



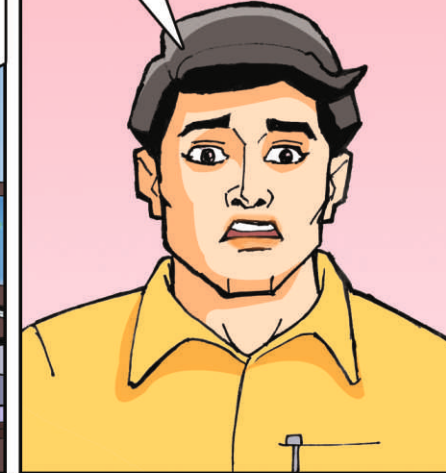
RANJAN UNDERSTANDS "UNDERINSURANCE"

Ranjan is getting wiser about protecting himself and his family through insurance. Adequately protected against the risks of death, disability and sickness, he wants to ensure that his house and its contents that are acquisitions through painful planning and savings are protected against the risks of fire, flood and inundation etc. His agent is knowledgeable and efficient and advises him about getting his property valued after getting them listed out meticulously.

The process you are advising is tedious. I would rather insure my property for an ad hoc sum, as I don't expect that my entire property would be exposed to damage or loss at one point in time.

But Sir, that is not how the policy works. The principle is that you must insure your property against fire and allied perils either on its Reinstatement Value (value including the cost of reinstating the property) if the policy allows you that and you want to opt for it, or at Market Value wherein depreciation is deducted from the Reinstatement Value. The point is you have to insure the entire property at risk and cannot select and choose.

That is absurd! Why should I not choose and insure only what I want to? You are only trying to earn more commission and are misleading me.

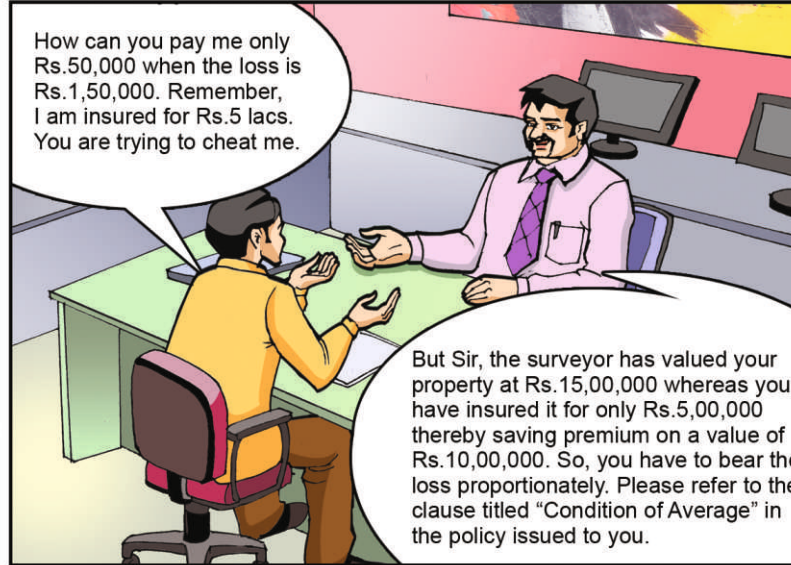


Ranjan changes his agent in a huff having been lured by another who gives in to Ranjan's demands with an eye on quick commission and wanting to move on without having the commitment to serve his client in the long run. Ranjan insures his house and contents valued at Rs.15,00,000 for a Sum Insurance of just Rs. 5,00,000 on Market Value basis. Technically speaking, the property is Underinsured by 2/3rds of its value.

As luck would have it, nature's fury unleashed on Ranjan's city one gloomy morning resulting in flooding and inundation everywhere.

Ranjan informs Mr.X (the insurance agent) that a considerable part of his house and contents have been damaged. The estimate is Rs. 2 lacs. The insurance company gets the loss surveyed quickly and efficiently. The loss is assessed at Rs.1,50,000. But since Ranjan had grossly underinsured it, the claim offered was Rs.50,000 only. Ranjan is shocked.

How can you pay me only Rs.50,000 when the loss is Rs.1,50,000. Remember, I am insured for Rs.5 lacs. You are trying to cheat me.



But Sir, the surveyor has valued your property at Rs.15,00,000 whereas you have insured it for only Rs.5,00,000 thereby saving premium on a value of Rs.10,00,000. So, you have to bear the loss proportionately. Please refer to the clause titled "Condition of Average" in the policy issued to you.

Ranjan suddenly remembers what the original agent had told him. Had he taken his advice, he would not have had to face this situation today.

Remember! Time spent on understanding the policy when you decide to take insurance is time well spent. You must make efforts to understand the terms and conditions of an insurance policy at the point of purchase so that you are aware of not only your rights but also your duties.

