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Study of General Insurance Public Sector Companies of (Gujarat) India

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History repeats itself, but while standing at the critical juncture of a historic event we hardly try to learn from our past experiences. What brought insurance into being was popular concern for future uncertainty? Man wanted to protect their hard earned property from uncertainty and this simple requirement was given a shape with the innovation and improvement of insurance policy. The only principle was to make good the loss. In our country, the insurance sector was nationalized with an objective to reach the corners of this country with insurance network; mobilize a huge resource and lend our shoulders in the nation building.

The operating offices are empowered to issue policy, settle claims at their discretions up to limit which covers almost each and every individual's personal need.

At the grass-root level a claim say up-to Rs. 1,00,000/- can be settled, but if one look at the organizational structure at the level one would find no specialist posted at that office. Who then would settle the claim? Obviously some expertise is required to understand the essential points and take decision at that level. What we observe in most of the cases is that the executive officer manages the same with the help of surveyor.

Doesn't it simply mean that these claims can be settled without much specialization? Doesn't this imply that at that level several ideas of insurance and common sense are sufficient?

History repeats, sticklers to formalities do no good to the theory which man formulated for his own benefits. The birth of Buddhism and Jainism is contributed mainly to the strict formalities and rituals of the "Sanatan Dharma". To quote from the oxford History of India by V. A. Smith "At that time the religion favored by the "Brahman as" as depicted in the treatises called "Brahman as" was a mechanical, life less character, overlaid with cumbrous ceremonials. The formalities of the irksome ritual galled man persons, while the cruelty of the numerously bloody sacrifices was repugnant to other people sought eagerly for some better path to the goal of salvation desired by all. Look at the similarity." This is inevitable when the main theory – the guiding principles is ignored to accommodate formalities and rituals.

The insurance companies have failed to win the confidence of the general public for its procedural drawbacks. The nobility of the principle insurance has enough room to accommodate all, but the priests and "the Brahman as" of insurance restrict access. It is high time that that these Brahman as are identified and corrected because we can't afford to let these people imprison insurance. We must realize that bead necklaces, rosaries, triple paint on forehead or putting on ashes, pilgrimages bath in holy rivers, meditation or image worship do not purify a man as service of fellow creatures does.

LIC

Life Insurance had its beginning in ancient Rome, where citizens formed burial clubs that would meet the funeral expenses of its members as well as help survivals by making its payments.

The first stock company to get into the business of insurance was chartered in England in 1720. In the year 1735 saw the birth of the first insurance company in American Colonies in Charleston. In 1759, the Presbyterian Synod of Philadelphia sponsored the first Life Insurance Corporation in America. However, it was after 1840 that Life Insurance really took off in a big way.[3]

BACKGROUND

Prior to Nationalization, 107 companies including branches of some foreign insurance companies, operated in the country – Under the General Insurance Business Nationalizations Act 1972, these were amalgamated and grouped in to 4 operating companies viz.

They became subsidiaries of a holding company namely Genera Insurance Corporation of India which came into being on January 1, 1973.

GENERAL DEFINITION

The general definition are given by the social scientists and they consider insurance as a device to protection against risks, or a provision against inevitable contingencies or a co-operative device of spreading risks.

FUNCTIONAL DEFINITION

These definitions are based on economic or business oriented since it is a device providing financial compensation against risk or misfortune.

CONTRACTUAL DEFINITION

These Definitions consider as a contract to indemnity the losses on happening of certain contingency in future.

DIFFERENCE BETWEEN ASSURANCE AND INSURANCE

The terms "Assurance and Insurance are commonly used in insurance contracts on historical point of view, the word "Assurance is older used in all types of insurance contracts by the end of 16th century. But, from the year 1826, this term is used to indicate life insurance only and the word "Insurance" for all other types of insurance like marine, fire, etc. This is because that in life insurance, there is an assurance from the insurer to make payment of the policy either on the maturity or on death.

BASIC PRINCIPLES OF INSURANCE

The mechanism of insurance involves a contractual agreement in which the insurer agrees to provide financial protection against a specified set of risk for a price called the premium. It is hence essentially an intangible product. The insurance customer cannot see or feel the product he or she is buying. And though the policy document does give the comfort that the coverage is on; generally no real service is delivered until a claim occurs.

THE PROXIMATE CAUSE

The proximate cause can be defined as "the active efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working actively from a new independent force."

LIMITATIONS OF INSURANCE

In spite of number of advantages of insurance, it has certain limitations. On account of such limitations, the benefits of insurance could not be availed in full.

These limitations are

1. All the risks cannot be insured. Only pure risks can be insured and speculative risks are not insurable.
2. Insurable interest (financial interest) en the subject matter of insurance either at the time of insurance or at the time of loss, or at both the times must be present, in the absence of which the contract of insurance becomes void.
3. In case the loss arises from the happening of the event cannot be valued in terms of money, such risks are not insurable.
4. Insurance against the risk of a single individual or a small group of persons are not advisable, since it is not practicable due to higher cost involved.
5. Another important limitation is that the premium rates are higher

NEW INDIA INSURANCE CO. LTD

The New India can claim to be the largest non life insurer not only in

India but in the whole afro Asia region, excluding Japan. The New India was incorporated on 23rd July, 1919 and commenced transacting business on 14th October, 1919. There was hardly any Indian insurance company of significance till that time.[8]

NATIONAL INSURANCE CO. LTD.

National Insurance Company Limited was incorporated in 1906 with its registered office in Kolkata consequent to passing of the general insurance business nationalizations act 1972, 21 foreign and Indian Companies were amalgamated with it and national became a subsidiary of general insurance corporation of India, which is fully owned by Government Insurance Business (Nationalizations) Amendment Act, on 7th August 2002, National has been linked from its holding company GIC and presently operating as a Government of India undertaking.[10]

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