**INSURANCES**

**Insurance procedures**

Companies and individuals protect themselves against loss, damage, or injury by taking out insurance policies, which are contracts covering them against future risks. The usual process of insuring a business or oneself is as follows:

1)A **proposal form** is completed by the client, i.e. the company or individual who wants **insurance cover**. This states what is to be insured, how much it is worth, how long the policy will run, and under what conditions insurance is to be effected, as the policy may not automatically cover the insured against **all risks** *(AR).*

2) The insurance company then works out **the premium**, i.e. the price of the insurance. The premium is usually quoted in pence per cent, e.g. pence per hundred pounds. This means that for every £100 of insurance the client would have to pay 1 pence.

3) If the insurance company is satisfied with the information given on the proposal form, they issue a **cover note**to the client. This is not the policy itself, but an agreement that the goods are covered until the policy is ready.

4) When the policy is ready, it is sent to the client. It tells the client that they are indemnified against loss, damage, or injury under the conditions of the policy. In the case of injury or death, or **life insurance**, the principle of **benefit payment** operates. The injured person (or their dependants if they are killed) is paid compensation.

**Fire insurance**

Fire insurance companies offer three main types of policy:

1. Insurance of home and business premises and their contents.

2. Special perils policies, which protect the client against loss or damage due to special factors, e.g. floods or earthquakes.

3. Consequential loss insurance, which means insurance against losing money as a consequence of an accident, e.g. when a company is unable to produce goods because of fire damage to their factory.

**Accident insurance**

Accident insurance covers four areas:

1) **Insurance of liability,** which covers employers' liabilities for industrial accidents, accidents to people attending functions on company business, and motor insurance.

 2) **Property insurance**, which is part of the service fire insurance companies provide, but also includes a wide range of protection against riots, terrorism, gas explosions, etc. Usually, the client takes out an all risks policy, which offers full protection.

3) **Personal accident insurance**, which offers compensation in the form of benefit payments to people injured (or their dependants if they are killed) on outings, in sporting accidents, or travelling by train, coach, or air.

4) **Insurance of interest**, which protects companies against making costly mistakes. For example, publishers might want to cover themselves against libel, i.e. being sued for publishing something which damages someone's reputation.

**Claims**

Companies and individuals make claims for loss, damage, or accident by filling in a claim form, which tells the insurance company what has happened. If the insurers accept the claim, often after an inspection or investigation, they will pay compensation.

The insurance company will not pay compensation under the following conditions:

a) if the claimant was negligent;

b) if the claimant suffered the injury or loss outside the terms of the policy;

c) if the claimant misled the insurers when obtaining insurance, e.g. overvalued the article, insured the same thing twice, or gave false information on the proposal form.

The insurer may, of course, offer less compensation than the claimant is asking for. If the claimant disagrees with the offer, they can call in an independent assessor, and then, if necessary, take the case to court. But usually insurance companies are quite reasonable in their assessments, and small claims are sometimes paid without question.

**Marine insurance**

**Lloyd’s of London** is not an insurance company but an international insurance market consisting of insurance brokers and **underwriters** who are controlled by Lloyd’s Council.

Underwriters finance the insurance, which means they will pay the claims and take the premiums as their fees. They usually work in **syndicates** in order to spread the risk, with large corporations supporting the syndicates.

Generally, **marine insurance** is governed by the International Underwriting Association’s (IUA’S) three main clauses, called Institute Cargo Clauses. The most common is Clause A, which offers the broadest form of cover on an all-risk basis. This is the most expensive Clauses B and C offer more limited cover and consequently are cheaper. If the policy is issued by Lloyd’s, there are also *Lloyd’s own* clauses, which offer different types of cover at different rates.

The client must read the clauses carefully to make sure that their particular cargo is covered against all the risks that the shipment might meet. These could include strikes, war, and piracy, as well as collision and sinking.

For goods by air, Institute Cargo Clauses provide similar cover to marine insurance. Insurance by air is cheaper than by sea as the time taken to transport goods is shorter.

In the case of claims **average adjusters** (assessors) are called in to examine damage and estimate compensation.

**Points to remember**

1. Insurance is designed to cover a business or individual against risks such as loss, damage, or injury. Numerous types of policy are available to offer cover against various eventualities. The client has to decide which hazards apply.

2. Indemnification is the cover which allows compensation because of loss or damage, and is calculated on the market value or depreciation value of goods, not their original value. To be insured, a client completes a proposal form, and the premium is then assessed and quoted (in the UK, in pence per cent).

3. Marine insurance is governed by Institute Cargo Clauses. Shippers are offered a variety of policies to cover shipments. However, most exporters ship under an all-risks valued policy, which covers them against most eventualities and allows them compensation for loss or damage, plus 10%.

4. Open cover policies are used when exporters make regular shipments. Each shipment is declared and the insurance company covers it under the agreement.

**Sample Letters**

**Letter 1**

 Head Office

 Bruce House

 Bruce Street

 Aberdeen

 AB9 1FR

 Telephone: +44 (0) 122441615

 Fax+44(0) 122462219

 Email:daracotb@uniwar.com

 Your ref:

 Our ref: N 3162-1

 Date: 6 April 2016

Westway Insurance Co. Ltd

Society House

Ellison Place

Newcastle-upon-Tyne

NE1 8ST

Dear Sirs

We would be grateful if you could quote us for comprehensive cover, i.e. against fire, flood, accident, industrial injury and theft.

We are a large warehouse selling furnishings to the retail trade, and employing a staff of thirty. The building we occupy belongs to us and is currently valued, along with the fixtures and fittings, at £350,000.At any one time there might be stock worth £250,000 on the premises.

If you are able to supply a quote, please would you take the following into consideration:

Our fire precautions conform to current regulations: we have a fully operational sprinkler system, which is serviced regularly, and fire exits on every floor. In general, our health and safety record is excellent.

Our premises are on high ground, and the only danger from flood would be burst pipes.

Since we began trading six years ago we have never had to claim for industrial injury, and damage to stock has been minimal. Petty theft, which is common in warehouses, has cost us only £800 per annum on average. Our present policy expires at the end of this month, so we would require cover as from 1 May.

We are changing insurance companies because of our present insurers' increase in premium, so a competitive quotation would be appreciated.

Yours faithfully

B.Daracott

B. Daracott (Mr)

Finance Manager

**Letter 2**

 Regional Office

 Society House

 Ellison Place

 Newcastle-upon-Tyne

 NE1 8ST

 Telephone: +44(0)191326115

 Fax+44(0) 191 501116

 Email:dpruet@westway.co.uk

 Your ref: A 4517

 Our ref: 1/47/9165

 Date: 28 October 20-

Mr B. Daracott

United Warehouses Ltd

Bruce House

Bruce Street

Aberdeen

AB9 1FR

Dear Mr Daracott

Policy No.18465314C

I now have the report from our surveyor, Mr McNulty, who visited your premises on 18 October to inspect the damage caused by the fire on 15 October.

From the copy of the report enclosed, you will see that although he agrees that the fire was caused by an electrical fault, he feels that £9,000 is a more accurate evaluation for damage to stock at present market prices. However, he suggests that we also pay a further £2,800 for structural damage to your premises. Consequently, we are prepared to offer you a total of £11,800 compensation under the terms of your policy.

If you accept this assessment, please would you complete the enclosed claim form and return it to us, with a covering letter of confirmation?

Yours sincerely

D.Pruet

D. Pruet (Mr)

Claims Manager

Enc.: Claim form