

Welcome all.

Students in this particular session, I'll be dealing with the topic **difference between insurance contract and wagering agreement** from Unit 2 - Introduction to insurance business.

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Outline.

The topic will cover the

- Difference between the insurance contract and the wagering agreement.

Learning Outcomes

At the end of the topic student will be able to

- Define wager
- Explain insurance contract and wagering agreement and
- Differentiate between insurance contract and wagering agreement.
- Give examples of wagering agreement.

Let us begin with the topic.

Meaning of insurance contract. Insurance is a contract between insurer and insured. The insurer is the insurance company and insured is the person or the business house which takes the insurance policy under which the insurer undertakes or the insurer pays the compensation to the insured for the loss arising from risk.

Consideration paid by the insurer to the insurance company is called the premium.

What is a wagering agreement?

First, let us see who is a wager or what is a wager. Wager means a bet. The two persons with opposite views touching the same issue come together is called a wagering contract.

We will discuss this with the help of an example.

The money is payable on happening or not happening of event based on how the both people have gone with the discussion.

Take for example Mr.A and Mr. B. bet over Mr Z.

Mr. Z. is an athlete.

Mr A is saying here he is going to win.

Mr. B is saying he is going to lose the event.

Now both Mr. A & B are betting over Mr Z saying he is going to win or he's going to lose. So what happens here is.

Both have opposite views on the winning possibility of Mr Z, as in case of insurance the two parties enter into contract .

The both parties enter into a contract is for money payable by either party after the 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 section 30 of the Indian Contract Act, all agreements by way of wager are void and are not valid. void means not valid or not legal.

In wagering agreement, the parties try to create the risk and want to make money on the happening or otherwise on events.

It is a sort of agreement that wants to create the risk there is no such intention or as such there is no risk involved in that, but still wants to make money by giving the two different views on the same situation.

In insurance, the risk already exists, and the purpose of the contract is simply to transfer the risk. Actual risk exists when the person goes for the insurance contract and the intention is to transfer that financial risk to the insurance company that is uncertain and payment is made on the happening of the event in both the cases, but the one similarity we can see in case of both wagering agreement and the insurance contract is both are uncertain. But in both the cases the payment is made.

The Following are the differences between these two contracts.

Let us see in detail.

Insurance contract and wagering agreement.

A contract of insurance is legally enforceable. Yes, it is a legal contract enforceable by law enforceable or comes into contact into existence when both parties agree to the contract.

Wagering agreement is not enforceable by law.

In case of an insurance contract,there must be insurable interest in the subject matter under a contract of insurance.

There is no such insurable interest in case of the wagering agreement. Insurable Interest is not necessary as well for a wager. Interest is limited to the stake won or lost, or both. The party may know each other only for that situation on only two, or either the winning or the losing situation of the third person.

Insurance contract is a contract of insurance which requires the parties to observe utmost good faith.

In the case of a wagering contract, good faith need not be observed.

In case of an insurance contract, there is consideration due to the presence of insurable interest. The consideration here is the premium which is paid to the insurance company from time to time.

In case of wagering agreement or wagering contract, no consideration as such by way of premium is given by either of the party.

And the last point of distinction here is insurance contracts have the general approval of the society and are encouraged as they benefit the community as a whole in case of the risk.

But wagering contracts are not approved by the society.

In conclusion, we can say here we have learnt the difference between the insurance contract and the wagering agreement

The references for the topic are as follows

1. Insurance Management principles and practice by P Bodla and Gerg.
2. Insurance and Risk Management by P K Gupta
3. Principles and practice of insurance by Periaswami.

Thank you.