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शक्ति उत्थान आश्रम लखीसराय बिहार

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BUSINESS SERVICES

INSURANCE

Life is full of uncertainties. The chances of occurrence of an event causing losses are quite uncertain. There are risks of death and disability for human life; fire and burglary risk for property; perils of the sea for shipment of goods and, so on. If any of these takes place, the individuals and/or, organisations may suffer a great loss, sometimes beyond their capacities to bear the same. It is to minimise the impact of such uncertainties that there is a need for insurance. Investment in factory buildings or heavy equipments or other assets is not possible unless there is arrangement for covering the risks, with the help of insurance. Keeping this in mind, people facing common risks come together and make small contributions to a common fund, which helps to spread the loss caused to an individual by a particular risk over a number of persons who are exposed to it. Insurance is thus a device by which the loss likely to be caused by an uncertain event is spread over a number of persons who are exposed to it and who prepare to insure themselves against such an event. It is a contract or agreement under which one party agrees in return for a consideration to pay an agreed amount of money to another party to make a loss, damage or injury to something of value in which the insured has a pecuniary interest as a result of some uncertain event. The agreement/contract is put in writing and is known as 'policy'. The person whose risk is insured is called 'insured' and the firm which insures the risk of loss is known as insurer/ assurance underwriter.

Fundamental principle of Insurance

The basic principle of insurance is that an individual or a business concern chooses to spend a definitely known sum in place of a possible huge amount involved in an indefinite future loss. Thus insurance is the substitution of a small periodic payment (premium) for a risk of large possible loss. The loss of risk still remains but the loss is spread over a large number of policyholders exposed to the same risk. The premium paid by them are pooled out of which the loss sustained by any policy holder is compensated. Thus, risks are shared with others. From the analysis of past events the insurer (an insurance company or an underwriter) knows the probable losses caused by each type of risk covered by insurance. Insurance, therefore, is a form of risk management primarily used to safe guard against the risk of potential financial loss. Ideally, insurance is defined as the equitable transfer of the risk of a potential loss, from one entity to another, in exchange for a reasonable fee. Insurance company, therefore, is an

association, corporation or an organisation engaged in the business of paying all legitimate claims that may arise, in exchange for a fee (known as premium).

Insurance is a social device in which a group of individuals (insured) transfers risk to another party (insurer) in order to combine loss experience, which provides for payment of losses from funds contributed (premium) by all members. Insurance is meant to protect the insured, against uncertain events, which may cause disadvantage to him.

Sector of Economy and GDP of India

The Indian economy is classified in three sectors — Agriculture and allied, industry and services. The services sector is the largest sector of India. The Gross Value Added (GVA) at current prices for the services sector is estimated at 73.79 lakh crore INR in 2016-17. The services sector accounts for 53.66% of India's total GVA of Rs. 137.51 lakh crore. With GVA of Rs. 39.90 lakh crore, the industry sector contributes 29.05%. While, agriculture and allied sector shares 17.32% and the GVA is around of 23.82 lakh crore INR. At 2011-12 prices, the composition of agriculture and allied, industry, and services sector are 15.11%, 31.12%, and 53.77%, respectively.

	Sector	GVA (Rupees in Crore) at current prices						
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	% share
1	Agriculture Sector	1,501,816	1,680,798	1,932,692	2,067,935	2,172,910	2,382,289	17.32%
1.1	Agriculture, forestry & fishing	1,501,816	1,680,798	1,932,692	2,067,935	2,172,910	2,382,289	17.32%
2	Industry Sector	2,635,052	2,921,262	3,188,270	3,455,221	3,683,358	3,989,791	29.02%
2.1	Mining & quarrying	261,035	285,776	295,716	313,844	296,041	309,178	2.25%
2.2	Manufacturing	1,409,986	1,572,830	1,713,445	1,883,929	2,065,093	2,278,149	16.57%
2.3	Electricity, gas, water supply & other utility services	186,668	215,164	259,840	279,456	321,765	338,396	2.46%
2.4	Construction	777,363	847,492	919,269	977,992	1,000,459	1,064,068	7.74%
3	Services Sector	3,969,789	4,603,255	5,245,305	5,947,260	6,595,670	7,378,705	53.66%
3.1	Trade, hotels, transport, communication and services related to broadcasting	1,413,116	1,664,083	1,874,443	2,095,337	2,294,367	2,538,162	18.46%
3.2	Financial & real estate	1,530,691	1,776,023	2,069,386	2,363,328	2,632,432	2,896,300	21.06%
3.3	Public Administration, defence and other services	1,025,982	1,163,149	1,301,476	1,488,595	1,668,871	1,944,243	14.14%
GVA at basic prices		8,106,656	9,205,315	10,366,266	11,470,415	12,451,938	13,750,786	100.00%

