NAME = ABDUL QADIR

ID NO = 14097

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DEPARTEMENT = BBA (7th SEMESTER)

INSTRUCTOR = MA'AM SHOALA RASHEED

Q NO.1:

HISTORY OF INSURANCE:

Insurance in some form is as old as historical society. So-called ***BOTTOMRY*** *contracts were known to merchants of Babylon as early as* ***4000–3000 BCE****.* ***BOTTOMRY*** *was also practiced by the Hindus in* ***600 BCE*** *and was well understood in ancient Greece as early as the 4th century BCE. Under a* ***BOTTOMRY*** *contract, loans were granted to merchants with the provision that if the shipment was lost at sea the loan did not have to be repaid. The interest on the loan covered the insurance risk.*
Ancient Roman law recognized the ***BOTTOMR****Y contract in which an article of agreement was drawn up and funds were deposited with a money changer. Marine insurance became highly developed in the 6century. Goods have been traded by sea for centuries. However, in the past ships encountered many dangers while at sea and were often destroyed, leaving the merchant destitute. Chinese merchants used to insure the goods that they were transporting on ships to other parts of the world. If such a loss occurred, the other merchants would join and contribute to assist those who suffered the loss.*

In seventeenth century, it became common to insure ships and cargoes. In ***England****, such merchants would sit at coffee houses agreeing on insurance contracts. One such coffee house, located near the River Thames, was owned by* ***Edward Lloyd.*** *Around the year 1688, Edward started to encourage merchants to come to his coffee house to carry out their business, because this would bring more business to his coffee house. The merchants attracted insurance experts, who also began coming frequently to the coffee house to get business from the merchants. At the time, the insurance experts would write down the details of the ship and cargo on a piece of paper and sign under a horizontal line. Signing under that horizontal line led to the terms underwriter and underwriting being coined, which are still* *used today in insurance. Today the underwriter is the expert who decides to accept or reject a client's request for insurance, sum assured and premium.*

Today marine insurance covers all forms of transports including air, sea, rail and road. However, because of its history it is still called marine insurance.

Fire insurance arose much later, obtaining impetus from the Great Fire of London in 1666. A number of insurance companies were started in England after 1711. Many of them were fraudulent, get-rich-quick schemes concerned mainly with selling their securities to the public. Nevertheless, two important and successful English insurance companies were formed during this period, the London Assurance Corporation and the Royal Exchange Assurance Corporation. Their operation marked the beginning of modern property and liability insurance.

In that fire around 13200 homes, 87 churches and dozens of public buildings were destroyed. This compelled people to make arrangement for financial compensation when such incidents happened. Insurance companies started establishing themselves during the same period. This marked the beginning of fire insurance.

A time passed. One by one, other dangers began to supplement basic fire insurance. These include earthquake, riots and strikes, atmospheric disturbance like flooding, heavy rain etc, explosions, aircraft damage among others.

History also tells us that life insurance originated in Italy. Here, people found burial societies, which would collect premiums from participants and pay the burial expenses out of the premiums collected. These societies established pool funds to manage their expenses. Each participant was required to pay an equal amount into the fund. According to Peggy Mace, the oldest life insurance policy for which there is surviving evidence was taken out for ***William GYBBON on 18 June 1583 in London. Mr GYBBON*** *was salter of fish and meat for the city of London. He brought a one year policy from Alderman Richard Martin and passed away before the end of the year. At first the company refused to pay, but after some legal wrangling, martin won.*

Insurance companies thrived in Europe, especially after the industrial revolution. In America, the story was very different. Colonists' lives were fraught with dangers that no insurance company would touch. As a result of lack of food, armed conflicts with *indigenous people, and disease, almost three out of every four colonists died in the first 40 years of settlement.*

It took more than 100 years for insurance to establish itself in America. When it finally did, it brought the maturity in both practice and policies developed during that same period of time in Europe.

Motor insurance was introduced a little later than marine and fire insurance. The first mechanically propelled vehicle appeared on British roads in 1894. At the time, YHE roads were not busy, but there was still a chance of having an accident. Therefore, by 1898, insurance companies had started providing cover to compensate for losses resulting from accidents involving vehicles. Today, insurance companies provide cover for accidental loss (partial, total and third party) and theft.

This history paved the way to modern insurance. Now all the companies in the world one way or the other use the same method of insurance services depends upon their country's law. In America there are many insurance companies working in a competitive environment like GEICO AAA, USAA, State Farm and so on. On the other hand, in Pakistan the insurance companies are playing a vital role in economy and providing good services to the customers. Some of insurance companies include in general are State life insurance, Jubilee, Adam jee, AFU and so on.

Q NO.2:

Old And New Methods Of Insurance/

ANSWER:

EARLY METHODS OF INSURANCE.

Marine insurance was the oldest form of insurance in ITALY back in 13th century. Which actually originated from the LOMBARD merchants. In EGYPT back in 2500 BC. Life insurance was the first insurance policy. In 3rd century beginning GREEK and

ROME started their societies. Fire insurance was introduced after the great fire of LONDON burned for five days in 1666.

<u>MODERN METHODS OF INSURANCE:</u>

<u>1. RE – INSURANCE:</u>

That type of insurance in which the company can reduce their risk. When a company purchase that type of insurance they can secure themselves from a financial loss. Under this type of insurance not only a company itself secure from financial loss as well as a company's customers from unforeseen and uncovered loss.

<u>.EXAMPLE OF RE-INSURANCE:</u>

Now taking another example that there is factory who has approached insurance company for an insurance of 40 CRORE. Now there are 2 options with that insurance company either to provide the insurance or reject it and share a risk with an other insurer. Now insurance company have decided to assume the risk 20 CRORE of insurance with it and seeking assistance of the insurer in seeking of his limit that is 20 CRORE. Now in this case the insurance company is approaching towards the Re-insurance

<u>2. CO – INSURANCE:</u>

It is the other type of insurance method in which there is the participant of one or more than one insurance company to cover the same loss together. According to this type of insurance all the risk would be same for all the participant under mutual agreement upon which all the participant are agreed. In this type of insurance each participant accepts their which is pre – determined. The share that each participant owns under the co – insurance is referred as ‘’ quota share’’.

<u>EXAMPLE:</u>

For example you have taken health insurance with an 80/20 Co-insurance provision. A RS of 1000 is deductible and a 5000 RS out of pocket maximum. But here unfortunately you require outpatient surgery early in that year was 5500 rs . since you have not met with your deductible , here you have to pay your 1000 bill after that you have to pay only 20% of that amount that would be 4500 or 900. Remaining 80% would paid by the company.

<u>3. DUAL INSURANCE:</u>

This is another type of insurance. In such insurance when the same part is holding 2 or more than 2 insurer in same respect having same matter, against similar and the same time period. Holding dual insurance is lawful a insured can claim on he both in the case of losses because both are liable to fulfill their losses under the insurance policy, in this case the insured can only claim only those amount of loss of how much they have taken policy for. The insured can not make profit. It will be much clear from the examples which are given below:

EXAMPLE:

Take an example of motor bike accident in which the driver is moving towards his work and got personal injury. Now in this case the vehicle and the worker compensation insurer both are liable both of them are liable for drivers injury.

4. SELF INSURANCE:

It is the other type of insurance in which the risk will not transfer to the insurance company but wholly and solely on the individual itself. It is a type of risk management techniques. Anyone can self insure itself from any risk.

EXAMPLE:

Take an example JHON DEO owns a restaurant . let us say that he buys property as well as casualty insurance let say for an amount of 5 lacks. JHON figured out that losses that are low are so unlikely and are infrequent that It will be cheaper to pay for the losses instead of insurance company to pay on the monthly basis. In this case we can say that JHON will going to self insure below then 5 lack.