

# Possibility of an unfortunate occurrence finance essay

[Finance](#)



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## CHAPTER #1 INTRODUCTION

### 1.1 INTRODUCTION

Definition of Risk: A). The Possibility of an unfortunate Occurrence B). doubt concerning the outcome of Situation. C). Unpredictability D). The Possibility of loss. Firstly we need to recognize the Elements of Uncertainty and unpredictability. The terms often implies something that we don't want to happen. Risk Measurement and the means of attempting to deal with the risks we face are collectively termed Risk Management. In Commercial Context this is often a well-defined and scientific process, attempting to answer questions such as: ' How much will it cost if things go wrong?' And ' What are the chances of the Risk Becoming a reality?' The accepting of an unknown future potential risk by an insurer for an agreed premium is a way of defining insurance as a risk transfer mechanism. It brings peace of mind to the insured because they have replaced the uncertainty of possible future loss with the certainty of the agreed premium. There is a continuing trend towards taking control and developing a formal strategy for managing the various risks that affect businesses. The appointment of risk managers in industry and commerce is now common place. The below points describe the importance of Risk Management. a) Reduces the risk of loss by recognizing & handling hazards. b). Provides controlled mode in quantifying risks. c). Shareholders are provided with a superior degree of confidence in a company's to achieve its risks. Hence risk management can be defined as : " The Identification, analysis and economic control of those risks which can threaten the assets or earning capacity of an enterprise."

## **Categories of Risks:**

### **Financial & non Financial**

The outcome of insurable risk depends on adversity of events which must be capable in measurement in financial terms. Most general insurances are compensatory in nature; this means that the value placed on the loss is not determined in advance, important exceptions to this general rule are personal accident and sickness policies. The Examples of Financial Risk May Include, e. g. . Accidental Damage to motor car, Theft of Property and loss of Business Profits Following Fire. Pure and Speculative: Insurance doesn't apply to Speculative Risks, pure risks on the other hand are those where there is a possibility of a loss but not gain and where the best that we can achieve is a break even situation. Like the risk of Fire or a machinery Breakdown. Particular and Fundamental: There are some risks that occur on such a vast scale that they are uninsurable these are called fundamental risks, like earthquake in a region known to be prone to such risks or famine, economic recession or a more general risk of war. In contrast to fundamental risks, certain risks are localized and in some cases personal in their cause and effect, sometime the cause may be more widespread but the effect is localized or even related to an individual. Examples may include a factory fire and a car collision. In order to insure someone it requires to collect funds from various entities, this pool of fund can be accessed by anyone depending on risk/policy set forth. these funds are used in case of accident in exchange of a fee referred as premium in order to compensate for the losses that may incur due to various risk factors, as the fee or premium may vary dependent upon the frequency and severity of the event occurs. In order to be

insurable, the risk insured against must meet certain characteristics to fall under insurable risk.

## **1. 1. 2 INSURANCE COVERAGE**

Property Insurance: Cover risks to actual Property, The Types of covers are as follows Fire, Special Perils and all Risk Policies: These are issued to cover material Property Such as Buildings, contents and stock. Theft: Covers loss of or damage to property caused by theft , usually involving forcible entry to or exit from the premises. Engineering/Breakdown : it Covers Explosion , Breakdown or accidental damage to Plant mainly Boilers and pressure plants , engine plant , electrical plant , lifting machinery , miscellaneous plant and computers along with its Inspection on regular basis. Glass: Cover all kinds of Fixed Glass, Policies cover destruction of or damage to all fixed glass and can be extended to cover for lettering on glass on all risk basis. Live Stock: Insurance of Livestock (horses, Cattles) against death through accident or disease and against theft and unexplained disappearance. Money: its on All Risk Basis, covering all risks of loss or destruction of or damage to money in transit on the insured Premises during business hours and for small amounts even outside business hours. Money may also include Bank Drafts, Postal Stamps etc. Pecuniary Insurance risk is related to money, it gives risk coverage for items with intangible nature such as revenue, income Fidelity Insurance: fidelity applies to loyal performance of duty, it deals with dishonesty or disloyalty or any crime committed by employees of company can be taken into account of risk, risk factors resulting from such activities are covered under fidelity insurance. Legal Expenses: deals with insurance related to individuals, families and businesses to bear cost for any

legal advice/ civil cases or defending civil actions  
Credit: Credit means to lend money, or take loan from someone which can be paid later on, buying and selling goods or services and paying on deferred payment is credit.

Therefore credit insurance covers risk involving nonpayment. Seller is insured in case buyer is unable to pay off its debt, these sort of risk are mainly used in business transactions  
Business Interruption: Businesses often face losses due to interruption in process as consequence of damaged machinery or property, the amount of loss due to interruption can also be insured. Risk coverage is given on actual loss of earning in business trends or the opportunity cost if the certain interruption would have no occurred, plus the increased costs of associated with the business recovery.

## **Motor Insurance**

Motor insurance is the most significant compulsory insurance, the Main

Types of Motor insurance are Private Motor Insurance, Motor Trade

Insurance, Commercial Motor Insurance. Motor Cycle Insurance

Liability Insurance: The insurance of the legal liability to pay for compensation to the insured in respect of their legal liability to pay damages to any employee

arising out of bodily injury, disease, illness or death received in the course of employment by the insured. Types may Include Employers Liability, Public

Liability, and Products Liability, Directors and officers Liability and

Professional Indemnity. Marine and Aviation Insurances: Marine Insurance

relates to three areas of risk namely hull, cargo and freight. Marine hull

insurance covers the ship, its machinery and equipment. Marine Cargo

Insurance covers the goods, property and / or merchandise carried by a ship

or aircraft. Aviation Insurance covers both loss of and damage to the aircraft and legal liability to third parties and passengers.

## **HISTORICAL PERSPECTIVE**

### **1. 1. 3. 1. Ancient world**

Chinese and Babylonian traders initiated the first methods of transacting risk transfer as long ago as the 3rd and 2nd millennia BC. Merchants travelling treacherous river torrents would redistribute their goods across many vessels to limit the loss due to any capsizing of single boat. The Babylonians advanced a system and it was lately adopted by early Mediterranean sailing merchants. If a merchant funded his shipment on the loan basis, he would then pay the lender an additional sum in for the lender's guarantee to withdraw the loan should the shipment be lost or stolen.' General Average' was established after a thousand years', which allowed groups of traders to arrange to insure their goods being transported together. The collected premiums would then be used to reimburse any trader whose goods were jettisoned during transport to storm or sink age. The Greeks and Romans presented the roots of Health and life insurance when they created societies called " benevolent societies" which cared for the families of deceased members and with funeral expenses and arrangements. Guilds in the Middle Ages aided a similar purpose By the time when the Insurance was almost fully established in 17th century, England had Friendly Societies, where people contributed amounts of money to a Pool to be utilized in times of Crisis.

## **Medieval and Early modern**

By early 1700s, Mr. Edward Lloyd operated a coffee house that became a famous of ship owners, merchants, and ships' captains, and very soon established as trustworthy source of the newest shipping news as well as becoming the gathering and meeting place for parties wishing to insure cargoes and ships, and other who were willing to accept such risks.

Insurance can be traced to 1666 The Great Fire of London, which consumed Approx. 14, 000 houses. In the result of this tragedy, Nicholas Barbon opened an office to insure buildings. And later established England's first fire insurance company, The first insurance company in the U. S. A underwrote Property insurance and was made in Charles Town, South in 1732, but it covered only fire insurance.

### **1. 1. 3. 3 Modern Europe - German and British government programs**

Germany played as important role in the buildup of welfare programs particularly in Prussia and Saxony that began as 1840s. Later the old Age Programs of Pensions, covers for accident insurance, medical care and unemployment insurance shaped the base of the modern European welfare state. These programs won the backing of Germans because its objectives were to win the support of the working classes for the Empire and diminish the outflow of immigrants to America, where in spite of higher wages welfare was not yet developed.

## **American history - Colonial**

Benjamin Franklin aided to spread and make normal the practice of insurance, particularly Property insurance. By 1752, he founded the <https://assignbuster.com/possibility-of-an-unfortunate-occurrence-finance-essay/>

Philadelphia Contribution ship for the Insurance of Houses from Loss by Fire. His company was the first to make offerings toward fire prevention. Not only did his company Offered Risk Management in the form of advice, it declined to insure certain buildings/assets where there was high loss potential and, such as all wooden houses.

## **19th century**

Most of the insurance players functioned locally. The determined ones prolonged geographically in the 1820s, such as the New York Life Insurance and Trust Company in upstate New York, and the Baltimore Life Insurance Company. They made a system of agents to grow markets in different metropolises. The objective was to only insure people of sound health, without hereditary disease, and not belonging to families witnessed for short lives. The company had to evaluate the dependability of agents, who sought out clients, canceled unsure policies, and judged the health of probable customers. The questions normally asked by the agents included : Is he now in good health? Does he regularly enjoy good health, or how else? Has he at any time been afflicted with gout, asthma, consumption, scrofula, convulsions, palsy, or any other disease likely to impair his constitution? . Is her properly vaccinated, or had the small pox? Do you know of any condition which renders insurance on his life more than usually hazardous?" It later developed further where late in the 19th century when the companies employed doctors who used standardized criteria.



## **Moral hazards**

One of the most important worries for insurance companies was the moral hazard--people might set fires to collect property insurance--or even commit suicide or murder when life insurance was involved. From the opposite angle, religious people refused to consider insurance against God's decisions. Fraud was also a problem, as people lied on applications, broke policy limits, or falsified their own deaths so their family could collect.

## **20th century Social Security**

Till the passage of the Social Security Act in 1935, there was no mandatory insurance on the general public by the federal government, but this program extended the notion and recognition of insurance as a source to achieve individual financial security. The First boom of the market immediately after the Second World War with the original Home Loan programs that greatly expanded the idea that affordable housing for veterans. The mortgages through this time included an insurance clause as a means of shielding the banks and lending institutions involved against avoidable losses. During the 1970s and 1980s there was a development in support for the prerequisite for drivers to have insurance as a means of demonstrating financial responsibility to themselves as well as to the the automobile, in the case of an accident, could cause substantial damage. soon the car insurance became a compulsory obligation for all motorists.

## **STATEMENT OF PROBLEM**

To evaluate the role of livestock insurance schemes on the agricultural economy of Pakistan. To understand current plans offered by different Insurance Companies in Live Stock Insurance.

## **SIGNIFICANCE OF THE STUDY**

It will define that how much losses are been stopped by this sort of insurance Does it guard the farmer/herder against the premature death of animals subsequent from natural causes, fire, lightning, accidents, and acts of God, acts of individuals other than the owner and destruction for humane purposes and how does it Contribute to the Agricultural Based economy

## **SCOPE & DELIMITATION**

The scope of study is to determine the role of live stock insurance on the over all macro and micro economic level of the agricultural based economy the study will determine the impact of over all insurance plan that had been formulated based on cost effective policies on the economic growth while we are considering as per the past economic finance studies that Pakistan's economy is based on the farms and agriculture. Lack of Data Availability. Due to Time Constraints The Evaluation May be Biased in the Sense of Sample Selection. As Livestock Insurance is not a Shelf - Ready Product , the insurers might not be willing to share their Respective Rates along with Terms and Conditions. Research is Applicable to Pakistan only.

## **CHAPTER #2**

### **RESEARCH METHODOLOGY & PROCEDURES**

## **RESEARCH DESIGN**

Qualitative and Exploratory study A qualitative evaluation shall be utilized for this research project leveraging subjective methods such as interviews and observations to collect substantive and relevant data. This study is carried out with interviews from Selected Companies within Pakistan Insurance Market. Including Both the Insurers; Those Offering the Cover and those not. We will explore the Concepts on Insurance, their Inherent Benefits to the Corporate / Consumer Customers. We will look in to Pakistan's Agricultural background, how it Supports our Economy and overall the Role of Insurance (Livestock) on the Economic Growth for the Country and will also examine the Current Covers Being Offered By Different Insurance Companies and their Current Penetration Levels.

## **RESPONDENTS OF THE STUDY**

Respondents of the Study are Insurance Companies Operating in Pakistan; will Select 3 to 4 Companies which are key Players in Insurance Industry and Specifically in Agriculture/Livestock Insurance Schemes. Interviews shall be conducted from the Underwriters/Claims Personnel and as Well as Senior Management People Involved in Creating Insurance Covers for Different Categories and Devising their Respective Risk Categories and Accepting Risks , specifically in Live Stock Insurance. Sampling Size - 5 to 6 interviews

## **Companies Covered**

Adamjee Insurance  
GI Insurance  
Pak Takafu  
EFU

## **RESEARCH INSTRUMENTS**

Mostly Primary along with some secondary data for literature review, all data would be based on interviews and the data gathered while conducting a primary and secondary survey of selected organizations.

### **Sources of Data**

Structured Interviews. Unstructured Interviews Periodicals (Insurance Magazines). Books & Journal articles. Chartered Insurance Course Books.

## **TREATMENT OF THE DATA**

This research would be grounded on qualitative data. The justification for conducting qualitative approach is that this research will not be dealing with numbers, percentages, probabilities, ratios or values. Semi-structured interviews will be conducted which are Qualitative in nature. Therefore, thematic analysis would probably be conducted to examine the data gathered. Interviews will be conducted face to face, not much cost would be associated with it The research being conducted is achievable through qualitative data gathered with the help of interviews.

## **ETHICAL ASPECTS**

Data would strictly be kept private and confidential without the invasion of privacy. The personal information of the interviewee would not be visible and exhibited. The personal data includes the names of the employees or customers and their contact numbers as well as their email addresses.

## **CHAPTER #3**

### **REVIEW OF RELATED LITERATURE AND STUDIES**

### **3. 1RELATED LITERATURE**

#### **The need for Insurance**

Insurance has been around for a very long time. It has its origins in different kinds of situation where financial protection is required against a possibility of suffering some misfortune or loss. The basic concept of insurance is that the losses of the few who suffer misfortune are met by the contributions of the many who are exposed to similar potential loss. Insurance companies gather together relatively small sums of money from people who want to be protected financially from similar kinds of perils. The insurer sets itself up to operate a pool, contributions in the form of premiums from many insured go into this pool from the pool the payments are made to compensate the losses of the few. Contributions or premiums should be big enough in volume to compensate for the losses equal to one year, in addition they must compensate for cost associated with operating the pool and providing services for profit contribution to the insurer.

#### **Law of Large Numbers:**

Benefits are more likely to incur for insurer from large pool. This states that where there are a large number of similar situations, the actual number of events occurring tends towards the expected number. Applying the principle of large numbers to insurance enables the insurer to predict fairly confidently the final cost of claims in one year. This is because the insurers provide cover against the large number of similar risks and the final number of actual loss events tends to be very close to the expected number. This enables the insurer to calculate likely losses and so confidently charge a

fixed premium, meaning that the insurer knows what costs will be for the year.

### **Benefits of Insurance:**

Insurance brings many benefits to the Policyholders and to society as a whole. It releases capital within the companies that can be used in the business. In the absence of insurance large sums would be need to built up and set aside to cater for unforeseen contingencies, such as fire, flood or liabilities. Enterprises are encouraged to start or expand. In their early years companies are particularly vulnerable to loss and this may inhibit an entrepreneurial approach in say opening the factory or launching a new product. Insurance provide security from which to develop such innovations. Employees are kept in work. This is a great social benefit of insurance, whenever there is insured occurrences at a location there will be physical damage, but often it doest not stop here. The insured will lose turnover until their trading position is eventually restored. Insurance can cover not only physical loss or damage but also wages, salaries and the loss of trading income for the period during which the business is recovering. This in turn ensures that the jobs are maintained. Losses are reduced in size and number. The overall cost to the community of all damage by fire in a year is called fire waste. Insurers are keen to minimize this. Every fire prevented is a claim that doesn't not have to be paid and a business that can continue trading without disruption. Insurers use the services of surveyors for larger risks. Their role is to assess the risk for the underwriter, estimate the loss potential and make recommendations regarding improvements designed to reduce the incidence of fires or their effect. The nation benefits from the

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investments made by the insurers. This arises in two main ways: Firstly there is a time delay between the receipt of premiums and the occurrence of the claims, this creates a premium reserve. Once claims have occurred there is a further period that can be very extensive for third party claims involving personal injury or illness before the claims are actually paid. This element is a claim reserve. At any one time the insurers will have substantial sums of money in these reserves to invest.

### **Principle of Utmost Good Faith:**

Willingly reveal all the evidences related to risk in correct and proper manner as to reflect good intention whether requested or not, it applies equally to both the proposer and the insurer throughout the contract negotiations.

However the implementation is different for each party. It is the proposer who is responsible to disclose all facts related to risk with insurer. The nature of the Subject matter of the insurance contract and the circumstances surrounding it are facts known mainly by the insured. The insurer on the other hand must be entirely open with the proposer In other way. The insurer cannot introduce new nonstandard terms into the contract that were not discussed during negotiations; neither can the insurer withhold the fact that discounts are available for certain measures that improve a risk. Implicit in all insurance negotiations there is a duty to disclose material facts. This is particularly important at the proposal stage, before the contract comes into existence. By the common law once the Policy comes into effect the duty to disclose is revived at each renewal date. In many cases it is the completion of the proposal form by the proposer that brings about insurance. The insurer constructs the proposal form with the intention that it will draw out

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all the relevant information relating to the risk, however if a specific question is not asked, the duty of disclosure means that the proposer still disclose any information that is material. On other hand if a question is asked and the proposer only provides with the partial information in response to the question and the insurer doesn't follow up or ask for further details, then its concluded that the insurer has waived its rights regarding its information and the proposer is not considered to have failed to disclose a material fact in these circumstances.

## **Material Fact**

Material facts either related to Physical Hazards or moral Hazards. Like in Fire Insurance The construction of the Building and the nature of the use of the Building and its heating and electrical systems shall be Physical Hazards and information regarding those is material to the risk . In motor Insurance the age and the type of the car, the age of its driver and the fact that does he hold valid driving license and the history of previous accidents might present some physical hazards. Material Facts also relate to Moral hazards, they relate either to the insurance history like previous refusal from other insurers to insure and the claim history of the insured or any indications of suspected fraud or claims exaggeration. Personal history or attitude may point towards the criminal convictions, a lack of good management of business premises , excessive or willful carelessness. There are some facts that don't need to be disclosed as the duty to disclose material facts is a heavy one on the proposer. The insurer should be aware of these facts. Facts of Law: Everyone is deemed to know the law. it follows that those actions that the proposer needs to take in order to comply with the law do not need

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to be declared specifically even if material. Facts of Public Knowledge: facts such as state of war exist or that a particular area is subject to natural catastrophes, subsidence, hurricane or flood. Facts that a survey should have revealed: this only applies in circumstances where an insurer has actually carried out a survey. Provided that proposer has not concealed anything from the surveyor, if the surveyor misses something of importance that is a material fact. The insurer subsequently cannot claim non-disclosure.

## **Structure of an Insurance Market**

The Insurance market is made up of five main groups of people: 1. Buyers (Policy holder/insured) 2. Intermediaries (Those who bring buyers and sellers Together) 3. Aggregators (for Price Comparisons) 4. Insurers (sellers) 5. Re Insurers (backers, providing a further means of spreading risks).

Buyers Intermediaries Insurers Re Insurers

## **Insurance**

## **Re Insurance**

### **3. 2LOCAL LITERATURE**

#### **Pakistan - FED exemption on livestock insurance proposed**

FED The Federal Tax on Insurance has been exempted on Live Stock and Insurance for Crops as it was with Exports Related to Marine Insurances. The Current Percentage being 16% on the Gross Premium. The proposal revealed that the penetration of livestock insurance is the lowermost in Pakistan when related to other agricultural countries of our region. (Business Recorder, 10th April 2012). Pakistan is a farming country in which the livestock is the prime subsector contributing to a total of 55. 1 percent to agriculture includes

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buffalos, goats and cows which provide milk, hides and other raw material (SMEDA, 2005) Dairy is a major part of food consumption and it plays an important role in Pakistani diet in the form of milk, meat and egg. Milk is classified as the major dairy product due to its long-lasting benefits i. e. bone health, lower the risk of cardiovascular and blood pressure diseases, effective against obesity, type 2 diabetics, cancer and dehydration NAUDERO (Larkana), April 3: Livestock Insurance Scheme on Micro Level was inaugurated by the President Asif Ali Zardari, Talking on the occasion he said that the Benazir Income Support Programmed (BISP) was misjudged and Criticized at the initial stage but this programme made progress and has been recognized and accepted by many countries worldwide. President Zardari said the BISP accorded self-respect and helps make the beneficiary useful citizen. He said programs like the BISP could be familiarized by elected governments and politicians. He then inaugurated the balloting of the Waseela-i-Haq Programme and later distributed certificates among the women under the livestock insurance scheme. Overview of livestock insurance scheme can play a role in the safety of the wild beast in nature and its sustainability. An arrangement whereby each herder contributes to a pool or sum set up for managing the losses faced by one or many herders. The insurance amount can be deposited in a joint account of conservation committee, in case of loss to the animal the herders are then compensated via the fund set up. It will not only increase the effect of the livestock insurance but also help protect the endangered species in the country side of Pakistan which is also a source of foreign tourism, namely snow leopards and others and also reducing the conflict between the beast and the farmers.

Insurance scheme of livestock can be initially demonstrate in a selected model village will be replaced on other potential sites for implementation (Dawn, 4th Aug 2012).

### **3. FOREIGN LITERATURE**

Insurance Progressed as did the Human Societies with time developed. We identify two types of economies in human societies: Natural or non-monetary economies: just barter and trade but with so set of standard principles of condition. Modern monetary economies: with well-developed markets, Currency, financial instruments and so on. Worldwide insurance premiums developed by 2. 7% in 2010 to \$4. 3 trillion, ascending above pre-crisis levels. Life insurance premiums increased by 3. 2% in 2010 and non-life premiums by 2. 1%. While industrialized countries witnessed an upsurge in premiums of around 1. 5%, insurance markets in developing economies saw fast expansion with nearly 12% growth in premium income. The global insurance industry was appropriately capitalized to bear the financial crisis of 2009 and most insurance companies reinstated their investment to pre-crisis stages by 2011. With the continuation of the steady retrieval of the global economy, it is probable the insurance industry will see growth in premium income both in industrialized countries and emerging markets in 2013 and further. The US and Japan unaccompanied accounted for 40% of world insurance, much higher than their 7% share of the global population. Developing economies accounted for over 85% of the world population but only around 15% of premiums. Their markets are though growing at a quicker pace (CJ Campbell, L Goldberg, A Rai. 2003) Insurance may also be acquired through an agent. In Legal terms an agent is one who is authorized

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by one party termed the principal, to bring that principal into a contractual relationship with another, termed the third party. Therefore an insurance intermediary is an agent. In the market the main distinguishing feature of an independent intermediary which also includes brokers is the fact that the intermediary is acting on behalf of the client when placing business not on behalf of the insurer in introducing the business. The expertise of the independent intermediary is in part demonstrated by making a recommendation as to the most appropriate insurer with which to place the risk. The intermediary must be capable of offering the advice on the basis of a fair analysis of the market. This doesn't mean that they do so in every case. However there is an obligation to make available a list of product providers, if the market has not been fully explored and only a restricted number of insurers approached. Remuneration from the insurer is traditionally a percentage of a premium payable, though increasingly there is a tendency for intermediaries to charge a fee for their services instead in which case they would rebate the commission to the client or agree a net premium with the insurer. If an intermediary operates as an appointed representative of an insurer they may only give advice in relation to that insurer's products. They do not therefore carry out the wider functions that relate to the suitability of different markets. In recent years there has been considerable consolidation in the insurance broking sector. There are many reasons for this consolidation including the difficulty that many smaller intermediaries have encountered in coping with strict regulations related to the insurance sector. The distribution channels also played a vital role in this consolidation because the choice of the distribution channel will affect

pricing and may even impact upon the shape of the product and its presentation. The distribution channels can be divided into two types: Direct: Employees of the insurer sell the insurance products or direct mailing techniques are used to promote the sales. Indirect: Intermediaries paid by the insurer to promote on the insurer's behalf. With the advent of the internet it has facilitated different ways of comparing prices and also led to the development of aggregators. An Aggregator collects and analyses information from different data sources. Aggregation is the termed used for information retrieval for goods and services on the internet. There are new web based extraction tools that facilitate transparently gathering information from different sources. Within insurance Market Aggregators tend to rely upon the cooperation with brokers and insurers to access their pricing for different risks. Insurance Aggregators aim to work with a number of direct insurers and intermediaries; they aim to deliver a service to the proposer whereby the completion of one question set provides quotations from a number of insurance providers. The proposer can then approach company and purchases their insurance at competitive rates. Just as individuals, corporations and public bodies may feel need to transfer risk so too do insurers. They achieve this by using the services of the reinsurers that specializes in accepting risk underwritten by other insurers. The reinsurance market is controlled by a few very large companies, with huge reserves. Namely Swiss Re, Munich Re

### **3. 4COMPANY LITERATURE**

#### **3. 4. 1Adamjee Insurance Limited**

Adamjee Insurance Company Limited (AICL) - General Insurance Company originated in 1960. The Company is listed on all three stock exchanges of the country. The head office is located in Karachi and it operates a network of 34 branches in Pakistan and one in UAE (Dubai). The Company commenced operations with a paid-up capital of Rupees 2. 5 million, which has grown phenomenally in the past five decades to Rupees 1. 24 billion, as on 31 December 2011.

#### **3. 4. 1. 1RETAIL INSURANCE:**

Pakistan's farming segment backs around 24% to Pakistan's GDP. Inspite of being the largest sector and still being ignored in terms of insurance coverage provided. Adamjee Insurance took leading role in bringing the Crop/Livestock Insurance to the market.

#### **3. 4. 1. 2Need for Crop Insurance**

Farmers highly value the time period of seeding to harvesting the crop insurance, unforeseen climatic forces add to the worries of the farmers. The agriculture sector is been continuously unprotected to hazards of floods, scarcities, rains, and hail storms. Most of the farmers in Pakistan are small cultivators and their capital base are less and insufficient. All unexpected tragedies bring disaster to their lives. Adamjee Insurance company provides coverage to all farmers in these disasters.

### **3. 4. 1. 3 Livestock**

Pakistan has an agricultural economy and its livestock constituent being more than half. To meet the rising needs of our farmers, Adamjee Insurance Company has presented Livestock Insurance and is currently the one of the very few companies to have wide reinsurance placements and treaties to operate in the livestock market.

### **3. 4. 1. 4 Why Adamjee?**

It Provides the Protection of Livestock Allow for the financial compensation to the owner in case of death of livestock as per policy conditions. Supervision incase of livestock illness. State-of-art methods of livestock care Also provides for the risk management activities in form of Professionally capable veterinary doctors.

### **Benefits and Coverage**

The central importance of Adamjee Livestock Insurance is to deliver peace of mind and secure provisions related to livestock. The policy coverage includes: Death coverage of cattle due to natural causes, disease, injury, or accident. Specialized doctors assigned task of providing farmers with latest farming procedures and practices. Policies can be modified depending upon the specific needs and client relationship.

### **3. 4. 1. 5 Premium Payment Method**

Premium can be paid through cash, cheque, pay order, demand draft, or transfer to the concerned Adamjee Insurance branch.

### **3. 4. 1. 6Claim Reporting Process**

Claims can be reported to the Claims department via fax/email/call. Source: Company Website and Policy Documents and Brochures.

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## **5. 1FINDINGS**

Insurance allows those insured to take calculated risks. So they are allowed to carry on with their purchasing activities so as to keep economy flowing. In the absence of it individual as well as corporations will be required to safe funds for possible future losses. Widespread insolvency and economic breakdowns are the expected outcomes for any nation that lacks basic insurance exposure and equally it is passed on to individuals. The portion of livestock in agriculture has improved significantly. Livestock includes sheep, cattle, and camel, horses and poultry products. Price Increase and increase in the demand with ever increasing population the productions have spurred. The standing of this segment may be recognized by the fact that the most of people residing in rural areas depend on the dairy sector and livestock and. It is also as a main foundation of income for the small farmers. Livestock has witnessed growth of around 4% against the growth of around 3% last year. The making of milk, poultry and other livestock items has amplified.

## **5. 2CONCLUSION**

The study suggests that the livestock insurance is important for an organization related to agriculture and farm houses it will secure them for the future risk and make them able to do risk free and environmental constraints free investments which will increase their productivity and



enhance their scope of investments in agricultural sector and farms. Agriculture is a great asset for Pakistan. At the time of independence Pakistan was principally agriculture based country. But with passage of time and with growth of population and demands Pakistan became a more diversified country as development came in the form of industrialization. The part of agriculture in the economic growth of Pakistan cannot be ignored after so much industrialization therefore its save to conclude that Pakistan is still an agricultural country. Agriculture is a great contributor to the GDP of Pakistan. GDP of a country Increases when Economic Development Takes Place. When Pakistan became independent agriculture was the biggest contributor to the overall GDP, with development and time service sector developed but still agriculture is the third largest contributor of the GDP. As per the World Bank Report in 2007, 20% Pakistan's GDP came from the agriculture segment of the economy. They are also an important basis of employment also providing exports of the country. Livestock comprises for more than 42 percent of the agricultural sector and around ten percent of the total GDP. Pakistan is among top ten in the Muslim World and top twentieth worldwide in farm production. It is the world's fifth largest milk producer. This indicates that agriculture is still the main stay and pillar of Pakistan's economy and has primary role in overall economic development of the country. In spite of the above scenario there is not a proper cover available to the agricultural sector and specifically the livestock sector , in such a huge market there are only a couple of insurers available for the overall livestock and as well as agricultural based economy of the country and that too with very low penetration levels if hardly any. The Corporate

farms have proper insurances in place to cover for the unforeseen risks associated with their businesses, but it's the large number of poor Farmers and livestock Owners that require to be covered for such risks for they are the primary ones affected and on the flip side of it the farmer as well as livestock owners need to understand the importance of being insured and Gov. can play an important role in this regard in terms of Low Taxes on Insurance Covers as well as Making Some Insurances Covers to be Mandatory for the Business for Operate so as to develop an overall Insurance Culture.

## **5. 3RECOMMENDATION'S**

Insurance Companies Need to Step in with Low Cost Plans to Safeguard the Risks Inherent in the Livestock farming and also to setup camps to educate the Farmer/Land Owners of the Potential Benefits of Being Insured as Compared to being UN Insured. Government also Needs to Play its Part in Addressing the Agricultural Sector Issues and Providing a Culture whereby People are required to have Insurance Covers , Specifically Making it Compulsory to have Motor and Other InsurancesSo people come to terms with the advantages of being insured and once cities start getting insured relative to their assets and liabilities, the rural section will follow soon. Introduction of livestock insurance schemes can help maintain the rare species of wild animals. Formation of livestock insurance schemes among the villagers/Farmer/herder where each member will get insurance of their livestock by paying appropriate premium decided by village committees. This can initiate the Process of Insurance at Rural Level and will also educate

the Farmers on the Advantage of Being Insured and hence also protecting the rare species of wild leopards and others wild animals.