

Name: _____

Insurance Principals

1. each party to the proposed contract is legally obliged to disclose to the other all information which can influence the others decision to enter a contract.

A. Material Facts

2. either innocent or intentional. If intentional, then they are fraudulent

B. Good faith

3. either innocent or fraudulent. If fraudulent, it is known as concealment.

C. PROXIMATE CAUSE

4. are all facts/information that a reasonable person would consider that the policyholder should have given to the insurer to allow the insurer to assess the risk i.e. to make a decision whether to accept or reject a risk and to decide what premium to charge.

D. PRINCIPLE OF CONTRIBUTION

5. There must be some property, right, interest, or potential liability capable of being insured.

E. Misrepresentation

6. to place the policyholder in the same financial position after a loss as he enjoyed immediately before the loss occurred.

F. INDEMNITY

7. When the policyholder claims, the insurer will determine the replacement value the policyholder should have insured his items for. If it is more than the limit of compensation (sum insured), shown in the schedule, it means the policyholder is underinsured.

G. INSURABLE INTEREST

8. the transfer of legal rights of the insured to the Insurer, to recover

H. PRINCIPLE OF SUBROGATION

9. If any item being insured under a policy is also insured by other insurance, the insurer only compensates for their proportion of the claim.

I. Average

10. most effective and the most powerful cause which has brought about the loss. This cause is termed the Proximate Cause and all other causes being considered as "remote". The proximate cause has to be an insured peril for the claim to be payable.

J. Non-disclosure