Introduction of general insurance

Insurance contracts that do not come under the ambit of life insurance are called general insurance. The different forms of general insurance are fire, marine, motor, accident and other miscellaneous non-life insurance.

**General Insurance :**General insurance business relers to fire, marine and miscellaneous insurance business whether carmied on singly or in combination with one or more of them. Let us see each of the components of General insurance in the pages to come:

**1.Fire Insurance:** It is a contract of indemnity under which the insurance company undertakes to pay the insured for the damage or loss caused to the property insured against fire for consideration of premium Normally. the fire insurance policy is for a period of one year after which it is to be renewed from time to time. A claim for loss by fire must satis. the following two conditions

(a) There must be actual loss, and

(b) Fire nust be accidental and non-intentional

The risk covered by a fire insurance contract is the loss resulting from fire or some cause which is the proximate cause of the loss. If damage is caused by overheating without ignition, it will not be regarded as a fire loss within the meaning of fire insurance and the loss will not be recoverable from the insurer.

**2. Marine Insurance** : Insurance took its birth in the form of marine insurance. Foreign trade in earlier days was full of several sea hazards like sinking of the ship, fire to the vessel, storms, seizure or capture by the enemy or sea pirates, collision, etc. Marine insurance was conceived to safeguard the traders from these evils of the sea.

Marine insurance is a contract whereby the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses Marine insurance is an arrangement by which the insurer undertakes to compensate the owner of a ship or cargo for complete or partial loss at sea and also the loss of freight Generally, the following objects are sought to be insured under marine insurance

**(a) Cargo Insurance:** When a marine insurance policy is taken by the cargo owmer to be compensated for loss caused to his cargo in the course of its transmission, it is known as cargo insurance.

**(b) Freight insurance :** Marine insurance is taken to guard against Tecovery of freight is called freight insurance.

**(c)Hull Insurance :** When the ship is insured as a whole, it is termed as hull insurance.

**3.Miscellaneous Insurance** The process of fast development in the society gave rise to a number of risks or hazards. To provide security against such hazards, many other types of insurance also have been developed under the head miscellaneous insurance. The miscellaneous insurance includes Motor insurance, public liability insurance, product lhability insurance, professional indemnity insurance, workmen compensation insurance, personal accident insurance, individual mediclaim policy. Group mediclam policy, overseas mediclaim policy,
Bhagyashree child welfare policy, Raja Rajeswari Mahila Kalyan Bima Yojna, Burglary insurance, shopkeepers insurance, Jewellers block insurance, Money insurance, Fidelity guarantee insurance, Neon sign policy, Duty insurance, Electronic Equipment insurance, Boiler Explosion insurance, Machinery breakdown insurance, Erection all risks insurance, Contractors' all risks insurance, Refrigeration plant insurance, Machinery loss of profits policy, Mobile phone insurance, Baggage insurance, All nsks insurance, Amartya Siksha Yogana insurance policy, Sahana safer insurance, Householders' insurance, Pedal cycle insurance Plate glass insurance. Advance loss of profits policy, Marine -cum-Erection policy, Sports insurance, special contingency policy, students safety insurance, credit insurance, Pet insurance and Rural insurance.

**General insurance meaning and importance**

A general insurance policy is essentially a policy that protects your financial well-being. It is a special type of policy that helps secure your many properties – whether it is the home you live in and possessions inside it, whether it is your priced vehicles or the most important thing of all; your health. This is a policy that allows you the reap various benefits of many types of insurance – home, motor vehicles, health, travel, and so on. Now let’s find out why it is essential that you invest in a general insurance policy.

**Importance of general insurance**

**1.It protects your many assets:**
In the course of life, everyone builds a corpus. This includes assets such as your home(s), your place of business and your two and four-wheelers. Although it is recommended that you purchase separate insurance policies for all your assets, you can also opt for a basic general insurance policy that covers all these assets under one policy. This way, you would be paying a single premium while you are protecting most of your assets. The insurance company typically assigns different amounts of sums assured towards all assets included in a general insurance policy.
**2.You have someone to turn to in stressful situations:**
Whether you are in an accident or whether a precious possession is stolen. You could be badly injured in a road-side accident, lose your home to an unfortunate fire incident or your possessions may be damaged in natural or man-made calamities. All these situations are

incredibly stressful. In such a time, your insurance provider can come to your rescue. They can guide you with the formalities related to claim settlement and you can rest assured that all is not lost.

3.**Your financial interests are protected:**

Another general insurance importance is that it protects your financial interests. Say your house is damaged due to a cyclone, your car is stolen or you are hospitalised due to an accident; in the absence of insurance there is not much that you can do. You have to bear the financial loss arising from these situations. But if you have purchased a good insurance policy, you can rest assured that you will receive the assured sums as per the terms and conditions of the policy.

**4.It gives you a sense of relief:**

Any mishap can be incredibly disturbing. If one is the only bread-winner in the family and were to lose their source of income, or worse, die in unforeseeable circumstances, then it could render his dependants helpless. Depending on the type of insurance policy you purchase, you can breathe a sigh of relief if you know that you have insured the financial future of your family members in case you cannot offer them financial support in your absence.

**Features ofFire insurance**

**Essential of a valid** contract like any other ordinary contact of fire insurance contract must fulfill the Essential elements of a valid contract.

**Indemnity** The contract of fire contract is a contract of indemnity and the insured cannot claim anything more than the value of goods or properties lost or damaged by fire or the amount of policy whichever is less.

**Good faith** A fire insurance contract, being a contract of utmost good faith, requires the insured and the insurer to disclose everything which is in their knowledge and which might affect the contract.

**Insurable Interest:** A fire policy is valid only if the policyholder has an insurable interest in the property insured.

**Consideration** Fire insurance policy is issued for a lawful consideration ie, premium.

**Tenure of the policy** Fire insurance policies are issued usually for one year duration but in some cases for shorter periods also.

**Scrap** The scrap or whatever is left of the goods or properties after damage or destroyed by fire, automatically pass on to the hands of the insurer after the payment of the claim under fire insurance.

**Several policies I**n case of several policies for the same property, each insurer is entitled to contribution from other insurers. After indemnification, the insurer is subrogated to the rights and the interest of the policyholder.

**No claim when a fire is deliberate :** Nothing can be recovered from fire insurance company if the fire is caused deliberately.

**No claim under certain conditions :** Fire policies generally contain conditions exonerating the insurer from liability under certain circumstances like riot, civil disturbances, war, etc. In the absence of

any specific exception, the insurer is liable for all losses caused by fire whatever may be its causes.
**Indirect risks:** The fire insurance also includes indirect risks such as comprehensive risks, consequential risk caused by fire and reinstatement or rehabilitation risks which occur after the fire destroys the goods or properties.
**Assignment**: Fire policies can be assigned with the prior consent of the insurer.
**Intimation of fire :** On occurrence of the fire, the insurer should be intimated immediately so that he could salvage the remainder of the property and can also determine the amount of loss.
**Cover Note**. In fire insurance, a cover note is issued in advance of the policy and usually contains the same terms and conditions on which a policy is to be issued. If any loss occurs before the policy is issued, cover note will be sufficient to prove the insurance.
**Settlement of claim** : The claim may be settled in cash or by reinstating or rehabilitating the goods or properties damaged by fire under the fire insurance.

## Fire Loss of Profit Insurance (FLOP)

The Consequential Loss (fire) policy covers Loss of Gross Profit and /or increase in cost of working due to reduction in turnover / output due to operation of peril covered in the Standard Fire & Special Perils Policy.

The material damage Policy indemnifies the loss to the property insured due to the operation of insured perils. Even if the coverage is adequate and the claim settled on reinstatement value basis the insured still has other losses which may ruin him. These losses are the loss of business and financial loss as the consequence of operation of the peril and at times are larger than the material damage loss.

In case of a major fire the insured that has opted for a policy on market value basis has to contribute a sizeable part of the reconstruction cost due to:

- Deduction on account of depreciation
- Under insurance if the value at risk is more than the Sum insured
- Items not covered in the policy
- Excess as applicable
- In addition to the above exclusion number 9 of Fire policy excludes “Loss of earnings, loss by delay, loss of market or other consequential or indirect loss or damage of any kind or description whatsoever”.

**Benefits of the Fire Loss of Profit Insurance Policy**

- Protection from loss of net trading profit.
- Standing charges.

- Protection from loss of wages.
- Auditor fees are covered by the insurance policy.
- Increased cost of working.

The policy also offers EXTENSIONS that can cover the following –

- Accidental failure of public electricity / gas / water supply.
- Damage to customer's premises due to perils covered under Fire Policy.
- Damage to Supplier's premises due to perils covered under Fire Policy.

**Types of Marine Insurance**
**Marine insurance can be classified into three types as given below**
**(i) Hull Insurance** The insurance of ships is known as 'Hull insurance
The subject matter of insurance is the ship or vessel which is subject to
marine adventure and other dangers of navigation Therefore, the ship
owner takes Hull insurance to cover the loss on the happening of
destruction or damage to the vessel Hull policies also cover the risk
while the vessels are in course of their construction
**(ii)Cargo Insurance** Goods sent by ship are known as cargo. Marine
insurance of goods is called the "cargo insurance". The subject matter
ol insurance is cargo and the owner of cargo (importer or exporter)
takes a cargo insurance to cover the loss on the happening of maritime
perils which affect the cargo in the ship.
**(iii) Freight Insurance** Insurance of freight is termed as "Freight insurance
In the freight is payable on the arrival of the ship at the port of destination
the shipping company may have to lose the freight on the non-arrival or
goods safely at the port of destination. To cover such loss, the shipping
company takes a freight insurance and the subject matter of insurance
is the freight receivable on cargo.
Fund

**What is Covered in Marine Cargo Insurance?**
The policy provides coverage from the risks arising during transit via sea and other modes of transport. The insurer compensates for the following:

- Marine insurance coverage is provided from dire situations like fire or explosion, sinking, stranding during a cargo journey.
- Compensation is provided for expenses incurred due to collision, overturning or derailment of land conveyance.
- Compensation is provided for expenses under a circumstance wherein the cargo is discharged from a port of distress/disturbance.
- Coverage for general average sacrifice salvages charges.
- Protection against any natural calamities such as an earthquake or lightning.
- It covers expenses such as survey fees, forwarding expenses, costs of reconditioning and charges of sue.
- It also covers situations like jettison and washing overboard.

- It also covers the total loss of the package whether overboard or dropped amidst loading or unloading.

**What is Not Covered in Marine Cargo Insurance?**

- Marine insurance coverage is not provided under the following situations.
- Compensation is not provided for any intentional loss/damage.
- When the packaging quality of the cargo is not appropriate.
- No cover shall be provided if the damage occurs due to bankruptcy, liquidation, failure/collapse in the finances.
- Wear and Tear of the goods in transit.
- No cover shall be provided if the loss occurs due to delay in the cargo.
- Not all the insurers cover extreme unpredictable situations like war, strikes, riots and civil commotion.
- Any loss or damage resulting due to insolvency.

**What is Marine Hull Insurance?**

Marine hull insurance is an insurance policy specifically designed to provide coverage to water vehicles like a boat, ship, yacht, fishing boat, steamer, etc. A hull means the body of the vessel and that is exactly what is covered by this insurance policy. The insurance provides financial protection in case of any damage to the vessel's body (hull) and or the machinery due to risks covered by the policy.

**What all hull insurance covers?**

Marine Hull Insurance provides coverage for the following risks:

- Damage to the hull of the ship or vessel, including its machinery and equipment
- Damage or loss to the ship due to fire, burglary and/or theft
- Accidental damage to the ship due to earthquake, lightning, etc.
- Damage done to other boats by the insured vessel (third party liability)
- Damage to the vessel during maintenance activity
- World-wide coverage for ocean-going vessels

1. Motor Insurance

In the modern busy world motor accidents have become order of the day One or two accidents are sure to happen every day. In the olden days, persons who were injured or killed due to negligence of the motorists could not get financial redress either to them or to their legal heirs because no scheme of insurance was present at that time to mitigate the financial hardship caused to the persons. The motorists also had to bear the loss of damage to their vehicles. In order to safeguard the motorists and the general public against the rısk connected with motor vehicles and involved in road, an exclusive insurance scheme has been developed known as motor insurance.

The motor insurance covers accidental loss of or damage to any motorised vehicle used on publıc roads. There are two types of covers available;
(i) Compulsory insurance for liability to third parties because of using the vehicle, and

(ii) )A package that covers damage to the vehicle itself in addition to the third party liability.
The motor insurance also covers the following risks by collecting extra premium from the insured:
(i) Fire,
(ii) Theft and burglary:
(iii) Strike, riot and evil commotions;
(iv) Legal liability towards persons employed for operation, maintenance loading and unloading of vehicles and
(v) Death or injury to any members of the family who travelled.

**Types of Motor Vehicles**
For purposes of insurance, motor vehicles are classified into three broad categories
LPrivate cars (not used for carryıng passengers for hire or reward)
2 Motor cycles/scooter (Two wheclers) and three wheelers not exceeding 350CC Engine capacity
3 Commercial vehicles such as goods carrying vehicles, passenger vehicles, tractors and others.

**Third party policy:**
This covers the insurance of legal liability to others ior accidental death or personal injuries and damage to the property third parues Thus, this policy indemnifies the insured against his legal liability in respeu of damage to property of third parties over and above Rs. 2,000. The limi of liability is as follows:
(a) Private car unlimited
(b) Commercial vehicle
(1)Goods or passenger carrying vehicles - Rs 20,000
(2)Other miscellaneous or special type of vehicle Rs. 50.000
(3) Motorcycle - unlimited
This policy may be extended to include
(a) Fire
(b) Theft risks
(c) Legal liability to persons employed in connection with the operation and or maintenance and/or loading and/or unloading of motor vehicles.

The private car policy extends to indemnify the insured (individual only) against legal liabilities incurred by him subject to limitations of indemnity whilst personally driving a private motor car. Private car policy covers legal liability of the insured to passengers (not for hire or reward) in the car although under the motor vehicles act, it is not required to be covered Liabilities arising while the motor car is being used in private places is covered. The policy covers bodily injury or death, property damage and medical expenses. Due to the amendment to the Motor Vehicles Act 1994 liability on third party claims has gone up as "No fault" liability compensation has been enhanced and structured compensation has been introduced.

## Personal Accident Insurance

This insurance is an integral part of health insurance and is designed to replace a substantial part of earned income lost through disability caused h accidental injury and also may provide for payment of medical expenses occasionei by accidental injury and indemnity for death or loss of limbs or sight suffered through accident. In other words, under this insurance, the insurer agrees to pay the insured or to his heir or legal representative in case of death, a stated sum of money in the event of his being killed, permanently disabled, temporary total or partial disablement by accident. Generally, this policy is issued for periods of 12 months but is can also be issued for less than 12 months.

Under this insurance, for death, loss of two limbs, two eyes or one limb and one eye or permanent total disablement from injuries, the amount of policy is paid in full. In other cases, amount of compensation depends upon the extent to which mjured suistalned ine mjury This insurance being a Benefit policy, there is no definite formula for the calculation of capital sum for individuals However the status of the person, his her business/ Occupation and his her annual income ect..are taken into account lor fixing the appropriate "Capital Sum insured. In case the policy includes temporary total disablement, the capital sum insured is limited to 25 times the monthly income of the insured But in all the cases 48-60 months salary may be taken as the basics  calculation of sum insured. The cover of personal acident insurance is worldwide. However, the clams are payable in Indian rupees only.

**Age of Insurance**

In this policy, the cover is normally restricted to persons between the age of 5 to 70 years for both male and female. Cover beyond these age limits can be had at a higher rates of premium as under:

(a) Renewal of policy above 70 years of age but upto 80 years is subject to loading of 5% on the premium.
(b) Fresh proposal above 70 years but below 80 years is subject to a loading of 10% on the premium.
(C) No medical examination is to be insisted for (a) and (b) above.

**Additional Benefits**

Some additional benefits are offered to the insured even without the payment of any additional premium which are being discussed as given below:

(1) Education fund for Dependent Children : Personal Accident policies are extended to provide compensation towards eduction fund for the

dependent children of the insured as follows in the even of death or permanent total disablement of the insured due to accident:

(a) If insured person has one dependent child below the age of 25 years (at the time of accident), and amount equal to 10% of the sum insured subject to maximum of Rs. 5,000.

(b) If insured person has more than one dependent child below the age of 25 years (at the time of accident), an amount equal to 10% of the sum insured subject to maximum of Rs. 10,000.

**This benefit is based on CSI only and cumulative Bonus is not to be considered.**

(ii) Expenses for carriage of dead body: This policy covers reimbursement of actual expenses incurred for transportation of the dead body of the insured to the place of his residence in the event of death claim being admissible under the policy subject to a maximum of 2% of sum insured or Rs. 2,500 whichever is lower.

(iii) Cumulative Bonus : At the time of renewal of policy, in case no claim having been reported under the earlier policy, the amount of compensation payable for death and permanent disablement is increased by 5% each completed year subject to a maximum 50% of capital sum insured. This provision is not applicable for temporary disablement cases.

## Fidelity Guarantee Insurance

The broad purpose of this insurance is to identify the employer against direct pecuniary losses sustained through acts of fraud or dishonesty by an employee (s) in course of employment. The basis of fidelity guarantee originates from an employer and employee relationship or a fiduciary relationship. The three parties are employer, employee and the insurance company.

This insurance can be classified as follows:

(a) Commercial fidelity guarantee

(b) Court Bonds

(C) Government Bonds

The first type namely commercial fidelity guarantee policies which are mostly in use are of the following types :

(i) Individual policy : To cover one named employee

(ii) Collective policy. To cover a number of named employees upto an agreed amount against each.

(iii) Floater policy: To cover a number of employees without specifying the name of the employees and the amount against each, only the total guarantee is stated and any loss upto that sum is covered whether resulting form default of one or more employees.

(iv) blanket policy it covers the entire staff without sharing names for positions. No enquiries about the employees are made by the insurers.such policies are suitable for an employer who has a large staff and the organisation to make adequate enquiries into the antecedent of employees .

## Mediclaim Insurance Policy (individual)

This policy covers reimbursement of hospitalisation domiciliary hospitalisation expenses for illness / diseases or injury sustained. In the event of any claim becoming admissible under this scheme, the insurer will pay to the insured person the amount of such expenses as would fall under different heads mentioned below and as are reasonably necessarily incurred by or on behalf of such insured person; but not exceeding the sum insured in aggregate in any one period of insurance stated in schedule hereto.

(a) Room, boarding expenses as provided by the hospital /nursing home.

(b) Nursing expenses

(c) Surgeon, Anaesthetist, Medical practitioner, Consultant, Specialists fees.

(d) Anaesthesia, Blood, Oxygen, Operation charge, Surgical appliances, Medicines & Drugs, Diagnostic Materials and X-Ray, Dialysis and Chemotherapy, Radio therapy, Pacemaker, Artificial Limbs &cost of organs and similar expenses.

**Sum Insured :** One can take sum insured ranging from Rs. 15,000 to Rs. 3,00,000 in multiple of Rs. 5,000 which is inclusive of domiciliary hospitalisation.

**Age Limit:** This insurance is available to persons between the age of 5 and 75 years. Children below the age of 3 months and 5 years of age can be covered provided one or both parents are covered concurrently.

**Notice of Claim :** Notice of the claim should be given to the insurer in writing 7 days from the date of hospitalisation /injury with details of hospital / treatment taken/nature of disease / policy number. The final bill is to be submitted to the insurer within 30 days of discharge from hospital.

**Payment of Claim :** All claims under this policy are payable in Indian currency. All medical treatments for the purpose of this insurance will have to be taken in India only.

**Cumulative Bonus** : Sum insured under this policy shall be progressively increased by 5% in respect of each claim-free year of insurance, subject to maximum accumulation of 10% claim-free year of insurance.

In case of a claim under the policy, in respect of insured persons who has earned the cumulative bonus, the increased percentage will be reduced by 10% of sum insured at the next renewal. However, basic sum insured will be maintained and will not be reduced.

**Group Mediclaim Insurance Policy**

This policy is available to any Group/Association/ Institution/Corporate Body of more than 50 persons provided it has a central administration point. Batch insured should cover all eligible members (insured person) under one group policy only. In other words, different categories of eligible members shall not be allowed to be covered under different group policies. It is not permissible to issue any unnamed group policy. The group policy will be issued in the name of Group / Association / Institution / Corporate Body (called Insured) with a schedule of names of members including his/her eligible family members (called insured persons) forming part of the policy.

**Sum Insured:** Minimum of Rs. 15,000 with multiple of Rs. 5,000 thereafter, with maximum sum insured of Rs. 3,00,000.

**Features**

(1) Age limit, basic premium, benefits and exclusions are same as per individual mediclaim policy.

(2) Maternity benefits allowable under the policy is Rs. 50,000 insured whichever is lower.

(3)Cost of health check-up not payable under this policy.

(4) There will be no cumulative bonus.

**Overseas Mediclaim Policy (Videsh Yatra Mitra)**

This policy covers reimbursement of medical expenses incurred in connection with sickness /accident / disease / death outside India. It is suitable for those persons who undertake bonafide overseas trips for business, holiday, studies or even employment when sponsored or posted by Indian employer. The special feature of the policy is as a benefit, premium is payable in Indian rupees, whilst claims, while abroad, are payable in foreign currency. The maximum cover is 180 days for business four, 60 days for plant A and 30 days under plan B for holiday travel. Plan A is worldwide excluding USA and Canada and plan B is worldwide including USA and Canada. The sum insured is $ 50,000 under plan A and $ 1,00,000 under plan B. The adults are insurable upto 70 years and children are insurable above 5 years.

This policy is valid from the first day of insurance and expires on the last day of the number of days specified in the policy schedule or on return in India whichever is earlier and it should be carried by the insured person during the entire travel period. It provides an evidence that the insured person is duly covered under the policy and is entitled for Mercury Assistance subject to the predetermined terms and conditions.

**Burglary Insurance**
**(Business premises)**

This policy covers contents of business premises against the risk of loss or damage by burglary and house breaking only. Fire risk must be covered by the sue of a separate fire policy. The property insured is covered only if loss or amage takes place whilst contained in the premises described in the schedule.

**Property covered**

The property that can be covered under the policy are as follows:

(1) Stock-in-trade (excluding any class of stock specifically insured)

(2)Goods-in-trust or on commission for which the insured is responsible.

(3)Fixtures, fittings and utensils in trade

(4) Cash and currency notes secured in locked safe.

**Insured perils**

(i) Burglary or House-breaking of property following upon felonious entry of the premises by voilent and forceable means.

(ii) Theft by a person in the premises who subsequently break-out by voilent means and forcible means and hold up.

(iii) Damage to the premises by the burglars falling to be made good by insured.

**Special Conditions**

(i) Reinstatement of sum insured : Immediately upon the happening of any loss or damage as described in the policy, the total sum-insured upon the various descriptions of property which have been lost or damaged, shall be reduced by the amount of loss or damage and such reduced sum insured shall be the limit of the company's liability in respect of any further loss or damage occurring during the current period of insurance unless the company consents upon payment of additional premium to reinstate the full sum insured.

(ii) Maintenance of books and keys :

(a) Daily record of the amount of cash contained in the safe or strong room shall be maintained and such record shall be deposited in a secure place other than safe or strong room.

(b) The keys of the safe or strong room shall not be left on the premises out of business hours or in the vicinity of safe or strong room.

**Special Features**

This policy contains the usual 'average clause' insurance must be effected for the full value of property to be insured. The insured should therefore be asked to declare for insurance the probable highest amount at risk at any one time.

## Baggage Insurance

This insurance is designed to cover accompanied baggage during specified journey, which includes air, sea, rail or road travel undertaken by the insured. The risks covered are: burglary, theft or damage by accidental means. The route of the journey is specified in the policy and the cover is operative only when the insured is travelling by an accepted mode of travel on the specified route. Proposal form should be fully completed as regards description, contents and value of each package. Further, if jewellery, valuables and items listed in the exclusions clause are to be covered, then full description and individual value should be noted.

## Double Insurance :

When a person takes insurance on the same subject matter with more than one insurer, it is called Double Insurance. In case of life, one can take insurance with as many insurers as one likes for any amount and on the maturity of policies, the assured can realise the total amount from these various insurers. But in indemnity contracts, nothing more can be realised than the actual loss though the insurance might have been effected with more than one insurance company. Thus, from the security point of view, a person can insure his property with two or three companies for the total value of the property and when the loss takes place, he can realise it from all the companies. Ofcourse, if his total insurance exceeds the actual value of the property, it will be a case of over-insurance and he will not get more than the actual loss. He can however, realise his loss from the companies in any order he likes and the companies will later on adjust their contributions according to the proportion of their insured amounts.

The features of double insurance are:

1. subject matter is insured with two or more insurance companies;
2. the insured can claim the amount from the policies; and
3. the insurer cannot claim more than the actual loss.

**Reinsurance** :

When a insurance company transfers a part of his risk on a particular policy by insuring it with some other insurance company, it is called Reinsurance. The company that issues the policy originally is known as “Direct underwriting' or 'ceding company. The company to which the risk is transferred is called the 'Reinsurance or Assuming company' or “Reinsurer". The basic purpose of reinsurance is the same as that of an ordinary insurance viz., the risk borne by an individual is greater than he wished to retain. In the same way, every insurer has a limit of the risk that he can undertake at any time a profitable venture comes his way, he may insure it even if the risk involved is beyond his capacity. But in order to safeguard his interests, he may insure the same risk or a part of the risk with other insurers so that the risk is spread. A company, for instance, issues a fire policy on a forest worth Rs. 5 crores thinking that the risk it has accepted is larger than what is prudent for it to bear, it may reinsure its liability in excess of Rs. 3 crores with another company or companies. Reinsurance is therefore a contract between two insurance companies and the original contract or insured is not at all affected by it.

**Characteristics of Reinsurance**

1. Reinsurance is a contract between the two insurance companies.
2. The original insurer agrees to transfer part of his risk to other insurance company on the same terms and conditions.
3. The fundamental principles of insurance such as insurable interest, utmost good faith, indemnity, subrogation and proximate cause also apply to reinsurance.
4. In the event of fire, the insured is entitled to get the amount of claim only from the original insurer and not from reinsurer.
5. Original insurer cannot insure the risk with a re-insurer, more than the sum assured, originally by the insured.

6. The original insurer should intimate to the reinsurer about the alteration, if any, made in terms and conditions with the insured.

**Difference Between Double Insurance and Reinsurance**

Double insurance differs from reinsurance on the following counts:

**(a) Meaning**: In double insurance, the insured gets the same subject matter insured with more than one insurer or under more than one policy with the same insurer, But the reinsurance business is entered into by the original insurer with other insurers.

**(b) Filing of claims** : In double insurance, claims can be filed with all insurers but restricted to actual loss in case of fire and marine policies. But in reinsurance the insured will claim compensation from original insurer, who will claim compensation from reinsurer.

**(c) Contribution**: In double insurance, contribution will be made by each insurer in proportion to the sum insured. But in reinsurance, reinsurer is not directly required to contribute for losses,

**Coinsurance**

Coinsurance is the amount, generally expressed as a fixed percentage, an insured must pay against a claim after the deductible is satisfied. In health insurance, a coinsurance provision is similar to a copayment provision, except copays require the insured to pay a set dollar amount at the time of the service. Some property insurance policies contain coinsurance provisions.

**What Is a Certificate of Insurance (COI)?**

A certificate of insurance (CO1) is issued by an insurance company or broker. The COI verifies the existence of an insurance policy and summarizes the key aspects and conditions of the policy. For example, a standard COI lists the policyholder's name, policy effective date, the type of coverage, policy limits, and other important details of the policy.

**Important:** A Company that hires a Contractor or another entity for services should obtain a copy of their COI and ensure it is up to date.

**Validating a Certificate of Insurance**

Typically, a client will request a certificate directly from the insurance company rather than the business owner or contractor. The client should confirm that the name of the insured on the certificate is an exact match of the company or contractor they are considering.

Also, the client should check the policy coverage dates to ensure that the effective date of the policy is current. The client should secure a new certificate if the policy is set to expire before the contracted work is complete.

**Open policy**

1) The policy provides automatic and continuous insurance cover to a regular Exporter / Importer.

2) The traders' deals with regular domestic despatches are also benefited by the open policy.

3) The premium under the open policy should be paid in advance on projected Sum Insured.

4) The projected sum insured should be at least 4 (four) times of the Single carrying Limit / Per Bottom Limit.

5) As per the terms of the policy, Insured is bound to declare each and every shipment without any exceptions.

6) The adjustment of premium and sum insured are done based on the submission of each declaration.

7) The Sum Insured under the open policy can be enhanced 4 (four) times in a year.

8) Omissions or incorrect declarations may be rectified even after the loss or arrival provided such omissions or errors were genuine.

9) Refund of premium on unadjusted Sum Insured is allowed to the insured after expiry of the policy.

Policy Details:
1) The open policy is issued to cover several shipments/ despatches for the period of 12 (twelve) months based on the Sum Insured sufficiently large and adjusted against the value of each cargo in a reducing balance method.

2) Traders having regular despatches are interested to take the benefit of the Open Policy.

**Legal Definition of floater**

1[from the notion that the policy "floats" with the goods it insures, wherever they might be located] : a policy or supplemental attachment to a policy insuring specific items of personal property (as jewelry or art)
specifically : a policy of insurance to protect against loss or damage of goods in transit or goods (as jewels) naturally subject to use in various places
— called also floating policy.

**Benefits – Family Floater**

The biggest perk of a floater is that the policyholder gets to take care of himself and his entire family under one single policy which is quite obviously easier to manage than managing 4-5 individual plans.

When it comes to getting your parents insured, family floater stands out as a much cheaper option than getting a senior citizen health plan.

**Floater is a more lucrative option when it comes to features maternity cover**

- Income tax benefits under section 80D
- It is easier to get your immediate family members, spouse or new-borns, added in a floater
- In case of younger families, chances of more than one claim are thin. So the member making the claim can avail of a greater sum insured at a lesser cost.

**Advantages of a Family Floater Health Insurance Plan**
A family floater health insurance, as the name suggests is a plan that is tailor made for families. It is similar to individual health plans in principle; the only difference is that it is extended to COVER YOUR ENTIRE FAMILY. This acts as an umbrella of coverage for the entire family and therefore the name.

A family floater health insurance is one of the best options when it comes to safeguarding the health of your loved ones. Since it is single policy offering family benefit, it relives you from the task of maintaining and keeping track of several HEALTH INSURANCE policies & offers affordability also.

The other benefit ; one can get from a family floater health insurance plan is that, in case one of the family member gets sick and has to be hospitalised, the total sum insured of the policy can be utilised by the un-well member of the family for treatment. Needless to say a family floater health insurance has options with higher sum insured than individual health plans hence the coverage is relatively greater in the formers case.

Family floater health insurance plans usually covers the individual, spouse and children. However, some insurance providers do have provision to cover dependent parents, siblings and parents-in-law. Hence this kind of HEALTH INSURANCE POLICIES are becoming more popular because of the advantages it offer.

Before selecting from various family floater health insurance plans one must do a thorough research to ascertain which features and benefits will suit them the most. On the face of it, all policies look identical and therefore reading the fine prints is imperative as it may save your considerable amount of money spend addtionally to opt for better safeguards.

**What is insurance excess?**

Insurance excess is the defined amount you agree to pay towards any claim you make. It applies to general insurance products such as motor, travel, pet, health and home cover, but not life policies.

**There are two types of insurance excess: compulsory and voluntary:**

- Compulsory excess is determined by your insurance company and is the minimum amount they require. It can be decided by several factors – for example, if you're buying motor cover, your provider may consider your driving history and claims profile.
- Voluntary excess is optional and is in addition to the compulsory level. Usually, the higher the voluntary excess, the lower the overall insurance premium. If you choose this option, make sure you can afford the excess should the worst happen.

  What is Franchise Clause in Insurance and How Does It Works?
  The Franchise Clause applies the minimum
  amount of claim acceptable by the insurec.
  Generally, insurers decide the franchise limit
  based on the type of insurance and feasibility of
  recovering the loss fron the erring Party.

  - Following reasons justify the use of franchise Clause
  - Insurer will try to recover/salvage the loss
  - Cost ot recovery/salvage should be lower than the claim payable
  - A higher recovery cost affects the insurer sustainability

**What Is a Franchise Cover?**

A franchise cover is a reinsurance plan whereby the claims from several policies are aggregated to form a reinsurance claim. Franchise covers are also known as loss trigger covers. Other types of non-proportional reinsurance with aggregate covers are aggregate stop-loss reinsurance and catastrophe covers.

Example of Franchise Covers

For example, a property insurance company enters into a reinsurance contract with a franchise cover. The trigger is based on losses experienced by the broader market, with the reinsurer indicating that it will cover the ceding insurer's losses if the market experiences $15 million in losses. The attachment point—the point at which the insurer will first pay—is set at $10,000. If the market experiences $20 million in losses, the reinsurer will cover the ceding insurer's losses in excess of $10,000.

**What Is an Insurance Claim?**

An insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event. The insurance company validates the claim (or denies the claim). If it is approved, the insurance company will issue payment to the insured or an approved interested party on behalf of the insured.

Insurance claims cover everything from death benefits on life insurance policies to routine and comprehensive medical exams. In some cases, a third-party is able to file claims on behalf of the insured person. However, in the majority of cases, only the person(s) listed on the policy is entitled to claim payments.

**What is the relevance of salvage?**
In case of claims under various types of insurance policies, the partly damaged goods or the wreck of a car or any machinery or any other property settled on Total Loss Basis is known as “Salvage”. After settling the claim for the full amount the salvage becomes the property of insurance company. Generally the job of salvage disposal is entrusted by the insurance company to the surveyor who carried out the loss assessment, subject to observance of procedure for salvage disposal. The amount realized through salvage disposal will be set off by insurer against losses paid by them.

**What Is Actual Total Loss?**
Actual total loss is a loss that occurs when an insured property is destroyed or damaged to such an extent that it can be neither recovered nor repaired for further use. Often, an actual total loss triggers the maximum settlement possible according to the terms of the insurance policy.
Actual total loss is also known as "total loss." Sometimes, people will refer to a piece of property that cannot be salvaged as "totaled."

**Key points**

- Actual total loss, also known as "total loss," occurs when an insured property is totally destroyed, lost, or damaged to such an extent that it cannot be recovered.
- In these cases, the insured party should qualify to receive a payout from the insurance company for the full insured value of the property.
- There can be complications, though, and a maximum settlement is never guaranteed.
- Settlement amounts also hinge on the type of coverage protecting the destroyed property.
- Insurance companies lose money when paying out the total insurable value (TIV) and, as a result, won’t do so until they are completely satisfied that all terms have been met.

**What Is Constructive Total Loss?**
An insurer declares insured property to be a constructive total loss when the estimated costs for its repair exceed the insured value of the property. It indicates that the insurer has decided to pay out the insured value of the property rather than pay for it to be restored to its previous condition.
The term also refers to an insurance claim that is settled for the full value of the associated coverage.
In any case, the process reveals the importance of obtaining insurance that covers the full value of the insured property rather than insuring it to a lower level in order to save on the premium payments.

**Motor Insurance Constructive Total Loss Explained**

**What Is Constructive Total Loss?**
A car's Constructive Total Loss (CTL) signifies inclusive damage sustained by the vehicle which amounts to repair cost that equals or surpasses the insured cost of the vehicle. Basically, if the liability of the car insurance company exceeds 75% of the IDV of the vehicle, it is called a constructive total loss. However, the CTL is often incurred in situations of head-on collisions, which is generally suffered by one in around seven car accidents. When the insurer's repair liability exceeds 75% of the IDV of the vehicle, then the insurance claim is settled based on total loss concept.

**Legal Definition of valued policy an** insurance policy in which the insurer and insured agree on a stated amount that will be paid in the event of a future loss instead of an amount that would have to be proven as the actual loss

**What is Agreed Value?**
Agreed value is a type of coverage where you and your insurance company agree upon the value of your vehicle when you take out the policy.
Agreed value can be a great approach because it gives you the opportunity to explain to the insurance company everything you've put into the car and why it may have more value than other, similar vehicles. In the event of a covered loss, you'll be reimbursed the lessor of the repair cost to fix the vehicle or the agreed value, regardless of any depreciation.

**Full Value Protection**

Under Full Value Protection, your mover is liable for the replacement value of lost or damaged goods in your entire shipment. This is the more comprehensive plan available for the protection of your belongings. Unless you select the alternative level of liability described below—Released Value—your mover will transport your shipment under the Full Value Protection level of liability.

**Full Value Protection Insurance Eliminates Customer Battles**
Tired of arguing with your customers about damaged or missing goods? Our Full Value Protection (FVP) Insurance works double duty. We insure your company, provide coverage for customers' goods and shield you both from the hassle and expense of claim handling, while paying the claims accordingly.

**Here's how Full Value Protection insurance works:**
- Offer Full Value Protection Insurance coverage to your shippers as per your bill of lading.
- Pay us for the basic rate, charge your customers the tariff rate for the coverage and earn additional revenue.
- Easily comply with full value protection reporting requirements.
- Turn claims management to us.
- If a claim occurs, we will investigate and settle – and send you the check to deliver to your customers.

**What Is a First-Loss Policy?**

A first-loss policy is a type of property insurance policy that provides only partial insurance. In the event of a claim, the policyholder agrees to accept an amount less than the full value of damaged, destroyed, or stolen property.

- A first-loss policy is a type of property insurance policy that provides only partial insurance.
- In the event of damage, the policyholder does not seek compensation for losses below the pre-established first-loss level.
- A first-loss insurance policyholder should benefit from paying a lower premium for partial protection against property losses.

**Increased Value (IV)** Insurance or Hull Interest Insurance, is a property insurance which insures the full value, or mortgage value, of a vessel and/or the additional costs of replacing a vessel it is a total loss.