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Importance of Insurance in Various Sector

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Abstract

Insurance is a tool of risk management that tries to protect the insured from the burden of loss arising from unforeseen future event. Loss can be actual or speculative, Insurance provide for both. Insurance has made the life of people easy in many ways as it is just not the tool that hedge against the risk but it also inculcate saving habits in an individual. It has paid vital role in giving strength to businessman in doing business without the fear of any sort of loss which may occur to them due to the nature of business and market risks involved. Insurance started as a pooling device in mid of eighteen century by Italian merchants but today it had proved its importance in various dimensions of life. The present paper tries to analyse the role paid by insurance in various sectors

INTRODUCTION

Insurance is a form of risk management primarily used to hedge against the risk of a uncertain loss. Insurance is defined as the equitable transfer of risk of a loss, from one entity to another, in exchange for payment. Insurance is a contract in which one party (the "insured") pays money (called a premium) and the other party promises to reimburse the first for certain types of losses (illness, property damage, or death) if they occur. Insurance law falls into three major categories. First, the insurance company will hire lawyers to represent the insured in case she is sued for something related to her insurance contract. These are known as "insurance defense attorneys." For example, an automobile insurance company will hire an attorney to represent an insured driver when she gets sued for causing another driver's injuries. The second category of insurance law helps insured people determine when an insurance company must pay a claim. Third, insurance companies typically hire attorneys to make sure the company complies with all applicable laws and regulations, which can vary by state.

There are many types of insurance. The government runs some kinds of insurance, like Social Security disability, worker's compensation, and unemployment insurance. However, the term "insurance law" usually refers to the law surrounding private insurance. The most common types of private insurance are health insurance, automobile liability insurance, homeowner's insurance, life insurance, title insurance, and malpractice insurance.

INSURANCE MEANING

Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. An entity which provides insurance is known as an insurer, an insurance company, an insurance carrier or an underwriter. A person or entity who buys insurance is known as an insured or as a policyholder. The insurance transaction involves the insured assuming a guaranteed and known - relatively small - loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the event of a covered loss. The loss may or may not be financial, but it must be reducible to financial terms, and usually involves something in which the insured has an insurable interest established by ownership, possession, or pre-existing relationship.

The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insurer will compensate the insured. The amount of money charged by the insurer to the policyholder for the coverage set forth in the insurance policy is called the premium. If the insured experiences a loss which is potentially covered by the insurance policy, the insured submits a claim to the insurer for processing by a claims adjuster. The insurer may hedge its own risk by taking out reinsurance, whereby another insurance company agrees to carry some of the risks, especially if the primary insurer deems the risk too large for it to carry.

INSURANCE CONTRACT

An insurance contract is a document representing the agreement between an insurance company and the insured. Central to any insurance contract is the insuring agreement, which specifies the risks that are covered, the limits of the policy, and the term of the policy. Additionally, all insurance contracts specify:

➢ conditions, which are requirements of the insured, such as paying the premium or reporting a loss;
➢ limitations, which specify the limits of the policy, such as the maximum amount that the insurance company will pay;
➢ exclusions, which specify what is not covered by the contract. Obviously, the contents of an insurance contract depends on the type of policy, what the insurance applicant wants, and how much he is willing to pay.

ESSENTIALS OF INSURANCE CONTRACT

1. There must be an agreement (Offer + Acceptance + Consideration).

2. Agreement must be between two parties. (Insurer & Insured).

3. The parties must be competent to enter into an agreement. (18 years, sound minded, not debarred by law).

4. The object and Consideration must be lawful.

5. It must be in writing/ printed, signed and stamped.

FUNCTIONS OF AN INSURANCE COMPANY

1] Provides Reliability: The main function of insurance is that eliminates the uncertainty of an unexpected and sudden financial loss. This is one of the biggest worries of a business. Instead of this uncertainty, it provides the certainty of regular payment i.e. the premium to be paid.

2] Protection: Insurance does not reduce the risk of loss or damage that a company may suffer. But it provides a protection against such loss that a company may suffer. So at least the organisation does not suffer financial losses that debilitate their daily functioning.

3] Pooling of Risk: In insurance, all the policyholders pool their risks together. They all pay their premiums and if one of them suffers financial losses, then the payout comes from this fund. So the risk is shared between all of them.

4] Legal Requirements: In a lot of cases getting some form of insurance is actually required by the law of the land. Like for example when goods are in freight, or when you open a public space getting fire insurance may be a mandatory requirement. So an insurance company will help us fulfil these requirements.

5] Capital Formation: The pooled premiums of the policyholders help create a capital for the insurance company. This capital can then be invested in productive purposes that generate income for the company.

USES OF INSURANCE IN DIFFERENT SECTORS

(A) INSURANCE IN MANUFACTURING PROCESS:

The ever-massive manufacturing industry includes a number of different trades, each with varying specialties, skills, and, of course, risks. And when it comes to risks, no matter if you run a textile mill or a corner bakery, you need a business insurance policy designed specifically to cover your business and the items it manufactures. When you're running a manufacturing business of any type, you run the risk of employee injuries, liability lawsuits, property damage, and losses caused by equipment breakdowns and malfunctions. There are several different coverage options that can be added to business insurance plan, like:

➢ Product liability insurance

➢ Inland marine insurance

➢ Equipment breakdown coverage

➢ Business income interruption insurance

Independent Insurance Agents: Independent insurance agents excel at matching the most appropriate policy to the business in need. Shopping around for insurance policies can be tricky, confusing, and time-consuming, and an independent insurance agent's role is to simplify the process. They're also there to help make sure to get the absolute best deal, and the one that meets the unique needs. They shop and compare insurance quotes for and they'll break down all the jargon so that you understand exactly what you're getting.

(B) INSURANCE FOR EMPLOYEES/ WORKMAN

Workman or employees insurance are provided by their employers or the organisation where they are employed in. Some of these four types of insurance are required in certain states. Even if they aren't mandatory for the enterprise, employer may want to strongly consider them, as one or both of an incentive to their employees and a legal protection for the business itself.

➢ Worker's Compensation:

This insurance covers work-related injury or illness. The definition of work-related injuries include those that occur off work premises, such as those arising from an auto

accident that occurred while an employee was driving between job sites. "Worker's Comp" requirements differ from state to state. Many states, including Delaware,

requirennnt Worker's Compensation if you have even a single employee.

➢ Unemployment Insurance:

Almost all businesses must pay for unemployment insurance, which is a joint federal/ state program. This insurance is paid on the basis of wages rate given to the workman.

➢ Disability Insurance:

A complement to worker's compensation insurance, this coverage is against injuries and illnesses that occur off the job.

➢ Employment Practices Liability Insurance:

This type of insurance covers job-related lawsuits that include (but are not limited to) wrongful termination, discrimination, sexual harassment, and violations of leave laws such as The Family and Medical Leave Act. This coverage is separate from Worker's Compensation coverage, and what's known as Errors and Omissions insurance, in that this policy covers only violations of employee's legal rights.

Workers compensation has several important features, and is designed to protect both workers and the employer.

Here's a few key facts:

• Workers compensation insurance covers work-related employee injuries, illnesses, and deaths.

• Workers compensation also pays a portion of employee's wages during recovery, or long-term if the worker is unable to return to work. • In exchange for these benefits, the employee is prohibited from suing the employer for their injuries.

• The legal requirements and exclusions vary widely from state to state. Some states require employers to have workers comp if in business requires, even if they don't have any employees. Some require any business with more than a certain number of full-time employees (usually three or four) to have workers comp in place.

(C) INSURANCE IN INDUSTRIAL SECTOR:

Businesses in all types of industry, from oil and gas to manufacturing and telecommunications face a number of different risks every single day. All businesses across all industries can benefit from commercial property, liability and workers compensation insurance. But the additional coverage required to maintain a comprehensive business insurance. Here are a few examples of insurance policies that specific industries can utilize for optimum protection:

➢ Restaurants, bars, and clubs should consider liquor liability insurance, which covers the expenses associated with damages inflicted by intoxicated patrons. There are also policies related to food contamination and valet parking.

➢ An office environment may thrive under the guidance of a few highly experienced executive employees. The loss of these employees could threaten the profitability, or even the existence, of the business. Key employee insurance can offset losses and fund the search for and training of new staff members.

➢ Retail stores sell a variety of products, some of which may be defective or poorly tested. Product liability insurance protects against the expenses associated with a customer becoming injured or ill in direct relation to a product sold by your store.

➢ Trucking companies haul cargo, often all across the country. Like with passenger cars, commercially driven vehicles must be insured with commercial auto insurance. Various coverages exist to protect vehicles, drivers, and cargo.

Industrial insurance is considered the same as workers compensation in some areas. However, for many companies, industrial insurance is a broad set of coverage that protects both commercial operations and employees. For that reason, industrial insurance falls into two categories:

➢ Workers compensation: Covers work-related injuries, illnesses, and fatalities by providing ongoing compensation like replacement income, medical costs, and more to the victim or family. Laws vary by state, so make sure you talk with your independent insurance agent specifically about your location and specific needs.

➢ Commercial insurance: Provides the complete commercial coverage industrial corporations need. These corporations deal with risks specific to their industries and need customized business insurance plans to cover risks like flammable or toxic substances, and the risks involved in using heavy duty machinery, equipment, and large commercial trucks.

CONCLUSION

The insurance sector is made up of companies that offer risk management in the form of insurance contracts. The basic concept of insurance is that one party, the insurer, will guarantee payment for an uncertain future event. Meanwhile, another party, the insured or the policyholder, pays a smaller premium to the insurer in exchange for that protection on that uncertain future occurrence. As an industry, insurance is regarded as a slow-growing, safe sector for investors. This perception is not as strong as it was in the 1970s and 1980s, but it is still generally true when compared to other financial sectors. The insurance industry is made up of different types of players operating in different spaces. Life insurance companies focus on legacy planning and replacing human capital value, health insurers cover medical costs, and property, casualty, or accident insurance is aimed at replacing the value of homes, cars, or valuables. Insurance companies can be structured either as a traditional stock company with outside investors, or mutual companies where policyholders are the owners.

Not all insurance companies offer the same products or cater to the same customer base. Among the largest categories of insurance companies are accident and health insurers; property and casualty insurers; and financial guarantors. The most common types of personal insurance policies are auto, health, homeowners, and life. Most individuals in the United States have at least one of these types of insurance, and car insurance is required by law. Accident and Health companies are probably the most well-known. These include companies such as UnitedHealth Group, Anthem, Aetna and AFLAC, which are designed to help people who have been physically harmed.

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