# Insurance Notes for Households and Business

**Insurance is**

- Protection against a loss which might or might not happen.
- If the loss/risk does happen the insured will get compensation.

**Premium is**

- The fee you pay to get insurance cover.
- The higher the risk of the loss happening the higher the premium )fee you are charged).
- Eg: Young Male drivers are charged more for car insurance than older Lady drivers.

**Proposal Form is**

- The form you must fill out to get insurance.
- You must fill it out truthfully and give all relevant details.
- The principle of *Utmost Good Faith* applies – if you lie you will not be compensated if the loss happens.

**Actuary**

Will examine your proposal form and assess the risk involved and then decide how much premium you should pay. The higher the risk the higher the premium.

**Insurance Policy**

- Is the document you receive when you enter into a contract with the insurance company and take out insurance. This shows all the things that are and are not covered by your insurance
- Eg: In a travel insurance policy, you may not get compensation if your flights/holiday is cancelled because of an Act of God (this would be excluded = **exclusion clause** shows things not covered in your insurance policy)

**Cover Note**

May come before your insurance policy to say you are temporarily covered by Insurance.

**How does Insurance Work?**

- Lots of people pay premiums, an example is car insurance, all the money give is "pooled" together by the Insurance company.
- However only a small few people will claim compensation and this pool of money will pay out to them
- The pool of money is also used to pay the expenses of the insurance company and leave them with profit

**Insurance Broker v Insurance Agent**

- Insurance Broker does not work for one company and will get you the best insurance quote from many different places and give you advise on which to go for. They shop around for you and you pay them commission for this.

Eg: Culleton Insurance Brokers

- An Insurance Agent works for one Insurance company and will only quote you on the insurance they offer

Eg: FBD or Hibernian

**The steps involved in taking out Insurance are?**

1. Calculate the value of the item being insured
2. Ensure you have an insurable interest in it (ie: gain from its existence and suffer financially from its loss)
3. Contact insurance company or broker
4. Complete the proposal form with UTMOST GOOD FAITH
5. The actuary will calculate the risk and decide on the amount of the amount of the premium you must pay
6. Pay the premium
7. You will receive your Insurance policy and your certificate of Insurance. You might receive a cover note until these are ready.
8. At the end of the year to remind you, your insurance is due for next year you will receive a renewal notice. Sometimes you get some extra days called days of grace where you are still covered by your old insurance policy.

**Types of insurances a business will have:**

| Businesses's will have | Name | Description |
|---|---|---|
| **All Risks Fire Insurance (** | Covers loss or damage to a firm's property caused by fire, lightning, explosions burst pipes, flooding and storms | |
| **Consequential Loss** | Covers the business for any loss of profits resulting from closure due to fire damage/flooding | |
| **Public Liability** | Covers the business against being sued for damages if a member of the public are injured or die on their premises | |
| **Employer Liability** | Covers the business against being sued for damages if a member of staff are injured or die on the premises during work | |
| **Motor Insurance** | **3rd Party, fire and Theft**<br>*BY law you must have this at least if you own a car* | Covers damage to anyone else involved in your claim due to an accident– but NOT YOU or |

**Types of insurances**

| **Household's will have** | **Name** | **Description** |
|---|---|---|
| **Life Assurance**<br>(Risk is going to happen so called Assurance not Insurance) | **Term Insurance**<br>Example until age 55 years<br>Or until your mortgage is paid | Covers for a certain period of time. If you die in this time your next of kin receive compensation. If you die after this they get nothing |
| | **Endowment**<br>Often used as savings policies | Covers you until death or you can cash it in and will pay out a lump sum called a Surrender Value eg: when you reach 60 years. |
| **Home Insurance** | **Buildings and Contents** | Covers damage to your house and its contents up to the value you stated, in the event of fire, theft, flooding etc |
| **Motor Insurance** | **3rd Party, fire and Theft**<br>*BY law you must have this at least if you own a car* | Covers damage to anyone else involved in your claim due to an accident– but NOT YOU or YOUR CAR. Your car is only covered for fire and theft |
| | **Comprehensive** | Covers all parties – you and your car and anyone else involved in accident. It is better cover so is more expensive |
| **Personal Insurance** | **Medical Insurance** | VHI, QUINN, HIBERNIAN Aviva – covers all your medical bills in the event of illness |
| | **Salary Protection** | Will pay you if you have to give up work due to injury or illness |
| | **Personal Accident** | Will pay you an agreed amount if you suffer an accident and can't work eg: Loss of Limbs |
| | **PRSI**<br>**Pay related social insurance** | Must pay by law when working Pays social welfare for you if you become unemployed or need maternity benefit |

**Insurable Risk** is something (like all of the above) that you can take out insurance to protect yourself against

**Non Insurable Risks** are risks that you CANNOT take out insurance to protect yourself against
Example: Loss of profits due to fall in demand for G/S, Some Acts of God like earthquakes, Loss of profits due to change in the law

**The Rules of Insurance**

1. Insurable Interest

Before taking out insurance (and filling out the proposal form) you must have insurable interest in the item. You must gain by its existence and suffer financially by its loss.
Eg: You can insure your own car, but you cannot insure some one else's car as you do not have an insurable interest in it. You will not suffer financially by its loss.

2. Utmost Good Faith

When filling out the proposal form you must fill it out truthfully and give all correct and relevant details. You cannot lie accidentally or deliberately
Eg: When taking out Life Assurance you must give details of any previous illnesses

3. Indemnity

• This applies when you are claiming compensation
• You cannot make a profit from insurance. Your compensation should put you back in the same
position as before the damage/loss happened.
• Eg: Car is insured for €25,000 but only worth €15,000 after 3 years then in the event of a claim,
the insurance co will only pay out €15,000.

4. Contribution

• Applies when claiming compensation and you are insured with more than one insurance company
• They will each "contribute" towards the compensation but not more than the value of the item (because you cannot make a profit)
• Example: Golf Clubs €500 stolen from boot of car and are insured on Car Insurance and House insurance – you cannot claim €500 from each company instead they will both contribute towards the compensation maybe €300 from one company and €200 from the other.

5. Subrogation

• After the compensation is paid the insurance company has the right to
  - Sue whoever caused your accident to recoup some costs
  - Sell the damaged item for scrap

**When Calculating a Premium the insurance Company/Actuary will consider**

1. The risk involved – the higher the risk the higher the premium
2. The value of the item – the higher the value of the item the higher the premium
3. Any previous claims – these will increase the premium

4. Loadings – things that make the policy more risk eg: like a dangerous hobby for personal accident insurance
5. Deductions – things that you get discounts for that will reduce your premium eg: like an alarm for house insurance, avoiding smoking/drinking for life policy

If a loss occurs then an **Assessor** will decide on the compensation– they will

- Check loss actually happened
- Check you were actually insured for the loss (make sure it was not part of an exclusion clause that was not covered)
- Ensure the claim form is filled out correctly
- Decide how much if any compensation has to be paid.

**Policy Excess** – this is the amount of the compensation which the insured person has to pay. Example suppose loss is €5000 and the policy excess is €300, then the insured person pays the €300 and the Insurance company pay €4700 in compensation

**Partially insured**

**Average Clause** – this happens if you are under- insured and there is a partial loss, then you only get partial compensation.

Example: House is valued at €200,000 but is only insured for €150,000. If a fire causes €40,000 damage – How much compensation will be paid?
Only partly insured ie: €150,000 = 3 covered so only get 3⁄4 compensation €200,000 4
3⁄4 x €40,000 = €30,000 compensation only

**Over Insured** – if you are over insured, then you are paying too much of a premium and you will not be paid more compensation in the event of a loss as you cannot make a profit.

*Example:* many people bought houses during the boom that are not worth as much now so they should adjust the value they insure them for. Example house was worth €400,000 but only worth €250,000 now, so no point insuring it for more than €250,000.

**Exclusion Clause** – shows the items in the Insurance policy which are not covered by insurance Eg: Perhaps injury due to doing a sky dive may not be included

**Policy Excess** – shows the amount of the compensation which the insured has to pay for themselves. Eg: If policy excess is €300 and the compensation to be received is €10,000, then the insured will only receive €10,000 – 300 = €9,700