

Law Relating to Insurance

- Insurance is the purchase of protection
- Life creates multiple of risks
- Insurers have created a multiple of policies

Benefits of Insurance

- Insurance introduces security into business undertakings.
- Insurance increases business efficiency and enterprise.
- Insurance serves as a basis for credit.
- Insurance is a method of savings.

Definition of Insurance

- It is a contract whereby ,in consideration of the payment of premium, the insurer agrees to take upon himself a risk borne by the insured and to compensate the insured for any loss if the risk insured against does in fact occur
- So, insurance is all about safeguarding about possible risk.

Classification of Insurance

- General insurance
- Life insurance
- Marine insurance

General Insurance

General insurance includes all that different kind of insurance other than life and marine insurance. General insurance will cover areas such as,

- Motor vehicles
- House and contents
- Fire and theft
- Employees fidelity and cash in transit
- Travel
- Professional indemnity
- **Third party cover for motor vehicles/workmen compensation insurance**

Insurance v. Gambling

- You insure to protect what you have; not to make a bargain or winning
- You can bet anything but to insure, you must have insurable interest
- The Court will not enforce a gambling win if the loser does not pay you
- In insurance you cannot get double the compensation if you insure the same item with two insurance companies.

Insurable Interest

- Insurable interest means that the person seeking the insurance will benefit from the preservation of the subject matter insured or be affected by its loss.
- This distinguishes insurance contract from gambling and also ensures that the insured will not willfully damaged or destroy the subject matter of the insurance.
- This has an importance bearing on life insurance.

Macaure v Northern Assurance Co.Ltd

Utmost Good Faith

- Utmost good faith means that the person seeking the insurance owes a duty to disclose to the insurer every material facts which he knows or ought to know about the insurance so that the insurer can properly evaluate the risk he is undertaking.

Indemnity and subrogation

- Indemnity means to make good or compensate or to give security. The insured is contractually entitled to have a loss compensated. In insurance contracts, the insurer indemnifies the insured to pay the amount of the insured actual loss up to the amount covered by the policy.
- Also, if the insurer pays on the insurance policy, he is subrogated to any right of action which the insured may have against anyone who may be legally liable for the loss compensated. Under this principle the insurer is placed in the position of the insured.