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शक्ति उत्थान आश्रम लखीसराय बिहार

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BUSINESS SERVICES

FIRE INSURANCE

Fire insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by fire during a specified period upto the amount specified in the policy. Normally, the fire insurance policy is for a period of one year after which it is to be renewed from time to time. The premium may be paid either in lump sum or instalments. A claim for loss by fire must satisfy the two following

conditions:

(i) There must be actual loss; and

(ii) Fire must be accidental and non- intentional.

The risk covered by a fire insurance contract is the loss resulting from fire or some other cause, and which is the proximate cause of the loss. If overheating without ignition causes damage, it will not be regarded as a fire loss within the meaning of fire insurance and the loss will not be recoverable from the insurer.

A fire insurance contract is based on certain fundamental principles which have been discussed in general principles. The main elements of a fire insurance contract are:

(i) In fire insurance, the insured must have insurable interest in the subject matter of the insurance. Without insurable interest the contract of insurance is void. In case of fire insurance, unlike life insurance insurable interest must be present both at the time of insurance and at the time of loss. For example, a person has insurable interest in the property he owns, a businessman has insurable interest in his stock, plant, machinery and building, an agent has an insurable interest in the property of his principal, a partner has insurable interest in the property of a partnership firm, and a mortgagee has insurable interest in the property, which is mortgaged.

(ii) Similar to the life insurance contract, the contract of fire insurance is a contract of utmost good faith i.e., uberrimae fidei. The insured should be truthful and honest in giving information to the insurance company regarding the subject matter of the insurance. He is duty-bound to disclose accurately all facts regarding the nature of property and risks attached to it. The insurance company should also disclose the facts of the policy to the proposer.

(iii) The contract of fire insurance is a contract of strict indemnity. The insured can, in the event of loss, recover the actual amount of loss from the insurer. This is subject to the maximum amount for which the subject matter is insured. For example, if a person has insured his house for Rs. 4,00,000 the insurer is not necessarily liable to pay that amount, although the house may have been totally destroyed by fire; but he will pay the actual loss after deducting depreciation within the maximum limit of Rs. 4,00,000. The purpose being that a person should not be allowed to gain by insurance.

(iv) The insurer is liable to compensate only when fire is the proximate cause of damage or loss.