

# UNIT – V

## LESSON- 13

### GENERAL INSURANCE (MISCELANEOUS INSURANCE)

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#### **OBJECTIVES OF LESSON:**

- Introduction
- Motor Insurance

#### **13.0 INTRODUCTION:**

Insurances other than fire, marine and life are covered under general or miscellaneous insurance. The general insurance took the present shape at the later part of nineteenth century with the industrial revolution in England. Lloyd's Association in England was the main functioning institution. Motor insurance, crop insurance, personal accident insurance are some of the examples of general insurance.

#### **13.1 MOTOR INSURANCE**

Motor insurance is governed by the Motor Vehicles Act, 1939. The act has made compulsory for the motorists to insure against the risk of liability to third parties. The motor insurance policies are issued generally for one year, however, the policy can be issued for less than one year but the premium rate will be higher, e.g., the premium rate is three-fourths of annual premium of the policy issued for six months. Vehicles for the purpose of motor insurance are classified as below:

- Private Cars; (not used for carrying passengers for hire or reward).
- Commercial vehicles; such as goods carrying vehicles, passenger vehicles, tractors and others.
- Motor cycles, scooters and auto cycles.

#### **13.1 KINDS OF POLICIES:**

The policies under motor insurance are as follows:

- Act Policy
- Third Party Policy
- Comprehensive Policy

**13.1.1 ACT POLICY:**

This policy provides for compulsory insurance in regard to liabilities arising out of use of motor vehicles in a public place. This kind of policy is limited to bodily injury or death of the third parties. Section 95 (2) of the Motor Vehicles Act 1939, lays down that a policy of insurance shall cover any liability incurred in respect of;

- Goods vehicle
- Passenger vehicles. Vehicles in which passengers are carried
  - For hire or reward
  - By reason of or in pursuance of contract of employment.
  - Other Vehicles. The amount of liability incurred except as provided otherwise.

**13.1.2 THIRD PARTY POLICY**

This policy covers the liabilities of the third parties who suffered loss in connection with the damage of property and personal injury or death. Thus, this policy indemnifies the insured against his legal liability in respect of damage to property of third parties over and above 2000. The limit of liability is as follows:

- Private Car—Unlimited.
- Commercial Vehicle.
  1. Goods or passenger carrying vehicles—Rs. 20,000.
  2. Other miscellaneous or special type of vehicles—Rs. 50,000. Motor cycle—Unlimited.

Third party policy may be extended to include fire, theft risks or any other legal liabilities to persons employed in connection with the operation and/or maintenance and/or loading and/or unloading of motor vehicles.

**13.1.3 COMPREHENSIVE POLICY**

The comprehensive policy covers the following risks:

1. Damage to car parts or body.
2. Removal charges for repairs.

3. Third Party Liabilities.
4. Costs and Expenses incurred with risk.
5. Repair Charges.
6. Medical expenses.

At the payment of extra premiums, the following risks are also insured:

- Death or injury to family members who are above 16 years and below 65 years.
- Riots, strikes, thefts, larceny, etc.
- Loss of Rugs.

### **13.2 SETTLEMENT OF CLAIMS**

As soon as the damage occurs, notice of that is given to the insurer. The evidence or eye-witness should be placed to the insurer. When the insurer is satisfied with the notice and evidence, he can issue claim form which is returned to the insured after completing it in all respects. Personal injury is also made in connection with the personal injury, damage to property, defense and prosecution.

### **13.3 ULTRAVIRUS RISKS UNDER MOTOR INSURANCE:**

The insurer is not liable under the policy in respect of:

- (i) Any accident, or loss outside the Geographical area specified in the schedule of the policy, i.e., India
- (ii) Any claim arising out of any contractual liabilities.
- (iii) Any claim arising whilst the vehicle is driven by any person other than a authorized driver or any claim arising after any variation in termination of the insured's interest in the vehicles.
- (iv) Any claim directly or indirectly arising from:
  - Radiations or contamination by radio-activity from any nuclear waste from the combustion of nuclear fuel.
  - Nuclear weapons material. .
  - Flood, typhoon, hurricane, volcanic eruption, earthquakes or other convulsions of nature.

- war, invasion, act of foreign enemies, hostilities or war-like operations, civil war, strike, riot, civil commotion, invasion, rebellion, military or usurped power.
  - Driving of the car under the influence of intoxicating liquor or drugs.
- (v) Motor insurance does not cover loss or damages during speed testing, use of private vehicle for commercial purpose.

**13.4 Self-Check Questions:**

1. Car and motor cycles are insured under \_\_\_\_\_ (title of Act)
2. In case of third party motor insurance policy, amount of liability in case of car is \_\_\_\_\_

**13.5 Class Assignment Questions**

1. How claims can be settled in case of motor insurance. What are the circumstances when insurer is not responsible for the payment of claim?

**13.6 Home Assignment Questions**

1. Discuss various policies issued under motor insurance.

**13.7 Answers of self-check Questions:**

1. Motor Vehicles Act, 1939.
2. Unlimited

# LESSON- 14

## GENERAL INSURANCE (OR MISCELANEOUS INSURANCE) - CROP INSURANCE AND PERSONAL ACCIDENT INSURANCE

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### OBJECTIVES OF LESSON:

- Introduction
- Crop Insurance
- Personal Accident Insurance

### 14.0 INTRODUCTION:

The general insurance took the present shape at the later part of nineteenth century with the industrial revolution in England. Lloyd's Association in England was the main functioning institution. Besides motor insurance; crop insurance and personal accident insurance are also examples of general or miscellaneous insurance. Insurance of all crops against all risks of loss or damage are covered under crop insurance. Personal accident insurance is a supplement to life insurance;

### 14.1 CROP INSURANCE

Crop insurance covers product, price and income risks of the crop. If the farmers do not get a standard amount of product, required price and income from the farms; they are compensated by insurance companies under crop insurance. Crop insurance scheme introduced by the Government of India commenced from 1985-1986. The General Insurance Corporation of India offered the crop insurance policy.

The natural hazards differ from state to state and district to district in one state Weather indices have been prepared to decide the indemnity amount. The catastrophic income losses have been estimated for each year, Area based crop insurance covers the risks of drought; flood etc, in the respective districts and tehsils. The crop insurance covers value of protection desired for meeting the cost of cultivation and value of production etc, Farmers in the same region will receive the same rate of payment of claims in the area, The area based rainfall data is used for deciding the premium amount and claims to be paid in the area.

The insurance charges and claims in respect of crops insured in any State is showed between the 'Central Crop Insurance Fund and Crop Insurance Fund' set up by the State Government concerned in the ratio of 2:1.

For the purpose of claim under crop insurance, the area yield for each tehsil and block have been standardized and compared with the actual yield to find out the indemnity amount. GIC introduced 'Comprehensive Crop Insurance Scheme (CCIS)' in 1985 which was later on modified as 'National Agricultural Insurance Scheme (NAIS)'. At present NAIS has covered 30 million hectares of cropped area for 18 million farmers throughout the country.

In India large varieties of crops, simultaneous harvesting, small premiums and none availability of records of labour, cost and input costs have discouraged the insurer to insure the crop risk.

#### **14.2 Self-Check Questions:**

1. Crop insurance scheme was introduced by \_\_\_\_\_
2. Ratio of contribution between Central Crop insurance fund and crop insurance fund is \_\_\_\_\_

#### **14.3 PERSONAL ACCIDENT INSURANCE**

Personal accident insurance is a supplement to life insurance; this policy is issued for a specific person or a group of person. Personal accident policy provides specific benefits to the insured person suffering injury, resulting in death or disablement arising within twelve calendar months (period varies).

##### **14.3.1 Features of the personal accident insurance policies**

1. The maximum liability of the insurer is the capital sum insured.
2. The amount of the claim is payable to the insured person or his legal representative in case of death. Appointment of nominee is desirable.

3. Personal accidents cover (other than coupon insurance) with another insurer must be within the knowledge and written permission of the insurer or else policy becomes void.
4. Age limits between 16 and 25 years. The upper age limit may be relaxed in certain cases on merit.

#### **14.3.2 ULTRAVIRUS RISK UNDER PERSONAL ACCIDENT POLICY:**

1. War and kindred risk, riot, strike and civil commotion or intentional self-injury whether criminal or not.
2. If insured is under influence of intoxicants or is suffering from insanity.
3. Injury during pregnancy.
4. Flying for the purpose of any trade or technical operation or as a member or an aircrew or any other aerial activities.
5. Hunting, stable-chasing, racing of any kind (other than one foot), rugby, football, polo, motor cycling or winter sports etc.

#### **14.4 Self-Check Questions:**

3. Personal accident insurance is a supplement to \_\_\_\_\_ insurance.
4. In case of personal accident insurance injury during pregnancy is not covered. (True \_\_\_\_ / False\_\_\_\_)

#### **14.5 Class Assignment Questions**

2. Discuss crop insurance and status of crop insurance business in India.

#### **14.6 Home Assignment Questions**

2. Discuss crop insurance and personal accident insurance. What are the policies issued under personal accident insurance.

**14.7 Answers of self-check Questions:**

3. Central Government
4. 2:1
5. Life
6. True

**SUGGESTED READINGS:**

1. Kothari & Bahal: PRINCIPLES & PRACTICE OF INSURANCE
2. Mishra MN: INSURANCE-PRINCIPLES & PRACTICE
3. Mitra JC: GUIDE TO MARINE FIRE & ACCIDENT INSURANCE
4. Srivastav & Balchand: Elements of Insurance (Hindi)
5. Kamta Prasad: Principles & Practice of Insurance (Hindi)
6. Anand Kumar: Preliminary Elements of Insurance(Hindi)



# LESSON- 15

## GENERAL INSURANCE (MISCELLANEOUS INSURANCE)

### NATIONALIZATION OF GENERAL INSURANCE

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#### OBJECTIVES OF LESSON:

- Introduction
- Nationalization of General insurance

#### 15.0 INTRODUCTION:

The insurance sector in India has experienced a 360-degree journey over a period of more than a hundred years. Its transition from an open competitive sector to nationalization and then back to a liberalized market characterizes this phenomenon. . GIC was incorporated as a company in 1972 and it commenced business on January 1st 1973. Before November 1972, a number of Indian and many foreign companies did general insurance business in India.

The reason why GIB was not brought into the public sector in 1956 was the fact that general insurance was considered a part and parcel of the private sector of trade and industry and functions on a yearly basis. Errors of omission and commission in the conduct of its business did not directly affect the individual citizen. Prior to 1973, general insurance was urban-centric, catering mainly to the needs of organized trade and Industry.

#### 15.1 NATIONALIZATION OF GENERAL INSURANCE CORPORATION

The general insurance corporation business is completely owned by the Government, and it is controlled by a single organization with four subsidiaries. Earlier, a number of Indian and foreign companies did general insurance business in India and abroad. In addition, LIC, some mutual companies and cooperative societies conducted general assurance. On the eve of nationalization, 68 Indian insurers and 45 non-Indian insurers did business in this field. In November 1972, the business of these organizations was nationalized and vested in the hands of the General Insurance Company (GIC) and its four subsidiaries.

#### These are:

- National Insurance Company Limited

- New India Assurance Company Limited
- Oriental Fire and General Insurance Company Limited
- United India Insurance Company Limited

The GIC was given the charge of the overall control, superintendence and policy making for smooth operation of general insurance business. At present, the direct general insurance business is done mostly by the subsidiaries of the GIC. The premium income of the GIC is obtained mainly through the obligatory reinsurance premium on a quota share basis from subsidiaries on their direct business in India. Twenty percent of the business of subsidiaries is ceded to the GIC. The direct business of the GIC is in the form of aviation insurance.

The general insurance corporation business is classified as marine, fire, and miscellaneous. Fire insurance is a single major business, although its share in the total general insurance has been declining. Miscellaneous business has grown substantially, while marine insurance is less important in India as compared to the miscellaneous insurance. The GIC was incorporated as a holding company in 1992. The business of the GIC and its subsidiaries is transacted under the provisions of the Insurance Act, 1938, and that of its four subsidiaries fully by the GIC.

The working of general insurance corporation companies tends to get neglected in discussions of the financial sector in India. There has been an almost exclusive preoccupation with the working of the LIC. In view of the large amount of funds at the disposal of general insurance companies, more attention needs to be paid to the impact of their working on the financial system.

### **15.2 Self-Check Questions:**

1. GIC was nationalized in \_\_\_\_\_ (fill month and year)
2. At the time of nationalization total \_\_\_\_\_ Indian and non-Indian insurers did business of general insurance.

### **15.3 Class Assignment Questions**

3. Write an essay on nationalization of general insurance business.

### **15.4 Home Assignment Questions**

3. What do you mean by General Insurance? Purpose, objects and advantages of nationalization of general insurance business.

### **15.5 Answers of self-check Questions:**

7. November, 1972
8. 113