COMMERCE

S.4 INSURANCE (CONTINUED)

GENERAL INSURANCE

This covers properties against certain risks or it covers events that may or may not happen.

Under this type of insurance, individuals are required to ensure only those properties in which they have a financial interest (insurable interest).

General insurance policies are provided under three departments.

(a) Accident department
(b) Fire department
(c) Marine department

(1). **ACCIDENT DEPARTMENT**

This department mainly insures vehicles against risks. A wide range of risks are covered and a number of policies issued which include the following;

(i) Motor accident policy

This is insurance against accidents to motor vehicles caused as a result of a motor vehicle over turning or crushing.

This policy may be provided into two forms namely Third Party Insurance policy and Comprehensive policy.

- Third party insurance policy

  This policy covers losses or damages caused to a third party i.e any person or property involved in a vehicle accident but not the vehicle itself or the vehicle owner.

The parties involved include;

1st party – vehicle owner

2nd party - vehicle itself

3rd party - pedestrian, passengers, properties damaged as a result of the accident.

NOTE :

All vehicles in Uganda must have a third party insurance before operating.

- **Comprehensive policy**

  This policy covers all parties involved in a motor accident such as the vehicle owner, pedestrians, conductor etc.

(ii) Personal accident policy

This policy covers individuals against all possible accidents caused due to motor vehicle crushing or over turning.

(iii) Goods or cash in transit policy.

This policy covers against losses of goods or money while leaving or going to the firm. E.g money transported to or from different commercial bank branches.

(iv) Fidelity guarantee policy.

This covers the insured against losses arising from dishonest workers or employees.

(v) Employer's liability policy/worker man's compensation.

This is a policy taken up by the employer to protect his employees (workers) against accidents or injuries that may be caused to them while at work.

(vi) Public liability policy.

This covers against injuries to members of the public as a result of operations or activities of the firm or factory.

(vii) Plate glass policy.

This policy covers the company's employees or workers and customers against injuries caused to them due to broken pieces of glasses.

(viii) Bad debt policy

This policy covers business men against losses resulting from failaure by their customers to pay off their debts.

(ix) Aviation and aviation hull

This covers against damages or losses to air crafts, cargo caused as a result of aircraft accidents.

(2) **FIRE DEPARTMENT**

This department covers property owners against losses or damages as a result of fire outbreak and acts of God like floods, lightning, and landslides.

A wide range of policies are provided under this department and the most common ones include;

(i) Fire policy

(ii) Theft and burglary policy; - This is meant to cover against loss of property resulting from forceful house breaking by thieves.

(iii) Floods, wars , rioting and lighting

(iv) Loss of profits

(v) All household risks;: - This covers the insured against losses to household property resulting from fire outbreak e.g utensils, beddings etc.

(3) **MARINE DEPARMENT**

This mainly refers to insurance of ships and goods on ships. This department is broadly divided into these sections.

(i) Marine hall section

This section only deals with insurance of ships against loss/damage i.e it does not cover the goods (cargo) on the ship.

(ii) Marine cargo section

This section only deals /offers covers to goods on ships /ports against loss/damage i.e it does not cover risks caused to the ship. The marine cargo section offers the following policies.

(iii) Voyage policy

This covers against losses that may occur to the vessel or cargo to a **specified particular journey** e.g from Mombasa to Kisumu.

(iv) Time policy

This covers against losses that may occur to goods within a specified **period of time** e.g for a year regardless of where the ship sails.

(v) Mixed policy

This covers against losses/damages to goods for a specific journey and for a specified period of time. This policy covers both voyage and time policies.

(vi) Open policy

This covers the vessel or goods against loss/damage from any journey or any period of time.

(vii) Port policy

This policy covers against loss/damage of goods while at a particular port i.e either at their port of destination or at their port of departure.

(viii) Fleet policy

This covers against loss or damage to a number of ships that belong to a particular individual/company/organization.

TYPES OF LOSSES IN MARINE DEPARTMENT INSURANCE

1. **ACTUAL TOTAL LOSS**

   This is when a ship of cargo is completely lost and destroyed beyond repair like nothing can be repaired/recovered.

2. **CONSTRUCTIVE TOTAL LOSS**

   This is when the ship is not completely lost but has to be abandoned because of the huge cost of repairing it or the cargo is seriously damaged that it cannot be used for its intended purpose.

3. **AVERAGE LOSS**

   This is where the ship or cargo suffers only a partial damage which is repairable and the cargo can be used to serve the intended purpose.

   Average loss may be general or particular.

4. **GENERAL AVERAGE LOSS**

   This is where the loss is shared by both the ship owner and the cargo owner because it is incurred as a result of **jettisoning.**

   NB: Jettisoning is the act of throwing cargo over board to secure the ship, life of passengers and the rest of the cargo.

5. **PARTICULAR AVERAGE LOSS**

   This is where part of the ship/cargo suffers damage and the partial loss sustained is either met by the owner of the ship or cargo owner.

ADVANTAGES OF INSURANCE

1. Insurance companies compensate and restore back businessmen who suffer losses.
2. Life insurance policies is a form of saving .
3. Insurance policies can be used as securities to detain loans from banks from businessmen.
4. Insurance companies contribute revenuer to the government in form of taxes.
5. They provide employment opportunities to the people of the public e.g brokers, actuaries, assessors.
6. It facilitates international trade as importers and exporters are assured of compensation.

7. Insurance companies also act as trustees for businessmen.
8. Some insurance companies also extend short term loan to businessmen.
9. Insurance gives confidence to individuals to undertake risky investments because of assured compensations.
10. It promotes commercial services and therefore contributes to the country's invisible trade.
11. It promotes continuity in business because of compensating businessmen for the losses suffered.

Reasons why insurance is not commonly used in Uganda.

1. Most insurance companies are concentrated in urban areas neglecting the rural areas.
2. Most people are ignorant about the services offered by the insurance companies.
3. Most people are peasants/operate small scale businesses and lack valuable properties which are worth to be insured.
4. Most insurance businesses are invisible and are only realized when the loss occurred.
5. Insurance premiums are additional expenses/costs to the business.
6. Some insurance principals are complicated and are not easily understood by the public.
7. Most people mistake insurance services as gambling since the event insured against may or may not occur.
8. Getting an insurance policy involves many and complicated documents which discourages the would be potential customers.

Problems facing insurance companies in Uganda.

1. Inadequate funds/capital to effectively compensate those who have suffered from losses.
2. High taxes imposed from insurance company by the government make the insurance business unprofitable.
3. Corruption and embezzlement of funds by some insurance company's officials.
4. Limited skilled man power to work in insurance companies as actuaries assessors etc also affects the efficiency of insurance companies.
5. Ignorance of the public about insurance services thus reducing the number of customers applying for insurance covers.
6. Political instabilities or insecurity in some parts of the country hinders the operation of the insurance companies.
7. Inflationary tendencies makes it difficult for insurance companies to accurately determine the premiums and compensations to be made.
8. Loss of public confidence in insurance companies due to failure to make compensations to those with claims.

Testing Exercise

Questions

1.(a) Distinguish between insurance and assurance.

(b)Describe the possible policies and their likely risks to cover against that an individual may open up under accident insurance.

2.(a) Define the following ;

(i) Premiums (ii) cover note (iii) proposal form (iv) over insurance (v) co-insurance

(b) Explain the conditions under which an insurance company may dishonor a claim.

3.(a) Describe the basic principles of insurance and their importortance.

(b)Why are the insurance services not popular in Uganda?

4.(a) Explain the following ;

(i) Whole life policy (ii) endowment policy (iii) fidelity policy (iv) marine full policy

(b)What are the importances of insurance services to a business man?

5.(a)Explain the steps taken when opening up an insurance policy.

(b)Explain the likely policies that the owner of the factory may open up with the insurance company.

6.(a)What are the differences and similarities between insurance and gambling .

(b)Explain the problems faced by insurance companies in Uganda.

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