

Principle of Insurance

It is an economic device whereby the individual or business pays a cost (premium) in exchange for protection against financial loss. **The agreement is a contract also known as an insurance policy.**

Insurance & Various Policies (Product)

Insurance	Life		
	Non-Life	Fire	
		Marine	Hull
			Cargo
		Motor	
		Miscellaneous	
		Engineering	
		Loss in Profit	
		Crop	

Various Policies	Standard Fire And Special Perils Policy
	Consequential Loss (Fire) Insurance Policy/Business Interruption (Fire) Insurance
	Industrial All Risk
	Mega Risk Policy
	Stand Alone Terrorism Cover

Insurance	Insurer
	Insured
	Policy
	Perils (Included & Excluded)
	Sum Insured
	Premium
	Period

Insurance Contract	Offer and acceptance
	Consideration
	Agreement between parties
	Capacity of the parties
	Legality of the contract

Insurance of ...

1. Buildings, machinery, stocks etc. against Fire and Allied Perils, Burglary Risks and so on
2. Goods in transit via Sea, Air, Railways, Roads and Courier can be insured under Marine Cargo Insurance
3. Hulls of ship and boats can be insured under Marine Hull Insurance
4. Planes and helicopters can be insured under Aviation Insurance Policy

Principle of Insurance

<p>Insurable Interest</p>	<p>Insurable interest is where you have a valid reason to insure and stand to suffer a direct financial loss if the event insured against occurs.</p> <p>Not all risks are insurable. Insurable risks have certain characteristics; 1) They must be capable of financial measurement; 2) there must be a large enough number of similar risks; 3) They must not be against public policy; 4) The premium needs to be reasonable; and 5) There must be an 'insurable interest' for the person insuring. For example, a person has an insurable interest in their own car, but not in their neighbor's car.</p>
<p>Utmost Good Faith</p>	<p>The principle of utmost good faith requires anyone seeking insurance to disclose all relevant facts (Buyer Beware).</p> <p>These are facts that would influence the judgment of a prudent underwriter in fixing the premium or determining whether they will take on the risk.</p> <p>Where material non-disclosure can be proved, a contract can be voided</p>
<p>Proximate Cause</p>	<p>Insurance policy will define perils or insured events that cover are provided.</p> <p>All contracts are subject to terms and conditions that will exclude certain causes of loss. So, in the event of a claim, it is important to ascertain the cause of the loss in order to determine if that cause is insured or excluded.</p> <p>There may be multiple elements involved in a claim, so it is the 'proximate cause' that is taken into account. The proximate cause is the dominant cause that sets in play a chain of events.</p>
<p>Indemnity</p>	<p>It is considered to be the exact compensation required to restore the policyholder to the financial position they enjoyed immediately before a loss occurred.</p> <p>Indemnity settlements can be reduced where it can be proved that there is under-insurance, and therefore the insurers are only receiving a premium for a proportion of the entire value at risk. If this is the case, any claims payment will be reduced in direct proportion to the under-insurance.</p>
<p>Subrogation</p>	<p>If a policyholder has a claim paid by their insurer, they may also have a right to pursue funds from another source, such as a third-party who caused the incident. The principle of subrogation allows the insurer to pursue any rights or remedies which the policyholder may possess, always in the name of the insured. This also ensures that the policyholder only receives the indemnity settlement entitled to and therefore they will not profit from the incident.</p>
<p>Contribution</p>	<p>An insured party may have policies with two or more insurers covering the same risk, although not necessarily with equal degrees of liability. Therefore, in the event of a claim, all of the insurers should pay an equitable proportion of the claim payment.</p> <p>Contribution is the right of an insurer to call upon the other insurers to share the costs of such a claim payment. The fundamental point is that, if an insurer has paid a claim in full, it can recoup a proportion of the costs from the other insurers of the risk</p>

Standard Fire & Special Perils Policy

Sr	Perils (Inclusion)	Exclusion
1	Fire	<ul style="list-style-type: none"> • Own fermentation, natural heating or spontaneous combustion • Undergoing any heating or drying process • By order of any Public Authority
2	Lightning	
3	Explosion/Implosion	<ul style="list-style-type: none"> • By boilers, economizers, vessels, machinery or apparatus • Resulting from their own explosion / implosion • Caused by centrifugal forces
4	Aircraft Damage (by Aircraft, other aerial or space devices and articles dropped there from)	<ul style="list-style-type: none"> • Caused by pressure waves
5	Riot, Strike and Malicious Damage	<ul style="list-style-type: none"> • Burglary, housebreaking, theft, larceny, etc. • Cessation of work or retardation or interruption or cessation of any process or operations or omissions of any kind. • By order of the Govt. or lawfully constituted Authority • Resulting from the Unlawful occupation • Terrorism Damage Exclusion Warranty
6	Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood and Inundation	<ul style="list-style-type: none"> • Earthquake, Volcanic eruption or other convulsions of nature
7	Impact Damage (by any Rail/Road vehicle or animal by direct contact)	<p>Not belonging to or owned</p> <ul style="list-style-type: none"> • The Insured or any occupier of the premises • Their employees at time of their employment
8	Subsidence and Landslide including Rock slide	<ul style="list-style-type: none"> • Normal cracking, settlement or bedding down of new structures • The settlement or movement of made up ground • Coastal or river erosion • Defective design, workmanship or materials • Demolition, construction, structural alterations or repair of any property or groundwork or excavations
9	Bursting and/or overflowing of Water Tanks, Apparatus and Pipes	
10	Missile Testing operations	
11	Leakage from Automatic Sprinkler Installations	<ul style="list-style-type: none"> • Repairs or alterations to the buildings or premises • Repairs, Removal or Extension of its Installation • Defects in construction known to the Insured
12	Bush Fire	<ul style="list-style-type: none"> • Caused by Forest Fire

Inclusion in Standard Fire & Special Perils Policy

- Buildings & electrical installation in buildings,
- Plant, machinery, equipment, accessories,
- Goods (raw material, in process, semi finished, finished, packing materials, etc.) in factory and godown and goods in open,
- Contents in dwellings, shops, hotels, etc.
- Furniture, fixture, and fittings,
- Pipelines located inside or outside the compound, etc.

Exclusion in Standard Fire & Special Perils Policy

1. This Policy does not cover (not applicable to policies covering dwellings)
 - a. The first 5% of each and every claim subject to a minimum of Rs. 10,000 in respect of each and every loss arising out of 'Act of God perils' such as Lightning, Subsidence, Landslide and Rock slide covered under the policy.
 - b. The first Rs. 10,000 for each and every loss arising out of other perils in respect of which the Insured is indemnified by this policy.
2. Loss, destruction or damage...
 - a. Caused by war, invasion, act of foreign enemy hostilities or war like operations
 - b. Radiations or contamination by radioactivity from any nuclear fuel and/or waste
 - c. By pollution or contamination
 - d. Bullion or precious stones or works of art for exceeding Rs. 10,000/-
 - e. Manuscripts, plans, drawings, securities, obligations or documents of any kind
 - f. stamps, coins or paper money, cheques, books of accounts or other business books, computer systems records
 - g. the stocks in cold storage premises caused by change of temperature
 - h. Loss of earnings, loss by delay, loss of market or other consequential or indirect loss or damage of any kind or description

Add on Covers

In addition to the perils/ expenses covered, the proposer can opt to seek cover in respect of the following perils/ expenses at inception or during currency of the policy on payment of additional premium.

Available 'Add on Covers' on Perils

Loss/ damage/ destruction of the property caused by...

- a. Deterioration of Stocks in cold storage premises due to power failure

- b. Deterioration of stocks in cold storage premises due to change in temperature
- c. Forest Fire
- d. Impact Damage due to Insured's own Vehicles, Fork lifts and the like and articles dropped there from
- e. Spontaneous Combustion
- f. Omission to insure additions, alterations or extensions
- g. Earthquake (Fire and Shock)
- h. Spoilage material damage cover
- i. Leakage and contamination cover
- j. Temporary removal of stocks
- k. Terrorism

Available 'Add on Covers' on Expenses

- a. Architects , Surveyors and Consulting Engineer's Fees (7.5% claim amount)
- b. Debris Removal, dismantling or demolishing, shoring up or propping (limited to 10% of the total sum insured)
- c. Loss of rent
- d. Insurance of additional expenses of rent for alternative accommodation
- e. Start up Expenses

Sum Insured

The sum insured is the insurer's limit of liability under an insurance contract.

1. Property can be insured on depreciated Value (market value) or reinstatement / replacement Value basis.
2. In case the value of a property may increase due to factors like increase in prime cost, Exchange rate etc. during the currency of the policy, the corresponding sum insured may be **increased up to 25% maximum by opting for the 'Escalation Extension'**.

Market Value: The fair price, for which something can be sold in its current condition,

Depreciation: A decrease in the value of any type of property over a period of time resulting from use, wear and tear, or obsolescence.

Reinstatement Value: It is the value at which a property can be reinstated in the same place, which bears no depreciation for its usage.

Under Insurance: A condition in which not enough insurance is held to cover the value of the insured property.

If the **value of the subject matter** at the time of risk is of **greater value than the sum insured**, than the insured shall be considered as being his own insurer for the difference and shall bear the reasonable proportion of the loss accordingly.

Over Insurance: A term used to describe the condition that exists when an insured has purchased coverage for more than the actual value or replacement cost of a subject of insurance

All Risks Insurance Policy

Coverage:

Fire and all special perils, Burglary, Machinery Breakdown / Boiler Explosion / Electronic Equipment Insurance, Earthquake &

FLOP (Fire Loss of Profit) Business interruption due to fire and all special perils and MLOP (Machinery Loss of Profit) Business interruption due to machinery breakdown

- a. As regards buildings, plants and machinery, furniture, fixture, fittings etc. the **cost of replacement or reinstatement** on the date of replacement or reinstatement subject to the maximum liability being restricted to the Sum Insured in respect of that category of the item under the Policy.
- b. As regards **stocks** the **market value** of the same not exceeds the Sum Insured in respect of that category of item under the Policy.

Exclusion in All Risks Insurance Policy

A This Policy does not cover damage to the property insured caused by:

- 1 I Faulty or defective design materials or workmanship
- II Interruption of the water supply, gas, electricity or fuel systems or failure of the effluent disposal systems
- 2 I Collapse or cracking of buildings
- Corrosion rust extremes or changes in temperature, dampness, dryness, wet or dry, rot, fungus, shrinkage, evaporation, loss of weight, pollution, contamination, change in colour, flavour, texture, or finish, action of light, vermin, insects, marring or scratching
- 3 I Larceny
- II Acts of fraud or dishonesty
- III Disappearance, unexplained or inventory shortage, misfiling or misplacing of information, shortage in supply or delivery of materials or shortage due to clerical or accounting error
- 4 I Coastal or river erosion
- II Normal settlement or bedding down of new structures

B Damage caused by or arising from:

- I Any willful act or willful negligence
- II Cessation of work, delay or loss of market or any other consequential

- C Damage occasioned, directly or indirectly, by or through or in consequence of any of the following occurrences, namely:-**
 - I War, invasion, act of foreign enemy, hostilities or warlike operations or civil war
 - II Mutiny, military rising, insurrection, rebellion, revolution, military or usurped power
- D**
 - I Nationalization, commandeering or requisition by any lawfully constituted authority
 - II Resulting from the unlawful occupation
 - III The destruction of property by order of any public authority
- E Damage, directly or indirectly, caused by or arising from or in consequence of or contributed confiscation to by**
 - I Nuclear weapons material
 - II Ionising radiations or contamination by radioactivity from any nuclear fuel or waste

Excluded Property in All Risks Insurance Policy

1. Money, cheques, stamps, bonds, credit cards, securities of any description, jewellery, precious stones, precious metals, bullion, furs, curios, rare books or works of art unless specifically mentioned as insured by this Policy.
2. Unless specifically mentioned as insured by his Policy goods held on trust or on commission, documents, manuscripts, business books, computer systems, records, patterns, models, moulds, plans, designs explosives.
3. Vehicles licensed for road use (including accessories thereon) caravans trailers railway locomotives or rolling stock, watercraft, aircraft, spacecraft, or the like
4. Property in transit other than within the premises specified in the Schedule
5. Property or structures in course of demolition, construction or erection and materials or supplies in connection therewith
6. Land (including top-soil, back-fill, drainage or culverts) driveways, pavements, roads, runways, railway lines, dams, reservoirs, canals, rigs, wells, pipelines, tunnels, bridges, docks, piers, jetties, excavations, wharves, mining property, underground off-shore property unless specifically covered.
7. Livestock growing crops or trees
8. Property damaged as a result of its undergoing any process
9. Property undergoing testing, installation including materials and supplies therefore if directly attributable to the operations of work being performed thereon unless Damage by a cause not otherwise excluded ensues and then the Company will be liable only for such ensuing loss

10. Property insured if removed to any building or place other than in which it is herein stated to be insured, except machinery and equipments temporarily removed for repairs, cleaning, renovation or other similar purpose for a period not exceeding 60 days
11. Damage to property which at the time of the happening of such damage is insured by or would for the existence of this Policy be insured by any marine policy or policies except in respect of any excess beyond the amount which would have been payable under the marine policy or policies had this insurance not been effected

Add on Cover in All Risks Insurance Policy

- Agreed Bank Clause
- Architects, Surveyors and consulting engineers fees clause
- Debris Removal Clause
- Designation of Property Clause
- Escalation Clause
- Omission to insure additions, alterations & extensions clause
- Temporary removal of stocks clause
- Terrorism Cover

Obligations of Insured

- Every insured is expected to behave as though he is uninsured.
- Take all precautions to prevent / aggravate the loss.
- Inform Insurance Company who have to be given an opportunity to inspect the damages.
- Inform fire brigade who will assist to put out the fire.
- During fire fighting, any damage caused to other insured property caused by water, will be paid by Insurance Company.
- Extend cooperation to surveyor while inspecting and assessing the loss.
- If arrival of surveyor is likely to be delayed, then, take photos / and shift unaffected assets to a place of safety.
- Give completed claim form and documents as required by Insurer, in support of your claim.
- After repairs / replacement, submit bills to Insurer.

Duties of Insured

- Obligation to pay premiums
- Requirement of notice of loss
- Notice of loss and proof of loss
- Requirement of cooperation by the insured
- Misstatements by the insured
- Collusion between the insured and claimant
- Keep your information current

Rights of Insurer

- Right to avoid the contract
- Right of control over the property
- Right of entering the property
- Right of subrogation
- Right to salvage
- Right of reinstatement
- Right of contribution

Duties of Insurer

- Duty to defend the insured
- Duty to gain the insured's cooperation
- The insurer's duty of good faith and fair dealing
- The duty to settle claims and the effect of failure to settle
- Privacy Protection
- Pay benefits
- Risk assessment
- Reserves for policy

Terminology of Insurance

Additional Cover: An insurance policy extended to cover additional risks like riots, strikes etc. on payment of additional premium.

Add-Ons: Purchase of additional benefits or cover on the existing policy.

Average Clause: A clause in the policy which states that if at the time of damage, the property value is less than its real value, and then the compensation by the Insurer will be reduced to the extent of the property value after loss.

Fire Insurance: Coverage for losses caused by fire and lightning, as well as the resultant damage caused by smoke and water

Floater Policy: A policy under the terms of which protection follows moveable property, covering it wherever it may be.

Hull Insurance: Insurance of a vessel and its machinery; a policy is generally taken out during construction which covers the ship for the whole of its useful life

Insured: The party or the individual who seeks protection against a specified task and entitled to receive payment from the insurer in the event of happening of stated event is known as insured. An insured is normally in insurance policy holder.

Insurer: The party who promises to pay indemnity the insured on the happening of contingency is known as insurer. The insurer is an insurance company.

Inflation Protection: An optional property coverage endorsement offered by some insurers that increases the policy's limits of insurance during the policy term to keep pace with inflation.

Insurable Interest: Interest in property such that loss or destruction of the property could cause a financial loss.

Indemnity: Restoration to the victim of a loss by payment, renovate or replacement.

Larceny: The unlawful taking, carrying or riding away of another person's property

Marine Insurance: A form of insurance primarily concerned with means of transportation and communication, and with goods in transit

Material Fact: Information about the subject of insurance that if known would change the underwriting basis of the insurance, and which would cause the insurer to refuse the application or charge a higher rate

Misrepresentation: Act of issuing or circulating or causing to be issued or circulated an estimate, an illustration, a circular or a statement of any kind that does not represent the correct policy terms and so forth

Peril: In insurance, any event that causes a loss and which may be included or excluded on an insurance policy, for example, an insured peril in a fire policy is fire; an excluded peril is war.

Peril of Nature: a type of peril that includes earthquake, flood, hailstones, storm, thunderbolt and subsidence; such perils are usually covered by property insurance.

Premium: The sum paid by a policyholder to keep an insurance policy in force.

Subrogation: Right of an insurer, having indemnified the insured, to avail himself or herself of any rights and remedies of the insured, for example, salvage.

Sum Insured: Limit of an insurance company's liability under a particular insurance policy.

Impact Damage: A part of the cover under the standard Fire and Special Perils policy. Cover is against loss or damage to the insured property caused by impact by any rail/road vehicle or animal by direct contact not belonging to or owned by a. the Insured or any occupier of the premises or b. their employees while acting in the course of their employment.

Implosion: Bursting of a property inwards due to a sudden decrease in pressure. Loss/damage to the insured property due to implosion is covered under the standard Fire and Special perils policy.