

Types of Insurance

Life Insurance: A contract of life insurance (also known as 'life assurance') is a contract whereby the insurer undertakes to pay a certain sum either on the death of the insured or on the expiry of a certain number of years. In return, the insured agrees to pay an amount as premium either in a lump sum or in periodical instalments, annually, half-yearly, quarterly or monthly.

General Insurance:

General insurance can be categorised into various types. Few are explained in this session.

Fire Insurance

Fire means visible flames or actual ignition. Fire insurance covers the financial losses occurring from fire, explosions. Such policies also cover damages due to vehicles, floods, riots, cyclones etc. but war risks are not included in fire insurance. As the perils are listed in the policies, they are also called as 'Named Peril Policies'.

Fire produces heat and light but either of them alone is not fire. Lightening is not a fire but if it ignites something, the damage may be due to fire.

Under section 2(6A) Insurance Act 1938, the fire insurance business is defined as follows: "Fire insurance business means the business of effecting, otherwise than independently twosome other class of business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies".

The examples of the items which can be burnt/damaged through fire are:

- a) Buildings
- b) Electrical installation in buildings
- c) Contents of buildings such as machinery, plants and equipment, accessories, etc.
- d) Goods (raw materials, in-process, semi-finished, finished, packaging materials, etc.)
- e) Furniture, fixture and fittings
- f) Pipelines (including contents) located inside or outside the compound, etc.

Physical hazards like poor construction of building, usage of the building, location of the building type of electrification used and others are concerned in fire insurance. Moral hazards like dishonesty while claim is made, negligence, civil disturbances, or mean mentality are also observed in some cases.

Marine Insurance:

According to Marine Insurance Act, 1963 a contract of marine insurance is an agreement whereby the insurer undertakes to indemnify the insured, in the manner and to the extent thereby agreed upon against marine losses. Any insurable property exposed to the peril of sea can be insured. The history of marine insurance is very interesting. It was originated in Northern Italy in 11th century. After that the spread of the same covered the areas of Spain, Belgium, England and other countries. It is one of the oldest forms of insurance.

Scope of marine insurance is very wide. Cargo, hull/ship, freight are the subject matter of marine insurance. Risks like peril of sea, fire, negligent navigation, theft, war, emergency rigging and other incidental risks are covered by marine insurance.

Therefore, one can easily say that, marine insurance is an agreement (contract) by which the insurance company agrees to indemnify the owner of a ship or cargo against risks, which are incidental to marine adventures. It also includes insurance of the risk of loss of freight due on the cargo.

Marine insurance that covers the risk of loss of cargo by storm is known as cargo insurance. The owner of the ship may insure it against loss on account of perils of the sea. When the ship is the subject matter of insurance, it is known as hull insurance.

Further, where freight is payable by the owner of cargo on safe delivery at the port of destination, the shipping company may insure the risk of loss of freight if the cargo is damaged or lost. This type of marine insurance is called as freight insurance. All marine insurance contracts are contracts of indemnity.

Other types of Insurance

In addition to fire and marine, there are other types of General Insurance policies which are covered under the title of miscellaneous insurance.

- a) **Crop Insurance:** in the agricultural country like India we need the crop insurance to protect the farmers from the risks like adverse climatic conditions, pests and insects, wild animals and others. Droughts, floods and heavy storms are covered in crop insurance. Diseases spread on plants, riots and strikes are also covered by the same. The Government of India has taken number of initiatives in the field of crop insurance.
- b) **Engineering Insurance:** the risks for the contractors in civil engineering projects, electric plants, breakdown of heavy machinery are covered in this type of insurance.
- c) **Aviation Insurance:** the risks related to air craft related risks.
- d) **Health Insurance:** Health insurance covers expenses towards treatment of diseases and / or injury. A health insurance policy could be either on an indemnity basis which involves reimbursement of expenses up to a specified limit or on a fixed benefit basis where the insurer pays a fixed amount of benefit irrespective of what the expenses are.

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