Meaning of insurance:

Insurance is a contract under which one party (Insurer or Insurance Company) agrees in return of a consideration (Insurance premium) to pay an agreed sum of money to another party (Insured) to make good for a loss, damage or injury to something of value in which the insured has financial interest as a result of some uncertain event.

Principles of Insurance: These principles are :

1. Utmost Good Faith: Insurance contracts are based upon mutual trust and confidence between the insurer and the insured. It is a condition of every insurance contract that both the parties i.e.insurer and the insured must disclose every material fact and information related to insurance contract to each other.
2. Insurable Interest: It means some pecuniary interest in the subject matter of insurance contract. The insured must have insurable interest in the subject matter of insurance i.e., life or property insured the insured will have to incur loss due to this damage and insured will be benefitted if full security is being provided. A businessman has insurable interest in his house, stock, his own life and that of his wife, children etc.
3. Indemnity: Principle of indemnity applies to all contracts except the contract of life insurance because estimation regarding loss of life cannot be made. The objective of contract of insurance is to compensate to the insured for the actual loss he has incurred. These contracts ‘provide security from loss and no profit can be made out of these contracts.
4. Proximate Cause: The insurance company will compensate for the loss incurred by the insured due to reasons mentioned in insurance policy. But if losses are incurred due to reasons not mentioned in insurance policy than principle of proximate cause or the nearest cause is followed.
5. Subrogation: This principle applies to all insurance contracts which are contracts of indemnity. As per this principle, when any insurance company compensates the insured for loss of any of his property, then all rights related to that property automatically gets transferred to insurance company.
6. Contribution: According to this principle if a person has taken more than one insurance policy for the same risk then all the insurers will contribute the amount of loss in proportion to the amount assured by each of them and compensate for the actual amount of loss because he has no right to recover more than the full amount of his actual loss.
7. Mitigation: According to this principle the insured must take reasonable steps to minimize the loss or damage to the insured property otherwise the claim from the insurance company may be lost.

Concept of Life Insurance:
Under life insurance the amount of Insurance is paid on the maturity of policy or the death of policy holder whichever is earlier. If the policy holder survives till maturity he enjoys the amount of insurance. If he dies before maturity then the insurance claim helps in maintenance of his family. The insurance company insures the life of a person in exchange for a premium which may be paid in one lump sum or periodically say yearly, half yearly quarterly or monthly.

Types of Life Insurance Policies:

1. Whole Life Policy: Under this policy the sum insured is not payable earlier than death of the insured. The sum becomes payable to the heir of the deceased.
2. Endowment Life Insurance Policy: Under this policy the insures undertakes to pay the assured to his heirs or nominees a specified summon the attainment of a particular age or on his death whichever is earlier.

3. Joint Life Policy: It involves the insurance of two or more lives simultaneously. The policy money is payable on the death of any one olives assured and the assured sum will be payable to the survivor or survivors.
4. Annuity Policy: This policy is one under which amount is payable in monthly, quarterly, half yearly or annual installments after the assured attains a certain age. This is useful to those who prefer a regular income after a certain age.
5. Children's Endowment Policy: This policy is taken for the purpose of education of children or to meet marriage expenses. The insurer agrees to pay a assured sum when the child attains a certain age.

Fire Insurance: It provides safety against loss from fire. If property of insured gets damaged due to property as compensation from insurance company. If no such event happens, then no claim shall be given.

Features:
1. Utmost Good Faith
2. Contract of Indemnity
3. Insurable Interest in Subject matter.
4. Subject to the doctrine of causa proxima.
5. It is a contract for an year. It generally comes to an end at the expiry of the year and may be renewed.

Marine Insurance: Marine Insurance provides protection against loss during sea voyage. The businessmen can get his ship insured by paying the premium fixed by the insurance company. The functional principles of marine insurance are the same as the general principles of Insurance.

OTHER INSURANCE

Health Insurance: With a lot of awareness today, Health insurance has gained a lot of popularity. General Insurance companies provide special health insurance policies such as Mediclaim for the general public. The insurance company charges a nominal premium every year and in return undertakes to provide up to stipulated amount for the treatment of certain diseases such as heart problem, cancer, etc.

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