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L.L.B Part- 2nd

Subject- Insurance Act

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Topic- Difference between Life Insurance, Fire Insurance and Marine Insurance.

Life Insurance

The purpose of life insurance is to provide the relatives and beneficiaries of a deceased person with some financial aid and help. Life insurance is a contract between the policyholder and the insurance company. It can be said that the insurance company or the insurer are providing a service to the policy-holder.

Let us take a look at how the system of a life policy works.

- The policyholder pays the insurer a premium, which is generally paid on an annual basis. The amount of this premium depends on a variety of factors such as the health of the policyholder, occupation, medical history, and many such factors.
- The insurance company pays the “sum assured” to the beneficiaries of the policy at the death of the insured, or at the end of the term
- The insured can also borrow money against his own life policy

There are broadly two types of life policies- Term Policy and Whole Life Policy. Whole life policy will pay out whenever the policyholder will die. Term Policy is set for a term i.e. a certain number of years. Here the insurance covers the term and if the insured dies during the term, the policy will pay out. If the insured survives the term then there is no payout.

Fire Insurance

A fire insurance is a contract between the policyholder and the insurer. Here the insurance company will pay to the policyholder any loss caused to him or his particular property when destroyed by a fire accident. So the protection is against any damage that the fire causes.

Here the policyholder pays an annual premium. And if a fire breaks out and causes damage to the property the insurance company will pay to the extent of the damages up to the insured amount. If the damages exceed such amount the company will not be liable for the excess amount. And if during the term such an incident does not occur, the premium amount will obviously lapse.

Marine Insurance

Marine insurance is generally meant for sea transport and shipping corporations. It provides insurance to ships and the cargo they carry. Marine insurance covers any damage a ship or the cargo of the ship may suffer during the voyage or at any point between the start and end of the journey.

According to the terms of the insurance many kinds of financial losses are covered. Losses that occur due to natural disasters, such as storms or hurricanes, or loss that might occur due to theft or piracy and even losses due to accidents on deck.

Difference between Life Insurance, Fire Insurance and Marine Insurance

There are some difference between life, fire and marine insurance according to the risk, time period, insurable interest, premium, mode of payment etc.

Key differences between life insurance, fire insurance and marine insurance are as follows:

1. Risk

Life Insurance: Risk is certain. The insured amount is paid either on maturity period or at the death of policy holder (which is earlier).

Fire Insurance: Risk is not certain in fire insurance. The insured property may not catch fire.

Marine Insurance: Risk may or may not be arise because the happening of event is uncertain.

2. Period

Life Insurance: Life insurance policy is generally of longer period (more than 5 years).

Fire Insurance: Short period. Generally of one year.

Marine Insurance: Short period. Generally of one year.

3. Insurable Interest

Life Insurance: While taking life insurance policy, insurable interest must exist.

Fire Insurance: Insurable interest must exist at the time of taking fire insurance policy and at the time of loss also.

Marine Insurance: Insurable interest must exist at the time of loss in marine insurance.

4. Contract Of Indemnity

Life Insurance: Not a contract of indemnity. Insured person gets payment on the maturity date in life insurance.

Fire Insurance: Contract of indemnity. Only actual loss is indemnified in fire insurance.

Marine Insurance: It is not 100% contract of indemnity. 10% to 20% of the invoice value can be added on actual loss.

5. Premium Determination

Life Insurance: Premium is calculated according to the age and health of insured person, time of policy and mode of payment (monthly, quarterly, half yearly or yearly).

Fire Insurance: Premium is calculated on the basis of risk.

Marine Insurance: Premium is calculated on the basis of risk.

6. Premium Payment

Life Insurance: Installment basis.

Fire Insurance: Lump sum basis.

Marine Insurance: Lump sum basis.

7. Objective

Life Insurance: Security and investment.

Fire Insurance: Security of property.

Marine Insurance: Security of property.

8. Surrendered Value

Life Insurance: If holder wants to surrender the life insurance policy, he obtain surrender value.

Fire Insurance: Cannot be surrendered.

Marine Insurance: Cannot be surrendered.

The End