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शक्ति उत्थान आश्रम लखीसराय बिहार

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BUSINESS SERVICES

Question 4:

Describe various types of insurance and examine the nature of risks protected by each type of insurance.

ANSWER:

Insurance can be classified into the following three types:

(i) Life Insurance

(ii) Fire Insurance

(iii) Marine Insurance

Life Insurance

Life insurance is a contract between the insurer and the insured in which the insurer agrees to pay a certain pre-specified amount to the insured on the occurrence of death of the assured or on maturity of the insurance contract, whichever comes earlier. That is, in case the insured dies before the maturity of the contract, his or her family is given the assured amount. However, if the insured survives till the maturity of the contract, then he or she is given the specified sum of money. In return for this assurance, the insured pays a fixed amount as premium to the insurer. The need for a life insurance policy arises because of the uncertainties of life.

Thus, life insurance policies protect us from the following two types of risks:

(a) Risk of dying too early

(b) Risk of dying too late

Fire Insurance

Insurance contracts that protect the insured against the loss or damage caused by fire during a given period are called fire insurance contracts. Under a fire insurance contract, the insurer agrees to compensate the insured for the loss or damage to the insured property caused by fire, against a payment of a fixed premium. The maximum compensation which the insurer is liable to pay is pre-specified in the contact, along with the conditions under which the contract is enforceable.

Marine Insurance

A marine insurance contract protects the owner of a ship or cargo against complete or partial loss or damage caused to the ship or cargo at sea. It provides protection against the perils of the sea such as collision of the ship with a rock, attack on the ship by enemies and pirates, and damage caused by fire. The insured pays a certain amount as premium to the insurer.

Question 5:

Explain in detail the warehousing services.

ANSWER:

Warehousing involves storing goods in a scientific and organised manner to maintain their value and quality for a longer period of time. The place where goods are stored is known as a warehouse. Warehouses not only provide storage services but also logistical services by providing the right place for the right quantity at the right time at the right cost.

The following are some of the functions performed by warehouses:

(i) *Consolidation*: The foremost function of a warehouse is to pool the goods or raw materials from different plants and dispatch them at the same time to different customers in one shipment. This reduces the time and cost of shipment.

(ii) *Bulk breaking*: Warehouses often receive goods or materials in bulk from production plants. These bulk quantities are then divided into smaller quantities, which are later delivered to different customers according to their requirement.

(iii) *Stockpiling*: It is the most important function performed by a warehouse as it facilitates the storage of goods and raw material that are not required for immediate sale or manufacturing. It also ensures that the goods are protected from any spoilage or damage caused by sun, rain, pests, theft, fire, etc.

(iv) *Price stabilisation*: In situations of varying demand and supply of goods, warehouses help in stabilising the prices of goods. That is, in the case of excess supply, warehouses store the excess quantity. This prevents the prices from falling and helps in price stabilisation. Similarly, in times of scarcity, goods can be released from warehouses to control a rise in prices.

(v) *Value-added services*: Warehouses perform value-added services for producers such as grading the quality of goods, packaging and labelling, in case stored packages are opened by buyers for inspection.

(vi) *Financing*: The owner of the goods or raw materials stored in a warehouse can use the warehouse receipt as security for borrowing money from banks or other financial institutions.