Meaning, Need & Advantages of "FIRE INSURANCE"

Fire insurance is the type of insurance coverage, in which an individual pays some sum of money to the company, in exchange to receive advantages for the fireplace losses.

Fire insurance provides the security for home, share, home furniture, enterprise buildings, etc, Fireplace insurance provides the price of alternative of properties and assets, which gets broken due to the fireplace incident.

Principles of fire insurance

- Indemnity: It covers loss compensation only.
- Proximate cause: The accurate reason for the fire.
- Insurable interest: Proof that the policyholder is the owner of the property/belongings

Fire insurance advantages for the homeowner:

- It provides the price of damage for the building
- If any home furnishings are damaged due to the fireplace incident, like plywood home furniture, carpets, clothes.
- It provides alternative or maintenance price for the electronic items, which is broken due to fireplace, like television, computer, air coolers.

Fire Insurance Advantages to The Enterprise:

- It covers the price of share broken due to the fire
- It provides the loss of life advantages to employee, in case of loss of life occurred due to the fireplace incident.
- It provides the alternative or maintenance price for the machines, if they get broken due to fireplace incident.
- It provides the medical expenses for the employees, if they get injured due to the fireplace incident.

Fire accidents are very much unexpected but are heavily destructive. Hence, having a fireplace insurance is very much essential.

Covered under Fire Insurance

Factory:

- Electrical installations like Machinery
- Stocks: Finished good, semi-finished goods, and Raw material
- Other types of equipment

Home insurance: All personal belongings except expensive and precious items

Shops and hotels: furniture and stock

Not covered under fire insurance

- Earthquake
- War
- Terrorist
- Caused by the Third-party: For example, your factory is on the ground floor and the fire was caused by someone of the first floor

INTRODUCTION:

A fire insurance is a contract under which the insurer in return for a consideration (premium) agrees to indemnify the insured for the financial loss which the latter may suffer due to destruction of or damage to property or goods, caused by fire, during a specified period. The contract specifies the maximum amount, agreed to by the parties at the time of the contract, which the insured can claim in case of loss. This amount is not, however , the measure of the loss. The loss can be ascertained only after the fire has occurred. The insurer is liable to make good the actual amount of loss not exceeding the maximum amount fixed under the policy.

A fire insurance policy cannot be assigned without the permission of the insurer because the insured must have insurable interest in the property at the time of contract as well as at the time of loss. The insurable interest in goods may arise out on account of

(i)ownership, (ii) possession, or (iii) contract. A person with a limited interest in a property or goods may insure them to cover not only his own interest but also the interest of others in them. Under fire insurance, the following persons have insurable interest in the subject matter:-

♣ Owner

♣ Mortgagee
♣ Pawnee
♣ Pawn broker
♣ Official receiver or assignee in insolvency proceedings
♣ Warehouse keeper in the goods of customer
♣ A person in lawful possession e.g. common carrier, wharfing, commission agent.

The term 'fire' is used in its popular and literal sense and means a fire which has 'broken bounds'. 'Fire' which is used for domestic or manufacturing purposes is not fire as long as it is confined within usual limits. In the fire insurance policy, 'Fire' means the production of light and heat by combustion or burning. Thus, fire, must result from actual ignition and the resulting loss must be proximately caused by such ignition. The phrase 'loss or damage by fire' also includes the loss or damage caused by efforts to extinguish fire.

The types of losses covered by fire insurance are:-

♣ Goods spoiled or property damaged by water used to extinguish the fire.
♣ Pulling down of adjacent premises by the fire brigade in order to prevent the progress of flame.
♣ Breakage of goods in the process of their removal from the building where fire is raging e.g. damage caused by throwing furniture out of window.
♣ Wages paid to persons employed for extinguishing fire.

The types of losses not covered by a fire insurance policy are:-

♣ loss due to fire caused by earthquake, invasion, act of foreign enemy, hostilities or war, civil strife, riots, mutiny, martial law, military rising or rebellion or insurrection.
♣ loss caused by subterranean (underground) fire.
♣ loss caused by burning of property by order of any public authority.
♣ loss by theft during or after the occurrence of fire.
♣ loss or damage to property caused by its own fermentation or spontaneous combustion e.g. exploding of a bomb due to an inherent defect in it.
♣ loss or damage by lightening or explosion is not covered unless these cause actual ignition which spread into fire.

A claim for loss by fire must satisfy the following conditions:-

The loss must be caused by actual fire or ignition and not just by high temperature.
♣ The proximate cause of loss should be fire.

♣ The loss or damage must relate to subject matter of policy.
♣ The ignition must be either of the goods or of the premises where goods are kept.
♣ The fire must be accidental, not intentional. If the fire is caused through a malicious or deliberate act of the insured or his agents, the insurer will not be liable for the loss.

TYPES OF FIRE INSURANCE POLICIES:-

♣ **Specific policy:-** is a policy which covers the loss up to a specific amount which is less than the real value of the property. The actual value of the property is not taken into consideration while determining the amount of indemnity. Such a policy is not subject to 'average clause'. 'Average clause' is a clause by which the insured is called upon to bear a portion of the loss himself. The main object of the clause is to check under-insurance, to encourage full insurance and to impress upon the property owners to get their property accurately valued before insurance. If the insurer has inserted an average clause, the policy is known as "Average Policy".

♣ **Comprehensive policy:-** is also known as 'all in one' policy and covers risks like fire, theft, burglary, third party risks, etc. It may also cover loss of profits during the period the business remains closed due to fire.

♣ **Valued policy: -** is a departure from the contract of indemnity. Under it the insured can recover a fixed amount agreed to at the time the policy is taken. In the event of loss, only the fixed amount is payable, irrespective of the actual amount of loss.

♣ **Floating policy:-** is a policy which covers loss by fire caused to property belonging to the same person but located at different places under a single sum and for one premium. Such a policy might cover goods lying in two warehouses at two different locations. This policy is always subject to 'average clause'.

♣ **Replacement or Re-instatement policy:-** is a policy in which the insurer inserts a re-instatement clause, whereby he undertakes to pay the cost of replacement of the property damaged or destroyed by fire. Thus, he may re-instate or replace the property instead of paying cash. In such a policy, the insurer has to select one of the two alternatives, i.e. either to pay cash or to replace the property, and afterwards he cannot change to the other option.

HISTORY OF FIRE INSURANCE

A fire at a business can devastate a business. The structure may be damaged beyond
repair. Business revenues are disrupted as the business cannot remain open. In the United States in 2006 there were 1.6 million fires reported resulting in $11.3 billion in direct property loss. It is a risk that must be insured against.
Most property insurance policies and business owner policies cover fire losses.
Most business property insurance policies are broad form policies. These policies list a number of perils that are covered by the policy and exclude perils that are not covered.
Fire insurance means insurance against any loss caused by fire. Section 2(61 of the Insurance Act **defines fire insurance** as follows: —”Fire insurance business means the business of effecting, otherwise than incidentally to some other class of business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies.”
However, fire insurance can be purchased as a specific peril policy or the coverage increased by a specific endorsement. It is important for the business owner to understand what is not covered under a traditional broad form policy and ways to increase coverage.
It is important to review what appropriate considerations when reducing premiums are and what not effective ways to save premiums are.

Insure for the Proper Valuation:
Many small business owners find that if they insure for an amount less than what the business is worth, premiums are lower. This is true. However, insurers require as a condition of the policy that the business is insured for a value equal to the actual value of the business. If it is not, and a loss occurs, a penalty is applied to the settlement amount.
This penalty will almost always exceed the value of any saved premium and will come at a very bad time.
Always insure for 100% of the business value.
Have an independent evaluation of the business by an independent appraiser each year and adjust coverage as necessary.
Do not rely on property tax evaluations or guesses from your insurance professional.

ACTUAL CASH VALUE versus REPLACEMENT COST:

Most policies cover a fire loss with actual cash value or **ACV** instead of **replacement cost**.
Actual cash value pays the amount of the property less depreciation. This can be

devastating if your business relies upon high value equipment that has a long useful life, but would be prohibitively expensive to replace. As examples: coolers, refrigerators, tow lifts, aircraft or anything that would be prohibitively expensive to buy new. Replacement coverage pays the amount to replace the property lost at whatever the replacement cost is today. Replacement overage carries higher premiums and can be purchased as a rider or endorsement. Consider the following when considering ACV vs. replacement coverage.

Your business may be underinsured if it cannot replace critical facilities and equipment at the depreciated value.

Electronics such as computers frequently decline in real replacement cost such that actual cash value may be a better option.

Property valuations are frequent causes of conflict between insurers and insured. You can avoid valuation problems by carrying replacement coverage.

Certain Property Needs Separate Coverage:

Cash, valuable papers, certain types of inventory, some electronics, jewelry, and other items will require separate coverage or will be excluded from coverage. These are generally items that are impossible for the insurer to confirm and are prone to fraud.

Business Interruption Insurance:

Fire insurance does not cover "downtime" for your business nor does it cover temporary relocation. Your business needs business interruption insurance to insure against the loss of revenue accompanying a fire and any potential relocation costs. Business interruption is a separate policy and should be considered if your business will be destroyed by being closed.

Coverage to Rebuild According to Current Building Code

many businesses work in buildings or structures that are older than current building codes. In some cases, the structures are "grandfathered" in and do not have to comply with current modern standards. When a fire occurs the new construction must meet those standards. To the extent the insurer holds that such new standards are an improvement on the past structure, there is no coverage. If you have a historic building or do business in a rapidly changing area, you will want to make sure you have coverage to rebuild according to current building codes. This is often a separate endorsement or rider to the policy.

Other Points to Consider:

You will want to review your policy annually. Make sure accurate addresses are reflected on the policy and all endorsements and riders. Sometimes if you own many buildings a blanket fire policy covering all of the structures can save significant premiums. Finally, always have a fire plan in place and train your employees appropriately. Insurers often provide discounts for active fire prevention programs.

Properties that are covered:
All moveable/ immoveable properties of the proposer on land (excluding those in transit)
broadly categorized as follows:
i. Building (including plinth and foundations, if required):
• Whether completed or in course of construction (excluding the value of land). Interiors, Partitions and Electricals.
• Plant & Machinery, Equipments & Accessories (including foundations, if required)
• Bought Second hand.
• Bought New
• Obsolete Machinery

Stocks:
• Raw Material
• Finished Goods
• In process
• In trade belonging to Wholesaler, Manufacturer and Retailer.
Other Contents such as
• Furniture, Fixtures and Fittings
• Cables, Piping's
• Spares, Tools and Stores
• Household goods etc.
Specific Items such as bullion, unset precious stones, curios, work of arts, manuscripts,
plans, drawings, securities, obligations or documents, stamps, coins or paper money,
cheques, books of accounts, computer system records, explosives.

SPECIAL TYPES OF POLICIES AVAILABLE FOR STOCKS:

A. DECLARATION POLICY:
To care of frequent fluctuations in Stocks/ Stock Values Minimum Sum Insured Rs. 1crore per location. Monthly declaration on any one of the following basis to be submitted before the last day of the succeeding month.
1. Average of the highest values at risk on each day (or) Highest value on any day of the month.
2. Refund of premium, on expiry of policy, based on the average declaration upto

50% of the provisional premium.

B. FLOATER POLICY:

- To take care of frequent changes in values at various locations.
- Single sum insured for all the stocks in all the locations.
- Nominal premium loading to cover all the stocks in all the locations.

Perils Covered:

- Fire
- Lightning Explosion / Implosion
- Aircraft damage
- Riot, Strike, Malicious and Terrorism damage (hereinafter called RSMTD Perils)
- Storm, Tempest, Flood, Inundation, Hurricane, Cyclone, Typhoon and Tornado.
- Impact by any Rail/ Road vehicle or animal.
- Subsidence / Landslide including rockslide.
- Bursting and / or overflowing of water tanks, apparatus.
- Leakage form Automatic Sprinkler Installation.
- Missile Testing Operation.
- Pollution or contamination resulting from any of the above perils.
- Any insured peril resulting from pollution and contamination.
- Bush Fire.

Expenses Covered:

The policy automatically covers the following expenses incurred following loss/ damage/destruction of a covered property as a result of the operation of an insured peril.

i. Architects, Surveyors and Consulting Engineers' Fees up to 3 % of the claim amount.

ii. Expenses incurred for removal of debris to clear the site up to 1 % of the claim amount.

Exclusions Applicable:

a. Losses/ Expenses not covered:

i. 5% of each and every claim subject to minimum of Rs.10,000 resulting from Lightning,
STFI and Subsidence and Landslide including Rockslide and Rs.10,000 in respect of all other perils.

ii. Expenses incurred on Architects, Surveyors' Consultant Engineers fees and Debris Removal in excess of 3% and 1% of claim amount respectively.

iii. Loss of earnings, loss by delay, loss of market or other consequential or indirect loss or damage of any kind.

b. Perils not covered:

i. War and allied perils.
ii. Ionizing radiations and contamination by radioactivity.
iii. Pollution or Contamination

c. Properties not covered:

i. Items like manuscripts etc. unless specifically declared.
ii. Cold storage stocks due to change of temperature.
iii. Loss / damage/ destruction of any electrical and/or electronic machine, apparatus,
fixture or fitting arising from over running, excessive pressure, short circuiting, arcing,
self heating or leakage of electricity, from whatever cause including lightning.
iv. Loss / damage / destruction of Boilers, Economizers or other Vessels in which steam
is generated machinery or apparatus subject to Centrifugal force, by its own explosion/
implosion.

Location of Risk:

i. The proposer shall describe all locations where the properties are built or installed or stored or kept at the inception.
ii. Any change of location of risk shall be covered on intimation of such change.
iii. Change of ownership in the insured property shall be intimated so that the new owner may be covered be means of suitable endorsement.
iv. Any material change in the location of risk, trade or manufacturing activities shall be intimated to the insurer so that the changes are endorsed to offer continuous cover.

Period of Coverage:

i. Fire Policy is an annual policy, generally, renewable each year.
ii. Long Term policy (for a minimum period of three years) can be considered for covering "dwellings" only with suitable discounts in premium.
iii. Cover for STFI and RSMTD perils can be considered during currency (where they are deleted at inception by choice) in special circumstances.
iv. Policy can be cancelled at any time during the currency with suitable refund of premium for the unexpired period.

Deletion of Perils at the inception:

STFI and RSMTD perils can be deleted at the inception of the policy for which suitable reduction in package premium rate is allowed.

Add on covers

In addition to the perils/ expenses covered, the proposer can opt to seek cover in respect of the following perils/ expenses at inception or during currency of the policy on payment of additional premium:

Perils:

Loss/ damage/ destruction of the property caused by-

• Deterioration of Stocks in Cold Storage premises due to power failure following damage due to an insured peril.
• Forest Fire.
• Impact Damage due to Insured's own Vehicles, Forklifts and the like and articles
dropped there from.
• Spontaneous Combustion.
• Omission to insure additions, alterations or extensions.
• Earthquake (Fire and Shock).
• Spoilage material damage cover.
• Leakage and contamination cover.
• Temporary removal of stocks.

Expenses:

• Architects, Surveyors and Consulting Engineer's Fees (in excess of 3% claim amount)
• Debris Removal (in excess of 1% of claim amount)
• Loss of rent.
• Insurance of additional expenses of rent for alternative accommodation.
• Start up Expenses.

How to select the sum insured

• Sum Insured of a property should represent the Market Value.
• Where more than one building (and contents) are insured under a single policy, block
wise values shall be furnished in respect of Building, Plant & Machinery, Stocks and other contents.
• In case the value of a property increases due to factors like increase in prime cost, Exchange rate etc. during the currency of the policy, the corresponding sum insured may be increased on payment of proportionate premium.
• Similarly, any reduction in sum insured during currency may be effected for which refund of premium will be allowed on short period basis.

CHARACTERISTICS OF FIRE INSURANCE

1. Fire insurance is a contract of indemnity. The insurer is liable only to the extent of the actual loss suffered. If there is no loss there is no liability even if there is a fire.

2. Fire insurance is a contract of good faith. The policy-holder and the insurer must disclose all the material facts known to them.
3. Fire insurance policy is usually made for one year only. The policy can be renewed according to the terms of the policy.
4. The contract of insurance is embodied in a policy called the fire policy. Such policies usually cover specific properties for a specified period.
5. Insurable Interest: A fire policy is valid only if the policy-holder has an insurable interest in the property covered. Such interest must exist at the time when the loss occurs. In English cases it has been held that the following persons have insurable interest for the purposes of fire insurance- owner; tenants, bailees, including carriers; mortgages and charge-holders.
6. In case of several policies for the same property, each insurer is entitled to contribution from the others. After a loss occurs and payment is made, the insurer is subrogated to the rights and interests of the policy-holder. An insurer can reinsure a part of the risk.
7. Fire policies cover losses caused proximately by fire. The term loss by fire is interpreted liberally. *Example*: A women hid her jewellery under the coal in her fireplace. Later on she forgot about the jewellery and lit the fire. The jewellery was damaged. Held, she could recover under the fire policy.
8. Nothing can be recovered under a fire policy if the fire is caused by a deliberate act of policy-holder. In such cases the policy-holder is liable to criminal prosecution.
9. Fire policies generally contain a condition that the insurer will **not be liable** if the **fire is caused by riot, civil disturbances, war and explosions**. In the absence of any specific expectation the insurer is liable for all losses caused by fire, whatever may be the causes of the fire.
10. Assignment: According to English law a policy of fire insurance can be assigned only with the consent of the insurer. In India such consent is not necessary and the policy can be assigned as a chose-in-action under the Transfer of Property Act.
The insurer is bound when notice is given to him. But the assignee cannot be recovering damages unless he has an insurable interest in the property at the time when the loss occurs. A stranger cannot sue on a fire policy.
11. Payment of Claims: Fire policies generally contain a clause providing that upon the occurrence of fire the insurer shall be immediately notified so that the insurer can take steps to salvage the remainder of the property and can also determine the extent of the loss. Insurance companies keep experts on their staff of value the loss. If in a policy there is an international over valuation of the property by the policy-holder, the policy may be avoided on the ground of fraud.

TYPES OF FIRE POLICIES

There may be various types of fire policies. The principal types are described below:

SPECIFIC POLICY

A specific policy is one under which the liability of the insurer is limited to a specified sum which is less than the value of property.

Valued Policy

A valued policy is one under which the insurer agrees to pay a specific sum irrespective of the actual loss suffered. A valued policy is not a contract of indemnity.

Average Policy

Where a property is insured for a sum which is less than its value, the policy may contain a clause that the insurer shall not be liable to pay the full loss but only that proportion of the loss which the amount insured for, bears to the full value of the property. Such a clause is called the average clause and policies containing an average clause are called average policies. The phrase **"subject to average"** is equivalent to the insertion of an average clause. —Lloyd's Fire Policies are usually expressed to be —"subject to average".

Reinstatement or replacement Policy

In such policies the insurer undertakes to pay no the value of the property lost, but the cost of replacement of the property destroyed or damaged. The insurer may retain an option to replace the property instead of paying cash.

Floating Policy

When one policy covers property situated in different places it is called a floating policy.

Floating policies are always subject to an average clause.

Combined Policies

A single policy may cover losses due to a variety of cases, e.g. fire together with burglary, third party losses, etc. A fire policy may include loss of profits, i.e. the insurer may undertake to indemnify the policy holder not only for the loss caused by fire but also for the loss of profits for the period during which the establishment concerned is kept closed owing to the fire.

Fire insurance is a form of property insurance which protects people from the costs incurred by fires. When a structure is covered by fire insurance, the insurance policy will pay out in the event that the structure is damaged or destroyed by fire. Some standard property insurance policies include fire insurance in their coverage, while in other cases,

fire insurance may need to be purchased separately. Property owners should check with their insurance companies if they are not sure whether or not fire insurance is

part of their policies, and if fire insurance is not included, it should be purchased. Depending on the terms of the policy, fire insurance may pay out the actual value of the property after the fire, or it may pay out the replacement value. In a replacement value policy, the structure will be replaced in the event of a fire, whether it has depreciated or appreciated: in other words, if homeowners purchase a home and the value increases, as long as it is covered by a replacement value policy, the insurance company will replace it.
An actual cash value policy covers the structure, less depreciation. Most accounts come with coverage limits which may need to be adjusted as property values rise and fall.

Depending on the terms of the policy, the contents of the home as well as the structure may be covered in the event of a fire. Some policies also provide a living allowance which allows the victims of a fire to rent temporary housing while their homes are repaired. These clauses in an insurance policy typically cause the policy to become more expensive, since they will represent additional costs to the insurance company in the event of a fire. However, they can be extremely useful if a fire occurs.

The cost of fire insurance varies widely. The use of fire alarms, sprinkler systems, and other safety measures can decrease the cost of the policy, and may even be required for some policies. Living in a region prone to wildfires will increase the cost of the insurance, as the risk of a payout is greatly increased.

Because many people purchase fire insurance for their homes and businesses, insurance companies have a large risk pool, making fire insurance less expensive than specialized insurance like earthquake or flood insurance.

When purchasing fire insurance, people should be aware that some types of fires may not be covered. For example, a fire caused by an earthquake might be excluded from a fire insurance policy, as might a fire caused by an **act of God.**

It is important to read the terms of the policy carefully, and to ask for clarification from the insurance representative if the terms are not clear. If a policy does not appear to meet the need, it should be renegotiated until it is satisfactory.

PRINCIPLES OF FIRE INSURANCE:

The principal types of fire insurance policies are given below:

1. Valued policy

When the agreed value of the subject matter is mentioned in the policy is named as valued policy. This value may not necessarily be the actual value of the property. In the event of toss by fire the insurer pays the admitted value of the property.

2. Unvalued policy

An unvalued policy in one in which the value of the subject matter is not declared at the time of policy taken. But in case of loss the value is computed by assessment. This is also called an open policy.

3. Specific policy

In case of specific policy, the property is insured for a definite sum. If there is loss, the stated amount will have to be paid to the policyholder. But the actual value of the subject matter is not considered in this respect. For examples if a policy is taken for Rs 20,000 upon a building whose actual value is Rs.1,00,000 and a fire occurs causing the amount of loss Rs.20,000. The insurance company will pay the whole amount of loss of Rs.20,000 irrespective of the fact that the building was insured for one-fifth of its value.

4. Average policy

An average policy is one which contains the average clause. This clause required the insurance company to pay only that portion of the loss which is borne by the insured amount to the actual value of the subject matter of the insurance. For example a value of the property is Rs.1, 00,000. It is insured for Rs.60, 000 (60% of the total value) and the amount of loss is Rs.60,000. The insurance company will not pay Rs.60,000 to the policyholder but will pay Rs.36, 000 (60% of Rs.60, 000).

5. Floating policy

A floating policy is that which covers the fluctuating risk of several goods lying in different localities for supply to various markets. Such a policy is usually taken out under one sum and one premium by the businessman whose goods are lying at docks and warehouses.

6. Stock declaration policy

This policy is taken for covering the stock where great fluctuations in the value can happen throughout the contract period. On such policy 75% of the premium has to be deposited in advance. The maximum liability of insurance company is specified in the policy by the insured. At the end of year the average stock and final premium is calculated.

7. Loss of profit policy

Such type of policy covers the loss of profit which sustains as a result of fire. This policy is also known as consequential loss policy.

8. Standard fire policy
This policy is issued for compensation of all direct loss or damage caused by lighting and burning. Such policy also covers damages by earthquake, hair flood, explosion, cyclone and riot.
9. Reinstatement policy
Under this policy insurance company pays more than the actual value of the property destroyed by fire in order to cover the cost of replacement of the said property. It is also called as ―Replacement Policy‖. This type of policy is not very common in these days.
10. Schedule Policy
A schedule policy is one which insures many properties under collective terms and conditions, Details of the properties and their respective rates of premium are listed in one policy only for the convenience of the insured.
11. Sprinkler leakage policy
This type of policy covers the loss of building as a result of the damage by the leakage of liquid or water.
12. Excess policy
This policy is issued for the stock of merchandise whose value is constantly fluctuating. In such case it is not suitable to take one policy for certain sum. So the insured takes an ordinary policy for minimum value of the stock and excess policy for excess value of the stock. The actual value of the stock will be reported periodically.
13. Maximum value with Discount policy
Under this policy one third discount of the premium paid is refundable to the insured at the maturity of the policy. This policy covers the risk for maximum amount.

IMPORTANCE OF FIRE INSURANCE

Fire insurance is the type of insurance coverage, in which an individual pays some sum of money to the company, in exchange to receive advantages for the fireplace losses.
Fire insurance provides the security for home, share, home furniture, enterprise buildings, etc,. Fireplace insurance provides the price of alternative of properties and assets, which gets broken due to the fireplace incident.

Fire insurance provides the advantages for the homeowner in these ways

✔It provides the price of damage for the building.
✔It provides the rc, if any home furnishings are damaged due to the fireplace incident, like plywood home furniture, carpets, clothes.

✔It provides alternative or maintenance price for the electronic items, which is broken due to fireplace, like television, computer, air coolers.

Fire insurance provides advantages to the enterprise in the following way
✔It covers the price of share broken due to the fire
✔It provides the loss of life advantages to employee, in case of loss of life occurred due to the fireplace incident.
✔It provides the alternative or maintenance price for the machines, if they get broken due to fireplace incident.
✔It provides the medical expenses for the employees, if they get injured due to the fireplace incident.

NEED FOR FIRE INSURANCE:

Fire accidents are very much unexpected but heavily destructive. Hence, having fire insurance is very much essential.
Fire Insurance policy covers your home‘s structure, or fixing and fittings, against hazard and provides you with the financial resources to replace what you have lost, so that you can get back to normal as soon as possible.
If the worst were to happen and your house burned down, where would you go, knowing that you have relatives who will pitch in to help you out during such a difficult time is great, but if you don‘t have those resources, what would you do? This is where you need a fire insurance policy.

Fire insurance provides the security for home, stock, furniture, business buildings, etc; it provides the cost of replacement of properties and assets, which gets damaged due to the fire accident.
For example, if your home is destroyed or damaged enough by a fire to the point that it renders you homeless, a fire insurance policy will often pay for the reasonable increase in your living expenses, such as the additional cost of hotel stays, restaurant bills, etc.
Secondly, if you had property worth Rs.1 million, then the insurance firm can be able to restore you to the same old position, gaining back your momentum is very easy as you just have to rebuild what you had once more.

Benefits of having fire insurance

It is bad enough when your house burns down due to some unavoidable accident, but when you don‘t have an insurance cover to help you slide back to your normal life, it‘s even worse. With that being said, it is well to consider the importance of a fire insurance cover, especially if you know you cannot afford to replace the house in your own financial efforts.

One of the major benefits of fire insurance in general is coverage of belongings that are destroyed in a fire. This includes major appliances within the home, furnishings, clothing, jewelries, and other items of value that are specifically covered within the terms of the policy.

Fire insurance provides the price of damage for the building, if any home furnishing is damaged due to the fire incident, it provides alternative maintenance price for the electronic items like television, computer, air conditioners, which is destroyed by fire.
Having fire insurance can save you from financial disaster.
Along with replacement and reimbursement of lost belongings, fire insurance can also provide financial assistance in finding a new place to live and compensating the insured party for losses not covered under a homeowner insurance plan.
Your home is probably your most valuable asset. Failing to insure it against fire damage could put you in a precarious financial situation if you leave yourself no recourse in the event of a fire. You‘ve worked hard all your life to have the things that you deserve why put all of that in jeopardy by failing to have adequate insurance coverage for fire?
Fire is a commonplace occurrence, but this doesn‘t mean that it is destined to happen to you. But if it does, having fire insurance to help cover your financial losses. It is a critical safety net that nobody should do without.

BASIC PRINCIPLES

The following are the fundamental principles essential for a valid contract of fire insurance.
1. A contract of indemnity: Its object is to place insured as far as possible in the same financial position after a loss as that occupied immediately before the loss. The insured can recover only the amount of actual loss subject to the sum assured.
2. Insurable Interest: In fire insurance the insurable interest must exist at the time of affecting the insurance as well as at the time of the loss. The interest, however, may be legal or equitable or may arise under a contract of purchase or sale. The following have been held to have insurable interest in the subject matter :

1. Owner
2. Mortgagee
3. Trustee
4. Executor
5. Warehouseman
6. Common
7. Bailee
8. Pledgee

9. Person in lawful possession
10. Finder
11. Insurer
12. Commission Agent where the agency is coupled with interest and
13. Tenants who are liable to pay rent after a fire. It should however, be noted that persons can insure only to the extent of such limited interest.

3. Contract of Good Faith: The contract of fire insurance is a contract of "**Uberrimae fidei"** i.e., a contract based upon absolute good faith, and therefore, the insured must make full and detailed disclosure of all material facts likely to affect the judgement of fire officials in determining the rates of premium or deciding whether the proposal should be accepted. The description of the property, when asked for, should be correctly give, and all information that may be required as to the class of goods and articles that are kept on the premises or in the surrounding neighborhood, should be accurately supplied.
4. Loss Through Fire: Loss resulting from fire of some other cause which is the proximate cause is the risk covered under a fire insurance contract. But where the fire is caused by the insured himself or with his connivance or by the operation of a peril specifically excluded under the policy like earthquake, the loss will not be covered.
5. A Contract from Year to Year: A fire insurance policy is usually for one year only and can be renewed after that.
6. Principles of Subrogation and Contribution: Subrogation is a doctrine applicable to both fire and marine insurance by which the insurer or underwriter, becomes entitled to on his paying compensation to the insure, to claim the advantage of every right of the insured against third parties who may be proved to be responsible for that loss, owning to such third parties negligence, default etc.

Where the subject matter has been insured with more than one insurer, each insurer has to meet the loss only ratably. If he has paid more than his share of loss, he is entitled to recover the excess paid from his co insurers. Thus, the principle of contribution applies in the case of fire insurance.

FIRE INSURANCE PRINCIPLES

The basic principles that govern Fire Insurance are:

(i) Utmost good faith - In insurance contracts, the legal doctrine of utmost good faith applies. The insured has the duty to disclose all material facts, which have a bearing on the insurance. A breach of this duty may make the contract void or voidable. The duty of disclosure continues throughout the policy period.

The fire proposal form also includes a declaration by the insured saying that the statements declared by him are true, and that they can form the basis of the insurance contract. These principles also expect the insured to act as if he is uninsured all the time, and takes care and safeguards his assets from the perils. Following a loss, he is then expected to salvage as much of the property as possible.

(ii) Insurable Interest - The requirement of insurable interest gives legal validity to insurance contracts and distinguishes them from wagers. It may be defined as the legal right to insure, where the right arises out of a pecuniary relationship between the insured and the subject matters of insurance. The destruction or damage to the latter involves the insured in financial loss. Absolute legal ownership is a clear example of insurable interest. For e.g., a bank or a financial institution which has advanced money on the security of a property, has insurable interest in that property. In Fire insurance policy, the insurable interest should exist at the time of taking the policy, throughout its currency period and also at the time of loss/claim. Fire insurance policies are personal contracts, Â so if the property is sold or transferred, the policy is
not transferred automatically.

(iii) Indemnity - The objective of the principle is to place the insured, as far as possible, in the same financial position after a loss, as that occupied by him, immediately before the loss.
In simple words, the principle of indemnity means the insured is indemnified only to the extent of his loss, no profit or undue benefit is extended. The indemnity is subject to the sum insured and other terms of the policy. The sum insured can be fixed on the basis of Reinstatement Value or Market Value. The term 'Market value' means, for insurance purposes, the present cost of construction of similar buildings, after deducting depreciation based on age, usage, maintenance etc. Similarly for plant and machinery, market value is arrived at by deducting suitable depreciation for age, usage, wear and tear etc, from the current replacement costs. In all the cases, depreciation refers to the actual intrinsic physical depreciation and not those used for accounting purposes.

(iv) Subrogation - The principal of subrogation is the corollary of the principle of indemnity. If the loss suffered by the insured can be recovered from third parties who are responsible for the loss, the insured's rights of recovery are transferred or subrogated to the insurers when they indemnify the loss.

(v) Contribution - The principle of contribution, which is also a corollary of the principle of indemnity, provides that if the same property is insured under more than one policy, the insured can recover a rate able proportion of the loss under each policy. Under no circumstances can he recover more than his loss, and make a profit.

(vi) Proximate cause - A cause which immediately precedes and produces the effect, as distinguished from the remote, mediate, or predisposing cause. An act from which a loss or injury results as a natural, direct, uninterrupted consequence and without which the loss or injury would not have occurred.
It is the primary cause of a loss or injury. It is not necessarily the closest cause in time or space or the first event that sets in motion a sequence of events leading to an injury.
Everyone faces some degree of risk in various aspects of their life. It may be through death, or destruction or even loss of property. The insured then has to pay premiums in order to keep their cover active. Failing to contribute such amounts may lead to an insured not being compensated. There are many generally accepted principles of insurance that insurance companies strictly enforce. When applying for the cover, it is mandatory to disclose all material information truthfully to the best of your knowledge.
This is called the principle of ultimate good faith or full disclosure. Information obtained in such instances is used to estimate the level of risk that an applicant is exposed to thus setting of amount of premiums. This is one of the most important principles of insurance since without this, the insurance contract would be null and void.

All successful applicants must also pay premiums regularly as stipulated in the policy document. Paying such payments in time ensures that issues related with denial of compensation are avoided. Since this is the price for cover, it must be paid prior to acquiring a cover. This means that those who do not pay are not covered.

When insured risks happen, the policy holder is entitled to compensation of up to an amount equal to the value of the cover. Therefore, people are not entitled to gain from such arrangements. When a cover relates to property that is replaced by the insurer, any wreckage or scrap is transforms to be owned by the insurer. Anyone who has insurable interest to any property is the only one entitled to take a cover for its risks. This means that the person whose name appears in the title documents must sign for the cover to be valid. Failing to follow this rule leads to automatic denial of compensation when an insured risk happens. The cover is only active up to a certain period of time. Property insurance may last for one year or less after which the cover has to be renewed for the policy holder to remain covered. Premiums are therefore active up to the date specified on the cover certificate. Life cover is however not governed by the principle of subrogation since human life cannot be valued in monetary terms. ***The risk against which the loss is insured must happen so as to warrant any compensation. This is called the principle of proximal cause.*** *For* *instance, when a cover has been taken against fire, the insured can only be compensated when any loss sustained is closely related to fire or is actually a fire. Therefore occurrence of any other loss causing event does not warrant compensation.*

SUBJECT MATTER OF FIRE INSURANCE:

Subject matter of fire insurance may be of any kind of movable and immovable property having pecuniary value. The property intended to be insured must be properly described.

As per fire insurance, it is governed by Tariff; the following are the **examples of insurable property** such as:

1. Building
2. Electrical installation in buildings
3. Contents of buildings such as machinery, plant and equipments, accessories etc.
4. Good (raw materials, work in progress, semi finished goods, finished goods, packaging materials) in factories and go downs.
5. Good in open
6. Contents in dwellings, shops, hotels, etc.
7. Furniture, fixture and Fittings
8. Pipelines (including contents) located inside or outside the compound etc.

Rules for Fire Protection –

I) Minimum Compulsory Requirements applicable to all risks irrespective of Sum Insured -

i) One portable fire extinguisher of Soda Acid or Water type for every 300 sq. m of storage/erection site area or small bore hose reels as per Relevant Section of Fire Protection Manual of TAC shall be provided. The location of fire extinguishers shall be conspicuously marked by clearly visible signs. Checking and maintenances at regular intervals shall be recorded.

ii) Trained fire fighting squad shall be maintained for the site.

iii) Watch and Ward facility shall be provided round the clock at the site/premises.

iv) One fire engine of 400 GPM x 100 PSI shall always be stationed at site.

Note - Not applicable to policy with Sum Insured up to Rs. 50 crores

v) Materials and equipments stored in buildings (sheds) or in open area shall be divided into sub-units with the value, which shall not exceed 10% of the sum insured or Rs. 50 Crores whichever is less. Wherever value of single equipment stored exceeds this limit, its value shall be taken as the limit. The sub-units in open area shall be separated from each other by a distance of at least 15 m. In case of storage buildings, firewalls of 9" thickness carried up to roof shall be

erected without any wall openings between the sub-units.
vi) Packing materials, scaffolding etc. combustible materials and liquids and explosive substances should be stored at a 30 M safe distance from other buildings, plants and stores.
vii) Utmost attention should be paid to good housekeeping such as -
<u>Orderly storage;</u>
Periodic removal of combustible packing material, either by burning on site at a safe distance of 100 M or removal from the site;
<u>Clean-up of site at least once a week;</u>
viii) Open flame work (welding, cutting etc.) requires utmost caution. All combustible materials lying around must be removed or covered.
ix) Grass and/or any other vegetation in and around the site are regularly removed.
x) "No smoking" rules must be enforced in areas exposed to fire (stores etc.) and in the vicinity of hazardous operations.
xi) Living quarters should be well separated (100 M away) from construction site.
xii) In addition to above, **the following fire prevention measures are recommended:**
a) The site is secured by properly constructed fence.
b) Temporary buildings (offices, rest rooms, material stores etc.) be made of non - combustible materials.

Fire Protection Systems

Fire protection is the study and practice of mitigating the unwanted effects of potentially destructive fires.[1] It involves the study of the behavior, compartmentalization, suppression and investigation of fire and its related emergencies, as well as the research and development, production, testing and application of mitigating systems. In structures, be they land-based, offshore or even ships, the owners and operators are responsible to maintain their facilities in accordance with a design-basis that is rooted in laws, including the local building code and fire code, which are enforced by the Authority Having Jurisdiction.

Buildings must be constructed in accordance with the version of the building code that is in effect when an application for a building permit is made. Building inspectors check on compliance of a building under construction with the building code. Once construction is complete, a building must be maintained in accordance with the current fire code, which is enforced by the fire prevention officers of a local fire department. In the event of fire emergencies, Firefighters, fire investigators, and other fire prevention personnel called to mitigate, investigate and learn from the damage of a fire. Lessons learned from fires are applied to the authoring of both building codes and fire codes.

In the United States, this term is used by engineers and code officials when referring only to active and passive fire protection systems, and does usually not encompass fire detection systems such as fire alarms or smoke detection.

Goals:

Fire protection has three major goals:

Continuity of operations - on a public scale, this is intended to prevent the interruption of critical services necessary for the public welfare (e.g., a 102 emergency call center).

Property protection - on a public scale, this is intended to prevent area wide conflagrations. At an individual building level, this is typically an insurance consideration (e.g., a requirement for financing), or a regulatory requirement.

Life safety - the minimum standard used in fire and building codes

Classifying Fires:

When deciding on what fire protection is appropriate for any given situation, it is important to assess the types of fire hazard that may be faced.
Some jurisdictions operate systems of classifying fires using code letters. Whilst these may agree on some classifications, they also vary.

Below is a table showing the standard operated in Europe and Australia against the system used in the United States?

Type of Fire	Australia	Australia	North America
Fires that involve flammable solids such as wood, cloth, rubber, paper, and some types of plastics.	Class A	Class A	Class A
Fires that involve flammable liquids	Class B	Class B	Class B

or liquefiable solids such as petrol/gasoline, oil, paint, some waxes & plastics, but not cooking fats or oils			
Fires that involve flammable gases, such as natural gas, hydrogen, propane, butane	Class C	Class C	Class B
Fires that involve combustible metals, such as sodium, magnesium, and potassium	Class D	Class D	Class D
Fires that involve any of the materials found in Class A and B fires, but with the introduction of an electrical appliances, wiring, or other electrically energized objects in the vicinity of the fire, with a resultant electrical shock risk if a conductive agent is used to control the fire.	Class E1	(Class E) now no longer in the european standards	CLASS C
Fires involving cooking fats and oils. The high temperature of the oils when on fire far exceeds that of other flammable	Class F	Class F	Class K

liquids making normal extinguishing agents ineffective.			

Technically there is no such thing as a "Class E" fire, as electricity itself does not burn. However it is considered a dangerous and very deadly complication to a fire, therefore using the incorrect extinguishing method can result in serious injury or death. Class E, however generally refers to fires involving electricity, therefore a bracketed E, "(E)" denoted on various types of extinguishers.

Fires are sometimes categorized as "one alarm", "two alarm", "three alarm" (or higher) fires. There is no standard definition for what this means quantifiably, though it always refers to the level response by the local authorities. In some cities, the numeric rating refers to the number of fire stations that have been summoned to the fire. In others, the number counts the number of "dispatches" for additional personnel and equipment

Components:

Structural fire protection (in land-based buildings, offshore construction or onboard ships) is typically achieved via three means:

Passive fire protection (use of integral, fire-resistance rated wall and floor assemblies that are used to form fire compartments intended to limit the spread of fire, or occupancy separations, or firewalls, to keep fires, high temperatures and flue gases within the fire compartment of origin, thus enabling firefighting and evacuation)

Active fire protection (manual and automatic detection and suppression of fires, as in using and installing a fire sprinkler system or finding the fire (fire alarm) and/or extinguishing it)

Education (ensuring that building owners and operators have copies and a working understanding of the applicable building and fire codes, having a purpose-designed fire safety plan and ensuring that building occupants, operators and emergency personnel know the building, its means of Active fire protection and Passive fire protection, its weak spots and strengths to ensure the highest possible level of safety)

What to do in case of a Claim under the Fire Insurance Policy

Naturally a claim under the policy would depend upon whether
o the property lost or damaged is covered under the policy AND
o the cause of such damage is covered under the policy

In case a loss or damage happens which is caused by one or more of the insured perils then the Insurers need to be informed immediately.

While advising the claim please ensure the following:
a. The Policy number is quoted on the Loss advice.
b. The date and time of loss is specified
c. A brief summary of the loss incidence and the materials that are lost or damaged is specified
d. The location of the premises where the loss has taken place is provided
e. The phone number of the contact person who can assist the Insurers or a Loss Adjustor deputed by them to verify the damages

In the event of a claim happening all efforts should be made to minimize loss. These may involve segregating damaged materials from the rest of the property, obtaining competitive quotes for any repairs / replacements that may be required etc. If any Third Party is responsible for the loss then they should be held specifically responsible for the loss / damage so that the rights of recovery are protected.
At the earliest possible , a detailed estimate of loss / damage need to be prepared and provided to the Company / Loss Adjustor

If the loss / damage involves repairs / replacement of damaged property the detailed estimate of loss / damage (mentioned above) should be supported by at least three quotations for such repairs / replacement , obtained from out-side sources.

REFERENCE & CREDITS

1. Various educational Websites.

2. https://indiafreenotes.com/

3. https://bbamantra.com/bba-notes/

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