



Property Insurance



INSURANCE
REGULATORY
COMMISSION
OF SRI LANKA

Market Development & External Relations Division
Insurance Regulatory Commission of Sri Lanka

What is Property Insurance?

1.



Property insurance indemnifies the policyholder against potential damage to their property. It covers damages caused to various types of properties including machinery, buildings, stocks, etc. resulting from events such as fire, theft, unfavorable weather conditions, etc.

What are the types of Property Insurance?

A. Fire Insurance

Fire Insurance provides coverage for damage caused to the insured property by fire or other accidents such as lightning, explosions of gas or pressure equipments used for domestic purposes, and electrical leakages.

The types of various properties covered under Fire Insurance are indicated below.

- ◆ Commercial buildings and houses
- ◆ Household items
- ◆ Machinery
- ◆ Factories
- ◆ Semi-finished / finished goods

2.

*Insurance coverage
received under
a standard
fire policy:*

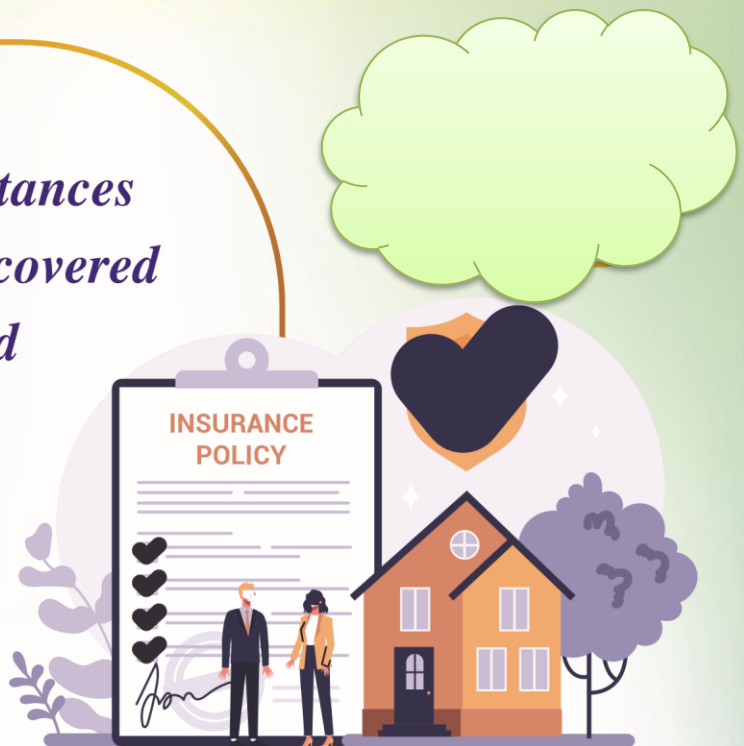
Coverage under a standard fire policy includes compensation to the policyholder for damages caused by

- Fire (Except the hazards excluded by the policy)
- Lightning
- Explosions
- Short circuiting

The following criteria should be considered when determining whether the damage in a given situation was caused by fire.

- ◆ there must be an actual fire or ignition
- ◆ there must be something on fire, which ought not to have been on fire/
Ignition of something not intended to catch fire
- ◆ it must be accidental or fortuitous.

*Other circumstances
related to fire covered
by the standard
Fire Policy:*



- Damages caused to property by water or other medium used to put out the fire.
- Damages caused by smoke and heat resulting from the actual fire
- Damages caused by an explosion of heated items during a fire, which does not fall into the category of a standard explosion. Eg: Sealed barrels
- Damages resulting from the collapse of any part of a building, such as walls or the roof, or damage to the other property not affected by the fire, due to such collapse, is also covered.
- Damages caused by the insured person/ firemen/ other helpers etc. in an attempt to put out the fire/ prevent its spread or to rescue lives or save property.

Hazards not covered / excluded under a standard Fire Policy:



The losses or damages caused to the insured property due to the following incidents are not covered under a standard fire policy, and these risks are considered as standard exclusions:

- Cyclones, storms, hurricane, typhoon, tornado or other atmospheric turbulence;
- War hazards: War, civil war, hostilities, acts of foreign enemies, invasions and incidents similar to war (whether war declared or not)
- Explosion (Except gas used for domestic purposes)
- Losses due to theft during or after the occurrence of fire
- Destruction of property ordered by a public authority
- Damage from an underground fire/subterranean fire
- Earthquakes, eruption of volcanoes or other natural disasters etc.

Additional coverage for these excluded hazards can be obtained by paying an additional fee.

Eg:-

- Cyclones, Storms, Floods
- Earthquakes
- Terrorist activities
- Spontaneous combustion
- Malicious Damages
- Strikes and Riots
- Natural perils



Burglary Insurance

A burglary insurance policy covers the financial loss or damage caused by burglary, theft, or attempted burglary at your house or business premises. Further, insurance cover is extended to goods, stocks, and other items within the insured premises, as well as cash in the safes, valuable goods, and securities are covered upon request. Burglary occurs when someone enters into your property forcefully with the intention of stealing and violence in an unlawful manner. The insurance company is liable to reimburse damages up to the insured amount. In cases where the insured amount is insufficient, the insurance company will compensate the damages proportionally. Therefore, it is essential to carefully assess and determine the appropriate insured amount relevant to the property or asset when purchasing property insurance.

Hazards not covered/excluded under a standard Burglary Policy:

- Loss or damage caused by fire or explosions
- Damages involving a person who is actually present at the insured premises.
- Loss or damage to money, deeds, bonds, gems, jewelry, precious minerals, documents, or any other valuables, etc. unless specifically stated in the policy.

Marine Insurance



Marine Insurance is designed to cover risks arising from the transportation of goods from the country of origin to the destination. It includes coverage for cargo, vessels, and sea bonds. The risks incurred during transit are also covered, while goods are transported from, one place to another by sea, air and land.

Most trade agreements for exports require marine insurance when transporting good. Depending on the terms and condition of the agreements, the responsible fee paying the insurance cost may fall on either the exporter or the importer.

Marine Insurance generally consists of three parts:

- **Cargo Insurance:** covers cargo shipments against loss or damage during transit by sea, air or land.
- **Hull Insurance:** covers the ship owner against physical loss or damage to the vessel including standard obligations incurred by the ship owner. Further, it covers the vessel's hull or steel plates as well s engines and additional machinery components.
- **Marine liabilities:** covers liabilities of the charters, ship owners as well as freight forwarder liability insurance.



Risks not covered/excluded under a Marine Insurance Policy:

- Intentional damages by the insured
- Damage due to inadequate/proper packaging
- Delays
- Nuclear Activities
- War, strikes and riots, and civil commotion
- Damage due to financial payment defaults

Miscellaneous insurance



Any policy, which does not fall under the major categories of fire, motor, marine insurance etc., falls into the wide category of Miscellaneous Insurance. It covers wide range of insurance policies including those related to unforeseen events (accidents) and liabilities. Various types of insurance are available under this category and some of them are as follows:

- Burglary and housebreaking Insurance for business premises
- Combined Fire and Burglary Insurance
- Fidelity Guarantee Insurance
- All Risk Insurance
- Glass Insurance
- Personal Accident Insurance
- Surgical and Hospitalization Insurance
- Workmen's Compensation Insurance
- Public Liability Insurance
- Product Liability Insurance
- Professional Liability Insurance

What is the Importance of Property Insurance?



A burglary or fire that takes place at your house or business premises may have substantial negative impact on your financial stability. Property insurance provides financial protection against loss or damage to your property. It is highly beneficial in restoring your property and providing significant relief.



*Important matters to
consider when
Purchasing a
Property Insurance*



4.

- Ensure you legally own the property before pursuing insurance cover.
- Keep all documents required to prove the ownership and value of the property, as these may be needed when making a claim.
- Provide complete and accurate details of the property, for which the insurance coverage is being obtained.
- Complete the proposal form by yourself. If another person assists in filling out the form, read it carefully and place the signature after ensuring that all information provided is accurate.
- Disclose all material facts about the property without concealment.
- Avoid indicating the inaccurate value for the property to prevent unnecessary issues and thereby avoid unnecessary issues.

Insurances Excluded from Coverage under Property Insurance

5.



- Willful destruction of a property
- Damage caused by war and invasions
- Damage resulting from defective constructions
- Damage caused by nuclear activities
- Damage arising from involvement in illegal activities
- Damage caused by environmental pollution

How to file a complaint with the Insurance Regulatory Commission of Sri Lanka?



6.

The Insurance Regulatory Commission of Sri Lanka (IRCSL) in line with its regulatory functions and powers, handles complaints with a view to providing protection to policyholders and potential policyholders, and the steps to be followed are as follows.

Initially, file a complaint with your insurance company. Visit <https://ircsl.gov.lk/list-of-insurance-companies/> to know how to file a complaint with the insurance company. The company should resolve it within a reasonable time and provide a response to you.

If you haven't received any response within a reasonable time period or if you are dissatisfied with the response received from your insurer, then you may submit a complaint to the IRCSL or the Insurance Ombudsman.

For more information on filing complaints with the Insurance Regulatory Commission of Sri Lanka, visit <https://ircsl.gov.lk/policyholder-complaints/>

This handbook has been issued by the Insurance Regulatory Commission of Sri Lanka as a guide to the public and contains only general information. None of the information provided herein replaces or contradicts the terms and conditions of an insurance policy. Contact the insurance company, insurance brokering company or insurance agent for specific information regarding an insurance policy or any other additional information.



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