

Quadrant II – Transcript and Related Materials

Programme	: Bachelor of Commerce (First Year)
Subject	: Commerce
Paper Code	: COG104
Paper Title	: GE 1 Principles of Insurance
Unit	: Unit 2- Introduction to Insurance Business
Module Name	: Difference between Insurance contract and Wagering agreement
Module No	: 10
Name of the Presenter	: Harshala Malvankar Asst. Prof. in Commerce Government College of Arts, Science and Commerce Quepem – Goa

Notes :

Meaning of insurance contract

Insurance is a contract between insurer and insured under which insurer undertakes to compensate the insured for the loss arising from risk.

Consideration is paid by the insured called premium

Wagering agreement

Wager means a bet between two parties

Two persons with opposite views touching the same issue come together is called wagering contract. The money is payable on happening or not happening of event.

Insurance contracts should be distinguished from wagering or gambling contracts such as betting on the turn of a card or on horse racing etc.

According to Sec.30 of the Indian Contract Act, all agreements by way of wager are void.

In a wagering agreement, the parties create the risk and want to make money on the happening or otherwise of an event.

In insurance, the risk already exists and the purpose of contract is simply to transfer the risk. There is uncertainty and payment is made on the happening of the event, in both the cases.

The following are the differences between these two contracts.

Insurance Contract	Wagering Agreement
1) A contract of insurance is legally enforceable	1) A wagering agreement is not enforceable by law
2) There must be insurable interest in the subject matter under a contract of insurance.	2) Insurable interest is not necessary for a wager, interest is limited to the stake won or lost.
3) A contract of insurance requires the parties to observe utmost good faith	3) In case of a wagering contract, good faith need not be observed.
4) In case of an insurance contract, there is consideration due to the presence of insurable interest.	4) In case of a wagering contract, no consideration by way of premium is given by the insured to the insurer
5) Insurance contracts have the general approval of the society and are encouraged as they benefit the community as a whole	5) Wagering contracts are not approved by the society.

Conclusion : This module discusses the wagering agreement and insurance contract.

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