

# INSURANCE A Brief Knowledge

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From early days men needs protection in every aspect of life. The sense of protection invents procedures and ways to safeguard the various interests including life and households. This sense of protection later on developed with a broad base insurance covers for industrial and commercial installations and businesses dealing in millions of Dollars comprising Machinery, Materials and price less prestige lives of persons engaged in performing their duties in commercial and Industrial operations.

The need of protection developed an industry called insurance, which provide a broad base of facilities and covers for every aspect of industrial and commercial concerns and also provide knowledge of different areas for which insurance covers may be obtained and also the methods and procedures which to be followed to get maximum covers at lower cost.

In the following lines we will discuss the insurance in brief.

## What is Insurance?

“Insurance can be defined as a contract (Policy) in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. “

The above definition provides that an individual or entity can make its losses good arising out of an accident occurred whether naturally or otherwise if the same is covered in insurance contract.

We can classify the major insurance policies as under.

### General Insurance

General insurance comprises following main insurances.

1. Property insurance: It includes insurance of Building plant and Machinery stocks business Interruption.

2. Motor Vehicles
3. Electronic Equipment
4. Misc. policies (Cash in safe, Cash in transit, Fidelity Guarantee etc.)
5. Erection /construction All Risk
6. Third party Liability (Property & Human life)
7. Workmen compensation
8. Personal Accident

Stocks and Business Interruption policies can be based on declaratory basis in which 75% premium is paid on inception values (sum insured) and remaining 25% premium adjustment will be made at the end of the year on the average sum insured calculated on the basis of actual declaration made during the year. In case of return of premium 1/3<sup>rd</sup> or actual refund which ever is lower will be paid.

## Marine Insurance



It can be defined as the insurance covering damages to Hull and machinery of the vessel, cargo carried on the vessel and also offers protection against liabilities to shipping and transport related companies but it also covers the transaction made by Road and Air. Marine insurance can be classified in two ways.

1. Marine cargo insurance that covers movement of cargoes through Air Road and Sea.
2. Marine hull insurance covers ship structure, it is divided in two policies. Time policy that covers a particular

period for example one year and Voyage policy that covers place to place for example Karachi to London, for a particular voyage.

## Agricultural (Crop) Insurance



Pakistan s’ agricultural sector contributes a reasonable share in country s’ GDP. To provide facilities Insurance companies took initiative to introduce Crop Loan insurance. The duration from crop sowing to harvest is crucial for farmers and they are under threat of climatic changes. The scheme covers the production loans provided by the banks to the farmers and cover unavoidable losses to crops from flood, Drought, Excessive rain, Hailstorm, Frost, Disease and insect attack. Livestock covers also provided to indemnify the losses against death arising out due to natural causes, disease, injury and accident.

Following are few insurance companies, which are providing general insurance services in Pakistan. However there are other Insurance companies as well.

| SR. | Sr.# | Name of Insurance Comomoany            | Sector  |
|-----|------|--|---------|
| 1   |      | Adamjee Insurance Company Ltd.         | Private |
| 2   |      | Askari General Insurance Company Ltd.  | Private |
| 3   |      | Central Insurance Company Ltd.         | Private |
| 4   |      | Century Insurance Company Ltd.         | Private |
| 5   |      | EFU General Insurance Ltd.             | Private |
|     |      | Jubilee General Insurance Company Ltd. | Private |
| 6   |      | Muslim Insurance Company Ltd.          | Private |
| 7   |      | National Insurance Company Ltd.        | Public  |
| 9   |      | PICIC insurance Ltd.                   | Private |

### Health Insurance



It is natural that individuals intent to live long and enjoy the colors of life provided by Almighty Allah and they are naturally cautious about their health. Insurance companies capitalized this desire and provide health related insurance covers.

It covers Health related risks of individual such as hospitalization (In patient), Maternity benefit cover, out patient cover, terrorist cover for innocent person (Injury due to act of terrorism) it also provides international cover to provide medical facilities during staying at abroad. Some of the covers are optional. All covers are subject to certain exclusions (Risk & treatment not covered) and terms and conditions.

### Life Insurance

Insurance companies also planned to secure lives of persons to provide financial benefits to the individuals and their heirs in case of death or body injuries through different covers or policies. We will discuss following covers in brief.

1. Life
2. Accidental death benefits (ADB)
3. Natural Disabilities (PTD Natural)
4. Accidental Disability (PTD Accidental)
5. Loan coverages.

In the case of death financial compensation equal to sum insured is to be paid. In case of Accidental death if ADB cover is included in the policy financial compensation equal to double of sum insured is to be paid. In cases of disability the financial compensation

will be paid according to the rats specified in the schedules provided in the policy.

The following major insurance companies provide life insurance in Pakistan.

| Sr. # | Name Of Insurance Company                  | Sector  |
|-------|--|---------|
| 1     | Adamjee Life Insurance Company Ltd.        | Private |
| 2     | American Life Insurance Company (Pak) Ltd. | Private |
| 3     | EFU Life Assurance Ltd.                    | Private |
| 4     | Jubilee Life Insurance Company Ltd.        | Private |
| 5     | State Life insurance Corporation           | Public  |



### Takaful

In recent years Islamic concept of insurance has been introduced under the name of Takaful. This is an attempt to perform insurance operations, which are monitored and approved by Islamic Laws. We can define the Takaful as under.

“Takaful is an Islamic insurance concept which is grounded in Islamic muamalat (banking transactions), observing the rules and regulations of Islamic law. Takaful is basically a system of Islamic insurance based on the principle of mutual assistance and voluntary contribution, where the group shares the risk collectively. It is operated on the basis of shared responsibility, brotherhood, solidarity and mutual cooperation or assistance, which provides for mutual financial security and assistance to safeguard participants against a defined risk.”



The word Takaful is derived from the Arabic verb Kafala, which means to guarantee; to help; to take care of one's needs. This concept has been practised in various forms for over 1400 years. Muslim jurists acknowledge that the basis of shared responsibility was practised between Muslims of Mecca and Medina laid the foundation of mutual insurance. It is based on the concept of social solidarity, cooperation and mutual indemnification of losses of members. It is a pact among a group of persons who agree to jointly indemnify the loss or damage that may inflict upon any of them, out of the fund they donate collectively.

The following insurance companies are performing Takaful operations in Pakistan.

| Sr. # | Name Of Insurance Company       | Sector  |
|-------|---------------------------------|---------|
| 1     | Dawood Family Takaful           | Private |
| 2     | Pak Kuwait Takaful Company Ltd. | Private |
| 3     | Pak Qatar General Takaful Ltd.  | Private |
| 4     | Pak Qatar Family Takaful        | Private |
| 5     | Takaful Pakistan Ltd.           | Private |

We have tried to provide basic or initial knowledge about insurance to our readers in order to create an overview regarding insurance and some insurance companies operated in Pakistan and we hope that this initial knowledge will help to understand insurance.

I am thankful to EFU General Insurance Ltd, Adamjee Insurance Company Limited, State Life Insurance Corporation and SECP Takaful Guide for updating my knowledge on the subject.