclone/ storm/ tempest/ earthquake, strike, riot, act of terrorism) or diseases contracted or occurring during the period of insurance subject to the exclusions.

### **Silkworm Insurance**

This insurance scheme is applicable to Univoltine, Bivoltine and multivoltine breed of Silkworm of mulberry leaves only. Policy covers total loss or destruction of the cocoons, following the death of silkworm due to accident or disease during the period of insurance. Policy may be extended at extra premium, to cover loss of cocoons due to accident during transit from the insurer's farm to the cocoon market.

### **Honeybee Insurance**

This insurance scheme is applicable to hives and or Bee Colony belonging to Co-operative Societies or individuals. The policy covers Accidental loss of /or damage to Hive and/or bee colony and/or Theft risk is covered, only on payment of additional premium.

### **Hut Insurance**

Covers dwelling huts in rural areas constructed with financial aid from Banks/ co-operatives/Govt. Institutions.

It covers loss or damage to huts due to Fire (including fire resulting from explosion and short-circuiting), Lightning, Earthquake, Flood, Inundation, Storm, Tempest, Cyclone or other atmospheric disturbance, Impact damage, Riot, Malicious Damage, Aircraft, Explosion of boiler or gas used for domestic purpose only. Loss or damage occasioned by War, invasion, act of foreign enemy, civil war, rebellion, mutiny, Nuclear risks, Theft during or after the occurrence of fire.

### **Horticulture/Plantation Insurance**

The policy provides cover for loss of or damage to the insured tree/fruits such as grape, citrus, banana, rubber, eucalyptus, tea, oil palm, orchids, roses etc. It covers losses due to Fire (including forest fire and bush fire), Lightning, Storm, Flood and Inundation, Riot, Strike and Terrorism.

Loss by theft, Earthquake, Loss/damage due to insects, pests and diseases (unless specially covered), Non-compliance with package of prescribed agricultural practices for the insured crop, Climatic variations, pollutions, non-bearing fruits, Damage by birds, animals, Damage by plant supports, irrigation system, agricultural equipment.

This period is for the crop duration (from planting to harvest) or one year whichever is shorter.

Sum Insured is based on the input costs i.e. cost of cultivation. Input costs are cost of manures, cost of pesticides, cost of ploughing and harvesting, labour cost of planting, cost of plant/seedlings etc.

### **Motor Insurance**

Today, almost all the countries have some legislation mandating compulsory TP cover for motor vehicles. In the face of mounting costs of automobile accidents and the probability of being involved in one what should the driver do to protect against

financial consequences of risk? In spite of increased cost everyone prefers insurance. Because of personal catastrophic loss hazard involved in liability risk, insurance is the only feasible solution. The growth of motor insurance business induced intense competition in the market and the consequent rate cuts and huge losses to motor insurers. In India, a statutory body called *Tariff Advisory Committee* was constituted in 1968 to fix control, and regulate the motor insurance premium rates, terms and conditions to be offered to insuring public. Currently no insurer in India can offer Motor insurance rates, terms and conditions beyond what is prescribed by the Motor Tariff. In many developed markets of the world tariff agreements have been withdrawn and motor insurance rates have been left to be governed by free market forces. In India too the Insurance regulatory body, *Insurance Regulatory and Development Authority*, has decided, in principle, to withdraw the tariff for at least Own Damage portion of Motor Insurance w.e.f. 01.04.2005.

### **Scope of Motor Insurance**

This insurance covers all types of vehicles plying on public roads such as:

- 1 Scooters & Motorcycles
- 1 Private cars
- 1 All types of commercial vehicles
- 1 Motor Trade (vehicles in show rooms and garages)

As per the Motor Vehicles Act, 1988 it is mandatory for every owner of a vehicle plying on public roads, to take an insurance policy, to cover the amount, which the owner becomes legally liable to pay as damages to third parties as a result of accidental death, bodily injury or damage to property. A Certificate of Insurance must be carried in the vehicle as a proof of such insurance.

### **Liability Only policies**

The policy covers the vehicle owner's legal liability to pay compensation for:

- 1) Death or bodily injury to a third party person.
- 2) Damage to third party property.

Liability is covered for an unlimited amount in respect of death or injury and damage to third party property for Rs.7.5 lacs under Commercial vehicle and private and Rs.1 lakh for Scooters/Motor Cycles.

### **Package Policy**

In addition to the coverage under liability only, this policy covers loss or damage to the insured vehicle and its accessories due to:

- 1) Fire, explosion, self-ignition or lightening.
- 2) Burglary, housebreaking or theft.
- 3) Riot and Strike.
- 4) Malicious Act.
- 5) Terrorist Act.
- 6) Earthquake (Fire and Shock) Damage.
- 7) Flood, Typhoon, Hurricane, Storm, Tempest, Inundation, Cyclone and Hailstorm.
- 8) Accidental external means.
- 9) Whilst in transit by road, inland waterway, lift, elevator or air.
- 10) By landslide/Rockslide

**Exclusions**

The important exclusions under the policies are:

- 1 Wear and tear, breakdowns
- 1 Consequential loss
- 1 Loss when driving with invalid driving license or under the influence of alcohol.
- 1 Loss due to war, civil war, etc.
- 1 Claims arising out of contractual liability.
- 1 Use of vehicle otherwise than in accordance with 'limitations as to use ' (e.g. private car being used as a taxi)

**Activity 3**

- 1) Give the features of the Electronics Equipment Policy

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 .....  
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- 2) Horticulture insurance provides protection against:

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## 21.6 NON-LIFE INSURANCE IN INDIA

The non-life insurance industry has grown from Rs. 10,779.09 crore in 2000-01 to Rs. 17,357.18 crore in 2003-04. During this period, the premium underwritten by the public sector non-life insurers has grown from Rs. 10,771.96 crore to Rs. 15,099.35 crore. Over the last four years, with the opening up of the insurance sector the premium underwritten by the new insurers has increased to Rs. 2,257.83 crore, taking their market share to 13 per cent. In 2003-04, the non-life insurance industry recorded a growth of 11.16 per cent over the previous year. The new insurers recorded a growth in premium of 67 per cent over the year 2002-03, *albeit* on a lower base as against a growth of 5.84 per cent recorded by public sector insurers. The number of new insurers has increased to eight. In addition, two public sector insurers has increased to eight. In addition, two public sector insurers are catering to the needs of the specific segments of the insurable market — Agriculture Insurance Company has taken over crop insurance from the General Insurance Corporation and ECGC was registered with the Authority in September, 2002 to extend specialized credit cover. In terms of number of policies issued, the industry reported a growth of 9.19 per cent over the previous year. The number of policies written by the new insurers increased by 85.53 per cent whereas in the case of public sector insurers (including ECGC) the increase was 6.13 per cent.

**Table 21.1: Premium Underwritten by Non-Life Insurers—Segment Wise**

(Rs Lakh)

Department	2001-02	2002-03	2003-04
Fire	292897 (23.02)	326803 (21.45)	345788 (19.92)
Marine	87039 (68.41)	1070373 (70.25)	1147411 (66.11)
Misc	108981 (8.57)	126506 (8.30)	242519 (13.97)
<b>Total Premium</b>	<b>1272268</b>	<b>1523682</b>	<b>1735718</b>

**Note:** Figures in brackets indicate the ratio (in per cent) of respective segment.

**Table 21.2: No. of New Policies Issued : Non-Life Insurers**

Insurer	2002-03	2003-04
Private Sector	1676907 (3.85)	3111114 (6.54)
Public Sector	41885005 (96.15)	44452070 (93.46)
<b>Total</b>	<b>43561912</b>	<b>47563184</b>

**Note:** Figures in brackets indicate the ratio (in per cent) of respective insurers.

Among the public sector insurers, New India held a market share of 28.35 per cent, followed by National Insurance Company at 19.59 per cent. United India and Oriental Insurance held a market share of 17.65 and 16.71 per cent respectively. ECGC which has a niche market for providing export cover, held a market share of 2.57 per cent. The new insurers were in their third/fourth year of operations, have broadly succeeded in stabilizing their operations and held a market share between 2.80 and 0.56 per cent. Other than one insurer, who witnessed a negative growth in the gross premium underwritten, the new insurers have succeeded in recording impressive growth rates.

### Premium Underwritten Outside India

The public sector non-life insurers have operations outside India as well and have underwritten premium of Rs. 952.28 crore abroad, which constituted 6.66 per cent of the gross premium underwritten by them. While New India has operations in 23 countries through branches and agencies, 18 per cent of its premium is being underwritten abroad, the operations in respect of National Insurance and Oriental Insurance constitute a small component of their overall business at 0.26 per cent and 2.33 per cent respectively. National Insurance Company, while recording substantial

**Table 21.3: Ratio (in per cent) of Outside India Premium to Total Premium**

Insurer	2001-02	2002-03	2003-04
National	3.03	0.22	0.26
New India	16.33	18.52	17.80
Oriental	2.09	2.26	2.33
United	4.55	0.05	–

**Table 21.4: Gross Direct Premium from Business Outside India : Non-life Insurers**

(Rs. in lakhs)

Insurer	2001-02	2002-03	2003-04
National	7395.0 (-33.00)	629.00 (-91.00)	886.75 (41.00)
New India	68573.49 (52.00)	89155.07 (30.00)	87578.92 (-2.00)
Oriental	5215.63 (10.00)	6474.05 (24.00)	6763.10 (4.00)
United	12651.87 (53.00)	157.22 (-99.00)	– –

**Note:** Figures in brackets indicate the ratio (in per cent) of growth over previous year

growth in premium underwritten within the country, achieved a 41 per cent growth in the business outside India. The premium underwritten by the insurer in 2003-04 was Rs. 8.87 crore, as against Rs. 6.29 crore in the previous year. New India, on the other hand showed a slight decline in the premium underwritten at Rs. 875.79 crore in the financial year, as against Rs. 891.55 crore in the previous year. Oriental Insurance underwrote a premium of Rs. 67.63 crore during the year as against Rs. 64.74 crore in the previous year, i.e. a growth of 4 per cent. United India ceased foreign operations in 2003-04.

### **Innovations in Products Introduced**

Insurers have taken steps to introduce new products to meet the specific requirements of the insured. Innovations have been made to cater to the needs arising out of the structural changes in the economy. New products introduced by the non-life insurers include Mutual Fund Package Policy Providing cover in respect of the assured's legal liability to third parties for claims towards financial loss caused by negligent act, negligent error or negligent omission on the part of an officer/employee; Third Party Liability and Asset Protection covers are available in respect of mutual funds covering their business operations; Pollution Liability Package Policy intended to cover damage costs of the insured due to slow and gradual pollution activities; Event Insurance Policy indemnifies the insured against the loss or damage due to cancellation of event. Weather insurance cover has been launched for farming community, which suffers high losses year after year due to vagaries of nature. The specific products introduced by the insurers, which were aimed at the rural markets include Weather Insurance, Farm Income Insurance Scheme, Varsha Bima (Rainfall Insurance) and Farmers' Package Policy. Health insurance is another area in which positive developments have been noticed.

### **Paradigm Shift in the Segments**

The year has witnessed a slow shift in the business underwritten by the new insurers. Segment-wise analysis of the premium underwritten by the insurers reveals that there has been a shift in the types of policies being underwritten by the new insurers. With growth in their market share, these insurers have captured an increased proportion of the business in the Fire, Marine, Motor, Engineering and Health segments. As against this, the components of business underwritten by the public sector insurers has increased in respect of Liability and Personal Accident. Overall, the Liability, Personal Accident, Health and Aviation Segments have recorded the highest growth in terms of premium underwritten. In absolute terms, Motor and Health were the fastest growing segments in 2003-04.

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## **21.7 SUMMARY**

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We have already studied in the previous unit as to how insurance has been classified as per the type of coverage. Conventionally insurance is classified as Life insurance and Non-life insurance. Non-life insurance provides cover for cottage industry and small sector, traders and shopkeepers, and personal line of insurance. Non-life insurance policies are contracts of indemnity and involves insurable interest, indemnity, subrogation and contribution.

In this unit we have explained in detail, about the various non-life insurance products such as Marine insurance, Fire insurance, Liability insurance, Burglary insurance, Money insurance, Householders policy, Mediclaim policy etc. Towards the end of this unit we have also discussed about the present scenario of Non-life insurance in India. Having discussed about the various life insurance and non-life insurance products, we now move on to another important service, i.e. the broking services in our next unit.

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## 21.8 SELF ASSESSMENT QUESTIONS

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- 1) What are maritime perils?
- 2) What is the difference between Marine Cargo Policies and Marine hull policies? Why are marine cargo policies freely assignable and not marine hull policies?
- 3) Discuss broadly the scope of aviation insurance.
- 4) What are the general exclusions under Inland Transit Insured by Rail or Road policy?
- 5) What is the objective of fire insurance?
- 6) What is the role of Fire Insurance?
- 7) Explain the scope of Fire Policy.
- 8) What are the perils covered under Standard Fire Policy?
- 9) What do you mean by Public Liability? What are the covers available under Public Liability insurance?
- 10) Write short note on Contractual Liability and Professional Indemnity.
- 11) What do you mean by insurance? What are the types of insurances fall under this category? List.
- 12) Explain the Social Insurance Schemes available in India.
- 13) What are the exclusions under a Burglary Insurance Policy?
- 14) List out the engineering Insurances available in India.
- 15) Explain Mediciclaim Insurance Policy.
- 16) Explain Third Party Liability under Motor Insurance Policy.