

What is General Insurance?

Insurance other than 'Life Insurance' falls under the category of General Insurance. General Insurance comprises of insurance of property against fire, burglary etc, personal insurance such as Accident and Health Insurance, and liability insurance which covers legal liabilities. There are also other covers such as Errors and Omissions insurance for professionals, credit insurance etc.

Non-life insurance companies have products that cover property against Fire and allied perils, flood storm and inundation, earthquake and so on. There are products that cover property against burglary, theft etc. The non-life companies also offer policies covering machinery against breakdown, there are policies that cover the hull of ships and so on. A Marine Cargo policy covers goods in transit including by sea, air and road. Further, insurance of motor vehicles against damages and theft forms a major chunk of non-life insurance business.

In respect of insurance of property, it is important that the cover is taken for the actual value of the property to avoid being imposed a penalty should there be a claim. Where a property is undervalued for the purposes of insurance, the insured will have to bear a rateable proportion of the loss. For instance if the value of a property is Rs.100 and it is insured for Rs.50/-, in the event of a loss to the extent of say Rs.50/-, the maximum claim amount payable would be Rs.25/- (50% of the loss being borne by the insured for underinsuring the property by 50%). This concept is quite often not understood by most insureds.

Personal insurance covers include policies for Accident, Health etc. Products offering Personal Accident cover are benefit policies. Health insurance covers offered by non-life insurers are mainly hospitalization covers either on reimbursement or cashless basis. The cashless service is offered through Third Party Administrators who have arrangements with various service providers, i.e., hospitals. The Third Party Administrators also provide service for reimbursement claims. Sometimes the insurers themselves process reimbursement claims.

Accident and health insurance policies are available for individuals as well as groups. A group could be a group of employees of an organization or

holders of credit cards or deposit holders in a bank etc. Normally when a group is covered, insurers offer group discounts.

Liability insurance covers such as Motor Third Party Liability Insurance, Workmen's Compensation Policy etc offer cover against legal liabilities that may arise under the respective statutes— Motor Vehicles Act, The Workmen's Compensation Act etc. Some of the covers such as the foregoing (Motor Third Party and Workmen's Compensation policy) are compulsory by statute. Liability Insurance not compulsory by statute is also gaining popularity these days. Many industries insure against Public liability. There are liability covers available for Products as well.

There are general insurance products that are in the nature of package policies offering a combination of the covers mentioned above. For instance, there are package policies available for householders, shop keepers and also for professionals such as doctors, chartered accountants etc. Apart from offering standard covers, insurers also offer customized or tailor-made ones.

Suitable general Insurance covers are necessary for every family. It is important to protect one's property, which one might have acquired from one's hard earned income. A loss or damage to one's property can leave one shattered. Losses created by catastrophes such as the tsunami, earthquakes, cyclones etc have left many homeless and penniless. Such losses can be devastating but insurance could help mitigate them. Property can be covered, so also the people against Personal Accident. A Health Insurance policy can provide financial relief to a person undergoing medical treatment whether due to a disease or an injury.

Industries also need to protect themselves by obtaining insurance covers to protect their building, machinery, stocks etc. They need to cover their liabilities as well. Financiers insist on insurance. So, most industries or businesses that are financed by banks and other institutions do obtain covers. But are they obtaining the right covers? And are they insuring adequately are questions that need to be given some thought. Also organizations or industries that are self-financed should ensure that they are protected by insurance.

Most general insurance covers are annual contracts. However, there are few products that are long-term.

It is important for proposers to read and understand the terms and conditions of a policy before they enter into an insurance contract. The proposal form needs to be filled in completely and correctly by a proposer to ensure that the cover is adequate and the right one.

General insurance : QUESTIONS and ANSWERS

What is insurance?

We face a lot of risks in our daily lives. Some of these lead to financial losses. Insurance is a way of protecting against these financial losses. For a payment (premium), an insurance company will take the responsibility of compensating your financial losses.

What is general insurance?

Insuring anything other than human life is called general insurance. Examples are insuring property like house and belongings against fire and theft or vehicles against accidental damage or theft. Injury due to accident or hospitalisation for illness and surgery can also be insured. Your liabilities to others arising out of the law can also be insured and is compulsory in some cases like motor third party insurance.

Why should one insure ?

One of the main reasons one should insure is to protect one's belongings and assets against financial loss. When one has earned and accumulated property, protecting it is prudent. The law also requires us to be insured against some liabilities. That is, in case we should cause a loss to another person, that person is entitled to compensation. To ensure that we can afford to pay that compensation, the law requires us to buy liability insurance so that the responsibility of paying the compensation is transferred to an insurance company.

Who should buy general insurance?

Anyone who owns an asset can buy insurance to protect it against losses due to fire or theft and so on. Each one of us can insure our and our dependents' health and well being through hospitalisation and personal accident policies. To buy a policy the person should be the one who will bear financial losses if they occur. This is called insurable interest.

What kinds of policies are there?

Most general insurance policies are annual – that is, they last for one year. Some policies are given for longer periods – like fire insurance for residences – and some for shorter periods – like insurance for goods transportation or for emergency medical treatment during foreign travel.

How much should I insure for?

The amount you insure for is called the sum assured. Normally a policy should cover the value of the asset – either the market value while insuring, or the cost of replacing the asset should it be lost or destroyed. The premium will depend on the sum assured.

Can I take two policies and get claims under both of them?

In case of an indemnity cover (one that seeks to compensate the actual loss)--for instance, a policy that covers property, if there are two policies in vogue, the loss shall be shared by both the policies. In no case can an insured get more than the actual pecuniary loss he or she has incurred. On the other hand, in respect of benefit policies like the Personal Accident policy, where a fixed compensation is paid, no matter what the actual loss is , one may obtain more than one policy.

On what basis is claim paid?

In indemnity policies, the upper limit of a claim is the sum assured and this usually applies for the period of the policy. Certain policies, however, allow for reinstatement of the Sum Insured by payment of proportionate premium for the remaining period of the policy. The actual claim will be the actual extent of financial loss as validated by documents like bills. If the property is underinsured, the insured shall bear a rateable proportion of the loss. There can be more than one claim in the policy period but the sum assured is usually the limit for the policy period unless reinstated.

Nowadays health insurance policies – which cover hospitalisation costs – have also a cashless settlement of claims. That is, you don't have to pay for the treatment at the hospital and then make a claim for reimbursement of the expenses. The insurance company has a service provider called the third party administrator (TPA) health services, who liaises with the hospitals and directly makes the payment for your treatment as per the terms of your policy and coverage.

What is the periodicity of premium payments?

Most general insurance policies are annual and the premium payment is in advance. No risk commences unless you have paid the premium. In some long term policies companies have the facility of collecting premiums periodically.

Why do different people have different premiums ?

The premium is calculated on the extent and nature of the cover you want. A higher sum insured means a higher rate of premium. Similarly a higher risk will be charged a higher premium. An example of this is that an older person will have to pay a higher premium for health insurance for the same sum insured. Sometimes the risk is higher depending on the location of risks – for example in motor insurance in areas where accidents are higher. So the premium will vary according to the nature and severity of the risk.

If I buy a policy and don't make a claim, it is a loss. So, why should I buy insurance?

General insurance is not meant to be for savings or investment returns. It is meant for protection. What you pay for is the protection against a risk. To approach it as something from which returns should be obtained is not the correct approach as there is a price to pay for protecting a property worth lakhs for a few hundred rupees.

If there are problems with claims what can I do?

First you should write to the company and give them sufficient time to respond suitably. If they don't respond, or it is not a response satisfactory to you, then you can approach the appropriate judicial channel. For complaints relating to personal insurance covers upto a value of Rs.20 lakh, you may approach the Insurance Ombudsman in your area.

(HERE ANNOUNCE THE CONTACT INFORMATION OF THE OMBUDSMAN).

The Ombudsman has a technical team that will go into the merits of your case and give an award) If you are unhappy with the outcome with the Ombudsman you still have recourse to consumer courts.

The IRDA also has a Grievance Cell. You may contact.....

(HERE ANNOUNCE THE CONTACT INFORMATION OF IRDA) .