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Salasar Services Insurance Brokers Pvt. Ltd.

What is New

MEDICAL INFLATION A CAUSE OF CONCERN FOR HEALTH INSURANCE IN INDIA

Medical inflation is a cause of concern for each one of us today. India lags behind its global counterparts in offering a state sponsored health insurance system to a large section of the population. As a result, it has one of the highest out-of-pocket spends at 61 per cent, putting a lot of stress on family budgets in case of a medical treatment.

Given the uncertainty associated with medical emergencies, it is best to be prepared by availing a health insurance policy. Choosing the correct health insurance plan is a very perplexing process for several people given that there are so many products available today. Also, each policy offers different options, add-ons which tend to further complicate the purchase process.

Before you zero in on a policy, you need to be clear about your requirements as well as your existing medical history and your family. Having zeroed in on a policy, it is very critical to thoroughly understand the same including the caveats.

The following factors will help you choose a health insurance policy in line with your needs:

Adequate sum insured

It is essential to take sufficient cover which protects you and your entire family. It is important to choose the right amount of sum insured depending on the past medical history of the elderly family members as they would require higher health insurance coverage. Similarly, the location where you reside should be taken into consideration. A person staying in a tier I city would require a higher sum insured compared to a person who lives in a small town since the hospitalisation costs are higher in metros.

Cashless mediclaim

Most health insurers provide cashless facility to insured individuals. It is necessary to check the list of network hospitals that are offered to the policy holder. Cashless facility offers convenience to the insured as it avoids the hassle of making payments and then claiming reimbursement. Some of the companies have their own claims processing unit which makes direct payment to the customers.

Age limits

It is essential to understand the maximum acceptable age limit offered by the health insurance company. The possibility of falling sick is much higher at an older age. Hence, it is important that one is covered by a comprehensive health insurance plan even after retirement. Also, you should choose a policy that can be renewed after the age of 65 because at an older age it is difficult to purchase a new insurance policy.

Value added services

Most of the health insurance plans in the market offer features that are competitive. An emerging aspect is the additional value-add perks offered along with the policy.

Health insurance firms now offer various additional value add services like free health check-up, online chat with doctors, dietician and nutrition e-consultation, physiotherapy, speech and audiologist consultation. Opting for these value-added services can result in a substantial saving for the insured individual. In addition to the haves in a policy, you need to know the have-nots as well to avoid negative surprises later. Given below are a few factors which are typically not under the covered expenses.

Limited services

Some plans have a limit on certain services. For e.g. ten doctors visits per year, in this case, the policy holder will have to pay full cost of any visits above that limit as they would not be considered as part of covered expenses.

Co-pay and sub limits

Insurance companies have introduced the co-pay and sub-limits wherein the insured individual agrees to share some of the expenses incurred. In this case, the insured benefits from a lower premium amount compared to a regular policy with no sub-limits.

It is essential that you conduct a thorough research and make an informed choice while choosing a comprehensive policy. Preventive care helps and it prolongs the need for insurance but it is wise to keep ones family protected with a good health insurance cover.

Checklist

Choose a policy that can be renewed after the age of 65 because at an older age it is difficult to purchase a new insurance policy

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The location where you reside should be taken into consideration. A person staying in a tier I city would require a higher sum insured than someone from a tier II city

Good hospitals may be few and far between, so it is necessary to check the list of network hospitals that are offered to the policy holder.

SUM INSURED IN THE STANDARD FIRE POLICY

Under the Fire Insurance policy the Underwriters agree that "If after payment of the premium the Property Insured described in the said Schedule or any part of such Property be destroyed or damaged by any of the perils specified hereunder during the period of insurance named in the said schedule or of any subsequent period in respect of which the Insured shall have paid and the Company shall have accepted the premium required for the renewal of the policy, the Company shall pay to the Insured the value of the Property at the time of the happening of its destruction or the amount of such damage or at its option reinstate or replace such property or any part thereof".

The policy is also subject to average clause, which is: "If the property hereby insured shall at the breaking out of any fire or at the commencement of any destruction of or damage to the property by any other peril hereby insured against be collectively of greater value than the sum insured thereon, then the insured shall be considered as being his own insurer for the difference and shall bear a ratable proportion of the loss accordingly. Every item, if more than one, of the policy shall be separately subject to this condition."

Therefore, it is of utmost importance that the Sum Insured be adequate to avail the complete benefits under the Insurance policy. The Sum Insured is fixed by the proposer and is the maximum limit of Underwriters under the policy.

The Sum Insured determines the premium payable for the Insurance Policy and should represent the actual value of the property to be insured. Excessive Sum Insured gives the no advantage to the Insured as the claims are subject to the Principal of the Indemnity. If the proposer chooses to have a lower Sum Insured than the value of the property, then the average clause will restrict the claim to the share of the property Insured.

The following aspects are important for the valuation and fixing of Sum Insured:

a) Insurance on Reinstatement value v/s Market value:

The property can be insured in the Reinstatement value clause wherein the basis of loss settlement is the value of new equivalent property without deducting any depreciation thereon. This helps the Insured to replace his property at the cost incurred by him without the use of his personal resources. On the other hand, the market value is the value of the property at which the property of same age and condition can be brought or sold. Under the valuation at market value both depreciation due to age, wear & tear and appreciation due to inflation has to be taken in to account.

b) Sum Insured of Building:

In case of loss to building, the building foundation does not get damaged; hence, usually the buildings are insured above plinth level. Similarly the valuation of the building must be for the constructed portion above the plinth level and should include Walls (including doors and windows), Roof, False ceiling, Floor, items imbedded in to the walls and roofs such as Electricals, wiring and sanitary fittings etc, which become part of the building, should also be mentioned in the description of the policy in order to avoid future misunderstanding.

Boundary walls, though part of a complete building, should also be specifically described or separate Sum Insured thereon has to be provided. Basement also should be specifically described or separate Sum Insured thereon has to be provided to avoid confusion thereafter. Only in the case of earthquakes/Act of God perils that the foundation and construction below the plinth need insurance and should be specifically described or separate Sum Insured thereon has to be provided to avoid future confusion.

The original cost of the building or the book value of the building has no direct relevance to the Sum Insured unless it can form an aid to its present valuation. For example an Industrial building may have the book value of Rs.10000/- only but may be Insured for a million Rupees as per its valuation. However for new building the cost or Written Down Value can provide a good insight to its present valuation

Generally valuation of the building is determined by the built-up area and its constructional specification duly considered with the present cost of construction of similar buildings. An opinion can be obtained from any Civil Engineer or Architect for valuation on market value or Reinstatement Value Basis and the Sum Insured thereby are fixed accordingly for the fire policy.

c) Sum Insured of the Plant & Machinery and FFF:

Plant & Machinery and Furniture Fixtures and Fittings can also be insured on Reinstatement Value or Depreciated Value basis (Market value basis).

The major factor that have to be taken in the account are in the age of Plant and Machinery, change in technology if any, availability of equivalent or similar machinery in the market and their cost, out put capacity of the machinery, output production rate of the machinery, obsolescence if any, indigenous or imported machinery, Cost of the original machinery and finally the inflation prevailing in the market.

A prudent operator in similar industry, wherein the valuation of P & M is to be determined, normally has a fair idea of the factors detailed and can form a good idea of the prevailing valuation. Services of a Plant & Machinery Valuer may be obtained if required. Separate sum Insured should be fixed for P & M and FFF. It is also advisable to have individual sections of the Plant listed and valued separately to avoid lengthy documentation at the time of claim.

d) Sum Insured of Stocks:

Valuation of stocks for the Sum Insured purpose is the basic cost excluding the anticipated profits at the valuation stage. The various stages at which the stocks need to be valued are:

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- Sum Insured of Raw Materials/ Stores & Spares/Traded Stocks: The cost of the materials as purchased by the insured including Octroi, Freight, Loading/Unloading, Transit Insurance and non recoverable Taxes incurred, these would form the Sum Insured under the fire policy. If the market cost of the materials go down then the same has to be taken in to consideration in view of the principal of the indemnity. The insured's own expenses on storage, interest and any holding charges cannot be considered. The valuation for the manufacturer or the wholesaler or the retailer will vary for the same product depending upon his cost incurred from his source of purchase. It is desirable to have separate Sum Insured for Raw Materials/ Stores & Spares/Traded Stocks.

- Sum Insured of Work in Process: For the manufacturer the work in process valuation has to be carefully worked out after adding the manufacturing costs directly incurred on the raw materials including direct factory overhead which are contributing to the manufacturing cost.

- Sum Insured of Finished Goods: The cost of the finished goods is net manufacturing cost including factory overhead. Administrative cost, sales overhead and net profits are not taken into consideration for valuation of finished goods. The excise duty can be added to the finished goods if it has already been incurred. The valuation of the finished goods can also be arrived at after deducting the un-incurred costs and the Gross Profit from the sale price of the stocks.

- Sum Insured of Waste Materials: Waste materials accumulate during operations. They also have commercial value. Normally they are sold periodically. The market rates thus available can form the basis of their valuation

e) Agreed Value Policies:

It is not a practice of the Insurance Industry in India to issue Valued Policies where in the Sum insured is admitted at the time of issue of Policy and the Policy will not be subject to Average Clause. Imported Good under contract can form an exception.

SOLAR PV INSURANCE

As the search for more and more clean and sustainable energy continues, Solar Energy is gaining popularity around the globe. In India too, there is keen interest shown by investors in Alternate energy sources and it is seen that the number of players in the Solar Power arena is growing rapidly. As a consequence, there is a keen interest in Solar Insurance and this article will put the subject in perspective.

Adequate sum insured

Photovoltaic (PV) is the name of a method of converting solar energy into direct currentelectricity using semiconducting materials that exhibit the photovoltaic effect, a phenomenon commonly studied in physics, photochemistry and electrochemistry. A photovoltaic system employs solar panels composed of a number of solar cells to supply usable solar power. The process is both physical and chemical in nature, as the first step involves the photoelectric effect from which a second electrochemical process takes place involving crystallized atoms being ionized in a series, generating an electric current. Power generation from solar PV has long been seen as a clean sustainable energy technology which draws upon the planet's most plentiful and widely distributed renewable energy source – the sun. The direct conversion of sunlight to electricity occurs without any moving parts or environmental emissions during operation.

Solar PV Insurance

PV installation is a valuable asset. The Solar PV Insurance compensates for the costs of:

Property Damage

Property damage is an extensive insurance with coverage of:

1. material damages due to external causes such as theft, vandalism, sabotage, fire, hail, snow load, lightning strike causing overvoltage and/or current spike, operational mistakes, and negligence;
2. additional costs like loss of spare parts stored on site, incompatibility expenses, search costs, overtime and express shipments costs, debris removal costs, fire extinguishment expenses, loss mitigation expenses, professional fees, public authority expenses, costs of temporary removal or repairs and costs of civil authority actions;
3. the consequential losses as a result of the damage likr labor, installation costs, transport costs and prevent costs.

Environmental Risk

Environmental damage coverage indemnifies system owners of the risk of either environmental damage done by their development or pre-existing damage on the development site. There are a variety of environmental policies that can cover an assortment of risks, such as:

1. Pollution legal liability policies cover the insured from risk with unknown pollution conditions as well as liability for harm caused to persons by the pollution. This type of policy also covers business interruption and transportation claims, but it does not cover the cost of long-term clean-up efforts.

2. **Property transfer policies** transfer the risk from the insured for existing pollution claims and pays for claims under terms similar to Pollution Legal Liability.
3. **Clean-up cost cap or stop loss policies** are customized policies that create a cost stopgap for continued clean-up efforts or for newly found contamination as well as bodily injury. This type of policy does not usually cover property damage or legal costs.
4. **Brownfields restoration and redevelopment policies** indemnify policy owners who are developing projects on sites that are known to be contaminated from ongoing high costs, bodily harm, legal costs, costs for cleaning up of unknown additional pollutants, and property damage.

Mechanical and electrical breakdown

Mechanical and electrical breakdown covers the consequential losses resulting from a defective part due to a sudden and accidental failure that necessitates repair and/or replacement. This insurance does not provide coverage for the loss or damage to any defective part itself.

In the event of mechanical and/or electrical breakdown no such claim for mechanical and/or electrical breakdown shall be filed under this policy unless and until the insured has made every reasonable effort to collect such loss or damage under the warranty provided by the manufacturer.

Business interruption

Business interruption compensates the actual loss of income due to loss of production as result of a property damage or a mechanical and/or electrical breakdown. The actual loss of income shall be compensated during the agreed indemnity period.

The abovementioned covers all together is known as an Operational All Risk (OAR) insurance.

Optional

In addition to the OAR you can take out the following optional covers:

Contingent Business Interruption (CBI)

Contingent Business Interruption covers only the business interruption as a result of the first non-owned substation being damaged due to a sudden and unforeseen damage or loss. There is no damage or loss of your own installation. The damage or loss of the non-owned substation is not insured. Due to this damage or loss it's impossible to supply electricity to the grid.

Natural Disaster

Natural Disaster covers damage or loss as a result of among other flood, volcanic eruption, earthquake, bushfires, tsunami, typhoons, cyclones and hurricanes.

Other solar insurances

Lack of sun cover

Sun is not always a reliable source of constant power. Aerosols and atmospheric processes such as clouds and air moisture can cause local variations in irradiation of well above 10% of the expected value. Such volatility and uncertainty can be protected by a lack of sun cover. The purpose of a lack of sun cover is to smooth revenues.

Political risk insurance

Investing in emerging markets has potential benefits for investors and lenders, but these benefits are accompanied by political risks which needs to be addressed. Political risk insurance can help investors and lenders to deal with these kind of risks and to help them to obtain access to funding sources with improved financial terms and conditions.

Political risk insurance products protect:

- investors against financial losses on their equity investments due to a variety of non-commercial risks;

or

- lenders against the risk of missed scheduled payments on a loan due to a variety of covered risk events.

Types of coverage: expropriation, breach of contract, currency inconvertibility and exchange transfer, political violence, non-payment of financial obligations and unfair calling of bonds.

Security requirements

Depending on the size of the project and the location the insurer may set requirements varying from lightning strike and overvoltage protection to extensive surveillance by means of cameras and motion detection connected to a permanent manned security centre.

Inherent defect and warranty

Solar energy is sustainable, quiet, safe, clean and financially attractive, but it is difficult to assess the quality of the materials used. There is a lot of difference in quality. How are you assured of a good performance of your installation in case of a damage due to inherent defect of your solar panels or inverters?

Inherent defect can cause serious damage. Examples of inherent defect are short circuit in the junction box, delamination (detachment of the various layers) of the panel and bad soldering. Inherent defect is covered under your manufacturers' warranty if your manufacturer still exists. In case of a valid warranty claim you will receive a new panel or inverter from your manufacturer, however you will not receive compensation for consequential losses such as the costs of labor, transport and business interruption (loss of production).

Inherent defect cover

To protect your investment and to secure your revenues you can avail "Inherent defect" cover.

This "Inherent defect" cover:

- supports the manufacturers' warranty.
  In case of a warranty claim the manufacturer will normally reimburse your panel or inverter, but he will not reimburse the consequential losses such as the costs of labor, transport and business interruption. These consequential losses are reimbursed by our "Inherent defect" coverage.
- remains in force even if the manufacturer of the panel or inverter has gone bankrupt.
  In case of inherent defect of your solar panel or inverter and bankruptcy of the manufacturer, the "Inherent defect" coverage will reimburse your panel or inverter besides the aforementioned consequential losses.
- covers damages due to inherent defect of the panels (up to 20 years) and the inverters (up to 7.5 years).

Solar panels have two separate warranties;

1. The product warranty
   The product warranty term usually is about 10 years and is supposed to protect your investment against bad construction of the solar modules. E.g. delamination, bending or short circuit. During the first ten years you are compensated for the material loss of your panels in case of a valid warranty claim, meaning you get a new panel but you have to take up the consequential losses and business interruption (loss of income due to loss of production) yourself, leaving only a fraction of the costs compensated.
2. The performance warranty
   The performance warranty doesn't say anything about the structural integrity of the panel, it even excludes any output loss due to a structural problem and in that case if refers to the (perhaps already ended) product warranty. The performance warranty should protect you against a (sudden) loss of performance while the module still is fully intact. There is a given depreciation line of usually 90% performance output after 10 years and 80% after 25 years. This can be done in a stepped way or linear. Stepped means the 90% warranty already applies at day one and the 80% warranty kicks in at the first day after year 10.

Benefits of the inherent defect cover

For the manufacturer:

- Back-up of the warranty in the event of bankruptcy;
- Extension of the warranty, the insurer pays the consequential losses not compensated by the manufacturer;
- The insurance is taken out and paid by the client of the manufacturer;
- Recognition of quality, subject to a positive factory risk assessment.

For the investor:

- Quality checked panels;
- The investor is in charge, it's his policy;
- Low deductibles;
- Cover remains in force even if the manufacturer has gone bankrupt (insolvency protection);
- Protects future project value if manufacturer goes bankrupt;
- Supports the warranty guarantees compensating costs not paid by the manufacturer;
- In combination with our operational all risk insurance better than any reduced yield protection plan;
- Underwritten by an A-rated insurance company;
- Mitigates the risk for the bank making finance easier.

Insurance Challenges for Renewable Energy Projects

Obtaining affordable insurance can be challenging for the fledgling renewable energy industry, partly because insurance brokers and underwriters are not as familiar with renewable energy technologies and the associated risks as they are with other technologies they underwrite. Accordingly, only a small niche of the insurance industry serves the renewable energy market. This section explores the specific challenges that solar PV faces when securing insurance.

EMPLOYER'S LIABILITY INSURANCE POLICY

INTRODUCTION :

Employer's Liability Insurance Policy (Earlier known as Workmen's Compensation Insurance Policy) protects organization from the threat of expensive lawsuits and large compensation pay-outs. The policy covers statutory liability of an employer for the death of or bodily injuries sustained by workmen in the Insured's immediate service and arising out of and in the course of employment. It is the compensation payable under a scheme set out in the Workmen's Compensation Act of India amended as Employee's Compensation Act, monitored by the Ministry of Labour.The employers' legal liability under the W.C. Act to pay compensation to employees not covered under E.S.I. Act for bodily injury or disease sustained / contracted out of and in the course of employment is covered by this policy. Liability to employees under Indian Fatal Accident Act 1855 and at Common Law is also covered under the polic

RELEVANT STATUTES & LAWS :

The policy covers legal liability of an employer under:

1. Workmen's Compensation Act, 1923 amended as Employee's Compensation Act, and subsequent amendments of the said Act prior to the date of issue of the policy.
2. Indian Fatal Accidents Act, 1855, and subsequent amendments of the said Act prior to the date of issue of the policy
3. Common Law

WHO NEEDS THIS COVER :

1. Any employer, whether as a principal or contractor, engaging "workmen" as defined in the Workmen's Compensation Act amended as Employee's Compensation Act
2. Any employer of employees who may not qualify as "workmen" but share an employee employer relationship.

SALIENT FEATURES :

The Employee's Compensation Insurance Business in India is controlled by the Workmen's Compensation Insurance Tariff (W.C. Tariff). The Tariff provides for two types of Insurance as follows:

Table A :

This policy provides indemnity to the Insured if any employee in the Insured's immediate service shall sustain bodily injury by accident or contracts disease arising out of and in the course of his employment by the Insured in the Business and if the Insured shall be liable to pay compensation for such injury either under.

i. Workmen's Compensation Act, 1923 amended as Employee's Compensation Act and subsequent amendments of the said Act prior to the date of issue of the Policy provided that the insurance granted is not extended to include any interest and/or penalty imposed on the insured on account of his / their failure to comply with the requirements laid down under the W.C. Act, 1923, and

ii. The Fatal Accident Act, 1855 of at Common Law

And in addition all costs and expenses incurred with the company's consent in defending any claim for such compensation.

Table B :

This Policy provides indemnity to the Insured against their legal liability under the Fatal Accidents Act, 1855, and at Common Law. (This Policy is not issued to cover employees who fall within the definition of "workmen" under the Workmen's Compensation Act, 1923, as amended).

SCOPE OF COVER :

1. Death
2. Permanent total disablement
3. Permanent partial disablement
4. Temporary disablement
5. Legal costs and expenses incurred with the company's consent with a view of defending any case.
6. Funeral expenses of Rs. 5,000/-

EXCLUSIONS:

1. non-fatal injury caused by any accident directly attributed to:
    a. Influence of drinks or drugs
    b. Willful disobedience of an order for securing safety to the workman
    c. Willful removal or disregard of a safety guard device
2. War group and nuclear group of perils
3. Liability to employees of contractors of the Insured (unless separately declared and covered)
4. Liability of the Insured assumed under an agreement
5. Occupational diseases are not covered.
6. Any change in statute provisions after the policy has commenced.

EXTENSIONS :

Extra covers on payment of additional premium are as mentioned below:

1. Actual medical, surgical and hospital expenses including the cost of transport to hospital for accidental employment injuries.
2. Contractors/sub contractor's employees can be covered.

SUM INSURED :

The sum insured is calculated on the basis of:

1. Earnings include wages, salaries, over time, board / lodging, and other perquisites.
2. No deductions for Pension / PF to be accounted.
3. TA / traveling concessions not to be accounted.
4. No deduction for Income Tax at source.

MONSOON ADVISORY

Last so many years India as well as other parts of the world have been plagued by the vagaries of flood and high tides, which brought along with mass destruction and loss of property. While the right insurance cover does bring some financial relief to the owners, insurance does not cover losses like loss of market share, loss of reputation, rebuilding the position one occupied prior to the catastrophe struck etc. Hence there is no alternative to taking some basic precautions to avoid such losses.

The following paragraphs mention some simple steps which can help any organisation mitigate the possibilities of damages due to flood:

- Warehouses have felt the maximum impact of flood in the recent years. The following measures can go a long way to reduce the impact, if not avoid the losses:
- Many of the warehouses are hired and to avoid high rentals warehouses located in low lying areas are preferred. This should be avoided to the extent possible.
- If occupying a warehouse in low lying area is unavoidable, the owner of the goods should ensure the following ....
- Avoid basement storage …preferably the storage should be done in the first or higher floors.
- If the storage has to be done on the ground floor, the goods need to be kept on a platform/ pellet / metal racks which have good clearance from the floor.
- The goods (particularly the ones hygroscopic in nature or prone to water damage) need to be provided with an extra water proof packing in addition to the manufacturers recommended ones.
- The entry to the warehouse should be having a slope towards the outside and under no circumstance the level should be lower or of same level as the adjacent road.
- Completely avoid storage in open or even under sheds which are open from sides. Construction materials like cement should always be kept inside at construction sites, particularly during the monsoons
- The above & the following standard operating procedures can be adopted for not only warehouses but also for other occupancies:
- Higher plinth level of the factory/ warehouse as compared to the adjacent locations, so that water accumulating in the surroundings do not find its way inside.
- The drainage system should be checked and maintained on regular basis.
- It always helps to have pump and sump facilities to help draining out water if they enter the premises.
- The manufacturing units should be ideally located some distance away from the boundary wall.
- Regular follow up with authorities to improve / repair the drainage facilities of the area,

- While storing keep a clear space of two feet from the walls (particularly the external walls) to avoid damages to stocks due to seepage of water through the walls (happens when the adjoining road is inundated)
- Monitor closely to avoid chocking of drains due to waste materials entering and clogging the same.

The above measures may not necessarily avoid any damages due to flood, but can go a long way to minimise the impact.

HIDDEN WARRANTIES IN FIRE POLICY

Before the de-tariffing of Fire rates, the policy wordings of almost all insurer's, used to be mostly uniform. However, in today's scenario of cut throat competition, majority of insurer's while sending the quotes, silently incorporate such conditions, which may have terrible impact on claim settlement. A few of such anomalies in quotes are:

1. Open storage warranty :The policy to be issued is for goods in open but the warranty says "Goods in open not held covered ".
2. Adequate number of hand held extinguishers and hydrants as per TAC guidelines: Although extinguishers are required but how many? Not specified. Also hydrants may not be required or cost effective in small units. One claim was settled on non-standard basis, since hydrant was not installed but the insured won in court.
3. Earthquake risk not required for goods in open : Why insurer is suggesting on its own? Let the insured not opt certain risk. There are numerous such warranties incorporated in quotes, which may go unnoticed, unless read and pointed out by an insurance expert. Insurance Brokers plays very important under this situation