



INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

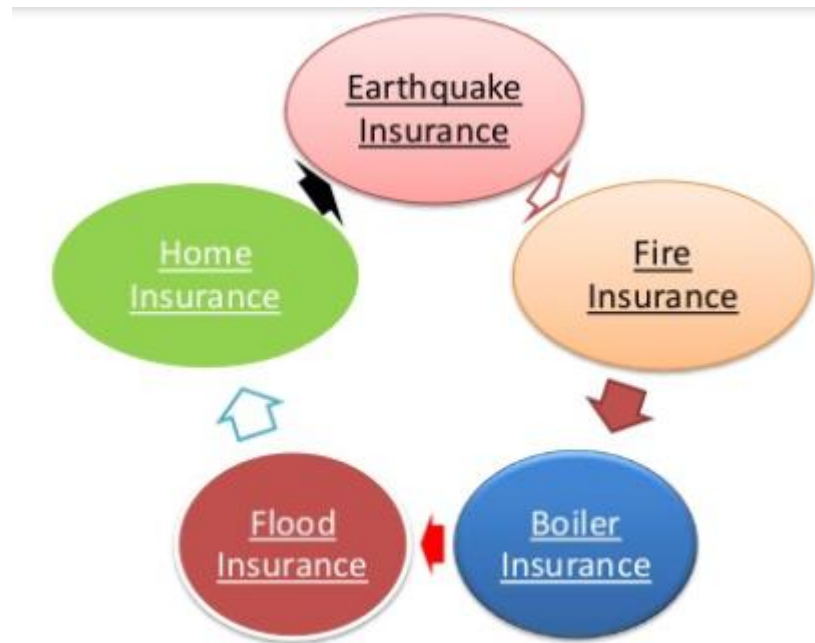
NON LIFE INSURANCE – PRINCIPLES, PRODUCTS, PRICING

UNIT 2: CHAPTER 1: PROPERTY INSURANCE

CONTENT: PRESENTATION

Property Insurance

Property Insurance provides property protection or liability coverage. The policy that provides financial reimbursement to the owner or renter of a structure and its contents, in the event of damage or theft.



Property Insurance policies

When considering the purchase of property insurance, you need to decide what should be insured as well as against what perils it should be insured.

- Perils – are the causes of loss such as fire, wind or theft
- Real property – property permanently attached to land such as a house or garage
- Personal property - property not attached to land such as furniture or clothing.

Perils covered

- Lightning
- Explosion/implosion
- Aircraft damage
- Riot, Strike
- Terrorism storm, flood , inundation
- Impact damage

Exclusions

- Loss or damage caused by war, civil war and kindred perils
- Loss or damage caused by nuclear activity
- Loss or damage to the stocks in cold storage caused by change in temperature
- Loss or damage due to over-running of electric and/or electronic machines

Types of Property Insurance

- Individual policies – policies to cover against specific perils like
Standard Fire policy
Extended coverage – to include damage caused by perils such as wind, smoke, hail and falling aircraft. Coverage can also be taken against flood , earthquake
- Renters policies – policy created for renters of apartments , homes .
The policy covers household goods and personal belongings
This does not cover the dwelling itself.
- Homeowners policies – policy covers losses and damages to an individual's residence, along with furnishings and other assets in the home. It also provides liability coverage against accidents in the home or on the property.

Fire Insurance

Fire Insurance is a specialized form of insurance beyond property insurance and is designed to cover the cost of replacement , reconstruction or repair of damage caused by fire.

Objects covered

- Building
- Electrical installations in buildings
- Machinery, Plant and equipment
- Goods (raw materials , stocks in process, semi-finished , finished) in factories
- Godowns , goods in open
- Contents in dwellings (households)
- Shops , hotels etc
- Furniture , fixture and fittings , pipelines located inside or outside the compound

Objects not covered

- Loss Due to fire cause by –
 - Earthquake
 - Attack of foreign enemy
 - Civil war
 - Mutiny (Public vs Govt.)
 - Military rising
- Loss caused by underground fire
- Loss caused by burning of property by order of any public authority

Add-on Coverages

- Add-ons on payment of additional premium
- Perils
 - Forest Fires
 - Impact damage due to insured's own vehicles
 - Spontaneous combustion
 - Leakage and contamination cover
 - Temporary removal of stocks
- Expenses
 - Architects , surveyors and consulting engineer's fees
 - Debris removal
 - Loss of rent
 - Start up expenses

Procedure

- Selection of insurer (company)
- Presentation of proposal in the prescribed form
- Evidence of goodwill
- Recommendation by agent
- Survey of subject matter
- Report by surveyors
- Acceptance of proposal
- Depositing of premium money
- Issue of cover note
- Issue of issuance policy

Underwriting factors

- Type of construction
- adjacent exposure data and general liability exposures
- construction material
- fire safety
- protection and control systems
- compliance with engineering recommendations
- location of water sources
- age of building and utilities,
- Estimated loss
- Estimated replacement cost
- residential or commercial, if commercial, what business is being conducted
- type of contents of the building
- claims history
- credit rating of the owner.

Types of Policies

1. Valued Policy

Under it the insured can recover a fixed amount agreed to at the time the policy is taken. In the event of loss, only the fixed amount is payable, irrespective of the actual amount of loss

It is usually take for items like jewellery, furs, or paintings, whose value is difficult to estimate once they are damaged by fire.

2. Replacement policy

In such a policy, the insurer has to select one of the two alternatives, i.e. either to pay cash or to replace the property, and afterwards he cannot change to the other option.

Types of Policies

3. Floating Policies

- The policy covers loss by fire caused to property belonging to the same person but located at different places.
- It is taken out for those goods which are frequently changing in a warehouse. The policy can be taken on goods which are lying in different localities.
- The policy is subject to average clause.

4. Specific policies

- Policy which covers the loss up to a specific amount which is less than the real value of the property. The actual value of the property is not taken into consideration while determining the amount of indemnity.

Claim Settlement

Fundamental Questions asked when a claim is incurred

- Is the loss covered by the policy?
- If yes, what should be the correct amount payable to the insured?
- Can the amount be recoverable from another party ?

Team of experts coordinated for

- Forensic Investigation
- legal advice
- Forensic accountants
- Investigators

Claim Settlement

- Intimation of claim
- Deputation of surveyor
- On-site verifications
- Go-ahead of repairs/demolition/removal
- Letter of requirements from surveyor
- Compliance for procession on account payment
- Submission of documents
- Reinstatement/repairs, its verification by surveyor
- Sharing of assessment by surveyor
- Submission of survey to insurance co.
- Processing by insurance co.
- Approval , discharge , NOC , subrogation , payment

Thank You!