

Is your insurance company
listening to you?



If your complaints have not been addressed
by your insurance company,
please contact

IRDA Grievance Call Centre

 Toll Free No.: 155255

to register your complaints and track their status
or you may email us at complaints@irda.gov.in



A public awareness initiative by

बीमा विनियामक और विकास प्राधिकरण

**INSURANCE REGULATORY AND
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**Handbook on
Property Insurance**

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1. About this handbook

This handbook is designed by the Insurance Regulatory and Development Authority (IRDA) as a guide on **Property Insurance** and gives general information only. No information given herein replaces or overrides the terms and conditions of an insurance policy.

Please approach a duly licensed agent or a broker or an insurance company registered with IRDA for specific information regarding a policy or for any other additional information.

2. Property Insurance

Insurance of property means insurance of buildings, machinery, stocks etc against Fire and Allied Perils, Burglary Risks and so on. Goods in transit via Sea, Air, Railways, Roads and Courier can be insured under Marine Cargo Insurance. Hulls of ship and boats can be insured under Marine Hull Insurance. Further, there are specialized policies available such as Aviation Insurance Policy for insurance of planes and helicopters. Thus Property Insurance is a very vast category of General Insurance and the type of cover that you need depends upon the type of property you are seeking to cover.

- **Package or Umbrella policies**

There are package or umbrella covers available which give, under a single document, a combination of covers. For instance there are covers such as Householders Policy, Shopkeepers Policy, Office Package policy etc that, under one policy, seek to cover various physical assets including buildings, contents etc. Such policies, apart from seeking to cover property may also include certain personal lines or liability covers. Make sure you understand the complete details of cover and exclusions contained in the policy you are considering. Package

or Umbrella covers could have common terms and conditions for all sections as also specific terms for specific sections of the policy.

- **Fire Insurance**

The most popular property insurance is the standard fire insurance policy. The fire insurance policy offers protection against any unforeseen loss or damage to/destruction of property due to fire or other perils covered under the policy. The different types of property that could be covered under a fire insurance policy are dwellings, offices, shops, hospitals, places of worship etc and their contents; industrial/manufacturing risks and contents such as machinery, plants, equipment and accessories; goods including raw material, material in process, semi-finished goods, finished goods, packing materials etc in factories, godowns and in the open; utilities located outside industrial/manufacturing risks; storage risks outside the compound of industrial risks; tank farms/gas holders located outside the compound of industrial risks etc.

What a Fire Policy covers:

Thought it is called 'Fire Insurance', apart from the risk of fire, it also offers cover against lightning, explosion/implosion, aircraft damage, riot, strike and

malicious damage, storm, cyclone, typhoon, hurricane, flood and inundation, impact damage, subsidence and landslide including rockslide, bursting and/or overflowing of water tanks, apparatus and pipes, missile testing operations, accidental leakage from automatic sprinkler installations, bush fire etc.

What a Fire Policy excludes:

A fire insurance policy usually does not cover a certain amount known as “excess” under the policy. Loss or damage caused by war and warlike operations, nuclear perils, pollution or contamination, electrical/mechanical breakdown, burglary and housebreaking are excluded. Certain perils like earthquake, spontaneous combustion etc can be covered on payment of additional premium.

Fire insurance policies are issued for one year except for dwellings, where a policy may be issued for long term (with a minimum period of three years).

- **Burlary Insurance**

A Burglary Insurance policy may be offered for a business enterprise or for a house. The policy covers property contained in the premises including stocks/goods owned or held in trust if specifically

covered . It also covers cash, valuables, securities kept in a locked safe or cash box in locked steel cupboard if you specifically request for it.

Apart from offering cover for the contents in the premises, a Burglary Insurance policy covers damage to your house or premises caused by burglars during burglary or attempts at burglary. The Policy pays actual loss/damage to your insured property caused by burglary/house breaking subject to the limit of Sum Insured. If Sum Insured is not adequate, Policy pays only proportionate loss. Hence, you must ensure that you value the property covered correctly to ensure that there is no underinsurance.

A Burglary Insurance Policy can generally be extended to cover Riot, Strike, Malicious Damage and Theft.

What is not covered in a Burglary Insurance Policy:

Generally, the Policy will not pay for loss/damage to goods held in trust/commission unless specifically covered, jewellery, curios, title deeds, business books unless specifically insured; any amount that is recoverable under Fire/Plate glass insurance policy; loss from a safe using a key or duplicate key, unless it

is obtained by violence or threat; Due to shop lifting, acts involving you/your family members/ your employees; due to War perils, Riot & Strike (covered by payment of additional premium), Acts of God, Nuclear perils

- **All Risks Insurance**

All Risks Insurance generally offers cover for jewellery and/or portable equipment etc. This cover is generally offered selectively. The design of the policy may vary from company to company. It is important to note that an All Risks policy is not free from exclusions. So, the term “All Risks” doesn’t mean that anything and everything is covered.

What is generally excluded in All Risks Insurance:

Lookout for the exclusions—generally actions of moth, vermin, mildew, wear and tear or repairs, dyeing or bleaching or any gradually operating cause, Mere breaking/ scratching or cracking of fragile items unless caused by accident to the means of conveyance and Any mechanical or electrical breakdown/derangement except due to accidental external means, Over winding, denting or internal damage to watches or clocks Thefts from cars except fully closed saloons Consequential losses, any legal

liability, War perils, nuclear risks, any government/ local authority action and Any loss due to insured’s action which has contributed to increase in risk are excluded from the scope of the policy.

On payment of additional premium mechanical and/ or electrical/ electronic breakdown extension may be offered.

- **Marine Cargo Insurance**

Marine Cargo Insurance covers transits by Water, Air, Road or Rail, Registered Post Parcel, Courier or a combination of two or more of these.

Who can take a Marine Cargo Insurance Policy:

Buyers, Sellers, Import/Export merchants, Buying Agents, Contractors and Banks etc.

Marine Cargo Policies cover the interest in the cargo and also extend to cover the interests of any third party who has acquired interest upon transfer of ownership, as determined by the Terms of Sale.

How Marine Cargo Insurance helps:

Cargo can be damaged on exposure to a wide variety of risks, including an accident of the vehicle carrying the cargo, damage due to jolts, jerks etc. Decide

whether you want to take a Basic Cover or a wider cover. Read and understand the terms and conditions of the policy. Check whether there are any 'Deductibles'.

What is generally excluded in a Marine Cargo Insurance Policy:

Loss or damage due to Inherent Vice, Delay, Insufficiency of packing, loss or damage due to financial default or insolvency of the ship owner etc.

What are the other types of property insurance available?

Some of the other property insurances available are engineering insurance policies like the Electronic Equipment Insurance, Machinery Breakdown insurance etc.

3. FAQs on Property Insurance

Q. What are the requirements to purchase a property insurance policy?

A. The proposer of the policy should first and foremost have an interest in the assets being proposed for insurance, i.e. he/she should stand to lose financially in the event of loss or damage to such assets. Secondly, the proposer should submit a proposal form (which can be obtained at any insurer's website or office). The proposal form should disclose all details, which are true to the insured's best knowledge and other information, which the proposer may feel is relevant.

Q. What are the different types of Property Insurance Policies?

A. The most popular is the Standard Fire & Allied Perils Policies which covers most of the perils the property is exposed to like fire, riots, flood, and storm. Loss of current assets due to burglary and theft can be covered under Burglary & House Breaking Insurance Policy. Valuables can be covered under All Risks Policies and there are

package policies for house owners and shopkeepers.

Q. How does one fix the sum insured?

A. Generally, there are two methods. One is Market Value (MV) and the other is Reinstatement Value (RIV). In the case of M.V, in the event of a loss, depreciation is levied on the asset depending on its age. Under this method, the insured is not paid amount sufficient to buy the replacement.

In the RIV method, the Insurance Co. will pay the cost of replacement subject to ceiling of S.I. Under this method, no depreciation is levied. One condition is that the damaged asset should be repaired / replaced in order to get the claim. It may be noted that RIV method is allowed only for FIXED ASSETS and not for other assets like stocks and stocks in process.

Q. What will be the cost of a fire insurance policy?

A. The cost of a fire insurance policy or the Premium can depend on the

- Perils to be covered
- The value of the items covered
- The usage of the premises proposed for insurance

- The location details of the premises proposed for insurance etc.
- The construction of building and occupancy

Consequent to de-tariffing of the non-life insurance segment (except Motor Third Party Insurance where premium rates are laid down by the IRDA) , premium rates charged by each insurer may differ. However, they should have been filed with the IRDA under the File & Use procedure.

Q. How does one arrive at the value of assets in Dwellings or Offices or Industries?

A. Other than dwellings, industrial units or offices will maintain books of accounts showing therein value of assets, therefore it will not be any problem in arriving at the sum insured. In case of dwellings, one should take stock of assets under broad categories like furniture & fixture, clothing, Bed linen, kitchen equipment, electronic gadgets etc and arrive at the sum insured.

Q. Why should I insure my Building? Fire can't possibly do any harm to the building.

A. Fire and other perils (normally covered under a fire insurance policy) can cause loss / damage to

buildings. There have been fire accidents that have completely destroyed multi-storied buildings. Floods can also bring about devastating losses. Similarly, Riots, Acts of Terrorism can also produce huge losses to human lives as well as property.

Q. Can I ask for cancellation of policy mid-term? Will I get any premium refund?

A. Yes.

At Insured's option: Retention of premium on short period scale and balance if any, will be refunded.

At Insurer's option: Pro-rate refund of premium will be given.

Q. In case of loss, what are the obligations of the insured?

A. Every insured is expected to behave as though he is uninsured. Take all precautions to prevent / aggravate the loss. Inform Insurance Company who have to be given an opportunity to inspect the damages. Inform fire brigade who will assist to put out the fire. During fire fighting, any damage caused to other insured property caused by water, will be paid by Insurance Company. Extend

cooperation to surveyor while inspecting and assessing the loss. If arrival of surveyor is likely to be delayed, then, take photos / and shift unaffected assets to a place of safety. Give completed claim form and documents as required by Insurer, in support of your claim. After repairs / replacement, submit bills to Insurer.

Q. If I insure for a higher value, will I get a higher claim amount?

A. No. When you apply for a fire insurance policy, the current market value of the property or the Reinstatement value of the property, depending upon the basis of the Sum Insured, should be accurately calculated for arriving at the correct amount to be insured. The compensation payable when a covered loss or damage occurs shall be based on whether or not the property has been insured adequately. If the amount insured is excessive, it will mean overpayment of unnecessary premium; if the amount insured is inadequate you will receive amounts in proportion to the market value only.

Q. Can items like jewellery, ornaments and art works be covered by the general fire insurance

policy?

- A. Unless prior consent has been given by the Insurer, general fire insurance policy does not cover items like jewellery ornaments, art works, scripts, documentary information, computer system information, shares and stocks, cash. These can be covered on specific request and subject to valuation where necessary.
- Q. **I have taken an insurance policy covering my building. My Bank which has financed my business has also taken insurance separately. Both policies are in force covering same property. What happens in the event of a claim?**
- A. In the event of a claim, each insurer will pay the loss amount in proportion to the Sum Insured under their respective policies, in accordance with the principle of contribution. The object of the principle of indemnity is to place the insured in the same place as he occupied prior to occurrence. Insured is prevented from making claim for full amount of loss under each policy. Insurance company indemnifies the insured only to the extent of actual loss suffered subject to depreciation, policy excess etc., and not permit to make profit out of a loss.

Q. **What is the relevance of Salvage?**

- A. In case of claims under various types of insurance policies, the partly damaged goods or the wreck of a car or any machinery or any other property settled on Total Loss Basis is known as "Salvage". After settling the claim for the full amount the salvage becomes the property of insurance company. Generally the job of salvage disposal is entrusted by the insurance company to the surveyor who carried out the loss assessment, subject to observance of procedure for salvage disposal. The amount realized through salvage disposal will be set off by insurer against losses paid by them.
- Q. **I want to cover my goods against transit risk. What policy do I take?**
- A. The Marine Cargo policy offers cover for goods against transit risks. You can take this policy if you are, for instance, transporting your household goods from one place to another. You may either opt for a 'Basic Cover' or for an 'All Risks' one. The latter offers a wider scope of coverage. Please read the terms and conditions of the policy to understand what you are buying.

Q. Who has to arrange for Marine Cargo insurance- the buyer or the seller? Or do both need some protection?

A. This depends on the Sale Contract the two enter into. For each Sale Term such as Free on Board (FOB), Cost and Freight (C&F), Cost Insurance and Freight (CIF) etc, the responsibility for arranging for insurance varies.

Q. I need to cover my jewellery. What policy should I take?

A. Insurers offer 'All Risks' policy for covering jewellery. You must ensure that your jewellery is valued correctly and you are able to show proof of valuation should a claim occur. An All Risks policy also has exclusions, so go through the terms and conditions thoroughly.

Q. I want to cover my household goods against burglary when I am away. Can I get a burglary insurance policy?

A. A burglary insurance policy covers goods against the risk of burglary. A burglary insurance policy may also offer extension of cover against theft. A burglary insurance policy will usually cease to

operate if the house is not occupied beyond a certain defined period unless you have intimated the insurance company and they specifically agree to extend the cover even when the house is not occupied. It's a good idea to ensure that you have a burglary policy always rather than opting for one only when you are away. You might not get one if you want to insure the contents only when the house is locked.

Policyholder Servicing Turnaround Times as prescribed by IRDA

Service	Maximum Turn Around Time
General	
Processing of Proposal and Communication of decisions including requirements/issue of Policy /Cancellations	15 days
Obtaining copy of the proposal	30 days
Post Policy issue service requests concerning mistakes/refund of proposal deposit and also Non-Claim related service requests	10 days
Life Insurance	
Surrender value/annuity/pension processing	10 days
Maturity claim/Survival benefit/penal interest not paid	15 days
Raising claim requirements after lodging the Claim	15 days
Death claim settlement without Investigation requirement	30 days
Death claim settlement/repudiation with Investigation requirement	6 months
General Insurance	
Survey report submission	30 days
Insurer seeking addendum report	15 days
Settlement/rejection of Claim after receiving first/addendum survey report	30 days
Grievances	
Acknowledge a grievance	3 days
Resolve a grievance	15 days

5. If you have a grievance:

The Consumer Affairs Department of the Insurance Regulatory and Development Authority (IRDA) has introduced the Integrated Grievance Management System (IGMS) which is an online system for registration and tracking of grievances. You must register your grievance first with the insurance company and in case you are not satisfied with its disposal by the company, you may escalate it to IRDA through IGMS by accessing www.igms.irda.gov.in. In case you are not able to access the insurer's grievance system directly, IGMS also provides you a gateway to register your grievance with the insurer.

Apart from registering your grievance through IGMS (i.e., web), you have several channels for grievance registration - through e-mail (complaints@irda.gov.in), through letter (address your letter to Consumer Affairs Department, Insurance Regulatory and Development Authority, 3rd Floor, Parishram Bhavan, Basheerbagh, Hyderabad:4) or simply call IRDA Call Centre at **Toll Free 155255** through which IRDA shall, free of cost, register your complaints against insurance companies as well as help track its status. The Call Centre assists by filling up the complaints form on the basis of the call. Wherever required, it will facilitate in

filing of complaints directly with the insurance companies as the first port of call by giving information relating to the address, telephone number, website details, contact number, e-mail id etc of the insurance company. IRDA Call Centre offers a true alternative channel for prospects and policyholders, with comprehensive tele-functionalities, serving as a 12 hours x 6 days service platform from 8 AM to 8 PM, Monday to Saturday in Hindi, English and various Indian languages.

When a complaint is registered with IRDA, it facilitates resolution by taking it up with the insurance company. The company is given 15 days time to resolve the complaint. If required, IRDA carries out investigations and enquiries. Further, wherever applicable, IRDA advises the complainant to approach the Insurance Ombudsman in terms of the Redressal of Public Grievances Rules, 1998.

Disclaimer:

This handbook is intended to provide you general information only and is not exhaustive. It is an education initiative and does not seek to give you any legal advice.