

**PRESENTATION
BY**

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**PROPERTY INSURANCE
BY
"MSMEs"
AND
CLAIM SETTLEMENT
–CRITICAL ISSUES
AND
RECENT CHANGES**

INTRODUCTION

Till 31st March 21 the only fire policy namely

“ Standard Fire and Special Allied Policy”

“Insuring Assets”

Complaints of the Policyholders especially small business-men

- 1, Ambiguity of the policy wordings
- 2, Terms and conditions are not properly defined
- 3, Not well versed with the technical terminology of the Insurance.

Development
of 3 new
products to
insure the
property
under fire
insurance
policy

1, Bharat Griha Raksha

**2, Bharat Sookshma Suraksha
Rs 5 crs**

**3, Bharat Laghu Udyam
Suraksha Rs 5 cr to Rs 50 crs**

Effective from 1/4/2021

Benefits of new products for MSMEs

1, Various add on cover under standard fire policy made as

“Inbuilt Cover”

2, Automatic coverages of various Assets

3, Value the Assets to settle the claim (RIV/MV).

4, Underinsurance is covered up to 15%

Is
policyholder
comfortable
with the
claim
settlement
by Any
Insurer?

No, The Policyholder is never comfortable with the claim settlement of any Insurer.

Reasons of non satisfaction

- 1, Delay in settlement of the claim
- 2, Information/Documents requirements in piecemeal
- 3, Deduction in the Loss amount –not as per terms and conditions of the policy
- 4, Non-adherence of the various provisions defined in the Regulations (Protection of Policyholder Interest/ Surveyors)

Initiative by
the
Regulator
(IRDAI)

- 1, Design the Grievance Mechanism
- 2, Release the "Protection of Policyholder Interest"
- 3, Formation of Code of Conduct of for the Insurance Intermediaries (Surveyor/ Brokers)
- 4, Provision of Payment of interest for the delay in claim payment
- 5, Development of new product for the MSMEs

Policyholders
are equally
responsible
for non
settlement or
settlement of
the claim at
lower
amount

- 1, Sum Insured not adequate**
- 2, Not examining the policy document .**
- 3, No Risk Assessment of own organization**
- 4, Last moment purchase of the Insurance Policy.**
- 5, Non maintenance of the Stock /Fixed Assets Register**

What
should be
the Sum
Insured of
Stock ?

Whether the sum
insured should be
inclusive of GST or
without GST ?

Section 17(5)(H) of GST Act

“Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; it means all the ITC on purchases used in above specified goods shall be blocked and ITC can not be taken for the same.”

Advisory for
Policyholders
(MSMEs) at
the time of
insuring the
Assets

Maintenance of Fixed Assets Register

1, It is required as per Companies Act.

2, CA certify that FA is maintained.

3, Expenses like repair charges(if capitalized) or pre-operating charges should be shown separately.

4, Sum Insured should not be at historical cost rather it should be replacement value.

Advisory for
Policyholders
(MSMEs) at
the time of
insuring the
Assets

Maintenance of Stock Register

- 1, Some Insurers put stock register warranty
- 2, Deduction by the Surveyor non maintenance of the records
- 3, Other methods adopted to verify the records i.e Volume metric analysis or scrap weight

Comparison of Bharat Laghu Udyam Surksha with SFSP

Stock	BLUS	SFSP
Raw material	Landed Cost at your premises (including inward freight/cartage)	Followed same thing.
Stock in process	<u>In-put cost</u> of Stock at the time of loss. (RM + Direct expenses e.g., power, labour etc. up to the stage it was damaged)	Followed same thing.
Finished Goods	Manufacturing cost till packing (RM + Direct Expenses + Packing)	Followed same thing.
Finished Goods against Contract	Goods manufactured against the condition of the sale contract if damaged, the <u>Contract Price</u> is	For imported goods, " <u>Contract Price Insurance Clause</u> " is to be incorporated.

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Comparison of Bharat Laghu Udyam Surksha with SFSP

Building	BLUS	SFSP
Building	<p>a) Building with its basement (if any), fittings and fixtures permanently fixed to floor/wall e.g wiring, antenna etc</p> <p>b) Garage, towers, security sheds internal road ,porch ,compound wall ,fences, gates, internal road</p> <p>c) Lifts, air conditioning systems.</p> <p>d) Solar Panels, Wind turbines, <u>security systems, electric installations</u>, fire sprinkler systems.</p> <p>e) other structures that are located in business premises.</p> <p>(to be specified Plinth/foundation?)</p> <p><small>SUDHIR, skjaineibl@gmail.com, sudhirkumarjain.com</small></p>	<p>Superstructure, with or without plinth & foundation + Compound Wall</p> <p>Basement to be mentioned in the proposal form</p> <p>AC Plant, Camera etc. are covered under P&M and FFF.</p> <p>Note: Plinth /Foundation not covered until specifically mentioned.</p>

Comparison of Bharat Laghu Udyam Surksha with SFSP

Plant & machinery	BLUS	SFSP
Plant & machinery	<p>All equipment, machinery, pipes and cables, spares, computers, servers and preloaded licensed system software located within any structure or in the open area of Premises.</p> <p>It includes</p> <ul style="list-style-type: none"> i. Machines under repair, ii. Machines taken on hire or lease, or through any system of purchase of goods, iii. Foundation, bedding or setting of the machines, or iv. Accessories of machines. <p style="text-align: right; font-size: small;">SUDHIR, skjaineibl@gmail.com, sudhirkumarjain.com</p>	<ul style="list-style-type: none"> i. Plant and Machinery ii. Electrical Installations iii. Office Equipment iv. Foundation of machines are auto covered due to capitalization.

Comparison of Bharat Laghu Udyam Surksha with SFSP

Stock	BLUS	SFSP
Stock	<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, oriii. Stock held in trust for which You are responsible.iv. Stock in Open in the Insured Premises	<ul style="list-style-type: none">i. Stock and Stock in process.ii. Goods held in trust only if specifically mentioned and value given.iii. Stock in open is covered within the compound. To be declared

Comparison of Bharat Laghu Udyam Surksha with SFSP

Particulars	BLUS	SFSP
1, Fire	Fire, including due to its own fermentation, or natural heating, or spontaneous combustion.	Own fermentation or natural heating or Spontaneous combustion is an add-on cover.
2, Explosion or Implosion	Covered	Covered
3, Lightning	Covered	Covered
4, Earthquake	Covered	Add on cover

Comparison of Bharat Laghu Udyam Surksha with SFSP

Particulars	BLUS	SFSP
5, STFI	Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Tsunami, Flood and Inundation	Covered
6,	Subsidence of the land Landslide, Rockslide	Covered
7.	Forest Fire Bush Fire, Jungle Fire	Only Bush Fire Forest Fire Add on cover
8,	Missile Testing Operation	Covered

Comparison of Bharat Laghu Udyam Surksha with SFSP

Particulars	BLUS	SFSP
9, RSMD	Riots , Strike, Malicious Damage	Covered
10, Impact Damage	Impact Damage of any kind, i.e., damage caused by impact of, or collision caused by, any <u>external physical object (e.g. vehicle, falling trees, aircraft, wall etc.)</u>	Loss or visible physical damage or destruction caused to insured property by any rail/road vehicle or through any mean involving direct contact.
	Covered	Add on cover

Comparison of Bharat Laghu Udyam Surksha with SFSP

Particulars	BLUS	SFSP
13,	Bursting or overflowing of water tanks, apparatus and pipes,	Covered
14,	Theft within 7 days from the occurrence of and proximately caused by any of the above Insured Events.	Theft covered due to Riots and strike only

Comparison of Bharat Laghu Udyam Surksha with SFSP

Inbuilt covers	BLUS	SFSP
Addition and alteration or extension	Property that erect, acquire or add during the Policy Period is covered up to 15% of the Sum Insured for that item (excluding stocks).	Add on cover
Temporary removal of stocks	Loss to stock temporarily removed to other premises for fabrication, processing or finishing	Add on Cover

Comparison of Bharat Laghu Udyam Surksha with SFSP

Inbuilt covers	BLUS	SFSP
Cover for Specific Contents	<p>1, Money for an amount not exceeding Rs.50,000 (Rupees Fifty Thousand) during the policy period.</p> <p>ii. Deeds, manuscripts and business books, plans, drawings, securities, obligations or documents of any kind, but only for the cost of the materials and clerical labour expended in reproducing such records for an amount not exceeding Rs.50,000 (Rupees Fifty Thousand) during the policy period.</p> <p>SUDHIR, skjaineibl@gmail.com, sudhirkumarjain.com</p>	Not exceeding Rs.10000.00/- for specific contents. It should be explicitly stated in the policy.

Comparison of Bharat Laghu Udyam Surksha with SFSP

Inbuilt covers	BLUS	SFSP
Start-up Expense	Covers start-up expenses up to a maximum of Rs.5 Lakh.	Add-On cover to be opted.
Professional Fees	To architects, surveyors and consulting engineers for preparing plans, tenders and quantities up to a max. 5% of claim amount.	Covers architects, surveyors and consulting engineer's fee up to a max. 3% of claim amount.
Removal of Debris	The maximum is 2% of the claim amount.	1% of the claim amount.

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Comparison of Bharat Laghu Udyam Surksha with SFSP

Inbuilt covers	BLUS	SFSP
Costs compelled by municipal regulation	<p>Additional cost of re-construction, re-instatement of the property incurred solely for compliance with any regulation or bye-laws of any municipal or local authority or any provision of state or central act subjected to:</p> <ol style="list-style-type: none">1. Re-instatement to be done within 12 months.2. The amount recovered shall not exceed the SI.	"Local Authorities Clause" to be opted.

Comparison of Bharat Laghu Udyam Surksha with SFSP

Inbuilt covers	BLUS	SFSP
Costs compelled by municipal regulation	<p>3. This has to be with the respective condition of under-insurance.</p> <p>4. These costs will not include:</p> <ul style="list-style-type: none">- for destruction or damage occurring before the actual commencement Date of the policy.- for destruction or damage not insured under this Policy- under which You have received notice before the destruction or damage occurred.	<p>“Local Authorities Clause” to be opted.</p>

Any Question

Thank You

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