

**INSURANCE-1**  
**ASSURANCE AND INSURANCE**

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# ASSURANCE AND INSURANCE

## Articulation of Terminology :

The terms, 'Assurance' and 'Insurance' are commonly used in insurance contracts. On historical point of view, the word 'Assurance' is more older used in all types of insurance contracts by the end of 16th century. But, from the year 1826, term is used to indicate life insurance only and the word 'Insurance' for all types of insurance like marine, fire etc. This is because that in life insurance, there is an assurance from the insurer to make payment of the policy either on the maturity or on death. Thus, the word 'Assurance' indicates certainty. On the other hand, the word insurance is used against indemnity insurance, like fire insurance marine insurance etc. In these types of insurance, the insurer is liable to indemnity only in case of loss of property or goods, otherwise not. In brief, the difference, between two terms are given in the following table below :

### Difference between Assurance and Insurance

(or Life Insurance and Indemnity Insurance)

Basis of Difference	Assurance	Insurance
1. Exposure	The term is used only in life insurance contract and therefore the scope is comparatively limited.	The term is used for all other types of insurance and therefore, the scope is more wider.
2. Tenure	The life insurance contract is a continuing contract and it will not lapse unless the	Indemnity insurance is a contract from year to year and it automatically lapses

- |                                      |   |   |
|--------------------------------------|---|---|
|                                      | premium is regularly paid.  | after one year though it can be renewed.  |
| 3. Probability of event              | The event is bound to happen sooner or later.   | It is not certain that the event insured against may happen or not.   |
| 4. Amount Insured                    | Insurance policy for any amount or any number of policies can be taken in this case.  | In insurance, the policy amount is restricted to market value of assets, not more than that. This is because that indemnity cannot be more than the value of the asset. |
| 5. Certainty of the payment of claim | Payment of claim either on maturity of policy or on death of the assured is certain.  | There is no certainty to receive payment since it is paid only in case of loss of the property insured.   |
| 6. Mode of investement               | The element of investment is present in assurance since there is certainty of receiving payment either on death or on maturity of the policy. | It lacks the element of investement since there is no certainty of receiving payment.   |
| 7. Sum Matured                       | The policy amount is paid to the assured in   | The payment of claim is subjected to the  |

full on the maturity or on death along with bonus etc. announced by the insurance company from time to time.

element of actual loss but not more than the insured sum.

- |                                  |   |   |
|----------------------------------|---|---|
| 8. Application of some Principle | Principle of indemnity does not apply in life assurance. The sum assured is payable irrespective of any profit or loss and the full extent of the amount insured. | Principle of indemnity is the basis of insurance contracts.                                       |
| 9. Surety/ Security              | The insurer gives assurance to the insured to pay the insured to pay the claim in any case either or maturity or on death.  | The insurer only promises to secure the property in case of actual loss.                          |
| 10. Insurable interest           | In a life policy, the insurable interest is one that required by law and such interest is not measurable in terms of money.                                       | In indemnity insurance, the assured is required to have an insurable interest in terms of policy. |
| 11. Co-ordination                | The word 'assurance' indicates a relationship   | The word 'Insurance' only represents the  |

with the principle of insurance.      behaviour of insurance.

12. Date of Claim      In life insurance insurable interest is to be proved at the date of the contract and it is not necessarily be present at the time when the policy falls due for claim.      In marine insurance the insured must have insurable interest on the subject matter at the time of loss, but not necessarily be present at the time of effecting the policy.

### **Difference between Insurance and Gambling**

<b>Basis of Difference</b>	<b>Assurance</b>	<b>Gambling</b>
1. Interpretation	Insurance is a device of spreading the risks of few persons among a larger number of people.	Gambling is a Wagering agreement under which both parties mutually agree to pay money or money's worth to another on happening or non-happening of some uncertain specified event.
2. Certainty	Insurance provides security against risks.	Gambling is a game which creates risks.
3. Objective	The object of taking insurance policy is to avoid or reduce risks	The object of gambling is either for entertainment or to

	and uncertainty in life and property.	gain from winning or loosing.
4. Hiarchy of interest	Insurable interest on the life of insured or on the subject matter of insurance is very essential in insurance contracts.	Gambling lacks insurable interest.
5. Sence of risk	Risk is the essence of insurance, without which no insurance is affected.	Gambling creates risk.
6. Probability of risk	In insurance, risk is ascertained in scientific basis so as to determine the rate of premium.	In gambling, the person himself is the creator of risk.
7. Claim	In insurance, the claim against the policy becomes due on happening of the specified event.	In gambling, payment becomes due either on hapenning or non-happening of the event, as per conditions of wagering agreement mutually agreed u[pon by the parties.
8. Return of premium	Premium paid by the assured is not	In gambling, the winner gets the

	returned since it is a consideration in the contract of insurance.	winning money as well as the money be kept with the stakeholder.
9. Chance	Luck has no role in insurance.	Gambling is a game of luck.
10. Applicability of Principles	Insurance of affected on fundamental principles like insurable interest utmost good faith, indemnity etc.	Gambling is a game not based on any principle except profit or loss.
11. Legal Enforcement	Insurance is a lawful contract.	Gambling is an illegal agreement.
12. Tool of Social welfare	It is a plan for social welfare and indicator of social prestige.	Gambling is a social evil and a gambler has no place in the society.
13. Financial Stability	Insurance has the element of investment and contributes towards the economic development of the country.	Gambling discourages development, and obstructs economic progress.



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