

Meaning

Life is full of uncertainties and risk .Buildings may get wholly or partially destroyed due to fire ,storms ,cyclones etc .Goods and other property may be lost or destroyed due to theft ,robbery ,fire flood and such other happenings beyond human control .Both life and property are exposed to risk of accidents e.g, death or serious injury caused by an accident .

Insurance is a means of providing against loss caused by natural or man made factors.

It is a device by which loss likely to be caused by an uncertain event is spread over a number of persons who are exposed to it and who are prepared to insure themselves against such an event .

It is a contract or agreement under which one party agrees in return for a consideration (called 'premium ',which may be monthly ,quarterly ,half yearly or annually) to pay an agreed amount of money to another party to make good a loss ,damage or injury to something of value

Under the contract of insurance ,the person whose risk is insured is called insured and the firm which insures the risk of loss is known as insurer .

Functions of Insurance

- 1.) Providing certainty : Insurance provides certainty of payment for the risk of loss .The insurer charges premium for providing the certainty .
- 2.) Protection : Insurance provides protection from probable chances of loss .Insurance cannot stop the happenings of a risk or event but can compensate for losses.
- 3.) Risk sharing :On the happening of a risk event ,the loss or damage is shared by all the insured members (by the way of premium)
- 4.) Assisting in capital formation : The accumulated funds (i.e premium payments made by insured members) are invested in various income generating schemes .