Fire Insurance And Marine Insurance (General Insurance)

By

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Fire Insurance

- Fire insurance is used to cover damage to a property caused by the fire

- Fire Insurance is a specialized form of insurance beyond property insurance and is designed to cover the cost of replacement, reconstruction or repair beyond what is covered by the property insurance policy.
- While calculating the amount of claim against fire, the value of stock on the date of fire and the amount of policy is compared. Based on that, the fire insurance company and the insured decide whether there is:
  - Optimum insurance
  - Over insurance
  - Under insurance

- In case of Over insurance or Optimum insurance,

  Amount of Claim = Loss by fire

- In case of Under insurance,

  Amount of Claim = Proportionate calculation is done

Sr. No	Value of policy	Stock on the date of fire	Type of insurance	Loss by fire	Amount of Claim
1	1,00,000	1,00,000	Optimum Insurance	1,00,000	1,00,000
2	5,00,000	1,00,000	Over Insurance	1,00,000	1,00,000
3	1,00,000	5,00,000	Under Insurance	1,00,000	Proportionate compensation = P / S x Loss = Rs. 20,000

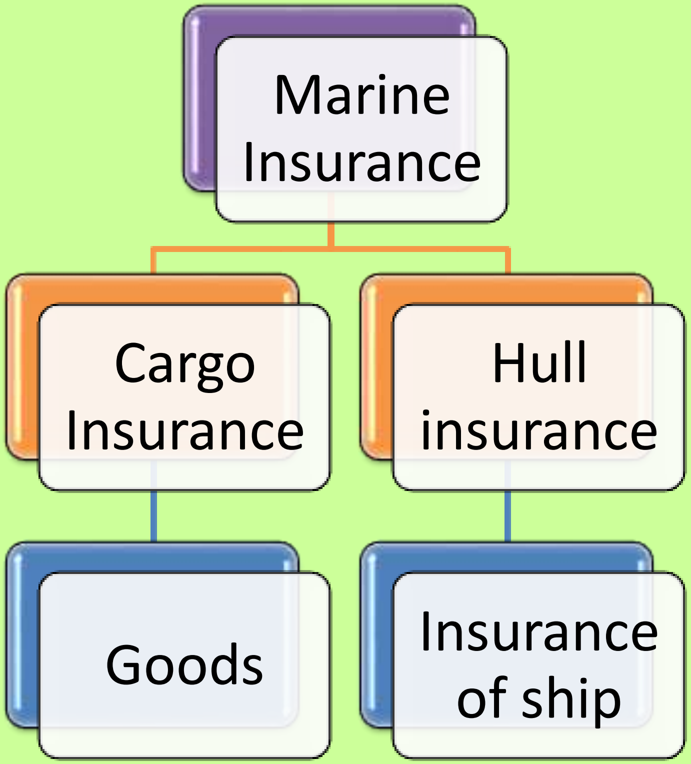
Types of Fire Insurance Policy

- Specific Policy – Under this policy, for a certain property, a specified sum insured is determined and in case of fire, compensation will be provided for the loss to the extent of amount determined.
- Comprehensive Policy – This is not an exclusive fire insurance policy but it is a blanket policy against other perils like robbery, burglary etc.
- Valued Policy – The value of property to be insured is determined at the initiation of this policy. Based on that value, the amount of compensation to be paid, in case of fire is decided forehand.

- <u>Floating Policy</u> – This type of policy is best suited for import- export business owners. This policy will cover goods lying at different places. It also covers all other perils related to goods.
- <u>Consequential Loss Policy</u> – This is a special policy which provides <u>compensation for loss of expected profits</u> during the disrupted period. (Disrupted period means the period between the date of fire and date of reopening of the business).
- <u>Replacement Policy</u> – This is a unique fire insurance policy where in the compensation is the value of replacement of the asset lost due to fire.

Marine Insurance

- Marine Insurance is an agreement whereby the insurer undertakes to idemnify the insured, in the manner and to the extent thereby agreed, against transit losses, that is to say losses incidental to transit.



Some important points

- F.O.B – Free on Board – In this case, the seller is responsible for loss or damage to the goods until they are placed on the board of the steamer or any means of carriage. Thereafter, the buyer is responsible.

- C.I.F – Cost, Insurance and Freight – In this case, the seller assumes the responsibility for the insurance and the insurance charges as indicated in the invoice along with other charges.

- C & F - Cost and Freight – In this case, normally the buyer is responsible for the Insurance of goods during transportation.

- F.O.R – Free on Rail – This is same as F.O.B but it concerns mainly with the internal trade transactions.

Types of Marine Insurance

- <u>Marine Cargo Insurance</u> – This policy covers goods, freight and other charges against loss of goods or damage while being transported either through rail, road, sea or air.
- <u>Specific Policy</u> – This policy covers a single / specific transit or a specific import or export consignment.
- <u>Open Policy</u> – An open policy is issued for a policy period of one year wherein the rates, terms and conditions are agreed upon by the insured and the insurer.

  A declaration is to be made to the insurance company as and when a consignment is to be sent along with the premium at agreed rate. The insurance company issues a certificate covering the declared consignment.

- <u>Multi-transit policy</u> – When same consignment of goods are expected to be transported through various transits then this policy is effective.
- <u>Custom duty Policy</u> – This policy covers loss of custom duty paid in case goods are arrived in damaged conditions.

Bancassurance

- Bancassurance is a combination of two words – Bank and Insurance.
- Bancassurance is distribution of insurance products through banking channels
- It is a win-win situation for the bank and the insurance company
- Bancassurance is not simply selling insurance but changing the mindset of a bank
- Bancaasurance has thrown up opportunities as well as challenges
- Bancassurance has many advantages for the banks, insurance companies as well as customers