

iii. **Fraud**

When a person induces another to act on a false belief that is caused by a representation he or she does not believe to be true. It can arise either from deliberate concealment of facts or through misrepresenting them.

iv. **Mistake**

Error in judgement or interpretation of an event. This can lead to an error in understanding and agreement about the subject matter of contract

**Insurance contract - special features**

Let us look at the special features of an insurance contract.

1. **Indemnity**

The principle of indemnity is applicable to Non-life insurance policies. It means that the policyholder, who suffers a loss, is compensated so as to put him or her in the same financial position as he or she was before the occurrence of the loss event. The insurance contract (evidenced through insurance policy) guarantees that the insured would be indemnified or compensated up to the amount of loss and no more.

g **Subrogation**

Subrogation follows from the principle of indemnity.

Subrogation means the transfer of all rights and remedies, with respect to the subject matter of insurance, from the insured to the insurer

c) **Contribution**

This principle is applicable to only non-life Insurance. Contribution follows from the principle of indemnity, which implies that one cannot gain more from insurance than one has lost through the peril

**Uberrima Fides or Utmost Good Faith**

There is a difference between **good faith** and **utmost good faith**.

a) **Good faith**

All commercial contracts in general require that good faith shall be observed in their transaction and there shall be no fraud or deceit. Apart from this legal duty to observe good faith, the seller is not bound to disclose any information about the subject matter of the contract to the buyer.

The rule observed here is that of “**Caveat Emptor**” which means **buyer beware**.