

Quadrant II – Transcript and Related Materials

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Course Title	: Principles of Insurance (GE 1)
Title of the Unit	: General Insurance Business
Module Name	: Fire Insurance-Meaning, features, types of fire insurance policies, Marine Insurance- Meaning, features, risks covered types of policies and types of marine insurance contracts.
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Notes:

Fire Insurance

The term fire insurance refers to a form of property insurance that covers damage and losses caused by fire. Most policies come with some form of fire protection, but homeowners may be able to purchase additional coverage in case their property is lost or damaged because of fire. Purchasing additional fire coverage helps to cover the cost of replacement, repair, or reconstruction of property above the limit set by the property insurance policy. Fire insurance policies typically contain general exclusions such as war, nuclear risks, and similar perils.

Features of Fire Insurance

1. The fire insurance works under the principle of indemnity. This means under fire insurance, the insured will be compensated for the loss Upto a certain limit subject to the maximum sum insured.
2. The policyholder should have insurable interest with the subject-matter of the insurance contract at the time of buying as well as in case of loss.
3. Under Fire insurance policy, the insurance provider covers the risk of damage/loss caused by fire or any cause, which is close by reason of such loss.
4. Fire insurance comes with one-year tenure. The policy lapses automatically after one year unless it is renewed.

Types of Fire Insurance Policies

1. Valued Policy

- In this policy the value of the subject-matter is agreed upon at the time of taking up the policy. The insurer agrees to pay a pre-determined amount if the subject-matter is destroyed or damaged by fire.
- The agreed value may be more or less than the market value at the time of loss.
- These policies are generally issued for those goods or property whose value cannot be determined after their loss or damage. These goods may include works of art, jewellery, paintings, etc.

2. Specific Policy

Under this policy the risk is insured for a specific sum. In case of loss of property, the insurer will pay the loss if it is less than the specified amount.

3. Average Policy

- If the 'average clause' is applicable to a policy, it is called Average Policy. Average clause is added to penalise the insured for taking up a policy for a lesser sum than the value of the property. The compensation payable is proportionately reduced if the value of the policy is less than the value of the property.

4. Floating Policy

- A floating policy is taken up to cover the risk of goods lying at different places. The goods should belong to the same person and one policy will cover the risk of all these goods. This policy is useful to those businessmen who are engaged in import and export of goods and the goods lie in warehouses at different places.

5. Consequential Loss Policy

- Fire may dislocate work in the factory. Production may go down while the fixed expenses continue at the same rate. A policy may be taken up to cover up consequential loss or loss of profits.

6. Replacement Policy

- A replacement policy provides that compensation will be according to the replacement price. The new asset should be similar to the one which has been lost.
- The amount of compensation will depend upon the market price of the new assets so that it is replaced without additional cost to the insured.

Marine Insurance

Marine insurance refers to a contract of indemnity. It is an assurance that the goods dispatched from the country of origin to the land of destination are insured. Marine insurance covers the loss/damage of ships, cargo, terminals, and includes any other means of transport by which goods are transferred, acquired, or held between the points of origin and the final destination.

The term originated when parties began to ship goods via sea. Despite what the name implies, marine insurance applies to all modes of transportation of goods. For instance, when goods are shipped by air, the insurance is known as the contract of marine cargo insurance.

Features of Marine Insurance

1. Comprehensive Coverage

- A marine cargo insurance policy offers comprehensive coverage against all the potential marine-related perils that the goods are exposed to while they are in transit.

2. Easy Customization

- The plans can be easily customized and ne adjusted to meet certain needs of the customers.

3. Flexibility

- The plans are flexible enough and have a variety of options to cater to the requirements of the insured, considering their budget.

4. Claim Survey and settlement Assistance

- This insurance policy free from stress about the claim as the policy offers worldwide claims settlement assistance along with a claim survey.

Risk covered under marine insurance

1. Perils of the sea

- Insurance company provides the financial security when the insured property is damaged due to reason of perils of the sea. The unexpected or sudden accidents such as storm, collision, robbery, ship sinking, bad weather, typhoon or cyclone etc are the perils of the sea.

2. Fire

- Many kinds of energy are used in the operation of the ship. When it is used faultily there may be possibility of fire in form of which the cargo and the ship may be damaged. The insurance company pays the compensation when the insured property is damaged by fire.

3. Pirates and thieves:

- When sea pirates and thieves destroy cargo and ship, insurance company pays the compensation.

4. Jettison

- If it is considered that the part of the ship should be disposed off in the ship due to its heavy weight and unbalance then to save the ship some parts are thrown off. This disposing function is called jettison. The loss from jettison also is compensated by the insurance company.

5. Barratry

- It is a kind of mischievous and wilful action performed by the navigator, captain, crews and employees of the ship to cause loss and damage to the ship and the cargo of the shipping company and the parties respectively. These are addition risk. The insurance company can compensate the losses arising from this type of risks too.

Types of Marine Insurance policies

1. Marine Cargo Insurance

- Marine Cargo Insurance is a type of insurance policy that covers the loss or damages caused to marine cargo during transit.
- This types of insurance is mainly beneficial for tankers and other heavy cargo shipments.

2. Liability Insurance

- This types of insurance protects the ship in case of crash, collision or any attack that can lead to huge loss or damage.
- It compensates the policyholder for any liabilities that are beyond his control.

3. Hull Insurance

- The marine insurance policy provides coverage to vessel including the furniture and articles of the ship against any unanticipated mishaps.

4. Freight Insurance

- Freight insurance provides additional protection beyond the default carrier policy. Standard carrier policies tend to only cover blanket amounts and do not adjust according to your freight's value.