
Fire Policy Wordings

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One policy covering destruction or damage to insured property.

Highlights

- Fire Insurance is governed by All India Fire Tariff effective from 31.3.2001 issued by Tariff Advisory Committee, a Statutory Body.
- The Standard Fire and Special Perils Policy covers all properties on land (excluding cost of land), moveable or immovable, at various locations against named perils.
- Special Types of Policies are designed for Stocks (declaration and floater), Building, Plant & Machinery keeping in mind the nature of property, proposers' requirements and basis of indemnification.
- Long Term Policies available for Dwellings with suitable discounts in premium.
- Policy can be extended to cover certain additional perils and expenses at additional premium.
- Certain perils can be deleted with discount in premium rates.
- Discount in premium available for good claims experience for sum insured more than Rs. 50 crores in one location and for installation of fire extinguishing appliances.
- Concept of "one risk one rate" for all properties in an Industrial or Manufacturing Complex, for administrative convenience of the proposer.

Scope

Properties that are covered :

All moveable/ immoveable properties of the proposer on land (excluding those in transit) broadly categorized as follows :

i. **Building (including plinth and foundations, if required):**

- Whether completed or in course of construction (excluding the value of land).
- Interiors, Partitions and Electrical.

ii. **Plant & Machinery, Equipments & Accessories (including foundations, if required)**

- Bought Second hand.
- Bought New
- Obsolete Machinery

iii. **Stocks:**

- Raw Material
- Finished Goods
- In process
- In trade belonging to Wholesaler, Manufacturer and Retailer.

iv. **Other Contents such as**

- Furniture, Fixtures and Fittings
- Cables, Piping
- Spares, Tools and Stores
- Household goods etc.

v. **Specific Items such as** bullion, unset precious stones, curios, work of arts, manuscripts, plans, drawings, securities, obligations or documents, stamps, coins or paper money, cheques, books of accounts, computer system records, explosives.

Special types of Policies available for Stocks:

a. Declaration Policy :

- To care care of frequent fluctuations in Stocks/ Stock Values
- Minimum Sum Insured Rs. 1 crore per location.
- Monthly declaration on any one of the following basis to be submitted before the last day of the succeeding month
 1. average of the highest values at risk on each day (or)
 2. highest value on any day of the month.
- Refund of premium, on expiry of policy, based on the average declaration upto 50% of the provisional premium.

b. Floater Policy :

- to take care of frequent changes in values at various locations.
- Single sum insured for all the stocks in all the locations.
- Nominal premium loading to cover all the stocks in all the locations.

Perils Covered:

- Fire
- Lightning
- Explosion / Implosion
- Aircraft damage
- Riot, Strike, Malicious and Terrorism damage (hereinafter called RSMTD Perils)
- Storm, Tempest, Flood, Inundation, Hurricane, Cyclone, Typhoon and Tornado.
- Impact by any Rail/ Road vehicle or animal
- Subsidence / Landslide including rockslide.
- Bursting and / or overflowing of water tanks, apparatus.
- Leakage form Automatic Sprinkler Installation.
- Missile Testing Operation.
- Pollution or contamination resulting from any of the above perils
- Any insured peril resulting from pollution and contamination.
- Bush Fire

Expenses Covered:

The policy automatically covers the following expenses incurred following loss / damage / destruction of a covered property as a result of the operation of an insured peril.

- i. Architects, Surveyors and Consulting Engineers' Fees upto 3 % of the claim amount.
- ii. Expenses incurred for removal of debris to clear the site upto 1 % of the claim amount.

Exclusions Applicable:

a. Losses/ Expenses not covered:

- i. 5% of each and every claim subject to minimum of Rs. 10,000 resulting from Lightning, STFI and Subsidence and Landslide including Rockslide and Rs. 10,000 in respect of all other perils.
- ii. Expenses incurred on Architects, Surveyors' Consultant Engineers fees and Debris Removal in excess of 3% and 1% of claim amount respectively.
- iii. Loss of earnings, loss by delay, loss of market or other consequential or indirect loss or damage of any kind.

b. Perils not covered:

- i. War and allied perils
- ii. Ionising radiations and contamination by radioactivity
- iii. Pollution or Contamination

c. Properties not covered:

- i. Items like manuscripts etc. unless specifically declared.
- ii. Cold storage stocks due to change of temperature.
- iii. Loss / damage/ destruction of any electrical and/or electronic machine, apparatus, fixture or fitting arising from over running, excessive pressure, short circuiting, arcing, self heating or leakage of electricity, from whatever cause including lightning.
- iv. Loss / damage / destruction of Boilers, Economisers or other Vessels in which steam is generated machinery or apparatus subject to Centrifugal force, by its own explosion/ implosion.

Location of Risk:

- i. The proposer shall describe all locations where the properties are built or installed or stored or kept at the inception
- ii. Any change of location of risk shall be covered on intimation of such change.
- iii. Change of ownership in the insured property shall be intimated so that the new owner may be covered by means of suitable endorsement.
- iv. Any material change in the location of risk, trade or manufacturing activities shall be intimated to the insurer so that the changes are endorsed to offer continuous cover.

Period of Coverage:

- i. Fire Policy is an annual policy, generally, renewable each year.
- ii. Long Term policy (for a minimum period of three years) can be considered for covering "dwellings" only with suitable discounts in premium.
- iii. Cover for STFI and RSMTD perils can be considered during currency (where they are deleted at inception by choice) in special circumstances.
- iv. Policy can be cancelled at any time during the currency with suitable refund of premium for the unexpired period.

Deletion of Perils at the inception:

STFI and RSMTD perils can be deleted at the inception of the policy for which suitable reduction in package premium rate is allowed.

Add on covers

In addition to the perils/ expenses covered, the proposer can opt to seek cover in respect of the following perils/ expenses at inception or during currency of the policy on payment of additional premium :

Perils:

Loss/ damage/ destruction of the property caused by

- Deterioration of Stocks in Cold Storage premises due to power failure following damage due to an insured peril
- Forest Fire

- Impact Damage due to Insured's own Vehicles, Fork lifts and the like and articles dropped therefrom
- Spontaneous Combustion
- Omission to insure additions, alterations or extensions
- Earthquake (Fire and Shock).
- Spoilage material damage cover.
- Leakage and contamination cover.
- Temporary removal of stocks.

Expenses :

- Architects , Surveyors and Consulting Engineer's Fees (in excess of 3% claim amount)
- Debris Removal (in excess of 1% of claim amount)
- Loss of rent.
- Insurance of additional expenses of rent for alternative accommodation.
- Start up Expenses.

Who can take the policy

Any person / firm / organisation / institution who may suffer financial loss in the event of operation of insurable perils may insure such property under the fire policy. They may be broadly categorised as under :

1. Owners of Building and contents such as house hold articles, furniture etc.
2. Shop Keepers.
3. Educational/ Research Institutions.
4. Hotels, Boarding and Lodgings, Hospitals, Clinics or such service providers.
5. Industrial and Manufacturing Firms.
6. Godown Keepers.
7. Bailees, Lessor, Lessee, Banks, Financial Institutions, Mortgagors, Mortgagees.
8. Traders in stocks.
9. Trustees, Charitable Institutions.
10. Transporters and C & F Agents.

How to select the sum insured

- Sum Insured of a property should represent the Market Value.
- Where more than one building (and contents) are insured under a single policy, block wise values shall be furnished in respect of Building, Plant & Machinery, Stocks and other contents.
- In case the value of a property increases due to factors like increase in prime cost, Exchange rate etc. during the currency of the policy, the corresponding sum insured may be increased on payment of proportionate premium.
- Similarly, any reduction in sum insured during currency may be effected for which refund of premium will be allowed on short period basis.
- Following guidelines, though not exhaustive, are provided for arriving at the sums to be insured for various properties :

Property	Base of Insurance	Sum Insured
1. Building		
(a) Completed	Depreciated Value Basis	Estimated cost of Reinstatement (material + Labour) of a similar property as on the date of proposal with suitable escalation for the policy period less depreciation for age.
	Reinstatement Value Basis	Same as above but without depreciation. In other words, the policy will pay, in the event of loss/ damage, without any deduction for depreciation.
(b) In course of Construction	Reinstatement Value Basis	Estimated Total completed value (Material + Labour)
2. Plant & Machinery		
(a) Bought hand	Market Value	Estimated landed cost of replacement of a similar machine of the same kind and capacity as on the date of proposal with suitable escalation over the policy period less depreciation for age and usage for number of years from the date of manufacturing (and not from the year in which it was bought)
(b) Bought New	Market Value	Estimated landed cost of replacement of a similar machine of the

same kind and capacity as on the date of proposal with suitable escalation for the policy period less depreciation for age and usage.

RIV Basis Estimated landed cost of a similar machine of the same kind and capacity as on the date of proposal with suitable escalation for the policy period.

P.S. Generally, the landed cost of an imported or indigenous machinery will include its prime cost, Customs Duty/Excise Duty , CV Duty, , loading and unloading charges, freight, insurance, incidental expenses and cost of erection at site.

(c) Obsolete Agreed Value M/c. Value has to be ascertained by an expert valuer. The value so ascertained will be the agreed value between insurer and proposer and loss/ damage will be assessed on this basis.

3. Stocks

(a) Raw Market Value Material Landed cost at the time of proposal with suitable increase for inflation, if any.

(b) Finished Market Value Goods Landed cost of Raw materials at the time of proposal plus direct and indirect charges incurred for processing with suitable increase for inflation, if any.

(c) Stock in Market Value process Landed cost of Raw materials at the time of proposal plus direct and indirect charges incurred upto the stage of processing with suitable increase for inflation, if any.

P.S. : Landed cost means prime cost plus all duties plus freight, insurance and incidental charges.

(d) Stock-in-trade

Manufacturer Market Value Cost of Raw materials plus manufacturing costs (direct and indirect charges) as on the date of proposal with suitable increase for inflation, if necessary.

Wholesaler Market Value Landed cost at which the goods can be purchased from Manufacturer as on the date of proposal with suitable increase for inflation, if necessary.

Retailer Market Value Landed cost at which the goods can be purchased from Wholesaler as on the date of proposal with suitable increase for inflation, if necessary.

4. Furniture, Fixture & Fittings

Market Value	Estimated cost of replacement of property of the same kind as on the date of proposal with suitable escalation for the policy period less depreciation for usage.
RIV Basis	Estimated cost of Reinstatement) of a similar property as on the date of proposal with suitable escalation over the policy period.

5. Items to be covered specifically on declaration

Agreed Value Basis	Value as certified by an expert valuer.
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How to claim

If a misfortune befalls, leave the worry to us but please

- intimate such loss / damage immediately so that a Competent Surveyor may be deputed to minimise the loss.
- give an account of all properties damaged or destroyed with estimated amounts having regard to their values as on the date and place of loss.
- cooperate with surveyors by providing all the necessary documents for assessment of loss and establishing liability.
- cooperate with the insurer in all their activities of entering the premises, taking possession of properties, their examining, sorting, removing or selling to your account, without prejudice.
- inform particulars of all other insurances existing on the property at the time of loss.

Documents required by insurer for processing the claim :

I. Common Documents for all claims under a Standard Fire and Special Perils Policy:

1. Certified True copy of the policy along with schedule and Endorsements/clauses.
2. Claim Form.
3. Newspaper reports on the incident, if any.
4. Photographs.
5. Past claims experience.

II. Fire Claims (additional documents)

1. Report of the Internal Committee constituted for the purpose of investigating the cause of fire.
2. Fire Brigade Report.
3. First Information Report / Letter of intimation to the Police Station duly endorsed / Police Panchnama.
4. Forensic Laboratory Report on samples collected at affected site.
5. Drug Inspector's Report on destruction of Drugs/ Pharmaceutical items (for claim on pharma products only).
6. Final Investigation Report.
7. Action taken on the suggestion of TAC/ LPA on loss minimisation of prevention.

III. Flood Claims (additional documents):

Meteorological Report

IV. Explosion Claims (additional documents):

Factory Inspector's Report or Report of Director of Industrial Safety and Welfare.