# Summary

# Commercial General Insurance

In this session, you learnt about the different ways in which you can secure the key elements of a business, such as land, labour and capital, which are used for production, logistics and financing. Therefore, in order to carry out such operations seamlessly, it is necessary for a business to secure itself from any loss or liability arising from issues-related to such elements and processes.

## Commercial Property Insurance

Businesses and organisations choose different types of commercial insurance policies to protect themselves against the adverse financial impacts of property and liability losses. These policies involve a higher number of reforms and endorsements compared to personal general insurance.

Similar to general insurance, commercial insurance can also be taken for specific purposes.

First, you learnt about c**ommercial property insurance**. This type of insurance will protect a commercial property against perils such as **fire, theft and even natural disasters**. If there is some damage and normal business activity is hindered for some period, definite loss of income would be incurred during this period. So, one can opt for an extension to an existing policy, which will also cover the loss of income or incremental expenses as a result of property damage.

Commercial policies are offered in three forms:
- **'Basic form**' policy, which covers common risks such as fire, explosion, riots, vandalism and even windstorms
- '**Broad form'** policy, which covers water damages in addition to the common risks covered by the basic form
- '**Special causes of loss form' policy**, which covers losses arising due to particular causes listed in the policy. For example, if someone plans to set-up offices in multiple cities in the future, taking a special causes of loss form' policy might be more suitable as it covers losses from any risk, **except** for certain specifically excluded ones.

**Commercial multiple peril insurance** is a special kind of package policy that combines **property insurance, equipment breakdown insurance and crime insurance**.

With a plethora of choices for purchasing commercial property, one of the deal-breakers has to be the policy premium. To minimise the cost of insurance, one has to weigh different factors that affect the premium, since most of the factors are under control.

The factors that affect the premium of a commercial property are based on t**he information that the producer usually conveys to the underwriter**. Some of these factors include:
- **The extent of coverage,**
- **The number of optional add-on coverages,**
- **The coinsurance percentage,**

- **The deductible amount, and**
- **The limit of insurance.**

When determining a policy premium, the underwriter applies a **rate** to a specific exposure, and then makes all the necessary calculations by accounting for all possible risks.

Including additional coverages or opting for a comprehensive package policy also affect the premium directly.

## Coinsurance

One of the main clauses of a property insurance policy is **Co-insurance**.

Under this provision, the insured party is charged with loss recovery if the purchased insurance limit is less than the specified percentage of the value of the insured property. This value estimation is usually at 80% of the property value. For instance, if a property valued at Rs. 75 lakh is insured with an 80% coinsurance clause in the policy, the coverage purchased has to be a minimum of Rs. 60 lakh. In case the policy coverage is less than Rs. 60 lakh, the insured party has to bear the corresponding proportion of the loss.

So to avoid this gap, many policyholders prefer to go for a higher coinsurance percentage, especially when their property valuation is much higher. Consequently, the **premium of a property insurance will increase with a higher coinsurance percentage.**

Another important factor that affects the premium is the **DEDUCTIBLE**.

You have already learnt from the video that the deductible is the amount paid by policyholders on their own before the insurance company pays for their losses. The idea behind incorporating the deductible is **risk sharing** between the insurance buyer and the insurance provider. Although insurance companies usually fix a minimum amount of the deductible, it can be increased as per the policyholder’s request and the decided amount is then specified in the **insurance contract**.

So if someone goes for a higher deductible, the premium will be lower, since he/she will be sharing a greater part of the risk. Accounting for these factors becomes important when investing in any insurance policy.

## Commercial Liability Insurance

**Commercial liability insurance** is a standard insurance policy issued to business organisations to protect them against liability claims for property damage or bodily injury that may arise out of its products or on its premises or due to its advertising claims. It is also known as **commercial general liability insurance.**

Liability insurance is designed to pay for actual damages on behalf of a company, when the company is legally obligated to pay. The possibility that the organisation could sustain a financial loss owing to a claim by someone seeking monetary compensation or any other legal solution, also called liability loss exposure, is usually covered by this policy. The cost of lawful defence and loss prevention measures may also be covered by this policy.

## Cyber Insurance

For companies that deal with a high volume of data on a daily basis and are tech-based with a growing customer database, a **cyber insurance policy** may be useful.

Any internet-based risk or even the risks associated with IT infrastructure are usually not covered under other insurance policies, because the exclusions and cost of cyber security insurance differ widely among insurers. So investing exclusively in cyber security insurance can help in protecting organisations from **cyber attacks**, including events such as **network outage** or **external interruptions**, that can lead to **data loss.** The cyber security insurance policy and other related coverages can be included as add-on policies to the general liability insurance.

Cyber security insurance also provides multiple coverages, under which it protects a firm against specific risks.These coverages are usually categorised as **first-party coverage,** which insures the organisation against any damage to itself, and **third-party coverage,** which insures against losses caused to any external entity because of a cyber attack on the organisation.

Some risks protected by **first-party coverage** include —

- Business interruption: This coverage compensates for revenue loss caused in the event of a cyber attack.
- Computer fraud: This coverage protects the business against theft of any tangible property such as money or bonds due to system frauds.
- Property damage: This coverage takes care of the expenses arising from the replacement of computers and servers that are destroyed in a cyber attack.
- Identity theft: This covers  losses caused to any employee or owner of the company in an event of misuse of their identity.

For instances, such as these, companies may opt for **third-party insurance** coverages.

Some risks protected by **third-party coverage** include —

- Data breach: Data breach insurance can cover financial losses incurred by the company due to unauthorised breach of data, consequently failing to protect client information, as well as claims that may arise from clients for losses they may face.
- Advertising: Propagation activities by the company that may cause personal injury
- Transmission of malware: It  compensates the third-party for losses against transmission of a virus or any malicious content.

## Other Types of Commercial Insurance

Other variants of commercial insurance that you learnt about in this session include—

- **Commercial auto insurance:** It offers coverage for all vehicles, including cars, trucks and vans, used for business purposes. This insurance offers coverage for both automobile liability and property damage.
- **Crime insurance** exclusively: It provides various types of crime coverages such as employee dishonesty coverage, which is also known as fidelity insurance, forgery or alteration coverage. It even offers coverage for fund-related frauds and confidential company information.

- **Financial insurance bond:**  This offers financial institutions protection from any crime-related losses.
- **PIP:** Plans for employees which included medical payments and personal injury protection.
- **Marine insurance:** It is of two types, including inland and ocean marine insurance.
- **Product liability** insurance: It covers the legal liabilities of manufacturers, wholesalers, and retailers to persons who are injured or incur property damage from defective products.
- **Umbrella liability insurance:** This type of insurance mainly comes into play when an there is the likelihood of an organisation facing a lawsuit and the cost of this lawsuit would likely exceed the limits of other liability insurances that the company already has in place.