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CICL CONNECTIONS

The official newsletter of Corp-EFF Insurance Company Ltd

Features of an Insurance Contract

We Take Away The Risk. You Are Insured.
Corp·EFF Insurance Co.Ltd

All Insurance contracts are based on specific fundamental principles governing the sector. What is also fundamental is that all insurance contracts must have the essentials of a valid contract.

The elements of a valid Insurance contract include:

- Offer and acceptance
- Capacity to contract
- Free consent of parties
- Lawful consideration and object
- Utmost Good Faith: both parties must disclose all material facts. Concealment of any fact will deprive the insured of benefits under the said contract.

Another element of a valid contract is **Insurable Interest**:
A person is said to have an insurable interest in the subject-matter (property or life) if he is benefitting by its existence and is prejudiced by its destruction. Without insurable interest the contract of insurance is void.

Your Credit Union has an insurable interest in the property mortgaged to it against a loan. A person has an insurable interest in his own life. A creditor can insure the life of his debtor. A person has an insurable interest in the building he owns.

An employer can insure the lives of his employees because of his pecuniary interest in them. A businessman has an insurable interest in his inventory, plant, and machinery, building, etc. Husband has an interest in the life of his wife and children, and wife in the life of her husband and children.

One may ask, is insurable interest necessary in all insurance contracts?

Insurable interest is necessary to support every insurance contract. In the case of Life Insurance, insurable interest must be present at the time when the insurance is affected. At the time of maturity, however, Insurable interest isn't a condition of maturity.

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Features of an Insurance Contract

What is Indemnity?

A contract of insurance is a contract of indemnity. The principle of indemnity applies to all types of insurance except life, personal accident, and sickness insurance. This means that the insured in the case of loss against which the policy has been made shall be fully compensated and never more than the value of the policy. The insurer agrees to make good against the loss but the insured, however, is not entitled to make a profit out of the loss.

A contract of insurance does not remain a contract of indemnity if a fixed amount is to be paid by the insurer to the insured on the occurrence of the event insured against, whether he suffers a loss or not. A contract of life insurance is not a contract of indemnity. In life insurance, the insurer is liable to pay the sum mentioned in the policy upon the occurrence of the contingency of death or the expiry of a certain period. There are different types of Insurance, however, in this article, we focused more on Life Insurance.

Life insurance is a contract by which the insurer, in consideration of a premium, undertakes to pay a certain sum of money on the death of a person whose life is insured, or on the expiry of a certain period, whichever is earlier. While the loss of life can never be compensated, a specified sum of money is paid per the life insurance contract.

As a responsible insurance company, Corp-EFF Insurance Offers Loan Protection and Life Savings insurance as its premium products, supported by Mortgage Protection Insurance and Family Bereavement Insurance.

As these products are privileges associated with Credit Union Membership, they can only be accessed through your Credit Union. Ask your friendly Credit Union representative about Corp-EFF Insurance suite of products today. Remember to visit our website at www.corpeffinsurance.com to learn more.

References: https://www.businessmanagementideas.com/