

FIRE

“ Earth can never cloud its splendor, nor water quench its flame. ” Baha'i Writings

# THE PRACTICE OF INSURANCE

- IT IS A COMMERCIAL CONTRACT SPECIFYING -
  - WHO IS INSURED
  - WHAT IS INSURED (Subject Matter)
  - AGAINST WHAT INSURANCE IS MADE (Perils)
- INDEMNITY IS THE ESSENCE OF AN INSURANCE CONTRACT(SUBROGATION AND CONTRIBUTION ARE COROLLARIES TO PRINCIPLE OF INDEMNITY)
- INSURANCE CONTRACT ALSO FOUNDED ON
  - INSURABLE INTEREST-When there is a pecuniary relationship between Insured and the Subject matter.It should exist
    - At the time of taking the policy
    - During its currency
    - At the time of loss
  - UTMOST GOODFAITH-Duty of disclosure of material facts exists
    - At the time of taking the policy
    - During its currency(As per condition no.3 of fire policy)
  - Duty of utmost good faith becomes a contractual duty as per Declaration in the proposal form



29 May 2023

Sandeep V N,Chief  
Manager,Technical Dept.,UIIC,HO

# WHAT IS FIRE INSURANCE

- GIVES PROTECTION TO PHYSICAL ASSET(LAND BASED IMMOVABLE PROPERTY)
- COMPENSATES THE INSURED PERSON IF HIS PROPERTY IS DESTROYED OR DAMAGED BY THE HAPPENING OF ANY EVENT THAT IS SPELT OUT IN THE FIRE INSURANCE CONTRACT(LISTED PERILS POLICY)



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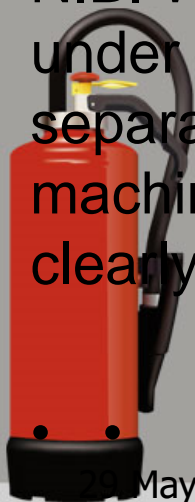
# FIRE POLICY-KEY POINTS

- Full premium to be paid in advance.
- Full property is to be insured-partial insurance is not allowed.

It is not permissible a) to issue a policy covering only certain portions of a building. Not with standing this, the plinth and foundations or only the foundation of a building may be excluded.

b) To issue a policy covering only specified machinery (except Boilers), parts of machine or accessories thereof housed in the same block/ building.

N.B. Where portions of a building and/or machinery therein are under different ownership, it is permissible for each owner to insure separately but to the full extent of his interest on the building and/or machinery therein. In such cases, the Insured's interest shall be clearly defined in the policy.



# FIRE POLICY-KEY POINTS

- Policies are usually issued for 12 months.
- Fire is a de-tariffed product.
- The basic rates are guided by the erstwhile Fire Tariff. However, companies are free to apply discounts as per products filed with the regulator.
- Fire rate comprises of FLEXA, RSMD and STFI rates.
- Currently the rates are based on IIB rates published in Dec-2021



# FIRE POLICY-KEY POINTS

## VALUED POLICY(IES)

Valued Policy(ies) can be issued only for properties whose Market Value cannot be ascertained e.g Curios, Works of Art, Manuscripts, Obsolete machinery and the like subject to the valuation certificate being submitted and found acceptable by the insurers.

## 3.LONG TERM POLICIES

Policies for a period exceeding 12 months shall not be issued except for “Dwellings”.

Refund of premium is not allowed for Reduction of Sum Insured under Long Term Policy



# FIRE POLICY-KEY POINTS

MID-TERM COVER FOR STFI and/or RSMD perils.

- a) payment of premium in cash or by draft. This additional premium shall not be adjusted against existing Cash deposits or debited to Bank guarantee.
- b) Mid-term cover shall be granted for the entire property at one complex /compound/location covering the entire interest of the Insured under one or more policy(ies). Insured shall not have any option for selection.
- c) Cover shall commence 15 days after the receipt of the premium.



# FIRE POLICY-KEY POINTS

## MINIMUM PREMIUM

Minimum premium shall be Rs.100/- per policy except for risks ratable under Section III and 'Tiny Sector Industries' under Section IV where the minimum premium shall be Rs. 50/ per policy.

## Kutcha Construction

Buildings having walls/Roofs of wooden planks/thatched leaves, grass or hay shall be treated as Kutcha construction for rating. An additional rate of Rs 4.00% shall be charged for such building(s) and/or contents thereof.

## Pucca Construction

Anything other than Kutcha is Pucca construction. Walls, Roofs made of concrete, RCC and bricks will be pucca construction.

- Loading for Kutcha construction – Rs 4.00% on Pucca construction rate.





# FIRE POLICY-KEY POINTS

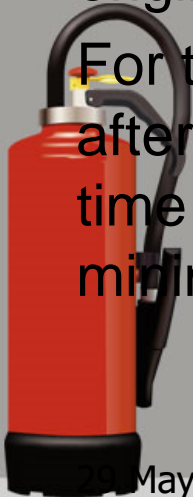
## RULES FOR CANCELLATIONS

At the option of the insured:

a) Retention of premium shall be at Short Period Scale for the period the Policy has been in force, subject to the retention of minimum premium by the Insurer.

b) During the currency, if a policy is replaced with the same insurer by a new annual one covering the identical property, refund of premium may be allowed on pro-rata basis at the original rates for the sum insured replaced.

For the sum insured not replaced, refund must be calculated after charging premium at short period scale on such sum for the time the insurance has been in force subject to retention of the minimum premium by the insurer.



# FIRE POLICY-KEY POINTS

d) In case of short period policies, premium shall be retained at the applicable short period scale.

N.B.: - In case a policy is cancelled on account of a Government Order or on completion of a “Building in course of construction” or where Buildings are demolished, pro-rata refund of premium may be allowed.

e) At the option of the insurer:

Refund of premium shall be on pro-rata basis for the unexpired term.



# FIRE POLICY-KEY POINTS

Mid-term revision in sum insured shall be allowed as follows:

Increase in sum insured : On pro-rata basis

Decrease in sum insured : On short-period scale



# Fire Insurance

- 12 Perils
- 13 Exclusions
- 14 Add on Covers(+Molten material spillage)
- 15 Conditions



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# WHAT IS INSURED UNDER FIRE POLICY

- ALL BUILDINGS
- MACHINERY INCLUDING SPARES
- STOCK OF RAW MATERIAL, SEMI FINISHED, FINISHED AND PROCESS MATERIALS AND STORES
- FURNITURE, FIXTURES AND FITTINGS
- A FIRE INSURANCE POLICY COVERS ANY PHYSICAL ASSET PRESENT IN AN **IDENTIFIED LOCATION**



# HOW TO SPECIFY THE SUM INSURED

Sum Insured shall include

- Building
- Plant & Machinery
- Electrical installations
- FFF
- Stock
- Specific items



# HOW TO SPECIFY THE SUM INSURED

Sum Insured based on

Reinstatement value

Or

Market value

Agreed value policies may be issued to properties for which MV can not be determined(ex:- bullion, works of art, drawings)



# RIV VS MV

BUILDING AREA	1000 SQ.FT	
AGE IN YRS.	5	
REPLACEMENT VALUE	1500000	
	RIV	MV
VALUE OF BLDG WITH 1000 SQ.FT	1500000	1350000
SUM INSURED	1200000	1050000
LOSS AMT.	500000	500000
CNRV	500000	500000
DEPRECIATION	0	50000
AMT AFTER DEPR.	500000	450000
SALVAGE @10000	490000	440000
AVERAGE CLAUSE	$490000 * 1200000 / 1500000$	$440000 * 1050000 / 1350000$
AMT.AFTER AVG CLAUSE	392000	342222
EXCESS @10000	382000	332222



# RIV & MV POLICIES

	RIV policy	MV policy
Issued to	Building,P&M,FFF only and not for stocks	All Assets
SI	RIV	MV
Adequacy of SI	As on date of Reinstatement	As on DOL
Claims are settled on	RIV	MV=RIV-Depreciation
In the event of a claim	Cost of replacement/reinstatement of Machinery/Building to a condition equal to but not better than its condition when new. Improvement factor if any will be deducted	Settlement is on MV  MV=RIV-Depreciation
Intimate the Insurer the intension to reinstate within	6 months from DOL	Reinstatement is not mandatory

# RIV & MV POLICIES

	RIV policy	MV policy
Reinstatement shall be completed within	12M from DOL	NA
Further extn for Reinstatement period as allowed by Insured	12M	NA
IF RI is not carried out	Settlement will be on MV	NA
Premium rate to be charged on	RIV	MV
Indemnity	Variation from pure indemnity principle	Strict indemnity

# Fire Insurance- Perils

- **Fire**- Accidental External Fire – Ignition accompanied by Flame/ Heat.

## Excluding

- ITS OWN fermentation, natural heating or SC
- ITS undergoing heating or drying
- By order of Public Authority



# Fire Insurance - Perils

- Expenses payable following a fire
- Water damage while extinguishing
- Damage by Fire Fighters
- Smoke Damage
- Property demolished to avoid spread of fire
- Falling Structures
- Loss minimisation expenses, Fire fighting expenses



# Fire Insurance- Perils

- **Lightning** – Direct damage
- **Explosion/ Implosion**
- Exp – Sudden violent burst outward – due to built up internal pressure
- Imp – Burst inward/ Collapse due to external pressure.
- Exc – Damage to boilers(except domestic), Centrifugal explosion



# Fire Insurance - Perils

- **Aircraft Damage** – Caused by aircraft, rockets, balloons, satellites etc
- Exc – Damage by pressure waves
- **RSMD**- Direct visible physical loss by external violent means
- Exc – Cessation, retarding or interruption of work ; Dispossession from, confiscation by Govt and unlawful occupation, burglary, theft, larceny etc during Malicious act



# Fire Insurance - Perils

- RSMD
- Public disturbance by a group of 6 or more is riot.
- Physical damage inflicted by striking worker only covered.
- Terrorism is a separate add on cover.



# Fire Insurance - Perils

- **STFI**
- Storm, cyclone, typhoon, tempest, hurricane, tornado- Winds with different intensity and speed; Inundation – Stagnation of water
- EQ is a separate add on cover
- Tsunami covered if both EQ and STFI are covered





# Fire Insurance - Perils

- **Impact Damage** - Direct contact by rail/ road vehicle, animal not owned by Insured
- **Subsidence and landslide including rockslide**
- Exc – Normal cracking, settlement, coastal/ river erosion, defective design, workmanship, materials, demolition, construction, alteration etc



# Fire Insurance - Perils

- Bursting and/ or overflowing of water tanks, apparatus and pipes
- Missile testing operations
- Leakage from automatic sprinkler installation-excluding damage due to repairs/ alteration to building and sprinkler installation, existing defects etc
- Bush Fire



# Fire Insurance - Exclusions

- Excess(refer circular dt.01.04.2011)
  - Policies having Sum Insured up to INR 10 cr per location– 5% of claim amount subject to a minimum of Rs 10,000/-
  - Policies having Sum Insured above INR 10 cr per location up to INR 100 cr per location-5% of claim amount subject to a minimum of INR 25,000
  - Policies having Sum Insured above INR 100 cr and up to INR 1500 cr per location-5% of claim amount subject to a minimum of INR 5 lakhs
  - Policies having Sum Insured above INR 1500 Cr and up to INR 2500 cr per location-5% of claim amount subject to a minimum of INR 25 lakhs
  - Policies having Sum Insured above INR 2500 Cr per location
    - 5% of claim amount subject to a minimum of INR 50 lakhs



# Fire Insurance - Exclusions

- Loss to stocks in cold storage by change of temperature.
- Electrical Risks as these will have to be covered under MBD Policy.
- Architects, Surveyors & Consulting Engineer's fee in excess of 3% of claim amount.
- Debris removal in excess of 1% of claim amount.



# Fire Insurance - Exclusions

- Loss due to war, nuclear risks.
- Pollution & contamination excluding pollution resulting from an insured peril and peril resulting from pollution.
- Loss to bullion, unset precious stones; curios & art works exceeding 10000, plans, drawings, cheques, coin, paper money, books of accounts, computer records, ***goods held in trust*** unless expressly stated.



# Fire Insurance - Exclusions

- Loss of earnings, market, loss by delay.
- Loss by spoilage due to cessation, retardation etc by an insured peril.
- Loss by theft during/ after loss except as provided in RSMD
- Loss due to EQ, volcanic eruption etc
- Loss to property if removed to other premises except P&M temporarily removed for repairs not exceeding 60 days.



# CONDITIONS IN FIRE POLICY

- There should be no mis-representation
- Insurance will cease 7 days after collapse of the building
- There should be no alteration in the trade or manufacture in insured premises (refer agreed bank clause; if bank is unaware of the Risk alteration, claim is payable to bank)
- Insured premises should not be left un-occupied for a period of more than 30 days
- Insurance ceases if the property passes from the insured to others other than by WILL or by operation of Law(fire policy is not transferrable and not assignable)
- If the Insured Property is covered by Marine policy also, then Fire Insurance does not operate.
- Insured can terminate the policy on short period terms
- Insurer can terminate the policy on pro-rata terms with 15 days notice



# CONDITIONS IN FIRE POLICY(contd)

If property is covered by more than 1 policy, losses will be settled on contribution basis.(except as in Declaration clause)

Principle of Contribution:

If there are more than 1 insurance policy covering same property against same risk, all the policy will pay ratable proportion.

Example: A property of Rs. 10 lacs is insured with UIIC, OIC& NIC for Rs 2, 5 & 3 lacs respectively. If there is a loss all the three companies will pay in 2:5:3 ratio





# CONTRIBUTION WITH AVERAGE CLAUSE

<b>Policy</b>	<b>Sum Insured</b>
<b>Policy A</b>	<b>10000</b>
<b>Policy B</b>	<b>20000</b>
<b>Contribution of Policy A</b>	<b>1/3</b>
<b>Contribution of Policy B</b>	<b>2/3</b>

<b>SI</b>	<b>30000</b>
<b>Loss</b>	<b>16000</b>
<b>VAR</b>	<b>40000</b>
<b>Under Ins</b>	<b>3/4</b>

<b>A pays</b>	<b><math>16000 * 1/3 * 3/4 = 4000</math></b>
<b>B pays</b>	<b><math>16000 * 2/3 * 3/4 = 8000</math></b>
<b>Total payment</b>	<b><math>4000 + 8000 = 12000</math></b>
<b>Under insurance reduction</b>	<b>4000</b>



# CONDITIONS IN FIRE POLICY(contd)

- Insured should legally hold erring Third Parties responsible for the loss so that Insurers can enforce SUBROGATION
- Insured shall make every correspondence with Insurer in writing



# PROPERTIES –DIVISION FOR RATING

- SIMPLE RISKS SUCH AS DWELLING, PLACES OF WORSHIPS, HOSPITALS, AUDITORIUMS, CLUBS, SHOW ROOMS, SHOPS, HOTELS (SECTION-III)
- INDUSTRIAL/MANUFACTURING RISKS SUCH AS TEXTILE MILL, ENGG WORKSHOP, SUGAR INDUSTRY, DISTILLERY ETC. (SECTION-IV)
- UTILITIES LOCATED OUTSIDE THE COMPUNDS OF INDUSTRIAL/MANUFACTURING RISKS SUCH AS BOILER HOUSE, DAM, SEWAGE TREATMENT PLANT, ELECTRIC SUB STATION, PUMP HOUSE ETC. (SECTION-V)
- STORAGE RISKS OUTSIDE THE COMPUNDS OF INDUSTRIAL/MANUFACTURING RISKS SUCH AS GODOWN, TRANSPORTERS GODOWN, COLD STORAGE ETC. (SECTION –VI)
- TANK FARMS/GAS HOLDERS OUTSIDE THE COMPUNDS OF INDUSTRIAL/MANUFACTURING RISKS SUCH AS LPG BULLETS, GAS HOLDERS FOR OXYGEN, NITROGEN, TANKS CONTAINING LIQUIDS ETC. (SECTION-VII)

# How to calculate Premium rate in Fire policy

- Find out the occupancy

If it is

- SIMPLE RISKS SUCH AS DWELLING, PLACES OF WORSHIPS, HOSPITALS, AUDITORIUMS, CLUBS, SHOWROOMS, SHOPS, HOTELS (SECTION-III) - **rate from tariff**
- INDUSTRIAL/MANUFACTURING RISKS SUCH AS TEXTILE MILL, ENGG WORKSHOP, SUGAR INDUSTRY, DISTILLERY ETC. (SECTION-IV) - **find out the type of industry from final product manufactured, RM and process involved.**



# How to calculate Premium rate in Fire policy

- UTILITIES LOCATED OUTSIDE THE COMPUNDS OF INDUSTRIAL/MANUFACTURING RISKS SUCH AS BOILER HOUSE,DAM,SEWAGE TREATMENT PLANT,ELECTRIC SUB STATION,PUMP HOUSE ETC.(SECTION-V)-  
**Rate from tariff**



# How to calculate Premium rate in Fire policy

- Find out the occupancy

If it is

STORAGE RISKS OUTSIDE THE COMPUNDS OF INDUSTRIAL/MANUFACTURING RISKS SUCH AS GODOWN,TRANSPORTERS GODOWN,COLD STORAGE ETC.(SECTION –VI)-**Find out the category of item stored and rate from tariff**

TANK FARMS/GAS HOLDERS OUTSIDE THE COMPUNDS OF INDUSTRIAL/MANUFACTURING RISKS SUCH AS LPG BULLETS,GAS HOLDERS FOR OXYGEN,NITROGEN,TANKS CONTAINING LIQUIDS ETC(SECTION-VII)-**Rate from tariff**



# How to calculate Premium rate in Fire policy

- Final fire rate=Basic rate + add on rate
- Add on rates are either specific rates or % of basic rate



## ADD ON COVERS AT ADDITIONAL PREMIUM

1. ARCHITECTS ETC. FEES -specified SI upto 7.5% of claim amt.
2. REMOVAL OF DEBIRS -Specified SI upto 10% of TotalSI.
3. STOCKS IN COLD STORAGE - LOSS BY TEMP. CHANGE(DOS-machinery damage due to SFSP perils)-Stock SI(Time Excess-24Hrs)  
STOCKS IN COLD STORAGE - LOSS BY TEMP CHANGE(DOS-FOES due to SFSP perils) .-Stock SI (Time Excess-24Hrs)
4. FOREST FIRE- Specified SI
5. IMPACT DAMAGE BY VEHICLES OF INSURED- Policy SI
6. SPONTANEOUS COMBUSTION (cat I(low risk) to cat IV(high risk) materials)- Specified SI of commodity
7. Omission to Insure additions, alterations or extensions- 5% of BMA SI
8. EARTHQUAKE - Policy SI
9. SPOILAGE MATERIAL DAMAGE COVER(STOCK & MACHINERY)- Value of stock/Machinery in specified block





## ADD ON COVERS AT ADDITIONAL PREMIUM

10. LEAKAGE AND CONTAMINATION COVER- **Specified SI**

11. TEMPORARY REMOVAL OF STOCKS- **Policy SI**

**UI:-Damage value\*Temp Rem SI/Actual value of stock temp.removed**

12. LOSS OF RENT COVER- **Specified SI**

**Economic limit-RI period\*(SI/Term of Rent Insured)**

13. Insurance of additional expenses of rent for an alternate accommodation- **Specified SI**

Example:

SI=12000, Term of rent/IP=12

RI period-6m, Claimed amount-8000. Rent/month claimed- Rs.1333.33

Economic limit= $6 * 12000 / 12 = 6000$

Under insurance= $8000 * 12000 / (1333.3 * 12)$

- Only for non mfg units
- Max. Indemnity period-3yrs
- Only for pukka buildings
- Alternate accommodation can be within the city /municipality limits
- Can be issued to Owner occupant or Tenant
- Subject to under Insurance

Under Insurance=**Rent claimed\*Sum Insured**

**monthly addl rent for alt accom.\*Indemnity period in Pol.**



# ADD ON COVERS AT ADDITIONAL PREMIUM

When issued to Tenant

Amount of additional rent payable=Rent for new accommodation(If he is still paying the rent for the already damaged building)

Amount of additional rent payable=Rent for new accommodation-Rent which he was paying for the premises before loss (If he is not obliged to pay the rent for the already damaged building)

➤ When issued to Owner occupant

Amount of additional rent payable=Rent for new accommodation-Standard Rent of the own premises fixed by the Municipal/revenue authority.



14.START-UP EXPENSES COVER

15.Molten material spillage

# Different types of fire policies

- Fire declaration policy
- Fire floater policy
- Floater declaration policy



# Fire Declaration Policy

- To take care of frequent fluctuation in stock
- Minimum SI-Rs.1cr in one or more locations(Min.SI-Rs.25 Lakhs in atleast one of these loc.)
- Monthly declarations based on  
The avg.of the values at risk on each day of the month  
or  
The highest value at risk during the month

- Reduction in sum insured not allowed
- Refund of premium based on declarations upto a max.of 50% of total premium.



# Fire Declaration Policy

- Basis of value for declaration-Market value
- Declaration policies can not be issued
  - For a short period
  - Stock in process
  - Stock at railway sidings



# DECLARATION-RULES

- If there is no stock NIL declaration is to be made
- If declaration is not made for a month SI will be deemed as declared.
- The declaration for a month shall reach latest by last day of next month to the Insurer.
- All 12 declarations are added and find average value. Premium is recalculated on avg. value and refund is allowed sub.to a max. of 50%
- RI premium collected towards any claim settled should not be considered for declaration refund.
- Average clause is applied twice in declaration policy claims
  1.  $\text{Underinsurance}_1 = \text{Amt. claimed} * \text{last declared amt} / \text{Amt. that ought to have been declared.}$
  2.  $\text{Underinsurance}_2 = \text{Amt. claimed} * \text{SI} / \text{VAR}$



# DECLARATION-RULES

If at the time of loss, the property is covered under any other insurance (other than on declaration basis) then that policy will operate first and pay the claim. Declaration policy will pay only excess of the value of stock over the SI under the other policy. The Insurer shall be liable under declaration policy to pay only a proportion of such loss which such excess (If two declaration policies are there a ratable proportion of such excess (contribution)) but not exceeding the SI there by, bears to the total value of the stocks.

Type of Policy	SI	Total SI	VAR	Loss
SFSP	1L	3L	4L	3L
Decl.Pol.	2L			

## SFSP contribution

Amt payable after under Ins =  $3L * 1L / 4L = 0.75L$

## Decl.pol.contribution

Amt payable after under Ins =  $3L * 2L / 4L = 1.5L$ , Total payment =  $0.75 + 1.5 = 2.25L$

Here Excess of value of stock over SFSP =  $4L - 1L = 3L$  which is exceeding the SI under Decl.pol. Hence SI is taken for claim calculation.

Here loss is not settled in full as  $VAR > Total SI$



# DECLARATION-RULES

Type of Policy	SI	Total SI	VAR	Loss
SFSP	1L	3L	2.5L	1L
Decl.Pol.	2L			

## SFSP contribution

Amt payable after under Ins= $1L * 1L / 2.5L = 0.4L$

## Decl.pol.contribution

Amt payable after under Ins= $1L * 1.5L / 2.5L = 0.6L$

{**loss\*excess** (max.limited to SI) / VAR}

Here Excess of value of stock over SFSP= $2.5L - 1L = 1.5L$  which is less than the SI under Decl.pol.Hence excess is taken for claim calculation.

Here full amount of loss is settled by two policies as  $VAR < Total\ SI$





# Fire Floater Policy

- Stocks at various locations covered under one SI
- Rate=highest rate at any loc\*10%
- Presence of kutchra construction may be ignored.
- If process blocks are also covered under a floater policy, and if process rate is more than storage rate then **process rate+10%** is applicable.
- If floater policy is issued to cover stocks in different godowns and process blocks within a premises, floater extra is **not** applicable.



# Floater Declaration Policy

- Minimum SI-Rs.2cr
- Conditions of floater & declaration policies are applicable
- Max.refund allowed-20%



# CLAUSES

## Agreed Bank clause

- ❖ This modifies cond.3 of fire policy.
- ❖ If the risk is altered and if the bank is unaware, the coverage shall continue.
- ❖ The policy cease to attach ,if the bank is aware of risk alteration or if the breach is committed by bank or its authorised agents.
- ❖ The bank shall inform the insurer as soon as the risk alteration/increase of hazard shall come to its knowledge.



# CLAUSES

## Contract price Insurance clause

- ❖ Attached to only policy covering imported goods.
- ❖ Applicable for goods sold but not delivered and for which the Insured is responsible.
- ❖ If the sale contract is cancelled wholly or partially then the liability of the company shall be contract price and not the MV.



# CLAUSES

## Designation Of Property clause

- ❖ The Insurer agrees to accept the designation of property as per the Insured's books of accounts.

Ex:-A policy covering stock. Oil is stored as a stock for replenishing the same in M/C. In the event of a claim, the dispute will be to treat oil as part of M/C or as Stock?

If Designation Of Property clause is attached and if the Insured's books of account shows oil as stock, then the Insurer shall treat the same as stock and the claim shall be settled in stock policy.



# CLAUSES

## Escalation clause

- ❖ Applicable for building, P&M and accessories, FFF and not for stocks.
- ❖ Automatic increase in SI on daily basis to the extent of  $1/365^{\text{th}}$  of specified %.
- ❖ Max escalation allowed is 25%

Ex:-policy issued with a SI of 10L with escalation of 20%. If there is a loss on 100<sup>th</sup> day, then VAR shall be compared with  $SI + (SI * 20\% * 100/365)$  for average clause.



# CLAUSES

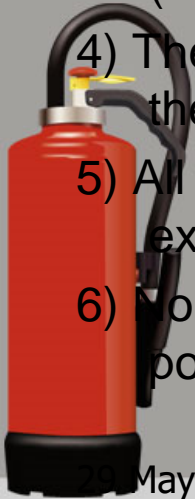
## Local Authority clause

- ❖ RIV policies may be extended with this clause
- ❖ Covers addl.cost of Reinstatement incurred by the Insured to comply with the regulations enforced by the authority.
- ❖ The amount recoverable shall not include;
  - a) The cost incurred in complying with the regulations
    1. In respect of destruction/damage occurring prior to the granting of extension.
    2. in respect of destruction or damage not insured by the policy,
    3. under which notice has been served upon the insured prior to the happening of the destruction of damage,
    4. in respect of undamaged property or undamaged portions of property other than foundations (unless foundations are specifically excluded from the insurance by this policy) of that portion of the property destroyed or damaged,
  - b) the additional cost that would have been required to make good the property damaged or destroyed to a condition equal to its condition when new had the necessity to comply with any of the aforesaid Regulations of Bye-laws not arisen,
  - c) the amount of any rate, tax, duty, development or other charge or assessment arising out of capital appreciation which may be payable in respect of the property or by the owner thereof by reason of compliance with any of the aforesaid Regulations or Bye-laws



# LOCAL AUTHORITY CLAUSE

- 2) The work of reinstatement must be commenced and carried out within twelve months after the destruction or damage or within such further time as the Insurers may (during the said twelve months) in writing allow and may be carried out wholly or partially upon another site (if the aforesaid Regulations or Bye-laws so necessitate) subject to the liability of the Insurer under this extension not being thereby increased.
- 3) If the liability of the insurer under (any item of) the policy apart from this extension shall be reduced by the application of any of the terms and conditions of the policy then the liability of the Insurers under this extension (in respect of any such item) shall be reduced in like proportion.
- 4) The total amount recoverable under any item of the policy shall not exceed the sum insured thereby.
- 5) All the conditions of the policy except in so far as they may be hereby expressly varied shall apply as if they had been incorporated herein."
- 6) No additional premium shall be charged for inclusion of this clause in this policy





# AIFT

SECTION	DESCRIPTION
I	General rules & Regulations
II	Policy wording
III	Simple risks-rating
IV	Industrial Mfg risk -rating
V	Utilities located outside mfg risks-rating
VI	Storage Risks-rating
VII	Tank Farms
VIII	Add on covers



# FIRE HAZARDS

Fire hazard refers to

<b>Originating risk</b>	<b>Refers to cause of fire such as</b>	<b>Electrical, Lightning, Smoking, Friction, Overheated materials, hot surfaces, Molten materials, Cutting, welding, Burner flames, sparks, static sparks, Sp.Combustion, Chemical action, Incendiarism(malicious act)</b>
<b>Contributory risks</b>	<b>Circumstances which increases the probability of fire occurring , which enables the fire to spread and increase the loss.</b>	<b>Construction such as woodwork, presence waste/haz. material</b> <b>Absence of people to raise the alarm.</b> <b>Locked/inaccessible premises or isolated premises.</b> <b>Exposure to other buildings in haz.occupation.</b>

# FIRE HAZARDS

## Risks from construction

Wall type such as RCC, Brick work, Corrugated iron sheet, asbestos cement sheeting, glass, Timber (risk increases in the order)

Roof type such as RCC, Iron sheets, Tarred, bituminous felt, Glass, Timber, Thatch (risk increases in the order)

Height of building-Shed structure is better than multi storied building. Fire fighting is difficult due to pressure drop ( $0.1 \text{ kg/cm}^2$  per M) Water used to fight fire may damage the stocks in the lower floor. If one floor is weakened by fire and give away, collapse of other floors also may happen. Spreading of fire due to window/floor openings.

Size of the building-Greater the size (w/o internal partitions), greater the fire hazard. Internal construction such as Floor openings, False ceiling, Internal partition

# FIRE EXTINGUISHING APPLIANCES

## 1. First aid appliances

- Portable extinguishers
- Buckets
- Internal hose reels.

## 2. External appliances

- Fire engines
- Tractor pumps
- Hydrant systems

## 3. Sprinkler installations

## 4. Special extinguishment systems

- Automatic medium and high velocity water spray system

## 5. Carbon dioxide extinguishers-Electrical equipment/flammable liquids

## 6. Dry chemical extinguishers-flammable liquids/electrical fire

## 7. Foam system-flammable liquids of oil and gasoline type

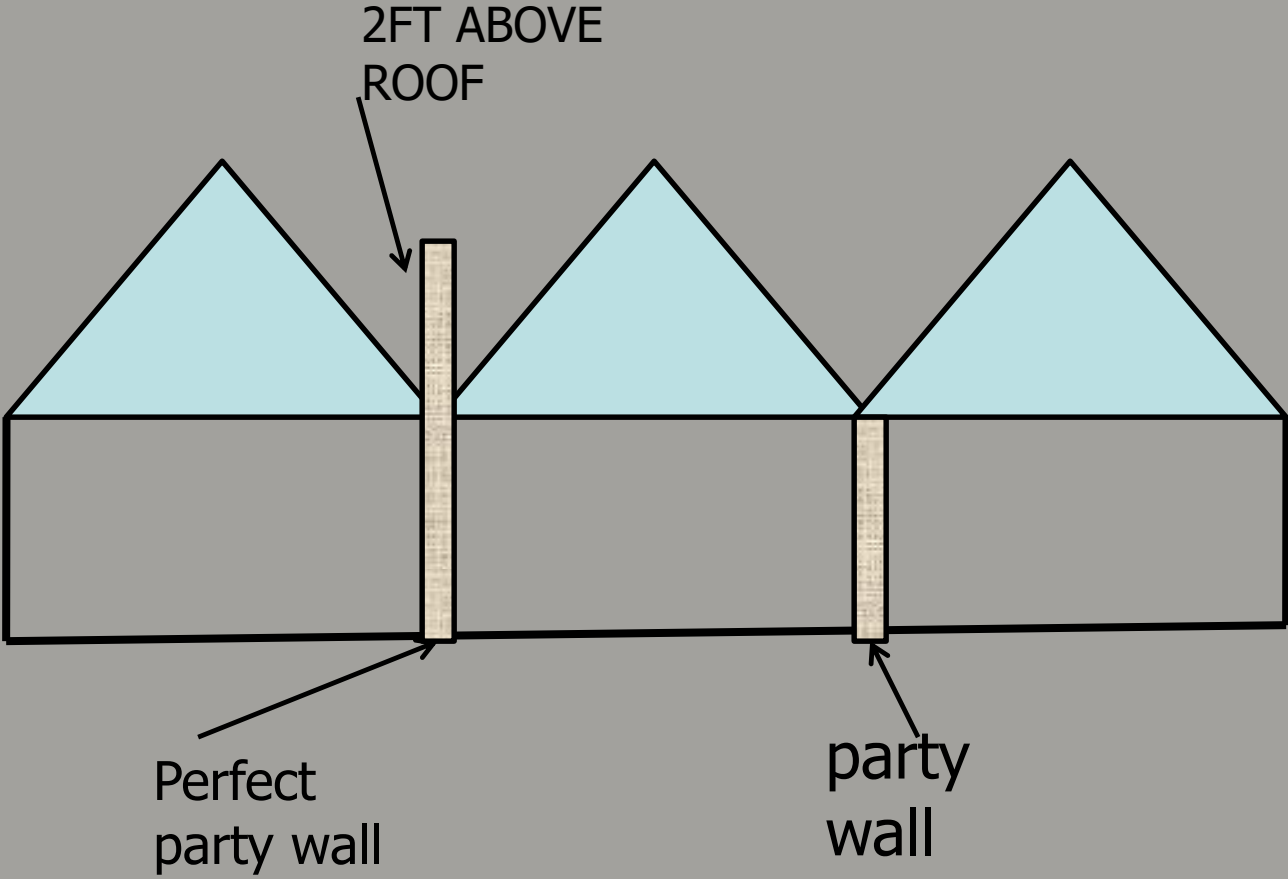
## 8. Mutual aid scheme

**Passive fire protection systems**-Prevents the fire from further spreading. Ex: Fire door, compartmentation.

**Active fire protection systems**- Detect, alert, stop or contain fire  
Ex: Fire extinguishers, smoke detectors, Fire alarm, sprinkler etc.



# PERFECT PARTY WALL & PARTY WALL



# Classification goods in storage

- 1.Non Hazardous
- 2.Hazardous cat-1
- 3.Hazardous cat-2
- 4.Hazardous cat-3
- 5.Coir waste,coir fibre,caddies



# Classification of goods in storage

Category-1	Category-2	Category-3
Solids which are moderately or slightly combustible	Pyrotechnic materials	Materials which are self ignitable, explosives
Flammable liquids having flash point above 65oC	Flammable liquids having flash point below 65oC but above 32oC. Flammable liquids, paint, varnish having flash point below 32oC but stored in sealed tins/jars/drums	Flammable liquids, paint, varnish having flash point below 32oC
Inert gases, non combustible gases	Moderate oxidising agents	Strong oxidising agents, combustible gases
Highly toxic materials	Materials which evolve combustible gases in contact with water	
Waste of non hazardous materials	Waste of cat-1 hazardous materials	Waste of cat-2 & 3 hazardous materials

# WARRANTIES

- Policy is the promise given by the Insurer to Insured
- Warranty is the promise given by the Insured to Insurer
- Warranties are inserted for a specific purpose
- Some warranties are common to all policies such as FEA warranty, Class of construction warranty





# WARRANTIES

Ex:- If shop is rated as non Haz, then it is warranted that “storage of haz. material not to exceed 5% of the total stock”.

Ex:- When stocks stored in a godown are Cat-1 hazardous nature, then a warranty is inserted as “goods of cat II ,III and coir waste, coir fibre ,caddies are not stored therein”.

Ex:- For some class of risks, different rates are charged based on process of mfg. for example

Paint factories	Rate per millie
Water based	2.0
Other than water based	3.25
Nitrocellulose based	4.5

For factory rated at 2%, a warranty is attached as “Other than water based paint mfg. is not carried out”



# Maximum probable loss/PML & Maximum possible loss

## Maximum possible loss

- “worst case scenario” and the most pessimistic view
- The entire building and everything inside could be destroyed.
- Known as “**shock loss**” or “**amount subject to loss**” or “**maximum foreseeable loss.**”
- It is an estimate without considering the Fire protection devices, protective safeguards in place, construction materials, size and occupancy.

## Maximum probable loss MPL/PML

It is an estimate by giving due consideration to the Fire protection devices, protective safeguards, construction materials, size and occupancy.

It is inversely proportional to the size of a structure and the effectiveness of any protective safeguards. Better the fire protection (sprinklers, alarms, hydrants) the more likely a fire will be contained and extinguished before the entire building is destroyed.

The occupancy and contents within the building also affect the amount of damage likely to occur.



# Maximum probable loss/PML & Maximum possible loss

## Maximum probable loss MPL/PML

To work out PML the following explosion scenarios are considered

- Unconfined vapour cloud explosion
- High pressure equipment rupture
- Dust cloud explosion

## PML Burst/PML error

- Actual loss being larger in size than PML estimates.
- Exposing the net retention of the company due to improper RI placements (RI placements are done on PML basis.)
- Seriously affects premium rating (wrong premium rating. Higher the PML higher the premium rate)
- A risk is considered as better if PML is less



# PML BURST

**SUM INSURED=2500CR,LOSS=1000CR**

## RI SESSIONS

**WRONGLY ESTIMATED  
PML=30%=750CR**

**CORRECTLY ESTIMATED  
PML=50%=1250CR**

<b>OBL</b>	<b>37.5</b>	<b>5%</b>		<b>OBL</b>	<b>62.5</b>	<b>5%</b>
<b>NET1</b>	<b>150</b>	<b>20%</b>		<b>NET1</b>	<b>150</b>	<b>12%</b>
<b>TREA TY</b>	<b>350</b>	<b>46.7%</b>		<b>TREATY</b>	<b>350</b>	<b>28%</b>
<b>NET2</b>	<b>200</b>	<b>26.7%</b>		<b>NET2</b>	<b>200</b>	<b>16%</b>
<b>FAC</b>	<b>12.5</b>	<b>1.6%</b>		<b>FAC</b>	<b>487.5</b>	<b>39%</b>

# Design of a fire policy

A fire policy may be issued for

Single location-single occupancy-single  
block-single property

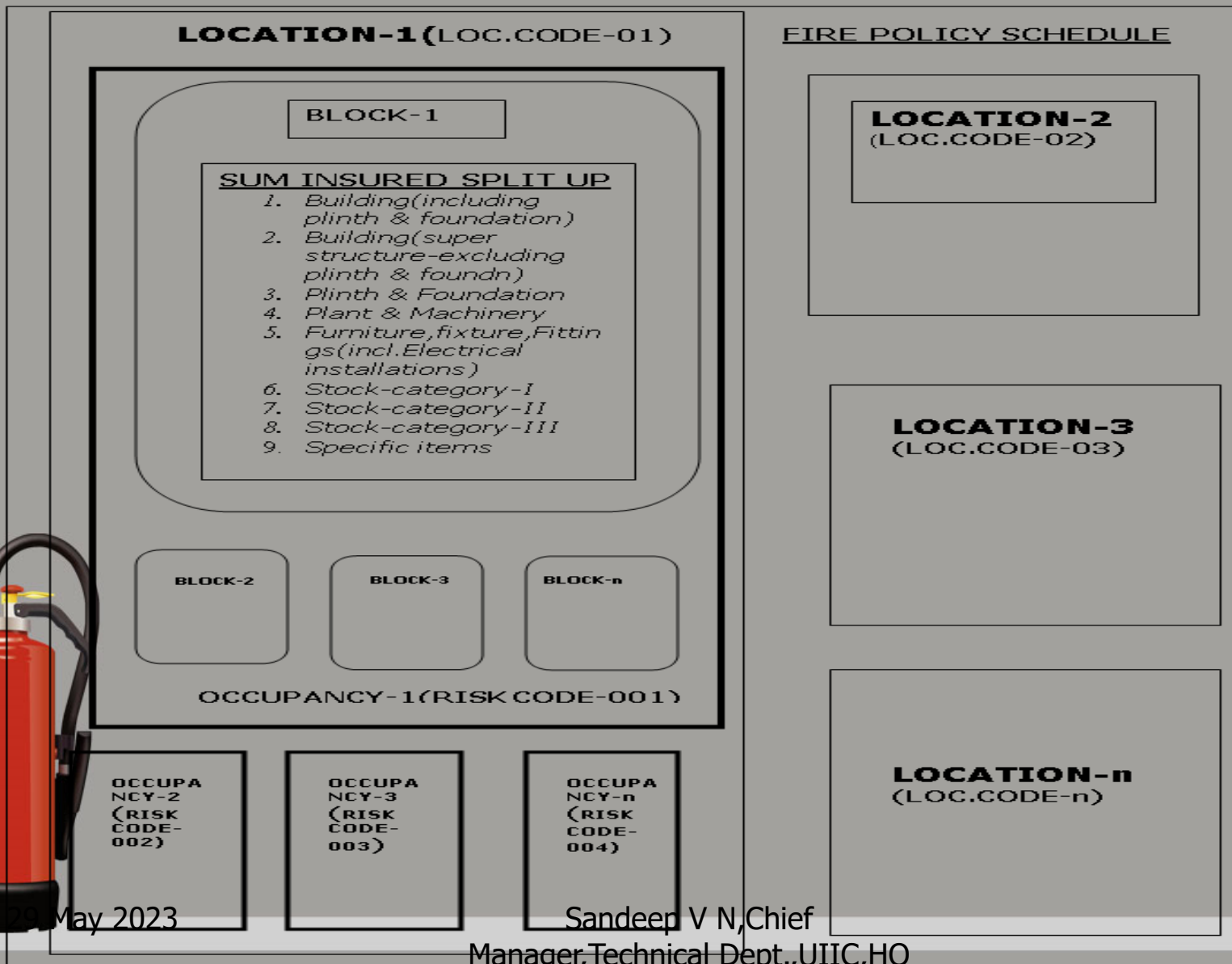
or

Multiple location-Multiple occupancy-  
Multiple block- Multiple property



# Design of a fire policy

## fire policy structure



# **FIRE INSURANCE CLAIMS**

**'GIVE TANGIBLE SHAPE TO  
INSURANCE CONTRACT'**



## Conditions relevant to claims

Condition no:1- mis-representation, mis-description or non-disclosure.

Condition no: 2-policy shall cease on expiry of seven days from the date of fall or displacement of any building.

Condition no:3-Trade alteration, Insurable interest, Unoccupied property.

Condition no:4-Marine policy shall pay first.

Condition no:5- Cancellation





# Conditions relevant to claims

## Condition no:6

1. Insured to notify the insurer of loss
2. Within 15 days submit details thereof
3. Provide plans, specification etc. At his own expense
4. Declaration of truth of the claim
5. Company shall not be liable after the expiry of 12 months from the date of loss unless claim is pending action or Arbitration



## Condition no:7

On the happening of loss the insurer may-

1. Enter, take and keep possession of premises
2. Take possession of any property on premises
3. Arrange, sort or examine the property
4. Dispose off such property

Insurer can exercise this right till the claim is finally determined or withdrawn by insured. Insured cannot compel the insurer to incur any liability to the insured or abandon the property.



Condition no:8-Fraude

Condition no:9-Basis of settlement:

1. Reinstatement by company in a reasonably Sufficient manner.
2. Insured to submit relevant documents
3. Any act by company cannot be deemed as Election by company to reinstate
4. If due to municipal or other regulations, Reinstatement is not possible, the cost of Reinstatement will be paid to the insured



## **Condition no:10-Average clause**

- **Condition no:11 – Contribution**

- **Condition no:12-Subrogation**

- **Condition no:13-Arbitration**

- **Condition 15- Reinstatement of sum insured**



- Survey fees as per norms paid to surveyor
- Salvage disposed as per procedure laid down.
- Financial limits prescribed and claim settled as per financial limits
- **RDSAFAER** principle.

Reinstatement value	From latest Invoice/Bill
Depreciation	$RIV - \text{Depreciation} = MV$
Salvage-(Expenses related to salvage)	Advertisement expenses/expenses for segregation
Average	$\text{Loss} * SI / VAR$
Franchise	Not applicable for Fire policies
Excess	As per guidelines
Reinstatement value	$RV = \text{loss} * \text{policy rate} * \text{pro rata days}$



# INDUSTRIAL ALL RISK INSURANCE

MAJOR INDUSTRIAL UNITS HAVING SI MORE THAN Rs.100 CRORE OR ABOVE.

## SCOPE OF COVER:

- A. FIRE AND SPECIAL PERILS POLICY.
- B. BURGLARY INSURANCE POLICY.
- C. MACHINERY BREAKDOWN/ BOILER EXPLOSION/ ELECTRONIC EQUIPMENT INSURANCE.
- D. BUSINESS INTERRUPTION DUE TO FIRE AND SPECIAL PERILS POLICY.
- E. MACHINERY LOSS OF PROFIT (OPTIONAL)



# INDUSTRIAL ALL RISK INSURANCE

- Sum Insured- RIV
- For under Insurance SI is compared with the value at risk as on date of Reinstatement.
- Under Insurance is waived if it is  $<15\%$
- MBD Sum Insured for premium calculation need not include value of pipes and cables



# INDUSTRIAL ALL RISK INSURANCE

## EXCLUSION:

- Faulty material/ workmanship/ defective design and material.
- Inherent vice, defects, deteriorations, and normal wear and tear.
- Collapse or cracking of buildings.
- Pollution, contamination, shrinkage, rust, corrosion, scratching, & temperature changes
- Larceny, fraud, dishonesty, inventory losses, shortage on delivery
- Willful act, negligence; wars and nuclear risks.





# BUSINESS INTERRUPTION INSURANCE(LOP)

## WHAT DOES IT COVER

- Loss of Anticipated Profit.(NP)
- Continuing Trading Expenses.(SC)
- Increased Trading Expenditure.(ICOW)



# IT PROVIDES COMPENSATION FOR:

- ***Loss of Earning Power.***
- ***While M.D Policy Covers Capital Losses.***





What will be the loss to the Bakery if it is closed for 30 days?

	Rs.
<b>Net Profit</b>	<b>40,000</b>
<b>Add: Monthly Expenditure</b>	<b><u>8,000</u></b>
<b>GROSS PROFIT</b>	<b><u>48,000</u></b>

**This is Called 'ADDITION BASIS'**



From another perspective, He has lost The  
Value Addition I.e

	<b>Rs.</b>
Sales	60,000
<b>Less:</b> Cost of Wheat Flour	<u>12,000</u>
<b>GROSS PROFIT</b>	<u>48,000</u>

**This is known as**  
***‘DIFFERENCE BASIS’***



# FORMULA FOR COMPUTING THE LOSS OF GROSS PROFIT

Policy Provides the formula for computing the Loss of Gross Profit:

***Gross Profit = Net Profit + Insured Standing Charges***

*or*

***Gross Profit = Turnover - Variable expenses***



# NET PROFIT

The net trading profit(exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the insured at the premises after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits

## Factors considered

- Net trading profit arising exclusively from the business of the insured at the premises expressly stated in the policy.
- Net trading profit is that remaining after all provision for costs of production,charges incurred for running the business etc.
- Depreciation
- Property taxes considered as standing charges

## Factors Not considered

- Net profit/loss from other activities such as sale of investments,sale of property,building
- Income from Property/investments Capital expenditure,outlay on new plant & Equip.
- Income tax and profit taxes are not deducted



# Standing Charges=

## *All Fixed Expenses Like:*

- ⇒ *Salaries and Wages*
- ⇒ *Rental Rates & Taxes*
- ⇒ *Repairs & Maintenance*
- ⇒ *Administration Overheads*
- ⇒ *Factory Overheads*





⇒ ***Selling Overheads***

⇒ ***Interest***

⇒ ***Depreciation***



# *Working Expenses Are:*

- *Raw Material Cost*
- *Power & Fuel*
- *Excise Duty*
- *Wages of Piece-Rated Workers*
- *Sales Commission*
- *Stores & Spares*



*These are ‘**VARIABLE EXPENSES**’  
which decrease proportionately with  
Production / Sales.*

*These are called ‘**SPECIFIED  
WORKING EXPENSES**’ under a  
LOP Policy.*



***‘Variable Costs’ are called ‘Working Expenses’ by Insurers***

**&**

***‘Fixed Costs’ are called ‘Standing Charges’ by Insurers.***



# How to Calculate Contribution?(GP)

There are **two** methods:

1. F.C + N. P (GP) or  
F.C – N.L (Loss)      ***ADDITION BASIS***
2. Sales – Variable Costs      ***DIFFERENCE BASIS***



# GROSS PROFIT

GP= INSURED STANDING CHARGES+NP

GP= INSURED STANDING CHARGES-NL

IF FULL STANDING CHARGES ARE NOT INSURED  
THEN

GP=INS. STAND CHARG.- (INS. ST.CHARG X NL)

-----

TOTAL STAND. CHARG.



# WHAT IS PAYABLE UNDER LOP

1. Loss of GP
2. ICW
3. Less any savings in Standing charges

**LOP claim payable = 1 + 2 - 3**

Loss of GP = Rate of GP \* Loss of T/O

Rate of GP = Last financial Year GP / Last Financial Year T/O

Loss of T/O = Standard T/O (Adjusted for Trend, special circumstances & variations) - T/O during interruption Period

ICW - Increased cost of working is payable subject to max. of loss of GP thereby saved.

ICW is subject to underinsurance

ICW amount payable =  $\frac{\text{ICW} * \text{Insured stand. charges}}{\text{Total Stand. charges}}$

Average clause is applied in the ratio SI / Annual GP



## HOW TO CALCULATE LOP CLAIM

	BEFORE FIRE	AFTER FIRE
T/O	50,00,000	25,00,000
PRODN.COST	35,00,000(70%)	17,50,000(70%)
STAND.CHARGES	10,00,000(20%)	10,00,000(40%)
NET PROFIT	5,00,000(10%)	
NET LOSS		2,50,000(10%)



$$\begin{aligned}
 & \text{GP} && = \text{NP} + \text{STND CHARGES} \\
 & && = 500000 + 1000000 = 1500000 \\
 \text{RATIO OF GP TO T/O (RATE OF GP)} & && = 1500000 / 5000000 = 30\% \\
 \text{SHORTAGE IN T/O} & && = 25,00,000 \\
 \text{SHORTAGE IN GP} & && = 2500000 * 30\% \\
 & && = 7,50,000 \text{ (TO BE PAID UNDER LOP)}
 \end{aligned}$$



# CHAIN OF EVENTS THAT LEAD TO A CLAIM IN LOP

PREMIUM PAID → DAMAGE OCCURED →

INTERRUPTION TO BUSINESS → LOSS DUE TO INTERRUPTION



# INDEMNITY PERIOD

THE PERIOD COMMENCES FROM DATE OF FIRE/PERIL AND ENDS WHEN THE BUSINESS CEASES TO BE AFFECTED THEREBY SUBJECT TO A MAX. PERIOD SPECIFIED IN THE POLICY



# DEFERRED INDEMNITY PERIOD

IND.PERIOD COMMENCING AT A LATER  
DATE THAN THE DATE OF  
DAMAGE.EXAMPLE-SILENT RISK



# ACCUMULATED STOCK CLAUSE

APPLICABLE WHEN THE MANUFACTURE'S STOCK OF FG IS DEPLETED IN REDUCING /ELIMINATING THE SHORTAGE IN T/O DURING THE INDEMNITY PERIOD.IF THIS CLAUSE IS ATTACHED THE ABOVE FACTOR IS CONSIDERED WHILE CLAIM SETTLEMENT.

In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in turnover due to the damage is postponed by reason of the Turnover being temporarily maintained from accumulated stocks of finished goods in the Insured's warehouses.



# DEPARTMENTAL CLAUSE

This clause says that if insured's business is conducted in departments where independent trading results can be ascertained, Loss of GP shall be calculated independently for the department affected by the loss based on its trading results. If more than one dept is affected, BI loss shall be computed for each dept affected by loss.

But this would be subject to condition that if the Sum Insured under the policy is found less than the sum total of Gross profit of each department (whether affected or not) then, the payable amount shall be reduced proportionately." That means it would attract Under insurance.



# DEPARTMENTAL CLAUSE

In nut shell, this shall mean

- Insured must have more than one production blocks or units in one compound.
- Each Dept./section/production block must have proper accounting system to evaluate their respective Gross profit.
- In the event of Loss in one Dept/Section/Unit, Loss of GP shall be computed considering reduction in production based on accounting figures of affected section / dept. but the adequacy of sum insured shall be checked by comparing the declared SI with sum total of GP of all department at the time of loss whether they are affected or not.



# DEPARTMENTAL CLAUSE

Let us assume that a Risk has 3 departments, A, B & C. Block 'A' suffers a loss. However, production has been increased in B & C to compensate the loss in A.

DEPT	BEFORE LOSS	AFTER LOSS
A	100	50
B	100	125
C	50	75
TOTAL	250	250
LOP CLAIM PAYABLE W/O DEPT. CLAUSE	NIL	
LOP CLAIM PAYABLE WITH DEPT. CLAUSE		50



# STANDARD T/O & ANNUAL T/O

2014												2015											
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
					STD.T/O																		
			LAST FINANCIAL YEAR T/O										INDEMNITY PERIOD										
			ANNUAL T/O																				

DOL-1.6.2015, IND PERIOD-3 MONTHS





# CONTINGENT BI

The following limits are to be imposed under contingent business interruption extension under Business Interruption policies:

- Prevention of Access with max limit of 30 days( over & above the policy time excess) and with maximum radius of 5 kilometers from insured premises & only inland. This extension is available only for Mega policies.(Denial of Access/Ingress/Engress –not covered)
- Suppliers and/or customers and/or utilities extension upto first tier or direct suppliers/customers/public utilities.

1.Named customers & suppliers for a max limit of 20% of the BI SI/Loss limit. Coverage to be restricted to FLEXA perils for Overseas customers/suppliers and to be restricted to FLEXA and AOG perils for domestic customers/suppliers

2.Un-named customers & suppliers located in India, for a maximum limit of 10% of BI SI/Loss limit and coverage restricted to FLEXA perils only. No cover for unnamed customers/ suppliers located overseas

3.Public utilities for a max limit of 17% of BI SI/ Loss limit.

The limits specified above are in aggregate across all customers/suppliers/public utilities respectively.

29 May 2023

Sandeep V N,Chief  
Manager,Technical Dept.,UIIC,HO

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# De-notification of All India Fire Tariff (AIFT), 2001 for certain risks

- Currently, the coverage of assets against fire and allied peril risks, are met by Standard Fire and Special Perils insurance Policy.
- IRDAI- Notification dated 28th December, 2020 notified that the tariff general regulations, terms, conditions, clauses, warranties, policy, add-ons, endorsement wordings and proposal form applicable to risks of Fire and Allied Perils insurance business governed by the erstwhile AIFT, 2001 stand de-notified with effect from 1st April, 2021.
  - Dwellings: Any Sum Insured
  - Other risks (Sections I, II, III, IV,V,VI and VII ) where the total value at risk does not exceed Rs.50 Crores across all asset classes at any one location.
- All other risks i.e risk exceeding Rs. 50 Crs continue to be governed by the erstwhile All India Fire Tariff (AIFT), 2001 until further notification.

# New Products introduced by IRDAI

- **Bharat Griha Raksha:** for Home Building and/or Home Contents
- **Bharat Sookshma Udyam Suraksha:** for all other risks otherwise insurable under SFSP Policy in India where the total 'value at risk' does not exceed ₹ 5 Crore (Rupees Five Crore) across all insurable asset classes at any one location at the commencement of the insurance.
- **Bharat Laghu Udyam Suraksha:** for all the risks where the total 'value at risk' exceeds ₹ 5 Crore (Rupees Five Crore) but does not exceed ₹ 50 Crore (Rupees Fifty Crore) across all insurable asset classes at any one location at the commencement of the insurance cover

# Who can take the policy

**As a Owner insured can purchase Home Building Cover as its owner.**

**If it is a two-storey house. Insured and his family reside in the building and run a grocery shop in two rooms of the ground floor and personally attend to the grocery business. They can purchase this policy.**

**own and reside in a three-storey house. Insured is a partner in a firm that electronic shop on the ground floor. Five employees attend the shop. Insured can purchase this policy only for the two floors of the building where he resides. And can purchase other policies meant for commercial premises to cover the shop on the ground**

# USE FOR RESIDENCE

A

**USED ONLY FOR THE  
PURPOSE OF RESIDENCE  
– SELF, FAMILY, TENANT  
LICENSEE OR EMPLOYEE  
...**

B

**WILL NOT PAY IF.....**

**Home building is used as a  
Holiday home, or for lodging  
and boarding or any other  
purpose other than residential**

C

**WILL PAY IF...PART OF HOME IS USED  
FOR THE PURPOSE OF EARNING THE  
LIVELIHOOD,  
..IF THE INSURED IS SELF EMPLOYED.  
...IF YOU HAVE SHIFTED OFFICE TO  
HOME BUILDING DUE TO  
LOCKDOWN.. OR CLOSURE DUE TO  
ORDER BY PUBLIC AUTHORITY..**

# Bharat Griha Raksha Perils covered

(SFSP+IMPACT BY INSURED'S OWN VEHICLES+FOREST FIRE+SP.COMBUSTION +EQ+TERRORISM+THEFT,  
No. of perils-12+3+3)

- Fire (No specific exclusion regarding inherent vice, spontaneous combustion etc.)
- Explosion / Implosion (No specific exclusion like boiler)
- Lightning
- Earthquake, Volcanic eruption & other convulsions of nature
- Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Tsunami, Flood & Inundation
- Subsidence, Landslide, rockslide
- Bush fire, Forest Fire, Jungle Fire

# Bharat Griha Raksha

## Perils covered (Contd.)

- Impact damage by **any external physical object** (Incl. Insured's own items & not limited to vehicles & animals)
- Missile Testing Operations
- RSMD
- **Terrorism (As per IMTRIP)**
- Bursting & Overflowing of pipes
- Leakage of Automatic sprinklers
- **Theft within 7 days following any of the above mentioned perils**

# United Bharat Griha Raksha

## Basis of Sum Insured

- For residential structure of Home including fittings and fixtures: Carpet area of the structure in square metres X Rate of Cost of Construction at the policy Commencement Date.

The Rate of Cost of Construction is the prevailing rate of cost of construction of Home Building at the policy Commencement Date.

- For additional structures: the amount that is based on the prevailing rate of cost of construction at the Policy Commencement Date
- For General Contents - Sum Insured represents Cost of Replacement
- Valuable Contents on Agreed Value Basis
  - Valuable Contents of Home consist of items such as jewellery, silverware, paintings, works of art, antique items, curios and items of similar nature. - Insured have to submit a Valuation Certificate. However, the requirement of valuation certificate is waived if the Sum Insured opted for is upto ₹5 Lakh and Individual item value does not exceed ₹1 Lakh



# Bharat Griha Raksha-

## Other Inbuilt covers

- Loss of rent for specified sum insured & months
- Rent for alternate accommodation for specific sum insured & months
- Architects', Surveyor & Consulting Engineers Fees up to 5% of claim amount
- Removal of debris upto 2% of the claim amount

## Add on covers

- Valuable contents based on Agreed value basis (Optional)
- Personal Accident cover for owner & spouse (Optional) for Rs. 5 lakhs each (Death only)

# United Bharat Griha Raksha

## Items Covered

- Building Structure based on the carpet area & rate of construction
- Additional Structures
- Automatic cover for general contents upto 20% of Home Building Sum Insured(10L MAX.)
- Optional cover for general contents if higher sum insured is sought or only contents is sought
- Valuable contents based on Agreed value basis

Amount payable-

Cost of construction is less than what is declared by insured and accepted by us

- Building carpet area is 200 sq m and the construction cost is ₹ 50,000 per sq.m.
- There is a damage to the home building due to Earthquake which resulted in a total loss.
- Insurance company's surveyor assesses the reconstruction cost on the date of earthquake at ₹ 80,00,000 calculated at ₹ 40,000 per sq m for that town.
- The claim will be settled for Rs 1,00,00,000/- since we accepted the rate declared by insured and accepted by insurer

Amount payable –

## carpet area declared is less than actual area

- In the previous case where the carpet area is 200 sq m and the construction of the Home Building is ₹ 50,000 per sq.m.
- There is a damage to the home building due to Earthquake which resulted in a total loss.
- Insurance company's surveyor assesses the correct carpet area as 210 sq m as against the carpet area declared by insured as 200 sq m , insurer will restrict the liability to what is declared by insured
- The claim will be settled for Rs 1,00,00,000/-

Amount payable –

## carpet area declared more than actual

- In the previous case where the carpet area declared by insured is 200 sq m and the construction of the Home Building is ₹ 50,000 per sq.m.
  - There is a damage to the home building due to Earthquake which resulted in a total loss.
- Insurance company's surveyor assesses the correct carpet area as 180 sq m where as carpet area declared by you was 200 sq m , insurer will restrict the liability to the sum insured applicable for correct carpet area i.e  $180 \text{ sq m} \times \text{Rs } 50000/- = \text{Rs } 90,00,000/-$

# United Bharat Sookshma Udyam Suraksha/BLUS

	BSUS	BLUS
Policy w.e.f	01/04/2021	01/04/2021
Risks that can be covered	other than dwellings with per location Sum Insured not exceeding Rs. 5 Cr. Offices, Hotels, Shops, Industrial/Manufacturing risks, Utilities located outside the compound of industrial/manufacturing risks, Storage risks outside the compound of industrial/manufacturing risks and Tank farms/Gas holders outside the compounds of industrial/manufacturing risks where the total value at risk does not exceed Rs. 5 Cr across all asset classes at any one location	other than dwellings with per location SI Rs.5cr<=SI<=Rs.50cr
Policy Tenure	1 year	1 year
Excess	Flat Rs. 5000/- other than Terrorism	5 % of each claim, subject to a minimum of ₹ 10,000/- other than Terrorism
Standard Add-On cover	Declaration clause for Stocks	1. Declaration clause for Stocks 2.Floater cover

# United Bharat Sookshma Udyam Suraksha/BLUS

## Items covered

- Any building or structure incl
  - Basement
  - all fixtures and fittings permanently attached to the floor, walls or roof like electrical wiring, antennas etc.
  - additional structures
    - garage, out-houses, security sheds, towers, verandah or porch, tanks, compound walls, retaining walls, fences and gates, internal roads
    - lifts, hoists
    - solar panels, wind turbines and air conditioning systems, central heating systems, security systems and cameras, electrical installations, fire alarm, fire sprinkler systems, power lines, power installations
    - water, gas and sewage pipeline within the premises
  - any other structure shown in the Policy Schedule

# United Bharat Sookshma Udyam Suraksha/BLUS

## Items covered (Contd)

- Plant and Machinery, that is, all equipment, machinery, pipes and cables, spares, computers, servers and preloaded licensed system software including
  - machines under repair
  - machines taken on hire or lease, or any system of purchase of goods
  - foundation, bedding or setting of the machines
  - accessories of machines
- Stock of goods or merchandise
  - finished goods, semi-finished goods, stock in process, stock invoiced and ready for dispatch
  - raw materials, packing materials
  - stock accepted for job work for which You are responsible
  - stock held in trust for which You are responsible
  - stock in Open in the Insured Premises
- All other assets
  - furniture and fixtures, office equipment, telephone equipment, electronic equipment, computers etc
  - canteen and kitchen equipment, gym and permanent sports equipment etc.



# United Bharat Sookshma Udyam Suraksha/BLUS

## Perils Covered

- Fire, including due to its own fermentation, or natural heating or spontaneous combustion.
- Explosion / Implosion
- Lightning
- Earthquake, Volcanic eruption & other convulsions of nature
- Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Tsunami, Flood & Inundation
- Subsidence, Landslide, rockslide
- Bush fire, Forest Fire, Jungle Fire

## United Bharat Sookshma Udyam Suraksha/BLUS Perils Covered

- Impact damage by **any external physical object** excluding caused by vehicle, animal or aircraft belonging to or owned by Insured or their employee while acting in course of employment.
- Missile Testing Operations
- RSMD
- **Terrorism (As per IMTRIP)**
- Bursting & Overflowing of pipes
- Leakage of Automatic sprinklers
- **Theft within 7 days following any of the above mentioned perils**

Perils covered=SFSP+Sp.combustion+Forest fire+Terrorism+EQ+Theft

# United Bharat Sookshma Udyam Suraksha/BLUS

## In-built covers

	BSUS	BLUS
Additions, alterations or extensions	upto 15% of the Sum Insured	upto 15% of the Sum Insured
Floater cover	YES	NO
Temporary removal of stocks	upto 10% of value	upto 10% of value
Cover for Specific Contents	<b>Money</b>	<b>upto Rs.50,000</b>
	cover for documents such as deeds, manuscripts, business books, plans, drawings, securities etc	-upto Rs.50,000
	cover for computer programmes, information and data	- upto Rs.5 Lakh
	cover for personal effects of employees, Directors and visitors	upto Rs.15,000 (Rupees Fifteen Thousand) per person for a maximum of 20 persons
Start-Up Expenses	₹ 1 Lakh	₹ 5 Lakh

# United Bharat Sookshma Udyam Suraksha/BLUS

## In-built covers

	BSUS	BLUS
Professional fees	upto 5 % of the claim amount	upto 5 % of the claim amount
Removal of debris	upto 2 % of the claim amount.	upto 2 % of the claim amount.
Local Authorities clause	yes	Yes
Underinsurance waiver upto 15%	yes	yes
Machinery and equipment temporarily removed for repairs, cleaning, renovation or other similar purposes for a period not exceeding 60 days	yes	Yes
Designation of Insured Property	yes	Yes
Agreed Bank clause	yes	Yes

# United Bharat Sookshma Udyam Suraksha/BLUS

## Basis of Sum Insured

- For Building, Plant and Machinery, Furniture, Fixture and Fittings and any other contents: Reinstatement Value.
- For Stocks:
  - For raw material: Landed Cost at Premises.
  - For stock in process: Input Cost of the stock at the time of damage,
  - For finished stock: the Manufacturing Cost of the finished stock or the Contract Price of goods sold but not delivered and more precisely defined below.
  - Contract Price is in respect only of goods sold but not delivered, for which Insured is responsible and with regard to which under the conditions of the sale, the sale contract is cancelled by reason of any damage insured under this Policy either wholly or to the extent of the damage. The Company's liability shall be based on the Contract Price.
- Bullion or unset precious stones, any curios or works of art or obsolete machinery and the like are to be covered on Agreed Value basis subject to a valuation certificate

# United Bharat Sookshma Udyam Suraksha/BLUS

## Basis of Claim Settlement

ITEM	BASIS OF SETTLEMENT
Building, Plant and Machinery, Furniture, Fixture and Fittings and any other contents	If repaired/reinstated within 12m-Reinstatement Value If not repaired/Reinstated within 12m- Market Value
Stock of Raw material	Landed Cost at Premises.
Stock in process	Input Cost of the stock at the time of damage,
Finished stock	The Manufacturing Cost of the finished stock or the Contract Price of goods sold but not delivered
Bullion or unset precious stones, any curios or works of art or obsolete machinery and the like	Agreed Value

# Comparison of SFSP vs. 3 new products

Parameter	SFSP	Griha Raksha	Sookshma	Laghu
Fire	Covered except i) its own fermentation ,natural heating or spontaneous combustion. ii) its undergoing any heating or drying process. iii) burning of property insured by order of any Public Authority.	Covered	Covered Except i)its undergoing any heating or drying process. ii) burning of property insured by order of any Public Authority.	Covered Except i)its undergoing any heating or drying process. ii) burning of property insured by order of any Public Authority.
Lightning	Covered	Covered	Covered	Covered

Parameter	SFSP	Griha Raksha	Sookshma	Laghu
Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Tsunami, Flood and Inundation	Covered except Tsunami	Covered	Covered	Covered
Subsidence, Landslide, Rockslide	Covered	Covered	Covered	Covered
Impact damage	By animals and vehicles except Insured's own vehicle	By any external physical object including Aircraft damage	By any external physical object including Aircraft damage except vehicle, animal or aircraft owned by Insured / Employees	By any external physical object including Aircraft damage except vehicle, animal or aircraft owned by Insured / Employees
Aircraft damage	Covered	Clubbed with Impact damage	Clubbed with Impact damage	Clubbed with Impact damage
Missile testing operations	Covered	Covered	Covered	Covered



Parameter	SFSP	Griha Raksha	Sookshma	Laghu
Riot, Strikes, Malicious damages	Covered	Covered	Covered	Covered
Bursting or overflowing of water tanks, apparatus and pipes	Covered	Covered	Covered	Covered
Leakage from automatic sprinkler installations.	Covered	Covered	Covered	Covered
Costs compelled by Municipal Regulations	Add-On cover	Covered	Covered`	Covered

Parameter	SFSP	Griha Raksha	Sookshma	Laghu
Professional fees as % of claim amount	Covered (up to 3%)	Covered (up to 5% )	Covered (up to 5% )	Covered (up to 5% )
Costs for removal of debris as % of claim amount	Covered (up to 1%)	Covered (up to 2%)	Covered (up to 2%)	Covered (up to 2%)
Earthquake, volcanic eruption, or other convulsions of nature	Add-On cover	Covered	Covered	Covered
Bush fire, Forest fire, Jungle fire	Forest Fire covered as add-on	Covered	Covered	Covered
Terrorism	Add-On cover	Covered	Covered	Covered
Theft within 7 days	Not covered	In-built Cover	In-built Cover	In-built Cover
Loss of Rent and Rent for Alternative Accommodation	Covered as separate Add-ons	Covered	Covered	Covered
Automatic Increase in Sum insured for Building(Escalation)	Add-On cover	Covered		
Under Insurance Wavier	Add-On cover	Complete waiver	Waived upto 15%	Waived upto 15%



THANK YOU

Sandeep V N, Chief  
Manager, Technical Dept., UIIC, HO