

## IC-56 - FIRE INSURANCE CLAIMS

### Original Text in book

#### Chapter 1 Page. No. 30 Point (f) Limit of Indemnity

- The limit of indemnity under this cover shall not exceed sum insured as defined in the policy or Rs. 1500 crores at any one location, whichever is lower. In respect of several insurance policies within the same compound / location with one or different insurers, the maximum aggregate loss payable per compound/location by any one or all insurers shall be Rs. 1500 crores. If the actual aggregate loss suffered at one compound / location is more than Rs. 1500 crores the amounts payable under individual policies shall be reduced in proportion to the sum insured of the policies.

**Note: The loss limit per location is likely to be enhanced to Rs. 2000 crores w.e.f. 1<sup>st</sup> April 2017.**

### Revised text as per revised Limit of Indemnity as below

#### Chapter 1 Page. No. 30 Point (f) Limit of Indemnity

- The limit of indemnity under this cover shall not exceed **the total** sum insured as defined in the policy or **Rs.2000** crores **per compound** / location, whichever is lower. In respect of several insurance policies within the same compound / location with one or different insurers, the maximum aggregate loss payable per compound / location by any one or all insurers shall be **Rs.2000** crores **whichever is lower**. If the actual aggregate loss suffered at one compound / location is more than **Rs.2000** crores the amounts payable under individual policies shall be reduced in proportion to the sum insured of the policies.

**(Note: The loss limit per location is enhanced to Rs.2000 crores w.e.f. 1<sup>st</sup> April 2017).**

**Original Text in book**

**Chapter 1 Page. No. 30 Point (g) Excess**

- 0.5% of the sum insured for each and every claim subject to:
  - i. a minimum of INR 100,000 and a maximum of INR 100,000,000 (for industrial risks)
  - ii. a minimum of INR 25,000 and maximum of INR 1,000,000/- (for non-industrial risks) / a minimum of INR 10,000 and maximum of INR 500,000 (for shops and residences)

**Revised text as per revised sum insured as below**

**Chapter 1 Page. No. 30 Point (g) Excess\***

- i. Shops & Residential Risks: 1% of the claim amount for each and every claim subject to Minimum of INR 10,000 and Maximum of INR 500,000
  - ii. Non-Industrial Risks: 1% of the claim amount for each and every claim subject to Minimum of INR 25,000 and Maximum of INR 1,000,000
  - iii. Industrial Risks: 5% of the claim amount for each and every claim subject to Minimum of INR 100,000 and Maximum of INR 25,00,000
- \*Whichever is applicable?

### Original Text in book

#### Chapter 2 Page. No. 40 Point b) Excess Clause - point (i)

- Deductible of 5% of the net claim subject to minimum of Rs.10,000/- (for Policies having Sum Insured up to Rs. 10 Crores per location) applies to each and every claim. However, for policies having Sum Insured above Rs.10 Crores per location deductible of 5% of the net claim subject to minimum of Rs.25,000/- applies to each and every claim.

### Revised text as below

#### Chapter 2 Page. No. 40 Point b) Excess Clause - point (i)

- Deductible of 5% of the net claim subject to minimum of Rs.10,000/- (for Policies having Sum Insured up to Rs. 10 Crores per location) applies to each and every claim. However, for policies having Sum Insured above Rs.10 Crores **upto 100 Crores** per location deductible of 5% of the net claim subject to minimum of Rs.25,000/- applies to each and every claim. **(Important note: Since excess amount are subject to changes from time to time, we must look at the applicable excess as written on the face of policy while computing the net payable loss)**

**Original Text in book**

**Chapter 2 Page. No. 46 - Summary Point (e)**

- Terrorism damage cover: The limit of indemnity under this cover shall not exceed sum insured as defined in the policy or Rs. 1500 crores at any one location, whichever is lower.

**Revised text as per revised Summary as below**

**Chapter 2 Page. No. 46 - Summary Point (e)**

- Terrorism damage cover: The limit of indemnity under this cover shall not exceed sum insured as defined in the policy or **Rs.2000** crores at any one location, whichever is lower.

Original Text in book

Chapter 2 Page no.48 - Self-Examination Questions

**Self-Examination Questions**

**Question 1**

Which of the below statement is correct with regards to ‘terrorism damage cover’?

- I. The limit of indemnity shall not exceed sum insured as defined in the policy or Rs. 1000 crores at any one location, whichever is lower.
- II. The limit of indemnity shall not exceed sum insured as defined in the policy or Rs. 1000 crores at any one location, whichever is higher.
- III. The limit of indemnity shall not exceed sum insured as defined in the policy or Rs. 1500 crores at any one location, whichever is lower.
- IV. The limit of indemnity shall not exceed sum insured as defined in the policy or Rs. 1500 crores at any one location, whichever is higher.

Answer of the above question

Chapter 2 Page no.49 - Answers to Self-Examination Question

**Answers to Self-Examination Questions**

**Answer 1**

The correct option is III.

The limit of indemnity shall not exceed sum insured as defined in the policy or Rs. 1500 crores at any one location, whichever is lower.

Revised Text as below

Chapter 2 Page no.48 - Self-Examination Questions

**Self-Examination Questions**

**Question 1**

Which of the below statement is correct with regards to ‘terrorism damage cover’?

- I. The limit of indemnity shall not exceed sum insured as defined in the policy or Rs. 1000 crores at any one location, whichever is lower.
- II. The limit of indemnity shall not exceed sum insured as defined in the policy or Rs. 1000 crores at any one location, whichever is higher.
- III. The limit of indemnity shall not exceed sum insured as defined in the policy or **Rs. 2000** crores at any one location, whichever is lower.
- IV. The limit of indemnity shall not exceed sum insured as defined in the policy or Rs. 1500 crores at any one location, whichever is higher.

**Revised Page no.49 - Answers to Self-Examination Questions**

**Answers to Self-Examination Questions**

**Answer 1**

The correct option is III.

The limit of indemnity shall not exceed sum insured as defined in the policy or **Rs.2000** crores at any one location, whichever is lower.

### Original Text in book

#### Chapter 4 Page. No. 70- Important

- The Insurance Act provides that all claims of 20,000/- and above require to be surveyed by a “licensed” surveyor.
- Generally, even for claims less than Rs. 20,000/- surveyors are engaged, although relatively small losses are dealt with by “in-house” surveys.

### Revised text as per revised Important as below

#### Chapter 4 Page. No. 70- Important

- As per Regulation 12 of the IRDAI (Insurance Surveyors and Loss Assessors) Regulations 2015, all claims of 1,00,000/- and above require to be surveyed by a “licensed” surveyor.
- Generally, even for claims less than Rs.1,00,000/- surveyors are engaged, although relatively small losses are dealt with by “in-house” surveys.

## Original Text in book

### Chapter 4 -Page no.75 - Test Yourself 1

#### **Test Yourself 1**

Madhav is the owner of a shop that got burnt down due to a fire. Madhav has a fire policy of Rs. 5 lakhs. Madhav reports the incident to the insurance company and make a claim of Rs. 3,00,000 for the loss suffered. Given the context, which of the below statement is correct?

- I. As per the provisions of the Insurance Act, the insurance company can decide on its own discretion whether it needs to appoint a surveyor or not
- II. As per the provisions of the Insurance Act, the insurance company has to appoint a surveyor, since the claim amount is above Rs. 20,000
- III. As per the provisions of the Insurance Act, the insurance company has to appoint a surveyor, if the insured (Madhav in this case) insists on the appointment of a surveyor, so that a neutral person's opinion is taken into consideration for claim settlement
- IV. As per the provisions of the Insurance Act, the insurance company has to appoint a surveyor, since the claim amount is above Rs. 50,000

#### Answer of the above question

### Chapter 4 Page no. 84 - Answer to Test Yourself

#### **Answers to Test Yourself**

##### **Answer 1**

The correct answer is II.

As per the provisions of the Insurance Act, the insurance company has to appoint a surveyor, since the claim amount is above Rs. 20,000.

#### Revised text as below

### Chapter 4- Page no.75 - Test Yourself 1

#### **Test Yourself 1**

Madhav is the owner of a shop that got burnt down due to a fire. Madhav has a fire policy of Rs. 5 lakhs. Madhav reports the incident to the insurance company and make a claim of Rs. 3,00,000 for the loss suffered. Given the context, which of the below statement is correct?

- I. As per the provisions of the Insurance Act, the insurance company can decide on its own discretion whether it needs to appoint a surveyor or not
- II. As per the provisions of the Insurance Act, the insurance company has to appoint a surveyor, since the claim amount is above **Rs.1,00,000**
- III. As per the provisions of the Insurance Act, the insurance company has to appoint a surveyor, if the insured (Madhav in this case) insists on the appointment of a surveyor, so that a neutral person's opinion is taken into consideration for claim settlement
- IV. As per the provisions of the Insurance Act, the insurance company has to appoint a surveyor, since the claim amount is above Rs. 50,000



**Revised Page no.84 - Answer to Test Yourself**

**Answers to Self-Examination Questions**

**Answer 1**

The correct answer is II.

As per the provisions of the Insurance Act, the insurance company has to appoint a surveyor, since the claim amount is above **Rs. 1,00,000.**

### Original Text in book

#### Chapter 6 Page. No. 104- Point 4. Considerations that influence the extent of indemnity - sub-point (d)

- **Deduction for excess:** For example, the fire policy is subject to an excess of 5% of claim amount for each and every loss arising out of AOG perils subject to minimum of Rs. 10,000/- and excess of Rs. 10,000/- for each and every loss arising out of other perils for policies having Sum Insured up to Rs. 10 Crores per location. However, in case of policies having Sum Insured above Rs. 10 Crores per location, the fire policy is subject to an excess of 5% of the claim amount for each and every loss arising out of AOG perils subject to minimum of Rs. 25,000/- and excess of 5% of the claim amount for each and every loss arising out of other perils subject to minimum of Rs. 10,000/- . Excess may also apply under “add-on” covers. Voluntary deductible if opted for, supersedes the policy excess printed on the policy.

### Revised text as below

#### Chapter 6 Page. No. 104- Point 4. Considerations that influence the extent of indemnity - sub-point (d)

- **Deduction for excess:** For example, the fire policy is subject to an excess of 5% of claim amount subject to minimum of Rs. 10,000/- **for policies having sum insured upto Rs. 10 Crores** per location. However, in case of policies having Sum Insured above Rs. 10 Crores **upto Rs.100 crs** per location, the fire policy is subject to an excess of 5% of the claim amount **subject to minimum of Rs. 25,000/-**. Excess may also apply under “add-on” covers. Voluntary deductible if opted for, supersedes the policy excess printed on the policy.

Original Text in book

Chapter 7 Page. No. 124- 1<sup>st</sup> Table

	Sum Insured	Value	Loss	Amount payable
Building	Rs.1,00,000/-	Rs.1,00,000/-	50,000/-	50,000/-
Machinery	Rs.3,00,000/-	Rs.2,00,000/-	2,00,000/-	2,00,000/-
Stock	Rs.5,00,000/-	Rs.6,00,000/-	60,000/-	50,000/-**
Total		Rs.9,00,000/		

Revised text as per revised table as below

Chapter 7 Page. No. 124- 1<sup>st</sup> Table

	Sum Insured	Value	Loss	Amount payable
Building	Rs.1,00,000/-	Rs.1,00,000/-	50,000/-	50,000/-
Machinery	Rs.3,00,000/-	Rs.2,00,000/-	2,00,000/-	2,00,000/-
Stock	Rs.5,00,000/-	Rs.6,00,000/-	60,000/-	50,000/-**
Total	Rs.9,00,000/-	Rs.9,00,000/		

**Original Text in book**

**Chapter 11 Page no.208 & 209 - Point A. Numerical illustrations and case studies on critical claims - Illustration I.**

Standard Fire and Special Peril Policy was issued to an Insured covering their Chemical manufacturing factory for the period 1-4-2009 to 31-3-2010. Arising out of severe cyclone on 30-9-2009, insured suffered loss in respect of their Building, Plant and machinery and Stocks.

Sum Insured, Value as on date of loss and Gross Loss assessed are given as under:

Property Covered	Sum Insured (Rs)	Value as on date of loss (Rs)	Assessed Loss (Rs)
Building	1,00,00,000/-	1,00,00,000/-	2,00,00,000/-
Machinery	3,00,00,000/-	2,00,00,000/-	5,00,00,000/-
Stocks	5,00,00,000/-	6,00,00,000/-	1,60,00,000/-

Building is 5 years old and rate of depreciation @ 5% per year.

Machinery is 7 years old and rate of depreciation @ 5% per year.

Insured also opted for following voluntary deductible:

AOG Perils - 5% of the claim amount subject to minimum of Rs. 10,00,000/- and other perils - Rs. 5,00,000/-

Salvage Value (taken over by the insured)

Building	Rs. 40,000
Machinery	Rs. 70,000
Stock	Rs. 30,000

Compute the amount of loss payable to the insured.

**Solution**

**Building**

____ Gross Loss Assessed	Rs. 20,00,000
Less 25% Depreciation	Rs. 5,00,000
	<b>Rs. 15,00,000</b>
Salvage	Rs. 40,000

<b>Net Amount payable</b>	<b>Rs. 14,60,000</b>
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Note: Under insurance not applicable

**Machinery**

Gross Loss Assessed	Rs. 50,00,000/-
Less 35% depreciation	Rs. 17,50,000/-
	<b>Rs. 32,50,000/-</b>
Less Salvage	Rs. 70,000/-
<b>Net Amount Payable</b>	<b>Rs. 31,80,000/-</b>

Note: Under Insurance not applicable

**Stocks**

Gross Loss Assessed	Rs. 1,60,00,000/-
Less Salvage	Rs. 30,000/-
	<b>Rs. 1,59,70,000/-</b>
Less Underinsurance @ 16.67%	Rs. 26,62,199/-
<b>Net Amount Payable</b>	<b>Rs. 1,33,07,801/-</b>

Total Claim payable for Building, Plant & Machinery & Stocks	Rs. 1,79,47,801/-
Less Compulsory Excess @ 5% of claim	Rs. 8,97,390/-
	<b>Rs. 1,70,50,411/-</b>
Less Voluntary Excess	Rs. 10,00,000/-
<b>Net Claim Payable</b>	<b>Rs. 1,60,50,411/-</b>

**Revised text as per revised Illustration as below**

**Chapter 11 Page no.208 & 209 - Point A. Numerical illustrations and case studies on critical claims - Illustration I.**

Standard Fire and Special Peril Policy was issued to an Insured covering their Chemical manufacturing factory for the period 1-4-2009 to 31-3-2010. Arising out of severe cyclone on 30-9-2009, insured suffered loss in respect of their Building, Plant and machinery and Stocks.

Sum Insured, Value as on date of loss and Gross Loss assessed are given as under:

Property Covered	Sum Insured (Rs)	Value as on date of loss (Rs)	Assessed Loss (Rs)
Building	1,00,00,000/-	1,00,00,000/-	<b>20,00,000/-</b>
Machinery	3,00,00,000/-	2,00,00,000/-	<b>50,00,000/-</b>
Stocks	5,00,00,000/-	6,00,00,000/-	1,60,00,000/-

Building is 5 years old and rate of depreciation @ 5% per year.

Machinery is 7 years old and rate of depreciation @ 5% per year.

Insured also opted for following voluntary deductible:

5% of the claim amount subject to minimum of Rs. 10,00,000/- and other perils - Rs. 5,00,000/-

**Compulsory deductible : 5% of claim amount**

Building	Rs. 40,000
Machinery	Rs. 70,000
Stock	Rs. 30,000

Compute the amount of loss payable to the insured.

### Solution

#### Building

Gross Loss Assessed	Rs. 20,00,000
Less 25% Depreciation	Rs. 5,00,000
	<b>Rs. 15,00,000</b>
Salvage	Rs. 40,000
<b>Net Amount payable</b>	<b>Rs. 14,60,000</b>

Note: Under insurance not applicable

#### Machinery

Gross Loss Assessed	Rs. 50,00,000/-
Less 35% depreciation	Rs. 17,50,000/-
	<b>Rs. 32,50,000/-</b>
Less Salvage	Rs. 70,000/-
<b>Net Amount Payable</b>	<b>Rs. 31,80,000/-</b>

Note: Under Insurance not applicable

#### Stocks

Gross Loss Assessed	Rs. 1,60,00,000/-
Less Salvage	Rs. 30,000/-
	<b>Rs. 1,59,70,000/-</b>
Less Underinsurance @ 16.67%	Rs. 26,62,199/-
<b>Net Amount Payable</b>	<b>Rs. 1,33,07,801/-</b>

Total Claim payable for Building, Plant & Machinery & Stocks	<b>Rs. 1,79,47,801/-</b>
Less voluntary deductible	<b>Rs.10,00,000/-</b>
	<b>Rs. 1,69,47,801/-</b>
Less Compulsory deductible 5%	<b>Rs. 8,47,390/-</b>
<b>Net Claim Payable</b>	<b>Rs. 1,61,00,411/-</b>

**Original Text in book**

**Chapter 12 Page. No. 220- 1<sup>st</sup> Table**

<b>Authority</b>	<b>Jurisdiction</b>	<b>Quantum of loss</b>
District Forum	Order Civil Court for execution of decree	Claim amount payable is less than Rs. 5 lakhs
State Commission	Original, appellate and as well as supervisory jurisdiction	Claim amount payable is more than Rs. 5 lakhs but less than Rs. 20 lakhs
National Commission	Original, appellate and as well as supervisory jurisdiction- Final Authority	Claim amount payable exceeds Rs. 20 lakhs

**Revised text as per revised table as below**

**Chapter 12 Page. No. 220- 1<sup>st</sup> Table**

<b>Authority</b>	<b>Jurisdiction</b>	<b>Quantum of loss</b>
District Commission (DCDRC)	Order Civil Court for execution of decree	Claim amount payable is less than <b>Rs. 1 Crore</b>
State Commission (SCDRC)	Original, appellate and as well as supervisory jurisdiction	Claim amount payable is more than <b>Rs. 1 Crore</b> but less than <b>Rs. 10 Crore</b>
National Commission (NCDRC)	Original, appellate and as well as supervisory jurisdiction- Final Authority	Claim amount payable <b>exceeds Rs. 10 Crore</b>



**Original Text in book**

**Chapter 12 Page. No. 220- Point (b) - Appeal against order**

- Consumer Forums, after detailed evaluation of the cases filed, issue orders which shall be final under the provisions of the Act, if no appeal has been preferred against such orders. However, if a complainant is aggrieved by the orders of District Forum, State Commission or National Commission may prefer appeal to State Commission, National Commission and Supreme Court respectively within a period of thirty days from the date of such orders.

**Revised text as below**

**Chapter 12 Page. No. 220- Point (b) - Appeal against order**

Consumer Forums, after detailed evaluation of the cases filed, issue orders which shall be final under the provisions of the Act, if no appeal has been preferred against such orders. However, if a complainant is aggrieved by the orders of District **Commission**, State Commission or National Commission may prefer appeal to State Commission, National Commission and Supreme Court respectively within a period of thirty days from the date of such orders.

### Original Text in book

#### Chapter 12 Page. No. 220- Point (c) - Punishment for failure to comply with order

- Where the complainant fails or omits to comply with any order made by the District Forum, the State Commission or the National Commission as the case may be, such complainant shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to three years or with fine ranging between Rs 2500/-to Rs 10,000/ or both.

The District Forum, the State Commission or the National Commission shall not admit a complainant unless it is filed within two years from the date on which the cause of action has arisen.

### Revised text as below

#### Chapter 12 Page. No. 220- Point (c) - Punishment for failure to comply with order

- Where the complainant fails or omits to comply with any order made by the District **Commission**, the State Commission or the National Commission as the case may be, such complainant shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to three years or with fine ranging between **Rs 25000/-to Rs 1,00,000/** or both.

The District **Commission**, the State Commission or the National Commission shall not admit a complainant unless it is filed within two years from the date on which the cause of action has arisen.

**Original Text in book**

**Chapter 12 Page. No. 224 - Summary Point (i)**

- Where the complainant fails or omits to comply with any order made by the District Forum, the State Commission or the National Commission as the case may be, such complainant shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to three years or with fine ranging between Rs 2500/-to Rs 10,000/ or both.

**Revised text as per revised Summary as below**

**Chapter 12 Page. No. 224 - Summary Point (i)**

- Where the complainant fails or omits to comply with any order made by the District **Commission**, the State Commission or the National Commission as the case may be, such complainant shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to three years or with fine ranging between **Rs 25,000/-to Rs 1,00,000/-** or both.

**Original Text in book**

**Chapter 12 Page no.226 - Self-Examination Questions**

**Question 1**

The District Forum, the State Commission or the National Commission shall not admit a complainant unless it is filed within \_\_\_\_\_ from the date on which the cause of action has arisen.

- I. Six months
- II. One year
- III. Two years
- IV. Three years

**The answer to the above question**

**Chapter 12 Page no.227 - Answers to Self-Examination Question**

**Answer 1**

The correct option is III.

The District Forum, the State Commission or the National Commission shall not admit a complainant unless it is filed within two years from the date on which the cause of action has arisen.

**Revised text as below**

**Chapter 12 Page no.226 - Revised Self-Examination Questions**

**Question 1**

The District **Commission**, the State Commission or the National Commission shall not admit a complainant unless it is filed within \_\_\_\_\_ from the date on which the cause of action has arisen.

- I. Six months
- II. One year
- III. Two years
- IV. Three years

**Revised Page no.227 - Answers to Self-Examination Questions**

**Answer 1**

The correct option is III.

The District **Commission**, the State Commission or the National Commission shall not admit a complainant unless it is filed within two years from the date on which the cause of action has arisen.

**Original Text in book**

**Chapter 12 Page no.226 - Self-Examination Questions**

**Question 3**

Where the complainant fails to comply with any order made by the National Commission, such complainant shall be punishable:

- I. With imprisonment for a term which shall not be less than one month but which may extend to three years
- II. With fine ranging between Rs 2500/-to Rs 10,000/
- III. With imprisonment for a term which shall not be less than one month but which may extend to three years or with fine ranging between Rs 2500/-to Rs 10,000/ or both
- IV. In such cases, the matter is referred to the Supreme Court to decide the imprisonment term or fine or both

**Answer of the above question**

**Chapter 12 Page no.227 - Answers to Self-Examination Question**

**Answer 3**

The correct option is III.

Where the complainant fails to comply with any order made by the National Commission, such complainant shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to three years or with fine ranging between Rs 2500/-to Rs 10,000/ or both.

**Revised text as below**

**Chapter 12 Page no.226 - Revised Self-Examination Questions**

**Question 3**

Where the complainant fails to comply with any order made by the National Commission, such complainant shall be punishable:

- I. With imprisonment for a term which shall not be less than one month but which may extend to three years
- II. With fine ranging between Rs 2500/-to Rs 10,000/
- III. With imprisonment for a term which shall not be less than one month but which may extend to three years or with fine ranging between **Rs 25,000/-to Rs 1,00,000/-** or both
- IV. In such cases, the matter is referred to the Supreme Court to decide the imprisonment term or fine or both.

**Revised Page no.227 - Answers to Self-Examination Questions**

**Answer 3**

The correct option is III.

Where the complainant fails to comply with any order made by the National Commission, such complainant shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to three years or with fine ranging between **Rs 25,000/- to Rs 1,00,000/-** or both.