



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA

EXPOSURE DRAFT

Date: 20th May, 2019

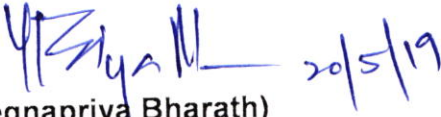
TO ALL STAKEHOLDERS

Re: Revisiting the product structure for Dwellings, Offices, Hotels, Shops etc and Micro, Small and Medium Enterprises against Fire and allied perils

1. Currently, the wordings, terms and conditions in respect of the basic policy for Fire and allied perils for all categories of risks are driven by the erstwhile All India Fire Tariff, 2001. However, insurers have been permitted to sell add-ons to the basic cover within the framework provided under the extant Product Filing Guidelines for General Insurance.
2. Considering the occurrence of various catastrophic events that revealed the huge gap between economic losses and insured losses and also to reduce the protection gap that exists in the segments of Dwellings, Offices Hotels, Shops etc and Micro, Small and Medium Enterprises against Fire and allied perils, IRDAI had set up a Working Group to revisit the product structure in respect of these segments.
3. The Working Group made various recommendations, after which it was decided to work on the product design and draw up the proposed policy wordings, including the terms and conditions in plain language, keeping the target segments in mind. Accordingly, three products have been designed and developed. The introduction of Key Feature Document for these segments has also been proposed and they have also been drawn up.
4. We now place the Report of the IRDAI Working Group on Product Structure for Dwellings, Offices, Hotels, Shops etc and MSMEs for cover against Fire and Allied Perils as Part I and the proposed Key Feature Documents, Prospectus, Policy Wordings, Add-ons and Special Clauses as Part II of a comprehensive report on the subject.

We urge all stakeholders to offer their valuable comments **on or before 7th June, 2019** in the attached format to the following e-mail ids:

nl-products@irda.gov.in
pradeep.singh@irda.gov.in


(Yegnapriya Bharath)
Chief General Manager (Non-life)

Format

Name/organisation:		Address & contact no:	Date:
Page no	Context	Suggestions/Comments	Reasons



PART - I

Report of IRDAI Working Group

On

**Product Structure for Dwellings,
Offices, Hotels, Shops etc. and MSME
for cover against Fire & Allied Perils**

30/09/2017



PART - II

**Key Feature Documents, Prospectus,
Policy Wordings, Add-ons and
Special Clauses**

16/11/2018



**भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA**



Shri P J Joseph

Member (Non-Life)

Insurance Regulatory and Development Authority of India

Hyderabad

Respected Sir,

Re : Report of the Working Group on Product Structure for Dwellings, Offices, Hotels, Shops etc. and MSME for cover against Fire & Allied Perils

I have pleasure in submitting the Report of the Working Group on the above subject created vide IRDAI order IRDA/NL/ORD/MISC/119/05/2017 dated 19th May 2017.

The Report and the Recommendations contained are an outcome of extensive review of existing product literature, governing laws, regulations and guidelines, meetings with various stakeholders and intense internal discussions by the Working Group. This analysis broadly covered the following aspects:

1. Analysis of the current product
2. Customer issues with current product
3. Recommended product structure
4. Regulatory framework for product approval, pricing, reserving and accounting
5. Distribution and remuneration to push penetration

On behalf of the Members of the Working Group, I sincerely thank you for entrusting us with this responsibility. I also thank you for granting extension of time to the Working Group to sharpen the study and analysis and come up with a comprehensive report on the subject.

Place: Hyderabad

Date: 30thSeptember 2017

Anurag Rastogi

Chairman of the Working Group

Members

Mrs D Nagalalakshmi

Mr Amitabh Gupta

Mr N Ravichandran

Mr V Devanathan

Mr K Mahipal Reddy

Mr Mukesh Kewalramani¹

¹ Mr Mukesh Kewalramani replaced Mr Parmeshwar Shelke in August 2017 after the transfer of Mr Shelke to Inspection Department, IRDAI



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Acknowledgements

At the outset, the Working Group thanks Chairman, IRDAI and Member (Non-life) for providing an opportunity to review the existing product structure for dwellings, offices, hotels, shops and MSME for cover against fire and allied perils and suggest recommendations which may improve the product to create consumer delight and help push the penetration of this product in the most vulnerable sections of society.

The working group feels grateful to Mrs Yegnapriya Bharath, Chief General Manager & Head of Department (Non-Life) for giving her time in reviewing the progress of the project, sharing her views and bringing the regulatory perspective to the table. Her support in seeing this report in its current state was critical.

The Working Group would like to thank the GI Council for sharing their valuable inputs and structured suggestions. These suggestions provided a collective industry view and were extremely useful in striking a balanced approach between regulation and development.

The Working Group places on record its sincere appreciation and thanks to the various non-life companies, their representatives, reinsurers, brokers, surveyors, intermediaries, underwriters, Insurance Information Bureau, consumer bodies and other persons who have so generously given their time and shared their view points at several meetings, both in person and through emails and letters.

The Working Group wishes to acknowledge with gratitude the help, assistance and co-operation rendered by the non-life department in IRDAI and its team.

The Working Group would like to specially thank the GI Council and IRDAI for providing the space and infrastructure in facilitating the discussions.

Last but not the least the Working Group is extremely grateful to the managements of the companies/ organizations that the Working Group members represent for having provided the members with time and resources for completing this report.

The report and the recommendations reflect the collective views and opinions of the working group as a whole. These views are a result of the analysis, synthesis and deliberations with different stakeholders of general insurance products. The individual views and opinions of the members of the workgroup however may differ on some of the items. But the workgroup felt that a collective expression would better serve the purpose as presented in this report.

Executive Summary

Current protection needs of the insuring public for their assets against fire and allied risks, whether dwellings, shops, offices and small commercial establishments or large commercial entities are met by Standard Fire and Special Perils Policy. The product structure has remained, more or less, the same since the All India Fire Tariff revision in 1988. Though the tariff has undergone several changes since then, the last one being in 2001, these changes were more in the rules of underwriting and premium rates rather than in the basic structure, coverage and terms of insurance or the claims settlement processes. In the same period, however, insurance penetration, customer expectations from insurance, use of technology in insurance as well as the incidence rate and severity of damages caused by fire and allied perils, including catastrophic events has increased significantly. In the wake of these developments, the product that was created many years ago does not seem to meet the true protection needs of insuring public. The study of the existing product and discussion with all the key stakeholders brought out the following issues that create consumer dissonance and may be impeding the growth of this insurance amongst the most vulnerable sections of society. The recommendations of the work group are a synthesis of views collected from all the stakeholders and detailed deliberations amongst the work group members and while these are mainly aimed at addressing the issues that cause consumer dissonance and inhibit a just and reasonable indemnity to them, but are also forward looking in terms of creating a simple and easy product structure that would help increase consumer confidence and thereby increase insurance penetration.

1. The existing insurance product was conceptualized for large commercial customers, who were significantly bigger buyers of fire and allied perils insurance, rather than for dwellings or small commercial establishments. The same product was made available to a small number of insurance buyers of dwelling and small commercial establishments. Therefore, the process of buying insurance, the terms and conditions of insurance and the claims settlement process assumes a minimum level of understanding of insurance amongst the insuring public. However, most of the insurance buyers of dwelling and small commercial entities are lay customers, who understand very little about the terms, conditions and exclusions of general insurance. As a result, they end up being missold or undersold or being sold an inappropriate insurance cover which later manifests into under indemnification of their losses, causing heart burn and loss of confidence in the institution of insurance.

Recommendation: The work group recommends three different versions of the product with varying degree of product refinement to take care of relative insurance literacy of different customer segments. These product structures shall be standard across insurers. The simplest product with most relaxed terms has been recommended for homeowners. A slightly more refined version has been recommended for micro commercial establishments having value at risk upto 5 crores and a moderated version of the existing product is recommended for commercial risks having value at risk higher than 5 crores and up to 50 crores.

2. Many perils of the existing product are not part of the base product and are sold as Add On / riders on customer demand or sales push. For example, earthquake, which has caused large scale economic losses in different parts of the country in recent past is not a default cover in fire insurance but has to be opted by express demand. Many lay and unsuspecting customers do not opt for this cover and remain uncovered in an unfortunate incidence of earthquake.

Recommendation: The workgroup recommends that all perils relevant to a segment should be covered in the base product itself to avoid mis-selling and inadequate coverage for unsuspecting public.

3. All fire insurance products are governed by principle of indemnity and use terms like “Market Value”, “Reinstatement Value”, “Average Clause / Under insurance”, “Excess”, which most insurance buyers neither understand, nor are educated about at the time of selling of insurance. As a result, they end up underinsuring their assets and realize the folly only when they suffer a loss and do not get appropriate compensation. The workgroup deliberated that it is important that all assets are insured for adequate value. Since fire insurance is an indemnity contract and all losses are not total loss, underinsurance severely impacts pricing assumptions and puts those at a disadvantage who have insured for adequate values and hence the average clause endeavors to bring equity amongst those insured adequately and those who are under insured. However, keeping in view the low levels of awareness in the section of population that this reports addresses, the workgroup felt the principles of indemnity needs to be modified for the target group we are looking at for greater transparency that helps better penetration of insurance.

Recommendation: The workgroup recommends that all policies should be issued on “New for Old” basis for home building as well as contents. For commercial risks, under examination also, the work group recommends “New for Old” sum insured basis for buildings and trade equipment and purchase price of stock in trade. This means that no claim shall be subject to deduction for depreciation and wear & tear. It also recommends complete waiver of underinsurance for home owners, waiver of up to 30% underinsurance for commercial risks up to 5 crores and 15% for commercial risks up to 50 crores. Work group also recommends doing away with “Excess” for dwellings and replacing “excess” by “Franchise” for commercial risks up to 5 crore.

4. One of the main reasons of inadequate sum insured for dwellings today is that it is left to customers to decide the sum insured and insurers play very little role in helping them decide the correct sum insured that afforded adequate protection. Hence, appropriate sum insured is always a matter of dispute between insuring public and insurers. Many times customers insure the homes for their purchase price which includes land value also, without any benefit accruing to them for this over insurance because no loss happens to the land.

Recommendation: Workgroup felt that there has to be a system of default sum insured for all the dwellings such that default sum insured is a reasonable approximation of the correct value of construction cost of the building. Therefore, it has been recommended that GI Council or IIB will create a database of cost of construction for each square feet carpet area for different geographies and construction types. The insured will declare only the carpet area and the sum insured of the dwelling shall be auto-calculated at the given rate. Household contents shall automatically be held covered @50% of the cost of construction of dwelling on loss limit basis. The insured will have the option to increase the sum insured of building, but not decrease it. However, in case of contents he will have the option to either increase or decrease

or completely opt out of contents cover by express choice. The purpose of this is to ensure nobody is left uninsured/under-insured due to lack of knowledge or awareness but those who want to make a conscious choice of selecting a sum insured can do so. If a customer wants to insure only the contents, the method used for arriving at default sum Insured would be same, i.e. 50% of value arrived at by multiplying area and construction cost of house. This can of course be increased or reduced based on specific requirement of insured.

5. Another issue faced by policy holders is of multistoried apartments whose building collapses due an insured perils and the apartment becomes a Total Loss. Even when the apartment is insured on Reinstatement Value basis, insurers pay the cost of reinstatement only after the apartment is reinstated, or else they pay only the depreciated value of cost of construction. Reinstatement of the apartment is beyond individual control of the policyholder and entails a long drawn out process of redevelopment of the entire building. This leaves a large protection gap for the policyholders of dwellings in multistoried apartments.

Recommendation: Workgroup recommends insurance of home in multistoried apartments for total saleable price of the apartment based on Ready Reckoner rates published by each state government. Policyholder will have the option to increase this rate if the actual rate is higher than ready reckoner, but not reduce below it. In case of a total loss, per square foot rate specified in the policy shall be sacrosanct and claim shall be paid after multiplying it with the actual area of the apartment.

6. Lack of clarity about which assets are covered under the policy is another reason for consumer dissonance. For example, most insurers do not cover boundary walls, internal roads, out houses in dwellings unless specifically declared. Similarly, in commercial establishments, goods held in trust are not deemed covered unless specifically declared. Most customers of insurers do not have such deep understanding of insurance to specifically declare these assets, in spite of the intention to insure these and suffer unintended loss once a peril strikes.

Recommendation: The work group recommends standard definitions that clearly define what is covered so that there is no confusion as to covered assets under policy.

7. While long term insurance for dwelling structure is available under SFSP, there is no such coverage for contents of a dwelling. With poor contact-ability, many do not receive insurance renewal reminders or do not receive in time and remain uninsured, when loss happens.

Recommendation: It is recommended that duration of contents insurance be aligned with duration of structure insurance.

8. Insurance for dwelling structures is currently allowed for any length of duration and it is not uncommon to see dwelling structure insurance policies being issued for 25-30 years also under SFSP. While this is convenient from customer perspective, this causes some financial risks for insurers.

- ✚ The earning of the premium is spread over long duration while the premium collected gets booked as GDP immediately. Required solvency in such a case will mostly be written premium based while available solvency will be based on the amount of earned premium less claims, less commission,

less expenses. Hence the Required Solvency margin due to long term business goes up quite significantly while Available Solvency Margin may grow insignificantly or may actually reduce. This creates a large solvency pressure on insurers.

- ✚ The earning on the premium is very small, while the commission is paid on the entire collected premium upfront. In many situations, the commission is far more than the earning, creating a stress in the P&L of the company, since Indian regulations and GAAP do not allow Deferred Acquisition Cost.
- ✚ Insurers assume long term risk but reinsurance treaties are annual. It is quite possible that reinsurance market may enter into a hard phase in some future time and expose insurers to higher costs that they did not factor when writing the direct insurance or may create reinsurance capacity constraints. This exposes insurers to the risks remaining on their net with inadequate reinsurance or price of reinsurance going up leaving them no or negative margins.

Recommendation: In view of the foregoing, the workgroup felt it would be ideal to restrict the tenure of dwelling structure policies to 5 years, since uncertainties as to future are far less in 5 year cover as compared to unlimited duration of cover. This also aligns with current regulatory thought of allowing nonlife products upto a maximum tenure of 5 years.

9. An incidence of fire or any of the allied perils causes chaos, confusion and hasty evacuation of affected premises by people. During this chaos, some anti-social elements become over-active and steal the contents of such premises. Unfortunately, current fire insurance excludes these losses and pays only for losses caused by fire or allied perils.

Recommendation: The work group recommends removing the exclusion for theft following any insured peril.







10. Existing product allows a long term insurance only for dwelling and has two options:
 - a. 50% discount on a long term dwelling insurance where the sum insured remains flat for the entire duration of coverage
 - b. No discount where the sum insured escalates @10% per annum for the entire policy duration.

Most policyholders opt for upfront discount in premium where the policy sum insured remains flat during policy term. This exposes them to the risk of underinsurance under the existing product. With the recommendation of doing away under insurance for dwellings, the risk now shifts to insurers.

Recommendation: The work group recommends doing away with upfront discount and providing inbuilt sum insured auto-escalation at a rate of 10% per annum.

11. Existing product has the provision of upfront payment of premium for long term dwelling policies. The reason for upfront payment of premium was mainly driven by a difficulty of collecting annual installments. This upfront payment of premium for a long term insurance made insurance purchase unaffordable for some policyholders, while the annual policy exposed them to the risk of remaining uninsured in case of delayed renewal or no renewal at all.

Workgroup also recommends use of technology to reach out to the traditional and new distributors in order to provide seamless insurance services on real time basis at low cost. While as an industry we may wish to promote some new channels of distribution, it is equally important to have an attractive revenue proposition for distribution channels. The existing regulation on commission and rewards for agents and intermediaries caps the total outgo to most channels @19.5%. The recent guidelines on MISF (Motor Insurance Service Providers) allow an attractive acquisition cost to automobile dealers selling two-wheelers.

 Post offices
 Utility companies
 Property tax departments
 Municipal tax offices
 Common Service Center, which have a wonderful reach to remote villages
 Point of Sales Person

13. The success of the product depends a great deal on the insurance distributors. The need of these products is very high in the hinterland of the country which has significantly low insurance penetration. Hence, there is a need to promote innovative distribution channels aimed at increasing penetration in small towns and rural areas of the country. The work group recommends active promotion of following intermediaries:

Other Recommendations

Recommendation: The work group recommends issuance of simplified "Key Features Document" for these segments of customers. This document will explain, in simple and non-technical language, what is covered, what is not covered, Do's and Don'ts and the process of filing for a claim. The legal policy wordings, which shall be common across insurers, shall be available on company website and IRDAI website and can also be sent by insurers through e-mail. For any legal interpretations, these policy wordings shall be referred to in conjunction with the "Key Features Document".

12. The wordings of current standard fire and special perils insurance policy are very complex and full of legal and technical terminology. The proverbial "fine print" makes it very difficult for ordinary insurance buyers to comprehend it, putting him at a disadvantage against insurer, resulting in dispute at the time of claim.

Recommendation: The work group recommends auto renewal of insurance through ECS facility. This will reduce the burden of upfront payment of a large premium for policyholders. For the insurers, technology available today makes it very simple to have electronic ECS mandate for auto renewal of policies at the time selling of insurance. Of course, the policyholders will be within his rights to cancel the mandate at any point of time at his wish or pay the one time premium.

After considerable deliberation, the work group believes and recommends a total commission plus reward outgo equivalent to two-wheeler MISP for insurance of dwellings for all channels of distribution, in order to encourage distributors to increase penetration of dwelling insurance in the country.

14. KYC has become all pervasive in the country and of late Aadhaar has been made mandatory for a host of services. However, general insurance is one industry, where it is still not mandatory.

The work group recommends mandatory KYC (preferably e-KYC) for all buyers of the products that form part of this report.

15. Many stakeholders had recommended an “All Risk” cover that included theft, burglary, breakdown, personal accident covers in one package for dwellings and small commercial segments. Particularly, some groups requested including death cover following upon an insured event since in many cases of cooking gas cylinder burst, women have lost lives. The work group feels that the Authority should encourage insurers to create a package including other related perils apart from fire and allied perils. However, in doing so the work group recommends the following approach:

✚ *There should be only one product for fire and allied perils for dwellings of any value and each of the two types of commercial risks upto 50 crores as mentioned in para 1. All existing products with varying terms and coverage should cease to exist. Existence of multiple products with differing words creates confusion amongst this segment of customers whose awareness about insurance is anyway low.*

✚ *Insurers must not be allowed to vary the terms, conditions, coverage and Add Ons for these products. Any requirement for Add On should be routed through GI Council who will get common wordings for the Add On approved from IRDAI. All existing Add Ons approved for any insurer will not be applicable to risks upto 50 crores.*

✚ *The home structure insurance must cover death of insured person and spouse for a reasonable amount arising out of domestic gas cylinder explosion for a sum equivalent to the construction value of home (Recommended benefit is 25% of building construction value subject to a minimum of Rs 2 lacs).*

16. The segment of insuring public that this report addresses has relatively higher frequency and range bound severity as compared to risks above 50 crores. Hence, it would be critical to scientifically collect exposure and claims data for regular analysis and future pricing of products.

The work group, therefore, recommends that IIB should collect data for this segment at much more granular level by enforcing higher level of discipline so that the data is statistically amenable for future pricing and analysis.

17. While the need for dwelling and small commercial establishments against fire, allied and natural perils does exist, the awareness about the existence of insurance as a risk management tool is very low, particularly in the most vulnerable sections of society. The work group deliberated upon the subject and felt that there is a pressing need to create more awareness about the need to insure

assets against fire and natural perils. This awareness creation must be done by industry players, General Insurance Council and IRDAI.

General Insurance Council can play a significant role in creating awareness about non-life insurance, in general, and these products in particular. A good example to follow is AMFI (Association of Mutual Funds in India), who has been running several campaigns and consumer awareness programs on behalf of mutual fund industry².

2. More details about AMFI awareness programs and videos are available at <https://www.amfiindia.com/investor-corner/awareness-program/schedule-of-investor-awareness-program.html>

Background

The IRDAI order on creation of this workgroup states “Recent catastrophic events such as Northern India floods, J&K floods, Hudhud cyclone and Chennai floods have revealed that economic losses are much higher than insured losses”. India is vulnerable, in varying degrees, to a large number of disasters. More than 58.6 per cent of the landmass is prone to earthquakes of moderate to very high intensity; over 40 million hectares (12%) of its land is prone to floods and river erosion; close to 5,700 kms, out of the 7,516 kms long coastline is prone to cyclones and tsunamis; 68% of its cultivable area is vulnerable to droughts; and, its hilly areas are at risk from landslides and avalanches. Moreover, India is also vulnerable to Chemical, Biological, Radiological and Nuclear (CBRN) emergencies and other man-made disasters.³

Disaster risks in India are further compounded by increasing vulnerabilities related to changing demographics and socio-economic conditions, unplanned urbanization and development in high-risk zones, environmental degradation, climate change, geological hazards, epidemics and pandemics. Clearly, all these contribute to a situation where disasters seriously threaten India’s economy, its population and sustainable development⁴.

According to the Forbes’ Natural Hazards Vulnerability Index, which assesses a country’s ability to prepare for, respond to, and recover from a natural hazard event, Japan (183) and the U.S. (173) are ‘low risk,’ and China (126) ‘medium risk’. In comparison, the weaker institutional capacity, financial resources and infrastructure of Bangladesh (37), Pakistan (43) and India (49) mean they are rated ‘high risk,’ leaving businesses and populations there under greater threat if a significant event strikes.⁵

At one end the country’s population is exposed to these natural disasters, on the other the insurance penetration is abysmally low, particularly for the weaker and most vulnerable sections of the society, leaving them further exposed to the huge financial risks arising from these disasters. The data above⁶ shows that the insured losses are significantly less than the economic losses.

While the major reason for the insurance gap is the lack of awareness about insurance and its affordability, a contributory factor could be the complex insurance products and claims settlement process which were designed mainly for commercial customers who have better awareness about insurance and claims processes. Hence, a need has been felt for some time to create simpler products that;

- ✚ Are easy to understand for lay public
- ✚ Are in plain language for easy readability and understanding
- ✚ Have simplified claims procedure, and
- ✚ Have affordable premiums for the most vulnerable sections of society

Event	Economic Losses (in Rs. Crores)	Insured Losses (in Rs. Crores)
Uttarakhand Floods	6,600	3000*
Cyclone Phailin	3,800	600*
Cyclone Hudhud	65,000*	4000*

³Source: <http://www.ndma.gov.in/en/vulnerability-profile.html>

⁴Source: <http://www.ndma.gov.in/en/vulnerability-profile.html>

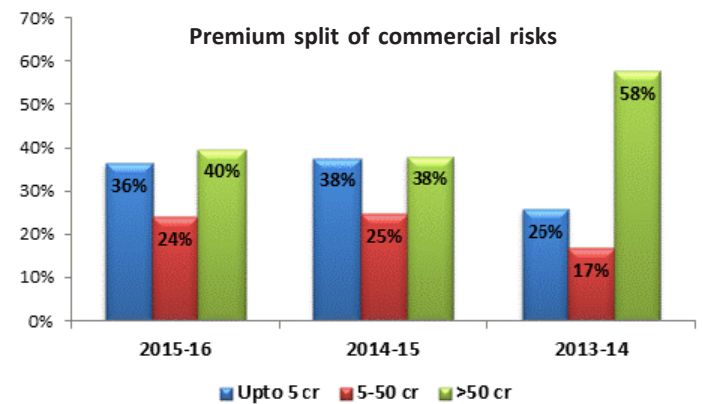
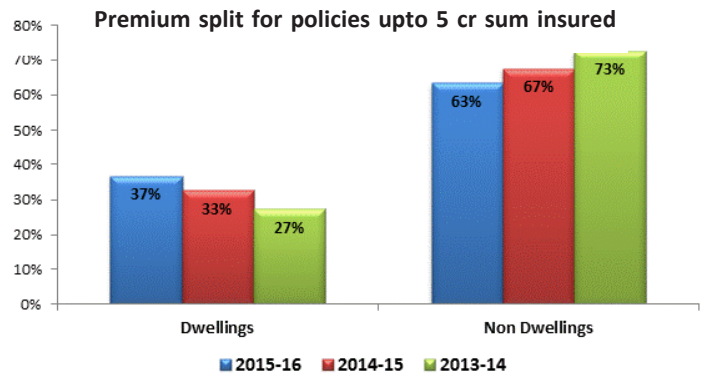
⁵Source: <https://www.forbes.com/sites/meghabahree/2016/03/23/india-most-exposed-to-natural-hazards/#1dabb42061a0>

⁶Source: EM-DAT OFDA/CRED International Disaster Database, *estimates based on news reports

A look at the premium for policies below 5 crores⁷ sum insured indicates that the share of dwellings in this premium is increasing while that of commercial risks is reducing. This is a good development and shows that more home owners are buying this cover with every passing year.

In the same manner, the split of premium for commercial risks by sum insured band shows that there was a big jump in the premium of policies up to 5 crores in 2014-15, but after that it has remained flat.

These two data points indicate that the share of dwellings and commercial risks up to 5 crores sum insured is growing. This further underscores the need for more friendly products for these segments.



⁷IIB data for SFSP policies of entire industry from 2013-14 to 2015-16

Regulatory and Tariff Environment

Insurance products have to be compliant with various laws, regulations, guidelines and directions issued by IRDAI from time to time. This is an important aspect as it ensures that insurance product is designed to ensure not only compliance with these legislations and guidelines but in the process meets larger objective of product being fair and transparent to customer and takes care of policyholders' rights and interests in an adequate manner.

The various legislations and regulatory provisions impacting general insurance products are as under:

1. The Insurance Act 1938 and subsequent amendments there to especially Part I -Definitions, Part II 38, 39 - Assignment or Transfer of Policies and Nominations, Part IIC-64VB - No risk to be assumed unless premium is received in advance.
2. The Insurance Rules, 1939 and subsequent amendments thereto specially Rule 58 –Advance payments of premium, Rule 59 – Relaxation.
 - (i) Rule 59 Relaxation of Insurance Rules, 1939: In respect of the categories of insurance policies mentioned there under the requirements of sub-section (1) of Sec. 64-VB shall stand relaxed to the extent and in the manner mentioned against each category of policy, subject to the conditions mentioned therein:
 - (ii) Policies issued for a period of more than one year. In the case of policies issued for a period of more than one year, such as Contract Performance Bonds or Guarantees, Contractors' "All Risk" policies. Machinery Erection policies and the like, the premium may be staggered as necessary according to custom, over the period of the cover, provided that the first equated instalment is higher than any other instalment by at least 5 per cent of the total premiums payable and each instalment is paid in advance. Where the premiums are payable by declarations, they may be paid within fifteen days I from the dates of receipt of declarations.
3. Part IVA – Insurance Act to check that reinsurance arrangements made by the insurers on the basic contract of the insurer with the reinsurer is not compromised to the disadvantage of the original insured
4. Section 40- Prohibition of payment by way of commission or otherwise for procuring business
5. Section 40A of the Insurance Act, 1938 – Limitation of expenditure on commission
6. Section 41- Prohibition of rebates
7. IRDAI (Insurance Advertisement and Disclosures) Regulations, 2000
8. IRDAI (Appointed Actuary) Regulations 2017
9. IRDAI circular number 27/IRDA/ACTL/NON-LIFE/2009-10 on the 'Role of Appointed Actuaries'
10. Protection of Policyholder's Interest Regulation 2002 and subsequent amendments thereto.

11. Section 14 (2) (i) of the IRDAI Act, 1999 – control, and regulation of rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled by the TAC under Section 64U of the Insurance Act, 1938.

12. Product filing guidelines issued by Authority in 2016

a. *The Para 7.2: Product Approval Process (I) File & Use Procedures:*

The File and Use Procedures require the products to be necessarily filed with the Authority before these are marketed. All Retail Products (including their modifications) shall be filed with the Authority under File and Use Procedures. However, the commercial products offered to commercial customers (such as Micro Small & Medium Enterprises, small shops and establishments, trustees, cooperative societies etc.,) with a policy Sum Insured up to 5 Crs (for package policies fire section Sum Insured) or as prescribed by the Authority from time to time shall be filed under File and Use Procedures

13. The Arbitration and Conciliation Act, 1996 and subsequent amendments thereto

14. The Indian Stamps Act, 1899 and subsequent amendments thereto

15. Various circulars issued by Authority from time to time for any specific line of business

16. Other law/regulation/direction/guidelines promulgated/issued from time to time by competent authority having bearing on policy provisions, like Motor Vehicle Act, GIM, Workman Compensation Act, Marine Insurance Act etc.

17. Micro, Small and Medium Enterprises Development Bill, 2015:

Type of Enterprise	MSME Act, 2006	MSME Bill, 2015
Micro	25 lakh	50 lakh
Small	25 lakh to 5 crore	50 lakh to 10 crore
Medium	5 crore to 10 crore	10 crore to 30 crore

Table 1: Comparison of limits of investment in plant & machinery for enterprises in manufacture/production (in Rs)

Type of Enterprise	MSME Act, 2006	MSME Bill, 2015
Micro	10 lakh	20 lakh
Small	10 lakh to 2 crore	20 lakh to 5 crore
Medium	2 crore to 5 crore	5 crore to 15 crore

Table 2: Comparison of limits of investment in equipment for enterprises providing services (in Rs):

The erstwhile AIFT provides for following risks under Section III:

Group I	Group II	Group III	Group IV
Dwellings, Places of worships, Libraries, Museums Schools, Colleges Hospitals including X-ray and other Diagnostic clinics Office Premises Meeting Rooms Auditoriums Planetarium Mess Houses and Clubs Marriage Halls Showrooms and display centers where goods are kept for display but no sales are carried out Educational and Research Institutes Lodging/Boarding Houses Cycle Sheds Dish Antenna and indoor stadium Health Club, Gymnasium & Swimming pool	Cafes, Restaurants Hotels Confectioner Sweet meat sellers Health resorts	Shops dealing with goods otherwise not provided	Shops dealing in hazardous goods

CHAPTER II

Methodology & Consultation with Stakeholders

The Working Group had decided to elicit the views of the various stakeholders so that the interests of all stakeholders are well taken care of in the recommendations by the work group. The most important task was to design a questionnaire relevant to each stakeholder so that the work group is able to get stakeholder views on all the aspects problems faced and expectations as regards the risk protection of segments of policyholders in question. Also, the questionnaire was kept as objective and close ended as possible such that collation and analysis of different views received does not pose any problem. The following stakeholders were identified and questionnaires were sent to all of them. Most of the Stakeholders responded and a summary of the same is given below:

Stakeholders:

1. Insurers (Both private and public sector, excluding specialized insurers who do not write this line of business)
2. Reinsurers (Reinsurers having branches or representative office in the country)
3. Insurance Brokers
4. Insurance Agents
5. Surveyors
6. Consumer Forums
7. Insurance Ombudsman

In addition to sending the questionnaire to above stakeholders, working group invited the representatives from General Insurance Companies and Foreign Reinsurance Branch Offices to the meeting and interacted with them on the shortcomings in current product structure and need and scope for changing the existing products. The participants submitted their views/comments on the subject. The representative of Insurance Information Bureau of India and Consumers Association of India also participated in the Working Group meetings and their comments/suggestions were noted.

The focus of the questionnaire sent to stakeholders or discussed in the meetings was broadly based on the following:

1. Perils Covered
2. Add Ons
3. All Risk policy or Peril Based Policy
4. Terms and Conditions of the Policy
5. Basis of Indemnity
6. Sales and distribution
7. Coverage pertaining to Dwellings
8. Claims settlement
9. Miscellaneous

The views received were many, which were analyzed. The analysis threw a very interesting insight that the problems faced across stakeholders converge to a few areas of product design and servicing. The most important and salient points that were received as feedback are enumerated below:

- ✚ Simpler uniform proposal form
- ✚ Simplified uniform policy wordings
- ✚ Simplified uniform claim forms
- ✚ Clear and understandable language
- ✚ More advertisements by Regulators, Govt bodies so as to spread awareness and thus increase penetration
- ✚ Stricter norms for surveyors in handling claims

The ensuing paragraphs look at the views of stakeholders for different risks and different issues separately.

Residence/Dwellings Insurance

- ✚ Uniform rate across all insurers
- ✚ Mandatory Personal Accident cover (Not just for loanees)
- ✚ Contents to be covered on First Loss Basis
- ✚ Inclusion of coverage for Loss of Rent
- ✚ Architects and Surveyors fees
- ✚ Compound wall to be covered separately
- ✚ Compulsory Fire cover with Burglary cover
- ✚ No claim benefits every claim free year
- ✚ Long term policy with discounts
- ✚ Discounts for covering Housing Societies
- ✚ Income Tax rebate for Insurance coverage
- ✚ Simplified claims procedure
- ✚ Minimum number of documentation
- ✚ No Deductible for contents as well as building

MSME Units

- ✚ Minimise types of occupancies
- ✚ Simplified rating structure
- ✚ Machinery Breakdown
- ✚ Long term policies for three, five years etc
- ✚ Easy claims settlement procedure
- ✚ Minimum documentation
- ✚ Minimum deductible

Consumer Education

Insured should be appropriately kept informed on:

- 1 Coverage-Highlight what is covered/not covered
- 2 Claims Handling-What to do in event of claim

- 3 Whom to approach-agents
- 4 Documents for claim required
- 5 Approximate time for settlement

Product Structure:

- ✚ Develop Simple to understand and market the products.
- ✚ Two types of products are suggested; (i) only for dwellings and (ii) commercial.
- ✚ The policy for dwelling has to be All Risk policy with list of exclusions.
- ✚ The Indemnity may be on First Loss Basis with minimum 50 % or 70 % coverage of value @risk.
- ✚ The contents should be on First loss basis and building should be on full Sum Insured basis.
- ✚ Consider Parametric Insurance to make a payment upon the occurrence of a triggering event.
- ✚ Long term coverage: Long term has to be for five years.
- ✚ Installment will be ease of payment.
- ✚ No application of Underinsurance to Dwellings
- ✚ Personal Accident cover may be extended for LPG fire.
- ✚ Turnover basis can be adopted to MSME.
- ✚ Make it package policy with no offer of add-on covers.
- ✚ Catastrophic cover has to be mandatory other than that can be optional.
- ✚ For catastrophic losses the consequential loss like moisture to building due to flood may be considered.
- ✚ Use and File procedure for Dwellings & MEME products once standard wordings are adopted. The Rate Filing will be under File & Use Procedure.
- ✚ Package cover comprising Fire, Burglary, Public Liability, Money Insurance, Workmen's /Employees Compensation.

Insurance Penetration and Distribution:

- ✚ The Post Offices, Rural Agents and NBFCs can be used for distribution of these products.
- ✚ Leverage on technology for distribution. Digital market has to be pushed as a part of Digital India Initiatives.
- ✚ Banks may be the preferred channel of distribution.
- ✚ The Government support is required like in Crop Insurance by providing premium subsidy.
- ✚ Insurance may be mandatory as done by a few Housing Societies.
- ✚ Insurance has to be taken at the time of registration of property or collection of Property Tax / Electricity Connection.
- ✚ Incentives and IT benefits to be provided.
- ✚ The low penetration in dwellings is due to low perceived risk. The incentive to increase penetration through tax deductions / 80 CC may push the product.

Claims Process:

- ✚ Self-survey limits for officers of insurance companies to be increased (5 to 10 lakhs). For Dwellings, the survey can be removed.
- ✚ The documents may be waived for Catastrophic claims
- ✚ Waiver for documents that was given for catastrophic losses to be extended to the normal claims under this segment.

In addition to this, the working group also studied similar products in the International Market.

The current product structure under Standard Fire and Special Perils Policy (SFSP) for Dwellings, Offices, Hotels, Shops etc under Section III of the erstwhile All India Fire Tariff and the Indian laws, regulations and product guidelines that had an impact on the current products are studied and deliberated in the meetings. The focus of this study had been on the limitations the tariff wordings had on product innovation and meeting the requirements of customers.

Particular attention had been given to product needs of Micro Small & Medium Enterprises as defined under Micro Small & Medium Enterprises Development (Amendment) Bill, 2014. The view of representative of MSME was also invited.

The working group had a thorough review of suggestions given by various stakeholders on the subject. Following the analysis of views and comments received, the working group had extensive internal discussions in analyzing the diverse viewpoints. The interactions with stakeholders and the views given by them were considered while giving the recommendations of the working group.

CHAPTER III

International Practices⁸

Homeowners Insurance generally provides property damage coverage for the home, additional structures, personal property and other contents. There are different product forms in the international arena suiting the customer needs. Developing an understanding of customers' needs and preferences is a constantly evolving challenge for the insurers.

USA

Homeowners insurance, with an estimated \$83 billion in net premiums written in 2016, is the second-largest line of insurance, trailing only to personal automobile line. Homeowners insurance accounted for an estimated 28% share of the personal lines market in 2016.

There are several different homeowners' policy forms, each written to meet the personal property protection needs of a diverse population. Standard policy forms are based on named perils and its extended version. Differences between forms relate primarily to property coverage on the dwelling, other structures and personal property of the insured.

The typical homeowners' policy is a multi-peril package policy combining property damage and liability protection. The policy provides property damage coverage for the home, additional structures, and loss of use. It also protects policyholders against the financial consequences of their liability to others for bodily injury or property damage. Additionally, the policy also provides a limited medical payment, regardless of negligence, to reduce the small liability claims. Broad form provides a more extensive overview of the current product, its attributes, and other personal risk protection options.

The policies are designed for both, owners as well as tenants and works similar on coverage and indemnity fronts. Major scope of cover and most attractive package is policy combining property damage and liability protection.

A brief on Type of coverages

Home insurance offers coverage on a "named perils" and "open perils" basis. A "named perils" policy is one that provides coverage for a loss specifically listed on the policy; if it's not listed, it's not covered. An "open perils" policy is broader in the sense that it will provide coverage for all losses except those specifically excluded on your policy.

Basic "named perils"– this is the least comprehensive of the three coverage options. It provides protection against perils most likely to result in a total loss. If something happens to your home that's not on the list below, you are not covered. This type of policy is most common in countries with developing insurance markets and as protection for vacant or unoccupied buildings.

⁸Ref: Coning insurance segment report 2017, IRMI insurance glossary, information available on Websites, Websites of insurance companies & information available from insurance and reinsurance markets across the globe

Many Countries use a more straight forward approach to home insurance, called "building and contents coverage" commonly referred to as "home and contents insurance". Relative to the insurance policies of the

Summarisation of the policy coverage from around the world

Claim settlements options are on repair basis, replacement basis or cash value basis. If insufficient coverage is purchased, the claim's payout may be subject to an underinsurance penalty. Some insurers also offer extended replacement cost endorsements as a safeguard against wrong estimate.

The standard personal property insurance policy does not cover flood damage. Separate flood insurance coverage, however, is available for both homeowners and renters as a separate policy both from the National Flood Insurance Program (NFIP) and from a few private insurers. Earthquake coverage is available from insurance companies as a separate policy or an endorsement to the homeowners or renters policy.

- ✚ Ordinance of law
- ✚ Earthquake
- ✚ Flood
- ✚ Power failure
- ✚ Neglect
- ✚ War
- ✚ Nuclear hazard
- ✚ Intentional act

Special-form excluded perils:

Special "all risk" – special-form coverage is the most inclusive of the three options. The difference with "special form" policies is that they provide coverage to all losses unless specifically excluded. Unlike the prior forms, all unlisted perils are covered perils. However, if something happens to your home, and the event is on the exclusions list, the policy will not provide coverage.

- ✚ All basic-form perils
- ✚ Burglary, break-in damage
- ✚ Falling objects (e.g. tree limbs)
- ✚ Weight of ice and snow
- ✚ Freezing of plumbing
- ✚ Accidental water damage
- ✚ Artificially generated electricity

Broad-form covered perils:

Broad "named perils" – this form expands on the "basic form" by adding 6 more covered perils. Again, this is a "named perils" policy. The loss must specifically be listed to receive coverage. Fortunately, the "broad form" is designed to cover the most common forms of property damage.

- ✚ Fire
- ✚ Lightning
- ✚ Windstorm or Hail
- ✚ Explosion
- ✚ Smoke
- ✚ Vandalism
- ✚ Aircraft or Vehicle Collision
- ✚ Riot or Civil Commotion

Basic-form covered perils:

United States, building and contents coverage offers a very basic level of coverage. Most standard policies cover the most basic perils listed below:

- | | | | |
|---|-------------------------------|---|--|
| ✚ | Storm or flood | ✚ | Breakage of glass or sanitary fittings |
| ✚ | Fire | ✚ | Damage from escaped water or oil |
| ✚ | Lightning or explosion | ✚ | Shock caused to the house by animals, vehicles or aircraft |
| ✚ | Falling trees or branches | | |
| ✚ | Subsidence, drag or landslide | | |

Nat Cat and windstorm/snowfall/hail cover is a mandatory cover to be provided by the insurance companies in French market. Insurance companies can decide to opt to the national Nat Cat Scheme by National Pool. In case of Dwelling, there is no pre-defined sum insured value for the building as insured only provides exact address, number of rooms, etc and Sum insured applies only to contents. So in case of claim, depending on the contract, indemnity related to the building can be full replacement value/reconstruction costs or Actual cash value.

Many Asian countries offer standard policy cover Flexa perils on named perils basis with extensions for Earthquake, Flood and storm. There is availability of residential pool for EQ.

Average clause applies in case of a loss if the value declared is less than amount required to be insured. Under standard policy, the indemnity is on sound value basis. If the policy is endorsed on replacement value basis, it is a requirement that insured should submit proof of loss including bills.

Claim settlement process follows the process of intimating claim- appointment of surveyor-submission of document- efficacy of claim-payment. The key focus of much of the innovation appears to be on improving speed and transparency in the claim process.

Business/Commercial Insurance Policies

Introduction

Business owner's policy (BOP) is a special type of commercial insurance designed for small and medium-sized business. By bundling general liability insurance and property insurance into single policy, BOPs typically offer a reduced premium, often making them a more cost-effective option than separately purchased policies.

Specific coverage included in a business owner's policy varies among insurance providers, but most policies require that businesses meet eligibility criteria to qualify.

USA

Commercial property insurance is a combination of fire & allied lines (excluding crop), boiler & machinery, and burglary & theft. Fire & allied lines are usually insured on the same policy. Premiums for the fire line are segmented by mono-line property policies, providing coverage for losses due to perils of fire, lightning, explosion, sprinkler leakage, and vandalism. The allied line covers losses due to broader, non-fire perils—including windstorm—written on the same policies. Boiler & machinery covers the mechanical and electrical breakdown risks excluded in the standard property insurance policy.

For commercial buyers of fire and allied lines coverage, the primary coverages are for building, business, personal property, extra expense, business income interruption, business income from dependent properties and related exposures.

The coverage options are basic, broad, special and earthquake. Basic includes perils of fire, lightning, explosion, windstorm, hail, smoke, aircraft or vehicle damage, riot or civil commotion, vandalism, sprinkler leakage, sink-hole collapse and volcanic action. Broad form coverage includes all basic perils plus water damage, weight of snow, ice or sleet, breakage of glass, and falling objects. Theft can be added to it. Special form is in the nature of All Risk coverage which include all perils except those specifically excluded. Flood and Earthquake are not provided under special form also – which can be included by way of endorsement.

Commercial Multi-peril policy combines property and liability coverage on a single package policy. At a minimum, the policy includes property coverage for the building—if owned by the insured—and business personal property and general liability coverage—including products and completed operations, personal injury, and medical payments.

Small business market is the principal target for CMP products. Insurers are focusing on addressing the evolving needs of the small commercial market by developing CMP coverages suited to their requirements. Insurers are also attempting to differentiate themselves through product expansion and service capabilities to improve their value proposition.

Companies are trying to offer sector-wise policy packages.

Other Markets

Many Insurance companies have developed one stop insurance solution targeted to SBI (Small Business Initiative) more typically designed to custom fit the start-ups as well as to more developed SME market. Coverage includes Basic Fire as primary cover along with host of additional benefits. Additional cover includes, Burglary, All risk cover to personal/employer effects, Business Interruption cover, breakdown to office equipment as well as Business Liability benefit. Fire cover is more aligned to traditionally used Fire policies in Indian markets with allied perils observed to be in line with our SFSP policies. General exclusion includes War, Nuclear perils, confiscation by authority and Terrorism (which may be bought paying additional premium).

Basis of sum insured can be on reinstatement/replacement cost. Average clause applies in case of a loss if the value declared is less than amount required to be insured. In some cases, marginal relief is given. If the policy is endorsed on replacement value basis, it is a requirement that insured should submit proof of loss including bills. In case the property is not reinstated and the insured requires cash settlement, then the loss is evaluated based on the extent of damage.

Claim settlement process follows the process of intimating claim- appointment of surveyor-submission of document- efficacy of claim-payment. The key focus of much of the innovation appears to be on improving speed and transparency in the claim process.

CHAPTER IV

Guiding Principles

Structuring insurance products is a fairly technical job and requires, apart from a good understanding of insurance principles and financial implications of different risks, understanding of the guiding principles that govern the creation of insurance products so that the interests of all the stakeholders are balanced. Many of these guiding principles have been issued by IRDAI as part of product file and use guidelines and other circulars, orders and/or guidelines. The work group has kept these guiding principles in mind while framing its recommendations. The following guiding principles⁹ were actively considered by the workgroup while framing its recommendations for the product.

- ✚ The product recommendations do take into account the evolving risk needs of the customer and the imperatives of insurance inclusion that supports country's economic development and equitable spread of wealth.
- ✚ The product coverage covers only insurable risks with a real risk transfer.
- ✚ Product design does consider Protection of Policyholder Interests in line with the requirements of the IRDAI (Protection of Policyholders' Interests) Regulations 2017.
- ✚ Product design has been attempted to be fair and non-discriminatory to all stakeholders of an insurance.
- ✚ The product design recommended in this report adheres to the basic principles of insurance like Insurable Interest, Indemnity, Utmost Good Faith, and Proximate Cause. Although the principle of indemnity has been slightly modified to align with the needs of consumers.
- ✚ Products recommended in the report are need based and no unnecessary or superfluous coverages are have been added nor the necessary ones are excluded.
- ✚ The design of insurance products recommended takes care of Policyholders' Reasonable Expectations.
- ✚ Products recommended offer insurance of risks that are quantifiable and manageable and where the premium can be properly assessed.
- ✚ It is recommended that product shall be in simple language since only Key Features Document shall be sent to policyholders, which will be in plain simple language and standardized legal policy wordings shall reside in website.
- ✚ The terms and conditions of product should are fair between the insurer and the insured and are slightly favourable towards policyholders since the segments of policyholders these products are addressing are relatively naïve and unaware about insurance.

⁹Taken largely from the " Report of IRDA Committee on File & Use guidelines of products" and other miscellaneous insurance literature with suitable modification

- ✚ The cancellation condition under the products recommended shall be in accordance with Protection of Policyholders interest regulations since it intends to cover the most vulnerable section of the society.
- ✚ The products recommended shall provide simple disputes resolution procedures and also state in simple language the process of arbitration of disputes.
- ✚ The time allowed for reporting of claims shall be reasonable. The policyholder shall not be required to do things that are onerous after a claim to maintain his/her eligibility for protection nor shall the policyholder be prevented from resuming his/her normal life/ business expeditiously on account of the claims process.

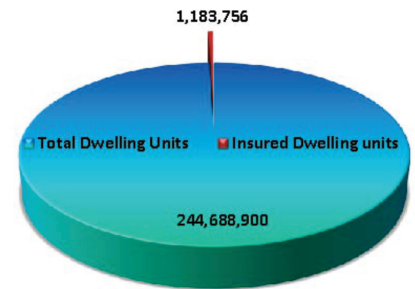
CHAPTER V

Product Structure

Current Product Analysis

Insurance penetration against Fire and allied perils is very low for individual asset owners in India due to various reasons. According to Ministry of Statistics and Programme Implementation, Government of India¹⁰ the number of occupied dwelling units as per 2011 census were 24.47 crores. As against this the number of insured dwelling units in 2013-14 was only 11.84 lacs¹¹. This is a huge underpenetration at merely 0.48%. The main reasons identified for low insurance penetration are:

- ✚ Lack of insurance awareness and benefits that accrue from it.
- ✚ Inability to understand nuances of insurance.
- ✚ General opinion that the wordings are complicated and there are too many conditions and limitations within the policy.
- ✚ No differentiation of product for different kinds of risks - commercial and non-commercial.



Insurance penetration of dwellings

For retail customers like individual house owners, small and medium sized enterprises, it is necessary to have a product structure covering the property which easily conveys the coverage provided in unambiguous terms and with minimum of restrictions. The existing product “Standard Fire and Special Perils Policy” is being issued to retail and commercial customers for more than last 15 years. Although the detailed policy wordings may be understood by corporate customers, they may not be understood by retail customers. Further, the product uses terminology more suited to medium and large sized commercial customers, e.g. exclusions like Boiler explosion, machinery breakdown and electrical breakdown, may be difficult to understand for a retail customer. Another feature of the existing product is that it offers covers though a limited number of named perils. Additional coverage, when required, may be opted for by add on covers. This may also be difficult for a retail or small commercial customer to understand.

The common feedback received from various stakeholders was that an individual or a retail or small commercial customer would have little or no understanding of the SFSP cover, its exclusions and conditions. Some of the conditions like “Condition of average” are not understood at all by customers who do not deal in insurance on regular basis and this creates a difference in the understanding of what has actually been covered and what a customer presumes to have been covered. This results in insured ending up with a lesser amount of compensation than the loss actually incurred which results in disputes at the time of a claim. Covers like “Earthquake” are offered as add-on rather than as inbuilt cover, which may result in inadequate coverage of property of a person situated in high earthquake zones. The name of the product also does not fully convey the intent of coverage being provided and can mislead a customer to doubt as to how a Fire policy can cover perils like flood and inundation.

¹⁰ <http://www.mospi.gov.in/statistical-year-book-india/2016/197>

¹¹ IIB statistics for the industry for dwelling units below 5 crore sum insured

To overcome this it is felt necessary to have products covering property, which can meet the expectations of retail and small commercial customers and which would also help in increasing the penetration and inclusion of wider sections of society in the insurance net. It is also expected that the product may be marketed through various non-traditional channels who may have limited understanding of the product and insurance in general. With this basic understanding it is proposed to have products for Dwellings, Office, Shops and MSMEs which take care of the following aspects:

- ✚ Simplified wordings
- ✚ Wide cover which provides all protection with no need for extra add on covers
- ✚ Minimum restrictions by way of Exclusions and Conditions

To start with the work group analyzed the existing product on following parameters:

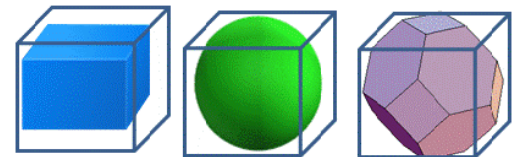
- a. Product Differentiation for different segments of policyholders
- b. Perils covered
- c. Indemnity Provisions
 - i. Basis of Sum insured
 - ii. Depreciation
 - iii. Average Clause or Underinsurance
 - iv. Excess
- d. Coverage
- e. Duration of cover

Product Differentiation

One size fits all

There can be different kinds of ownerships:

- ✚ An individual house owner or a cooperative society or a tenant
- ✚ Shopkeeper
- ✚ Office owner, hospital etc
- ✚ Small commercial enterprise running different kinds of commercial activities form storage to manufacturing to servicing



One size fits all

Currently, there is no product differentiation amongst these very distinct segments of insurance buyers and the same Standard Fire and Special Perils (SFSP) policy is sold to all of these segments. While the SFSP policy may be suitable for large commercial customers, its complex terms and conditions are not understood very well by home owners and small businessmen. Further “small commercial” customer needs to be defined to clearly articulate which segment of commercial customers this report relates to.

To get some guidance on segmentation in commercial customers the workgroup looked at Micro, Small and Medium Enterprises Development Bill, 2015. The Bill divides all the commercial activities in manufacturing and service sectors. It further divides them into **Micro**, **S**mall and **M**edium **E**nterprises (giving the acronym MSME) as below:

Table 1: Comparison of limits of investment in plant & machinery for enterprises in manufacture/ production (in Rs):

Type of Enterprise	MSME Act, 2006	MSME Bill, 2015
Micro	25 lakh	50 lakh
Small	25 lakh to 5 crore	50 lakh to 10 crore
Medium	5 crore to 10 crore	10 crore to 30 crore

Table 2: Comparison of limits of investment in equipment for enterprises providing services (in Rs):

Type of Enterprise	MSME Act, 2006	MSME Bill, 2015
Micro	10 lakh	20 lakh
Small	10 lakh to 2 crore	20 lakh to 5 crore
Medium	2 crore to 5 crore	5 crore to 15 crore

This segmentation did not help the work group in clearly identifying different segments due to following reasons:

1. The values are only for plant/machinery or equipment and do not cover buildings, contents and stock in trade.
2. Segmenting insurance customers on this basis could pose a logistical difficulty since these values are initial investment while sum insured for assets to be covered needs to be revised regularly to reflect current value for adequate insurance coverage.

Hence the work group debated and recommends the following segments around which the products shall be created:

1. ***Home owners: Buildings and home contents***
2. ***Micro Commercial Enterprises whose value at risk at one location per policyholder is up to 5 crores: Building, Plant and machinery, Trade equipment, stock in trade and other trade related contents***
3. ***Small Commercial Enterprises whose value at risk at one location per policyholder exceeds 5 crores but is up to 50 crores: Building, Plant and machinery, Trade equipment and stock in trade and other trade related contents***

The segmentation recommended is transparent, does not differentiate between manufacturing, trading or service sector, does not require additional information to decide which segment does policyholder belongs and is easy to implement.

Perils Covered

The existing product for property insurance is a named peril policy. SFSP policy has a set of 12 perils which are traditionally part of Fire insurance. The perils including flood and inundation had been kept a part of basic cover so that a buyer does not miss out covering those perils due to ignorance. On the other hand, a discount on premium is available if a customer does not wish to opt for flood and inundation cover. Apart from the basic perils, some other covers are available by way of Add-on covers like earthquake, terrorism etc.

The standard wordings are used for all categories of risks including dwellings, commercial establishments and industrial manufacturing units. There is no limitation of sum insured for this product. All the package products where fire and allied perils are covered in one of the sections use the wordings of this product for the relevant section.

Customer Issues:

- ✚ The product wordings are not user friendly and may not be fully understood by lay customers. They are designed to take care of essentially industrial kind of risks.
- ✚ An important peril like Earthquake is an optional cover, hence, if an insured has low awareness of the product, he may miss out the cover.
- ✚ Some of the perils are vague and offer no additional coverage and others offer a restricted coverage. For example “Bush Fire” does not offer any additional coverage as loss arising out of fire due to any reason is already covered. Similarly losses due to “Missile testing operations” are unheard of and moreover can be said to be included in “Aircraft damage” or damage from aerial device.
- ✚ Certain perils do not form part of any standard product available in Indian insurance market. E.g. damage to a building structure by falling tree, removal of foreign debris/slush entering a premise following floods, damage to contents due to accidental entry of rain water into a building etc. are some instances where coverage is not offered.
- ✚ Diverse types of risks like dwellings, commercial (non-industrial), MSME and Large manufacturing risks have different needs, but existing product is unable to take care of needs of different categories.

Indemnity Provisions

Basis of Sum Insured

The present insurance product provides an option to a customer to take insurance on

- ✚ “Reinstatement Value Basis” (RIV).
 - ✓ This basis is available for fixed assets only, i.e. Building and Machinery. To avail this benefit the insured has to carry out repairs or replacement within a period of one year.
- ✚ “Market Value Basis” (MV).

- ✓ This basis is available for fixed as well as movable assets. It represents the value an asset would fetch if sold in the market. For practical purpose, MV for fixed assets would be equal to the new replacement value less depreciation for usage.

The long term dwelling policy provides an option to increase sum insured of the structure by 10% each year.

Customer Issues: Many customer issues arise in deciding the sum insured value.

- a. The RIV and MV options may not be fully understood by a retail customer. The present SFSP proposal form has provision to declare the basis of insurance being opted, however there is no proper explanation either in proposal or in policy about either of these basis.
- b. Customers may cover their new assets at the actual reinstatement cost, but over the successive renewals if the values are not revised, it may lead to underinsurance. Dwelling owners may not be in a position to carry out valuation of assets on a regular basis or may also continue to insure at same value for a number of years due to lack of understanding. This may lead to gross underinsurance.
- c. A retail customer may not know whether the value to be insured is the original purchase price of the asset or the current reinstatement cost. If a customer insists on insuring fixed assets such that it is at the lowest possible premium, he may end up opting for cover on MV basis, which would lead to application of depreciation at the time of settlement of claim which would result in dissatisfaction.
- d. There is no clear guideline or method of arriving at the extent of cover to be taken. A tendency is observed among customers to pay the least possible premium without being aware that it would only be possible by insuring at a lower sum insured than actual, resulting in inadequate coverage which would not be in the interest of a customer. On the other hand, a customer may use a faulty method to arrive at the sum insured out of ignorance and end up with either overinsurance or underinsurance both of which are not desirable.
- e. In multistory apartments, where an apartment suffers a total loss due to building collapse, it is impossible for an individual apartment owner to construct his flat unless the entire building is constructed. In such cases, even though he may have taken a Reinstatement Value policy, he gets paid the claim after deduction of depreciation from rebuilding cost since he failed to reinstate the apartment.
- f. To take the argument in (d) further, the insurance available in current form where land value is not part of insurance creates a large protection gap for home homeowners. In the situation discussed in (e) above, the cost of construction of an apartment is only a fraction of the total saleable value of the apartment. In case the apartment suffers a total loss, it may take years for the new building to come up following the tedious process of building redevelopment and the legal complications that it may face.

Depreciation

On the occurrence of a partial loss claim, in all the policies that are issued on Market Value basis, the claim is assessed after deducting depreciation from the new cost of the asset. The rate of depreciation is not fixed and may vary from 2-3% per annum for buildings to flat 50% for clothes and other contents in home, regardless

of their date of purchase. Only for claim of stock in trade, the loss is assessed on the current purchase price of the stock. Depreciation is not applicable for policies issued on Reinstatement Value basis, but the claim is payable subject to satisfactory reinstatement of the building or plant / machinery insured.

In case of Total Loss claim for Building, plant and machinery, trade equipment, Market Value policies pay the cost of constructing new building or the cost of acquiring new plant or machinery or trade equipment less depreciation. Reinstatement Value policies pay full new rebuilding / replacement cost. Both claims are paid subject to adequate sum insured. In case the property is not reinstated for whatever reasons, the claim is paid after deducting depreciation.

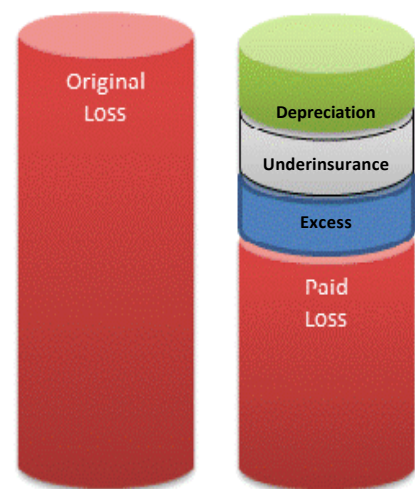
Customer Issues: The doctrine of depreciation, though a very sound doctrine of indemnity in insurance literature, creates several issues for lay customers:

- a. Most home owners and micro and small commercial enterprises are not aware of this doctrine and, hence, this creates dissonance at the time of claims settlement due to deductions from loss amount.
- b. In the absence of any transparent criterion for rate of depreciation, where the rate is decided by loss assessor, many disputes arise. Particularly for home contents the depreciation of flat 50% causes a lot of heart burn for the already harried customer.

Average Clause / Underinsurance

This clause is also a very important provision of the doctrine of indemnity and stipulates that if the value insured is less than the value at risk, then the insured will bear a ratable proportion of loss. The probability of a total loss of a building and large assets is very low and most losses are partial losses, much lower than the total sum insured available on it. The actuaries fix the premium taking this into account and the premium is based on average loss cost and the rate of incidence for each type of loss, which is then charged as a percentage of total sums insured. There exists a tendency in buyers of insurance to under insure the building and assets, aware that total loss of the building and assets is highly unlikely, thereby saving on the premium outgo. This clause is intended to prevent policyholders from deliberately under insuring their properties. However, most customers do not understand this clause and under-insure their assets. At the time of claim, this reduces the compensation and causes dissonance.

Customer Issues: Under insurance clause is the least understood, rather most misunderstood clause of the insurance policy and creates disputes when most policyholders find that they had underinsured their property and, hence, even in case of partial loss, their compensation will not be the full cost of repairs/replacement. The problem gets aggravated when policyholders chose Reinstatement Value basis but still the sum insured is equivalent or even lower than the Market Value. For market value policies, under insurance means two separate deductions, one for depreciation and another for underinsurance.



Excess

This is an amount up to which the insured has to bear the losses after which insurer becomes liable to pay. This clause is put in most policies to avoid small attritional losses that are not too hard on the policyholders' pocket but costs disproportionately high amounts for insurers to assess, process and settle these small claims. Coupled with depreciation and under insurance, excess further reduces claim payment to policyholder and shakes his confidence in insurance.

Coverage

Traditionally, different kinds of fire insurance policies defined what is intended to be covered in the policy by default and any additional properties should be specifically declared by policyholders if he intends to cover them. The following examples will illustrate such protection gaps for lay customers:

- a. In dwellings, it is customary to not cover boundary wall, garage, outhouses, plinth and foundation, internal roads, fixed sanitary fittings, electrical wiring and other permanent fittings etc. unless specifically declared and covered.
- b. Household contents may not deem to cover valuables, furniture, gardening equipment, any additions made during currency of policy, unless specifically declared and covered.
- c. In commercial buildings, any tank or vessel within premises, pavements and other such items unless specifically declared and covered.
- d. Plant, machinery and stock in trade may not cover goods held in trust or hired machinery, unless specifically declared and covered.
- e. Unoccupied premises are covered only for 30 days, while most policyholders may not be aware of this limitation.

Since most policyholders in the segments that the workgroup is focusing on, have rather poor insurance literacy, these customary insurance practices create protection gap for them and create bad taste at the time of claim.

Duration of Cover

Existing products offer only annual cover except for home buildings where there is no restriction on duration for which a policy may be issued. Theoretically, one may buy a 50- or 100-year policy for his house building today. However, this facility is neither available for commercial customers nor for home contents.

This creates a potential coverage gap for home customers who take long term cover for their building but annual cover for contents and may forget to renew annual content cover in time.

Proposed Product Structures

The work group, after considerable deliberations, recommends the following three insurance products for the identified segments of insuring public:

- a. Home Insurance for home buildings and contents.

- b. Micro Commercial Insurance for commercial enterprises whose value at risk at one location per policyholder is up to 5 crores. This will include insurance for Building, Plant and machinery, Trade equipment, stock in trade and other trade related contents.
- c. Small Commercial Insurance for commercial enterprises whose value at risk at one location per policyholder exceed 5 crores but are up to 50 crores. This will include insurance for Building, Plant and machinery, Trade equipment and stock in trade and other trade related contents.

Since individual home owners or a micro commercial enterprise owners like a shop comprise the most vulnerable section of society who do not understand intricacies of an insurance policy, it is proposed that these segments can have a product which is easy to understand and has wider cover, while that for Small Commercial Enterprise can be a different product which can have finer wordings and conditions suitable to relatively more complex risks in Small Commercial Enterprises.

Workgroup also recommends that these products should be common across all insurers in the industry and should be filed by GI council on behalf of all insurers. All existing products covering fire and allied perils either as SFSP policy or a part of any package policy should cease to exist from a date decided by IRDAI and should be replaced by these products for the above segments of policyholders. It is also recommended that any additional Add On recommended by any insurers should be routed through GI council so that uniform wordings are offered to policyholders so as to not confuse the lay policyholders with a plethora of wordings.

The work group also deliberated on the need for a separate product for only natural catastrophes or Acts of God for the most vulnerable sections of society who may not be able to afford a comprehensive SFSP cover. However, keeping in view the increasing incidence rates of natural catastrophes coupled with the need of this segment of population for a very cheap cover, the work group could not converge on a single view. However, the report has a chapter devoted on the subject that deliberates on the challenges in having an insurance solution for Acts of God and the possible solutions.







The ensuing chapters discuss in detail the product structure for the three segments of insuring public.

1. Home Insurance

Dwellings form the biggest group of assets to be insured, and there are all categories of buyers who would range from those with high awareness to nil awareness levels. Hence Dwellings product should be simple to understand in terms of cover and exclusions. The product should not have lengthy set of wordings and the terms in policy should have meaning of common English usage. The product should mention the claim making and settlement process in brief. It should also mention the grievance redressal mechanism. The basic features of product recommended are discussed below.

Perils

The work group recommends that the perils covered under this product should be as per SFSP and some additional perils should automatically be covered which are now being offered as Add-ons like

-  *Earthquake*
-  *Impact damage of any kind*
-  *Rent for alternative accommodation for non-Kuchha construction*
-  *Loss of rent*
-  *Terrorism*
-  *Death of policyholder and spouse due to domestic gas cylinder explosion*








Rationale: The workgroup recommends a wider cover without the need to opt for an Add on since it has been observed that many home owners do not fully understand the perils covered and the need to buy Add ons. A wider cover by default will ensure minimal protection gap due to lack of awareness.

Indemnity Provisions

Basis of Sum Insured

Only Super Structure










In view of the customer issues faced on the issue of basis of sum insured, the work group recommends the following approach for fixing the sum insured for home building structure and contents:

-  *The sum insured should be as close to actual construction cost as possible. Hence basis of SI would be Replacement Value, which should be arrived at by multiplying the Carpet Area of the dwelling with the construction cost as specified by the GI Council and to be followed by all the insurers uniformly. In case of Bungalows or independent houses, the sum insured may be as defined above plus 10% for additional civil works within the compound like compound wall, paved area, roads, plinth etc.*
-  *Construction rate to be decided by GI Council should be for an ordinary or simple construction and an insured would have an option to opt for higher SI if construction cost is higher.*
-  *The current Auto-escalation provision in AIFT where sum insured of structure is increased by 10% every year would be followed in this product also. There would not be any option to avail a discount in lieu of opting out of Auto escalation provision.*
-  *No limit on Sum Insured for the building structure under the product is proposed.*
-  *Loss will be restricted to the actual area measured at the time of loss or area opted, whichever is lower.*
-  *Contents including clothes, electrical and electronic items, utensils etc. may be covered for Replacement Value with cover on Loss Limit basis at 50% of the value of structure.*
-  *A Housing Society insuring the entire premises will have different construction rates for residential portion and common facilities. Since the facilities may vary, no standard construction rate is proposed, but each insurer would arrive at separate construction rate for residential structure and common facilities in mutual discussion with insured or the builder as the case may be, to arrive at the final sum insured. Such policies should be provided only to cover the structures and not the contents.*

Rationale: The method recommended is very transparent. While it brings uniformity and standardization in fixing of building sum insured for unaware customers on one end, it reduces the risks of underinsurance, on the other. Auto escalation of sum insured is intended to attempt that no building is under insured at the time of claim. Linkage of contents value to building value and default insurance of contents ensures that contents do not remain uninsured. The recommendations also ensure that contents are also insured for their replacement value.

Super structure and Land

As discussed in the previous chapter that current basis of sum insured leaves a yawning protection gap in case of a total loss of apartment, the work group recommends the following approach for covering the cost of land in case of multi-storied apartment.

-  *This basis of sum insured shall be available only for multistoried apartments where land is proportionately owned by each apartment owner. This will not apply to bungalows, row houses or any home where the structure built on a piece of land has sole owner.*
-  *The sum insured may be fixed on the basis of ready reckoner rates published by State Governments for each of the major cities in the state. General Insurance Council may collect and periodically update these rates and make these available to insurers. These rates are applicable on carpet area (Post RERA). Hence the policyholder would be required to only give the carpet area and address of the home and the market value of the apartment shall be automatically calculated with reference to ready reckoner rates.*
-  *In many situations, the actual value of the apartment may be more than the ready reckoner rates. Hence the policyholder may be given the option to increase the sum insured of the apartment, but may not reduce it below ready reckoner rates.*
-  *Escalation of sum insured will apply equally on land value and structure value.*
-  *The value of contents shall be arrived with reference to structure value for that area as per construction cost master, rather than in reference to total sum insured.*
-  *In case of a total loss claim, the entire claim will need to be paid without question as to per square foot value by multiplying the actual area of the apartment and the insurer will take possession of the policyholder's rights on the land under subrogation and dispose of to an interested buyer like other salvage sale.*
-  *Loss will be restricted to the actual area measured at the time of loss or area opted, whichever is lower, multiplied by the rate per square foot mentioned in the policy.*
-  *In case of a long term policy, the sum insured shall escalate @10% per annum. At a subsequent date, in case there is a difference in ready reckoner rates and the escalated sum insured, the policyholder may align the rates with reference to ready reckoner, either upwards or down wards, but not below the ready reckoner rates on date.*
-  *In case of partial loss claims of super structure, these shall be handled as discussed above in recommendations for super structure only.*

Rationale: Home is perhaps one of the biggest assets for many Indians. Many a time this is purchased on mortgage with a large loan. The government of India also promotes “House for all” by bringing interest subsidy for first time for home buyers under Prime Minister Avas Yojana. Hence it is important that people who are investing huge amount in buying a home are fully protected under insurance. The recommended basis of sum insured provides ground up cover to apartment buyers and reduces the protection gap which exists today in the current insurance product.

Depreciation

Since the building and contents both are insured for their new replacement value, claims will not be subject to any deduction for depreciation. Even in case of non-reinstatement of building loss, claims will be settled on the basis of replacement value without deduction for depreciation. In case the policyholder chooses to reinstate the loss, the sum insured shall be deemed to be automatically reinstated at full value and prop rata premium shall be deducted from the claim amount payable.

Rationale: Depreciation after a claim reduces the claim payment quite significantly, more so in case of home contents. The frequency of such losses is very low and deductions at the time of claim shake consumer confidence in insurance and bring disrepute to insurer. Actuaries will need to build this higher outgo in the pricing, but smooth claims settlement without depreciation is expected to increase policyholder confidence in the institution of insurance.

Average Clause / Underinsurance

It is recommended that no underinsurance will be applicable to either building or contents of a home. The claims of contents will be settled on Loss limit basis and will be restricted to total sum insured.

Rationale: As discussed in the foregoing chapters, this is the most misunderstood clause of insurance. Removing this is expected to make claims settlement quite smooth and reduce consumer dissonance. Although this is expected to make pricing of the product a little more difficult and may also result in some increase in price, the workgroup felt that this was the best product construct in consumer interest.

Excess

The work group recommends no Excess or Franchise for this segment of customers.

Rationale: Keeping in view the low penetration of this product, the work group felt that consumers need to experience this product to get convinced of the need to buy this insurance on a regular basis. Consumers experience a product only at the time of claim and, hence, even small claims should be paid, though this may increase the premium rates marginally. In any case, the incidence rate of these claims is extremely low and hence any claim should not be extinguished only because of excess.

Coverage

Building: It should be clearly defined in the policy document that all the civil works like compound wall, garage, outhouses, internal road, plinth and foundation, fixed sanitary fittings, electrical wiring and other permanent fittings etc. form part of sum insured by default. Any additions/alterations

made to the home up to 10% of the sum insured shall be deemed covered. Specific question regarding any portion of risk being in basement to be included in proposal form and answered by insured else, it would not be covered

Contents: Contents shall deem to include furniture, gardening equipment, any additions made during currency of policy on loss limit basis up to 50% of building value and there value shall auto escalate @10% pa in line building sum insured. A dwelling may have some things in open also like furniture, dish antenna etc. These will be held covered within the contents sum insured.

Valuables and personal effects are held covered as part of contents.

Rationale: Most policyholders who buy home insurance intend to insure their homes in totality and do not know that they specifically need to declare these items for insurance. Wider cover ensures that there is no protection gap due to insurance illiteracy of the policyholder.

Duration

Building: Work group deliberated in details on the issue of no limit on the policy duration currently. Such long durations expose insurers to the following issues:

- ✚ The earning of the premium is spread over long duration while the premium collected gets booked as GDP immediately. Required solvency in such a case will mostly be written premium based while available solvency will be based on the amount of earned premium less claims, less commission, less expenses. Hence the Required Solvency margin due to long term business goes up quite significantly while Available Solvency Margin may grow insignificantly or may actually reduce. This creates a large solvency pressure on insurers.
- ✚ The earning on the premium is very small, while the commission is paid on the entire collected premium upfront. In many situations, the commission is far more than the earning, creating a stress in the P&L of the company, since Indian regulations and GAAP do not allow Deferred Acquisition Cost.
- ✚ Insurers assume long term risk but reinsurance treaties are annual. It is quite possible that reinsurance market may enter into a hard phase in some future time and expose insurers to higher costs that they did not factor when writing the direct insurance or may create reinsurance capacity constraints. This exposes insurers to the risks remaining on their net with inadequate reinsurance or price of reinsurance going up leaving them no or negative margins.

In view of the foregoing, the workgroup felt it would be ideal to restrict the tenure of dwelling policies to 5 years, as uncertainties as to future are far less in 5 year cover as compared to 20/30 year cover. This also aligns with current regulatory thought of allowing nonlife products up to a maximum tenure of 5 years.

Contents: Duration of contents insurance is also recommended 5 years to align with structure insurance duration

Lump sum payment of premium of a 5 year policy may be quite onerous for many policyholders. Hence the work group proposes Auto-renewal facility through ECS mandate for willing customers. Escalation of sum insured will continue as usual even though premium is paid annually through ECS. It goes without saying that the policyholder can cancel or modify this mandate at any time during the policy period or may choose to pay one time premium. In either case, Appointed Actuary will need to price the product accordingly, keeping in view time value of money.

Rationale: Long term covers afford a continuous cover to the policyholders without the hassle to renew the cover every year. However, very long duration covers expose insurers to undesirable risks. Hence the workgroup attempted to maintain a healthy balance between policyholder requirement and insurers' risk. Auto renewal facility is expected to reduce the burden on policyholders' pocket by spreading the premium payment through the policy duration.

The policy will be subject to usual exclusions. Any kind of E-Risk like loss of data, monetary loss due to hacking or misuse of identity or password, loss of money from e-wallets is proposed to be excluded. Breakdown and Burglary losses may be specifically excluded. However, Burglary or theft following an insured peril would be covered additionally for a period of 7 days from the date of insured peril.

Illustration 1: A house catches fire due to which all entry spaces are opened to fight the fire. As the house had unrestricted access, some miscreant, taking advantage of the situation, carries away some undamaged electronic equipment from the house.

Here although the loss to the electronic items is due to theft, but this theft has arisen following a fire loss and hence would be covered under the policy.

Illustration 2: During riots one of the rioter breaks open the lock of a shop within the affected locality and takes away goods stored in the shop.

Here also the loss is due to theft, but the theft has arisen when an insured peril was in operation and as a result of which the insured was in no position to protect his assets. Hence the loss would be covered.

Illustration 3: The area of a dwelling unit is 1000 sq ft. The rate of construction for that class of city is Rs 1500 per sq ft. However, while taking insurance the insured by mistake declared an area of 800 sq ft. Hence instead of being insured for Rs. 15,00,000, the house has been insured for Rs. 12,00,000.

There was a loss requiring Rs 5,00,000 for repairs. The entire Rs 5,00,000 lakhs get paid since underinsurance is not applicable.

Illustration 4: The area of a dwelling unit is 1000 sq ft. The rate of construction for that class of city is Rs 1500 per sq ft. However, while taking insurance the insured by mistake declared an area of 1200 sq ft. Hence instead of being insured for Rs. 15,00,000, the house has been insured for Rs. 18,00,000.

The house was totally damaged due to earthquake. Since the actual area was incorrectly declared by insured, loss will be restricted to Rs. 15,00,000.

This illustration will also hold valid for insurance of superstructure and land where the sum insured is arrived at on the basis of ready reckoner rates.

Illustration 5: The area of a dwelling unit is 1000 sq ft. The rate of construction for that class of city is Rs 1500 per sq ft. Since the product allows insured to opt for a higher sum insured, while taking insurance the insured opts for a higher rate of Rs 2000 per sq ft. Hence instead of being insured for Rs. 15,00,000, the house is insured for Rs. 20,00,000.

The house was totally damaged due to earthquake. The surveyor assesses the reconstruction cost in that location at Rs 1600 per sqft, i.e. Rs 16,00,000 for a total loss. Since the higher rate has been declared by the insured and accepted by the insurer, loss payable will be Rs. 20,00,000.

Illustration 6: The area of a dwelling unit is 1000 sq ft. The rate of construction for that class of city is Rs 1500 per sq ft. Insured does not specifically mention anything about contents in the proposal although contents within the house are worth Rs. 8,00,000.







The contents of house are damaged due to Fire and loss is Rs. 2,00,000. Insured gets a full claim of Rs. 2,00,000 since contents of Rs. 7,50,000 (50% of structure value) is an inbuilt cover and no underinsurance is applicable.

2. Micro Commercial Insurance

This product is directed towards Commercial customers (including industrial risks) with interest in insurable assets up to Rs 5 crore per location. Although all the items within premises should ideally be covered to have complete insurance protection, a customer may opt to cover only building or only plant and machinery or only the contents including stocks. If so, the total value at risk of all items insured within the insured premises, i.e. all buildings or entire plant and machinery or stocks, should not be more than Rs 5 crore per insured to be eligible for this product. Hence insuring a portion of stocks or only selected plant and machinery would not be permitted..

Perils

The cover under this product is proposed to be similar to SFSP. It would automatically cover all the existing perils in SFSP and also relevant add ons like








-  *Earthquake*
-  *Impact damage of any kind*
-  *Spontaneous Combustion*
-  *Temporary removal of stock up to 10% of the value of stock covered*
-  *Terrorism*
-  *Omission to Insure cover within the limit of underinsurance waiver*

It is expected that policyholders would not require any Add On after inclusion of these perils. Hence, in order to maintain a stsby any insurer may be routed through GI council so that common industry wide wordings are sold to customers.

Rationale: Covers under this insurance are wider than those for homes and meet almost all the insurance needs against fire and allied perils for micro commercial enterprises. Common product wordings across the industry will ensure that small policyholders do not get confused by a large variety of policy wordings. All the proposed additional perils are proposed to become an integral part of base cover itself. Omission to insure cover is expected to take care of additions, alterations and new acquisitions within the overall sum insured adequacy.




Indemnity Provisions

Basis of Sum Insured

-  *Sum insured (and claim settlement) for Structure should be on Replacement Value or “New for Old” basis with no option of MV basis. This is to ensure adequate compensation to the insured following a loss.*
-  *“Rate of construction” methodology is not proposed for this product since there may be huge disparity in construction rates depending on the type of construction. For example, office construction quality and cost may be vastly different from that of a shop which may be vastly different from a storage shed or a small manufacturing unit.*
-  *In case more than one location is covered, stock if declared as a single value will be held covered on floater basis.*
-  *Since Sum Insured is small, facility of declaration policy is not suggested for this product.*
-  *Fixed assets like plant and machinery as well as Furniture, Fixture and Fittings should be insured (and claims settled) on Replacement Value basis.*
-  *Since entire sum insured is on Replacement Value (i.e. New for Old), depreciation shall not be deducted in case of a loss.*
-  *Raw Material should be covered on “Current Purchase Price” or on “Landed price” basis and stock-in-process and finished goods on total manufacturing cost basis.*

Rationale: Similar to homes, these policyholders’ awareness levels are also very low and they need appropriate protection. New Replacement Value basis of sum insured is an attempt to ensure adequate protection of their assets and reduce consumer dissonance at the time of claim due to deduction for depreciation.

Average Clause / Underinsurance

-  *Underinsurance waiver under this product for structure is proposed up to 30% so that any inadvertent underinsurance or a minor addition/alteration during currency of policy does not penalize the insured. In case underinsurance is more than 30%, the condition of average would be applicable ground up as if no underinsurance waiver is available.*
-  *Contents including FFF and Stocks may also be given waiver of underinsurance up to 30%.*
-  *Special Proviso - Average Clause shall be applicable separately for each item declared by insured. However, if total Sum Insured of all policies for assets insured at a location, including later additions, is not less than 70% of value at risk for those items, the effect of underinsurance for the item which is subjected to loss, shall not apply.*

Rationale: These policyholders are businessmen and are likely to be more aware than home owners. Hence the condition of underinsurance has not been fully waived here but relaxed to a fairly liberal level. This will ensure non applicability of underinsurance unless assets are grossly underinsured beyond 30%. It will

be important to understand that the waiver of underinsurance should not be taken as a license to deliberately underinsure in order to save premium. In case of total loss, waiver of underinsurance condition will not help and policyholder will end up receiving sub optimal compensation for his loss.

In case the total sum insured of all policies at a location exceeds Rs 5 crore, insured becomes ineligible for this product. However, since the policy has underinsurance waiver up to 30%, if the value at risk is within 30% underinsurance limit, terms and conditions of this product may continue to apply. If sum insured exceeds that limit¹², the terms and conditions as regards indemnity provisions of Small Commercial Product will apply to this product. Such a proviso must be inserted in the product as a condition.

It should be understood that a buyer may opt for multiple policies, e.g. he may take insurance for Rs. 5 crore for stock, another Rs. 5 crore policy for building and machinery etc. It would not be possible to restrict the insured from doing so from different insurers. However, all insurers must build controls in their systems such that they do not issue such policies. If insured has opted for insurance in this way with different insurers, and this comes to light at the time of a claim, the terms and conditions as regards indemnity provisions of Small Commercial Product may apply to this product or the insurers may even invoke “misrepresentation” and “Non-disclosure of material fact” condition of the policy. However, if the same insurer has issued these two policies and its systems have failed to stop this, the policyholder may not be penalized.

Depreciation

Since the building and contents both are insured for their new replacement value/purchase price, claims will not be subject to any deduction for depreciation. Even in case of non-reinstatement of building, P&M, F&F loss, claims will be settled on the basis of replacement value without deduction for depreciation.

Rationale: Depreciation after a claim reduces the claim payment quite significantly. The frequency of such losses is very low and deductions at the time of claim shake consumer confidence in insurance and bring disrepute to insurer. Actuaries will need to build this higher outgo in the pricing, but smooth claims settlement without depreciation is expected to increase policyholder confidence in the institution of insurance. Also, in many situations policyholder is unable to reinstate the loss due to financial constraint, but the current provisions of reinstatement value policies allow payment of claim on market value basis, further compounding his financial crisis. Therefore, the workgroup felt appropriate to recommend claim payment on replacement basis, regardless of actual reinstatement of loss, since the sum insured was on reinstatement value basis.

Excess

Instead of excess the work group recommends provision of franchise for these policyholders. Hence the policies will carry a Franchise of Rs10000/- provided sum insured at a location does not exceed 5 crore.

Rationale: These are fairly small business men and the workgroup felt they must not be penalized by compulsory excess. However, workgroup also wanted to avoid small attritional losses. Franchise works beautifully in such circumstances such that if the loss is less than franchise trigger, nothing gets paid. However, if the loss is more than the franchise trigger, full claim gets paid.

¹²This limit works out to 7,14,28,571.40 (5 crore divided by 0.7). 30% waiver at this value at risk will be exactly 5 crores.

Coverage

Goods held in trust including Plant & Machinery on hire within the insured compound and additions during the cover are proposed to be held covered, even without a specific declaration, up to the maximum extent of SI declared and waiver of underinsurance clause. Specific question regarding any portion of risk being in basement to be included in proposal form and answered by insured else, it would not be covered.

Rationale: Lack of awareness on how to buy correct insurance should not be held against such small policyholders and they should get the benefit of doubt and lack of awareness.

Duration

Workgroup recommends retaining the policy period of one year only for this product.







Rationale: The values at risk may change quite rapidly for a commercial customer growing at a reasonable rate. Hence fixing the sum insured for a long duration may be very difficult and may leave the policyholder exposed to underinsurance.

3. Small Commercial Insurance








For MSMEs with asset value upwards of Rs. 5 crore to Rs. 50 crore per location, the proposed product should be somewhat similar to SFSP. It is proposed that the SFSP policy may be slightly modified to arrive at a better worded cover.

Perils

It would automatically cover all the existing perils in SFSP and also relevant Add Ons like

-  *Earthquake*
-  *Impact damage of any kind*
-  *Spontaneous Combustion*
-  *Temporary removal of stock up to 10% of the value of stock covered*
-  *Terrorism*
-  *Omission to Insure cover within the limit of underinsurance waiver*

Other than the above mentioned perils, option would be available to include the following add on covers at an extra premium:

-  *Deterioration of stock in cold storage*
-  *Forest Fire*
-  *Spoilage*
-  *Leakage and Contamination*
-  *Loss of Rent*
-  *Additional expenses for rent of alternative accommodation*
-  *Start up Expenses*

Unlike the other two products all Add Ons are not proposed to be covered in the base policy for two reasons:

- ✚ Different Add Ons are relevant to different commercial activities. Building all of them in the base policy would increase the cost of cover for everybody, with many irrelevant covers that they will never need.
- ✚ This segment of policyholders are expected to be more aware of insurance and their risks and are also likely to be ably guided by brokers &/or agents. Hence they can decide which covers they need and which ones they do not.

In case insured wants any other cover, it will be referred to GI Council who can go into the merits and recommend it for filing with IRDAI so that all insurers are in a position to maintain similarity of coverage being allowed for this vulnerable section of customers.

Indemnity Provisions

Basis of Sum Insured

For this product also the basic thought process of the work group was that market value basis of sum insured is not understood by policyholders and this creates disputes at the time of claims settlement. Hence,

- ✚ *Sum insured for Structure and Furniture, Plant & Mc, Fixture and Fittings should be on Reinstatement Value basis as declared by insured in the proposal.*
- ✚ *Raw Material should be covered on “Current Purchase Price” or on “Landed price” basis and stock-in-process and finished goods on total manufacturing cost basis.*
- ✚ *Provisions of Reinstatement Value clause shall apply and in case the damaged property is not reinstated, settlement would be on Market Value basis.*

Rationale: Amongst the three segments, this segment of policy holders is expected to be most sophisticated and aware about insurance provisions that are age old and tried and tested. Hence many of these provisions should hold good for them except the market value basis of sum insured.

Average Clause / Underinsurance

- ✚ *Underinsurance waiver is proposed up-to 15% for each item covered. Hence till the time the sum insured is 85% or above of the value at risk, no underinsurance will apply. However, if the sum insured is below 85% of the value at risk, ground up under insurance shall apply as if no underinsurance waiver is available.*
- ✚ *Special Proviso - Average Clause shall be applicable separately for each item declared by insured. However, if total Sum Insured of all policies for assets insured at a location, including later additions, is not less than 85% of value at risk for those items, the effect of underinsurance for the item which is subjected to loss, shall not apply.*

Rationale: While this segment of policyholders is the most aware, estimation of value at risk is a very time consuming and technical job. Every policyholder cannot be expected to undertake this detailed exercise every year before buying insurance as this will make the process of insurance buying very difficult and may also cost money. However, arriving at an approximate value may not be difficult. Those who arrive at an approximate value and the actual value at the time of claim turns out to be within the range specified, policyholder should not be penalized. In addition, the values at risk may also go up during the year due to inflation in the cost of buildings, plant or machinery and stocks or the stock in trade may increase due to increased business activity. Hence 15% underinsurance waiver provides automatic protection from these business related value fluctuations, but gross underinsurance gets penalized.

Depreciation

Since the building and contents both are insured for their new replacement value/purchase price, partial claims will not be subject to any deduction for depreciation. However, in case of total loss, reinstatement shall be mandatory; failing which claims will be settled on market value basis.

Rationale: Depreciation after a claim reduces the claim payment quite significantly. The frequency of such losses is very low and deductions at the time of claim shake consumer confidence in insurance and bring disrepute to insurer. Actuaries will need to build this higher outgo in the pricing, but smooth claims settlement without depreciation is expected to increase policyholder confidence in the institution of insurance.

Excess

Excess as applicable to current SFSP policy shall also apply to this product.

Coverage

All Goods within the insured compound including insured's own Plant and Machinery and Stock, goods or machinery held in trust including P&Mc on hire would be automatically covered up to the extent of SI declared.

Rationale: Same as that for Micro Commercial customers.

Duration

Workgroup recommends retaining the policy period of one year only for this product.

Rationale: The values at risk may change quite rapidly for a commercial customer growing at a reasonable rate. Hence fixing the sum insured for a long duration may be very difficult and may leave the policyholder exposed to underinsurance.

Usual exclusions of SFSP shall apply to this product. Breakdown and Burglary losses may be specifically excluded. However, Burglary or theft within 7 days following a loss proximately caused due to insured peril would be covered.

Other Recommendations



Breakdown and Burglary losses may be specifically excluded. However, Burglary or theft within 7 days following a loss proximately caused due to insured peril would be covered.

This product has a unique proviso in that this can be offered to policyholders who have value at risk of up to 5 crores at one location. This can create following issues:

Since simplicity of product is to be maintained, it is recommended that any additional Add On desired by any insurer should be routed through GI council so that uniform wordings are offered to policyholders so as to not confuse the lay policyholders with a plethora of wordings.

Illustration 7: A shop is insured for Rs 3 crore for structure and 1 crore for stock. The actual value of structure is Rs 3.5 crore and for stock it is 2 crore.

There is a fire loss and stock of Rs 50 lakh is burnt. There is underinsurance in stock of 50%, and as per proposed terms, an allowance for waiver of underinsurance is available upto 30%. But since underinsurance is more than 30%, benefit of waiver to loss of stock shall not be available. The loss assessed for damage to stock would be Rs 25 lakhs (after deducting full 50% underinsurance of the total amount of loss).

However, as per "Special Proviso" for this product, the total sum insured being Rs. 4 crore against value of assets insured of Rs. 5.5 crore, the overall underinsurance is less than 30%. Hence no underinsurance would be deducted and insured would get full claim of Rs 50 lakhs.

Illustration 8: A factory has storage of stock whose production cost was Rs 2.5 crore and it includes some of the stock which is 6 months old. The insured has a policy covering stock of Rs 3 crore. Due to change in raw material price, the manufacturing cost of same amount of stock today would be Rs 3.25 crore. Due to fire there is damage to stock, the production cost of which today is Rs 1 crore. Insured gets full 1 crore under policy as underinsurance is less than 30%.

Illustration 9: Contents of an office are insured for Rs 5 crore. During currency of policy the insured wishes to increase the sum insured by another 2 crore. By doing so the sum insured would exceed the eligibility criteria for this product. However, the insurer may allow this increase and continue the policy till next renewal, after which the insurer may offer the relevant product to insured. Alternatively, the insurer may offer the relevant product at the time of increase and on concurrence of insured cancel the existing policy and allow pro-rata refund.

Illustration 10: An insured covers building of Rs 3 crore and stock of Rs 3 crore under this product. The total sum insured being Rs 6 crore, insured was not eligible for this product. However, the total sum insured escaped the attention of the insurer and policy of Rs 6 crore has been issued.

The insurer is authorized to cancel the policy and allow pro-rata refund to insured if no claim has been reported till date of cancellation. Alongwith that the insurer is obliged to offer insurance of the assets under the correct product.

Illustration 11: An insured has taken insurance for a sum insured of Rs 5 crore. The value at risk of insurable items found at the time of loss is Rs. 7 crore. There is a loss of Rs 1 crore.

Here the underinsurance comes to 28.57% which is less than 30% limit (upto which waiver is allowed in the product). Hence the full claim of 1 crore shall be payable.

Illustration 12: An insured has taken Micro Commercial insurance for a sum insured of Rs 5 crore for stock. The value at risk of stock is Rs 5 crore and there is a fire loss of Rs 1 crore. At the time of loss it is found out that the insured has taken another policy of Rs. 3 crore from a different insurer covering plant and machinery worth 4 crore, out of which there is a loss of Rs 10 lakhs.

Here the total value @risk is 9 cr. After giving the benefit of 30% underinsurance waiver the value comes to 6.3 crores, indicating the policyholder was not eligible to take micro commercial insurance. Hence the terms and conditions of small commercial insurance policy shall apply, which provides for only 15% underinsurance waiver.

Since each item is subject to condition of underinsurance, loss to stock is fully payable.






P&M is underinsured by 25%, but since overall underinsurance is within 15% (8cr / 9 cr), no underinsurance will be applicable.

4. Construction of the Policy Contract

One of the biggest pain points for consumers is the complex legal language of the policy contract and an outdated structure of its construct. From the word go and its preamble clause, the policy starts with legalese and nowhere explains in everyday plain language as to what is covered, what is not covered, Values insured, what policyholders' entitlements are in case of loss and Dos and Don'ts. Most feedbacks from stakeholders also raised this as a major reason of lack of customer awareness and disputes.

This was an important aspect that the workgroup deliberated on for a long time. As an end result, the work group recommends the following structure of the policy:

Key Feature Document: This will be a very simple document that will need to be sent to each policyholder and will contain some basic information of the product in plain language, without bothering about the adverse legal interpretation of the terms used. It is akin to Customer Information Sheet that is required to be sent for health insurance customers. The document should prominently display "MUST READ BEFORE FILING". This document may at the minimum cover the following:

-  *What is covered & What is not covered,*
-  *Values insured & What are policyholder's entitlements in case of loss*
-  *What he should and should not do to maintain his cover*
-  *Who to contact and how in case of a query or claim*
-  *Grievance redressal mechanism*

This document should also add a disclaimer that for any legal interpretations, the interpretation as per policy wordings will be final. A suggested draft of key features document is appended in Annexure 2 for Home insurance as a sample.

Main Policy Contract: This will be the legal document and may be more complex than the above key feature document/customer information sheet. An attempt must be made to use as simple and common use plain language as possible without compromising on the legal interpretation. The work group recommends that the hard copy of only Key Feature Document / Customer Information Sheet may be sent to policyholder and only soft copy of policy document need to be made available to him on company website, IRDAI website, GI council website or sent by mail at customer's e-mail ID.

Rationale:

- ✚ Most policyholders do not read the complex and bulky policy document. A simple document in plain language prominently displaying “MUST READ” may encourage policyholders to read the salient features of his insurance.
- ✚ For those policyholders who want to read the full contract, the contract is available for reading in his e-mail or websites as discussed above.
- ✚ The fact that there are common wordings across industry helps having these common wordings at website or in soft form that will be used for legal interpretations and disputes.

5. Contents of Main Policy Contract

Each policy contract should have following parts:

- ✚ *Contents: A paragraph, briefly mentioning the contents or parts of the policy wordings may be mentioned in the beginning so that a customer is able to understand at a glance the structure and important sections of the policy.*
- ✚ *Insuring Clause: Should be composed in plain English and preferably in small sentences.*
- ✚ *Defining the insured and insurer: Insured to be defined and named “You” and insurer as “We” in the policy to make it sound user friendly.*
- ✚ *Introduction containing major features and sections of the policy and major precautions to be observed by insured (e.g. immediate intimation in case of address change, increase in sum insured)*
- ✚ *List of definitions of major terms used in the policy*
- ✚ *Policy conditions*
- ✚ *Policy exclusions*
- ✚ *Claim instructions*
- ✚ *Grievance redressal mechanism alongwith contact details*
- ✚ *Schedule of policy*


6. Proposed Definitions¹³

The present product does not have definitions of key terms to enable a buyer of insurance to understand the meaning in context of insurance being offered. Definition also helps in proper interpretation of coverage and reduces changes of dispute following a loss.

Dwelling


- ✚ ***Building: It should be clearly defined in “Guiding Principle” that all the civil works like compound wall, garage, outhouses, internal road, plinth and foundation, fixed sanitary fittings, electrical wiring and other permanent fittings and any changes to the structure etc. form part of sum insured.***


¹³The definitions suggested here are only indicative. Actual contract may require definitions of many other terms and may also require legal scrutiny. Hence the final definitions may be validated by an appropriate insurance contract lawyer.


 *Contents: Contents should include furniture, gardening equipments, any additions made during currency of policy. A dwelling may have some things in open also like furniture, dish antenna etc.*

 *Valuables and personal effects are held covered as part of contents.*

Commercial Risk

 *Building: In addition to above, any tank or vessel within premises, pavements and other such items are held covered.*

 *Plant and Machinery: All the equipments, machinery, pipes and cables, spares, machines under repair within insured premises, hired machines on premises for which insured is responsible, computers and servers can form part of sum insured.*

 *Stock: All raw materials, stock in process, stock accepted for job work for which insured is responsible, finished goods, packing material, stock invoiced and ready for dispatch but within insured premises, goods held in trust can be automatically covered. The personal effects of insured or visitors in premises may be covered if declared separately.*

Excess

Excess is an amount that the policyholder bears in every claim before insurer becomes liable to pay the claim.

Franchise

Franchise is the amount that is borne by the policyholder of the total claim amount is up to the franchise amount specified. If the loss amount exceeds the franchise amount, full claim is paid.

Insured/Insurer

For contents in Home insurance and micro commercial insurance, Insured may be defined as owner of premises or tenant staying in a rented premises, his/her family members and guests present in the premises. Insured may be described or called as “You” in the policy.

For small commercial insurance, it will be owner of premises or tenant and including the goods or machines held in trust for which he or she would be responsible.

Unoccupied premises

Present SFSP provides cover for unoccupied premises up to a period of 30 days. Same is proposed to be continued.

Exclusions / Conditions

The exclusions are found towards the latter half of policy wordings and usually ignored by the customers. To give clarity on the limitations of the policy, each Exclusion and Condition must have a para header defining the contents; e.g.

Terrorism Exclusion –

This Policy excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism....

Pollution Exclusion


Loss, destruction or damage caused to the insured property by pollution or contamination...

Policy Cancellation Condition

Cancellation by Insured - This insurance may be terminated at any time at the request of the Insured.....

Policy shall be void

 In case of misrepresentation, non-disclosure....

 If Fraud is committed by insured....

The exclusions and conditions should be in order of importance. Hence Deductible/Excess, Condition of Average, Voidable in case of misrepresentation etc. should be first and foremost.

For Dwelling policy, certain exclusions found in SFSP like “Loss to stock in cold storage”, “Loss of earnings, Loss by delay”, “Loss by spoilage from interruption of process” etc. need not be included as they are not relevant.


Claims Process

Occurrence of a loss is a financial setback to the insured. Hence the presence of insurance cover should enhance his confidence rather than cause apprehension about the settlement of claim. Present SFSP policy neither provides any information regarding the claims process nor any guidance as to the steps to be taken by insured following a loss.

A clearly laid down claim process which forms a part of insurance policy, goes a long way in providing confidence to the insured. This minimizes the chances of difference in expectation of insured and insurer in case of a loss.

The proposed products should also contain the following:

 Guidance to insured to minimize or control the loss, protect the damaged property

 Preserve the repair bills and submit it to surveyor

 Any other information relevant to quick settlement of claim

Catastrophic Insurance

The recent catastrophic events like J&K Floods, Hudhud Cyclone, Chennai Floods, Vardha Cyclone in India have caused untold financial hardship and have revealed that the economic losses are far higher than the Insured losses. This highlighted the poor penetration of Property Insurance in the Country.

In the Developing Countries, a proactive Disaster Risk Management model is encouraged. This can be achieved by developing better early warning systems, increasing institutional capacities for better emergency preparedness, risk mitigation investments to protect critical infrastructure etc.

Despite the increasing involvement of the international donor community, only a few developing countries have developed affordable, effective and sustainable catastrophe insurance programs without heavy public subsidies. Property catastrophe insurance programs for homeowners have emerged in some middle-income countries, such as Turkey.

In almost all catastrophic events, it is the lower or middle income groups (in case of dwellings/homeowners) or smaller industries that are badly affected financially following damage to property and more importantly their livelihood. The economy suffers very badly.

Cyclones/floods/earthquakes/hurricanes are what we saw in the recent past in our country that has impoverished several Micro/small/medium enterprises as also the dwellings-that of the poor as well as the middle class.

Insurance covers for the catastrophic perils are offered by the General Insurers. However, the manner in which Insurance cover is offered differs worldwide. In many of the developed countries, Catastrophe perils are insured as an additional cover to the Basic Property insurance cover. However, in India, the Insurers offer it as a part of the basic or primary cover, with an option offered to the Insured to opt out of taking this cover (STFI/EQ, followed by a reduction/discount in the rate of premium).

In the product for the Dwellings, Commercial enterprises and the MSME Sector, it is proposed to cover all these catastrophic perils in the base policy itself, so as to ensure that there is no insured left without Insurance cover. It is also proposed that there is no provision made in the policy for a reduction/discount in the rate/premium offered to the Insured for opting out of this cover.

The benefit of this is two-fold- (1) The policyholder is assured of an insurance cover which he is not deprived of in the off chance of any mis-selling by the intermediary in an attempt to reduce premium and (2) More importantly, the Insurers get to have a reserve of premium for handling claims in the event of the catastrophe taking place. This also could help in reducing the outgo towards reinsurance premium (as insurers seek protection against NAT CAT perils through reinsurance).

The moot point however is whether it is possible for insurers to offer a standalone NAT CAT cover, since the comprehensive product which, inter-alia, also covers fire and allied perils may be unaffordable for the lowest strata of society. If we look around at more developed countries, we do not find commercial insurers warming up to the idea of offering standalone NAT CAT cover in its traditional form. This is because of the huge

uncertainties about the severity of NAT CAT perils. With good insurance penetration, NAT CAT events like hurricane Harvey or Irma can wipe out a small insurance industry like that of India. Till a few decades back, many NAT CAT events were thought to have very low incidence rates. However, in last one/two decades, the frequency of NAT CAT events has gone up quite significantly. India is witnessing some or the other NAT CAT event almost every year, though in varying degree of severity.

One of the potential solutions for this could be for the Government to fund NAT CAT losses and then buy a reinsurance solution to reduce the volatility of their outgo. There are many countries where NAT CAT losses are funded by Government. Two potential reinsurance solutions for Government could be:

- ✚ Parametric Insurance
- ✚ Capital Market Solutions known as CAT bonds

Parametric Insurance

Parametric insurance or parametric risk transfer is a type of insurance, reinsurance or risk transfer arrangement that does not indemnify the full loss for the protection buyer. The payment of claims is not based on actual losses, but on **parametric triggers**, which are specified intensities of the natural disaster in a specified location as measured by an independent agency. Since the payment of claims depends on the parametric triggers, which can be readily assessed, and not on actual losses which would have to be quantified, claims can be paid much faster.

Event coverage is limited to specific events, in specific areas, and for a specific period of time. The number of events covered may also be limited within the specified time. The major problem in determining premiums is to develop risk models that can accurately assess the probability of either earthquakes or hurricanes for each of the participating countries.

For instance, the parametric Flood insurance contract pays a specified amount if the flood level reaches a certain mark level in the prescribed scale in a specified region. The scale of the Flood would be determined by an independent agency, such as the National Disaster Management Authority. The insurance policy coverage would be capped, not by the number of events, but by the aggregate liability for the year. Parametric insurance products provide a near-automatic payout in response to certain defined threshold parameters being met. For example, a parametric product designed to respond to an earthquake could be triggered to pay if a quake of certain magnitude is measured at a certain location. Parameters are set at the time of entering into the policy by agreement between the insurer and its policyholder. Parameters for the trigger are based on quantitative data, ordinarily provided or verified by a recognized independent third party or bespoke data analysis system.

Parametric instruments use a model to calculate the payout of the insurance policy. This payout model aims to closely mirror the actual damage on the ground and enables a much more rapid payment as no loss adjusters are required after the event to assess the actual damage.

This is unlike Indemnity insurance which pays based on the actual economic losses incurred, up to the limit and duration specified in the terms of the insurance contract.

Traditional indemnity insurance requires an assessment of the value of the insured's loss and the claims handling and loss adjusting process can slow down the release of emergency funding vital to businesses, organizations or governments in the aftermath of a large-scale natural disaster. Traditional indemnity insurance also customarily has various conditions, exclusions and limitations which may introduce uncertainty and delay.

Advantages of Parametric Insurance

- One of the key advantages is the speed of payout/settlement of claim
- There is total objectivity in payouts/claims settlement
- There is only a single transaction as far as the reinsurers is concerned
- There is cost saving as services of loss assessors/adjusters are not required

Disadvantages of Parametric Insurance

- The biggest disadvantage of parametric insurance is the "Basis Risk", which means that the loss suffered by the individual or business could be actually much more or much less than the pre-determined payment.

Correct triggers should result in claims settlement and any setting off of the wrong triggers might defeat the insurance itself.

Designing the right model and finding the correct correlation between weather parameters and loss is very difficult and a perfect correlation may not exist at all, giving rise to basis risk.

Coverage may be offered only in certain vulnerable locations. If the location affected is not covered, the reinsurer liability does not trigger.

Some recent disputes in weather based crop insurance, where the farmers suffered huge losses but the weather insurance cover either did not pay or paid very minuscule amounts, have shaken the confidence of some sections of society in the effectiveness of parametric insurance.

CAT Bonds

Cat bonds are a new method of transferring insurance risk to the capital markets. The proceeds from the sale of the bond are invested in near risk-free instruments to generate normal market returns. This gets combined with insurance company's premium and allows the bond to pay a higher spread over money market returns. These returns are paid through periodical coupons to investors. If no insurance event occurs the investor received the higher coupon for the term of the bond, usually three years, and receives the principal back at maturity. If one of the insured events occurs, all or part of the principal is transferred to the insurance company, the investor's coupon payments cease or are reduced, and at maturity there is either zero, or a reduced amount of principal repaid.

The trigger types commonly used in the cat bond market are:

- Indemnity
- Industry loss
- Parametric

Indemnity: The triggering event in this case is the actual loss incurred by the insurer following the occurrence of a specified catastrophe event, in a specified geographic region, for a specified line of business.

Industry Loss: Independent agencies undertake to provide estimates of the total loss experienced by the insurance industry after a major catastrophe. Cat bonds based on industry loss operate under the assumption that the cedant company's portfolio is aligned with the industry and therefore the insurer recovers a percentage of total industry losses.

Parametric: As discussed above, the loss is paid with reference to the value of a specified parameter.

It is difficult to say which trigger is better and it depends upon whether it is an issuer's market where there is a large demand for CAT bonds or investors' market where there is a wide choice of CAT bonds.

Workgroup Recommendations

Keeping in view the high volatility of NAT CAT losses, their increasing frequency and the likely high premium rates, the workgroup could not reach a conclusion on recommending a standalone NAT CAT insurance product. The best solution to NAT CAT perils appears to be Government funding reinsured by CAT bonds.

Insurance Distribution

Insurance distribution in advanced countries

The personal lines distribution landscape has been changing with emerging channels and a blending of channel options for the policyholders. Dwelling insurance is largely offered to customers through retail distribution channels, the trend in advanced countries like the US and United Kingdom is sourcing such insurance policies using Omni-channels.

These are typically developed through study of consumer trends/preferences. Insurers are learning that retail customers want to connect with their insurers through a variety of formats. The customer who can place a coffee order on the mobile device and pick it up at the store at the beginning of a road trip is frustrated by the inability to work seamlessly across channels in other markets.

Many US insurers are positioning themselves with array of offerings in a variety of distribution outlets of the likes of traditional captive agency, independent agency channel direct response, and online agency.

Online channels are expanding to phones and other communication devices—evolving to address the differing interface preferences of different consumer segments. However, home owners' line has been slower to adopt to developments in the online space. Some insurers are also going the extra mile by adding a dimension to the online shopping experience by providing customer reviews on its website. Shoppers using the particular online agency will be able to view price comparisons and financial strength ratings, along with customer star ratings. Insurers continue to explore non traditional distribution avenues to reach new segments including affinity opportunities.

The main distribution channel for commercial property insurance & CMP is the independent agent/broker. Small commercial marketplace is still dominated by independent agents as they rely on agents to help identify risk and obtain proper coverage. More insurers are attempting to solicit new customers via digital means.

Digital disruption

North America Insight- Small business initiative

Insurance startups & new entrants are driving a digital disruption in the insurance distribution space and challenging the distribution paradigm.

In US an estimated \$17-33b market may turn to digital distribution by 2020. Incumbent carriers & brokers need to quickly adapt to this new trend or lose out.

Small business owner demographics favor digital insurance. By 2020, more than 60% of US small business will be owned by Millennials & Gen Xers, who prefer to manage insurance digitally. In one recent survey, 38% of small businesses would buy insurance online if they were starting out today. Insurance startups are zeroing in on this opportunity and traditional carriers (incumbents & new entrants) are positioning for changes in this large, profitable & fragmented marketplace.

InsurTechs and new entrants will be the prime drivers of disruption with their focus on distribution variations such as E-Brokers, Aggregators, Start-ups, Technology Enablers, and Traditional insurers.

Digital footprint in India- Insurance

As per BCG study, in case of insurance, the digital influence in India is currently 6 times the digital sales in India. While digital sales is 2% the underlying digital influence is 12% (10% for motor, 12% for life, 14% health and 19% travel) with a digital footprint of 31% in India comparing against 75% digital footprint in US and 50% in UK. However, the scale is heavily tilted towards motor insurance in both these countries.

Property insurances is yet to catch up with the motor sales with the need of insurance scattered across geography, often the maximum need emerges from the region having least digital outreach. This also holds true for the vivid economy our country presents.

Home owners insurance and small business enterprises have yet to set its foot amongst the rural and semi urbans with conventional distribution prevailing till date. This has to a large extent, restricted the outreach of digital distribution amongst the population which could have been a catchment for insurance companies.

Digital Megatrend





A recent study concluded by Google Consumer Barometer indicates that search engines are the most popular touch point for customers while looking for insurance online. Growth of google search queries for insurance has seen a 6 fold increase for Motor and 4.5 fold for Health since 2008. A further analysis also show that while the search query from laptop/desktop has been at a 4.5% rise, those from smartphones has seen as high as 95% usage.

Studies conducted by Boston Consultancy Group also provide a concrete evidence of strong digital influence at various stages of an insurance purchase cycle in India. However, usage of digital purchase tools is higher for simpler products like travel, health, motor and other such pre-underwritten and simple products.

At various legs of the studies, it was also very strongly felt that comparative studies of product offering, its premium also has a strong bearing on the sale of the product digitally.





Challenges ahead

While digital distribution in India has already starting taking baby steps, few challenges still persist:

-  While sale of simpler product can be easily facilitated over the digital media, it's the more customised products which require rule based underwriting such that these can be offered over digital media.
-  Soft pricing market which has been Indian insurance market's petpeeve, doesn't offer much scope of selling the lesser known more technical products over this medium.
-  Outreach amongst the semi urban and rural customer, which is the target customer base is yet to be probed and explored.
-  Want of more simpler and understandable coverage for commercial product is the need of the hour.

Technology and digital enabled distribution are perceived as the main keys to success in the hinterland of India where physical distribution will have prohibitive cost.

However, if the penetration in this segment has to grow multifold, newer nontraditional distribution channels have to be thought of keeping in mind customers touch points connected to this business as a first party channel. Some are listed below to name a few:



-  Post offices
-  Utility companies
-  Property tax departments
-  Municipal tax offices

Further, it is also important to have an attractive revenue proposition for the distribution channels. Considering the need for the push to promote this product, max distribution fees should be in line with as it has been proposed in the case of Two wheeler insurance under the new MISIP guidelines. This will help the distribution channel to spend in creating awareness of this product and the benefits it offer which is crucial to increase the penetration.

CHAPTER VIII

Accounting and reserving practices

Insurance premiums are received in advance while the risk these are supposed to cover runs over a period of time, usually one year but may be longer. Therefore, at the end of an accounting year all the premiums that are written by an insurer do not become its revenue. These premiums require two types of liabilities to be recognized and accounted for by insurers:

-  Premium reserves, And
-  Claims reserves

Premium reserves

At the end of an accounting year, the insurer will have many policies that have not run their full risk period and may give rise to claims in the next one/more accounting periods depending upon whether the insurance cover is for one year or longer. Hence a liability needs to be recognized and provided in the balance sheet to pay for these claims. This provision is, more commonly known as Unexpired Risk Reserve (URR), in the Indian context. URR consists of two components, viz; Unearned Premium Reserve (UPR) and Premium Deficiency Reserve (PDR).

Unearned Premium Reserve

Estimation of UPR requires a very important assumption, and that is about the risk spread of the insurance cover sold by insurer. If we look at the perils covered under the Standard Fire & Special Perils policy, the market has till now assumed a uniform risk spread through the risk coverage period. However, the following situations indicate that the risk spread may not be exactly uniform though the risk coverage period:

1. Flood and inundation risk may be higher during the monsoon period
2. Fire risk may be higher during summer periods in some regions of the country (sparked by high temperatures and spontaneous combustion) or during Diwali period due to fire cracker induced accidents
3. Risk of Bursting of pipes and the accompanies damage caused by it may be higher during winter season in northern mountainous regions

Study of the incidence rates of different perils in the past years may indicate the pattern of risk spread of different perils covered under SFSP. However, keeping in view the quality of data available in the country, this may create avoidable complexity in the estimation of UPR. Hence, it is recommended that the practice of estimating UPR on the basis of uniform risk assumption may continue. It would be important to take into account the following when estimating the UPR:

- a. *Long Term Policies: The earning of the premium should be spread through the coverage period on a uniform earning basis, preferably 1/365 basis.*
- b. *Policy Endorsements: Premium received or refunded through endorsements should be earned during the period from endorsement effective date till policy expiry.*
- c. *Policy Cancellation on Total Loss: Usually, the insurance policy is cancelled without refunding any premium on settlement of a claim on Total Loss that is not reinstated. In these situations, ideally, the entire unearned premium should be earned in one sweep on the day of the loss. However, on the date of loss, it may not be known to an insurer, with any amount of certainty, if the claim will turn out to be a total loss. Hence the earning in one sweep may be effected on the day it becomes certain the claim incidence has caused a total loss and the subject matter of insurance ceases to exist.*
- d. *As per IRDAI Cir Ref: IRDA/F&A/CIR/CPM/056/03/2016 dated 4th April, 2016 Insurers have an option to create UPR either at 50 percent of Net Written Premium of preceding twelve months or on the basis of 1/365th method ¹⁴ on the unexpired period of the respective policies. While the option to estimate UPR on 1/365 basis or 50% of NWP may continue as a special dispensation allowed by IRDAI, 50% of NWP basis of earning is not appropriate for long term cover at all since a disproportionately large part of the premium shall get earned in the first two years of writing the product. For the remaining years there will be no premium earning but claims will keep coming till the expiry of the policy. Hence, it is recommended that for long term product the premium should be earned through the duration of cover on 1/365 basis.*

Premium Deficiency Reserve

Premium deficiency reserve (PDR) arises when it is expected that the amount of claims (including the cost of servicing them) on the unexpired part of the policies in force could be more than the UPR set aside for these policies. PDR should be estimated following established actuarial principles and in accordance with the IRDAI (Asset, Liability and Solvency Margin) regulations, 2016 and IRDAI (Preparation of Financial Statements) Regulations.

Claims Reserves

Claims reserves also consist of two components, viz; outstanding liability for reported and known claims and IBNR claims (including IBNER). Outstanding liability for known claims needs to be provided in the usual manner on the basis of claims assessor's estimate. IBNR & IBNER reserve estimation may be done by insurer's Appointed Actuary using established actuarial techniques on the lines of other SFSP portfolio in the insurer's books. Appointed actuary may decide if he/she would group the claims data of long term product with annual SFSP product claims data or would like to estimate this separately. Even where the product is longer than one year, it may or may not require a separate treatment since the IBNR will need to be estimated for each accident year's exposed to risk portfolio. Insurer's Appointed Actuary will be the best person to take a call on this.

¹⁴ "1/365 basis" is the name of the method of premium earning that requires the premium to be earned for every day of exposure over the duration of policy and does not indicate policy premium to be earned in 365 days, regardless of policy duration

CHAPTER IX

Product Filing Procedures

Product filing guidelines are intended to ensure the following:

- ✚ Products for retail and small commercial customers undergo proper due diligence since they need higher protection from unfair terms and conditions of the policies
- ✚ Products for large commercial customers, who are expected to be aware about insurance complexities, get approved fast through internal due diligence of each insurer

The Working Group in its report has recommended the following categories of products.

Product 1 –Home Insurance for Dwellings

Product 2 –Micro Commercial Insurance for commercial customers with value at risk up to Rs 5 crore per location

Product 3 – Small Commercial Insurance for commercial customers with value at risk from Rs. 5 crore to Rs. 50 crore per location

The mode of product filing recommended by the Working Group is as per Guidelines on Product Filing Procedures for General Insurance Products dated, February 18, 2016, issued by the Authority.

It is recommended that General Insurance council will file standard add-on covers, clauses and endorsements to be used by all General Insurers, without any exception. Once these standard wordings are adopted, the products design, terms and conditions of cover shall be consistent with these standard wordings.

Thereafter, the Insurers may file the same with rate filing that includes technical note, rate chart and certificate duly signed by its appointed actuary. The key features document specifically prepared for these products shall be filed along with other product documents.

Since the product will be standard across insurers and would have been approved by Authority, insurers will need to file only premium rates along with Appointed Actuary certificate of financial viability.

Product	Target Customers	Rate Filing Procedures
<i>Home Insurance</i>	<i>Dwellings</i>	<i>File and Use</i>
<i>Micro Commercial Insurance</i>	<i>Commercial customers with sum insured up to Rs 5 crore</i>	<i>File and Use</i>
<i>Small Commercial Insurance</i>	<i>MSMEs from Rs. 5 crore to Rs. 50 crore per location</i>	<i>Use and File</i>

The File and Use procedures require the products to be necessarily filed with the Authority before these are marketed.

Only Small Commercial Product needs to be filed under Use and File procedure and for this the Insurer's Product Management Committee shall scrutinize and review all the documents and along with the proposed rates recommend to IRDAI without making any exception to the standard policy wordings, add-on covers, clauses, endorsements as adopted.

Product Pricing

Pricing of an insurance product is one of the key elements that determines how the product will be taken up by the insuring public, on one end, and the impact of this on insurer's P&L, solvency and return on capital, on the other. Pricing is strictly a domain of actuaries and regulations clearly entrust Appointed Actuaries of insurers with the responsibility to ensure that the product pricing is fair to all the stakeholders and the product will be financially viable. Hence the work group has no intention to suggest a particular price for the products recommended in this report and leaves the determination of price on each insurer's Appointed Actuary, in the context of data available with him, the assumptions taken, the underwriting and pricing philosophy of the company and the expense and profit loadings unique to that insurer. However, this chapter does delve on the various issues the actuaries must bear in mind when pricing the products recommended in this report.

1. The pricing approach of the product must be in accordance with applicable laws, any regulations governing the actuarial work or underwriting and any guidelines or practice standards issued by actuarial profession. The pricing approach must also be in consonance with the Board approved underwriting philosophy of the insurer.
2. The price must factor all the expected claims costs, associated expenses on selling and servicing the product, management expenses and expected profit margin. The targeted combined ratio from the product must be below 100%.
3. Price must be estimated from the data available, to the extent possible. Since the claim incidence rate for this product are very low, normally in the vicinity of 1% or less, many insurers' own data may not be sufficient to price these products with a reasonable credibility. However, Insurance Information Bureau has been doing an excellent job by collecting the exposure and claims data of all insurers for many years and analyzing it to come up with various analyses on this, including the burning cost for the highest selling occupancies. It is recommended that IIB should share all this data with desiring insurers, after masking the original insurer and customer identity. This will tremendously help actuaries to come up with more robust price as compared to what they will come up with, otherwise.
4. Large scale cross subsidies must be avoided to the extent possible, since this militates against the equity between different policyholders as regards their risk to insurer. However, the entire institution of insurance is based on cross subsidies or in the more familiar terminology, pooling of risks. Hence, some cross subsidies will always remain in any insurance pricing. However, actuaries must try to reduce cross subsidies or at least the extent of cross subsidies since cross subsidies expose the insurers to unexpected change in business mix, thereby changing the actual claims experience vastly different from expected. If cross subsidies are built, the impact of change in business mix and its impact on financial condition of insurer must be studied and factored in price.
5. In spite of the availability of past data from IIB, actuaries may encounter the following challenges in pricing these products:
 - a. This report is recommending inclusion of many Add On perils in these products to ensure broader risk coverage for insuring public. The fact many policyholders did not opt for these

Add On perils, thereby creating a coverage gap, also means that data on the exposure and claims for these perils may not be available or if available, may not have sufficient statistical credibility for use in pricing. During interaction with IIB as one of the stakeholders, the work group also learnt that insurers do not submit peril wise exposure and claims data. Hence the actuaries may need to price these Add On perils on the basis of intelligent assumptions as to their frequency and severity in discussion with underwriters and claims practitioners.

- b. The report recommends doing away with or modifying underinsurance, depreciation and excess. This will adversely impact the claims outgo and make past claims data less relevant to price these products for the future. Hence the actuaries will need to build assumptions for the change in frequency and severity of future claims experience due to these changes. In more particular, the removal/modification of underinsurance may significantly change the claims severity per unit of sum insured since the modified product structure may increase the '**Morale Hazard**' in the insuring public wherein they may start insuring their assets for lesser value than the existing values. While most of these modifications will definitely have an impact on the future severity of claims, actuaries must examine the impact of these on future frequency of claims, lest some of these modification alter the risk behavior of the insuring public.
- c. Another recommendation of workgroup talks about insuring land in case of multi-storied apartments, in case of total loss. Actuaries will need to estimate the frequency of total loss of multi-storied apartments and factor in the prices for this additional cover.
- d. The work group recommends broadening the scope of coverage to include many assets, inclusion of which was a grey area as to their coverage in insurance. This will also push up the severity. While ideally, this should also increase the sum insured accordingly, this may still impact the prices due to following reasons:
 - i. The frequency of claims and severity per unit of sum insured may be quite different from those for other assets.
 - ii. The sum insured under the policy may not go up since, most likely, the lay customer always believed that the insurance included the coverage for these additional assets while the insurers believed these were not covered. Hence, the severity per unit of sum insured may actually go up on the entire policy.
- e. In the existing product, all contents were insured for only one year. The report recommends insuring the contents also for long term. This will require actuaries to estimate the following:
 - i. Impact of inflation vs. inbuilt sum insured escalation and how will this impact severity per unit of sum insured.
 - ii. Impact of investment income generated due to advance collection of premium for long term contract.
 - iii. Impact of policy lapse by some policyholders due to non-payment of installment premium due to any reason.

- f. In addition, the report recommends doing away with upfront discount for long term insurance of dwellings and provides inbuilt escalation in the sum insured of building. Actuaries will need to net off the impact of automatic sum insured escalation, claims inflation and investment income to decide how will this impact the price of long term dwelling insurance.
- g. The work group also recommends that theft following upon an insured event should also be covered. Since this was an uninsured peril, no data is likely to be available for this. Hence actuaries will need to estimate the impact of this on the product price.
- h. The work group also recommends payment of death benefit after explosion of domestic gas cylinder. This was not covered till now and therefore actuaries will need to build assumptions for the risk cost of this cover and build in the total premium rates.

In general, pricing of products will determine whether these products will foster a thriving insurance market while bridging the protection gap for insuring public and balancing the interests of insurers and other stakeholders or not.

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Annexures

Annexure 1: IRDAI Order



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY OF INDIA

Ref: IRDA/NL/ORD/MISC/119/05/2017

Dated: 19th May, 2017

Order

Re: Working Group on visiting Product Structure for Dwellings, Offices, Hotels, Shops etc and Micro, Small and Medium Enterprises for cover against Fire and Allied perils

Recent catastrophic events such as the Northern India Floods, J&K Floods, Hud Hud Cyclone and Chennai floods have revealed that economic losses are much higher than insured losses. There is a need to increase the penetration of Fire and Allied perils insurance, in particular for Dwellings, Offices, Hotels, Shops etc as well as for Micro, Small and Medium Enterprises. The product structure for cover against Fire and Allied perils that is currently being followed is that of the erstwhile Fire Tariff. The passage of the Micro, Small and Medium Enterprises (MSME) Development Act, 2006 and MSME Development (Amendment) Bill, 2014 have facilitated the promotion and development of small and medium enterprises. In this backdrop, there may be a case to revisit the existing product structure and examine if there is scope for innovation.

2. The Authority has, therefore, decided to constitute a Working Group consisting of the following:

- (i). Shri.Anurag Rastogi, Chief Actuary and Head, Retail Underwriting & Claims, HDFC Ergo General Insurance Company Limited, Chairman
- (ii). Smt.D.Nagalakshmi, Deputy General Manager, United India Insurance Company Limited, Member
- (iii). Shri.Amitabh Gupta, Head, Property Underwriting, Reliance General Insurance Company Limited, Member
- (iv). Shri. N.Ravichandran, Chief Technical Officer, Kotak Mahindra General Insurance Company Limited, Member
- (v). Shri.V.Devanathan, Head (Technical), General Insurance Council, Member
- (vi). Shri.Panneshwar Shelke, Asst. General Manager, Actuarial Department, IRDAI, Member
- (vii). Shri.K.Mahipal Reddy, Deputy General Manager, Non-life Department, IRDAI, Member Convener

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3. The Terms of Reference of the Working Group are as under:

- i. To examine the current product structure under Standard Fire and Special Perils Policy (SFSP) for Dwellings, Offices, Hotels, Shops etc rateable under Section III of the erstwhile All India Fire Tariff and products available for Micro Small & Medium Enterprises as defined under Micro Small & Medium Enterprises Development (Amendment) Bill, 2014.
 - ii. To study the need and scope for changes in the current product structure under SFSP of the above categories in keeping with the times and need.
 - iii. To suggest standard and simple policy wordings, add-on covers, clauses, endorsements to be adopted by the General Insurers that adds value to policyholders.
 - iv. To make recommendations with regard to relevant regulatory framework, including assessment of risk, pricing, reserving, accounting etc for both long-term and short-term policies.
 - v. To consider any other aspect relevant to the said subject.
4. The Working Group shall submit its report within 12 weeks of the date of this order.



(P.J. Joseph)
Member (Non-Life)




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Annexure 2: Home Insurance Key Feature Document (Sample)



Based on the proposal form filled by you and having paid the premium, you are eligible for the benefits available under this policy. Your policy is made up of various sections describing what is covered, what is not covered and what conditions is the policy subject to, which is briefly defined in this **Key Feature Document**. It also defines the steps to be taken by you following a loss. We recommend that you go through the complete set of policy wordings uploaded on our website, which will solely be binding for all legal purposes.

What is covered



This policy covers any damage or loss to your house, address of which is mentioned in the policy schedule, and its contents up to the sum insured mentioned in the schedule. The cover is available against following perils:

-  Fire, Lightening, Explosion, Aircraft Damage, Impact Damage, Riot, Strike, Malicious Damage, Terrorism
-  Subsidence, Landslide, Storm, Tempest, Flood, Inundation, Earthquake
-  Bursting and overflowing of water tanks, Missile testing operations, Leakage from automatic sprinkler, bush fire, Rent for alternative accommodation, Loss of rent

Losses may be of two types:

-  Partial Loss - The loss suffered by your house structure may be partial damage, in which case we shall pay an amount equal to the expenses which may be required for carrying out the repairs. You can get the loss amount even if you do not carry out the repairs. In case of partial damage to contents, we shall pay the cost of repairs or an amount necessary to replace the contents.
-  Total Loss – If either the building or the contents or both are fully damaged or lost, you become eligible to get the amount mentioned against either of these in the schedule of the policy.

What is not covered

-  Any loss arising out of following is not covered:
 - ✓ War or act of foreign enemy or military rebellion
 - ✓ Nuclear or ionizing radiations
 - ✓ Pollution or contamination
 - ✓ Spoilage due to interruption or cessation of any process
-  Loss of following is excluded:
 - ✓ Bullion or any unset precious stone or money
 - ✓ Any electrical machine due to overrunning or short circuit or due to self heating
 - ✓ Earnings or loss due to delay or consequential loss of any kind

- ✚ Expenses incurred on
 - ✓ Architects, Surveyors and consulting engineers above 3% of claim amount
 - ✓ Removal of debris above 1% of claim amount are excluded

What are the conditions

- ✚ The policy will be void
 - ✓ In case of any misrepresentation, misdescription or non-disclosure of material fact or if the claim is in any respect fraudulent
 - ✓ On expiry of 7 days of fall of any building or its part, if such fall is not by an insured peril
 - ✓ If it is used for commercial purpose or other than as a residence
 - ✓ The building remains unoccupied for more than 30 days
 - ✓ If the interest of property passes on other than by will or by law
- ✚ If you wish to cancel the policy, you will be eligible to get refund of premium for the balance policy period as per the scale mentioned in the policy. If we cancel the policy, we shall give you an advance notice of 15 days and refund premium for balance period on pro-rata basis.
- ✚ Following a loss
 - ✓ You should intimate the claim immediately and give documents in support of claim within 15 days including list of damaged items and all other insurances for the property damaged.
 - ✓ We will have the right to enter and take possession of the damaged premises or property, or sort and remove or sell any such damaged property. However, the property cannot be treated as abandoned by you pending the settlement of loss.
- ✚ If your property is insured by any other insurance, this policy shall contribute a rateable proportion of the damage.
- ✚ Following settlement of a loss, pro-rata premium for the unexpired period from the date of loss should be paid to us. It may also be deducted from the claim amount.
- ✚ If you are not satisfied with the loss amount being offered by us, the matter may be referred to arbitration provided the admissibility of loss is established. For detailed information on this, please refer to the policy wordings on our website.

What steps should you take following damage to your property

- ✚ If you suffer any loss or damage to the building or its contents mentioned in the schedule of the policy, you should immediately inform us about the loss. This may be done on the phone number mentioned in the policy or to your agent or to the policy issuing office.
- ✚ You should try and protect your property against any further damage. In case of a major loss, or if anyone is injured, or if damage is due to riot or malicious act, we advise you to inform the police and register an FIR. You should preserve all the damaged items and start repairs only after survey has been carried out. We assure you that the survey shall be carried out at the earliest and in no case beyond 48 hours from the time it is intimated to us.

- ✚ We will give you a claim form, which you can also download from our website, to fill up the details of loss. This will include information on the date and time of loss, cause of loss, approximate extent of loss and items damaged. Do not worry if you do not understand any question and our agent or call centre can help you fill these details. This form may be submitted to the surveyor or to us.

What we will do after loss is intimated to us

- ✚ We will appoint a surveyor to assess the loss and give him your contact details and policy copy.
- ✚ He will be authorized to collect documents from you in relation to the property insured and to assess the extent of loss. He will also be authorized to dispose of the damaged items to recover its best possible value.
- ✚ Once he has collected all the necessary information, he will submit the survey report to us detailing the extent of loss.
- ✚ We will offer the final amount payable as per the policy terms to you and take your consent for settlement of the amount.

What can you do if you are dissatisfied with our services

- ✚ You may make a complaint in writing to our grievance department at the address mentioned.
- ✚ You may make a complaint to the ombudsman at addresses mentioned below.
- ✚ You may complain to the IRDAI at the following address....

What care should be taken by you

- ✚ Since the sum insured for your house is based on the area in square feet declared in the proposal, we recommend that you verify it with the house registration documents to avoid any mistake.
- ✚ The cover of the contents of your house is inbuilt within the policy upto 50% of the value of house structure. If however you have opted to increase or reduce the extent of cover, the revised limit would be displayed in the policy schedule, which we request you to check. If you have chosen to insure only the structure and not the contents, there should be no amount or NIL mentioned against the contents.
- ✚ If you have opted to insure contents only and not the structure, the cover available would be 50% of the value of structure, based on the area of house which you would have declared in the proposal form. You may of course have opted for higher or lower cover which you may check in policy schedule.
- ✚ Please verify all the information in the policy schedule including your name, address, sum insured, and other details. In case of any incorrect information, please inform us immediately.
- ✚ In case of change of address, please inform us immediately.
- ✚ You should take reasonable precautions to maintain the premises insured and prevent any loss or damage to the property including compliance of local laws.
- ✚ If your building is likely to be unoccupied for more than 30 days, you should inform us to extend cover till the time building is unoccupied. If we are satisfied with the precautions taken by you to protect the premises, we may agree to extend the cover at additional premium to be decided.

Annexure 3: Standard Fire & Special Perils Policy

STANDARD FIRE AND SPECIAL PERILS POLICY

IN CONSIDERATION OF the Insured named in the Schedule hereto having paid to theINSURANCE COMPANY LIMITED (hereinafter called the Company) the full premium mentioned in the said schedule, THE COMPANY AGREES, (Subject to the Conditions and Exclusions contained herein or endorsed or otherwise expressed hereon) that if after payment of the premium the Property insured described in the said Schedule or any part of such Property be destroyed or damaged by any of the perils specified hereunder during the period of insurance named in the said schedule or of any subsequent period in respect of which the Insured shall have paid and the Company shall have accepted the premium required for the renewal of the policy, the Company shall pay to the Insured the value of the Property at the time of the happening of its destruction or the amount of such damage or at its option reinstate or replace such property or any part thereof

I Fire

Excluding destruction or damage caused to the property insured by

- (i) Its own fermentation, natural heating or spontaneous combustion.
- (ii) It's undergoing any heating or drying process.
- (iii) Burning of property insured by order of any Public Authority.

II Lightning

III Explosion/Implosion

Excluding loss, destruction of or damage

- (a) to boilers (other than domestic boilers), economizers or other vessels, machinery or apparatus (in which steam is generated) or their contents resulting from their own explosion/implosion,
- (b) Caused by centrifugal forces.

IV Aircraft Damage

Loss, Destruction or damage caused by Aircraft other aerial or space devices and articles dropped there from excluding those caused by pressure waves.

V Riot, Strike, Malicious Damage

Loss of or visible physical damage or destruction by external violent means directly caused to the property insured but excluding those caused by

- (a) Total or partial cessation of work or the retardation or interruption or cessation of any process or operations or omissions of any kind.
- (b) Permanent or temporary dispossession resulting from confiscation, commandeering, requisition or destruction by order of the Government or any lawfully constituted Authority.

- (c) Permanent or Temporary dispossession of any building or plant or unit or machinery resulting from the unlawful occupation by any person of such building or plant or unit or machinery or prevention of access to the same.
 - (d) Burglary, housebreaking, theft, larceny, or any such attempt or any omission of any kind of any person (whether or not such act is committed in the course of a disturbance of public peace) in any malicious act.
- VI Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood and Inundation. Loss, destruction or damage directly caused by Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood or Inundation excluding those resulting from earthquake, Volcanic eruption or other convulsions of nature. (Wherever earthquake cover is given as an “add on cover” the words “excluding those resulting from earthquake volcanic eruption or other convulsions of nature” shall stand deleted).
- VII Impact Damage

Loss of or visible physical damage or destruction caused to the property insured due to impact by any Rail/Road vehicle or animal by direct contact not belonging to or owned by

 - (a) The Insured or any occupier of the premises or
 - (b) Their employees while acting in the course of their employment.
- VIII Subsidence and Landslide including Rock slide

Loss, destruction or damage directly caused by Subsidence of part of the site on which the property stands or Land slide/Rock slide excluding:

 - (a) the normal cracking, settlement or bedding down of new structures
 - (b) the settlement or movement of made up ground
 - (c) coastal or river erosion
 - (d) defective design or workmanship or use of defective materials
 - (e) Demolition, construction, structural alterations or repair of any property or groundwork or excavations.
- IX Bursting and/or overflowing of Water Tanks, Apparatus and Pipes
- X Missile testing operations
- XI Leakage from Automatic Sprinkler Installations

Excluding loss, destruction or damage caused by

 - (a) Repairs of alterations to the buildings or premises
 - (b) Repairs, Removal or Extension of the sprinkler installation
 - (c) Defects in construction known to the Insured.

XII Bush Fire

Excluding loss, destruction or damage caused by Forest Fire.

PROVIDED that the liability of the Company shall in no case exceed in respect of each item the sum expressed in the said Schedule to be insured thereon or in the whole the total Sum Insured hereby or such other sum or sums as may be substituted therefore by memorandum hereon or attached hereto signed by or on behalf of the Company.

(A) GENERAL EXCLUSIONS

1. This Policy does not cover (not applicable to policies covering dwellings)
 - a) **The first 5% of each and every claim subject to a minimum of Rs.10,000 in respect of each and every loss arising out of “Act of God perils” such as Lightning, STFI, Subsidence, Landslide and Rock slide covered under the policy**
 - b) The first Rs.10,000 for each and every loss arising out of other perils in respect of which the Insured is indemnified by this policy

The Excess shall apply per event per insured.

2. Loss, destruction or damage caused by war, invasion, act of foreign enemy hostilities or war like operations (whether war be declared or not), civil war, mutiny, civil commotion assuming the proportions of or amounting to the popular rising, military rising, rebellion, revolution, insurrection or military or usurped power.
3. Loss, destruction or damage directly or indirectly caused to the property insured by
 - (a) Ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel.
 - (b) The radioactive toxic, explosives or other hazardous properties of any explosive nuclear assembly or nuclear component thereof.
4. Loss, destruction or damage caused to the insured property by pollution or contamination excluding
 - (a) Pollution or contamination which itself results from a peril hereby insured against.
 - (b) Any peril hereby insured against which itself results from pollution or contamination
5. Loss, destruction or damage to bullion or unset precious stones, any curios or works of art for an amount exceeding Rs. 10000/-, goods held in trust or on commission, manuscripts, plans, drawings, securities, obligations or documents of any kind, stamps, coins, or paper money, cheques, books of accounts or other business books, computer systems records, explosives unless otherwise expressly stated in the policy.
6. Loss, destruction or damage to the stocks in Cold Storage premises caused by change of temperature.
7. Loss, destruction or damage to any electrical machine, apparatus, fixture, or fitting arising from or occasioned by over-running, excessive pressure, short circuiting, arcing, self-heating or leakage of

electricity from whatever caused (lightning included) provided that this exclusion shall apply only to the particular electrical machine, apparatus, fixture or fitting so affected and not to other machines, apparatus, fixtures or fittings which may be destroyed or damaged by fire so set up.

8. Expenses necessarily incurred on (i) Architects, Surveyors and Consulting Engineer's Fees and (ii) Debris Removal by the Insured following a loss, destruction or damage to the Property insured by an insured peril in excess of 3% and 1% of the claim amount respectively.
9. Loss of earnings, loss by delay, loss of market or other consequential or indirect loss or damage of any kind or description whatsoever.
10. Loss or damage by spoilage resulting from the retardation or interruption or cessation of any process or operation caused by operation of any of the perils covered.
11. Loss by theft during or after the occurrence of any insured peril except as provided under Riot, Strike, Malicious and Terrorism Damage cover.
12. Any Loss or damage occasioned by or through or in consequence directly or indirectly due to earthquake, volcanic eruption or other convulsions of nature.
13. Loss or damage to property insured if removed to any building or place other than in which it is herein stated to be insured, except machinery and equipment temporarily removed for repairs, cleaning, renovation or other similar purposes for a period not exceeding 60 days.

(B) GENERAL CONDITIONS

1. THIS POLICY shall be voidable in the event of mis-representation, mis-description or non-disclosure of any material particular.
2. All insurances under this policy shall cease on expiry of seven days from the date of fall or displacement of any building or part thereof or of the whole or any part of any range of buildings or of any structure of which such building forms part.

PROVIDED such a fall or displacement is not caused by insured peril, loss or damage which is covered by this policy or would be covered if such building, range of buildings or structure were insured under this policy.

Not with standing the above, the company subject to an express notice being given as soon as possible but not later than seven days of any such fall or displacement may agree to continue the insurance subject to revised rates, terms and conditions as may be decided by it and confirmed in writing to this effect.

3. Under any of the following circumstances the insurance ceased to attach as regards the property effected unless the Insured, before the occurrence of any loss or damage, obtains the sanction of the Company signified by endorsement upon the policy by or on behalf of the Company: -
 - a) If the trade or manufacture carried on be altered, or if the nature of the occupation of or other circumstances affecting the building insured or containing the insured property be changed in such a way as to increase the risk of loss or damage by Insured Perils.

- b) If the building insured or containing the insured property becomes unoccupied and so remains for a period of more than 30 days.
 - c) If the interest in the property passes from the insured otherwise than by will or operation of law.
4. This insurance does not cover any loss or damage to property which, at the time of the happening of such loss or damage, is insured by or would, but for the existence of this policy, be insured by any marine policy or policies except in respect of any excess beyond the amount which would have been payable under the marine policy or policies had this insurance not been effected.
5. This insurance may be terminated at any time at the request of the Insured, in which case the Company will retain the premium at customary short period rate for the time the policy has been in force. This insurance may also at any time be terminated at the option of the Company, on 15 days' notice to that effect being given to the Insured, in which case the Company shall be liable to repay on demand a rateable proportion of the premium for the unexpired term from the date of the cancellation.
6. (i) On the happening of any loss or damage, the Insured shall forthwith give notice thereof to the Company and shall within 15 days after the loss or damage, or such further time as the Company may in writing allow in that behalf, deliver to the Company.
- (a) A claim in writing for the loss or damage containing as particular an account as may be reasonably practicable of all the several articles or items or property damaged or destroyed, and of the amount of the loss or damage thereto respectively, having regard to their value at the time of the loss or damage not including profit of any kind.
 - (b) Particulars of all other insurance, if any
- The Insured shall also at all times at his own expense produce, procure and give to the Company all such further particulars, plans, specification books, vouchers, invoices, and duplicates or copies thereof, documents, investigation reports (internal/external), proofs and information with respect to the claim and the origin and cause of the loss and the circumstances under which the loss or damage occurred, and any matter touching the liability or the amount of the liability or the amount of the liability of the Company as may be reasonable required by or on behalf of the Company together with a declaration on oath or in other legal form of the truth of the claim and of any matters connected therewith.
- No claim under this policy shall be payable unless the terms of this condition have been complied with.
- (ii) In no case whatsoever shall the company be liable for any loss or damage after the expiry of 12 months from the happening of the loss or damage unless the claim is the subject of pending action or arbitration; it being expressly agreed and declared that if the Company shall disclaim liability for any claim hereunder and such claim shall not within 12 calendar months from the date of the disclaimer have been made the subject matter of a suit in a court of law then the claim shall for all purposes be deemed to have been abandoned and shall not thereafter be recoverable hereunder.
7. On the happening of loss or damage to any of the property insured by this policy, the Company may
- a) Enter and take and keep possession of the building or premises where the loss or damage has happened.

- b) Take possession of or require to be delivered to it any property of the Insured in the building or on the premises at the time of the loss or damage.
- c) Keep possession of any such property and examine, sort, arrange, remove or otherwise deal with the same.
- d) Sell any such property or dispose of the same for account of whom it may concern.

The powers conferred by this condition shall be exercisable by the Company at any time until notice in writing is given by the insured that he makes no claim under the policy, or if any claim is made, until such claim is finally determined or withdrawn, and the Company shall not by any act done in the exercise or purported exercise of its powers hereunder, incur any liability to the Insured or diminish its rights to rely upon any of the conditions of this policy in answer to any claim.

If the insured or any person on his behalf shall not comply with the requirements of the Company or shall hinder or obstruct the company, in the exercise of its powers hereunder, all benefits under this policy shall be forfeited.

The Insured shall not in any case be entitled to abandon any property to the Company whether taken possession of by the Company or not.

- 8. If the claim be in any respect fraudulent, or if any false declaration be made or used in support thereof or if any fraudulent means or devices are used by the Insured or any one acting on his behalf to obtain any benefits under the policy or if the loss or damage be occasioned by the wilful act, or with the connivance of the Insured, all benefits under this policy shall be forfeited.
- 9. If the Company at its option, reinstate or replace the property damaged or destroyed, or any part thereof, instead of paying the amount of the loss or damage, or joint with any other Company or Insurer(s) in so doing the Company shall not be bound to reinstate exactly or completely but only as circumstances permit and in reasonably sufficient manner, and in no case shall the Company be bound to expend more in reinstatement than it would have cost to reinstate such property as it was at the time of the occurrence of such loss or damage nor more than the sum insured by the Company thereon. If the Company so elect to reinstate or replace any property the insured shall at his own expense furnish the Company with such plans, specification, measurements, quantities and such other particulars as the Company may require, and no acts done, or caused to be done, by the Company with a view to reinstatement or replacement shall be deemed an election by the company to reinstate or replace.

If in any case the Company shall be unable to reinstate or repair the property hereby insured, because of any municipal or other regulations in force affecting the alignment of streets or the construction of buildings or otherwise, the Company shall, in every such case, only be liable to pay such sum as would be requisite to reinstate or repair such property if the same could lawfully be reinstated to its former condition.

- 10. If the Property hereby insured shall at the breaking out of any fire or at the commencement of any destruction of or damage to the property by any other peril hereby insured against be collectively of greater value than the sum insured thereon, then the Insured shall be considered as being his own insurer for the difference and shall bear a rateable proportion of the loss accordingly. Every item, if more than one, of the policy shall be separately subject to this condition.

11. If at the time of any loss or damage happening to any property hereby insured there be any other subsisting insurance or insurances, whether effected by the Insured or by any other person or persons covering the same property, this Company shall not be liable to pay or contribute more than its rateable proportion of such loss or damage.
12. The Insured shall at the expense of the Company do and concur in doing, and permit to be done, all such acts and things as may be necessary or reasonably required by the Company for the purpose of enforcing any rights and remedies or of obtaining relief or indemnity from other parties to which the Company shall be or would become entitled or subrogated, upon its paying for or making good any loss or damage under this policy, whether such acts and things shall be or become necessary or required before or after his indemnification by the Company.
13. If any dispute or difference shall arise as to the quantum to be paid under this policy (liability being otherwise admitted) such difference shall independently of all other questions be referred to the decision of a sole arbitrator to be appointed in writing by the parties to or if they cannot agree upon a single arbitrator within 30 days of any party invoking arbitration, the same shall be referred to a panel of three arbitrators, comprising of two arbitrators, one to be appointed by each of the parties to the dispute/ difference and the third arbitrator to be appointed by such two arbitrator and arbitration shall be conducted under and in accordance with the provisions of the Arbitration and Conciliation Act, 1996.

It is clearly agreed and understood that no difference or dispute shall be referable to arbitration as hereinbefore provided, if the Company has disputed or not accepted liability under or in respect of this policy.

It is hereby expressly stipulated and declared that it shall be a condition precedent to any right of action or suit upon this policy that the award by such arbitrator/arbitrators of the amount of the loss or damage shall be first obtained.

14. Every notice and other communication to the Company required by these conditions must be written or printed.
15. At all times during the period of insurance of the policy the insurance cover will be maintained to the full extent of the respective sum insured in consideration of which upon the settlement of any loss under this policy, pro-rata premium for the unexpired period from the date of such loss to the expiry of period of insurance for the amount of such loss shall be payable by the insured to the Company.

The additional premium referred above shall be deducted from the net claim amount payable under the policy. This continuous cover to the full extent will be available notwithstanding any previous loss for which the company may have paid hereunder and irrespective of the fact whether the additional premium as mentioned above has been actually paid or not following such loss. The intention of this condition is to ensure continuity of the cover to the insured subject only to the right of the company for deduction from the claim amount, when settled, of pro-rata premium to be calculated from the date of loss till expiry of the policy.

Not with standing what is stated above, the Sum Insured shall stand reduced by the amount of loss in case the insured immediately on occurrence of the loss exercises his option not to reinstate the sum insured as above.

Annexure 4: SFSP Add Ons

1. **Architects, Surveyors and Consulting Engineers Fees (in excess of 3% of the claim amount)**

Policy may be extended to cover the above subject to following endorsement wordings.

“It is hereby declared and understood that the expenses incurred towards Architects, Surveyors and Consulting Engineers fees for plans, specification tenders, quantities and services in connection with the superintendence of the reinstatement for the Building, Machinery, Accessories and equipment insured under this policy upto 7.5% of the adjusted loss is covered, but it is understood that this does not include any cost in connection with the preparation of the Insured’s claim or estimate of loss in the event of damage by insured perils”.

2. **Removal of Debris (in excess of 1% of the claim amount)**

Policy may be extended to cover the above subject to following endorsement wordings:

It is permissible to cover cost necessarily incurred by an insured in the removal of debris from the premises of the insured, dismantling, demolishing, shoring up or propping of Insured property following destruction or damage by Insured Peril by incorporating the following clause

“On costs and expenses necessarily incurred by the insured

- (a) In the removal of debris from the premises of the Insured;
- (b) dismantling or demolishing;
- (c) shoring up or propping;

of the portion or portions of the property insured by (Items..... of) this policy destroyed or damaged by perils hereby insured against but not exceeding in the aggregate Rs.”

Note: 1. (b) & (c) above should be deleted when neither Building nor Machinery are covered.

Note: 2. The cover may be given by separate item in the policy for an amount not exceeding 10% of the total Sum Insured.

3) **(A) Deterioration of Stocks in Cold Storage premises due to accidental power failure consequent to damage at the premises of Power Station due to an insured peril**

Policy covering stocks in cold storage premises may be extended to cover the above subject to following endorsement wordings:

“In consideration of the payment of additional premium of Rs. _____ it is hereby agreed and declared that notwithstanding anything to the contrary in this policy or in any of its conditions, this policy covers destruction of or damage to the property hereby insured caused by change of temperature in consequence of failure of electric supply at the terminal ends of electric service feeders from which the Insured obtains electric supply directly due to damage caused by any peril insured against under this policy to property at insured premises or any Electric Station or Sub-Station of Public Electric Supply undertaking from which the Insured obtains electric supply.

Provided that the Company shall not be liable for any loss occasioned by the deliberate act of the Government, Municipal or Local Authority or Supply Authority not performed for the sole purpose of safeguarding life or protecting any part of the supply undertaking's systems or by the exercise by any such authority of its power to withhold or restrict or ration supply not necessitated solely by damage to the Supply Undertaking's generating or supply equipment by an insured peril.

Provided further that the Company shall not be liable for any loss unless the duration of each such failure exceeds 24 hours.

Subject otherwise to the terms, exceptions, conditions and limitations of this Policy.”

In any action, suit or other proceedings where the company alleges that by reason of the provisions of this condition any loss or damage is not covered by this insurance, the burden of proving that this loss or damage is covered shall be upon the Insured.

3) **(B) Deterioration of stocks in cold storage premises due to change in temperature arising out of loss or damage to the cold storage machinery(ies) in the Insured's premises due to operation of insured peril.**

Policy may be extended to cover the above subject to following endorsement wordings:

“In consideration of the payment of additional premium of Rs. _____ it is hereby agreed and declared that notwithstanding anything to the contrary in this policy or in any of its conditions this policy covers destruction of or damage to the property hereby insured caused by change of temperature in consequence of failure of electric supply following damage to Insured's property due to insured peril(s).

Subject otherwise to the terms, extensions, conditions and limitations of this Policy”.

In any action, suit or other proceedings where the company alleges that by reason of the provisions of this condition any loss or damage is not covered by this insurance, the burden of proving that this loss or damage is covered shall be upon the Insured.

4) **Forest Fire**

Policy may be extended to cover the above subject to following endorsement wordings:

“ In consideration of the payment of additional premium the insurance under item of the policy shall extend to include loss of or damage to the property insured directly caused by burning, whether accidental or otherwise, of forest, bush and jungles and the clearing of lands by Fire.”

Note 1 : Where loss experience for previous 5 years excluding the expiring policy period is less than 30%, a 50% discount on the rate may be considered

Note 2 : Where loss experience is above 60%, the rate shall be adjusted in such a way that the loss experience for policy period worked out as given in Note 1 above be adjusted to 60% subject to a maximum rate of Rs.15%o .

5) **Impact Damage due to Insured's own Rail/Road Vehicles, Fork lifts, Cranes, Stackers and the like and articles dropped therefrom.**

Policy may be extended to cover the above subject to following endorsement wordings:

"In consideration of an additional premium of Rs. _____, it is hereby agreed and declared that the policy is extended to cover loss and/or damage caused due to impact by direct contact to Insured's property caused by Insured's own Rail/Road Vehicles, Fork lifts, cranes, stackers and the like and articles dropped therefrom."

6) **Spontaneous Combustion**

Policy may be extended to cover the above subject to following endorsement wordings:

"In consideration of the payment by the Insured to the Company of additional premium of Rs. _____ the Company agrees notwithstanding what is stated in the printed exclusions of this policy to the contrary that the insurance by (items) of this policy shall extend to include loss or damage by fire only of or to the property insured caused by its own fermentation, natural heating or spontaneous combustion."

N.B.:The expression 'by fire only' in the endorsement above must not be omitted under any circumstances.

7) **Omission to Insure additions, alterations or extensions**

Policy may be extended to cover the above subject to following endorsement wordings

The Insurance by this Policy extends to cover Buildings and/or Machinery, Plant and other Contents as defined in Columns..... hereof which the insured may erect or acquire or for which they may become responsible: -

a) at the within described premises

b) for use as factories

i) The liability under this Extension shall not exceed in respect of (a) above, 5% of the Sum Insured by each item, in respect of (b) above, 5% of the Sum Insured by item No.....

ii) The Insured shall notify the Insurer of each additional insurance as soon as it shall come to their knowledge and shall pay the appropriate additional premium thereon from the date of inception.

iii) Following the advice of any additional insurance as aforesaid, cover by this extension shall be fully reinstated.

1) No liability shall attach to the insurers in respect of any Building, Machinery, Plant or other Contents while such property is otherwise insured. All new additions to Buildings and/or Machinery and Plant not specifically insured/included during the currency of the policy should be declared at the end of the year and suitable additional premium paid on

pro rata basis from the date of completion of the construction /erection of additions may be suitably adjusted.

If the insured fails to declare the values of such additions within 30 days after the expiry of the policy, there shall be no refund of the advance premium collected.

- 2) Other Contents' in the above clause shall mean 'Furniture and Fittings' and does not include 'Stocks'.

This clause should be incorporated at the time of issuing the policy.

8) **Earthquake (Fire and Shock)**

Policy may be extended to cover the above subject to following endorsement wordings:

If option to delete STFI peril is exercised

“ In consideration of the payment by the Insured to the Company of the sum of _____ additional premium, it is hereby agreed and declared that notwithstanding anything stated in the printed exclusions of this policy to the contrary, this Insurance is extended to cover loss or damage (including loss or damage by fire) to any of the property Insured by this policy occasioned by earthquake including Landslide / Rockslide resulting therefrom but excluding flood or overflow of the sea, lakes, reservoirs and rivers caused by Earthquake.

Provided always that all the conditions of this policy shall apply (except in so far as they may be hereby expressly varied) and that any reference therein to loss or damage by fire shall be deemed to apply also to loss or damage directly caused by any of the perils which this insurance extends to include by virtue of this endorsement.”

If option to delete STFI peril is not exercised

“ In consideration of the payment by the Insured to the Company of the sum of _____ additional premium, it is hereby agreed and declared that notwithstanding anything stated in the printed exclusions of this policy to the contrary, this Insurance is extended to cover loss or damage (including loss or damage by fire) to any of the property Insured by this policy occasioned by or through or in consequence of earthquake including flood or overflow of the sea, lakes, reservoirs and rivers and/or Landslide / Rockslide resulting therefrom.

Provided always that all the conditions of this policy shall apply (except in so far as they may be hereby expressly varied) and that any reference therein to loss or damage by fire shall be deemed to apply also to loss or damage directly caused by any of the perils which this insurance extends to include by virtue of this endorsement.”

Special conditions

- 1) Excess clause

5% of each and every claim subject to minimum of Rs. 10,000/-

- 2) Extension cover shall be granted only if the entire property in one complex / compound / location covered under the policy is extended to cover this risk and the Sum insured for this extension is identical to the sum insured against the risk covered under main policy except for the value of the plinth and foundations of the buildings(s)..
- 3) Onus of proof in the event of the Insured making any claim for loss or damage under this policy he must (if so required by the company) prove that the loss or damage was occasioned by or through or in consequence of earthquake.

9) **Spoilage Material Damage Cover**

Policy may be extended to include spoilage risk subject to the following conditions: -

The cover shall extend to material damage, i.e.

- (i) Loss of stock in process; and
- (ii) Damage to machinery, containers and equipment (including cost of removal of debris and cleaning) and shall be provided by a separate item of the SFSP Policy subject to the Conditions that the perils causing the spoilage should be the same as those covered under the Policy.

The following endorsement wording shall be used.

“In consideration of the payment of an additional premium of Rs. _____ it is hereby agreed and declared that, notwithstanding anything contained to the contrary, in the within written Policy, the insurance under Item No..... of this policy shall extend to cover loss or damage by Spoilage resulting from the retardation or interruption or cessation of any process or operation caused by any of the perils covered under this Policy, provided that liability for destruction of or damage to the property insured described in the schedule to this policy, or any part of such property, is first admitted by the Company.

PROVIDED ALWAYS THAT all the conditions (except in so far as they may be hereby expressly varied) shall apply as if they had been incorporated herein and that any reference therein to the loss or damage caused by insured perils shall be deemed to apply also to loss or damage caused by Spoilage which peril this insurance extends to include by virtue of this Endorsement.”

SPECIAL CONDITIONS

For the purpose of this Endorsement but no otherwise, the following special conditions shall apply:

Average: If the property hereby insured against spoilage shall, at the time of occurrence of any loss or damage, be collectively of greater value than the sum insured on machinery, containers, equipment and stocks in the specified blocks, then the Insured shall be considered as being his own insurer for the difference and shall bear rateable proportion of the loss accordingly. Every item, if more than one, of the Policy shall be separately subject to this condition.

PROVIDED THAT it is hereby further expressly agreed and declared that the liability of the Company shall in no case under this endorsement and the Policy exceed the sum insured by item Nos. _____ of this Policy.

Sum to be Insured:

The cover must be for all stocks and machinery, container and equipment in specified blocks, specified sums being declared for each block and must be made subject to 'Average'

10) **Leakage And Contamination Cover**

SCOPE

Policy may be extended to include the risks of (a) accidental leakage and contamination or (b) accidental leakage.

The extension will apply to oils and chemicals only. It will not apply to any other commodity.

ENDORSEMENTS

It shall be obligatory to use one of the following endorsement wordings:

(A) WHERE LEAKAGE AND CONTAMINATION COVER IS GRANTED:

"In consideration of the payment of an additional premium of Rs..... it is hereby agreed and declared that the Insurance under this policy shall, subject to terms, conditions and exclusions of this policy and also subject to terms, conditions and exclusions hereinafter contained, extend to include the physical loss of oil/chemical by leakage from its container by accidental means and all accidental contaminations by contact with foreign matter."

PROVIDED always that this policy does not cover:

- a) Loss by Contamination through Improper Handling or Controls by Insured's own Employees;
- b) Loss resulting from loss of use, loss of earnings, delay or loss of markets or other consequential or indirect loss or damage of any kind or description whatsoever;
- c) Loss resulting from any kind of infidelity or dishonesty on the part of the Insured or any of their employees, inventory shortage, mysterious disappearance or unexplained loss;
- d) Loss by burglary or theft or any attempt thereat;
- e) Loss resulting from processing or faulty workmanship;
- f) Loss resulting from shrinkage, evaporation, loss of weight unless caused by a peril not otherwise excluded;
- g) Any legal and/or contractual liability arising from any cause whatsoever; and consequential Loss of any nature.

(B) WHERE LEAKAGE COVER ALONE IS GRANTED:

"In consideration of the payment of an additional premium of Rs..... it is hereby agreed and declared that the Insurance under this policy shall, subject to terms, conditions and exclusions of this Policy and also subject to terms, conditions and exclusions hereinafter contained, extend to include the physical loss of oil/chemical by leakage from its container by accidental means.

PROVIDED always that this policy does not cover:

- a) Loss resulting from loss of use, loss of earnings, delay or loss of markets or other consequential or indirect loss or damage of any kind or description whatsoever;
- b) Loss resulting from any kind of infidelity or dishonesty on the part of the Insured or any of their employees, inventory shortage, mysterious disappearance or unexplained loss;
- c) Loss by burglary or theft or any attempt thereat;
- d) Loss resulting from processing or faulty workmanship;
- e) Loss resulting from shrinkage, evaporation, loss of weight unless caused by a peril not otherwise excluded;
- f) Any legal and/or contractual liability arising from any cause whatsoever; and
- g) Consequential Loss of any nature.

SPECIAL CONDITIONS: (Applicable to A and B)

- (i) The cover under this endorsement shall attach only on or after the receipt of the insured subject matter in land tanks as described in the policy and subject to lodgment with the company by Insured of a certificate obtained by them at their own expense from a competent approved and independent agency/surveyor as to the purity and quality of the subject matter herein insured.
- (ii) Before the commencement of pumping and/or decanting operations, the Insured shall arrange at their own expense sampling and quality / purity certification by competent, approved and independent agency / surveyor for such distinct lot, batch or tank load ex-ocean vessel of insured subject matter and shall pump/decant only such material as is pure and without contaminants.
- (iii) The insured shall at their own expense arrange inspection and certification from competent approved and independent agency/surveyor as to the cleanliness and fitness of the pipe lines, pumping equipment and the receiving land tanks to carry and/or receive the insured subject matter, prior to the commencement of pumping, decanting, receiving and/or storage operations. Such certification as mentioned above should, inter alia, confirm that the pumping, carrying and storage equipment facilities and tanks are free from impurities, contaminants and/or residue or left-overs from previous use of equipment, facilities or storage tanks. As concerning the receiving land tanks an initial certificate of fitness to receive and store the insured material shall be deemed to satisfy the above condition in so far as such tanks are concerned. However, a fresh certification as mentioned above would be required in the event of the said tanks being empty and fresh stocks are subsequently pumped/decanted in during the currency of this insurance.

- (iv) In case of loss to property insured hereunder, the basis of adjustment shall be the market value at the time and place of loss.
- v) It is understood and agreed that all loss or damage to property occurring during any one period of seventy-two consecutive hours during the currency of this policy directly caused by earthquake shock shall be deemed to have been caused by single earthquake and therefore to constitute one loss for the purpose of this policy, the Insured shall select a time from which any such period shall commence but no two such selected periods shall overlap.
- vi) All salvage recoveries and payments recovered or received subsequent to a loss settlement under this policy shall be applied as if recovered or received prior to the said settlement and all necessary adjustment shall be made by the parties hereto.
- vii) If any breach of a clause or condition in this contract or policy of insurance shall occur prior to a loss under this Policy, such breach shall not void the policy nor avail the company to avoid the liability unless such breach shall exist at the time of such a loss under this contract or policy, it being understood that such breach of a clause or condition is applicable only to the specific property to which the condition or clause has reference and in respect of which such breach occurred.
- viii) Each claim for loss or damage shall be adjusted separately and each claim is subject to an excess of 1% on each tank with a minimum of Rs. 60,000/- each loss.
- ix) If the property hereby insured shall at the time of the operation of a peril insured hereunder, be collectively of greater value than the sum insured thereof, then the insured shall be considered as being his own insurer for the difference and shall bear a rateable proportion of the loss accordingly. Every item, if more than one, of the policy shall be separately subject to this condition

NOTE : SPECIAL CONDITIONS (i), (ii) AND (iii) ARE NOT APPLICABLE WHERE LEAKAGE COVER ALONE IS GRANTED.

11. **Temporary Removal Of Stocks Clause**

It is agreed that the stock insured hereby not exceeding 10% of the total sum insured of such stock is covered while temporarily removed to any other premises for purposes of fabrication or processing or finishing or other similar purposes. This extension does not apply to stock if and so far as it is otherwise insured.

The pro-rata condition of average should be applied to the limit of stocks temporarily removed as well as to the total sum insured of such stock under the policy.

12. **Loss Of Rent Clause**

POLICY may be extended to cover the above subject to following:

Where loss of rent caused by Insured Perils is covered, the following Rent Clause should be inserted in the Policy: -

“The insurance on rent applies only if (any of) the said building(s) or any part thereof is unfit for occupation in consequence of its destruction or damage by the perils insured against and then the amount payable shall not exceed such portion of the sum insured on Rent as the period necessary for reinstatement bears to the term of the Rent Insured”.

13. Insurance Of Additional Expenses Of Rent For An Alternative Accommodation

Policy may be extended to cover the above subject to following:

Additional expenses of rent for an alternative accommodation in respect of non-manufacturing risks may be covered on the following basis:

- a) The cover may be granted for non-manufacturing premises only.
- b) The cover may be granted under the Policy and not under Consequential Loss (Fire) Policy.
- c) The period of Indemnity may be limited to the period during which the original premises remain untenable as a result of occurrence of perils insured against. Maximum indemnity period not to exceed 3 (three) years.
- d) The additional expense recoverable under the policy may be additional rent actually paid i.e. the difference between the new and the original rent only.
- e) Certificate from the Local Municipal Authority or an Architect to the effect that premises in question are untenable will be accepted as adequate proof of the fact that the premises, in fact, have become untenable.
- f) Insurance should be granted against Fire, Riot, Strike, Malicious and Terrorist Damage and Earthquake (Fire & Shock) and other Extraneous Perils. Cover against Riot, Strike, Malicious and Terrorist Damage should be granted only if it involves actual physical damage to the building. The cover does not intend to pay, if for instance, the insured's entry is barred by strikers, demonstrators and similar occurrences.
- g) The cover may be limited to buildings other than those of “Kutchra” construction.
- h) The area for alternative accommodation may be equivalent to the area presently occupied. However, no restriction will apply in respect of locality for the alternative accommodation, so long as the alternative accommodation is taken in the same city or town.
- i) Cover may be permitted to the tenant as also to the Owner-Occupant. Further, in respect of the Owner-Occupant, the alternative accommodation may be limited to the area presently under his occupation.
- j) For the Owner-Occupant, since he will not be paying any rent based on the area occupied by him (in comparison with the actual rent being paid by the tenant in the same building or similar buildings in the same locality) the standard rent based on the rateable values fixed by Municipal/ Revenue Authorities for tax purposes may be treated as the original rent for the purpose of this insurance.

- k) It will be compulsory for
 - i. The Owner-Occupant to insure both building and contents.
 - ii. The tenant to insure the contents of the premises for which he is seeking this extension

Endorsement wording for insurance of rent for alternative accommodation Tenant or Owner-Occupant

It is hereby declared that in the event of the premises described in the policy and occupied by the insured, hereinafter referred to as 'PREMISES' being destroyed or damaged by any Insured Peril as to become unfit for occupation and the insured in consequence taking up alternative accommodation, the Company shall, subject to special conditions set out herein, indemnify the insured against the additional rent (as explained herein) which the insured is called upon to bear for the period beginning from the date of operation of any of the Insured Perils until the 'PREMISES' is rendered fit for occupation such period not exceeding such reasonable time as is required to restore the premises with due diligence to a condition fit for occupation or the maximum indemnity period of months whichever is earlier.

Provided that the liability of the Company shall not exceed Rs.the sum insured hereby.

Provided further that if the sum produced by applying the monthly additional rent, borne by the insured for the alternative accommodation to the maximum indemnity period is more than the Sum Insured hereby, the liability of the Company shall be proportionately reduced.

SPECIAL CONDITIONS:

1. This insurance shall apply subject to the condition that the PREMISES occupied by the insured, whether as owner or tenant, forms part of a building not being "Kutchra" Construction.
2. If the area of alternative accommodation taken by the insured is more than the area of the PREMISES occupied by the insured, the additional rent borne by the insured for the purpose of this insurance shall be deemed to be that proportion of the additional rent actually borne by the insured as the area of the PREMISES which was in the insured's occupation bears to the area of the alternative accommodation taken by the insured. The insured shall be at liberty to take alternative accommodation in any locality so long as it is within the Municipal limit of the city or town in which the PREMISES is situated.

EXPLANATION

Additional Rent: If the insured is the Owner-Occupant, the additional rent borne by him is arrived at after deducting the standard rent of the premises from the actual rent paid for the alternative accommodation. The standard rent shall be based on the ratable values fixed by the Municipal/ Revenue authorities for tax purposes.

If the insured is a tenant only and for safeguarding his legal tenancy rights is obliged to pay rent for the premises even during the period when it is not fit for occupation, the additional rent borne by him is the actual rent for the alternative accommodation.

If the insured is a tenant and is not obliged to pay rent for the premises during the period when it is not fit for occupation, the additional rent borne by him is the actual rent paid for alternative accommodation taken less the rent which he was paying for the premises immediately prior to the same being damaged or destroyed by Insured Perils and rendered unfit for occupation.

14. **Start up Expenses**

Policy may be extended subject to the following endorsement wordings:

“It is hereby agreed and declared that this policy extends to cover start-up costs necessarily and reasonably incurred by the insured consequent upon a loss or damage covered by this policy.”

CLAUSES

The following clauses shall be attached to the policy wherever they are required.

A. AGREED BANK CLAUSE

All policies in which a Bank/Financial Institution has interest shall be issued in the name of Bank/ Financial Institution and owner or mortgagor and shall contain a suitable clause to protect their interest. A specimen copy of the Clause is given hereunder.

“It is hereby declared and agreed: -

That upon any monies becoming payable under this policy the same shall be paid by the Company to the Bank and such part of any monies so paid as may relate to the interests of other parties insured hereunder shall be received by the Bank as Agents for such other parties.

- i) That the receipts of the Bank shall be complete discharge of the Company therefore and shall be binding on all the parties insured hereunder.

N.B: The Bank shall mean the first named Financial Institution/ Bank named in the policy.

- iii) That if and whenever any notice shall be required to be given or other communication shall be required to be made by the Company to the insured or any of them in any manner arising under or in connection with this policy such notice or other communication shall be deemed to have been sufficiently given or made if given or made to the Bank
- iv) That any adjustment, settlement, compromise or reference to arbitration in connection with any dispute between the Company and the insured or any of them arising under or in connection with this policy if made by the Bank shall be valid and binding on all parties insured hereunder but not so as to impair rights of the Bank to recover the full amount of any claim it may have on other parties insured hereunder.
- v) That this insurance so far only as it relates to the interest of the Bank therein shall not cease to attach to any of the insured property by reason of operation of condition 3 of the Policy except where a breach of the condition has been committed by the Bank or its duly authorized agents or servants and any other party insured hereunder whereby the risk is increased or by anything being done to upon or any building hereby insured or any building in which the goods insured under the policy are stored without the knowledge of the Bank provided always that the Bank shall notify the Company of any change of ownership or alterations or increase of hazard not permitted by this insurance as soon as the same shall come to its knowledge and shall on demand pay to the Company necessary additional premium from the time when such increase of risks first took place and
- vi) It is further agreed that whenever the Company shall pay the Bank any sum in respect of loss or damage under this policy and shall claim that as to the Mortgagor or owner no liability therefore existed, the Company shall become legally subrogated to all the rights of the Bank

to the extent of such payments but not so as to impair the right of the Bank to recover the full amount of any claim it may have on such Mortgagor or Owner or any other party or parties insured hereunder or from any securities or funds available.

N.B: In cases where the name of any Central Government or State Government owned and / or sponsored Industrial Financing or Rehabilitation Financing Corporations and /or Unit Trust of India or General Insurance Corporation of India and/or its subsidiaries or LIC of India/ any Financial Institution is included in the title of the Fire Policy as mortgagees, the above Agreed Bank Clause may be incorporated in the Policy substituting the name of such institution in place of the word 'Bank' in the said clause.

B. CONTRACT PRICE INSURANCE CLAUSE

In the case of insurance of imported goods only (and not for goods of local manufacture) which are sold under a contract which is cancelled either wholly or to the extent of loss or damage, it is permissible to issue a policy on the basis of Contract Price and the following clause shall be inserted in the Policy.

“It is hereby agreed and declared that in respect only of goods sold but not delivered for which the insured is responsible and with regard to which under the conditions of sale, the sale contract is by reason of the perils covered under the Policy, cancelled either wholly or to the extent of the loss or damage, the liability of the company shall be based on the contract price and for the purpose of average the value of all goods to which the clause would in the event of loss or damage be applicable shall be ascertained on the same basis.”

C. DESIGNATION OF PROPERTY CLAUSE

For the purpose of determining, where necessary, the item under which any property is insured, the insurers agree to accept the designation under which the property has been entered in the insured's books.

D. REINSTATEMENT VALUE POLICIES

Reinstatement value insurance may be granted on Buildings, Machinery Furniture, Fixture and Fittings only subject to the incorporation of the following memorandum in the policy:

“It is hereby declared and agreed that in the event of the property insured under (Item Nos.....of) within the policy being destroyed or damaged, the basis upon which the amount payable under (each of the said items of) the policy is to be calculated shall be cost of replacing or reinstating on the same site or any other site with property of the same kind or type but not superior to or more extensive than the insured property when new as on date of the loss, subject to the following Special Provisions and subject also to the terms and conditions of the policy except in so far as the same may be varied hereby.”

Special Provisions

1. The work of replacement or reinstatement (which may be carried out upon another site and in any manner suitable to the requirements of the insured subject to the liability of the Company

not being thereby increased) must be commenced and carried out with reasonable dispatch and in any case must be completed within 12 months after the destruction or damage or within such further time as the Company may in writing allow, otherwise no payment beyond the amount which would have been payable under the policy if this memorandum had not been incorporated therein shall be made.

2. Until expenditure has been incurred by the Insured in replacing or reinstating the property destroyed or damaged the Company shall not be liable for any payment in excess of the amount which would have been payable under the policy if this memorandum had not been incorporated therein.
3. If at the time of replacement or reinstatement the sum representing the cost which would have been incurred in replacement or reinstatement if the whole of the property covered had been destroyed, exceeds the Sum Insured thereon or at the commencement of any destruction or damage to such property by any of the perils insured against by the policy, then the insured shall be considered as being his own insurer for the excess and shall bear a rateable proportion of the loss accordingly. Each item of the policy (if more than one) to which this memorandum applies shall be separately subject to the foregoing provision.

This Memorandum shall be without force or effect if

- a) the Insured fails to intimate to the Company within 6 months from the date of destruction or damage or such further time as the Company may in writing allow his intention to replace or reinstate the property destroyed or damaged.
- b) the Insured is unable or unwilling to replace or reinstate the property destroyed or damaged on the same or another site.

E. LOCAL AUTHORITIES CLAUSE

Reinstatement Value Policy may be extended to cover additional cost of reinstatement solely by reason of the necessity to comply with the regulations of local authority by incorporating the following clause in the policy.

“The insurance by this policy extends to include such additional cost of reinstatement of the destroyed or damaged property hereby insured as may be incurred solely by reason of the necessity to comply with the Building or other Regulations under or framed in pursuance of any act of Parliament or with Bye-laws of any Municipal or Local authority provided that

- 1) The amount recoverable under this extension shall not include :
 - a) The cost incurred in complying with any of the aforesaid Regulations or Bye-laws,
 - i) in respect of destruction or damage occurring prior to the granting of this extension,
 - ii) in respect of destruction or damage not insured by the policy,

- iii) under which notice has been served upon the insured prior to the happening of the destruction of damage,
 - iv) 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.
- 2) The work of reinstatement must be commenced and carried out with reasonable dispatch and in any case must be completed 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.

F. ESCALATION CLAUSE

The following Clause shall be used:

“In consideration of the payment of an additional premium amounting to 50% of the premium produced by applying the specified percentage to the first or the annual premium as appropriate on the under noted items(s) the Sum(s) Insured thereby shall, during the period of insurance, be increased each day by an amount representing 1/365th of the specified percentage increase per annum.

Item Number	Specified percentage increase per annum
_____	_____

Unless specifically agreed to the contrary the provisions of this clause shall only apply to the sums insured in force at the commencement of each period of insurance.

At each renewal date the insured shall notify the Insurers:-

- (i) the sums to be insured under each item above, but in the absence of such instructions the Sums Insured by the above items shall be those stated on the policy (as amended by any endorsement effective prior to the aforesaid renewal date) to which shall be added the increases which have accrued under this Clause during the period of insurance upto that renewal date, and
- ii) the specified percentage increase(s) required for the forthcoming period of insurance, but in the absence of instructions to the contrary prior to renewal date the existing percentage increase shall apply for the period of insurance from renewal.

All the conditions of the policy in so far as they may be hereby expressly varied shall apply as if they had been incorporated herein.”

G. ARCHITECTS, SURVEYORS AND CONSULTING ENGINEER’S FEES (upto 3% of the claim amount)

The following Clause shall be used :

“It is hereby declared and understood that the expenses incurred towards Architects, Surveyors and Consulting Engineers fees for plans, specification tenders, quantities and services in connection with the superintendence of the reinstatement for the Building, Machinery, Accessories and equipment insured under this policy is covered upto 3% of the adjusted loss, but it is understood that this does not include any costs in connection with the preparation of the Insured’s claim or estimate of loss in the event of damage by insured perils”.

H. REMOVAL OF DEBRIS CLAUSE (upto 1% of the claim amount)

The following Clause shall be used :

“It is hereby declared and agreed that the expenses incurred upto 1% of the claim amount is included in the sum insured on:

- (a) Removal of debris from the premises of the Insured;
- (b) dismantling or demolishing;
- (c) shoring up or propping.”

Note : (b) & (c) above should be deleted when neither Building nor Machinery are covered.

I. FLOATER CLAUSE

The following clause shall be attached for floater policy(ies) :

“In consideration of Floater Extra charged over and above the policy rate the S.I. in aggregate under the policy is available for any one, more, or all locations as specified in respect of movable property.

At all times during the currency of this policy the insured should have a good internal audit and accounting procedure under which the total amount at risk and the locations can be established at any particular time if required.

The changes in the address of locations specifically declared at inception should be communicated”

J. DECLARATION CLAUSE

The following clause shall be attached to Declaration Policy(ies).

- 1) In consideration of the premium by this policy being provisional in that it is subject to adjustment on expiry of each period of insurance.

“The Insured agrees to declare to the Company in writing the value of his stocks (other than retail) less any amount insured by Policies other than declaration policies, in each separate building or non-communicating compartment or in the open on the following basis namely 1] average of the values at risk on each day of the month or 2] the highest value at risk during the month and to make such declaration(s) latest by the last day of the succeeding month. Such declaration(s) shall be signed by the Insured or by a responsible person authorised to sign on his behalf.

If other policies on declaration basis cover the stocks hereby insured, the declarations shall be made so as to apportion to each policy a share of the value of the stocks insured under such declaration policies, PRO RATA to the respective amounts named in the policies.

In the event of a declaration not being made latest by the last day of the succeeding month, then the insured shall be deemed to have declared the Sum Insured hereby as the value at risk.

On the expiry of each period of insurance the premium shall be calculated at the rate of (insert the Tariff rate) on the average Sum Insured namely, the total of the values declared or deemed to have been declared divided by the number of declarations deemed to have been made.

If the resultant premium is less than the provisional premium, the difference shall be repaid to the Insured but such repayment shall not exceed 50% of the provisional premium.

Further it is hereby agreed and understood that no reduction in sum insured shall be allowed during the currency of the policy

- 2) The basis of value for declarations shall be the market value and any loss hereunder shall be settled on the basis of the Market Value immediately anterior to the loss.
- 3) If at the time of any loss, there be any subsisting insurance or insurances on other than a declaration basis, whether effected by the Insured or by any other person or persons, covering the stocks hereby insured, this policy shall apply only to the excess of the value of such stocks at the time of the loss over the Sum Insured by such other insurance or insurances, and this Company shall not be liable to pay or contribute more than that proportion of such loss which such excess (or, if there be other declaration insurances covering the same stocks, a rateable

proportion of such excess) but not exceeding the Sum Insured hereby, bears to the total value of the stocks.

- 4) If after the occurrence of a loss it is found that the amount of the last declaration previous to the loss is less than the amount that ought to have been declared, then the amount which would have been recoverable by the Insured shall be reduced in such proportion as the amount of the said last declaration bears to the amount that ought to have been declared.
- 5) Notwithstanding the occurrence of loss it is understood that the Sum Insured will be maintained at all times during the currency of the policy and the Insured therefore undertakes to pay extra premium on the amount of any loss pro rata from the date of such loss to the expiry of the period of insurance, the premium being calculated at the rate applicable to the stocks destroyed and such extra premium shall not be taken into account in, and shall be distinct from, the final adjustment of premium.
- 6) In event of this policy being cancelled by the Insured during its currency (whether stocks exist or not) the premium to be retained by the Company shall be the appropriate short period premium calculated on the average amount insured up to the date of cancellation, or 50% of the provisional premium whichever is greater. Notwithstanding the above, if the policy is cancelled by the insured after a loss has occurred, the premium to be retained by the company shall be the PRO RATA proportion of the premium calculated on the average amount insured up to the date of cancellation plus the PRO RATA proportion of the premium from the date of loss to the expiry of the period of insurance on the amount of loss paid, or 50% of the provisional premium whichever is greater.
- 7) The maximum liability of the Company shall not exceed the Sum Insured hereby and premium shall not be receivable on value in excess thereof. The Sum Insured may, however, be increased by prior agreement with the Company in which event the new Sum Insured and the date from which it is effective will be recorded on the policy by endorsement. In the event of an increase in the Sum Insured being agreed to, the Company shall charge on such increased sum an additional provisional premium on a basis proportionate to the unexpired period of the policy and upon expiry of each period of insurance the total provisional premium so paid shall be adjusted as provided for in Clause 1 above. If during the currency of the policy, the rate for the class of risk to which the insurance applies is revised, and an increase in the Sum Insured under a Declaration Policy is agreed to, the Company shall charge on such increased sum an additional provisional premium on a basis proportionate to the unexpired period of policy, at the rate at which the insurance was originally effected and upon expiry of each period of insurance the total provisional premium so paid shall be adjusted as provided for in Clause 1 above.
- 8) If the stocks hereby insured shall at the time of loss be collectively of greater value than the Sum Insured thereon, then the Insured shall be considered as being his own insurer for the difference and shall bear a rateable proportion of the loss accordingly. Every item, if more than one, on stock shall be separately subject to this condition
- 9) It is warranted that every other policy on a declaration basis covering the stocks insured hereby shall be identical in wording with this policy.

10) This insurance is subject in all respects to the printed conditions of the policy except in so far as they may be varied by the above conditions.

K. VOLUNTARY DEDUCTIBLE CLAUSE

The following clause shall be attached to the policy(ies) in case the insured accepts the deductible and the discount therefore:

“It is hereby declared and agreed that the insured having opted a voluntary deductible of

Rs.———— out of net amount of each and every admissible claim under the fire policy(ies) covering the said premises, the company has allowed a discount of ——% on the final premium payable for the policies and Add on Covers.

It is further agreed that the above voluntary deductible opted shall be in addition to compulsory exclusion stipulated under “General exclusions” attached to the policy(ies) and/or for add-on covers.”

PART - II

Key Feature Documents, Prospectus, Policy Wordings, Add-ons and Special Clauses



गृह-रक्षा बीमा पॉलिसी
Griha-Raksha Insurance Policy

Key Features of Griha-Raksha Insurance Policy

A Fire and Other Perils Insurance Policy of the ABC Insurance Co Ltd.

Introduction

This document gives the important features of our Griha-Raksha Building and Contents Insurance Policy. Here, we describe the policy and answer your questions. Read it carefully before you buy this Insurance Cover, and keep it safe for future reference.

What is the Insurance Cover ?

The Griha-Raksha Insurance Policy gives insurance cover to your home, and articles and things in your home. Under this policy, we agree to pay you for the loss you suffer when unexpected events cause physical loss, damage or destruction of the building of your home, and articles and things in it.

This **Policy gives four types of covers:**

- 1. Home Building Cover** for the building structure of your home.
- 2. Home Contents Cover** for the articles or things in your home.
- 3. Personal Accident Cover** for death due to bursting of cooking-gas cylinder or pipeline.
- 4. Additional Cover for Building:** Extended Cover on Agreed Rate Basis for flats in multistoried buildings.

(This cover is optional)

How does the Griha-Raksha Insurance Policy help me?

If your home, or the articles and things in your home are lost, damaged or destroyed because of unexpected events that occur during the period of this policy, we provide insurance cover as follows:

Name of Cover	Your loss	We pay	Nature of Cover
Home Building Cover	Building is damaged	Cost of repairs, Architect's fees, Costs of clearing debris, Loss of rent	Standard
	Building is destroyed	Cost of construction	Standard
Home Contents Cover	Any article or thing is damaged	Cost of repairs	Standard. You can opt out, increase or decrease
	Article or thing is lost or destroyed	Cost of purchasing new article.	
Personal Accident	Unfortunate death of your spouse or yourself due to	Rs. 5,00,000/-	Standard

Name of Cover	Your loss	We pay	Nature of Cover
Cover	bursting of LPG cylinder or cooking-gas pipeline.		
Extended Cover on Agreed Rate Basis	Multistoried building in which you own the Flat is destroyed completely	Market value of flat	Optional and additional

Which unexpected events does it cover ?

We pay for losses caused by these events:

Fire	Cyclone	Forest fire	Riot
Explosion	Flood	Impact or collision of objects	Strikes
Lightning	Subsidence of land	Railway	Acts of Terrorism
Earthquake	Landslide	Vehicles	
Storm	Rockslide	Falling trees	

Special feature : Cover for loss caused by theft within 7 days of and caused by occurrence of these events.

But we do not cover some losses, for example: Wear and tear, natural heating, defective design, tree-felling, etc.

Does the Griha Raksha Insurance policy cover all losses caused by these events?

Some events and losses are not covered. Some of these are:

- | | |
|--|--|
| <ul style="list-style-type: none"> – Gradual deterioration, – Wear and tear, – Lack of maintenance, – Natural deterioration, – Inherent defects, structural or design faults, – Your deliberate, wilful or intentional act, – War, invasion, war-like operations, | <ul style="list-style-type: none"> – Ionising radiation, – Pollution or contamination, – Property is missing or has been mislaid, – Consequential or indirect loss or damage, – Addition, extension, or alteration to your building more than 10% of its carpet area – Costs, fees or expenses for preparing any claim |
|--|--|

For which property can I take this policy?

The **Home Building Cover** is for the building of your home. It may be constructed using any material. Garage, compound wall, bio-gas plants, solar panels, water tanks and permanent fixtures are also covered.

The **Home Contents Cover** is for the articles and contents of your home. Articles like TV set, refrigerator, furniture and household articles are covered.

You can also cover valuable articles like jewellery, silverware, paintings, carpets by paying additional premium.

Property used for residence and personal use: We give this cover if you use your home only for residence, and you use the articles and things for personal use.

How do I become eligible ?

You can buy cover for the building if you are its owner, authorised occupier, landlord, or tenant.

You can buy cover for any item of article or thing if you are its owner, purchaser, or responsible for it.

What amount am I entitled to receive ?

Your home building is covered for the amount that will be required to rebuild it calculated at the rate of a specified cost of construction applicable to your home. You can buy higher cover if the cost of construction of your home is higher. This is the sum insured for the building.

Articles and things in your home are covered for the amount that will be required to replace them. There is an automatic cover equivalent to 50% of your building cover. You can increase or decrease this amount, or decide not to buy this cover. This is the sum insured for the contents covered.

If your home or articles and things in your home are damaged, we pay the amount you have spent on repairs. If your home or articles and things are lost or destroyed, we pay the cost of replacing the item but not more than Sum Insured for that item.

The amount of Sum Insured is decided and agreed beforehand for each cover and items of property. It is shown in a document called the Policy Schedule. This is the maximum amount we will pay, in case the actual cost of repair, rebuilding or replacement is higher. This policy ends when we pay the whole Sum Insured of any cover or item insured.

How much do I pay for this cover?

The Premium for the Home Building Cover and the Home Contents Cover depends on the amount of Sum Insured.

We give below an **illustration** of premium for these covers. *

	Cover	Description	Basis	Sum Insured Rs.	Rate of premium per Rs 1000	Premium Rs.
1.	Home Building Cover	A flat of carpet area 50 sq.m., concrete structure	Basic cost of construction Rs 20,000 per sqm.	10,00,000		
2.	Home Contents Cover	General Contents in flat above	50% of Sum Insured	5,00,000		
		Valuables	As agreed.	5,00,000		
3.	Home Building Cover	A tin shed of 15 sq.m. carpet area	Basic cost of construction Rs 5,000 per sqm.	75,000		

4.	Home Contents Cover	General contents in above home	50% of Sum Insured	37,500		
5.	Home Building Cover	Bungalow of area 200 sq.m.	Higher cost of construction Rs 30,000 per sqm.	60,00,000		
6.	Home Contents Cover	General contents	As agreed	25,00,000		
		Valuable Contents: jewellery, silverware, paintings	As agreed	30,00,000		
7.	Optional Extended Cover on Agreed Rate Basis	Flat of 200 sq.m. area	Value according to Stamp Duty Reckoner of the Government: Rs 85,000 per sq.m.	1,70,00,000		

* The amounts and rates given in the table are only for the purposes of giving examples. The actual amounts and rates may be different, and can change.

How long does this cover protect me?

The covers protect you during the period of the policy, generally one year. You can buy policy for upto three years.

How and when do I pay the premium ?

You can pay the premium by cheque, demand draft, or electronic transaction. You must pay premium in advance. The insurance cover begins only after we receive your premium. If you have purchased a policy for more than one year, you can choose to pay premium in instalments. You must pay instalments in time. In case you are late, there is a grace period of 30 days for payment.

Do I have to do anything?

You have some obligations to fulfill. You must:

- State all and true information about yourself and your home and articles and things inside your home when you submit a proposal.
- Take care of the property insured, and maintain it in good condition and repair.
- Make true and full disclosure in your claim and documents supporting the claim.
- Give us full cooperation for investigating the claim that you will make.
- Make a claim when you suffer loss, and follow the claim procedure.

How do I make a claim?

If you suffer a loss that is covered by this policy, you must make a claim. We will verify the claim and accept it if, it is according to the terms and conditions of this policy.

When you suffer loss, you must

- Report to police, fire authorities,
- Report to us with details,
- Take care of your home, and articles and things that are damaged,
- Preserve and collect evidence, take and preserve photographs,
- Assist us and our representatives in collecting evidence and details, give us all information, books of accounts, and other documents,
- Make a claim as soon as possible, but not beyond 12 months from the date of loss.

Who will collect amounts on my death?

In case of your death before receiving the claim amount, we will pay it to your legal representatives.

Can I make changes to this policy?

You can request for increasing or reducing the Sum Insured, or adding or removing any item of property. If we accept your request, the change accepted will be effective.

Can this policy be cancelled?

You can cancel and return this policy within the 'free-look' period of 15 days from the date you receive this policy. We will return the premium after deducting small administrative charges.

You can cancel this policy at any time during the policy period. We will return part of premium.

We cannot cancel this policy during the policy period except where you have not fully or truly disclosed material information at the time of making the proposal or the claim, or you have changed the use of the property to non-residential or commercial use.

What do I do to obtain this Policy

You can contact any agent of the company, visit our website for information on this product, call our call centre or contact our office near to you.

Where can I find the details of the Cover?

We have given above the broad features of the Griha-Raksha Insurance Policy. If you choose this plan, your transaction with us will have legal consequences. More information about the cover is in a document called the 'Prospectus'. Detail terms and conditions of this cover will be stated in a legal document called the 'Policy'. It is therefore important to read the prospectus and the policy.

How do I get copies of the Prospectus and the Policy?

- You can read these two documents on our website
- You can download them from our web-site.
- You can send email to and ask for copies. We will email to you soft copies.
- You can get copies from any branch of our Company.

What do I do about complaints ?

You can approach the our Grievance Redressal Officer by sending an email at ___ ___ ___ (email address) or a letter to ___ ___ ___ ___ ___ (address). If this does not resolve your complaint, you can approach the Insurance Ombudsman, who is the authority set up for redressing your grievance concerning insurance. You can find more details about Insurance Ombudsmen at www.gbic.co.in or www.irda.gov.in.

The Insurance Co Ltd
The Griha-Raksha Insurance Policy
Prospectus

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This prospectus gives basic information about the Griha-Raksha Home Building and Contents Insurance Policy that you can purchase from us, i.e. the Company. The Griha-Raksha Policy provides insurance cover for your home, and the articles and things in your home. Your home is the place of your residence.

In this Prospectus, you will find information about the following insurance covers:

1. **Home Building Cover**, that covers any loss, damage or destruction of the structure of your home,
2. **Home Contents Cover**, that covers articles and things in your home,
3. **Personal Accident Cover** for death arising from bursting of cooking-gas cylinder or pipeline.
4. You can also choose an **additional cover: Extended Cover on Agreed Rate Basis**, that covers the market value your own flat if, the multistoried building in which your flat is situated, is destroyed completely.

A. Summary of insurance covers

If your home, or the articles and things in your home are lost, damaged or destroyed because of unforeseen events that occur during the Policy Period, we provide cover as follows:

Cover	Your loss	We pay	Nature of Cover
Home Building Cover	Building of your home is damaged	Cost of repairs, Architect's fees, Costs of clearing debris, Loss of rent	Standard
	Building of your home is destroyed	Cost of construction	Standard
Home Contents Cover	Any article or thing is damaged	Cost of repairs	Standard. You can opt out, increase or decrease
	Article or thing is lost or destroyed	Cost of purchasing new article.	
Personal Accident Cover	Unfortunate death of your spouse or yourself due to bursting of LPG cylinder or cooking-gas pipeline.	Rs. 5,00,000/-	Standard
Extended Cover on Agreed Rate Basis	Multistoried building in which you own the Flat is destroyed completely	Market value of flat	Optional and additional

B. Which unexpected events are covered?

We pay for the physical loss, damage or destruction of your home or articles and things in your home caused by specific unexpected events given below. Some losses that we do not cover are also stated:

	The unexpected events	We do not cover loss caused by
1.	Fire	Own fermentation or natural heating
2.	Explosion or Implosion	Machinery generating steam
3.	Lightning, Earthquake, Storm, Cyclone, Flood	
4.	Subsidence of land, landslide, rockslide	Defective design, defective materials
5.	Forest fire, bush fire	
6.	Impact or collision by vehicles, falling trees or other physical objects	
7.	Riot, Strikes, Acts of terrorism	Dispossession or requisition on orders of authority
8.	Overflowing water tanks	Wear and tear, or defects which you knew, or repairs or alterations in your home
9.	Theft and burglary within 7 days of occurrence of and caused by any of above events	

Examples

- 1. Your home catches fire. All its doors are opened for fighting the fire. A person takes advantage of the situation and carries away your TV Set. Since this theft follows a fire, we will pay for your loss upto the limits of the applicable Sum Insured.*
- 2. During riots, a rioter breaks a window of your home and takes away articles of value Rs 15,000. It costs Rs 20,000 to repair the window. Here the loss is due to theft, which arose during riots, which is an insured event. It arose at a time when you were not in a position to protect your home and articles. We will pay Rs 15,000 for the loss of contents, and Rs 20,000 for repairs of the window.*

C. Sum Insured

The maximum amount we pay under this Policy is the total Sum Insured. The maximum amount we pay under this Policy for any cover, or any item, or category or group of items, is the Sum Insured for that cover or item, category or group. The Sum Insured for each cover is stated later.

Premium is calculated with reference to the amount of Sum Insured.

If you have purchased a policy for more than one year, the Sum Insured will automatically increase each year by 10% for Home Building Cover and 5 % for Home Contents Cover. There will be no additional premium for this increase.

Example

On 1 January 2017, you have purchased a Home Building and Contents Policy for three years. Sum Insured for the building of your home is Rs 5,00,000. Home Content Cover of Rs 2,50,000 is automatic. The Sum Insured for the Building and Contents Covers will be as follows:

Period	Sum Insured for Building	Sum Insured for Contents
1-1-2018 to 31-12-2018	5,50,000	2,62,500
1-1-2019 to 31-12-2019	6,05,000	2,75,625

When we pay you the full Sum Insured for any cover or any item covered, the Policy ends to that extent. Except this, the insurance cover will be maintained up to the full Sum Insured throughout the Policy Period . You need to pay only the proportionate additional premium. This will ensure that your home and its contents remain insured throughout.

Example

1. If your TV Set insured for Rs 15000 is destroyed in fire or stolen, and we pay your claim of Rs 15000, the new TV that you buy will not be covered under this Policy unless you add it again and pay additional premium. If your TV set is repaired, and we pay you repair charges of Rs 5,000, the cover for the same TV will continue for Rs 10000. It will continue for Rs 15000 if you pay proportionate premium again.
2. If your home insured for Rs 20,00,000 is severely damaged and we pay you Rs 20,00,000 under the Home Building Cover to cover its repair and reinstatement, you will not be covered under this Policy for the new building that you construct, unless you pay premium for the cover.

D. Who can purchase this Policy?

You can purchase the Home Building and Home Contents Cover if you own or are responsible for the building structure of your home or articles and things in your home.

The Personal Accident Cover is automatically included.

E. The Home Building Cover

The building: You can purchase this cover for your home, i.e., your building, flat, hut, apartment, duplex apartment, bungalow or any dwelling place. It may be a 'Pucca' structure with walls and roof made of bricks, cement, mortar, cement blocks, tiles or concrete. It can be a 'Kutchha' structure with walls or roof made of wooden planks, thatched leaves, grass, hay, bamboo, plastic, asphalt cloth, canvas, and tarpaulin. It may or may not have a plinth or foundation. Fittings and fixtures are included. Additional structures like garages, outhouses, compound walls, gates, water tanks, are also covered.

Who can purchase? You can purchase this cover if

1. You own the structure,
2. You are occupying your home as purchaser under an agreement of sale,
3. You are an authorised occupier of your home in a recognised slum,
4. Your structure is occupied by a tenant, a licensee or your employee, or
5. You are a tenant under an agreement in writing and are liable to repair your home,

Residential use: You can purchase this insurance cover if your home is used for residence. If you carry on commercial activity by employing other persons, you must purchase another insurance cover meant for commercial premises.

Examples:

1. You have let out your house out under a registered lease to your tenant. You can purchase Home Building Cover as its owner. Your tenant can purchase the Home Contents Cover. Your tenant can purchase Home Building Cover only if he is liable for repairs under the terms of the lease.
2. The Pleasant Housing Co-operative Society owns a building consisting of flats occupied by its members. The society can purchase Home Building Cover for the residential flats in its building. Each member can purchase Home Building Cover for his own flat and Home Contents Cover for articles and things in his flat.
3. You own a two-storeyed house. You and your family reside in the building and run a grocery shop in two rooms of the ground floor and personally attend to the grocery business. You can purchase this policy.
4. You own and reside in a three-storeyed house. You are a partner in a firm that runs an electronic shop on the ground floor. Five employees attend the shop. You can purchase this policy only for the two floors of the building where you reside. You can purchase the Micro Commercial Enterprises Insurance Policy or the Small Commercial Enterprises Insurance Policy to cover the shop on the ground floor.

Sum Insured

The Sum Insured for the Home Building Cover shall be equal to the cost of construction of the structure of your home. The cost of construction is calculated as follows-

[Carpet area of your home in sq.m. X basic rate of cost of construction] + agreed cost for additional structures.

The basic rate of cost of construction is the rate declared by the General Insurance Council (GIC) for the locality and the city or town in which your home is situated, and the type of structure of your home. If the GIC has not declared such a rate, the basic rate of cost of construction shall be agreed between You and Us.

If the actual rate of cost of construction of your home is more than the basic rate of cost of construction, you can choose to purchase a cover of a higher amount to be agreed between you and Us. We will pay you based on the rate agreed between us.

Examples:

1. The carpet area of your home is 82 sq.m.. The basic rate of cost of construction for this flat is Rs. 25,000 per sq.m. The Sum Insured for your Home Building Cover will be Rs. 20,50,000. You have material of higher quality and special materials and fixtures which makes the cost of construction Rs. 30,000 per sq. m. You can purchase minimum cover of Rs. 20,50,000 and a maximum cover of Rs. 24,60,000.
2. The area of your home is 100 sq m. The Basic rate of cost of construction is Rs 15,000 per sq m. you declare, and we accept, that rate of cost of construction of your home is Rs 20,000 per sq.m. Your home is insured for Rs 20,00,000 instead of Rs 15,00,000. Your home gets totally damaged by earthquake. Our surveyor assesses the reconstruction cost on the date of earthquake at Rs 16,00,000 calculated at Rs 16,000 per sq m for that town. Since we accepted the rate that you declared, we will pay Rs. 20,00,000.

If the actual carpet area is less than the carpet area you have declared, we will calculate the claim amount on the basis of the actual carpet area.

Example

The area of your home is 100 sq m. The Basic rate of cost of construction for your home is Rs 15,000 per sq m. By mistake, You have declared an area of 120 sq.m., and your home is insured for Rs 18,00,000 instead of Rs. 15,00,000. Your home gets totally damaged by earthquake. Since the actual area was not correctly declared, we will pay Rs. 15,00,000.

F. No underinsurance

Underinsurance does not apply to the Griha-Raksha policy. This is a very special feature of this policy. Thus, if your Sum Insured calculated on the basis of the information that you provided us is less than the Sum Insured based on the actual carpet area of your flat, the difference will not affect the amount we pay.

Example

The area of your home is 100 sq.m. The Basic rate of cost of construction for that town is Rs 15,000 per sq.m. By mistake, you have declared an area of 90 sq.m., and your home is insured for Rs. 13,50,000, instead of Rs 15,00,000. There is a loss that requires repairs that cost you Rs 5,00,000. We will pay you Rs 5,00,000.

G. Additional Cover

You can purchase additional cover to extend your Home Building Policy. You must apply for this covers, and pay additional premium.

Extended Cover on Agreed Rate Basis: You can purchase this cover for the structure of a flat or apartment in a multi-storied building consisting of ownership-flats of a Development Authority, Cooperative Society or any such body, or is under Apartments Law, and if you own your flat or apartment. The Sum Insured for this Cover must be enough to pay for the market value of the flat on the date you take the Policy.

If the multistoried building in which you own the flat, is destroyed by any Insured Event, we will pay you the market value of your flat on the date the event occurs, and take over your interest in the flat. Market value is calculated by applying the rates in the ready reckoner shown in the reckoner prepared by the Government for calculation of stamp duty. If the market value of your flat is higher, you can purchase this cover for a higher amount for additional premium.

H. The Home Contents Cover

The Contents: You can purchase this cover for the articles and things of personal, non-commercial use which are located inside your home. This policy automatically covers **general contents** that are usual in any home i.e., furniture and fittings, television sets, telephones, and electronic items, antennas, water storage equipment, air conditioners, kitchen equipment and other household items.

You can pay additional premium and purchase cover for **valuable contents**, *like* jewellery, silverware, paintings, works of art, valuable carpets, antique items, curios, paintings.

Some contents are not covered, like bullion or unset precious stones, manuscripts, vehicles, explosive substances

Location and use of contents: You can choose this cover for Contents that are located in your home and are used for personal use.

Sum Insured

The policy has a built in cover for General Contents of your home equal to half of the Sum Insured for Home Building Cover. If you have purchased only Home Contents Cover, the Sum Insured will be calculated at 50% of the amount of Home Building Cover that will apply to your home.

Example:

The carpet area of your home is 100 sq.m. The basic rate of cost of construction for your home is Rs 20,000 per sq.m. You have not specifically mentioned anything about contents in your proposal. Contents in your house are worth Rs. 8,00,000. The contents of your home are damaged in a fire and loss is Rs. 2,00,000. We will pay you Rs. 2,00,000 because contents of Rs. 10,50,000 (50% of building value) is an inbuilt cover.

You can opt out of this cover, or choose to have a higher Sum Insured on payment of additional premium. The Sum Insured you have chosen must be enough to cover the cost of replacement of the Contents when you purchase the policy.

Who can purchase? You can purchase this cover if

1. You are the owner of the articles or things,
2. You have purchased the articles or things under instalment or hire purchase system, or on lease, or
3. You are responsible for the articles and things as part of written contract of employment.

Thus, a tenant, lessee, licensee or employee can purchase the Home Contents Cover.

Examples

1. You occupy a flat provided by to you by your employer. You can purchase Home Contents Cover for your articles and things in the flat.
2. A company owns a building consisting of flats occupied by its employees. The employees can purchase Home Contents Cover. The company can purchase only Home Building Cover.

1. Exclusions, that is, when we do not pay:

The Policy has many exclusions stated in detail in the Policy. These situations in which we do not pay are:

1. Loss caused by
 - i. Wear and tear, lack of maintenance, natural deterioration, effect of weather.
 - ii. Inherent defects, structure or design faults, poor workmanship
 - iii. Your intentional acts or of persons staying with you
 - iv. Power Surge
 - v. War, invasion, civil war
 - vi. Radiation
 - vii. Pollution and contamination
2. Consequential loss, like loss by delay, loss of income, wages, medical expenses, cleaning costs.
3. Addition or extension to your home beyond 10% of carpet area.

4. Cost of preparing claim

J. Premium

Premium is the amount you pay to Us for the insurance covers. Any insurance cover begins only after we have received the premium.

You can pay premium by cheque, demand draft or electronic transfer.

If you purchase a policy for more than one year, you can pay premium in instalments. There is a grace period of 30 days for paying later instalments, else the policy will end

K. Changes and Cancellation

Changes during Policy Period.

During the Policy Period, you can request to make changes in the policy. You can request for increase or decrease in the Sum Insured, ask to cover any addition you make to your home or its contents, or take additional cover.

You can cancel the Policy.

- i. **Free look period** : If you do not like the policy, you can return the policy by informing us within 15 days from the day you receive it. We will return the premium after deducting a small amount of administrative expenses. You must submit documents we ask for the purpose.
- ii. **Cancellation at any time** : You can cancel the policy at any time during the policy period. If you have not made any claim, we will refund premium as follows

Time for which Policy in force	Refund of premium

- iii. **We can cancel the policy.**

We will not cancel the Policy during the policy period except for the following reasons

- a. You have not truly and fully disclosed material information in the proposal and documents when you bought the policy, or while making your claim.
- b. You have not cooperated with claims procedure.

L. Making a claim

You must make a claim for the amount of cover. We will verify the claim and accept it if it is according to the terms and conditions of this Policy.

When you suffer loss or damage to your home or articles and things in it, you must

1. Report to police, fire authorities or other authorities,
2. Report to Us with details of the event and your loss,
3. Take care of your home, and articles and things that are damaged, but do not repair until we have inspected the loss,
4. Preserve and collect evidence, take and preserve photographs,
5. Assist us and our representatives in collecting evidence and details about your loss, give us all information, books of accounts, and other documents,
6. Make a claim as soon as possible, but not beyond 12 months from the date of loss,
7. Prove that the Insured Event has happened, and the extent of your loss.

This is important because we must investigate whether the loss or damage is covered by the terms and conditions of the policy. If you do not fulfil these conditions, we will not pay the full claim, or we will reduce it.

M. Your obligations

As a purchaser of insurance, you must fulfil some obligations and conditions. We can pay you if these conditions and obligations are fulfilled.

1. Make true and full disclosure of information about yourself, your home and its contents and your family in the proposal and related documents.
2. Make true and full disclosure in your claim and documents supporting the claim.
3. Inform us about any other insurance policy that covers the loss or damage
4. Take care of the property insured, and maintain it in good condition and repair.
5. Give us full cooperation for investigating the claim that you will make.
6. Follow the claim procedure.

N. This prospectus

This prospectus gives information only. This is not an insurance contract. Each insurance cover is subject to terms and conditions, which you can read in the Griha-Raksha Insurance Policy document. You must read the policy document to know the insurance cover fully. You can get a copy of the Griha-Raksha Insurance Policy from our branch or from our website _____.

O. Complaints

If you have any complaint about any matter relating to the policy, or our decision on any matter, or our decision about your claim, you can pursue your complaint with

1. Our Grievance Redressal Officer
2. The Consumer Affairs Department of IRDAI,
3. The Insurance Ombudsman, or
4. The Consumer Protection Forum of Commission or the Court.

P. About our Company

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The Griha-Raksha Insurance Policy

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The Griha-Raksha Insurance Policy

1. **This Griha-Raksha Home Building and Contents Insurance Policy** provides insurance cover to You for Your Home and the articles and things in Your Home. This is an important legal document. Please read it carefully and keep it in a safe place.
2. **Description of parties:** In this Policy, the words 'You' or 'Your' refer to You who have purchased this cover. The words 'We', 'Us' or 'Our' refer to the <Insurance Company Name>, who has accepted to give You the insurance cover.
3. **This Insurance Cover is on terms and conditions:** You chose this Griha-Raksha Policy, and applied to Us for insurance covers of Your choice. You paid Us the premium, and gave Us information about Yourself, Your Home and its Contents. You assured Us that this information is true and correct. In return of accepting Your premium, and on the basis of Your assurance, We promise to provide You insurance cover in the event of physical loss or damage, or destruction of Your Home or its Contents arising from specified unforeseen events (section E) that occur during the Policy Period, in the manner, and on terms and conditions, stated in this Policy document and the Policy Schedule.

A. The Insurance Covers

We give the following insurance covers under this Policy for Your Home, or Contents of Your Home, if You own them or are responsible for them. The insurance covers You have chosen are shown in the Policy Schedule.

1. **Home Building Cover:** We cover physical loss or damage, or destruction of Your Home (section G) because of listed unforeseen events (section E).
2. **Home Contents Cover:** We cover physical loss or damage, or destruction of the Contents of Your Home (section H) because of listed unforeseen events (section E).
3. **Personal Accident Insurance Cover:** We cover a specified amount in the unfortunate event of death of Your spouse or Yourself caused by any explosion of LPG gas cylinder or cooking-gas pipeline. (section I)
4. **Additional Covers:** You can apply for, pay additional premium, and purchase additional covers to extend Your Home Building or Contents Cover. These will be shown in the Policy Schedule. These covers are:
 - a. **Extended Cover on Agreed Rate Basis:**for the structure of Your own flat or apartment in a multi-storeyed building of a Development Authority, Cooperative Society, Apartments or any other body (section J);
 - b. **Other covers** which We will offer from time to time.

B. Summary of this Policy

1. We promise to pay to You for the physical loss or damage, or destruction of Your Home or its Contents because of unforeseen Insured Events (section E).
2. Our promise is subject to terms and conditions of this Policy.
3. We promise to pay if the Insured Event has occurred during the Policy Period.

4. The maximum amount We pay is shown in the Policy Schedule as the Sum Insured. The amount We pay for some items has limits and sub-limits. (section D)
5. We promise to pay for the insurance covers that You have chosen (sections G and H), and any Additional Covers that You purchase. These are shown in the Policy Schedule.
6. There are situations when We do not pay. (sections E and F)
 - a. We do not pay at all in some situations. These are the general exclusions.
 - b. We do not cover some costs or expenses.
7. We promise to pay on an important assumption that You have stated the entire and true material information about Yourself, and Your Home, and its Contents, in the proposal and all the declarations that You made to Us. If any material information is false or incorrect, or is withheld, We will not pay, and We can also cancel the Policy. (section L, para 1 and 2; Section N, para 3).
8. If a claim arises under this Policy, You must immediately report to Us. You must also take care and preserve the damaged things. You must make a claim to Us for Your financial loss (Section O).
9. You have a right to cancel this Policy and return it. If You cancel it, We will refund part of the premium (Section N, paras 1 and 2). There are other situations in which this Policy will automatically end (Section N para 4).

C. This Policy and the Insurance Contract

1. **Your Policy** : This Griha-Raksha Policy contains Our promise to pay, the terms and conditions on which We promise to pay, and Your obligations. The contract between You and Us is stated in the following documents:
 - i. This Policy document,
 - ii. The Prospectus,
 - iii. The Policy Schedule,
 - iv. Any Endorsement, addition or variation that We and You agree to make in the insurance cover, and
 - v. The proposals and all declarations made by You or on Your behalf.
2. **Who is covered by this Policy** :
 - a. This Policy covers:
 - i. You, that is, all persons named in the Policy Schedule as the Insured, and
 - ii. for the Personal Accident Cover: You and Your Spouse staying in Your Home.
 - b. If more than one person is insured under this Policy, each of You is a joint policyholder. Any notice or letter We give to any of You will be considered as given to all of You. Any request, statement, representation, claim or action of any one of You will bind all of You as if made by all of You.

c. If You have mortgaged, pledged or hypothecated Your Home or any Contents with a Bank, the Policy Schedule will show an 'Agreed Bank Clause' and the name of such Bank. The terms and conditions of this arrangement will be added to this Policy on an Endorsement.

3. The Policy Schedule: The Policy Schedule is an important document about Your insurance cover. It shows:

- i. Your personal details,
- ii. The insurance covers You have purchased,
- iii. The total Sum Insured, the Sum Insured for each cover or item covered, and any limits and sub-limits,
- iv. The premium You have paid for these insurance covers,
- v. The Policy Period,
- vi. The description of the Insured Property: Your Home and its Contents,
- vii. Any special terms, conditions and exclusions that apply to You,
- viii. Other important information.

4. Policy Period: The Policy Period continues until the Policy continues. The Policy Period will end when this Policy ends under the terms and conditions of this policy.

5. Special Meanings of Words : Words stated in the table below have a special meaning throughout this Policy and the Policy Schedule. These words with special meaning are stated in the Policy with the first letter in capitals.

Word	<i>Specific meaning</i>
Bank	A bank or any financial institution
Carpet Area	<ol style="list-style-type: none"> 1. For the main building unit of Your Home, it is the net usable floor area, excluding the area covered by the external walls, areas under services shafts, exclusive balcony or verandah area and exclusive open terrace area, but including the area covered by the internal partition walls of the residential unit; 2. for any enclosed structure on the same site, it is the net usable floor area of such structure; and 3. for any balcony, verandah area, terrace area, parking area, or any enclosed structure that is part of Your Home, it is 25% of its net usable floor area.
Commencement Date	It is the date and time from which the insurance cover of this Policy begins. The Commencement Date and time of this Policy are shown in the Policy Schedule.
Contents	Those articles and things in Your Home that are not permanently attached or fixed to the structure of Your Home.
Cost of Construction	<p>The amount required to construct Your Home on the Commencement Date, or the date of renewal of this Policy.</p> <p>This amount is calculated as follows:</p> <p>a. For residential structure of Your Home including fittings and fixtures:</p>

Word	Specific meaning
	<p>Carpet area of the structure in square metres X Rate of Cost of Construction.</p> <p>The Rate of Cost of Construction is the higher of the following amounts :</p> <p>i. the rate of Cost of Construction per square meter of Carpet area declared by the General Insurance Council for the locality and the city or town in which Your Home is situated, and the type of structure of Your Home, and</p> <p>ii. the rate of Cost of Construction that is agreed between You and Us.</p> <p>b. For additional structures : the amount that is agreed between You and Us.</p>
Endorsement	A written amendment to the Policy that We make about additions, variations, declarations, the insurance cover, exclusions, or conditions of an insurance Policy.
Insured Property	Your Home and its Contents, or any item of property covered by this Policy.
Policy Period	The period for which We give insurance cover under this Policy.
Policy Schedule	The document accompanying and forming part of the Policy that gives Your details and of Your insurance cover, as described in section C, para 3.
Spouse	Your wife or husband by marriage living in Your Home, whether such marriage is valid or not.
Sum Insured	The amount shown as Sum Insured in the Policy Schedule and is described in section D. It represents Our maximum liability for each cover or part of cover and for each loss.
Total Loss	A situation where the cost of repairing an item of Insured Property is more than the Sum Insured for that item.
We, Us, Our	The Insurance Company that has provided Insurance Cover under this Policy; of the Company.
You, Your	The Insured Person who has purchased Insured Cover under this Policy; of such Insured Person
Your Home	The structures used for Your residence described in detail in section G, para 1.

D. Sum Insured

1. **The maximum amount:** The maximum amount We pay for any single claim or loss under this Policy is the total Sum Insured shown in the Policy Schedule. The maximum amount We pay under this Policy for any cover, or any item, or category or group of items, is the Sum Insured shown in the Policy Schedule for that cover or item, category or group.
2. **Sum Insured for Home Building Cover:**
 - a. The Sum Insured for the Home Building Cover is equal to the Cost of Construction of Your Home. It is shown in the Policy Schedule

- b. If the Policy Period is more than one year, We will automatically increase Your Sum Insured during the Policy Period by 10 % per annum on each anniversary of Your Policy without additional premium. The Sum Insured for each year of the Policy Period is shown in the Policy Schedule.

3. Sum Insured for Home Contents Cover

- a. The Sum Insured for the Home Contents Cover is shown in the Policy Schedule.
- b. If the Policy Period is more than one year, We will automatically increase Your Sum Insured of the Home Contents Cover by 10 % on each anniversary of Your Policy during the Policy Period without additional premium. The Sum Insured for each year of the Policy Period is shown in the Policy Schedule.

4. Sum Insured is restored: Except as stated in para 5 below, the insurance cover will at all times be maintained during the Policy Period to the full extent of the respective Sum Insured. This means that after We have paid for any loss, the policy shall be restored to the full original amount of Sum Insured. You must pay to Us proportionate premium for the unexpired Policy Period. We can also deduct this premium from the net claim that We must pay You.

5. Sum Insured gets exhausted: If Your Home, or any additional structure, or any item of Contents, is lost, destroyed or stolen, or is a Total Loss, and We pay You the full Sum Insured for such item, the insurance cover for that item will automatically end. If We pay the total Sum Insured for any claim, this Policy will end. If You wish to continue cover for that item, or to reinstate Your Policy, You must pay the relevant premium again for the unexpired Policy Period.

E. Insured Events

1. We give insurance cover for physical loss or damage, or destruction caused to Insured Property by the following unforeseen events occurring during the Policy Period. There are some things We do not cover, and these are shown in the second column.

	We cover physical loss or damage, or destruction caused to the Insured Property by	We do not cover for loss or damage to, or destruction of, the Insured Property
1.	Fire	caused by a. its own fermentation, natural heating or spontaneous combustion, b. its undergoing any heating or drying process, or c. burning of Insured Property by order of any Public Authority.
2.	Explosion or Implosion	caused by a. machinery or apparatus in which steam is generated, or their Contents, resulting from their own explosion or implosion, or b. centrifugal forces.
3.	Lightning	
4.	Earthquake, volcanic eruption, or other like convulsions of nature	

5.	Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Tsunami, Flood and Inundation	
6.	Subsidence of the land on which Your Home stands, Landslide, Rockslide	caused by a. normal cracking, settlement or bedding down of new structures, b. the settlement or movement of made up ground, c. coastal or river erosion, d. defective design or workmanship or use of defective materials, or e. demolition, construction, structural alterations or repair of any property, or ground works or excavations.
7.	Forest fire, jungle fire, bush fire, clearing of lands by fire	
8.	Impact damage of any kind, i.e., damage caused by impact of, or collision caused by, any external physical object (e.g. vehicle, falling trees, aircraft, wall etc.)	caused by pressure waves caused by aircraft or other aerial or space devices travelling at sonic or supersonic speeds.
9.	Missile testing operations	
10.	Riot, Strikes, Malicious acts, Acts of terrorism	caused by a. temporary or permanent dispossession, confiscation, commandeering, requisition or destruction by order of the government or any lawful authority, or b. temporary or permanent dispossession of Your Home by unlawful occupation by any person.
11.	Bursting or overflowing of water tanks, apparatus and pipes, and Leakage from automatic sprinkler installations.	caused by a. wear and tear, b. the escape of liquid occurring as a result of a gradual process of leaking, splashing, dripping or overflowing over a period of time, c. repairs or alterations in Your Home or the building in which Your Home is located, d. repairs, removal or extension of any sprinkler installation, or e. defects in the construction known or ought to have been known to You.
12.	Theft and burglary within 7 days from the occurrence of, and proximately caused by, any of the above Insured Events.	if it is a. any article or thing outside Your Home, or b. any article or thing attached from the outside of the outer walls or the roof of Your Home, unless securely mounted.

2. We give insurance for accident caused by bursting of gas cylinder or cooking gas pipeline if it causes death. (Section I)

F. Exclusions, that is, when We do not cover

We do not pay under this Policy **at any time** for losses and expenses, or for any loss, physical damage, injury or destruction of the Insured Property that is directly or indirectly a result of or is caused by or arising from events, stated below:

1. Gradual deterioration, wear and tear, lack of maintenance, natural deterioration, depreciation, gradual weathering, effects of light or atmosphere, mould, rust, corrosion, algae, dry or wet rot, fungus.
2. Inherent defects, structural or design faults, defects because of poor workmanship, that You were aware of or could have been aware of before the Insured Event, and You failed to fix or repair them before the loss or damage occurred.
3. Your deliberate, wilful or intentional act or omission, or of anyone on Your behalf, or with Your connivance.
4. Confiscation, requisition, seizure, forfeiture, detention, or holding of any Insured Property under any law, rule or regulation by police, officials or authorities.
5. War, invasion, act of foreign enemy hostilities or war-like operations (whether war is declared or not), civil war, mutiny, civil commotion amounting to a popular rising, military rising, rebellion, revolution, insurrection or military or usurped power.
6. Ionising radiation or contamination by radioactivity from any nuclear fuel or from any nuclear waste from combustion of nuclear fuel, or the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component that is part of it.
7. Pollution or contamination, unless
 - i. the pollution or contamination itself has resulted from an Insured Event, or
 - ii. an Insured Event itself results from pollution or contamination.
8. Loss, damage or destruction to any electrical machine, apparatus, fixture, or fitting by over-running, excessive pressure, short circuiting, arcing, self-heating or leakage of electricity from whatever cause (lightning included). This exclusion applies only to the particular machine so lost, damaged or destroyed.
9. Loss of, or damage to a computer or electronic equipment caused by
 - i. electrical, electronic or mechanical derangement or malfunction,
 - ii. faulty date recognition, or
 - iii. a processing error
 - iv. a computer fault or virus
10. Loss of any Insured Property which is missing or has been mislaid, or its disappearance cannot be linked to any single identifiable event.
11. Loss or damage to any Insured Property removed from Your Home to any other place.

12. Any consequential or indirect loss or damage of any description, i.e. losses or extra costs (financial or non-financial) that follow or are a consequence of an Insured Event, like, loss by delay, loss of income or wages or earnings, or of market, or of time, medical expenses, cleaning costs, cost of hiring appliances, or any costs not covered by this Policy.
13. Any reduction in market value of any Insured Property after its repair or reinstatement.
14. Any addition, extension, or alteration to any structure of Your Home that increases its Carpet Area by more than 10% of the Carpet Area existing at the Commencement Date or later renewal of this Policy, unless You have paid additional premium and such addition, extension or alteration is added by Endorsement.
15. Loss or damage to any part of the structure of Your Home that is unfinished, or is not fully built.
16. Costs, fees or expenses for preparing any claim.

G. Home Building Cover

We cover physical loss or damage to, or destruction of Your Home because of any Insured Event. Your Home is shown in the Policy Schedule as the address of the Insured Property. We also cover architect's fees, cost of removing debris, and loss of rent while Your Home is not fit for living following loss or damage due to an insured event.

1. Your Home

- a. **Your Home** is a building consisting of a residential unit, having an enclosed structure and a roof, and used as a dwelling place.
- b. **Your Home includes**
 - i. fixtures and fittings permanently attached to the floor, walls or roof, like fixed sanitary fittings, electrical wiring and other permanent fittings,
 - ii. the following 'additional structures' if they are on the same site, are used as part of Your Home:
 - a. garage, domestic out-houses used for residence, parking spaces or areas,
 - b. compound walls, fences, gates, retaining walls,
 - c. verandah or porch and the like,
 - d. septic tanks, bio-gas plants, fixed water storage units or tanks,
 - e. solar panels, wind turbines and air conditioning systems, central heating systems and the like, if not included in Home Contents Cover,
 - iii. any other structure shown in the Policy Schedule.
- c. **Your Home does not include** furniture, carpets, floor and Contents of Your Home.

2. Use for residence

- a. We will pay only if Your Home is used for the purpose of residence of Yourself and Your family, or of Your tenant, licensee or employee.
- b. We will not pay if

- i. Your Home is used as a holiday home, or for lodging and boarding, or
- ii. Your Home or any part of Your Home is used for a commercial purpose, except where Your Home is used both for Your residence and for the purposes of earning Your livelihood by means of self-employment.

3. What We pay

- a. If Your Home has physical damage, We reimburse the cost to repair to a condition substantially the same as its condition at the time of damage. You must spend for repairs, and claim that amount from Us.
- b. If You make a claim, We will verify the Carpet Area of Your Home. If the actual Carpet Area is less than the Carpet Area declared by You while purchasing the Policy, We will calculate the amount of claim on the basis of the actual Carpet Area.
- c. The maximum We will pay for all items given below together is the Sum Insured shown in the Policy Schedule for Home Building Cover. If the Policy Schedule shows any limit for any item, such limit is the maximum We will pay for that item.
- d. If Your Home is destroyed, We pay You the Sum Insured for the Home Building Cover.
- e. If any additional structure is destroyed, We will pay You an amount equal to the Cost of Construction of the additional structure.
- f. In addition, We will also pay You the following:
 - i. Upto 3% of the claim amount for reasonable fees of architect, surveyor, consulting engineer;
 - ii. Upto 1 % of the claim amount for reasonable costs of clearing debris from the site.
- g. **Loss of Rent:** We will pay the amount of rent You lose or pay while Your Home is not fit for living because of physical loss arising out of an Insured Event, as follows
 - i. The structure of Your Home is a '*pucca*' Structure, i.e., it has walls and roof made of bricks, cement, mortar, cement blocks, tiles, concrete, and the like.
 - ii. If You are the owner of Your Home living in it, We will pay You the amount of rent that You have to pay for alternative accommodation.
 - iii. If You are living in Your Home as a tenant, and You are required to pay higher rent for the alternative accommodation, We will pay the difference between the rent for alternative accommodation and the rent of Your Home.
 - iv. We will pay the loss under this cover for an accommodation that is not superior to Your Home in any way and in the same city as Your Home.
 - v. The amount of lost rent shall be calculated as follows: $\text{Sum Insured for Cover for Loss of Rent} \times \text{Period necessary for repairs} \div \text{The Policy Period}$.
 - vi. This cover will be available for the reasonable time required to repair Your Home to make it fit for living, but not beyond the Policy Period. The cover will continue if the Policy is renewed with this cover. The maximum period of this cover is three years from the date Your

Home becomes unfit for living. You must submit a certificate from an Architect or the local authority to show that Your Home is not fit for living.

- vii. Claim for loss of rent will be accepted only if We have accepted Your claim for loss for physical damage to Your Home under the Home Building Cover.

H. Home Contents Cover

- a. We give insurance cover for physical loss or damage to or destruction of, the General and Valuable Contents of Your Home caused by an Insured Event.
- b. We cover General Contents. We cover Valuable Contents if You have purchased insurance cover for them. We do not cover Excluded Contents. The Contents that We cover, and that We do not cover, are stated below. The extent of this cover, and the Sum Insured will be shown in the Policy Schedule.

1. Contents of Your Home : These are:

- a. **General Contents** of Your Home are all the contents of household use in Your Home, e.g., furniture and fittings, electronic items and goods, antennae, solar panels, water storage equipment, kitchen equipment, electrical equipment, clothing and apparel, etc.
- b. **Valuable Contents** of Your Home include jewellery, silverware, paintings, works of art, valuable carpets, antique items, curios, paintings, and other similar valuables. We cover these only if You have purchased cover for these by paying additional premium. The items covered and the Sum Insured for these items will be shown in the Policy Schedule.
- c. **Excluded Contents of Your Home include** bullion or unset precious stones, manuscripts, vehicles, explosive substances. We do not pay for the loss, damage or destruction of these items, unless You specifically declare them for insurance and We cover them.

2. Location and Purpose of use : You can choose this cover for Contents that are located in Your Home and are used for personal use.

3. What We pay

- a. If the General or Valuable Contents of Your Home are physically damaged by any Insured Event, We will at Our option,
 - i. Reimburse to You the cost of repairs to a condition substantially the same as its condition at the time of damage, or
 - ii. Pay You on 'new for old' basis the cost of replacing that item with a same or similar item.
- b. If the General or Valuable Contents of Your Home are lost, destroyed or stolen, We will pay You on 'new for old' basis the cost of replacing the item of Contents that has been damaged with same or similar item closest to the item damaged.
- c. The maximum We will pay for is the Sum Insured shown in the Policy Schedule for Home Contents Cover. If the Policy Schedule shows any limit for any item, or category or groups of items, such limit is the maximum We will pay for that item.

I. Personal Accident Cover

1. We will pay Rs. 5,00,000 per person on the unfortunate death of Yourself or Your Spouse caused by explosion or bursting of LPG cylinder or cooking gas pipe-line located in Your Home.
2. We pay under this cover only if You have an admissible claim for Home Building Cover or Home Contents Cover, and it has been approved by Us for payment.

J. Additional Extended Cover on Agreed Rate Basis for Home

1. **Additional cover:** The **additional cover** below extends the insurance cover that We give under the Griha-Raksha Insurance Policy. We give this additional if You have applied and paid premium for it, and We have accepted to give it to You. You can choose this cover when You purchase the Griha-Raksha Insurance Policy, or at any time during the Policy Period. If You have chosen this cover, it will be shown in the Policy Schedule, or will be stated on an Endorsement. This additional cover is subject to all terms and conditions of the Griha-Raksha Insurance Policy.
2. **The Extended Cover on Agreed Rate Basis:** This is an extension to Your Home Building Cover if Your Home is a flat or apartment in a multistoried building consisting of flats, and the building is owned by a Development Authority, Cooperative Society or any other body, or is submitted to Apartment Ownership law. If You have chosen this Cover, and paid extra premium, it will be shown in the Policy Schedule, or will be stated by an Endorsement.
3. **What We pay:** If the building, in which You own Your Home, is completely destroyed by an Insured Event, such that You alone cannot reinstate Your Home unless the entire building is rebuilt, We will pay You the market value of Your Home on the following conditions:
 - a. Our name is recorded as member in the records of the Society, Association or other Body of which You are a member after payment of the claim,
 - b. You are entitled to claim under the Home Building Cover,
 - c. Your right, title and interest in Your Home, and in the land on which the building was situated, subsists, and entitles You to reconstruct Your Home, or to claim Your right or interest in the new building that will be reconstructed later,
 - d. A valid transfer (by subrogation) can happen in Our favour of Your right, title and interest in Your Home,
 - e. You have transferred all Your right, title or interest in Your Home to Us at Our cost by an appropriate instrument, and after completing registration and all other formalities required by law.
 - f. Once We pay a claim to You under this section, Your Home Building and Contents policy will cease to exist without any refund of premium for the unexpired period of the policy.
4. **The market value:** The market value of Your Home building shall be calculated as higher of the following two amounts:
 - i. The amount arrived on the basis of the reckoner that is in force on the Commencement Date, and that is prepared by the Government of any State or Union Territory for valuation of instruments for calculation of stamp duty, and
 - ii. The amount of market value agreed between You and Us.
 - iii. If such reckoner applicable is not published, the market value shall be agreed between You and Us.

5. Claim or payment on Cost of Construction basis: Even if You have opted for this cover, You can decide to claim only the Cost of Construction under the Home Building Cover. If You do so, You will continue to retain Your right, title and interest in Your Home.

K. Premium

1. **The premium** is the amount You pay Us for this insurance. The Policy Schedule shows the amount of premium for the Policy Period, and stamp duty, GST, and all other taxes and levies.
2. **Time for payment:** It is Your responsibility to pay premium in time. We must receive the amount of premium before insurance cover can begin.
3. **Payment by cheque**, draft or electronic transfer: You must ensure that there will be adequate balance in Your account to honour Your cheque or Your standing instruction for electronic payment. If the cheque or demand draft is not realised, or the standing instruction for electronic payment fails, the Policy will be ineffective, and We will not be liable to pay.
4. **Deduction from claim amounts:** We have the right to deduct any unpaid premium or instalment of premium, from any claim amount that We must pay You.
5. **Payment by instalments:** If You have purchased a Policy for a period of more than one year and the premium is payable by instalments, the instalments of premium shall be annual, and shall be paid by the ECS mode only. The Policy Schedule will state the amount and the due date for each instalment.
 - a. You must pay the full amount of each instalment before the date specified for its payment. You must ensure that Your bank account or credit card account has sufficient balance to pay the instalment in time.
 - b. If any instalment is not paid in time, You can make the payment within a grace period of 30 days from the due date. If premium is not received within 30 days from the date it is due, this Policy will automatically end.c. We will not pay for loss, damage, destruction or death caused by an Insured Event occurring during the grace period.
6. **When the Sum Insurance gets exhausted** (Section D para 5), You can reinstate the exhausted insurance cover by paying proportionate premium for the unexpired Policy Period.

L. Your Obligations

We are liable to pay if You have fulfilled Your obligations and other conditions of this Policy. Your obligations are shown below. Some special conditions and exclusions are also shown in the Policy Schedule.

IMPORTANT: Your performance of the terms and conditions is a condition precedent of Our liability to pay under this Policy. This means that if You fail to observe any of these obligations, We will refuse to pay Your claim, or will avoid or cancel this Policy. Any waiver of any term or condition will bind Us only if it is in writing and signed by Our authorised officer.

1. **Make true and full disclosure in the proposal and related documents**
 - a. You have a duty of disclosure to tell Us everything You know, or could reasonably be expected to know, that is relevant to Us for deciding whether to give You insurance cover and on what terms. You owe this duty to disclose such relevant material information even if We have not specifically

asked for it. This duty extends to any information or declarations given by anyone else on Your behalf.

- b. We have agreed to give You insurance cover entirely on the basis of the information You, or anyone on Your behalf, have given Us in the proposal, statements and other declarations and documents (in writing or electronic) about Yourself, Your family, Your Home and its Contents. Truth, and completeness of the information You give is the basis of Our contract with You. Our promise to pay is conditional upon the truth of these statements and on the assumption that You, or anyone on Your behalf, has not withheld any material information about Yourself, Your family, Your Home and its Contents. If any of the statements You, or anyone on Your behalf, made is false or incorrect in material particulars, or if You have withheld material information, We have a right
 - i. To refuse payment of Your claim, and
 - ii. To avoid the Policy by cancelling it.

2. Make true statements and full disclosure in the claim and related documents

- a. You must also give true and full information in Your claim and submit true documents. If You give any false information or document in the claim, or if You withhold any information or document (written or electronic), We have a right
 - i. To refuse payment of Your claim, and
 - ii. To avoid the Policy by cancelling it.
- b. We can also take legal action against You, civil or criminal.

3. Obligation to take care : You must:

- i. Keep the Building of Your Home in good condition and well maintained, Thus You must ensure that the structure of Your Home does not have any faults or defects that will cause loss or damage to the building. You must ensure that the roof does not leak, there are no broken windows, and previous damage has been repaired,
- ii. Comply at all times with local, government or other legal requirements.
- iii. Make good and repair any defect when it becomes apparent, and take additional precautions that circumstances will require,
- iv. Take care to prevent theft, loss or damage to Your Home and its Contents, and
- v. Ensure that unauthorised persons do not occupy Your Home,

4. Inform change in circumstances : You must inform Us immediately

- i. If You change Your address,
- ii. You make any addition, alteration, extension to the structure of Your Home,
- iii. You let out Your Home, or Your home will no longer be solely occupied by You,
- iv. You change the use of Your Home, and
- v. Your Home remains unoccupied for 30 days or more

5. Allow inspection and investigation of claim : You must allow, and give full cooperation to, the investigation of Your claim by Us. You must allow Us, and any surveyor, officer or other representative

that We authorise, to enter You Home, inspect it, take photographs, or take into custody any article for scientific testing and investigation. You must answer truthfully and fully all questions asked to You concerning the claim, and submit all documents that We will require.

6. **Follow claim procedure** : When You suffer any loss or damage to Your Home and Contents, and wish to make a claim, You must follow all steps stated in this Policy for immediate reporting to Us and various authorities.

M. **Renewal of Policy**

1. **End of Policy**: This Policy will expire at the end of the Policy Period.
2. **Application for renewal**: If You wish to renew the Policy, You must apply for renewal before the end of the Policy Period with the amount of applicable premium without waiting for any renewal notice from Us.
3. **Acceptance for renewal** : Renewal is not a right, and is not automatic unless otherwise stated; We have to assess the risk before accepting premium. We can therefore ask You for more information about Yourself, Your Home and its Contents before considering Your request for renewal. We may add new terms and conditions for renewal, like exclusions, higher premium. In rare circumstances We can also refuse to renew the Policy.

N. **Cancellation and Termination of Policy**

1. **Cancellation by You in the Free-Look Period**

- a. You can cancel and return this Policy without any reason by informing Us in writing Your decision of cancelling the Policy. Your intimation must reach Us within 15 days from the day You receive the Policy.
- b. We will refund the premium within 7 days . We will deduct the proportionate risk charges from the Commencement Date until We receive Your intimation. The amount of stamp duty is not refundable.
- c. We will refund by electronic mode to the same account from which You paid the premium. We will not refund in cash.

2. **Cancellation by You at any Time**

- a. You can cancel this Policy at any time by giving Us notice in writing. The Policy will terminate when We receive Your notice.
- b. If You have not made any claim under the Policy, We will refund premium as follows:

Time for which Policy in force	Refund of premium

- c. The stamp duty is not refundable.

3. Cancellation by Us:

We can cancel the Policy under the terms of this Policy, for example, if You have misrepresented or not disclosed material facts, or have committed fraud, or You do not cooperate or comply with the claims procedure (See Section L and N). In such a case, the premium stands forfeited, and cannot be refunded.

4. Automatic termination of the Policy

This Policy will automatically end in the following cases:

a. Non-payment of premium – Long Term Policy : If You have purchased a Policy for a period of more than one year with premium payable in instalments, and You do not pay any full instalment within 30 days of grace period after the date on which it is due, this Policy will automatically end.

b. Destruction of Your Home : This Policy will automatically end 7 days after Your Home collapses or is destroyed by reason other than any Insured Event. If a separable part of Your Home, or any additional structure falls down or is destroyed by reason other than any Insured Event, the covers will end for such part or additional structure.

You can apply within 7 days of such fall or destruction for continuing insurance cover. We may agree, but will not be bound, to continue the cover on revised rates, terms and conditions.

c. Sum Insured gets exhausted: If Your Home, or any additional structure, or any item of Contents, is lost, destroyed or stolen, or is a Total Loss, and We pay You the full Sum Insured for such item, the insurance cover for that item will automatically end. If We pay the total Sum Insured for any claim, this Policy will end. (Section D para 5)

d. Change of use of Your Home or Contents : The Policy will end

i. If You change the use of Your Home from personal residence to any other purpose, or

ii. If You use any item of Contents for use that is not personal.

e. Sale of Your Home or Contents : This Policy will end when You sell, surrender or release Your interest in Your Home, or Your interest in the home comes to an end. The Policy will end to the extent any additional structure of Your Home or item of Contents if You sell, surrender or release Your interest in such additional structure or item of content, or Your interest in these ends.

5. Effect of death

The insurance cover under this Policy will end on Your death during the Policy Period. Its benefits will continue as follows:

a. This Policy will not be renewed.

b. The House Building Cover and the House Contents Cover that You have purchased will continue for the benefit of Your legal representatives during the Policy Period subject to all the terms and conditions of this Policy.

c. The Personal Accident Cover will be continue only for the benefit of Your Spouse.

d. If a claim arises after Your death during the Policy Period, We will pay the claim amount to Your legal representatives according to law.

- e. In the event of Your death after a claim arises under the Home Building Cover or Home Contents Cover, We will pay the amount to Your legal representatives according to law.

O. Claims Procedure

If You suffer a loss because of an Insured Event, You must make a claim for Your financial loss at Your cost. We will verify the claim and accept it if it is according to the terms and conditions of this Policy.

The procedure for making a claim is given below. These include things that You must do, and that You must not do. If You do not comply with these conditions, We can reduce Your claim or refuse to pay it. We can also cancel the Policy.

1. Immediate notice to Us

- a. As soon as any loss or physical damage occurs to Your Home or its Contents due to an Insured Event, You must immediately give notice to Us of the loss or damage. This is necessary so that We can investigate the loss or damage.
- b. You can give notice to any of Our offices or call-centres.
- c. You must state in this notice
 - i. The Policy Number,
 - ii. Your name, name of Member of Your Family affected,
 - iii. Details of report to the police that You made,
 - iv. Details of report to any authority that You made.
 - v. Details of the Insured Event
 - vi. A brief statement of the loss
 - vii. Particulars of any other insurance of Your Home or any of its Contents.
- d. You must also take photographs of loss or physical damage wherever possible, and submit them with the notice.

2. Steps to prevent loss and damage

- a. You must take all reasonable steps to prevent further loss or damage to Your Home and its Contents.
- b. Until We have inspected Your Home and Contents, and have given Our consent,
 - i. You must not sell, give away or dispose of any damaged items of any property;
 - ii. You must not wash or clean, or remove any damaged item or debris, except for any urgent necessity;
 - iii. You must not carry out repairs, unless such repairs are urgent and You cannot contact Us.

3. Immediate notice to authorities

- a. As soon as any loss or damage occurs to Your Home or its Contents, You must give immediate report to appropriate legal authorities. For example, You must report to the fire department of the local authority and the police if there is damage by fire. You must report to the police, if there is theft following an earthquake.

- b. If You fail to give immediate report to appropriate legal authorities, We can refuse to pay Your claim. We may, but need not, waive this condition if We are satisfied that by reason of extreme hardship it was not possible for You or any other person on Your behalf to give such report.

4. Submit claim

- a. You must submit Your claim in Our claim form at the earliest opportunity, but within one month from the date You first notice the loss or damage. The claim form is available in any of Our branches, and on Our web-site.
- b. If You fail to do submit Your claim within one month, and We have not been able to investigate that Your claim falls within the terms and conditions of this Policy, We can refuse to pay Your claim. We may, but need not, waive this period if We are satisfied that by reason of extreme hardship it was not possible for You or any other person on Your behalf to submit Your claim within the time limit.
- c. You must state in Your claim the details of any other insurance policy that covers the damage or loss for which You have filed Your claim, whether You have purchased such other insurance, or someone else has purchased it for You.

5. Establish loss

- a. You must prove that the Insured Event has occurred, and the extent of loss and physical damage You have suffered with full details. If You do not do this, We will not be able to pay Your claim.
- b. When We request,
 - i. You must give Us, reasonable proof of ownership and value of items lost, stolen, damaged or destroyed.
 - ii. You must submit all plans, specification books, vouchers, invoices, duplicates, documents, and investigation reports about the claim, the origin and cause of loss, and circumstances in which the loss or damage occurred, and any other matter touching upon Our liability.
 - iii. You must give a declaration on oath or any legal form about the truth of Your claim.
 - iv. You must allow Us, Our officers, surveyors or representatives to look and inspect Your Home, the loss or damage to Your Home and to its Contents, and to take measurements, samples, damaged items or parts, and photographs.
 - v. You must give Us or Our representative the recent plans and drawings of Your Home.
 - vi. You must give Us authority to see the records and get information about the Event and Your loss from the police or any other authority.
- c. We will reduce or refuse Your claim if You are not able to substantiate it, or You do not cooperate with Our representatives.

6. Give further information and documents

You must give Us when We request all additional information and any other assistance that We require for verifying or dealing with Your claim. If You do not give such information or assistance, We can refuse to pay Your claim.

7. Other insurance

- a. If You have any other policy with Us or any other Insurance Company (taken by You or by anyone else for You) covering in whole or in part any claim that You have made under this Policy, You have a right to ask for settlement of Your claim under any of these policies.
- b. If You choose to claim under this Policy from Us, We will settle Your claim within the limits and the terms and conditions of this Policy.
- c. After We pay the amount under Your claim, We have the right to ask for contribution from the Insurers that have given You the other policies.

8. Our rights relating to Insured Property

- a. We must investigate that Your claim is covered by this Policy. For this purpose, We will give You notice and request Your cooperation as follows:
 - i. We and Our representatives will visit Your Home, inspect all parts of Your Home, and remain there until Our investigation is completed,
 - ii. We will ask You to give to Us any items of the Contents of Your Home, and hold it with Us for the purposes examination, testing, or any other investigation, or
 - iii. We will dispose of or deal with or sell any item of the Contents of Your Home.
- b. We will ensure that Our actions will not impose any liability on You.
- c. If You do not cooperate, or if You prevent Us from doing these things, and We cannot fully investigate Your claim, We will reject Your claim and will not pay.

9. Fraudulent claim

If You, or anyone on Your behalf, make a false or fraudulent claim, or support a claim with any false or fraudulent statement or documents:

- i. We will not pay,
- ii. We can cancel the Policy: in such a case, You will lose all benefits under this Policy and premium that You have paid, and
- iii. We can also inform the police, and start legal proceedings against You.

10. Recovery action by Us

- a. When We accept and pay Your claim under the Policy, We can start legal proceedings to recover the amount or property from the third party who has caused the loss or damage to Your Home or its Contents. You must give authority to Us to take such action and exercise this right effectively, when We request You, whether before or after making payment of Your claim. You must give all information, cooperation, assistance and help for this purpose. You must not do anything which will prejudice Our right. This is Our right of subrogation. We can do this
 - i. Without seeking Your consent,
 - ii. In Your name, and
 - iii. Whether or not Your loss has been fully compensated.

- b. Any amount We recover from such person will be applied first to the costs of the legal proceedings and recovery, then to the claim amount We have paid or must pay to You. We will pay You any balance.
- c. You can start legal proceedings against any person who has caused the loss or damage only with Our prior consent, and on conditions that We will impose. You must not compromise or settle any claim against such person without Our consent. If You recover any amount from such person, You must return to Us the amount We have paid for Your claim. We can take over the conduct of legal proceedings that You have started and continue the proceedings in Your name.

P. Changes

- a. You can choose to make changes to the covers of this Policy, or increase or reduce any Sum Insured. You must make a proposal or request for any change. It will be effective only after We have accepted Your proposal, and You have paid the additional premium where applicable.
- b. This Policy (including the Policy Schedule, the proposal, declarations, the Prospectus and Endorsements) consists of the entire contract between You and Us.

Q. Other Details

1. Notices

- a. We will send any notice, letter or communication in writing to You at Your address mentioned in the Policy Schedule, and to Your email address that You have registered with Us.
- b. You will send any notice, letter, intimation or communication in writing to Us at Our branch office where You purchased this Policy. You can also send it at the address mentioned in the Policy Schedule. You shall not send any notice etc to the insurance agent, broker or any other entity. They are not authorised to receive notices etc. on Our behalf.

2. Nomination for Personal Accident Cover

You can nominate a person to receive the amount under the Personal Accident Cover in the event of Your death. You can make such nomination at the time You take the Policy, or later. You can also change the nomination at any time. You can make the nomination on Our nomination form available in Our branch of from Our website:

3. Applicable law and jurisdiction

This Policy will be subject to the laws of India, and to the jurisdiction of courts in India.

R. Complaints

If You have a complaint or grievance about any matter relating to the Policy, or Our decision on any matter, or the claim, You can address Your grievance as follows:

1. Our Grievance Redressal Officer

You can send Your complaint in writing by post or email to Our Grievance Redressal Officer at the following address:

Address including email

.....

2. Consumer Affairs Department of IRDAI

- a. In case if it is not resolved within 15 days or if You are unhappy with the resolution You can approach the Grievance Redressal Cell of the Consumer Affairs Department of IRDAI by calling Free Number 155255 (or) 1800 4254 732 or sending an email to complaints@irda.gov.in. You can also make use of IRDAI's online portal - Integrated Grievance Management System (IGMS) by registering Your complaint at igms.irda.gov.in.
- b. You can send a letter to IRDAI with Your complaint on a Complaint Registration Form available [by clicking here](#). You must fill and send the Complaint Registration Form along with any documents by post or courier to General Manager, Insurance Regulatory and Development Authority of India(IRDAI), Consumer Affairs Department- Grievance Redressal Cell, Sy.No.115/1, Financial District, Nanakramguda, Gachibowli, Hyderabad-500032.
- c. You can visit the portal <http://www.policyholder.gov.in> for more details.

3. Insurance Ombudsman

If We refuse Your claim, You can approach the Insurance Ombudsman appointed by the Central Government. Information about Insurance Ombudsmen, their jurisdiction and powers is available on the website of the Insurance Regulatory and Development Authority of India (IRDAI) at www.irdai.gov.in, or of the General Insurance Council at www.generalinsurancecouncil.org.in, the Consumer Education Website of the IRDAI at <http://www.policyholder.gov.in>, or from any of Our Offices.

S. Information about Us

The Insurance Company Limited

Address

Web:

E-mail

Customer Service:

Special clauses

These are additional terms and conditions that apply in special circumstances and situations.

Agreed Bank Clause

If You have mortgaged, hypothecated or created any security over Your Home or any of its Contents in favour of a Bank, and the Bank has an interest in the Policy, the name of such Bank will also be shown in the Policy Schedule under the title 'Agreed Bank Clause'. If You choose to add the name of such Bank at any time during the Policy Period on payment of fees, this will be shown as an Endorsement.

Under this Clause, You agree as follows:

- i. We shall pay to the Bank the entire amount that We are liable to pay under this Policy. Such Bank will receive it for its own demand, and as agent for any other person interested in the amount.
- ii. When We pay the amount to the Bank, Our liability under this Policy will be discharged, and will be binding on all of You and all persons named as the insured.
- iii. Any notice or communication We make to the Bank under the provisions of this Policy shall be sufficient notice or communication to You.
- iv. Any settlement or compromise that We make with the Bank will be binding on You and all persons named as the insured. However such settlement or compromise will not affect the rights of the Bank to recover any amount from You or any other person.
- v. If You make any change in the use of Your Home, or leave Your Home unoccupied for more than 30 days, or sell or transfer the Insured Property, such actions will not prejudice the interest of the Bank under the Policy and this clause, unless the condition has been broken by the Bank or its employees.
- vi. If You commit any act or omission that will increase the risk, the insurance cover will not be invalidated. However, the Bank shall notify Us of any change or ownership, or alterations and increase in risks as soon they become known to the Bank, and shall pay additional premium from the time of such change.
- vii. When We pay the amount to the Bank, We will become legally and automatically subrogated to all rights of the Bank to the extent of such payment. This will not impair or prejudice the rights of the Bank to recover any amount from You or any other person.

सूक्ष्म-उद्योग बीमा पॉलिसी

Micro-Commercial Enterprises Building and
Contents Insurance Policy

Key Features of Micro-Commercial Enterprises Building and Contents Insurance Policy A Fire and Other Perils Insurance Policy of the Insurance Co Ltd.

Introduction

This document gives the important features of our Micro-Commercial Enterprises Building and Contents Insurance Policy (MCE Policy). Here, we describe the policy and answer your questions. Read it carefully before you buy this Insurance Cover, and keep it safe for future reference.

What is the Insurance Cover ?

The MCE Policy gives insurance cover to your property relating to your business. Under this policy, we agree to pay you for the loss you suffer when unexpected events cause physical loss, damage or destruction of building and structures, plant and machinery, stock and other assets relating to your business.

This **Policy gives three types of covers:**

- 1. Standard Cover** for the building and structures, plant and machinery, stock and other assets relating to your business.
- 2. Additional benefits:** under the Standard Cover.

How does the MCE Policy help me?

If building and structures, plant and machinery, stock and other assets relating to your business are lost, damaged or destroyed because of unexpected events that occur during the period of this policy, we provide insurance cover as follows:

Your loss	Condition	We pay, but not more than the sum insured
Any property is damaged.	You have repaired such property.	Cost of repairs
Any property is destroyed.	You have rebuilt the building or reinstated other property (other than stock).	Reinstatement value on 'new for old' basis i.e. cost of rebuilding the building or replacing other property.
Stock is destroyed.		Loss on 'Current Market price less Profit Margin' basis.
Raw material is destroyed.		Loss on 'Current Landed Purchase Price' basis
Any other property is destroyed.	You have not rebuilt the building or reinstated other property.	Reinstatement Value less Depreciation for wear and tear.

Which unexpected events does it cover ?

We pay for losses caused by these events:

Fire	Cyclone	Forest fire	Strikes
Explosion	Flood	Impact of aircraft, railway, vehicles,	Acts of Terrorism
Lightning	Subsidence of land	Falling trees	
Earthquake	Landslide	Riot	
Storm	Rockslide		

Special feature: Cover for loss caused by theft within 7 days of occurrence of, and caused by, these events. But we do not cover some losses, for example: Wear and tear, natural heating, defective design, tree-felling, etc.

Does it cover all losses caused by these events?

Some events and losses are not covered. Some of these are:

- Gradual deterioration,
- Wear and tear,
- Lack of maintenance,
- Natural deterioration,
- Inherent defects, structural or design faults,
- Your deliberate, wilful or intentional act,
- War, invasion, war-like operations,
- Ionising radiation,
- Pollution or contamination,
- Property is missing or has been mislaid,
- Consequential or indirect loss or damage,
- Addition, extension, or alteration to your building more than 10% of its carpet area
- Costs, fees or expenses for preparing anyclaim

For which property can I take this policy?

The policy covers

- Building, with its fittings and fixtures, garage, towers, security sheds, internal roads, lifts, air condition systems, security systems, electric installations, fire sprinkler systems and other structures that are located in your business premises.
- Plant and machinery, spares, accessories
- Stock of goods, finished goods and raw material, stock stored on or given for processing on other locations
- Other items like furniture, office and electronic equipment, canteen and kitchen equipment, computers

How do I become eligible ?

You can buy this cover for any property if you are its owner, tenant, lessee, purchaser, or you hold it as trustee on commission or are responsible for it.

You can buy this cover only if all insurable assets (whether insured or not) at any one location are not more than 5 crores. If your insurable assets are more than 5 crores at the beginning of the policy, or at any time during the policy period, you can purchase the fire and other perils policy meant for Small Commercial Enterprises and pay its premium.

What amount am I entitled to receive ?

The building, plant and machinery, stock and other assets are covered for the amount that will be required to replace them. This is the sum insured for each item or group of items.

If any insured property is damaged, we pay the amount you have spent on repairs. If any insured property is lost or destroyed, we pay the Sum Insured for that item.

Special feature: Underinsurance upto 30 % of Sum Insured is waived. Underinsurance occurs if the replacement or reinstatement value of any insured property is more than the Sum Insured. It is usual in insurance covers that in such a case, the full claim is not paid. It is reduced in proportion to the difference. Under the MCE Policy, difference upto 30% is ignored.

The amount of Sum Insured is decided and agreed beforehand for each cover and items of property. It is shown in a document called the Policy Schedule. This is the maximum amount we will pay, in case the actual cost of repair, rebuilding or replacement is higher. This policy ends when we pay the whole Sum Insured of any cover or item insured.

If you are not eligible to take this policy because your insurable assets at any one location are more than 5 crores, underinsurance waiver will be reduced to 15%. An excess will apply, that is, for each claim Rs 10000 or 5 % of claim (whichever is higher) and we will only pay the remaining amount. If we find that reinstatement value is deliberately misstated, we can refuse the claim and cancel the policy.

How much do I pay for this cover?

You pay the premium. The premium for the Insurance depends on

- (i) the nature of insured property, viz. building, plant, stock etc.
- (ii) the amount of Sum Insured,

(iii) the nature of your business.

How long does this cover protect me?

The covers protect you during the period of the policy; it is not more than one year.

How and when do I pay the premium ?

You can pay the premium by cheque, demand draft, or electronic transaction. You must pay premium in advance. The insurance cover begins only after we receive your premium

Do I have to do anything?

You have some obligations to fulfill. You must:

- State all and true information about yourself, your property and your business when you submit a proposal.
- Take care of the property insured, and maintain it in good condition and repair.
- Make true and full disclosure in your claim and documents supporting the claim.
- Give us full cooperation for investigating the claim that you will make.
- Make a claim when you suffer loss, and follow the claim procedure.

How do I make a claim?

If you suffer a loss that is covered by this policy, you must make a claim. We will verify the claim and accept it if it is according to the terms and conditions of this policy.

When you suffer loss, you must

- Report to police, fire authorities,
- Report to us with details,
- Take care of your property, and articles and things that are damaged,
- Preserve and collect evidence, take and preserve photographs,
- Assist us and our representatives in collecting evidence and details, give us all information, books of accounts, and other documents,
- Make a claim as soon as possible, but not beyond 12 months from the date of loss.

What is the effect of my death?

If you are an individual, the policy will continue for the benefit of your legal representatives until the end of the period of the policy.

Can I make changes to this policy?

You can request for increasing or reducing the Sum Insured, or adding or removing any item of insured property. If we accept your request, the change accepted will be effective.

Can this policy be cancelled?

You can cancel and return this policy within the 'free-look' period of 15 days from the date you receive this policy. We will return the premium after deducting small administrative charges.

You can cancel this policy at any time during the policy period. We will return part of premium.

We cannot cancel this policy during the policy period except where you have not fully or truly disclosed information at the time of making the proposal or the claim, or you have changed the use of the property to non-residential or commercial use.

What do I do to obtain this Policy

Our agent will meet you and explain this policy to you. You will fill a proposal form. Our agent will give you the form and help you fill it.

Where can I find the details of the Cover?

We have given above the broad features of the MSE Policy. If you choose this plan, your transaction with us will have legal consequences. More information about the cover is in a document called the 'Prospectus'. Detail terms and conditions of this cover will be stated in a legal document called the 'Policy'. It is therefore important to read the prospectus and the policy.

- You can read these two documents on our website
- You can download them from our web-site.
- You can send email to and ask for copies. We will email to you soft copies.
- You can get copies from any branch of our Company.

Whom do I contact about this Cover or Policy ?

You can contact any agent of the company, visit our website for information on this product, call our call centre or contact our office near to you.

What do I do about complaints ?

You can approach the our Grievance Redressal Officer by sending an email at ____ ____ ____ (email address) or a letter to ____ ____ ____ ____ ____ (address). If this does not resolve your complaint, you can approach the Insurance Ombudsman, who is the authority set up for redressing your grievance concerning insurance. You can find more details about Insurance Ombudsmen at www.gbic.co.in or www.irda.gov.in.

The Insurance Co Ltd
The Micro-Commercial Enterprises Building and
Contents Insurance Policy

Prospectus

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This prospectus gives basic information about the Micro Commercial Enterprises Building and Contents Insurance Policy (MCE Policy) that you can purchase from us, i.e. the Company. The MCE Policy provides insurance cover for physical loss or damage to, or destruction of, Property relating to your business.

A. The insurance cover

We cover Your loss caused by physical damage to or destruction of the building and structures, plant and machinery, stock and other assets relating to your business.

These are the Insured Properties.

If any insured property is lost, damaged or destroyed, we provide cover as follows:

Your loss	Condition	We pay, but not more than the sum insured
Any property is damaged.	You have repaired such property.	Cost of repairs
Any property is destroyed.	You have rebuilt the building or reinstated other property.	Reinstatement Value, that is, cost on 'new for old' basis i.e. cost of rebuilding the building or replacing other property.
Stock is destroyed.		Loss on 'Current Market price less Profit Margin' basis.
Raw material is destroyed.		Loss on 'Current Landed Purchase Price' basis
Any other property is destroyed.	You have not rebuilt the building or reinstated other property.	Reinstatement Value less Depreciation for wear and tear.

B. Additional benefits

We also pay the following:

1. **Professional fees:** Reasonable fees of architects, surveyors and consulting engineers upto 3 % of the claim amount
2. **Removal of debris:** Reasonable expenses for removal of debris upto 1 % of the claim amount.
3. **Costs compelled by Municipal Regulations:** Additional cost of reconstruction of property incurred solely for complying with municipal regulations.
4. **Additions, alterations or extensions:** Property that you erect, acquire or add during the Policy Period is covered upto 30% of the sum insured for that item.
5. **Stock on floater basis:** Loss to stock located at more than one locations.
6. **Temporary removal of stock:** Loss to stock temporarily removed to other premises for fabrication, processing or finishing upto 10% of value

C. Which unexpected events are covered?

We pay for the physical loss, damage or destruction of your property in your business premises caused by specific unexpected events given below. Some losses that we do not cover are also stated:

	The unexpected events	But We do not cover loss caused by
1.	Fire	Own fermentation or natural heating
2.	Explosion or Implosion	Machinery generating steam
3.	Lightning, Earthquake, Storm, Cyclone, Flood	
4.	Subsidence of land, landslide, rockslide	Defective design, defective materials
5.	Forest fire, bush fire	
6.	Impact of aircraft, railway, vehicles, animals	
7.	Riot, Strikes, Acts of Terrorism	Dispossession or requisition on orders of authority
8.	Overflowing water tanks	Wear and tear, or defects which you knew, or repairs or alterations in your premises
9.	Theft and burglary within 7 days of occurrence of, and caused by, any of above events	

Examples

- i. Your insured building catches fire. All its doors are opened for fighting the fire. A person takes advantage of the situation and carries away Insured electronic equipment. Since this theft follows a fire, we will pay for your loss upto the limits of the applicable sum insured for that equipment.
- ii. During riots, a rioter breaks a window of your shop and takes away articles of value Rs 35,000. It costs Rs 20,000 to repair the window. Here the loss is due to theft, which arose during riots, which is an insured event. It arose at a time when you were not in a position to protect your property. We will pay Rs 35,000 for the loss of articles, and Rs 20,000 for repairs of the window, but not more than the sum insured.

D. Which property is covered?

This policy covers the following properties in your premises, that is, the place you carry on your business. The properties must be located in your premises, except some properties that you declare, and the Policy covers in special situations. The MCE policy covers the following properties.

1. **Any building or structure** in your premises where you carry on your business. It may be a shed, flat, house, unit of a building. It may be made of any material. It includes:
 - i. All fixtures and fittings permanently attached to the floor, walls or roof, like electrical wiring, antennas, etc.,
 - ii. The following 'additional structures' located on your premises and used for your business, that are shown in the Policy Schedule:
 - a. garage, out-houses, and security sheds, towers, poles, verandah or porch and the like, tanks, compound walls or other walls, fences, gates, retaining walls,
 - b. internal roads,
 - c. lifts, hoists,
 - d. solar panels, wind turbines and air conditioning systems, central heating systems, security systems and cameras, electrical installations, fire alarm or other security systems, fire sprinkler systems, power lines, power installations, and the like, or
 - iii. Any other structure shown in the Policy Schedule.
2. **Plant and Machinery**, that is, all equipment, machinery, pipes and cables, spares, computers, servers and preloaded softwares, located within any structure or in the open area of your premises. It includes
 - i. Machines under repair,
 - ii. Machines taken on hire or lease, or any system of purchase of goods,
 - iii. Foundation, bedding or setting of the machines, or
 - iv. Accessories of machines.
3. **Stock of goods or merchandise**. It may be:
 - i. Finished goods, semi-finished goods, stock in process, stock invoiced and ready for dispatch, finished goods,
 - ii. Raw materials, packing materials,
 - iii. Stock accepted for job work for which you are responsible,
 - iv. Stock located outside your premises if you have declared so.
4. **All other assets**, that is, all other tangible property located in your premises and used for your business. It includes
 - i. Furniture and fixtures, office equipment, telephone equipment, electronic equipment, computers (but not programmes, information or data),
 - ii. Canteen and kitchen equipment, gym and permanent sports equipment,
 - iii. Vehicles used inside your premises

E. Who can purchase this Policy?

1. You can purchase the MCE Policy for the **building or structure** if
 - i. You own it, or occupy under a lease,
 - ii. You occupy it as purchaser under an agreement of sale or lease,

- iii. You are an occupier authorised under any law,
 - iv. Your property is occupied by a tenant, a licensee or your employee, or
 - v. You are a tenant under an agreement in writing and are liable to repair it.
2. You can purchase the MCE Policy for **plant and machinery, stock or other property** if
- i. You own it, or use it under a lease in writing,
 - ii. You hold it in trust or on commission or are responsible for it,
 - iii. You have taken plant and machinery or other contents on hire or lease, or any other system of purchase,
 - iv. You have accepted stock for job work for which you are responsible.
3. You **are eligible to** purchase the MCE Policy
- i. If you carry on any business of manufacturing or production of goods, or of providing or rendering services, and
 - ii. If you own or are legally responsible for your business, and
 - iii. If the value of all your insurable assets at one location is not more than Rs 5 crores. These include buildings, plant and machinery, stock, and all other assets, even if you have not taken insurance cover for all of them. They include all assets which you own, or hold as tenant or occupant, or hold in trust or commission, or are legally responsible for.
4. When you apply for this cover, you can declare the value of all your insurable assets as on the Commencement Date on the basis of Your books and accounts. But You will be required to substantiate and validate your eligibility when you make your claim.
5. If the value of all insurable assets, or the total sum insured of all your Insurance Policies for fire and other perils covering any property, exceeds Rs 5 crores on the Commencement Date or later,
- i. We will apply stricter underinsurance provisions for your claim (See below: Underinsurance).
 - ii. Your claim will be subject to an 'Excess'. This means that for each claim you must bear 10000 or 5% of claim (whichever is higher), and we will cover only the remaining amount.
 - iii. We will cancel this Policy and adjust the refund premium, calculated at pro-rata basis, to issue you similar policy meant for Small Commercial Enterprise (SCE). You must pay the balance premium required for SCE Policy; or We can deduct it from any claim amount that We must pay You.
 - iv. If your declaration of lower value is made recklessly, or is deliberate or wilful, we will refuse your claim, cancel the policy and forfeit the premium.

F. Sum Insured

1. **The maximum amount:** The maximum amount we pay under this Policy is the total sum insured. The maximum amount we pay under this Policy for any cover, or any item, or category or group of items, is the sum insured for that cover or item, category or group. The sum insured for each cover is stated later.

2. **Basis of sum insured:** The sum insured must be equal to the cost of reinstating each insured property on the date the policy commences. Premium is calculated with reference to the amount of sum insured.
3. **Reinstating the policy:** If we have paid any loss on your claim, it reduces the sum insured. When we pay you the full sum insured for any cover or any item covered, the Policy ends to that extent. If you pay proportionate premium for the unexpired policy period, we will restore the policy to the full original amount of sum insured during the Policy Period. This ensures full cover during the period of the policy.

Example

- a. If you repair your air-conditioning tower insured for Rs 15,00,000 damaged in a fire, and we pay your claim of Rs 5,00,000, you can pay proportionate premium for Rs 10,00,000 for unexpired period in order to take benefit of full cover.

If the tower is destroyed, and we pay your claim of Rs 15,00,000, the new tower that you install will not be covered under this Policy unless you request to add it again and pay premium.

- b. If your building insured for Rs 2,00,00,000 is severely damaged and we pay you Rs 2,00,00,000 under the MC Policy for its repair and reinstatement, you will not be covered under this Policy for the new building that you construct, unless you pay premium for the cover.

G. Underinsurance

1. **Underinsurance waiver upto 30%** : This is a special feature of the MCE policy. We waive underinsurance up to 30%. This means you are your own insurer for the difference. Thus, if the replacement or reinstatement value of the insured property is more than the sum insured, it amounts to underinsurance, and will reduce the amount that We will pay for Your claim in proportion to the difference. Every item of insured property is subject to this condition separately.
2. If the value of all insurable assets, or the total sum insured of all your Insurance Policies for fire and other perils covering any property, exceeds Rs 5 crores on the Commencement Date or later, we will apply stricter underinsurance waiver of only 15%.

Examples

1. You have taken insurance for a sum insured of Rs 5 crore. The value at risk of insurable items at the time of loss is found as Rs. 7 crore. There is a loss of Rs 1 crore. Underinsurance is 28.57%. Since it is less than 30%, we will consider the full claim of 1 crore for payment.
2. Your factory has stored stock. Its production cost is Rs 2.5 crores. This includes some stock that is older than 6 months. Your MCE policy covers stock for Rs 3 crores. Due to change in raw material price, the manufacturing cost of same amount of stock on the date of loss is Rs 3.25 crore. The stock of production cost Rs 1 crores is burnt in fire. Since underinsurance is less than 30%, we will consider the full claim of Rs 1 crores for payment.
3. Your shop has an MCE Policy. You have insured for structure for Rs 3 crores and stock for 1 crores. The actual value of structure is Rs 3.5 crores and of stock is 2 crores. Stock of Rs 50 lakhs is burnt in a fire. The stock has underinsurance of 50%, that We cannot waived. We ought to consider your claim for payment of Rs 25 lakhs only. However, the total sum insured is Rs 4 crores as against value of Rs 5.5 crores. Underinsurance of total amount is less than 30%. We will therefore not make deduction for underinsurance, and consider your full claim of Rs 50 lakhs for payment.

4. You have taken MCE Policy for a sum insured of Rs 5 crore for stock. The value at risk of stock is Rs 5 crore. There is a fire and a loss of Rs 1 crore. At the time of loss it is found out that you had taken another policy of Rs. 3 crore from another insurer covering plant and machinery worth 4 crore, of which there is a loss of Rs 10 lakhs.

In this case, the total value at risk is Rs 9 crores. After giving the benefit of 30% underinsurance waiver the value comes to 6.3 crores, indicating that the insured was not eligible for MCE Policy. Hence the terms and conditions of SCE Policy shall apply, which provides for only 15% underinsurance waiver.

Since each item is subject to condition of underinsurance, and there is no underinsurance of stock, loss to stock is fully payable.

There is underinsurance of 25% on plant and machinery. The total sum insured is Rs 8 crores as against value of Rs 9 crores. Since overall underinsurance is within 15 %, the entire amount of Rs 10 lakhs will also be paid by the other insurance company from which you have bought cover for plant and machinery.

H. Exclusions, that is, when we do not pay:

The MCE Policy has many exclusions stated in detail in the Policy. These situations in which we do not pay are mainly:

1. Loss from any one insured event is not more than Rs 10,000.
2. Loss caused by
 - i. Wear and tear, lack of maintenance, natural deterioration, effect of weather.
 - ii. Existing defects, inherent defects, structure or design faults, poor workmanship
 - iii. Your intentional acts or of persons staying with you
 - iv. Power Surge
 - v. War, invasion, civil war
 - vi. Radiation
 - vii. Pollution and contamination
3. Loss of stocks in cold storage premises
4. Consequential loss, like loss by delay, loss of income, wages, medical expenses, cleaning costs.
5. Addition of any property beyond 30% of the sum insured.
6. A claim is covered by a marine policy.
7. Cost of preparing claim

I. Premium

Premium is the amount you pay to us for the insurance covers. Any insurance cover begins only after we have received the premium.

You can pay premium by cheque, demand draft or electronic transfer. We can also deduct the premium from any claim amount that we pay.

J. Changes and Cancellation

Changes during Policy Period.

During the Policy Period, you can request to make changes in the policy. You can request for increase or decrease in the sum insured, ask to cover any addition you make to your business or its contents, or take additional cover.

You can cancel the Policy.

1. **Free look period** : If you do not like the policy, you can return the policy by informing us within 15 days from the day you receive it. We will return the premium after deducting a small amount of administrative expenses. You must submit documents we ask for the purpose.
2. **Cancellation at any time** : You can cancel the policy at any time during the policy period. If you have not made any claim, we will refund premium as follows

Time for which Policy in force	Refund of premium

We can cancel the policy.

We will not cancel the Policy during the policy period except for the following reasons

- a. You have not truly and fully disclosed material information in the proposal and documents when you bought the policy, or while making your claim.
- b. You have not cooperated with claims procedure.

Policy ends automatically:

- a. If insured property is lost, destroyed or stolen, or its cost of repair is more than the sum insured, and we have paid you the entire sum insured for that property.
- b. If you change your trade, or make changes in the building in such a way that it affects the risk
- c. If the building or your premises become unoccupied for 30 days or more.

K. Making a claim

You must make a claim for the amount of cover. We will verify the claim and accept it if it is according to the terms and conditions of this Policy.

When you suffer loss or damage to your business or articles and things in it, you must

1. Report to police, fire authorities or other authorities,
2. Report to us with details of the event and your loss,

3. Take care of your business, and articles and things that are damaged, but do not repair until we have inspected the loss,
4. Preserve and collect evidence, take and preserve photographs,
5. Assist us and our representatives in collecting evidence and details about your loss, give us all information, books of accounts, and other documents,
6. Make a claim as soon as possible, but not beyond 12 months from the date of loss,
7. Prove that the Insured Event has happened, and the extent of your loss.

If you do not fulfill these conditions, we will not pay the full claim, or we will reduce it.

L. Your obligations

As a purchaser of insurance, you must fulfill some obligations and conditions. We can pay you if these conditions and obligations are fulfilled.

1. Make true and full disclosure of information about yourself, your building in the proposal and related documents,
2. Make true and full disclosure in your claim and documents supporting the claim,
3. Inform us of any change in business, premises, or that the premises will remain unoccupied,
4. Take care of the property insured, and maintain it in good condition and repair,
5. Take care to prevent theft,
6. Comply with all laws and safety requirements,
7. Employ competent employees,
8. If your premises will remain unoccupied, ensure security procedures that we will direct you to take,
9. Follow all conditions that we direct for security and safety of insured properties,
10. Give us full cooperation for investigating the claim that you will make, and
11. Follow the claim procedure

M. This prospectus

This prospectus gives information only. This is not an insurance contract. Each insurance cover is subject to terms and conditions, which you can read in the MCE Policy document. You must read the policy document to know the insurance cover fully. You can get a copy of the MCE Policy from our branch or from our website

N. Complaints

If you have any complaint about any matter relating to the policy, or our decision on any matter, or our decision about your claim, you can pursue your complaint with

1. Our Grievance Redressal Officer
2. The Consumer Affairs Department of IRDAI,

- 3. The Insurance Ombudsman, or
- 4. The Consumer Protection Forum of Commission or the Court.

O. About our Company

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The Micro-Commercial Enterprises Building and Contents Insurance Policy

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The Micro-Commercial Enterprises Building and Contents Insurance Policy

1. This **Micro-Commercial Enterprises Building and Contents Insurance Policy** (MCE Policy) provides insurance cover to You for the physical loss or damage to or destruction of Your Property relating to Your Business. This is an important legal document. Please read it carefully and keep it in a safe place.
2. **Description of parties:** In this Policy, the words 'You' or 'Your' refer to You who have purchased this cover. The words 'We', 'Us' or 'Our' refer to the <Insurance Company Name>, who has accepted to give You the insurance cover.
3. **This Insurance Cover is on terms and conditions:** You chose this MCE Policy, and applied to Us for insurance cover of Your choice. The insurance covers and extensions to the covers that You have chosen are shown in the Policy Schedule. You paid Us the premium, and gave Us information about Yourself, Your commercial enterprise and Your Property. You assured Us that this information is true and correct. In return of accepting Your premium, and on the basis of Your assurance, We promise to provide You insurance cover in the event of physical loss or damage, or destruction of Your Property arising from specified unforeseen events (section E) that occur during the Policy Period, in the manner, and on terms and conditions, stated in this Policy document and the Policy Schedule..

A. The Insurance Covers

We cover physical loss or damage caused because of listed unforeseen events (section E) to Your Property consisting of the Building and Contents relating to Your Business.

We cover Your Property that You own, or You hold in trust or on commission or You are legally responsible for, and which is shown in the Policy Schedule.

B. Summary of this Policy

We promise to pay to You for the physical loss or damage, or destruction of Your Property caused by unforeseen Insured Events (section E).

Our promise is subject to terms and conditions of this Policy.

We promise to pay for the insurance covers that You have chosen (section G), and any Additional Covers that You purchase (section A, para b). These are shown in the Policy Schedule.

The maximum amount We pay is shown in the Policy Schedule as the Sum Insured. The amount We pay for some items has limits and sub-limits. (section D)

We promise to pay if the Insured Event has occurred during the Policy Period.

There are situations when We do not pay. (section F)

- a. We do not pay at all in some situations. These are the general exclusions.
- b. We do not cover some costs or expenses.

We promise to pay on an important assumption that You have stated the entire and true information about Yourself and Your Property, in the proposal and all the declarations that You made to Us. If any material

information is false or incorrect, or is withheld, We will not pay, and We can also cancel the Policy. (section J para 1, and section L para 3).

You must inform Us during the Policy Period of changes in circumstances. (section J para 4)

If a claim arises under this Policy, You must immediately report to Us. You must also take care and preserve the damaged things. You must make a claim to Us for Your financial loss. (section J para 3, and section M para 1)

You have a right to cancel this Policy and return it. If You cancel it, We will refund part of the premium (section L paras 1 and 2). There are other situations in which this Policy will automatically end (section L para 4).

C. This Policy and the Insurance Contract

1. Your Policy: This MCE Policy contains Our promise to pay, the terms and conditions on which We promise to pay, and Your obligations. The contract between You and Us is stated in the following documents:

- i. This Policy document,
- ii. The Prospectus,
- iii. The Policy Schedule attached to this Policy,
- iv. Any Endorsement, addition or variation that You and Us agree to make in the insurance cover, and
- v. The proposals and all declarations made by You or on Your behalf.

2. Who is covered by this Policy

- a. This Policy covers: You, that is, all persons named in the Policy Schedule as the Insured.
- b. If more than one person is insured under this policy, each of You is a joint policyholder. Any notice or letter We give to any of You will be considered as given to all of You. Any request, statement, representation, claim or action of any one of You will bind all of You as if made by all of You.
- c. If You have mortgaged, pledged or hypothecated any Insured Property with a Bank, the Policy Schedule will show an 'Agreed Bank Clause' and the name of such Bank. The terms and conditions of this arrangement appear on an Endorsement.

3. The Policy Schedule: The Policy Schedule is an important document about Your insurance cover. It shows:

- i. Your personal details,
- ii. The insurance covers You have purchased,
- iii. The total Sum Insured, the Sum Insured for each cover, or for each block, set or category of Insured Property, and its limits and sub-limits,
- iv. The premium You have paid for these insurance covers,
- v. The Policy Period,
- vi. The description of Your Insured Property,
- vii. Any special terms, conditions and exclusions that apply to You, and
- viii. Other important information.

4. **Policy Period:** The Policy Period continues until the Policy continues. The Policy Period will end when this Policy ends under the terms and conditions of this policy.
5. **Special Meanings of Words :** Words stated in the table below have a special meaning throughout this Policy and the Policy Schedule. These words with special meaning are stated in the Policy with the first letter in capitals.

Word	<i>Specific meaning</i>
Bank	A bank or any financial institution
Building	Any building or structure in Your Premises where You carry on Your Business. It includes: a. All fixtures and fittings permanently attached to the floor, walls or roof, like electrical wiring, antennas, etc., b. The following 'additional structures' located on Your Premises and used for Your Business, that are shown in the Policy Schedule: i. garage, out-houses, and security sheds, towers, poles, verandah or porch and the like, tanks, compound walls or other walls, fences, gates, retaining walls, ii. internal roads, iii. lifts, hoists, iv. solar panels, wind turbines and air conditioning systems, central heating systems, security systems and cameras, electrical installations, fire alarm or other security systems, fire sprinkler systems, power lines, power installations, and the like , or v. any other structure shown in the Policy Schedule.
Business	Your business, trade or profession as shown in the Policy Schedule.
Commencement Date	It is the date and time from which the Insurance Cover of this Policy begins. It is shown in the Policy Schedule.
Contents	Plant and Machinery, Stock, Furniture and fixtures , and all other contents, located in Your Premises and used only for Your Business. Contents do not include goods kept in a basement, unless these are declared in Your proposal, and accepted by Us on payment of additional premium.
Endorsement	A written amendment that We make to the Policy about additions, variations, declarations, the insurance cover, exclusions, or conditions of this Policy.
Excess	It is the amount that You must bear in every claim before We become liable to pay.
Franchise	It is the amount such that if Your total claim amount does not exceed, You must bear. If Your total claim amount exceeds it, We pay the full claim amount.
Insurable	All buildings, plant and machinery, stock, and all other assets which, for the purposes of

Word	Specific meaning
Assets	Your business or trade on any one location, You own, or hold as tenant or occupant, or hold in trust or on commission, or are legally responsible for as part of Your trade, even if You have not taken insurance cover for any of them.
Insured Property	The Building and Contents that are insured under this Policy, and are located in Your Premises unless specifically stated in this Policy. The Insured Property is shown in the Policy Schedule.
Plant and Machinery	All equipment, machinery, pipes and cables, spares, computers, servers and preloaded softwares, located within any structure or in the open area of Your Premises. It includes <ul style="list-style-type: none"> i. machines under repair, ii. machines taken on hire or lease, or any system of purchase of goods, iii. foundation, bedding or setting of the machines, or iv. accessories of machines.
Policy Period	The period for which We give insurance cover under this Policy.
Policy Schedule	The document accompanying and forming part of the Policy that gives Your details and of Your insurance cover, as described in section C para 3.
Reinstatement Value	This is the amount at which the Insured Property can be reinstated or replaced on 'new for old' basis by a similar property, without deducting depreciation, and to the extent required to bring that Property to a condition substantially the same as, but not superior, better or more extensive than, its condition if it were new on the date it is damaged or destroyed.
Stock	Any stock of goods or merchandise. It may be: <ul style="list-style-type: none"> i. Finished goods, semi-finished goods, stock in process, stock invoiced and ready for dispatch, ii. Raw materials, packing materials, or iii. Stock accepted for job work for which You are responsible.
Sum Insured	The amount shown as such in the Policy Schedule, and is described in section D. It represents Our maximum liability for each cover or part of cover and for each loss.
Total Loss	A situation where the Insured Property is completely destroyed, lost, or damaged beyond retrieval or repair, or the cost of repairing it is more than the Sum Insured of that item or in total.
We, Us, Our, Insurer	The Insurance Company that has provided Insurance Cover under this Policy; of the Company.
You, Your, Insured	The Insured Person, Company or other entity shown in the Policy Schedule who has purchased Insured Cover under this Policy; of such Insured Person

6. Eligibility for this MCE Policy

- a. We have issued You the MCE Policy on the basis of Your declaration that the value of all Your Insurable Assets at one location is not more than Rs 5 crores on the Commencement Date. Your eligibility is subject to verification at any time during the Policy Period, and also when You make Your claim.
- b. If the value of all Your Insurable Assets at one location exceeds Rs 5 crores on the Commencement Date or at any time during the Policy Period, or if You have purchased more than one Insurance policy covering any Insured Property at one location against fire and other perils, and the total of the Sum Insured of all policies together exceeds Rs 5 crores on the Commencement Date or at any time during the Policy Period,
 - i. We will apply waiver of underinsurance only of 15%. This means We will reduce the amount that We will pay for Your claim if
 1. The Sum Insured for the item of Insured Property for which You make a claim is less than 85 % of the Reinstatement Value of that item, and
 2. The total Sum Insured for all items of Insured Property (including additions alterations, erections and new acquisitions to the Insured Property during the Policy Period) is less than 85 % of the Reinstatement Value of all items of Insured Property.
 - ii. For each claim, an Excess will apply instead of Franchise. This means We will deduct 5% of the claim amount subject to a minimum of Rs 10000 in respect of each loss. Excess applies per Insured Event per Insured. When Excess applies, item 1 of Section F will not apply.
 - iii. After paying Your claim on stricter terms as above, We will cancel this Policy and adjust the refund premium, calculated at pro-rata basis, to issue You similar policy meant for Small Commercial Enterprise (SCE). You must pay the balance premium required for Small Commercial Policy, or We can deduct it from any claim amount that We must pay You.
 - iv. We will refuse Your claim, cancel this policy and forfeit Premium if Your declaration of lower value is made recklessly, or is deliberate or wilful.
- c. In the circumstances mentioned in Section C para 6.b, We will cancel this Policy, and issue to You similar policy meant for Small Commercial Enterprises (SCE). You must pay the premium for the SCE policy. We can deduct the premium for the SCE policy from any claim amount that We must pay You.

D. The Sum Insured

1. **The maximum claim amount:** The maximum amount We pay for any single claim or loss under this policy is the total Sum Insured as shown in the Policy Schedule. The maximum claim amount We pay under this policy for any cover or any item, or category or group of items, is the Sum Insured shown in the Policy Schedule for that cover or item, category or group.
2. **Sum Insured is automatically restored:** Except as stated in para 3 below, the insurance cover will at all times be maintained to the full extent of the respective Sum Insured representing the Reinstatement Value at the time of loss. After We have paid any loss, You must pay to Us the pro-rata premium from the date of loss until the expiry of the Policy Period. We can also deduct this premium from the net claim that We must pay You.

3. Exhaustion of the Sum Insured:

- a. If any Insured Property is lost, destroyed or stolen, or is a Total Loss, and We pay You the full Sum Insured for such item, the insurance cover for that item will automatically end. If You wish to continue cover for that item, or to reinstate Your Policy, You must pay the relevant premium again from the date of loss until the expiry of the Policy Period.
- b. If We pay the total Sum Insured, this Policy will end. You can pay the premium and resume the Policy once again.

4. Underinsurance:

- a. The Sum Insured for each item of Insured Property must be sufficient to pay for reinstatement or replacement of that Property on 'new for old' basis on the date of loss. If the Reinstatement Value of the Insured Property, including additions, alterations, erections and new acquisitions, is more than the Sum Insured, it amounts to underinsurance, and will reduce proportionate to the difference the amount that We will pay for Your claim.
- b. Every item of Insured Property is subject to this condition separately.
- c. Under this MCE Policy, We can waive underinsurance upto 30%.
- d. We will reduce the amount that We will pay for Your claim if
 - i. The Sum Insured for the item of Insured Property for which You make a claim is less than 70 % of the Reinstatement Value of that item, and
 - ii. The total Sum Insured for all items of Insured Property (including additions alterations, erections and new acquisitions to the Insured Property during the Policy Period) is less than 70 % of the Reinstatement Value of all items of Insured Property.
- e. We will refuse Your claim, cancel this policy and forfeit Premium if Your declaration of lower value is made recklessly, or is deliberate or willful.

Note: The cost for replacement or reinstatement of additions made to Insured Property during the Policy Period will be reckoned from the date of addition.

E. Insured Events

We give insurance cover for physical loss or damage, or destruction caused to Insured Property by the following unforeseen events occurring in the Insured Premises during the Policy Period. There are some things We do not cover for some events, and these are shown for each event in the second column.

	We cover physical loss or damage, or destruction of the Insured Property caused by	We do not cover for loss, damage or destruction of, the Insured Property
1.	Fire, including spontaneous combustion, i.e., by its own fermentation, or natural heating	caused by <ul style="list-style-type: none"> a. its undergoing any heating or drying process, or b. burning of Insured Property by order of any Public Authority.
2.	Explosion or Implosion	<ul style="list-style-type: none"> a. caused to boilers, economizers or other vessels, machinery or apparatus in which steam is generated, or their contents, resulting from their own explosion or implosion, or

		b. caused by centrifugal forces.
3.	Lightning	
4.	Earthquake, volcanic eruption, or other convulsions of nature	
5.	Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Tsunami, Flood and Inundation	
6.	Subsidence of the land on which Your Premises stand, Landslide, Rockslide	caused by a. normal cracking, settlement or bedding down of new structures, b. the settlement or movement of made up ground, c. coastal or river erosion, d. defective design or workmanship or use of defective materials, or e. demolition, construction, structural alterations or repair of any property, or ground works or excavations.
7.	Forest fire, jungle fire, bush fire, clearing of lands by fire	
8.	Impact of a. aircraft, other aerial or space device, articles dropped from aircraft, aerial or space device, b. by direct contact of rail or road vehicle or animal not owned by You, or the occupier of Your Premises, or Your employees.	caused by pressure waves caused by aircraft or other aerial or space devices travelling at sonic or supersonic speeds, or
9.	Missile testing operations	
10.	Riot, Strikes, Malicious acts, Acts of terrorism	caused by a. total or partial cessation of work or the retardation or interruption or cessation of any process or operations or omissions of any kind, b. temporary or permanent dispossession, confiscation, commandeering, requisition or destruction by order of the government or any lawful authority, or c. temporary or permanent dispossession of any Building by unlawful occupation by any person.
11.	Bursting or overflowing of water tanks, apparatus and pipes, and Leakage from automatic sprinkler installations.	caused by a. wear and tear, b. the escape of liquid occurring as a result of a gradual process of leaking, splashing, dripping or overflowing over a period of time, c. repairs or alterations in Your Premises or the building in which

		Your Premises are located, d. repairs, removal or extension of any sprinkler installation, or e. defects in the construction known or ought to have been known to You.
12.	Theft and burglary within 7 days from the occurrence of, and proximately caused by, any of the above Insured Events	if it is a. of any article or thing outside Your Premises, or b. of any article or thing attached from the outside of the outer walls or the roof of Your Premises, unless securely mounted.

F. Exclusions, that is, when We do not cover

We will not pay under this Policy **at any time** for losses or expenses, or any loss, damage to, or destruction of, the Insured Property, directly or indirectly a result of or is caused by or arising from events, stated below:

1. Franchise amount of Rs 10,000 for each claim. This means that if Your loss from any one Insured Event does not exceed Rs.10,000. However, We will pay the entire loss upto the limit of the Sum Insured if Your loss is more than Rs 10,000.
2. Gradual deterioration, wear and tear, natural deterioration, lack of maintenance, depreciation, gradual weathering, effects of light or atmosphere, mould, rust, corrosion, algae, dry or wet rot, fungus.
3. Inherent defects, structural or design faults, defects because of poor workmanship, that You were aware of or could have been aware of before the Insured Event, and You failed to fix or repair them before the loss or damage occurred.
4. Mechanical or electrical failure or breakdown, or if any article or equipment fails to operate properly, except as specifically stated in this Policy.
5. Your deliberate, wilful or intentional act or omission, or of anyone on Your behalf, or with Your connivance.
6. Loss, damage or destruction to any electrical machine, apparatus, fixture, or fitting by over-running, excessive pressure, short circuiting, arcing, self-heating or leakage of electricity from whatever cause (lightning included). This exclusion applies only to the particular machine so lost, damaged or destroyed.
7. Power surge, unless it results into an Insured Event, which causes the loss.
8. Loss of, or damage to, or breakdown of computer or electronic equipment caused by
 - i. Electrical, electronic or mechanical derangement or malfunction,
 - ii. Faulty date recognition,
 - iii. A processing error, or
 - iv. A computer fault or virus.

9. Loss, destruction or damage to the stocks in cold storage premises caused by change of temperature, except to the extent it is covered by any additional cover,
10. Loss, or damage to perishable stock stored in Your Premises resulting from the retardation or interruption or cessation of any process or operation caused by an Insured Peril.
11. Your Premises or any Insured Building remaining continuously unoccupied for a period of 30 days or more, unless You have obtained prior written approval from Us on payment of additional premium, and such approval is recorded as an endorsement on the Policy.
12. Confiscation, requisition, seizure, forfeiture, detention, or holding of any Insured Property under any law, rule or regulation by police, officials or authorities.
13. War, invasion, act of foreign enemy hostilities or war-like operations (whether war is declared or not), civil war, mutiny, civil commotion amounting to a popular rising, military rising, rebellion, revolution, insurrection or military or usurped power.
14. Ionising radiation or contamination by radioactivity from any nuclear fuel or from any nuclear waste from combustion of nuclear fuel, or the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component that is part of it.
15. Pollution or contamination, unless
 - i. The pollution or contamination itself has resulted from an Insured Event, in which case only physical damage to the Insured Property is covered, or
 - ii. An Insured Event itself results from pollution or contamination.
16. Loss or damage to Your personal property, belongings or effects or of Your employees or visitors in Your premises, unless declared separately.
17. Loss or damage to bullion, precious stones, money etc.
18. Loss of any Insured Property which is missing or has been mislaid, or its disappearance cannot be linked to any single identifiable Insured Event.
19. Loss or damage to any Insured Property removed from Your Premises to any other place, except as specifically stated in this Policy.
20. Any reduction in market value of any Insured Property after its repair or reinstatement.
21. Loss or damage to any Insured Property or any claim which is covered by a marine policy in force at the time of loss or damage, except in excess of the limits of that policy.
22. Any consequential or indirect loss or damage of any description, i.e. losses or extra costs (financial or non-financial) that follow or are a consequence of an Insured Event, like, loss by delay, loss of income or wages or earnings, or of market, or of time, medical expenses, or any costs not covered by this Policy.
23. Costs, fees or expenses for preparing any claim.

G. The Standard Cover

We cover physical loss or damage to, or destruction of any Insured Property because of any Insured Event stated in section E, and subject to the exclusions stated in section F and all terms and conditions of this Policy. Additional benefits We give without charging additional premium are stated in section H.

1. What We Pay

- a. If any Insured Property is physically damaged, lost or destroyed, We will pay You as follows:
 - i. If any Insured Property is damaged, reimburse to You the cost of repairs.
 - ii. If any Insured Property is lost or destroyed, We will pay You :
 1. Current landed purchase price basis for raw materials,
 2. Current market price less profit margin basis for stocks, and
 3. The Reinstatement Value, i.e., the cost of reconstructing the Building, or replacing any other item of Contents.
 - iii. We will also pay other amounts mentioned in section H.
- b. We will pay only to the extent required to bring the Property to a condition substantially the same as, but not superior, better or more extensive than, its condition if it were new on the date it is damaged or destroyed.
- c. We will pay for reconstruction using standard material readily available and in common use for that type of building.
- d. You can carry out the replacement or reconstruction in any manner suitable to Your requirements for the Business, so long as Our risk does not increase.
- e. You can reconstruct the new building on the same site, or another site. If You reconstruct the new building on another site, We will not pay You more than what We would pay to reconstruct on the same site.
- f. You must commence the repairs, reinstatement or reconstruction within a reasonable time after the date of the damage or destruction. You must complete the repairs, reinstatement or reconstruction within reasonable time, in any case not beyond 12 months from the date of damage or destruction, or within such time as We may allow in writing.
- g. If You fail to start the work of the repairs, reinstatement or reconstruction within reasonable time, or to complete the reinstatement or reconstruction within time,
 - i. We will refuse to pay the claim on Reinstatement Value basis,
 - ii. We will pay Your claim on the basis of Reinstatement Value of the Property less depreciation for wear and tear at the time it is destroyed.
- h. If the Property is damaged, but not destroyed, We will not pay any more amount than the amount We would have paid if the Property had been destroyed. In all cases, We will not pay more than the relevant Sum Insured.
- i. We will pay the Market Value of the Property at the time it is destroyed, but not more than the relevant Sum Insured,

- i. If the Property cannot be reinstated or rebuilt due to Municipal, State or Central law, rules, regulations or bye-laws,
 - ii. If You do not wish to reinstate or rebuild the Property.
- j. In case of goods sold but not despatched, and lying within Your Premises, for which You are responsible under the terms of a contract of sale, We will pay Your claim on the basis of the contract price, if the sale is cancelled wholly or to the extent of loss or damage caused by an Insured Event covered by this Policy. For the purposes of this para, the value of all goods to which this basis of settlement could apply in the event of loss or damage will also be ascertained on the same basis.

H. Additional Benefits

If We agree to pay Your claim for loss or damage to Insured Property, We will also pay for the following loss or damage. However, Our total liability will not exceed the total Sum Insured..

1. **Professional fees** : We will pay the expenses that You incur towards reasonable fees of Architects, Surveyors and Consulting Engineers as follows:
 - i. The fees are paid for preparing plans, specification tenders and quantities, and services in connection with the superintendence of the reinstatement of the Insured Building, Machinery, Accessories or Equipment;
 - ii. The maximum We pay is 3 % of the claim amount;
 - iii. We do not cover fees or costs for preparing any claim or estimate of loss or damage by the Insured Perils.
2. **Costs for removal of debris** : We will pay reasonable expenses You incur towards removal of debris of any Insured Property from Your Premises, and dismantling, demolishing, shoring up or propping up of Insured Building or Machinery. The maximum We pay is 1 % of the claim amount.
3. **Costs compelled by Municipal Regulations**: We pay such additional cost of reconstruction or reinstatement of the Insured Property that is incurred solely because You must comply with any regulations or bye-laws of any municipal or local authority, or any provision of any State or Central Act, Rules or regulations. We cover these costs on the following conditions:
 - a. You must commence the repairs, or reconstruction or reinstatement of the Insured Property, within a reasonable time after the date of damage or destruction. You must complete the repairs, reconstruction or reinstatement within reasonable time, in any case not beyond 12 months from the date of damage or destruction, or within such time as We may allow in writing.
 - b. If Our Liability is reduced under any term or condition of this Policy, Our liability under this extension will also be proportionately reduced.
 - c. The maximum We will pay for any claim is the amount of the relevant Sum Insured.
 - d. All other terms and conditions of this Policy will apply to this extension.
 - e. These costs will not include
 - i. The costs incurred for complying with such regulations,

- a. For destruction or damage occurring before Commencement Date,
 - b. For destruction or damage not insured under this Policy
 - c. Under which You have received notice before the destruction or damage occurred.
- ii. Any additional cost required to repair or reconstruct the Insured Property to a condition equal to its condition when new, had the need to comply with the regulation had not arisen.
 - iii. 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 Insured Property or by the owner thereof by reason of compliance with any of the aforesaid regulations or bye-laws.
- 4. Additions, alterations or extensions:** We cover Buildings, Plant, Machinery, and Furniture and Fittings, or other Contents which You will erect, or acquire, or for which You will become responsible, after the Commencement Date, in the Insured Premises if such addition does not exceed 30% of the total Sum Insured. If such addition exceeds 30% of the total Sum Insured, the provision relating to underinsurance will apply (Section D para 4)
- 5. Stocks at many locations on floater basis:** We cover physical loss or damage to movable property on more than one locations as follows:
- i. You have declared all locations, and these are shown in the Policy Schedule
 - ii. You have declared Stock as a single value.
 - iii. You have a good internal accounting procedure under which the total amount at risk and the locations can be established at any particular time if required.
 - iv. You must inform Us any change in the address of any location occurring after the Commencement Date.
- 6. Temporary removal of stocks :** We cover stock temporarily removed to any other premises for the purposes of fabrication, processing or finishing, or other similar purposes as follows:
- i. Maximum cover will be 10% of the Sum Insured for Stock,
 - ii. Such stock is not otherwise insured.

I. Premium

- 1. The premium** is the amount You pay Us for this insurance. The Policy Schedule shows the amount of premium for the Policy Period and all other taxes and levies.
- 2. Time for payment: It is Your responsibility to** pay premium in time. We must receive the amount of premium before insurance cover can begin.
- 3. Payment by cheque, draft or electronic transfer:** You must ensure that there will be adequate balance in Your account to honour Your cheque. If the cheque or demand draft is not realised, the Policy will be ineffective, and We will not be liable to pay.
- 4. Deduction from claim amounts:** When the Sum Insured is automatically restored at full value (section D para 2) after a loss, We can deduct from the claim amount payable to You the pro-rata premium for the unexpired Policy Period

J. Your obligations

We are liable to pay if You have fulfilled Your obligations and other conditions of this Policy. Your obligations are shown below. Some special conditions and exclusions are also shown in the Policy Schedule.

IMPORTANT: Your performance of the terms and conditions is a condition precedent of Our liability to pay under this Policy. This means that if You fail to observe any of these obligations, We will refuse to pay Your claim, or will avoid or cancel this Policy. Any waiver of any term or condition will bind Us only if it is in writing and signed by Our authorised officer.

1. Make true and full disclosure in the proposal and related documents

- a. You have a duty of disclosure to tell Us everything You know, or could reasonably be expected to know, that is relevant to Us for deciding whether to give You insurance cover and on what terms. You owe this duty to disclose such relevant material information even if We have not specifically asked for it. If You are not sure whether to tell something, You must decide to tell it to Us. This duty extends to any information or declarations given by anyone else on Your behalf.
- b. We have agreed to give You insurance cover entirely on the basis of the information You, or anyone on Your behalf, have given Us in the proposal, statements and other declarations and documents (in writing or electronic) about Yourself, Your Business, Your Premises and all Property on Your Premises. Truth and completeness of the information You give is the basis of Our contract with You. Our promise to pay is conditional upon the truth of these statements and on the assumption that You, or anyone on Your behalf, has not withheld any material information about Yourself, Your Business, Your Premises and all Property on Your Premises. If any of the statements You, or anyone on Your behalf, made is false or incorrect in material particulars, or if You have withheld material information, We have a right
 - i. To refuse payment of Your claim, and
 - ii. To avoid the Policy by cancelling it.

2. Make true statements and full disclosure in the claim and related documents

- a. You must also give true and full information in Your claim and submit true documents. If You give any false information or document in the claim, or if You withhold any information or document (in writing or electronic), We have a right
 - i. To refuse payment of Your claim, and
 - ii. To avoid the Policy by cancelling it.
- b. We can also take legal action against You, civil or criminal.

3. Obligation to take care : You must:

- a. Take reasonable steps to prevent loss or damage to the Insured Property,
- b. Comply with all laws and safety requirements imposed by any municipal, state or central law, or other regulations,
- c. Employ competent employees,

- d. Keep each Insured Property well maintained and in good and sound condition. Thus You must ensure that the structure of Building does not have any faults or defects that will cause loss or damage to the building. Thus You must ensure that the roof does not leak, there are no broken windows, that previous damage has been repaired.
- e. Comply at all times with local, government or other legal requirements,
- f. Make good and repair any defect when it becomes apparent, and take additional precautions that circumstances will require.
- g. Take care to prevent theft at all times, and also after any Insured Event
- h. Ensure that unauthorised persons do not occupy Your Premises.
- i. Whenever Your Premises or any Building in Your Premises is Unoccupied, You must ensure that all security procedures on Your Premises at the Commencement Date and those which We have directed You to have, are in force, and
- j. Follow all conditions and stipulations that We will set about security of Your Premises, fire safety, safety of Unoccupied premises, dealing and disposal of materials or waste, control of smoking on Your Premises, or any other matter that will reduce the risk of loss, damage or destruction.

4. Inform change in circumstances:

- a. You must inform Us immediately if :
 - i. You change the nature of Your Business or any processes,
 - ii. You let out Your Premises or any part, or Your Premises will no longer be solely occupied by You,
 - iii. You change the use of Your Premises or any Building, or
 - iv. Your Premises or any Building remains unoccupied for 30 days or more
- b. When You inform Us as above, We may at Our complete discretion:
 - i. Alter the premium,
 - ii. Impose additional terms,
 - iii. Restrict any Cover provided in the Policy,
 - iv. Continue the cover on same terms, or
 - v. Cancel the policy.
- c. If You do not notify these changes, this Policy will automatically end from the date of any such change.

5. Allow inspection and investigation of claim

You must allow and give full cooperation to the investigation of Your claim by Us. You must allow Us, and any surveyor, officer or other representative that We authorise, to enter Your Premises, inspect it, take photographs, or take into custody any article for scientific testing and investigation. You must answer truthfully and fully all questions asked to You concerning the claim and submit all documents that We will require.

6. Follow claim procedure

When You suffer any loss or damage to any Insured Property, and wish to make a claim, You must follow all steps stated in this Policy about immediate reporting to Us and various authorities.

K. Renewal of Policy and effect of claims

1. **End of Policy:** This Policy will expire at the end of the Policy Period.
2. **Application for renewal:** If You wish to renew the Policy, You must apply for renewal before the end of the Policy Period with the amount of applicable premium without waiting for any renewal notice from Us.
3. **Acceptance for renewal:** Renewal is not a right and is not automatic; We have to assess the risk before accepting premium. You must also Yourself inform Us about any changes about Yourself, Your Business, Your Premises and all Property on Your Premises. We can also ask You for any information for considering Your request for renewal. We may add new terms and conditions for renewal, like exclusions, higher premium, etc. In rare circumstances, We can also refuse to renew the Policy.

L. Cancellation and termination of Policy

1. Cancellation by You in the Free-look period

- i. a. You can cancel and return this Policy without assigning any reason by informing Us in writing Your decision of cancelling the Policy. Your intimation must reach Us within 15 days from the day You receive the Policy. You can send this intimation to any of Our branches, or by email from Your registered email address to Our customer service centre@.....com.
- b. We will refund the premium within 7 days from the day We receive all above documents. We will deduct the proportionate risk charges from the Commencement Date until We receive Your intimation.
- c. We will refund by electronic mode to the same account from which You paid the premium. We will not refund in cash.

2. Cancellation by You at any time

- a. You can cancel this Policy at any time by giving Us notice in writing. The Policy will terminate when We receive Your notice.

- b. If You have not made any claim under the Policy, We will refund premium as follows:

Time for which Policy in force	Refund of premium

3. Cancellation by Us

We can cancel the Policy under the terms of this Policy. For example, if You have misrepresented or not disclosed material facts, or have committed fraud, or You do not cooperate or comply with the claims procedure (Sections J and M) . In such a case, the premium stands forfeited, and cannot be refunded.

4. Automatic termination of the Policy : This Policy will automatically end in the following cases:

- a. **Destruction of any Insured Building** : This Policy will automatically end 7 days after any Insured Building collapses or is displaced or destroyed by reason other than any Insured Event. If a separable part of any Insured Building falls down or is destroyed by reason other than any Insured Event, the cover will end for such part or additional structure.

You can apply within 7 days of such fall or destruction for continuing insurance cover. We may agree, but will not be bound, to continue the cover on revised rates, terms and conditions.

- b. **Sum Insured gets exhausted:** If any Insured Property is lost, destroyed or stolen, or is a Total Loss, and We pay You the full Sum Insured for such item, the insurance cover for that item will automatically end. If We pay the total Sum Insured for any claim, this Policy will end. (Section D para 3)

- c. **Change of use or ownership of Insured Property** : The Policy will end in regard to the Insured Property affected, unless You have obtained Our prior consent in writing as an Endorsement on the Policy,

- i. If You change the trade or manufacture, or the nature of Your occupation, or You change other circumstances relating to the Building or a building containing any Insured Property in such a way as to increase the risk of loss or damage by Insured Events;
- ii. If the Building or a building containing any Insured Property becomes unoccupied for more than 30 days; or
- iii. If Your interest in any Insured Property passes to another except by will or operation of law.

- d. **Sale of Insured Property:** This Policy will end when You sell, surrender or release Your interest in any Insured Property or its part.

- e. **Effect of death: If You are an individual**, the insurance cover under this Policy will end on Your death during the Policy Period. Its benefits will continue as follows:
 - i. This Policy will not be renewed;
 - ii. The Insurance Covers that You have purchased will continue for the benefit of Your legal representatives during the Policy Period subject to all the terms and conditions of this Policy;
- f. **Policy not invalidated** : The Policy is not invalidated :
 - i. By transfer of Your interest in the Policy by operation of law, if that occurs during the Policy Period. We can continue this policy on same or modified terms in favour of Your legal representatives if they apply for this purpose.
 - ii. By any act, omission, or alteration unknown to You, or beyond Your control, that increases the risk of loss or damage, if You give notice to Us immediately when You become aware of the act, omission or alteration, and pay additional premium if required; or
 - iii. If Your employees or workmen carry out repairs, maintenance work or minor alterations in the Insured Property.

M. Claims procedure

If You suffer a loss because of an Insured Event, You must make a claim for Your financial loss at Your cost. We will verify the claim and accept it if it is according to the terms and conditions of this Policy.

The procedure for making a claim is given below. These include things that You must do, and that You must not do. If You do not comply with these conditions, We can reduce Your claim or refuse to pay it. We can also cancel the Policy.

1. Immediate notice to Us

- a. As soon as any loss or physical damage occurs to any Insured Property due to an Insured Event, You must immediately give notice to Us of the loss or damage. This is necessary so that We can investigate the loss or damage.

If You do not give such notice in time, We can refuse to pay Your claim. We may, but are not bound to, waive this period if We are satisfied You could not give notice in time because of extreme hardship.

- b. You can give notice to any of Our offices or call centers from which You have taken the Policy.
- c. You must state in this notice
 - i. The Policy Number,
 - ii. Your name and other details,
 - iii. Details of report to the police that You made,
 - iv. Details of report to any authority that You made,
 - v. Details of the Insured Event,
 - vi. A brief statement of the loss, and
 - vii. Particulars of any other insurance of the Insured Property, Your Premises or any other Property on Your Premises.

- d. You must also take photographs of loss or physical damage wherever possible, and submit them with such notice.

2. Steps to prevent loss and damage

- a. You must take all reasonable steps to prevent further loss or damage to the Insured Property. You must not abandon any Insured Property.
- b. Until We have inspected the Insured Property and Your Premises, and have given Our consent,
 - i. You must not sell, give away or dispose of any damaged items of any property,
 - ii. You must not wash or clean, or remove any damaged item or debris, except for any urgent necessity, and
 - iii. You must not carry out repairs unless such repairs are urgent and You cannot contact Us.
 - iv. You cannot abandon the property even if We take possession of it.
 - v. If You prevent Us from exercising these rights, or if You abandon the property, We will not pay.

3. Immediate notice to authorities

- a. As soon as any loss or damage occurs to the Insured Property, You must give immediate report to appropriate legal authorities. For example, You must report to the fire department of the local authority and the police if there is damage by fire. You must report to the police, if there is theft following an earthquake.
- b. If You fail to give immediate report to appropriate legal authorities, can refuse to pay Your claim. We may, but are not bound to, waive this condition if We are satisfied that by reason of extreme hardship it was not possible for You or any other person on Your behalf to give such report.

4. Submit claim

- a. You must submit Your claim in Our claim-form at the earliest opportunity, but within 12 months from the date You first notice the loss or damage. The claim form is available in any of Our branches, and on Our web-site.
- b. If You fail to do submit Your claim within 12 months, will can refuse to pay Your claim. We may, but are not bound to, waive this period if We are satisfied that by reason of extreme hardship it was not possible for You or any other person on Your behalf to submit Your claim within the time limit.
- c. You must state in Your claim the details of any other insurance policy that covers the damage or loss for which You have filed Your claim, whether You have purchased such other insurance, or someone else has purchased it for You.

5. Establish loss

- a. You must prove that the Insured Event has occurred, and the extent of loss or physical damage You have suffered with full details. If You do not do this, We will not be able to pay Your claim.
- b. When We request,

- i. You must give Us reasonable proof of ownership and value of items lost, stolen, damaged or destroyed.
 - ii. You must submit all plans, specification books, vouchers, invoices, duplicates, documents, and investigation reports about the claim, the origin and cause of loss, and circumstances in which the loss or damage occurred, and any other matter touching upon Our liability.
 - iii. You must give a declaration on oath or any legal form about the truth of Your claim.
 - iv. You must allow Us, Our officers, surveyors or representatives to look and inspect Your Premises, the loss or damage to Your Premises and Property, and to take measurements, samples, damaged items or parts, and photographs.
 - v. You must give Us or Our representative the recent plans and drawings of Your Premises.
 - vi. You must give Us authority to see the records and get information about the Event and Your loss from the police or any other authority.
- c. We will reduce or refuse Your claim if You are not able to substantiate it, or You do not cooperate with Our representatives.

6. Give further information and documents

You must give Us when We request all additional information and any other assistance that We require for verifying or dealing with Your claim. If You do not give such information or assistance, We can refuse to pay Your claim.

7. Other insurance:

- a. If You have any other policy with Us or any other Insurance Company (taken by You or by anyone else for You) covering in whole or in part any claim that You have made under this Policy, You have a right to ask for settlement of Your claim under any of these policies.
- b. If You choose to claim under this Policy from Us, We will settle Your claim within the limits and the terms and conditions of this Policy.
- c. After We pay the amount under Your claim, We have the right to ask for contribution from the Insurers that have given You the other policies.

8. Our rights relating to Insured Property

- a. We must investigate that Your claim is covered by this Policy. For this purpose, We will give You notice and request Your cooperation as follows:
 - i. We and Our representatives will visit Your Home, inspect all parts of Your Home, and remain there until Our investigation is completed,
 - ii. We will ask You to give to Us any items of the Contents of Your Home, and hold it with Us for the purposes examination, testing, or any other investigation, or
 - iii. We will dispose of or deal with or sell any item of the Contents of Your Home.
- b. We will ensure that Our actions will not impose any liability on You.

c. If You do not cooperate, or if You prevent Us from doing these things, and We cannot fully investigate Your claim, We will reject Your claim and will not pay.

9. Fraudulent claim: If You, or anyone on Your behalf, make a claim which is false or fraudulent, or support a claim with any false or fraudulent statement or documents:

- i. We will not pay the claim,
- ii. We can cancel the Policy: in such a case, You will lose all benefits under this Policy and premium that You have paid, and
- iii. We can also inform the police, and start legal proceedings against You.

10. Recovery action by Us

- a. When We accept and pay Your claim under the Policy, We can start legal proceedings to recover the amount or property from the third party who has caused the loss or damage to the Insured Property. You must give authority to Us to take such action and exercise this right effectively, when We request You, whether before or after making payment of Your claim to You. You must give all information, cooperation, assistance and help for this purpose. You must not do anything which will prejudice Our right. This is Our right of subrogation. We can do this
 - i. Without seeking Your consent.
 - ii. In Your name.
 - iii. Whether or not Your loss has been fully compensated.
- b. Any amount We recover from such person will be applied first to the costs of the legal proceedings and recovery, then to the claim amount We have paid or must pay to You. We will pay You any balance.
- c. You can start legal proceedings against any person who has caused the loss or damage only with Our prior consent, and on conditions that We will impose. You must not compromise or settle any claim against such person without Our consent. If You recover any amount from such person, You must return to Us the amount We have paid for Your claim. We can take over the conduct of legal proceedings that You have started and continue the proceedings in Your name.

N. Changes

You can choose to make changes to the covers of this Policy, or increase or reduce any Sum Insured. You must make a proposal or request for any change. It will be effective only after We have accepted Your proposal, and You have paid the additional premium where applicable.

This Policy (including the Policy Schedule, the proposal, declarations, the Prospectus and the Endorsements) consists of the entire contract between You and Us.

O. Other details

1. Description of items of Insured Property

For the purpose of determining under which item any Property is insured, We agree to accept the designation under which such Property appears in Your books of account.

2. Notices

- a. We will send any notice, letter or communication in writing to You at Your address mentioned in the Policy Schedule, and to Your email address that You have registered with Us.
- b. You will send any notice, letter, intimation or communication in writing to Us at the branch office where You purchased the Policy. You can also send it at the address mentioned in the Policy Schedule. You shall not send any notice etc. to the insurance agent, broker or any other entity. They are not authorised to receive notices etc. on Our behalf.

3. Applicable law and jurisdiction

This Policy will be subject to the laws of India, and to the jurisdiction of courts in India.

P. Complaints

If You have a complaint or grievance about any matter relating to the Policy, or Our decision on any matter, or the claim, You can address Your grievance as follows:

1. Our Grievance Redressal Officer

You can send Your complaint in writing by post or email to Our Grievance Redressal Officer at the following address:

Address including email

.....

2. Consumer Affairs Department of IRDAI

- a. In case if it is not resolved within 15 days or if You are unhappy with the resolution You can approach the Grievance Redressal Cell of the Consumer Affairs Department of IRDAI by calling Free Number 155255 (or) 1800 4254 732 or sending an email to complaints@irda.gov.in. You can also make use of IRDAI's online portal - Integrated Grievance Management System (IGMS) by registering Your complaint at igms.irda.gov.in.
- b. You can send a letter to IRDAI with Your complaint on a Complaint Registration Form available [by clicking here](#). You must fill and send the Complaint Registration Form along with any documents by post or courier to General Manager, Insurance Regulatory and Development Authority of India(IRDAI), Consumer Affairs Department- Grievance Redressal Cell, Sy.No.115/1, Financial District, Nanakramguda, Gachibowli, Hyderabad-500032.
- c. You can visit the portal <http://www.policyholder.gov.in> for more details.

3. Insurance Ombudsman

If We refuse Your claim, You can approach the Insurance Ombudsman appointed by the Central Government. Information about Insurance Ombudsmen, their jurisdiction and powers is available on the website of the Insurance Regulatory and Development Authority of India (IRDAI) at www.irdai.gov.in, or of the General Insurance Council at www.generalinsurancecouncil.org.in, the Consumer Education Website of the IRDAI at <http://www.policyholder.gov.in>, or from any of Our Offices.

Q. Information about Us

The Insurance Company Limited

Address

Web:

E-mail

Customer Service:

The Micro-Commercial Enterprises Building and Contents Insurance Policy

This document states the following additions to the Micro-Commercial Enterprises Building and Contents Insurance Policy.

Special Clauses

These are additional terms and conditions that apply in special circumstances and situations.

Agreed Bank Clause

If You have mortgaged, hypothecated or created any security over any Insured Property in favour of a Bank, and the Bank has an interest in the Policy, the name of such Bank will also be shown in the Policy Schedule under the title 'Agreed Bank Clause'. If You choose to add the name of such Bank at any time during the Policy Period on payment of fees, this will be shown as an Endorsement. In this clause, the word 'Bank' includes any financial institution.

Under this Clause, You agree as follows:

- i. We shall pay to the Bank the entire amount that We are liable to pay under this Policy. Such Bank will receive it for its own demand, and as agent for any other person interested in the amount.
- ii. When We pay the amount to the Bank, Our liability under this Policy will be discharged, and will be binding on all of You and all persons named as the insured.
- iii. Any notice or communication We make to the Bank under the provisions of this Policy shall be sufficient notice or communication to You.
- iv. Any settlement or compromise that We make with the Bank will be binding on You and all persons named as the insured. However such settlement or compromise will not affect the rights of the Bank to recover any amount from You or any other person.
- v. If You make any change in the use of the Insured Property or Your Premises, or leave Your Premises unoccupied for more than 30 days, or sell or transfer the Insured Property, such actions will not prejudice the interest of the Bank under the Policy and this clause, unless the condition has been broken by the Bank or its employees.
- vi. If You commit any act or omission that will increase the risk, the insurance cover will not be invalidated. However, the Bank shall notify Us of any change or ownership, or alterations and increase in risks as soon they become known to the Bank, and shall pay additional premium from the time of such change.
- vii. When We pay the amount to the Bank, We will become legally and automatically subrogated to all rights of the Bank to the extent of such payment. This will not impair or prejudice the rights of the Bank to recover any amount from You or any other person.

लघु-उद्योग बीमा पॉलिसी

Small-Commercial Enterprises Building and
Contents Insurance Policy

Key Features
of
Small-Commercial Enterprises Building and Contents Insurance Policy
A Fire and Other Perils Insurance Policy of the ABC Insurance Co Ltd.

Introduction

This document gives the important features of our Small-Commercial Enterprises Building and Contents Insurance Policy (SCE Policy). Here, we describe the policy and answer your

questions. Read it carefully before you buy this Insurance Cover, and keep it safe for future reference.

What is the Insurance Cover ?

The SCE Policy gives insurance cover to your property relating to your business. Under this policy, we agree to pay you for the loss you suffer when unexpected events cause physical

loss, damage or destruction of building and structures, plant and machinery, stock and other assets relating to your business.

This **Policy gives three types of covers:**

1. **Standard Cover** for the building and structures, plant and machinery, stock and other assets relating to your business.
2. **Additional benefits:** under the Standard Cover.
3. **Additional Covers** : which extend the Standard Cover, and which you can buy for your special situations. For example:
 - Stock at many locations
 - Deterioration in cold storage
 - Leakage by accident
 - Additional costs for debris removal
 - Loss of rent, rent for alternative accommodation
 - Forest fire

How does the SCE Insurance Policy help me?

If building and structures, plant and machinery, stock and other assets relating to your business are lost, damaged or destroyed because of unexpected events that occur during the period of this policy, we provide insurance cover as follows:

Your loss	Condition	We pay, but not more than the sum insured
Any property is damaged.	You have repaired such property.	Cost of repairs
Any property is destroyed.	You have rebuilt the building or reinstated other property.	Reinstatement value on 'new for old' basis i.e. cost of rebuilding the building or replacing other property.
Stock is destroyed.		Loss on 'Current Market price less Profit Margin' basis.
Raw material is destroyed.		Loss on 'Current Landed Purchase Price' basis
Any other property is destroyed.	You have not rebuilt the building or reinstated other property.	Reinstatement Value less Depreciation for wear and tear.

Does the SCE Policy cover the entire claim?

We pay your claim if it is admissible under the terms and conditions of the SCE Policy. A provision of 'Excess' applies to each claim, that means, you must bear for each claim the higher of Rs 10000 or 5% of the claim amount, and we will pay the remaining amount of admissible claim.

Which unexpected events does it cover ?

We pay for losses caused by these events:

- Fire
- Explosion
- Lightning
- Earthquake
- Storm
- Cyclone
- Flood
- Subsidence of land
- Landslide
- Rockslide
- Impact of aircraft, railway, vehicles,
- Falling trees
- Riot
- Strikes
- Acts of Terrorism

Special feature : Cover for loss caused by theft within 7 days of occurrence of, and caused by, these events.

But we do not cover some losses, for example: Wear and tear, natural heating, defective design, tree-felling, etc.

Does it cover all losses caused by these events?

Some events and losses are not covered. Some of these are:

- Gradual deterioration,
- Wear and tear,
- Lack of maintenance,
- Natural deterioration,
- Inherent defects, structural or design faults,
- Your deliberate, wilful or intentional act,
- War, invasion, war-like operations,
- Ionising radiation,
- Pollution or contamination,
- Property is missing or has been mislaid,
- Consequential or indirect loss or damage,
- Addition, extension, or alteration to your building more than 10% of its carpet area
- Costs, fees or expenses for preparing any claim

For which property can I take this policy?

The policy covers

- Building, with its fittings and fixtures, garage, towers, security sheds, internal roads, lifts, air condition systems, security systems, electric installations, fire sprinkler systems and other structures that are located in your business premises.
- Plant and machinery, spares, accessories
- Stock of goods, finished goods and raw material, stock stored on or given for processing on other locations
- Other items like furniture, office and electronic equipment, canteen and kitchen equipment, computers

How do I become eligible ?

You can buy this cover for any property if you are its owner, tenant, lessee, purchaser, or you hold it as trustee on commission or are responsible for it.

You can buy this cover only if all insurable assets (whether insured or not) at any one location are not more than 50 crores. If your insurable assets are more than 50 crores at the beginning of the policy, or at any time

during the policy period, you can purchase Standard Fire & Special Perils policy (SFSP Policy) meant for larger commercial enterprises and pay its premium.

What amount am I entitled to receive ?

The building, plant and machinery, stock and other assets are covered for the amount that will be required to replace them. This is the sum insured for each item or group of items.

If any insured property is damaged, we pay the amount you have spent on repairs. If any insured property is lost or destroyed, we pay the Sum Insured for that item.

Special feature: Underinsurance upto 15 % of Sum Insured is waived. Underinsurance occurs if the replacement or reinstatement value of any insured property is more than the Sum Insured. It is usual in insurance covers that in such a case, the full claim is not paid. It is reduced in proportion to the difference. Under the MCE Policy, difference upto 15% is ignored.

The amount of Sum Insured is decided and agreed beforehand for each cover and items of property. It is shown in a document called the Policy Schedule. This is the maximum amount we will pay, in case the actual cost of repair, rebuilding or replacement is higher. This policy ends when we pay the whole Sum Insured of any cover or item insured.

If you are not eligible to take this policy because your insurable assets at any one location are more than 50 crores, there will be no underinsurance waiver. A higher 'Excess' will apply as per the prevailing standard Excess under SFSP Policy, and we will only pay the remaining amount. If we find that reinstatement value is deliberately misstated, we can refuse the claim and cancel the policy.

How much do I pay for this cover?

The Premium for the Insurance depends on

- (i) the nature of insured property, viz. building, plant, stock etc.
- (ii) the amount of Sum Insured,
- (iii) the nature of your business.
- (iv) various factors that define the risk profile of your enterprise... ..

How long does this cover protect me?

The covers protect you during the period of the policy; it is not more than one year.

How and when do I pay the premium ?

You can pay the premium by cheque, demand draft, or electronic transaction. You must pay premium in advance. The insurance cover begins only after we receive your premium

Do I have to do anything?

You have some obligations to fulfil. You must:

- state all and true information about yourself, your property and your business when you submit a proposal.
- take care of the property insured, and maintain it in good condition and repair.
- make true and full disclosure in your claim and documents supporting the claim.
- give us full cooperation for investigating the claim that you will make.
- make a claim when you suffer loss, and follow the claim procedure.

How do I make a claim?

If you suffer a loss that is covered by this policy, you must make a claim. We will verify the claim and accept it if it is according to the terms and conditions of this policy.

When you suffer loss, you must

- report to police, fire authorities,
- report to us with details,
- take care of your property, and articles and things that are damaged,
- preserve and collect evidence, take and preserve photographs,
- assist us and our representatives in collecting evidence and details, give us all information, books of accounts, and other documents,
- make a claim as soon as possible, but not beyond 12 months from the date of loss.

What is the effect of my death?

If you are an individual, the policy will continue for the benefit of your legal representatives until the end of the policy period.

Can I make changes to this policy?

You can request for increasing or reducing the Sum Insured, or adding or removing any item of insured property. If we accept your request, the change accepted will be effective.

Can this policy be cancelled?

You can cancel and return this policy within the 'free-look' period of 15 days from the date you receive this policy. We will return the premium after deducting small administrative charges.

You can cancel this policy at any time during the policy period. We will return part of premium.

We cannot cancel this policy during the policy period except where you have not fully or truly disclosed information at the time of making the proposal or the claim, or you have changed the use of the property to non-residential or commercial use.

What do I do to obtain this Policy

Our agent will meet you and explain this policy to you. You will fill a proposal form. Our agent will give you the form and help you fill it.

Where can I find the details of the Cover?

We have given above the broad features of the MSE Policy. If you choose this plan, your transaction with us will have legal consequences. More information about the cover is in a document called the 'Prospectus'. Detail terms and conditions of this cover will be stated in a legal document called the 'Policy'. It is therefore important to read the prospectus and the policy.

- You can read these two documents on our website
- You can download them from our web-site.
- You can send email to and ask for copies. We will email to you soft copies.
- You can get copies from any branch of our Company.

Whom do I contact about this Cover or Policy ?

You can contact any agent of the company, visit our website for information on this product, call our call centre or contact our office near to you.

What do I do about complaints ?

You can approach the our Grievance Redressal Officer by sending an email at ____ ____ ____ (email address) or a letter to ____ ____ ____ ____ ____ (address). If this does not resolve your complaint, you can approach the Insurance Ombudsman, who is the authority set up for redressing your grievance concerning insurance. You can find more details about Insurance Ombudsmen at www.gbic.co.in or www.irda.gov.in.

The Insurance Co Ltd

The Small-Commercial Enterprises Building and Contents Insurance Policy

Prospectus

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This prospectus gives basic information about the Small Commercial Enterprises Building and Contents Insurance Policy (SCE Policy) that you can purchase from us, i.e. the Company. The SCE Policy provides insurance cover for physical loss or damage to or destruction of Property relating to your business.

A. Insurance covers.

In this Prospectus, you will find information about the following insurance covers:

- 1. Standard Cover:** that covers your loss caused by physical damage to, or destruction of, the insured properties, that is the building and structures, plant and machinery, stock and other assets relating to your business. If any insured property is lost, damaged or destroyed, we provide cover as follows:

Your loss	Condition	We pay, but not more than the sum insured
Any property is damaged.	You have repaired such property.	Cost of repairs
Any property is destroyed.	You have rebuilt the building or reinstated other property.	Reinstatement value on 'new for old' basis i.e. cost of rebuilding the building or replacing other property.
Stock is destroyed.		Loss on 'Current Market price less Profit Margin' basis.
Raw material is destroyed.		Loss on 'Current Landed Purchase Price' basis
Any other property is destroyed.	You have not rebuilt the building or reinstated other property.	Reinstatement Value less Depreciation for wear and tear.

- 2. Additional benefits:** Under the Standard Cover, we also pay the following:

	Benefit	Details
1.	Professional fees	Reasonable fees of architects, surveyors and consulting engineers upto 3 % of the claim amount
2.	Removal of debris	Reasonable expenses for removal of debris upto 1 % of the claim amount.
3.	Costs compelled by Municipal Regulations	Additional cost of reconstruction of property incurred solely for complying with municipal regulations
4.	Additions, alterations or extensions	Property that you erect, acquire or add during the Policy Period is covered upto 15% of the sum insured for that item
5.	Stock on floater basis	Loss to stock located at more than one locations.
6.	Temporary removal of stock	Loss to stock temporarily removed to other premises for fabrication, processing or finishing upto 10% of value.

3. **Additional covers:** You can also choose to purchase extensions to the Standard Cover to suit your requirements.

	Additional cover	Details of cover
1.	Additional cost of removing debris	Upto 10% of the claim amount for necessary expenses for removing debris of any property, and dismantling, demolishing and shoring up any building or machinery
2.	Additional Professional fees	Upto 7.5 % of the claim amount for fees of Architects, Surveyors and Consulting Engineers concerning reinstatement of building, machinery, accessories or equipment.
3.	Floater Cover	Damage to movable property in more than one locations.
4.	Escalation of sum insured	Increase to the sum insured during the Policy Period in order to offset inflation and unexpected costs arising from fluctuations.
5.	Declaration Policy for Stocks	Covers loss or damage of stock for a provisional premium based on your declaration of its value at the time you take the policy, and the premium is adjusted when the policy period ends.
6.	Deterioration of stock in cold storage due to power failure	Loss or damage to, or destruction of, stock in cold storage due to power failure of more than 24 hours.
7.	Deterioration of stock in cold storage due to damage to cold storage machinery	Loss or damage to, or destruction of, stock in cold storage due to change in temperature caused by failure of electric supply following damage to cold storage machinery.
8.	Leakage by accident and contamination	Loss or damage to oil or chemical by leakage from its container by accidental means or accidental contamination by contact with foreign matter.
9.	Spoilage	Loss of stock in process, damage to machinery, containers and equipment, and cost of removal or debris and cleaning of above caused by spoilage due to retardation, interruption or cessation of any process or operation.
10.	Loss of rent	Rent you lose while your building is not fit for occupation.
11.	Rent for alternative accommodation	Additional expenses of rent for an alternative accommodation that you are required to take up following destruction or physical damage to the building that you occupy.
12.	Impact damage due to your own vehicles	Loss of property due to impact caused by your vehicles, fork-lifts, cranes, etc.
13.	Start up expenses	Costs you incur to get your business started again following loss or damage covered by this Policy, like the cost of dismantling, re-erection, fitting and fixing the property.
14.	Forest fire	Loss to property caused by forest fire, bush fire or jungle fire.

B. Which unexpected events are covered?

We pay for the physical loss, damage or destruction of property in your business premises caused by specific unexpected events given below. Some losses that we do not cover are also stated:

	The unexpected events	But we do not cover loss caused by
1.	Fire	Own fermentation or natural heating, Forest fire, bush fire
2.	Explosion or Implosion	Machinery generating steam
3.	Lightning, Earthquake, Storm, Cyclone, Flood	
4.	Subsidence of land, landslide, rockslide	Defective design, defective materials
5.	Impact of aircraft, railway, vehicles, animals	
6.	Riot, Strikes, Acts of Terrorism	Dispossession or requisition on orders of authority
7.	Bursting or overflowing water tanks, leakage from sprinkler installations	Wear and tear, or defects which you knew, or repairs or alterations in your premises
8.	Theft and burglary within 7 days of occurrence of, and caused by, any of above events	

Examples

1. Your insured building catches fire. All its doors are opened for fighting the fire. A person takes advantage of the situation and carries away Insured electronic equipment. Since this theft follows a fire, we will pay for your loss upto the limits of the applicable sum insured for that equipment.
2. During riots, a rioter breaks a window of your shop and takes away articles of value Rs 95,000. It costs Rs 20,000 to repair the window. Here the loss is due to theft, which arose during riots, which is an insured event. It arose at a time when you were not in a position to protect your property. We will pay Rs 95,000 for the loss of articles, and Rs 20,000 for repairs of the window, but not more than the sum insured.

C. Which property is covered?

This policy covers the following properties in your premises, that is, the place you carry on your business. The properties must be located in your premises, except some properties that you declare, and the Policy covers in special situations. The SCE policy covers the following properties.

1. **Any building or structure** in your premises where you carry on your business. It may be a shed, flat, house, unit of a building. It may be made of any material. It includes:

- i. All fixtures and fittings permanently attached to the floor, walls or roof, like electrical wiring, antennas, etc.,
 - ii. The following 'additional structures' located on your premises and used for your business, that are shown in the Policy Schedule:
 - a. Garage, out-houses, and security sheds, towers, poles, verandah or porch and the like, tanks, compound walls or other walls, fences, gates, retaining walls,
 - b. Internal roads,
 - c. Lifts, hoists,
 - d. Solar panels, wind turbines and air conditioning systems, central heating systems, security systems and cameras, electrical installations, fire alarm or other security systems, fire sprinkler systems, power lines, power installations, and the like, or
 - iii. Any other structure shown in the Policy Schedule.
- 2. Plant and Machinery**, that is, all equipment, machinery, pipes and cables, spares, computers, servers and preloaded softwares, located within any structure or in the open area of your premises. It includes
- i. Machines under repair,
 - ii. Machines taken on hire or lease, or any system of purchase of goods,
 - iii. Foundation, bedding or setting of the machines, or
 - iv. Accessories of machines.
- 3. Stock of goods or merchandise.** It may be:
- i. Finished goods, semi-finished goods, stock in process stock invoiced and ready for dispatch, finished goods,
 - ii. Raw materials, packing materials,
 - iii. Stock accepted for job work for which you are responsible.
 - iv. Stock located outside your premises if you have declared so.
- 4. All other assets**, that is, all other tangible property located in your premises and used for your business. It includes
- i. Furniture and fixtures, office equipment, telephone equipment, electronic equipment, computers (but not programmes, information or data),
 - ii. Canteen and kitchen equipment, gym and permanent sports equipment,
 - iii. Vehicles used inside your premises

D. Who can purchase this Policy?

1. You can purchase the SCE Policy for the **building or structure** if
 - i. You own it, or occupy under a lease,

- ii. You occupy it as purchaser under an agreement of sale or lease,
 - iii. You are an occupier authorised under any law,
 - iv. Your property is occupied by a tenant, a licensee or your employee, or
 - v. You are a tenant under an agreement in writing and are liable to repair it.
2. You can purchase the SCE Policy for **plant and machinery, stock or other property** if
- i. You own it, or use it under a lease in writing,
 - ii. You hold it in trust or on commission or are responsible for it,
 - iii. You have taken plant and machinery or other contents on hire or lease, or any other system of purchase,
 - iv. You have accepted stock for job work for which you are responsible.
3. You **are eligible to** purchase the SCE Policy
- i. If you carry on any business of manufacturing or production of goods, or of providing or rendering services, and
 - ii. If you own or are legally responsible for your business, and
 - iii. If the value of all your insurable assets at one location is not more than Rs 50 crores. These include buildings, plant and machinery, stock, and all other assets, even if you have not taken insurance cover for all of them.
- Insurable assets include all assets which you own, or hold as tenant or occupant, or hold in trust or on commission, or are legally responsible for.
4. When you apply for this cover, you can declare the value of all your insurable assets as on the Commencement Date on the basis of your books and accounts. But you will be required to substantiate and validate your eligibility when you make your claim.
5. If the value of all insurable assets or the total sum insured of all your Insurance Policies for fire and other perils covering any property exceeds Rs 50 crores on the Commencement Date or later,
- i. We will apply stricter underinsurance provisions for your claim without waiver (See below: Underinsurance).
 - ii. Your claim will be subject to higher 'Excess' applicable to Standard Fire and Special Perils Policy. This means that for each claim you must bear a higher part of the claim than under SCE policy, and we will cover only the remaining amount.
 - iii. We will cancel this Policy and adjust the refund premium, calculated at pro-rata basis, to issue You SFSP policy. You must pay the balance premium required for SFSP policy; OR We can deduct it from any claim amount that We must pay You
 - iv. If your declaration of lower value is made recklessly, or is deliberate or willful, we will refuse your claim, cancel the policy and forfeit the premium.

6. You can ask for, or we will offer you, the fire and other perils cover appropriate for your business. If you do not purchase it, we will, at our option:
- i. Refuse your claim and cancel the policy if your declaration of lower value is made recklessly, or is deliberate or willful,
 - ii. Refuse your claim, cancel the policy and refund pro-rata premium.
 - iii. Approve your claim applying full underinsurance provision without waiver.

Example:

You have taken insurance for building and stock with total sum insured of 26 crores for building only, and we have issued you the SCE Policy. It is found that the value of building is Rs 30 crore and of stock is Rs 30 crore. The total value of your Insurable Assets being Rs 60 crores, you are not eligible for the SCE Policy. If the building is destroyed, and you make a claim for building loss and the loss is assessed at 10 crore before applying underinsurance and Excess, we can, at our option,

- i. Refuse to pay, cancel the policy, and refund the premium, or
- ii. Apply full underinsurance provision without waiver, and approve a claim of Rs 8.67 crores Minus higher Excess prevailing for SFSP Policy only.
- iii. If there has been a misrepresentation of the value, refuse to pay, cancel the policy, and forfeit the premium

E. Sum Insured

1. **The maximum amount:** The maximum amount we pay under this Policy is the total sum insured. The maximum amount we pay under this Policy for any cover, or any item, or category or group of items, is the sum insured for that cover or item, category or group. The sum insured for each cover is stated later.
2. **Basis of sum insured:** The sum insured must be equal to the cost of reinstating each insured property on the date the policy commences. Premium is calculated with reference to the amount of sum insured.
3. **Reinstating the policy:** If we have paid any loss on your claim, it reduces the sum insured. When we pay you the full sum insured for any cover or any item covered, the Policy ends to that extent. If you pay proportionate premium for the unexpired policy period, we will restore the policy to the full original amount of sum insured during the Policy Period. This ensures full cover during the period of the policy.

Example

- a. If you repair your air-conditioning tower insured for Rs 45 lakhs that is damaged in a fire, and we pay your claim of Rs 25 lakhs you can pay proportionate premium for Rs 25 lakhs for unexpired period in order to take benefit of full cover.

If the tower is destroyed, and we pay your claim of Rs 45 lakhs, the new tower that you install will not be covered under this Policy unless you request to add it again and pay premium.

- b. If your building insured for Rs 20 crores is severely damaged and we pay you Rs 20 crores under the SCE Policy for its repair and reinstatement, you will not be covered under this Policy for the new building that you construct, unless you pay premium for the cover.

F. Underinsurance

1. **Underinsurance waiver upto 15%** : This is a special feature of the SCE policy, we can waive underinsurance up to 15%. This means you are your own insurer for the difference. Thus, if the replacement or reinstatement value of the insured property is more than the sum insured, it amounts to underinsurance, and will reduce the amount that we will pay for your claim in proportion to the difference. Every item of insured property is subject to this condition separately.
2. If the value of all insurable assets, or the total sum insured of all your Insurance Policies for fire and other perils covering any property, is more than Rs 50 crores on the Commencement Date or later, we will not waive underinsurance provisions.

Examples(These examples only demonstrate the effect of underinsurance. Final claim payable may vary due to application of Excess and other policy terms)

- i. You have taken insurance for a sum insured of Rs 50 crore. The value at risk of insurable items at the time of loss is found as Rs. 57 crore. There is a loss of Rs 10 crore. Underinsurance is 12.28%. Since it is less than 15%, we will consider the full claim of 10 crore for payment.
- ii. Your factory has stored stock. Its production cost is Rs 25 crores. This includes some stock that is older than 6 months. Your SCE policy covers stock for Rs 30 crores. Due to change in raw material price, the manufacturing cost of same amount of stock on the date of loss is Rs 32.5 crore. The stock of production cost Rs 10 crores is burnt in fire. Since underinsurance is less than 15%, we will consider the full claim of Rs 10 crores for payment.
- iii. Your shop has an SCE Policy. You have insured for structure for Rs 30 crores and stock for 10 crores. The actual value of structure is Rs 32 crores and of stock is 15 crores. Stock of Rs 50 lakhs is burnt in a fire. The stock has underinsurance of 33.33%, that we cannot waive. We could consider your claim for payment of Rs 33.33lakhs only. However, the total sum insured is Rs 40 crores as against value of Rs 47 crores. Underinsurance of total amount is less than 15%. We will therefore not make deduction for underinsurance, and consider your full claim of Rs 50 lakhs for payment.
- iv. You have taken SCE Policy for a sum insured of Rs 50 crore for stock. The value at risk of stock is Rs 50 crore. There is a fire and a loss of Rs 10 crore. At the time of loss it is found out that you had taken another policy of Rs. 30 crore from another insurer covering plant and machinery worth 40 crore, of which there is a loss of Rs 50 lakhs.

In this case, the total value at risk is Rs 90 crores. After giving the benefit of 15% underinsurance waiver the value comes to 76.5 crores, indicating that the insured was not eligible for SCE Policy.

Since each item is subject to condition of underinsurance, and there is no underinsurance of stock, loss to stock is fully payable.

There is underinsurance of 25% on plant and machinery. The total sum insured is Rs 80 crores as against value of Rs 90 crores. Since overall underinsurance is within 15 %, the entire amount of Rs 50 lakhs will also be paid by the other insurance company.

G. Exclusions, that is, when we do not pay:

The SCE Policy has many exclusions stated in detail in the Policy. These situations in which we do not pay are mainly:

1. 5% of each claim subject to a minimum of Rs 10000, applicable per insured event per insured.
2. Loss caused by
 - i. Wear and tear, lack of maintenance, natural deterioration, effect of weather.
 - ii. Existing defects, inherent defects, structure or design faults, poor workmanship
 - iii. Your intentional acts or of persons staying with you
 - iv. Power Surge
 - v. War, invasion, civil war
 - vi. Radiation
 - vii. Pollution and contamination
3. Loss of stocks in cold storage premises
4. Consequential loss, like loss by delay, loss of income, wages, medical expenses, cleaning costs.
5. Addition of any property beyond 30% of the sum insured.
6. A claim is covered by a marine policy.
7. Cost of preparing claim

H. Premium

1. Premium is the amount you pay to us for the insurance covers. Any insurance cover begins only after we have received the premium.
2. You can pay premium by cheque, demand draft or electronic transfer. We can also deduct the premium from any claim amount that we pay.

I. Changes and Cancellation

1. Changes during Policy Period.

During the Policy Period, you can request to make changes in the policy. You can request for increase or decrease in the sum insured, ask to cover any addition you make to your business or its contents, or take additional cover.

2. You can cancel the Policy.

- i. **Free look period** : If you do not like the policy, you can return the policy by informing us within 15 days from the day you receive it. We will return the premium after deducting a small amount of administrative expenses. You must submit documents we ask for the purpose.
- ii. **Cancellation at any time** : You can cancel the policy at any time during the policy period. If you have not made any claim, we will refund premium as follows

Time for which Policy in force	Refund of premium

We can cancel the policy.

We will not cancel the Policy during the policy period except for the following reasons

- a. You have not truly and fully disclosed material information in the proposal and documents when you bought the policy, or while making your claim.
- b. You have not cooperated with claims procedure.

Policy ends automatically:

- a. If insured property is lost, destroyed or stolen, or its cost of repair is more than the sum insured, and we have paid you the entire sum insured for that property.
- b. If you change your trade, or make changes in the building in such a way that it affects the risk.
- c. If the building or your premises become unoccupied for 30 days or more.

J. Making a claim

1. You must make a claim for the amount of cover. We will verify the claim and accept it if it is according to the terms and conditions of this Policy.
2. When you suffer loss or damage to your business or articles and things in it, you must
 - i. Report to police, fire authorities or other authorities,
 - ii. Report to us with details of the event and your loss,
 - iii. Take care of your business, and articles and things that are damaged, but do not repair until we have inspected the loss,
 - iv. Preserve and collect evidence, take and preserve photographs,
 - v. Assist us and our representatives in collecting evidence and details about your loss, give us all information, books of accounts, and other documents,

- vi. Make a claim as soon as possible, but not beyond 12 months from the date of loss,
 - vii. Prove that the Insured Event has happened, and the extent of your loss.
3. If you do not fulfill these conditions, we will not pay the full claim, or we will reduce it.

K. Your obligations

As a purchaser of insurance, you must fulfil some obligations and conditions. We can pay you if these conditions and obligations are fulfilled.

- i. Make true and full disclosure of information about yourself, your building in the proposal and related documents,
- ii. Make true and full disclosure in your claim and documents supporting the claim,
- iii. Inform us of any change in business, premises, or that the premises will remain unoccupied,
- iv. Take care of the property insured, and maintain it in good condition and repair,
- v. Take care to prevent theft,
- vi. Comply with all laws and safety requirements,
- vii. Employ competent employees,
- viii. If your premises will remain unoccupied, ensure security procedures that we will direct you to take,
- ix. Follow all conditions that we direct for security and safety of insured properties,
- x. Give us full cooperation for investigating the claim that you will make, and
- xi. Follow the claim procedure.

L. This prospectus

This prospectus gives information only. This is not an insurance contract. Each insurance cover is subject to terms and conditions, which you can read in the SCE Policy document. You must read the policy document to know the insurance cover fully. You can get a copy of the SCE Policy from our branch or from our website

M. Complaints

If you have any complaint about any matter relating to the policy, or our decision on any matter, or our decision about your claim, you can pursue your complaint with

1. Our Grievance Redressal Officer
2. The Consumer Affairs Department of IRDAI,
3. The Insurance Ombudsman, or
4. The Consumer Protection Forum of Commission or the Court.

N. About our Company

The Small Commercial Enterprises Building and Contents Insurance Policy

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The Small Commercial Enterprises Building and Contents Insurance Policy

1. This **Small Commercial Enterprises Building and Contents Insurance Policy** (SCE Policy) provides insurance cover to You for the physical loss or damage to or destruction of Your Property relating to Your Business. This is an important legal document. Please read it carefully and keep it in a safe place.
2. **Description of parties:** In this Policy, the words 'You' or 'Your' refer to You who have purchased this cover. The words 'We', 'Us' or 'Our' refer to the <Insurance Company Name>, who has accepted to give You the insurance cover.
3. **This Insurance Cover is on terms and conditions:** You chose this SCE Policy, and applied to Us for insurance cover of Your choice. The insurance covers and extensions to the covers that You have chosen are shown in the Policy Schedule. You paid Us the premium, and gave Us information about Yourself, Your commercial enterprise and Your Property. You assured Us that this information is true and correct. In return of accepting Your premium, and on the basis of Your assurance, We promise to provide You insurance cover in the event of physical loss or damage, or destruction of Your Property arising from specified unforeseen events (section E) that occur during the Policy Period, in the manner, and on terms and conditions, stated in this Policy document and the Policy Schedule.

A. The Insurance Covers

We give the following insurance covers under this Policy for Insured Property consisting of the Building and Contents relating to Your Business. The insurance covers You have chosen are shown in the Policy Schedule.

- a. **Standard Cover:** We cover physical loss or damage caused to Your Property because of listed unforeseen events (section E). We cover Your Property that You own, or which You hold in trust or on commission or are legally responsible for, and which is shown in the Policy Schedule.
- b. **Additional Covers:** For special needs or situations, You can apply for, pay additional premium, and purchase additional covers to extend the Standard Cover. These will be shown in the Policy Schedule. These are:
 - i. Additional costs of removing debris,
 - ii. Additional professional fees,
 - iii. Floater cover
 - iv. Escalation of Sum Insured,
 - v. Declaration Policy for Stocks,
 - vi. Deterioration of stock in cold storage due to power failure,
 - vii. Deterioration of stock in cold storage due to due to damage to cold storage machinery,
 - viii. Leakage and contamination,
 - ix. Spoilage,

- x. Loss of rent,
- xi. Rent for alternative accommodation,
- xii. Impact damage due to Your own vehicles,
- xiii. Start up expenses,
- xiv. Forest fire, and
- xv. **Other covers** which We will offer from time to time

B. Summary of this Policy

1. We promise to pay to You for the physical loss or damage, or destruction of Your Property caused by unforeseen Insured Events (section E).
2. Our promise is subject to terms and conditions of this Policy.
3. We promise to pay for the insurance covers that You have chosen (section G), and any Additional Covers that You purchase (section A, para b). These are shown in the Policy Schedule.
4. The maximum amount We pay is shown in the Policy Schedule as the Sum Insured. The amount We pay for some items has limits and sub-limits. (section D)
5. We promise to pay if the Insured Event has occurred during the Policy Period.
6. There are situations when We do not pay. (section F)
 - a. We do not pay at all in some situations. These are the general exclusions.
 - b. We do not cover some costs or expenses.
 - c. We do not pay the first 5 % of each claim (section F para 1).
7. We promise to pay on an important assumption that You have stated the entire and true information about Yourself and Your Property, in the proposal and all the declarations that You made to Us. If any material information is false or incorrect, or is withheld, We will not pay, and We can also cancel the Policy. (section J para 1, and section L para 3).
8. You must inform Us during the Policy Period of changes in circumstances. (section J para 4)
9. If a claim arises under this Policy, You must immediately report to Us. You must also take care and preserve the damaged things. You must make a claim to Us for Your financial loss. (section J para 3, and section M para 1)
10. You have a right to cancel this Policy and return it. If You cancel it, We will refund part of the premium (section L paras 1 and 2). There are other situations in which this Policy will automatically end (section L para 4).

C. This Policy and the Insurance Contract

1. **Your Policy** : This SCE Policy contains Our promise to pay, the terms and conditions on which We promise to pay, and Your obligations. The contract between You and Us is stated in the following

documents:

- i. This Policy document,
- ii. The Prospectus,
- iii. The Policy Schedule attached to this Policy,
- iv. Any Endorsement, addition or variation that You and Us agree to make in the insurance cover, and
- v. The proposals and all declarations made by You or on Your behalf.

2. **Who is covered by this Policy**

- a. This Policy covers: You, that is, all persons named in the Policy Schedule as the Insured.
- b. If more than one person is insured under this policy, each of You is a joint policyholder. Any notice or letter We give to any of You will be considered as given to
- c. All of You. Any request, statement, representation, claim or action of any one of You will bind all of You as if made by all of You.
- d. If You have mortgaged, pledged or hypothecated any Insured Property with a Bank, the Policy Schedule will show an 'Agreed Bank Clause' and the name of such Bank. The terms and conditions of this arrangement appear on an Endorsement.

3. **The Policy Schedule:** The Policy Schedule is an important document about Your insurance cover. It shows:.

- i. Your personal details,
- ii. The insurance covers You have purchased,
- iii. The total Sum Insured, the Sum Insured for each cover, or for each block, set or category of Insured Property, and its limits and sub-limits,
- iv. The premium You have paid for these insurance covers,
- v. The Policy Period,
- vi. The description of Your Insured Property,
- vii. Any special terms, conditions and exclusions that apply to You, and
- viii. Other important information.

4. **Policy Period:** The Policy Period continues until the Policy continues. The Policy Period will end when this Policy ends under the terms and conditions of this policy.

5. **Special Meanings of Words :** Words stated in the table below have a special meaning throughout this Policy and the Policy Schedule. These words with special meaning are stated in the Policy with the first letter in capitals.

Word	Specific meaning
Bank	A bank or any financial institution
Building	Any building or structure in Your Premises where You carry on Your Business. It includes: <ul style="list-style-type: none"> a. all fixtures and fittings permanently attached to the floor, walls or roof, like electrical wiring, antennas, etc., b. the following 'additional structures' located on Your Premises and used for Your Business, that are shown in the Policy Schedule: <ul style="list-style-type: none"> i. garage, out-houses, and security sheds, towers, poles, verandah or porch and the like, tanks, compound walls or other walls, fences, gates, retaining walls, ii. internal roads, iii. lifts, hoists, iv. solar panels, wind turbines and air conditioning systems, central heating systems, security systems and cameras, electrical installations, fire alarm or other security systems, fire sprinkler systems, power lines, power installations, and the like, or v. any other structure shown in the Policy Schedule.
Business	Your business, trade or profession as shown in the Policy Schedule.
Commencement Date	It is the date and time from which the Insurance Cover of this Policy begins. It is shown in the Policy Schedule.
Contents	Plant and Machinery, Stock, Furniture and fixtures, and all other contents, located in Your Premises and used only for Your Business. Contents do not include goods kept in a basement, unless these are declared in Your proposal, and accepted by Us on payment of additional premium.
Endorsement	A written amendment that We make to the Policy about additions, variations, declarations, the insurance cover, exclusions, or conditions of this Policy.
Excess	It is the amount that You must bear in every claim before We become liable to pay (section F para 2).
Insurable Assets	All buildings, plant and machinery, stock, and all other assets which, for the purposes of Your business or trade on any one location, You own, or hold as tenant or occupant, or hold in trust or on commission, or are legally responsible for as part of Your trade, even if You have not taken insurance cover for any of them.
Insured Property	The Building and Contents that are insured under this Policy, and are located in Your Premises unless specifically stated in this Policy. The Insured Property is shown in the Policy Schedule.
Market Value	The price that would have to be paid to purchase that item of Insured Property in its particular market. It is the saleable value of that property.

Plant and Machinery	All equipment, machinery, pipes and cables, spares, computers, servers and preloaded softwares, located within any structure or in the open area of Your Premises. It includes <ul style="list-style-type: none"> i. machines under repair, ii. machines taken on hire or lease, or any system of purchase of goods, iii. foundation, bedding or setting of the machines, or iv. accessories of machines.
Policy Period	The period for which We give insurance cover under this Policy.
Policy Schedule	The document accompanying and forming part of the Policy that gives Your details and of Your insurance cover, as described in section C para 3.
Reinstatement Value	This is the amount at which the Insured Property can be reinstated or replaced on 'new for old' basis by a similar property, without deducting depreciation, and to the extent required to bring that Property to a condition substantially the same as, but not superior, better or more extensive than, its condition if it were new on the date it is damaged or destroyed.
Stock	Any stock of goods or merchandise. It may be: <ul style="list-style-type: none"> i. Finished goods, semi-finished goods, stock in process stock invoiced and ready for dispatch, ii. Raw materials, packing materials, or iii. Stock accepted for job work for which You are responsible.
Sum Insured	The amount shown as such in the Policy Schedule, and is described in section D. It represents Our maximum liability for each cover or part of cover and for each loss.
Total Loss	A situation where the Insured Property is completely destroyed, lost, or damaged beyond retrieval or repair, or the cost of repairing it is more than the Sum Insured of that item or in total.
We, Us, Our, Insurer	The Insurance Company that has provided Insurance Cover under this Policy; of the Company.
You, Your, Insured	The Insured Person, Company or other entity shown in the Policy Schedule who has purchased Insured Cover under this Policy; of such Insured Person
Your Premises	The premises in which You carry on Business that is occupied by You for the purposes of Business. It is shown in the Policy Schedule

6. Eligibility for this SCE Policy

- a. We have issued You the SCE Policy on the basis of Your declaration that the value of all Your Insurable Assets at one location is not more than 50 crores on the Commencement Date. Your eligibility is subject to verification at any time during the Policy Period, and also when You make Your claim.
- b. If the value of all Your Insurable Assets at one location exceeds Rs 50 crores on the Commencement Date or at any time during the Policy Period, or, if You have purchased more than one Insurance policy covering any Insured Property at one location against fire and other perils, and

the total of the Sum Insured of all policies together exceeds Rs 50 crores on the Commencement Date, or during the Policy Period,

- i. We will consider Your claim applying full underinsurance provision without any waiver. This means We will reduce the amount that We will pay for Your claim if the Sum Insured for the item of Insured Property for which You make a claim is less than the Reinstatement Value of that item (Section D para 4.a).
- ii. We will apply the prevailing Standard Excess applicable to Standard Fire and Special Perils Policy (SFSP policy) meant for Your size of commercial enterprises.
- iii. We will cancel this Policy and adjust the refund premium, calculated at pro-rata basis, to issue You an SFSP policy. You must pay the balance premium required for the SFSP policy; or We can deduct it from any claim amount that We must pay You.
- iv. We will refuse Your claim, cancel this policy and forfeit Premium if Your declaration of lower value is made recklessly, or is deliberate or wilful (Section J para 1, Section L para 3).

D. The Sum Insured

- 1. The maximum amount:** The maximum amount We pay for any single claim or loss under this policy is the total Sum Insured as shown in the Policy Schedule. The maximum amount We pay under this policy for any cover or any item, or category or group of items, is the Sum Insured shown in the Policy Schedule for that cover or item, category or group.
- 2. Sum Insured is automatically restored:** Except as stated in para 3 below, the insurance cover will at all times be maintained to the full extent of the respective Sum Insured representing the Reinstatement Value at the date of loss. After We have paid any loss, You must pay to Us the pro-rata premium from the date of loss until the expiry of the Policy Period. We can also deduct this premium from the net claim that We must pay You.
- 3. Exhaustion of the Sum Insured:**
 - a. If any Insured Property is lost, destroyed or stolen, or is a Total Loss, and We pay You the full Sum Insured for such item, the insurance cover for that item will automatically end. If You wish to continue cover for that item, or to reinstate Your Policy, You must pay the relevant premium again from the date of loss until the expiry of the Policy Period.
 - b. If We pay the total Sum Insured for any claim, this Policy will end. You can pay the premium and resume the Policy once again.
- 4. Underinsurance:**
 - a. The Sum Insured for each item of Insured Property must be sufficient to pay for reinstatement or replacement of that Property on 'new for old' basis on the date of loss. If the Reinstatement Value of the Insured Property, including additions, alterations, erections and new acquisitions, is more than the Sum Insured, it amounts to underinsurance, and will reduce proportionate to the difference the amount that We will pay for Your claim.
 - b. Every item of Insured Property is subject to this condition separately.
 - c. Under this SCE Policy, We can waive underinsurance upto 15%.
 - d. We will reduce the amount that We will pay for Your claim if

- i. The Sum Insured for the item of Insured Property for which You make a claim is less than 85 % of the replacement or reinstatement cost of that item, and
 - ii. The total Sum Insured for all items of Insured Property (including additions alterations, erections and new acquisitions to the Insured Property during the Policy Period) is less than 85 % of the replacement or reinstatement cost of all items of Insured Property.
- e. We will refuse Your claim or cancel this policy if Your declaration of lower value is made recklessly, or is deliberate or willful (Section J para 1, Section L para 3).

Note: The cost for replacement or reinstatement of additions made to Insured Property during the Policy Period will be reckoned from the date of addition

E. Insured Events

We give insurance cover for physical loss or damage, or destruction caused to Insured Property by the following unforeseen events occurring in the Insured Premises during the Policy Period. There are some things We do not cover for some events, and these are shown for each event in the second column.

	We cover physical loss or damage, or destruction of the Insured Property caused by	We do not cover for loss or damage to, or destruction of, the Insured Property
1.	Fire, including spontaneous combustion, i.e., by its own fermentation, or natural heating	caused by a. its undergoing any heating or drying process, or b. burning of Insured Property by order of any Public Authority.
2.	Explosion or Implosion	a. caused to boilers, economizers or other vessels, machinery or apparatus in which steam is generated, or their contents, resulting from their own explosion or implosion, or b. caused by centrifugal forces.
3.	Lightning	
4.	Earthquake, volcanic eruption, or other convulsions of nature	
5.	Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Tsunami, Flood and Inundation	
6.	Subsidence of the land on which Your Premises stand, Landslide, Rockslide	caused by a. normal cracking, settlement or bedding down of new structures, b. the settlement or movement of made up ground, c. coastal or river erosion, d. defective design or workmanship or use of defective materials, or e. demolition, construction, structural alterations or repair of any property, or ground works or excavations.
7.	Impact of a. aircraft, other aerial or space device, articles dropped from aircraft, aerial or space device,	caused by pressure waves caused by aircraft or other aerial or space devices travelling at sonic or supersonic speeds.

	We cover physical loss or damage, or destruction of the Insured Property caused by	We do not cover for loss or damage to, or destruction of, the Insured Property
	b. by direct contact of rail or road vehicle or animal not owned by You, or the occupier of Your Premises, or Your employees.	
8.	Missile testing operations	
9.	Riot, Strikes, Malicious acts, Acts of terrorism	caused by a. total or partial cessation of work or the retardation or interruption or cessation of any process or operations or omissions of any kind, b. temporary or permanent dispossession, confiscation, commandeering, requisition or destruction by order of the government or any lawful authority, or c. temporary or permanent dispossession of any Building by unlawful occupation by any person.
10.	Bursting or overflowing of water tanks, apparatus and pipes, and Leakage from automatic sprinkler installations.	caused by a. wear and tear, b. the escape of liquid occurring as a result of a gradual process of leaking, splashing, dripping or overflowing over a period of time, c. repairs or alterations in Your Premises or the building in which Your Premises are located, d. repairs, removal or extension of any sprinkler installation, or e. defects in the construction known or ought to have been known to You.
11.	Theft and burglary within 7 days from the occurrence of, and proximately caused by, any of the above Insured Events	if it is a. of any article or thing outside Your Premises, or b. of any article or thing attached from the outside of the outer walls or the roof of Your Premises.

F. Exclusions, that is, when We do not cover

We will not pay under this Policy **at any time** for losses or expenses, or any loss, damage to, or destruction of, the Insured Property, directly or indirectly a result of or is caused by or arising from events, stated below:

1. Excess, i.e., 5 % of each claim, subject to a minimum of Rs 10,000 in respect of each loss. Excess applies per Insured Event per Insured.
2. Gradual deterioration, wear and tear, natural deterioration, lack of maintenance, depreciation, gradual weathering, effects of light or atmosphere, mould, rust, corrosion, algae, dry or wet rot, fungus.

3. Inherent defects, structural or design faults, defects because of poor workmanship, that You were aware of or could have been aware of before the Insured Event, and You failed to fix or repair them before the loss or damage occurred.
4. Mechanical or electrical failure or breakdown, or if any article or equipment fails to operate properly, except as specifically stated in this Policy.
5. Your deliberate, wilful or intentional act or omission, or of anyone on Your behalf, or with Your connivance.
6. Loss, damage or destruction to any electrical machine, apparatus, fixture, or fitting by over-running, excessive pressure, short circuiting, arcing, self-heating or leakage of electricity from whatever cause (lightning included). This exclusion applies only to the particular machine so lost, damaged or destroyed. However, any ensuing loss or damage to other insured property due to operation of an insured peril is covered.
7. Power surge, unless it results into an Insured Event, which causes the loss
8. Loss of, or damage to, or breakdown of computer or electronic equipment caused by
 - i. electrical, electronic or mechanical derangement or malfunction,
 - ii. faulty date recognition,
 - iii. a processing error, or
 - iv. a computer fault or virus.
9. Loss, destruction or damage to the stocks in cold storage premises caused by change of temperature, except to the extent it is covered by any additional cover,
10. Loss, or damage to perishable stock stored in Your Premises resulting from the retardation or interruption or cessation of any process or operation caused by an Insured Peril.
11. Your Premises or any Insured Building remaining continuously unoccupied for a period of 30 days or more, unless You have obtained prior written approval from Us on payment of additional premium, and such approval is recorded as an endorsement on the Policy.
12. Forest fire, jungle fire, bush fire, clearing of lands by fire
13. Confiscation, requisition, seizure, forfeiture, detention, or holding of any Insured Property under any law, rule or regulation by police, officials or authorities.
14. War, invasion, act of foreign enemy hostilities or war-like operations (whether war is declared or not), civil war, mutiny, civil commotion amounting to a popular rising, military rising, rebellion, revolution, insurrection or military or usurped power.
15. Ionising radiation or contamination by radioactivity from any nuclear fuel or from any nuclear waste from combustion of nuclear fuel, or the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component that is part of it.
16. Pollution or contamination, unless

- i. The pollution or contamination itself has resulted from an Insured Event, in which case only physical damage to the Insured Property is covered, or
 - ii. An Insured Event itself results from pollution or contamination.
17. Loss or damage to Your personal property, belongings or effects or of Your employees or visitors in Your premises, unless declared separately.
 18. Loss or damage to bullion, precious stones, money etc.
 19. Loss of any Insured Property which is missing or has been mislaid, or its disappearance cannot be linked to any single identifiable Insured Event.
 20. Loss or damage to any Insured Property removed from Your Premises to any other place, except as specifically stated in this Policy.
 21. Any reduction in market value of any Insured Property after its repair or reinstatement.
 22. Loss or damage to any Insured Property or any claim which is covered by a marine policy in force at the time of loss or damage, except in excess of the limits of that policy.
 23. Any consequential or indirect loss or damage of any description, i.e. losses or extra costs (financial or non-financial) that follow or are a consequence of an Insured Event, like, loss by delay, loss of income or wages or earnings, or of market, or of time, medical expenses, or any costs not covered by this Policy.
 24. Costs, fees or expenses for preparing any claim.

G. The Standard Cover

We cover physical loss or damage, or destruction of any Insured Property because of any Insured Event stated in section E, and subject to the exclusions stated in section F and all terms and conditions of this Policy. Additional benefits We give without charging additional premium are stated in section H.

1. What We Pay

- a. If any Insured Property is physically damaged, lost or destroyed, We will pay You as follows:
 - i. If any Insured Property is damaged, We will reimburse to You the cost of repairs.
 - ii. If any Insured Property is lost or destroyed, We will pay You
 1. current landed purchase price basis for raw materials,
 2. current market price less profit margin for stock and finished goods, and
 3. the Reinstatement Value, i.e., the cost of reconstructing the Building, or replacing any other item of Contents.
 - iii. We will also pay other amounts mentioned in section H.
- b. We will pay only to the extent required to bring the Property to a condition substantially the same as, but not superior, better or more extensive than, its condition if it were new on the date it is damaged or destroyed.
- c. We will pay for reconstruction using standard material readily available and in common use for that type of building.

- d. You can carry out the replacement or reconstruction in any manner suitable to Your requirements for the Business, so long as Our risk does not increase.
- e. You can reconstruct the new building on the same site, or another site. If You reconstruct the new building on another site, We will not pay You more than what We would pay to reconstruct on the same site.
- f. You must commence the repairs, reinstatement or reconstruction within a reasonable time after the date of the damage or destruction. You must complete the repairs, reinstatement or reconstruction within reasonable time, in any case not beyond 12 months from the date of damage or destruction, or within such time as We may allow in writing.
- g. If You fail to start the work of the repairs, reinstatement or reconstruction within reasonable time, or to complete the reinstatement or reconstruction within time,
 - i. We will refuse to pay the claim on Reinstatement Value basis,
 - ii. We will pay Your claim based on Reinstatement Value of the Property less Depreciation for wear and tear at the time it is destroyed.
- h. If the Property is damaged, but not destroyed, We will not pay any more amount than the amount We would have paid if the Property had been destroyed. In all cases, We will not pay more than the relevant Sum Insured.
- i. We will pay the Market Value of the Property at the time it is destroyed, but not more than the relevant Sum Insured,
 - 1. if the Property cannot be reinstated or rebuilt due to Municipal, State or Central law, rules, regulations or bye-laws,
 - 2. If You do not wish to reinstate or rebuild the Property.
- j. In case of goods sold but not despatched, and lying within Your premises for which You are responsible under the terms of a contract of sale, We will pay Your claim on the basis of the contract price, if the sale is cancelled wholly or to the extent of loss or damage caused by an Insured Event covered by this Policy. For the purposes of this para, the value of all goods to which this basis of settlement could apply in the event of loss or damage will also be ascertained on the same basis.

H. Additional Benefits

If We agree to pay Your claim for loss or damage to Insured Property, We will also pay for the following loss or damage. However, Our total liability will not exceed the Sum Insured.

- 1. **Professional fees:** We will pay the expenses that You incur towards reasonable fees of Architects, Surveyors and Consulting Engineers as follows:
 - i. The fees are paid for preparing plans, specification tenders and quantities, and services in connection with the superintendence of the reinstatement of the Insured Building, Machinery, Accessories or Equipment;
 - ii. The maximum We pay is 3 % of the claim amount;
 - iii. We do not cover fees or costs for preparing any claim or estimate of loss or damage by the Insured Perils.

2. **Costs for removal of debris:** We will pay reasonable expenses You incur towards removal of debris of any Insured Property from Your Premises, and dismantling, demolishing, shoring up or propping of Insured Building or Machinery. The maximum We pay is 1 % of the claim amount.
3. **Costs compelled by Municipal Regulations:** We pay such additional cost of reconstruction or reinstatement of the Insured Property that is incurred solely because You must comply with any regulations or bye-laws of any municipal or local authority, or any provision of any State or Central Act, Rules or regulations. We cover these costs on the following conditions:
 - a. You must commence the repairs, or reconstruction or reinstatement of the Insured Property, within a reasonable time after the date of damage or destruction. You must complete the repairs, reconstruction or reinstatement within reasonable time, in any case not beyond 12 months from the date of damage or destruction, or within such time as We may allow in writing.
 - b. If Our Liability is reduced under any term or condition of this Policy, Our liability under this extension will also be proportionately reduced.
 - c. The maximum We will pay for any claim is the amount of the relevant Sum Insured.
 - d. All other terms and conditions of this Policy will apply to this extension.
 - e. These costs will not include
 - i. the costs incurred for complying with such regulations,
 1. for destruction or damage occurring before Commencement Date,
 2. for destruction or damage not insured under this Policy
 3. under which You have received notice before the destruction or damage occurred.
 - ii. any additional cost required to repair or reconstruct the Insured Property to a condition equal to its condition when new, had the need to comply with the regulation had not arisen.

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 Insured Property or by the owner thereof by reason of compliance with any of the aforesaid regulations or bye-laws
4. **Additions, alterations or extensions:** We cover Buildings, Plant, Machinery, and Furniture and Fittings, or other Contents which You will erect, or acquire, or for which You will become responsible, after the Commencement Date, in the Insured Premises. We will pay, subject to underinsurance provision (Section D para 4) for that item as follows:
 - i. You inform Us of the item so erected or acquired as soon as it becomes known to You,
 - ii. such item of Property is not otherwise insured.
5. **Temporary removal of stocks :** We cover stock temporarily removed to any other premises for the purposes of fabrication, processing or finishing, or other similar purposes as follows:
 - i. maximum cover will be 10% of the Sum Insured of Stock,
 - ii. such stock is not otherwise insured.

I. Premium

1. **The premium** is the amount You pay Us for this insurance. The Policy Schedule shows the amount of premium for the Policy Period and all other taxes and levies.
2. **Time for payment: It is Your responsibility to** pay premium in time. We must receive the amount of premium before insurance cover can begin.
3. **Payment by cheque, draft or electronic transfer:** You must ensure that there will be adequate balance in Your account to honour Your cheque.–If the cheque or demand draft is not realised, the Policy will be ineffective, and We will not be liable to pay.
4. **Deduction from claim amounts:** When the Sum Insured is automatically restored at full value (section D para 2) after a loss, We can deduct from the claim amount payable to You the pro-rata premium for the unexpired Policy Period.

J. Your obligations

We are liable to pay if You have fulfilled Your obligations and other conditions of this Policy. Your obligations are shown below. Some special conditions and exclusions are also shown in the Policy Schedule.

IMPORTANT: Your performance of the terms and conditions is a condition precedent of Our liability to pay under this Policy. This means that if You fail to observe any of these obligations, We will refuse to pay Your claim, or will avoid or cancel this Policy. Any waiver of any term or condition will bind Us only if it is in writing and signed by Our authorised officer.

1. Make true and full disclosure in the proposal and related documents

- a. You have a duty of disclosure to tell Us everything You know, or could reasonably be expected to know, that is relevant to Us for deciding whether to give You insurance cover and on what terms. You owe this duty to disclose such relevant material information even if We have not specifically asked for it. If You are not sure whether to tell something, You must decide to tell it to Us. This duty extends to any information or declarations given by anyone else on Your behalf.
- b. We have agreed to give You insurance cover entirely on the basis of the information You, or anyone on Your behalf, have given Us in the proposal, statements and other declarations and documents (in writing or electronic) about Yourself, Your Business, Your Premises and all Property on Your Premises. Truth and completeness of the information You give is the basis of Our contract with You. Our promise to pay is conditional upon the truth of these statements and on the assumption that You, or anyone on Your behalf, has not withheld any material information about Yourself, Your Business, Your Premises and all Property on Your Premises. If any of the statements You, or anyone on Your behalf, made is false or incorrect in material particulars, or if You have withheld material information, We have a right
 - i. To refuse payment of Your claim, and
 - ii. To avoid the Policy by cancelling it.

2. Make true statements and full disclosure in the claim and related documents

- a. You must also give true and full information in Your claim and submit true documents. If You give any false information or document in the claim, or if You withhold any information or document (in writing or electronic), We have a right
 - i. To refuse payment of Your claim, and
 - ii. To avoid the Policy by cancelling it.
- b. We can also take legal action against You, civil or criminal.

3. Obligation to take care : You must:

- i. Take reasonable steps to prevent loss or damage to the Insured Property,
- ii. Comply with all laws and safety requirements imposed by any municipal, state or central law, or other regulations,
- iii. Employ competent employees,
- iv. Keep each Insured Property well maintained and in good and sound condition. Thus You must ensure that the structure of Building does not have any faults or defects that will cause loss or damage to the building. Thus You must ensure that the roof does not leak, there are no broken windows, that previous damage has been repaired.
- v. Comply at all times with local, government or other legal requirements,
- vi. Make good and repair any defect when it becomes apparent, and take additional precautions that circumstances will require.
- vii. Take care to prevent theft at all times, and also after any Insured Event,
- viii. Ensure that unauthorised persons do not occupy Your Premises.
- ix. Whenever Your Premises or any Building in Your Premises is unoccupied, You must ensure that all security procedures on Your Premises at the Commencement Date and those which We have directed You to have, are in force, and
- x. Follow all conditions and stipulations that We will set about security of Your Premises, fire safety, safety of Unoccupied premises, dealing and disposal of materials or waste, control of smoking on Your Premises, or any other matter that will reduce the risk of loss, damage or destruction.

4. Inform change in circumstances:

- i. You must inform Us immediately if :You change the nature of Your Business or any processes,
 - ii. You let out Your Premises or any part, or Your Premises will no longer be solely occupied by You
 - iii. You change the use of Your Premises or any Building,
 - iv. Your Premises or any Building remains unoccupied for 30 days or more
- a. When You inform Us as above, We may at Our complete discretion:
 - i. alter the premium,
 - ii. impose additional terms,
 - iii. restrict any Cover provided in the Policy,

- iv. continue the cover on same terms, or
 - v. cancel the policy.
- b. If You do not notify these changes, this Policy will automatically end from the date of any such change

5. Allow inspection and investigation of claim

You must allow and give full cooperation to the investigation of Your claim by Us. You must allow Us, and any surveyor, officer or other representative that We authorise, to enter Your Premises, inspect it, take photographs, or take into custody any article for scientific testing and investigation. You must answer truthfully and fully all questions asked to You concerning the claim and submit all documents that We will require.

6. Follow claim procedure

When You suffer any loss or damage to any Insured Property, and wish to make a claim, You must follow all steps stated in this Policy about immediate reporting to Us and various authorities.

K. Renewal of Policy and effect of claims

1. **End of Policy:** This Policy will expire at the end of the Policy Period.
2. **Application for renewal:** If You wish to renew the Policy, You must apply for renewal before the end of the Policy Period with the amount of applicable premium without waiting for any renewal notice from Us.
3. **Acceptance for renewal:** Renewal is not a right and is not automatic; We have to assess the risk before accepting premium. You must also Yourself inform Us about any changes relating to Your Business, Your Premises and all Property on Your Premises. We can also ask You for any information for considering Your request for renewal. We may add new terms and conditions for renewal, like exclusions, higher premium, etc. In rare circumstances, We can also refuse to renew the Policy.

L. Cancellation and termination of Policy

1. Cancellation by You at any time

- a. You can cancel this Policy at any time by giving Us notice in writing. The Policy will terminate when We receive Your notice.
- b. If You have not made any claim under the Policy, We will refund premium as follows:

Time for which Policy in force	Refund of premium

2. Cancellation by Us

We can cancel the Policy under the terms of this Policy. For example, if You have misrepresented or not disclosed material facts, or have committed fraud, or You do not cooperate or comply with the claims procedure (Sections J and M) . In such a case, the premium stands forfeited, and cannot be refunded.

3. Automatic termination of the Policy : This Policy will automatically end in the following cases:

a. Destruction of any Insured Building : This Policy will automatically end 7 days after any Insured Building collapses or is displaced or destroyed by reason other than any Insured Event. If a separable part of any Insured Building falls down or is destroyed by reason other than any Insured Event, the cover will end for such part or additional structure.

You can apply within 7 days of such fall or destruction for continuing insurance cover. We may agree, but will not be bound, to continue the cover on revised rates, terms and conditions.

b. Sum Insured gets exhausted: If any Insured Property is lost, destroyed or stolen, or is a Total Loss, and We pay You the full Sum Insured for such item, the insurance cover for that item will automatically end. If We pay the total Sum Insured for any claim, this Policy will end. (Section D para 3)

c. Change of use or ownership of Insured Property : The Policy will end in regard to the Insured Property affected, unless You have obtained Our prior consent in writing as an Endorsement on the Policy,

i. if You change the trade or manufacture, or the nature of Your occupation, or You change other circumstances relating to the Building or a building containing any Insured Property in such a way as to increase the risk of loss or damage by Insured Events;

ii. if the Building or a building containing any Insured Property becomes unoccupied for more than 30 days; or

iii. if Your interest in any Insured Property passes to another except by will or operation of law.

d. Sale of Insured Property: This Policy will end when You sell, surrender or release Your interest in any Insured Property or its part.

e. Effect of death: If You are an individual, the insurance cover under this Policy will end on Your death during the Policy Period. Its benefits will continue as follows:

i. This Policy will not be renewed;

ii. The Insurance Covers that You have purchased will continue for the benefit of Your legal representatives during the Policy Period subject to all the terms and conditions of this Policy;

iii. If a claim arises after Your death during the Policy Period, We will pay the claim amount to Your legal representatives according to law.

f. Policy not invalidated : The Policy is not invalidated :

- i. By transfer of Your interest in the Policy by operation of law, if that occurs during the Policy Period. We can continue this policy on same or modified terms in favour of Your legal representatives if they apply for this purpose;
- ii. By any act, omission, or alteration unknown to You, or beyond Your control, that increases the risk of loss or damage, if You give notice to Us immediately when You become aware of the act, omission or alteration, and pay additional premium if required; or
- iii. If Your employees or workmen carry out repairs, maintenance work or minor alterations in the Insured Property.

M. Claims procedure

If You suffer a loss because of an Insured Event, You must make a claim for Your financial loss at Your cost. We will verify the claim and accept it if it is according to the terms and conditions of this Policy.

The procedure for making a claim is given below. These include things that You must do, and that You must not do. If You do not comply with these conditions, We can reduce Your claim or refuse to pay it. We can also cancel the Policy.

1. Immediate notice to Us

- a. As soon as any loss or physical damage occurs to any Insured Property due to an Insured Event, You must immediately give notice to Us of the loss or damage. . This is necessary so that We can investigate the loss or damage.

If You do not give such notice in time, We can refuse to pay Your claim. We may, but are not bound to, waive this period if We are satisfied You could not give notice in time because of extreme hardship.

- b. You can give notice to any of Our offices or call centers from which You have taken the Policy.
- c. You must state in this notice
 - i. the Policy Number,
 - ii. Your name and other details,
 - iii. details of report to the police that You made,
 - iv. details of report to any authority that You made,
 - v. details of the Insured Event,
 - vi. a brief statement of the loss, and
 - vii. particulars of any other insurance of the Insured Property, Your Premises or any other Property on Your Premises.
- d. You must also take photographs of loss or physical damage wherever possible, and submit them with such notice.

2. Steps to prevent loss and damage

- a. You must take all reasonable steps to prevent further loss or damage to the Insured Property. You must not abandon any Insured Property.
- b. Until We have inspected the Insured Property and Your Premises, and have given Our consent,
 - i. You must not sell, give away or dispose of any damaged items of any property,
 - ii. You must not wash or clean, or remove any damaged item or debris, except for any urgent necessity, and
 - iii. You must not carry out repairs unless such repairs are urgent and You cannot contact Us.
 - iv. You cannot abandon the property even if We take possession of it.
 - v. If You prevent Us from exercising these rights, or if You abandon the property, We will not pay.

3. Immediate notice to authorities

- a. As soon as any loss or damage occurs to the Insured Property, You must give immediate report to appropriate legal authorities. For example, You must report to the fire department of the local authority and the police if there is damage by fire. You must report to the police, if there is theft following an earthquake.
- b. If You fail to give immediate report to appropriate legal authorities, can refuse to pay Your claim. We may, but are not bound to, waive this condition if We are satisfied that by reason of extreme hardship it was not possible for You or any other person on Your behalf to give such report.

4. Submit claim

- a. You must submit Your claim in Our claim-form at the earliest opportunity, but within 12 months from the date You first notice the loss or damage. The claim form is available in any of Our branches, and on Our web-site.
- b. If You fail to do submit Your claim within 12 months, and We have not been able to investigate that Your claim falls within the terms and conditions of this Policy, We can refuse to pay Your claim. We may, but need not, waive this period if We are satisfied that by reason of extreme hardship it was not possible for You or any other person on Your behalf to submit Your claim within the time limit.
- c. You must state in Your claim the details of any other insurance policy that covers the damage or loss for which You have filed Your claim, whether You have purchased such other insurance, or someone else has purchased it for You.

5. Establish loss

- a. You must prove that the Insured Event has occurred, and the extent of loss or physical damage You have suffered with full details. If You do not do this, We will not be able to pay Your claim.
- b. When We request,
 - i) You must give Us, reasonable proof of ownership and value of items lost, stolen, damaged or destroyed.
 - ii) You must submit all plans, specification books, vouchers, invoices, duplicates, documents, and investigation reports about the claim, the origin and cause of loss, and circumstances in which the loss or damage occurred, and any other matter touching upon Our liability.

- iii) You must give a declaration on oath or any legal form about the truth of Your claim.
 - iv) You must allow Us, Our officers, surveyors or representatives to look and inspect Your Premises, the loss or damage to Your Premises and Property, and to take measurements, samples, damaged items or parts, and photographs.
 - v) You must give Us or Our representative the recent plans and drawings of Your Premises.
 - vi) You must give Us authority to see the records and get information about the Event and Your loss from the police or any other authority.
- d. We will reduce or refuse Your claim if You are not able to substantiate it, or You do not cooperate with Our representatives.

6. Give further information and documents

You must give Us when We request all additional information and any other assistance that We require for verifying or dealing with Your claim. If You do not give such information or assistance, We can refuse to pay Your claim.

7. Other insurance:

If You have any other policy with Us or any other Insurance Company (taken by You or by anyone else for You) covering in whole or in part any claim that You have made under this Policy, You may make Your full claim with Us, but We will pay You only a rateable proportion of the admissible claim.

8. Our rights relating to Insured Property

- a. We must investigate that Your claim is covered by this Policy. For this purpose, We will give You notice and request Your cooperation as follows:
 - i. We and Our representatives will visit Your Home, inspect all parts of Your Home, and remain there until Our investigation is completed,
 - ii. We will ask You to give to Us any items of the Contents of Your Home, and hold it with Us for the purposes examination, testing, or any other investigation, or
 - iii. We will dispose of or deal with or sell any item of the Contents of Your Home.
- b. We will ensure that Our actions will not impose any liability on You.
- c. If You do not cooperate, or if You prevent Us from doing these things, and We cannot fully investigate Your claim, We will reject Your claim and will not pay.

9. Fraudulent claim

If You, or anyone on Your behalf, make a claim which is false or fraudulent, or support a claim with any false or fraudulent statement or documents:

- i. We will not pay the claim,
- ii. We can cancel the Policy: in such a case, You will lose all benefits under this Policy and premium that You have paid, and
- iii. We can initiate legal proceedings against You.

10. Recovery action by Us

- a. When We accept and pay Your claim under the Policy, We can start legal proceedings to recover the amount or property from the third party who has caused the loss or damage to the Insured Property. You must give authority to Us to take such action and exercise this right effectively, when We request You, whether before or after making payment of Your claim to You. You must give all information, cooperation, assistance and help for this purpose. You must not do anything which will prejudice Our right. This is Our right of subrogation. We can do this
 - i. without seeking Your consent,
 - ii. in Your name,
 - iii. whether or not Your loss has been fully compensated.
- b. Any amount We recover from such person will be applied first to the costs of the legal proceedings and recovery, then to the claim amount We have paid or must pay to You. We will pay You any balance.
- c. You can start legal proceedings against any person who has caused the loss or damage only with Our prior consent, and on conditions that We will impose. You must not compromise or settle any claim against such person without Our consent. If You recover any amount from such person, You must return to Us the amount We have paid for Your claim. We can take over the conduct of legal proceedings that You have started and continue the proceedings in Your name.

N. Changes

- a. You can choose to make changes to the covers of this Policy, for example, take additional cover, or increase or reduce any Sum Insured. You must make a proposal or request for any change. It will be effective only after We have accepted Your proposal, and You have paid the additional premium where applicable.
- b. This Policy (including the Policy Schedule, the proposal, declarations, the Prospectus and the Endorsements) consists of the entire contract between You and Us.

O. Other details

1. Description of items of Insured Property

For the purpose of determining under which item any Property is insured, We agree to accept the designation under which such Property appears in Your books of account.

2. Notices

- a. We will send any notice, letter or communication in writing to You at Your address mentioned in the Policy Schedule, and to Your email address that You have registered with Us.
- b. You will send any notice, letter, intimation or communication in writing to Us at the branch office where You purchased the Policy. You can also send it at the address mentioned in the Policy Schedule. You shall not send any notice etc. to the insurance agent, broker or any other entity. They are not authorised to receive notices etc. on Our behalf.

3. Applicable law and jurisdiction

This Policy will be subject to the laws of India, and to the jurisdiction of courts in India.

P. Complaints

If You have a complaint or grievance about any matter relating to the Policy, or Our decision on any matter, or the claim, You can address Your grievance as follows:

1. Our Grievance Redressal Officer

You can send Your complaint in writing by post or email to Our Grievance Redressal Officer at the following address:

Address including email.....

2. Consumer Affairs Department of IRDAI

- a. In case if it is not resolved within 15 days or if You are unhappy with the resolution You can approach the Grievance Redressal Cell of the Consumer Affairs Department of IRDAI by calling Free Number 155255 (or) 1800 4254 732 or sending an email to complaints@irda.gov.in. You can also make use of IRDAI's online portal - Integrated Grievance Management System (IGMS) by registering Your complaint at igms.irda.gov.in.
- b. You can send a letter to IRDAI with Your complaint on a Complaint Registration Form available [by clicking here](#). You must fill and send the Complaint Registration Form along with any documents by post or courier to General Manager, Insurance Regulatory and Development Authority of India(IRDAI), Consumer Affairs Department- Grievance Redressal Cell, Sy.No.115/1,Financial District, Nanakramguda, Gachibowli, Hyderabad-500032.
- c. You can visit the portal <http://www.policyholder.gov.in> for more details.

3. Insurance Ombudsman

If We refuse Your claim, You can approach the Insurance Ombudsman appointed by the Central Government. Information about Insurance Ombudsmen, their jurisdiction and powers is available on the website of the Insurance Regulatory and Development Authority of India (IRDAI) at www.irdai.gov.in, or of the General Insurance Council at www.generalinsurancecouncil.org.in, the Consumer Education Website of the IRDAI at <http://www.policyholder.gov.in>, or from any of Our Offices.

Q. Information about Us

The Insurance Company Limited

Address

Web:E-mail

Customer Service:

The Small-Commercial Enterprises Building and Contents Insurance Policy

This document states the following additions to the Small-Commercial Enterprises Building and Contents Insurance Policy (SCE Policy).

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Add-ons

These are additional covers that extend the insurance cover that We give under the Small Commercial Enterprises Building and Contents Insurance Policy (SCE Policy).

We give these additional covers if You have applied and paid premium for the covers, and We have accepted to give covers to You. You can choose these covers when You purchase the SCE Policy, or at any time during the Policy Period. The covers You have chosen will be shown in the Policy Schedule, or will be stated by an Endorsement.

These additional covers will be subject to all terms and conditions of the SCE Policy.

1. Additional costs of removing debris

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy (SCE Policy) to necessary expenses You incur towards:
 - i. removal of debris of any Insured Property from Your Premises, and
 - ii. dismantling, demolishing, shoring up or propping of Insured Building or Machinery.
- b. The maximum We pay is the actual expenses You incur not exceeding% of the claim amount under your (SCE Policy).

2. Additional professional fees

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy (SCE Policy) to the expenses that You incur towards reasonable fees of Architects, Surveyors and Consulting Engineers for preparing plans, specification tenders and quantities, and services in connection with the superintendence of the reinstatement for the Insured Building, Machinery, Accessories or Equipment.
- b. The maximum We pay is the actual expenses You incur not exceeding% of the claim amount under your (SCE Policy).
- c. We do not cover fees or costs incurred by You for preparing any claim, or estimate of loss or damage by the Insured Perils.

3. Floater Cover

We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to physical loss or damage to movable property at more than one location as follows:

- i. You have declared all locations, and these are shown in the Policy Schedule.
- ii. The aggregate Sum Insured is available for cover of such movable properties.
- iii. You have a good internal audit and accounting procedure under which the total amount at risk and the locations can be established at any particular time.
- iv. You must inform Us any change in the address of any location occurring after the Commencement Date.

4. Escalation of Sum Insured

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to increase in the Sum Insured during the Policy Period. The cover is as follows:
- b. You choose the percentage increase. This will be shown in the Policy Schedule.

- c. The Sum Insured will be increased each day by an amount representing $1/365^{\text{th}}$ of the specified percentage increase.
- d. This clause applies to Sums Insured in force on Commencement Date, unless specifically agreed otherwise.
- e. At renewal of policy, You will inform Us the Sum to be Insured for each item to which escalation has been applied. If You do not inform,
 - i. the Sum Insured of such item shall be the amount that stands at the date of renewal after applying such increase.
 - ii. The specified percentage increase shall be applied to the Sum Insured on the date of renewal for the next period of insurance.

5. Declaration Policy for Stocks

- a. We agree to cover Your Stock (other than retail) on receipt of provisional premium based on Your declaration of the value of Stock, the premium being liable to be adjusted at expiry of the Policy Period, as follows:
 - b. You will declare to Us in writing signed by You or an authorised person, the value of Your Stock less any amount insured by Policies other than declaration policies. If any Stock is covered by declaration policies, You must apportion to each policy a share of the value of stocks insured by such declaration policies pro-rata to the respective amounts named in those policies.
 - c. Your declaration shall state
 - i. Average of the value at risk on each day of the month, or
 - ii. Highest value at risk during the month
 - d. The value for Your declaration shall be the market value. Any loss covered shall be settled on the basis of the market value immediately before the loss.
 - e. You must give a separate declaration relating to each separate location.
 - f. You shall give such declaration before the last day of the succeeding month. If You do not make a declaration in time, We will consider the Sum Insured mentioned in the Policy Schedule as the value at risk.
 - g. At the end of the Policy Period, the actual premium will be calculated at the rate applied under the Policy on the average Sum Insured, i.e.,

The total of values declared or deemed to have been declared \div the number of declarations made or deemed to have been made.
 - h. If the premium calculated on adjustment is less than the provisional premium You have paid, We will repay the amount of the difference not exceeding 50% of the provisional premium.
 - i. If at the time of loss there is another subsisting insurance policy covering the insured Stock other than on declaration basis, whether You have taken such policy or some one else, We will only pay the amount of difference by which the value of the Stock at the time of loss exceeds the Sum Insured under the other policies, and We will not be liable to contribute more than that proportion which such difference bears to the total value of stocks. In all cases, the maximum We will pay is the relevant Sum Insured.

- j. If after loss has occurred, it is found that the amount of last declaration before the loss is less than the amount which ought to be declared, We will pay only that proportion of loss which the amount in the last declaration bears to the amount that ought to have been declared.
- k. If You cancel the policy (whether any stock exists or not), We will retain short period premium calculated on the average amount insured until the cancellation, or 50% of the provisional premium, whichever is higher. If You cancel the policy after loss has occurred, We will retain the premium of the higher of the two amounts:
 - i. The pro-rata proportion of the premium calculated on the average amount insured until cancellation plus the pro-rata proportion of the premium from the date of loss to the end of the Policy Period, and
 - ii. 50% of the provisional premium.
- l. You cannot reduce the Sum Insured during the Policy Period.
- m. We will not pay more than the Sum Insured, and You need not pay premium on value in excess of the Sum Insured. You and Us can increase the Sum Insured by agreement, and its effective date will be added by Endorsement on the Policy. You are liable to pay an additional provisional premium on the increased Sum Insured proportionate to the unexpired Policy Period. If the rate for the class of the relevant risk is revised during the Policy Period, You must pay an additional provisional premium on the revised rate for the unexpired period. In both these cases, the premium will be adjusted at the end of the Policy Period as stated in clause 7 above.
- n. If the Insured Stocks are collectively of greater value than their Sum Insured at the time of loss, You will be Your own insurer for the difference, and must bear a rateable proportion of the loss. Every item of Stock shall be separately subject to this condition.
- o. All other terms and conditions of the Policy shall apply to the Declaration Policy.

6. *Deterioration of stock in cold storage due to power failure*

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to physical loss or damage to, or destruction of, stock in cold storage due to power failure as follows:
- b. You have taken Insurance Cover under this Policy for Your stock in cold storage.
- c. The loss or damage has happened because of change in temperature caused by failure of electric supply
- d. The failure of electrical supply is at the terminal ends of electric service feeders from which You obtain electric supply, and is caused by an Insured Peril damaging any property in Your Premises, or any Electric Station or Sub-Station of Public Electric Supply undertaking from which You obtain electric supply.
- e. The duration of such failure is more than 24 hours.
- f. We will not be liable if any loss is caused by a deliberate act of any government, municipal, local or electricity supply authority except for safeguarding life, or protecting systems of supply undertaking, or its decision of rationing, withholding, restricting or rationing electricity supply.
- g. If in any proceedings, We allege that the loss or damage is not covered by this insurance, the burden of showing that loss or damage is covered will lie on You.

7. *Deterioration of stock in cold storage due to damage to cold storage machinery*

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to physical loss or damage to, or destruction of, stock in cold storage due to damage to cold storage machinery as follows:
- b. You have taken insurance cover under this Policy for Your stock in cold storage, and the cold storage machinery.
- c. The loss or damage has happened because of change in temperature caused by failure of electric supply following damage to cold storage machinery due to operation of an Insured Peril.
- d. The duration of such failure is more than 24 hours.
- e. We will not be liable if any loss is caused by a deliberate act of any government, municipal, local or electricity supply authority except for safeguarding life, or protecting systems of supply undertaking, or its decision of rationing, withholding, restricting or rationing electricity supply.
- f. If in any proceedings, We allege that the loss or damage is not covered by this insurance, the burden of showing that loss or damage is covered will lie on You

8. *Leakage by accident*

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to physical loss of oil or chemical by leakage from its container by accidental means, as follows:
- b. You have taken insurance cover under this Policy for Your stock of oil or chemical.
- c. We will not cover
 - i. Loss resulting from loss of use, loss of earnings, delay or loss of markets or other consequential or indirect loss or damage of any kind or description whatsoever;
 - ii. Loss resulting from Your infidelity or dishonesty or of Your employees, inventory shortage, mysterious disappearance or unexplained loss;
 - iii. Loss by burglary or theft or any attempt thereat;
 - iv. Loss resulting from processing or faulty workmanship;
 - v. Loss resulting from shrinkage, evaporation, loss of weight unless caused by a peril not otherwise excluded;
 - vi. Any legal and/or contractual liability arising from any cause whatsoever; and
 - vii. Consequential loss of any nature.

9. *Leakage by accident, and contamination*

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to physical loss or damage to oil or chemical by leakage from its container by accidental means and all accidental contamination by contact with foreign matter, as follows:
- b. You have taken insurance cover under this Policy for Your stock of oil or chemical
- c. We will not cover
 - i. Loss by contamination through improper handling or controls by Your employees;

- ii. loss resulting from loss of use, loss of earnings, delay or loss of markets or other consequential or indirect loss or damage of any kind or description whatsoever;
- iii. loss resulting from Your infidelity or dishonesty or of Your employees, inventory shortage, mysterious disappearance or unexplained loss;
- iv. loss by burglary or theft or any attempt thereat;
- v. loss resulting from processing or faulty workmanship;
- vi. loss resulting from shrinkage, evaporation, loss of weight unless caused by a peril not otherwise excluded;
- vii. any legal and/or contractual liability arising from any cause whatsoever; and
- viii. consequential loss of any nature.

10. Spoilage

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to:
 - i. Loss of stock in process, and
 - ii. Damage to machinery, containers and equipment, and
 - iii. Cost of removal or debris and cleaning of above
- b. The loss or damage is caused by spoilage due to retardation, interruption or cessation of any process or operation caused by any Insured Peril
- c. You have taken insurance cover under this Policy for such Property.
- d. We have agreed to pay Your claim for destruction of or damage to that Insured Property,
- e. If the property insured against spoilage is at the time of occurrence of any loss or damage collectively of greater value than the Sum Insured on machinery, containers, equipment and stocks in the specified blocks, then You will be Your own insurer for the difference, and You will bear rateable proportion of the loss. Every item of the Policy shall be separately subject to this condition.

11. Loss of rent

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to the amount of rent You lose while any insured Building is not fit for occupation as follows.
- b. This cover is available only if the structure is a 'Pucca' Structure.
- c. This cover is available from the date the Building becomes unfit for occupation.
- d. You must submit a certificate from an Architect or the local authority to show that the building is unfit for occupation.
- e. Claim under this cover will be accepted if We have accepted Your claim for loss or damage to the Building.
- f. This cover will be available for the reasonable time required to repair the building to make it fit for occupation. It is available during the current Policy Period, and will continue if the Policy is renewed with this cover. The maximum period of this cover is three years from the date the building is unfit for occupation.
- g. The amount of lost rent shall be calculated as follows:
- h. $\text{Sum Insured on Lost Rent} \times \text{Period necessary for repairs} \div \text{Term of Rent Insured}$.

12. Rent for alternative accommodation

- a. We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to additional expenses of rent for an alternative accommodation that You are required to take up following destruction or physical damage caused by any Insured Peril to an insured Building occupied by You in Your Premises as follows
- b. Your Business is other than manufacturing.
- c. The Building is a 'Pucca' structure.
- d. Your Premises have become unfit for occupation. You must submit a certificate from an Architect or the local authority to show that the building is unfit for occupation.
- e. We cover the additional rent which You are called upon to bear:
 - i. If You are an owner-occupant, the additional rent will be the rent of alternative accommodation minus standard rent of the insured Building based on rateable values fixed by municipal or revenue authorities for property tax purposes.
 - ii. If You are a tenant in the Building, and You are not required to pay the rent to the landlord during the period the Building is unfit for occupation, the additional rent will be the rent of the alternative accommodation minus the rent You paid for the Building before it was damaged or destroyed.
 - iii. If You are a tenant in the Building, and You are required to pay the rent to the landlord during the period the Building is unfit for occupation, the additional rent will be the entire rent of the alternative accommodation.
- f. The cover begins from the date occurrence of the Insured Peril until the Building is rendered fit for occupation.
- g. This cover will be available for the reasonable time required to restore the Building with due diligence to make it fit for occupation. It is available during the current Policy Period, and will continue if the Policy is renewed with this cover. The maximum indemnity period of this cover is three years from the date the Building became unfit for living.
- h. The alternative accommodation shall be located within the Municipal limit of the same city or town in which the insured Building is located.
- i. Our maximum liability is the Sum Insured for this additional cover. If the total additional rent paid for the maximum indemnity period is more than the Sum Insured, Our liability will be reduce proportionately.
- j. If the area of the alternative accommodation is more than the area of the Building, We will pay as follows:

Additional rent actually borne X Area of Insured Building or Structure (damaged) ÷ area of alternative accommodation.

13. Impact damage due to Your own vehicles

We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to cover physical loss or damage to, or destruction of, any Insured Property due to impact caused by Your own rail or road vehicles, fork-lifts, cranes, stackers and the like, and articles dropped from them.

14. Start up expenses

We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to the costs that You necessarily and reasonably incur to start Your Business again following loss or damage covered by this Policy. It includes the cost of dismantling, re-erection, fitting and fixing the Property following loss or damage.

15. Forest fire

We extend the cover under the Small Commercial Enterprises Building and Contents Insurance Policy to physical loss or damage to, or destruction of, any Insured Property directly caused by burning, whether accidental or otherwise, of forest, bush and jungles, and the clearing of lands by Fire.

Special Clauses

These are additional terms and conditions that apply in special circumstances and situations.

Agreed Bank Clause

If You have mortgaged, hypothecated or created any security over any Insured Property in favour of a Bank, and the Bank has an interest in the Policy, the name of such Bank will also be shown in the Policy Schedule under the title 'Agreed Bank Clause'. If You choose to add the name of such Bank at any time during the Policy Period on payment of fees, this will be shown as an Endorsement. In this clause, the word 'Bank' includes any financial institution.

Under this Clause, You agree as follows:

- i. We shall pay to the Bank the entire amount that We are liable to pay under this Policy. Such Bank will receive it for its own demand, and as agent for any other person interested in the amount.
- ii. When We pay the amount to the Bank, Our liability under this Policy will be discharged, and will be binding on all of You and all persons named as the insured.
- iii. Any notice or communication We make to the Bank under the provisions of this Policy shall be sufficient notice or communication to You.
- iv. Any settlement or compromise that We make with the Bank will be binding on You and all persons named as the insured. However such settlement or compromise will not affect the rights of the Bank to recover any amount from You or any other person.
- v. If You make any change in the use of the Insured Property or Your Premises, or leave Your Premises unoccupied for more than 30 days, or sell or transfer the Insured Property, such actions will not prejudice the interest of the Bank under the Policy and this clause, unless the condition has been broken by the Bank or its employees.
- vi. If You commit any act or omission that will increase the risk, the insurance cover will not be invalidated. However, the Bank shall notify Us of any change or ownership, or alterations and increase in risks as soon they become known to the Bank, and shall pay additional premium from the time of such change.
- vii. When We pay the amount to the Bank, We will become legally and automatically subrogated to all rights of the Bank to the extent of such payment. This will not impair or prejudice the rights of the Bank to recover any amount from You or any other person.
