LEARNER GUIDE

Unit Standard Title:	**Apply Technical Knowledge and Understanding of the Cover provided under a Short Term Multi-Peril Insurance Policy**
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This outcomes-based learning material was developed by Masifunde Training Centre with funding from INSETA in July 2014. The material is generic in nature and is intended to serve as a minimum standard for the industry.

Apply technical knowledge and understanding of the cover provided under a Short Term Multi-Peril Insurance Policy

Introduction

The advantages of short term insurance to the insured are no longer under dispute. In the modern world, with its attending and ever increasing negative tendencies, personal and business protection cannot be argued against as one of the methods of effective risk control.

Insurance is called a risk transfer mechanism.
It means that a person, called an insured, transfers the risk, or burden, of the protection of his valuable possessions to a risk carrier, called an Insurer, in exchange for a fixed amount of money, called a premium.

Should the insured suffer a loss due to a peril described in his insurance policy; the insurer will compensate him for the loss at the amount stated in the policy.

Module 1

Why insurers market Multi-Peril Policies

This Module deals with:

- Reasons why insurers developed multi-peril short term products with reference to an insurer's marketing strategy and the client's needs
- The implications of multi-peril policies in terms of cost factors to a specific insurer and cost benefits for the client

1.1 Reasons why insurers developed multi-peril short term products with reference to an insurer's marketing strategy and the client's needs

Traditional insurance practice dictated that a separate policy be issued for each class of business where the insured required protection. This practice invariably left the Insured with numerous policies, all with different renewal dates, different premiums payable and several separate debit orders to manage.

The result was a cumbersome administration process for the Insurer – imagine all the additional staff required to manage all these policies, all with different renewal dates to keep track of for one client – policy reviews could only have been a nightmarish operation with large margins for error and omission.

Not only was the process laborious to the extreme, but also the cost to Insurance carriers must have been prohibitive, and the inconvenience factor to an Insured beyond tolerable. A better mousetrap had to be invented!

- **Insurance Products develop through client needs**

The marketplace normally dictates what happens to any product and Insurance is no exception. Demand and supply are factors to be reckoned with.

Insurance products that we know today are all the result of needs expressed by its numerous consumers, and the eventual pressure of the user group, and competition on the Insurer to review current products, and develop or modify products, to meet needs of its consumers.

The risk to the insurer is to lose these clients to competitors, or alternative risk control methods. These alternatives are not always satisfactory or effective, for either insurer or insured.

- **Development of the multi-peril policy**

The Multi –Peril policy developed as a result of such a consumer move as described above and the resulting research by the insurance industry as a whole, and was instituted in the insurance market place with great success.

Instituting radical change in an industry with firmly entrenched traditions and methodology could not have been an easy process and despite the many negatives constantly aimed at the industry, the multi-peril policy can surely be viewed as one of its modern triumphs.

It is a certainty that hardly anybody working in the industry today can imagine a working world, even with modern technology, where the multi-peril policy does not exist.

1.2 The implications of multi-peril policies in terms of cost factors to a specific insurer and cost benefits for the client

- **Definition of a multi-peril policy**

The easiest description of a multi-peril policy is that it is a number of different policies are incorporated into one document.

A typical multi-peril policy consists of different sections, each offering a particular type of cover.

- **Standardised wording – Multimark policies**

In South Africa, cover offered by some policies used to be subject to a market agreement, and all companies offering this product offered the exact same policy cover. This product was referred to as Multimark III which, apart from packaging, printing and marketing features, was identical in cover with a standardised wording offered by all insurers. **This product was however withdrawn by SAIA in 2007,** fearing that it may be deemed uncompetitive by the Competitions Board. Many of the features of Multimark III can however still be found in **Commercial Multi-Peril policies** today. Premiums charged, and other terms and conditions, such as deductibles, or survey requirements may vary, but the policy wording does not. There are not many market-agreed wordings, and most insurers offer specifically written policy wordings to their customers. This means that the product, in most instances, is unique and readily identifiable as an offering by a specific insurer.

- **Personal lines Policies**

Personal lines wording has been standardised to a degree, but it is acceptable market practice to have unique cover and wording for personal lines in different companies.

- **Advantages of the multi-peril product**

The multi-peril policy is convenient for the consumer:

- The insured only has to remember one renewal date
- All types of insurance is paid with one premium only
- It is cost effective in that only one or two at most, debit orders have to be paid.

The multi-peril policy is convenient for the Insurer:

- Administration requirements are reduced.
- It is more cost and time efficient to operate one or two policies per client.

Module 2

Analysing a Multi-Peril Personal Lines policy

This Module deals with:

- A specific policy document analysed in terms of perils and cover
- A client's specific needs analysed and matched to specific cover
- The concept of personal lines insurance with examples

2.1 A specific policy document analysed in terms of perils and cover

2.1.1 Parts of a Multi-Peril Policy Document

- **Standard features of multi-peril policy documents**

A multi-peril policy document that is sent to a client typically has a number of parts, the main being the policy schedule; the policy wording and disclosure documents. Aspects common to all sections of the policies are grouped together to avoid repetition. Most Insurers have adopted this approach. Individual sections then have their own "defined events" against which cover is given, as well as exclusions and specific exceptions.

- **Policy Schedule**

The policy schedule is the evidence that a contract exists between the Insurer and the insured. It also personalises the insurance cover for each client. The following items are described in every schedule:

- The risk
- The insured
- Special terms and conditions that apply to a particular policy

There is normally a main typed schedule giving the details that apply to the individual Insured, and further schedules with specific descriptions and sums insured for the sections of cover.

The main schedule page contains the following important detail:

- Insurer s identification: name, physical address.
- Insured's name, title and address
- Policy number
- Territorial limits
- Business of the insured
- Period of insurance and renewal / anniversary dates
- Summary of cover and premium summary for cover
- Attestation by the Insurer

The further schedules will now describe in detail the following:

- Section of cover (i.e. e house owners insurance)
- Description of the risk
- Value at risk
- Premium
- No claim bonus

- Excesses
- Requirements
- Endorsements applicable to the section
- Specific exclusions and exceptions

Anything that is written into the policy schedule overrides what is printed in the standard policy wording. It will also be stated that policy schedule and wording must be read as a whole and not as separate parts to avoid disputes.

- **The Policy Wording**

The pre-printed policy wording is included with the schedule for the client's information, to be read as a whole with the personalised schedule.

All multi-peril policies have the following sections included as standard:
- The heading
- The preamble or recital clause
- The operative clause
- Exceptions
- General conditions

The **heading** contains the name of Insurer and registered head office address. It may also have the Insurer's logo and some form of decoration.

The **preamble/recital clause** names the parties to the contract, i.e. the Insured and Insurer. The preamble clearly states that the proposal is the basis of contract between insurer and insured. A premium payment condition is also included, which means the contract only becomes enforceable when the insured has paid a premium to the insurer.
- For new business, premium is payable at, or before inception.
- Renewal premium is due on or before renewal date.
- Re – instatement of policies require that all outstanding premium be paid before the policy is again in force.

The **operative clause** is where the insurer agrees to pay a claim when a loss, covered in terms of the policy wording and conditions, occurs. The insurer will not pay more than the amount specified on the schedule.

The insurer's option of indemnity (not the choice of the insured) can be cash payment, repair, reinstatement or replacement.

The **exceptions** state what an insurer will not cover. Naturally, insurers cannot provide cover for absolutely everything if premiums are to be kept economical and fair.

- **Standard general exceptions**

Multi-peril policies have certain standard exceptions, included in all the policies, based on market agreements. These exceptions will be included in products of all Insurance companies, and apply to all sections of the policy. Exceptions can never be covered in terms of the multi-peril policy, even if the client is willing to pay extra premium.

The following are general exceptions:

- Riot and labour unrest/strike (covered by SASRIA)
- War and war damage (covered by the government)
- Nuclear exclusion including radiation, contamination by nuclear fuel or waste; or nuclear weapons. Excluded are radiation and isotopes from medical apparatus.
- Cover for properties also covered by marine policies.

- **Standard general exclusions**

Items that do not comply with an insurer's general underwriting guidelines may be become acceptable later when risk improvements have taken place.

Exclusions may also be added to a policy at payment of additional premium to the insurer and does not form part of the basic package of risk cover.

The difference between an exclusion and an exception
Exclusions may be removed from the policy wording and be included and covered at the payment of extra premium.
Exceptions can *never* be covered under the multi-peril policy and cover is either through compulsory insurance or covered by the government.

- **General conditions**

All Multi-peril policies have general conditions that are included as standard practice. Conditions minimise the chance of disputes arising. General conditions state what the insured must do in certain circumstances, and also what the insurer will do in certain situations.

The following are common general conditions of multi-peril policies:

- Misrepresentation, miss-description and non-disclosure of material facts renders a policy voidable
- Other insurance –the policy will only pay its rateable loss, and including application of average.
- Cancellation conditions and refund of premium
- Continuation of cover condition and when a policy will lapse
- Premium adjustments to be made
- The insured's duty to prevent loss or minimise danger after loss
- Claims procedure and conditions, rights of parties after claims, handling of fraudulent claims, subrogation, contribution, prescription period, and reinstatement after loss, collective insurance.
- Terms of contract is between insurer and insured and rights may not be transferred

NICE TO KNOW

WHAT ARE "PRODUCTS"?

In short term insurance, the products are the actual types of policy documents that are provided by the insurers to cover the client's property or to otherwise safeguard his assets or interests.

In the same way that ordinary retail products are sold to meet a specific need of a customer, so short term insurance products are sold to provide a specific solution to a client's need.

Premiums charged, and other terms and conditions, such as deductibles, or survey requirements may vary, but the policy wording does not.

There are not many market-agreed wordings, and most insurers offer specifically written policy wordings to their customers. This means that the product is, in most instances, unique and readily identifiable as an offering by a specific insurer.

Personal lines policies are not market agreed, and may differ from company to company.

All insurers have different brand names for their products, even though the basic cover and categories are more or less the same. Insurers have different rating methods for the separate sections, based on their own statistical information about risk spread and they may also impose different restrictions and requirements for each class of business.

Excesses and cover may also differ from insurer to insurer. Some insurers provide additional cover under certain classes at the same rate that another insurer provides, to entice clients. Some companies provide value added products (such as legal advice or road side assistance) either free of charge or at a small premium.

Another development over recent years has been the paperless (electronic) underwriting of policies. Clients phone in and the whole policy is written over the telephone, with the voice recording then forming the basis of the insurance contract between insurers and insured.

Some insurers have so called "niche" market insurance cover and specialises in one type of cover only, i.e. liability policies or contractors all risk.

The latest development is rewarding insureds for not claiming against their policy for a certain period and then refunding the whole premium or a portion of premium paid in over that period to the insured.

In certain instances, short term insurance is provided by the state, in terms of general risk offerings, such as SASRIA cover, for riot and labour unrest, or in terms of compulsory insurance such as the Unemployment Insurance Act, or Compensation for Occupational Injuries and Diseases Act.

PAYMENT OF POLICIES:

Policies are paid monthly or annually.

MONTHLY policies are normally payable on the 1st of each month. This is the usual payment method for domestic or personal lines policies.

ANNUAL policies are normally payable for 12 months in advance, in other words the whole premium for a year is payable at the beginning of the term. This is the usual payment method for commercial or industrial policies.

ANNUAL POLICIES PAID MONTHLY means the customer may pay a premium monthly, which may be more affordable, rather than in one annual amount (which is how annually renewable policies are paid.) The policy remains an annual policy and is only reviewed after a year, but for the insured's convenience, may be paid monthly.

MONTHLY POLICIES PAID ANNUALLY means the customer may choose to pay his personal lines policy premiums all at once for a whole year in advance instead of every month. The policy is still a monthly policy, but for the insured's convenience, may be paid annually.

2.2 A client's specific needs analysed and matched to specific cover

Insurance products developed as a result of needs expressed and experienced by clients in the marketplace. The prudent advisor will always ensure that a proper survey is done of the clients short term insurance needs so that a suitable product may be recommended to him.

A customer may want to choose a policy term as short as one day. He may need cover for transport of goods from one town to another. This would constitute a very short term for the cover, because once the transit is completed, the term is also completed, and the policy cover ceases.

Sometimes a short-term policy can provide cover for more than a year. This may be the case for example of a building contractor, who is constructing a factory. He may need to work for 2 years to complete the work, and so his policy must provide cover for the 2-year term. This is still a short term policy, because it will have to be renewed, or allowed to fall away at some stage in the future.

The customer may also find a need for different types of policies at different stages of his life, when his needs are influenced by:

- Age
- Financial status
- Business conditions
- Social and economic factors
- Political influences

Look at these factors in more detail:

- **Age**

As people grow older their needs sometimes reflect a different focus. They may not want to drive a big German motor vehicle anymore because of the cost of maintenance and repairs, and they may decide to combine their work and leisure vehicles in one use. They also may plan to focus more on the cost savings of self-insuring more of their items.

- **Financial Status**

The more the customer's business is exposed to larger perils, the more he needs to be sure that he is adequately protected.

He will need to protect his assets, being items such as buildings, stock and machinery, and these will need material damage protection such as fire, theft, and money, as well as glass and goods in transit.

In addition he will need to insure the revenue and profits of the business, under a business interruption policy. The motor vehicles will need to be insured, and he will also need to make sure he is covered for losses arising to third parties, under a liability policy.

If he is in a specialist type of business, the need for correct protection becomes even more important. He will need to insure his contracts, imports or special liabilities for example.

In terms of personal insurance, as the family leaves the house, he may want to downgrade his house in size. The customer may want to purchase a number of investment tools (stamps, coins, properties) and he will need to protect these.

He may also wish to increase any personal accident insurance cover to insure his income should he be unable to work further.

- **Business Conditions**

Foreign investment confidence and the fluctuating Rand may require the customer to cut back on his business operations. This could result in lower profits, job losses, and any number of other considerations.

He may need to refocus his business strategies and look to different avenues of doing business.

He may want to branch into new markets, and close others down. He might need new and different machinery.

- **Social and Economic Factors**

One of the first things that customers look to in terms of cost cutting may be the short term insurance premiums they are paying.

It is imperative that the customer be correctly advised and protected against risks or perils arising to his business or personal assets.

In seasons of economic recession or depression, the need for minimal cover and affordability will be more closely monitored. In these times, special cover against purchase costs in other currencies will need closer scrutiny.

- **Political Influences**

Conflict in the world today is a matter of fact. These ongoing events continue to influence world markets and the impact of these effects can be very severe.

An example of this would be the effects on world markets caused by the terror attack on the World Trade Centre in September 2001.The huge losses suffered have had a dramatic effect on premiums and cover.

The following must always be noted:

- The short-term cover purchased must meet the customer's needs.
- Certain government regulations require that insured's contribute to various funds to protect the employees and workers of all companies. These contributions are in respect of workmen's' compensation and unemployment insurance.
- These examples cannot be considered as impacting on short term insurance needs, as they are compulsory insurances required by law, but they have an influence on affordability of the rest of cover required.

2.3 The concept of personal lines insurance with examples

Personal lines insurance refers to Property and Casualty insurance for an individual as opposed to a business. These would include Homeowners, Renters, Auto, and Personal Umbrella etc.

In the short term insurance industry, private insurers offer the following products:

- **Multi-Peril Policies such as previously known Multimark**

Which combine a number of covers under one policy document, and which are designed to protect the assets and interests of the customer, such as his buildings, plant and machinery, stock and contents of his commercial premises, his profits, money, goods in transit, motor vehicles, glass, electronic equipment, office equipment, and to protect him against any liability to others from his activities.

The customer will be protected for loss or damage to these assets caused by fire, flood, theft, or other accident, if has purchased such cover.

- **Assets policies**

Which offer a similar cover to a multi-peril policy, but which describe the assets insured in more general terms, and do not need to give exact definitions of items insured. These policies are sold to larger corporate organisations that have very high values to insure.

- **Specific and specialised covers**

A customer may wish to purchase cover for a fleet of boats or aircraft, (or for one ship, or aircraft) or for a specialised item of equipment mechanical breakdown. He may be a building contractor, and need to insure for loss or damage to the contract he is busy on. He may not need a multi-peril policy, but only one for Fire insurance. The customer may need to cover his motor workshop for Motor trade insurance risks.

- **Multi-peril Personal property policies**

These are designed to protect the private assets of individuals and families, and cover the houses, contents, vehicles, boats or other craft, any high value items such as jewellery, stamps or coins, and other assets of a personal nature. These will be covered if damaged or lost by fire, flood, theft, or other accidents.

- **Accident and health policies**

There are a number of products available in the short term industry that provides cover to individuals or families, or for staff members or groups. Cover is for losses or injury arising out of accidents or as a result of illnesses or diseases occurring. Such covers include death or bodily injury, inability to continue working; hospital costs insurance, dread diseases such as cancer or heart attack. It is important to distinguish here between life assurance, and these covers. These provide financial support to customers in terms of medical expenses, continuing income and other, but they are *not* life insurance products.

- **Financial products**

Certain insurers offer cover for lost credit cards, retrenchment benefit insurance, costs associated with having twin babies, and many other types of highly specialised cover.

Module 3

Analysing a Multi-Peril Commercial lines policy

This Module deals with:

- A specific policy document analysed in terms of perils and cover
- The need for a combined commercial policy with reference to intermediaries, clients and insurers
- The concept of commercial or business insurance with examples

3.1 A specific policy document analysed in terms of perils and cover

Benefits payable under the policies described above are made on the following bases:

For commercial and assets policies:

- Damage to buildings, stock and machinery and glass: The new replacement value of the items insured, provided the sum insured has been correctly reflected.
- Money, theft, goods in transit and fidelity: The amount insured for, or the actual amount of the claim whichever is the lesser.
- Marine and Aviation: The actual value of the goods and vessels
- Liability: the amount of the damages caused, or the limit per event under the policy whichever is the lesser
- Business interruption: the amount of gross profit on turnover lost, provided the sum insured has been correctly set.
- Motor: the market value of the vehicle or the sum insured whichever is the lesser.
- Specialist classes: the actual repair costs or the limit selected under the policy.

- **Personal Insurance**:

The benefits are payable in the same way as for commercial insurance, depending on the class of cover selected.

- **Accident and Health policies**

For accident and health covers benefits are payable up to the limit selected by the insured.

3.1.1 Categorisation of Short Term Insurance

Insurance companies categorise different types of short term insurance according to a number of factors.
Some of these are:

- Common types of risks that may arise
- Reinsurance treaty support from reinsurance companies
- Historical categorising of the covers.
- Actual cover offered

- **Different Risks**

Even though similar policies may be provided to cover similar occupations, the risk attaching to each of the policyholders may be different.

The following are the generally accepted categories of types of short term commercial insurance offered:

FIRE
For losses arising under *Fire* policies, (including storms, floods, earthquake, sprinkler leakage, riot and strike, malicious damage, subsidence and landslide);

- *Buildings Combined* policies (for loss or damage to building structure only); *office contents* (loss or damage to contents of commercial or corporate offices);
- *Business Interruption* (loss of revenue, income or profit, as a result of the covers given by Fire policies);
- *Accounts Receivable* (insurance provided to cover the costs of determining the exact amount of money owed to the insured by his customers.)

These policies are sold to commercial enterprises, either as **Multi-Peril** or **Assets** policies

ACCIDENT / CRIME
For losses under:

- *Theft* policies (for goods or stock stolen or damaged during a theft);
- *Money* policies (loss or damage to money or negotiable documents);
- *Glass* (loss or damage to fitted glass);
- *Fidelity* (for losses suffered as a result of theft or fraud committed by staff);
- *Goods in Transit* (for losses arising to goods of the insured while being transported);
- *Business All Risks* (for loss or damage to expensive items that are used away from the customer's offices);
- *Electronic Equipment* (for loss or damage to computer and other electronically powered equipment)

These policies are also sold to commercial enterprises, either as **Multi-Peril** or **Assets** policies

LIABILITY
There are a number of different types of insurance offered to the customer to protect him against legal costs which he will have to pay for damages or loss cause to other parties, arising from his activities.
These may be:

- *General,*
- *Tenants, or*
- *Property owners liability* (for damage he causes because of damage from his being a tenant or the owner of a property);
- *Products or Defective Workmanship* (for damages arising from a wrongly made product, or from bad workmanship);
- *Professional Indemnity* (for loss or damaged caused as a result of the Insured's profession – wrong advice, bad design.)

ACCIDENT:
This covers personal injury or death of staff members, or individuals, either on a group basis, paying set limits, or on a stated benefits basis where the benefits payable are linked to the individual's income.

MOTOR CLASSES:
Motor policies cover for loss of damage to cars, buses, motorcycles, trailers, commercial vehicles, and can be bought for one vehicle or a fleet. The activities of motor garages and sales can also be covered under *Motor Traders* insurance.

ENGINEERING
Cover can be purchased to cover civil, building or earthwork *contracts* while under construction.

- ***Plant* cover** is for items of machinery, tools and equipment.
- ***Machinery Breakdown*** covers machinery which is out of use as a result of mechanical failure. *Liability* arising from these activities is also sold.

Engineering classes are normally issued separately from MM3 policies.

MARINE
These cover loss or damage to the ship or ships, (*Hull*) and their *Cargo*. Marine policies are issued separately from MM 3 policies. .

AVIATION
Cover is given for loss or damage to aircraft *(Hull)* and its *Cargo*, as well as for *Liability* arising out of the operation of aircraft. Also issued separately from MM3

PERSONAL LINES POLICIES:
Cover is provided for:

- Buildings (*House owners*);
- Contents (*Householders*);
- Vehicles (*Motor*);
- Expensive items that may be taken or worn on the person (*All Risks*);
- Motor boats or yachts or jet skis (*Small Craft*); and

- *Liability*. Some customers also purchase individual personal accident cover under these policies.

ACCIDENT AND HEALTH POLICIES
The customer can buy illness polices; medical expenses cover loss of income policies and other related covers.

BONDS AND GUARANTEES:
Cover is available where customers are required to provide *Suretyships* in matters of a legal or contractual nature.

COMPULSORY INSURANCE:
Legislation dictates that all employers or individuals must cover their staff
Against:

- Accidents to staff at work (*Compensation for Occupational Injuries and Diseases*)
- Loss of employment benefits (*Unemployment Insurance*) as well as
- Third party motor risks (*Multilateral Motor Vehicle Fund*).

Each of the above classifications is offered in direct consequence to the defined and calculated risk those certain events present, and which needs to be protected against.

Some of the types of risk attaching to a commercial/business risk – (A shopping centre for instance) are:

- Fire or flood, if the property is susceptible to these
- Theft of materials, goods and stock
- Loss of money by hold-up
- Liability to the public as a result of inadequate maintenance or protection of premises

Within a personal risk, the types of risks, while similar, may be less potentially severe, and therefore need a different mechanism to counter them.

Risk is essentially the chance of a loss

It is a factor inherent in a type of business, occupation or lifestyle that potentially attracts loss, by its own very nature.

3.2 The need for a combined commercial policy with reference to intermediaries, clients and insurers

- **Underwriting multi-peril policies**

Commercial policies:

Defined Events
- Fire
- Lightning or thunderbolt
- Explosion

Such additional perils as are stated in the schedule to be included.

Sections Covered:
- Fire
- Building Combined
- Office Contents
- Business Interruption
- Accounts Receivable
- Accidental Damage
- Electronic Equipment
- Liability

Typical Scenarios where commercial insurance would be called for:

a) Factory manufacturing household goods would need:
- Fire, Business Interruption, Accounts Receivable, Accidental Damage & Electronic Equipment

b) Block of Flats
- Building Combined

c) Panel beaters
- Fire, Business Interruption, Accounts Receivable, Electronic Equipment

d) Radio station Broadcasting antenna
- Fire, Business Interruption, Accidental Damage, Electronic Equipment

e) Doctors Rooms
- Office Contents, Business Interruption, Accounts Receivable, Electronic Equipment

3.3 The concept of commercial or business insurance with examples

Commercial Insurance is cover that insures a business or trade. Such business is either registered with the Department of Trade as a Proprietary Limited company, or a Limited, Company, a Closed Corporation, a Sole Proprietor, or an Individual Trading As a company.

Should a fire occur on the premises, the business assets such as building (if he is the owner?)

Contents such as Plant & Machinery, Stock equipment could be destroyed, thereby not only robbing the owner/s of the means to affect their livelihood, but also the livelihood of such people as he may have in his employ at the time, other miscellaneous items, electronic.

Module 4

Differentiate between Multi-Peril Personal lines policies and Commercial lines policies

This Module deals with:

- The cover under a multi-peril personal lines policy and a commercial lines policy compared in terms of similarities and differences
- The options of a multi-peril personal lines policy and a commercial lines policy with examples
- The implications of running a business from home in terms of personal and commercial cover
- Liability cover compared for personal and commercial insurance

4.1 The cover under a multi-peril personal lines policy and a commercial lines policy compared in terms of similarities and differences

Personal /Domestic		**Commercial & Industrial**	
1. Private dwelling	**House Owners**	1.Block of Offices	**Building Combined**
2.Contents of Home	**House Holders**	2.Contents of above	**Office Contents**
3.Clothing, Jewellery	**All Risks**	3.Cellphones, Tools	**Business All Risks**
4.Dog bites postman	**Personal PL**	4.Wet floors no sign	**Liability**
5.Money	**H/Holders limited cover**	5.Cash in transit to bank	**Money**
6.Motor personal use	**Private Motor** Cheaper premium Low Risk	6.Business use Business Loading?	**Commercial Motor** Rep, Insurance Sales High Risk

4.2 The options of a multi-peril personal lines policy and a commercial lines policy with examples

Personal Insurance is cover that insure the person in his individual capacity, i.e. the property belongs to him, the house is registered in his name, the car ownership papers are in his name, and he is the only person who has an active interest in the item insured. E.g. - should his car be stolen, it will mean financial hardship to him and his family should he have to find the money to buy another car, especially if such car is the only means by which he can get to work and back.

Commercial Insurance is cover that insure a business or trade.– E.g. - should a fire occur on the premises, stock & equipment could be destroyed, thereby not only robbing the owner/s of the means to affect their livelihood, but also the livelihood of the people in his employment at the time of the incident.

4.3 The implications of running a business from home in terms of personal and commercial cover

Many professional people have opted to rather work from home in order to avoid the stress of commuting in rush hour traffic, paying exorbitant rents for offices, or because of being on call 24 hours a day such as doctors.

They then convert a room/s into office/consulting rooms, and the insurance policy is then adjusted as follows:

- The Householders section that covers Theft is then restricted to theft by forcible and violent entry, with the possibility of an Armed Response Alarm being required.
- The Business All Risks Section is added to the policy schedule to cover, items such as cell phones, doctor's bags, samples, Tools etc.
- The Personal Legal Liability is not suitable for this type of risk, and a Commercial Public Liability, General and Property Owners/Tenants, is then added
- Electronic Cover is also added to the schedule to provide the necessary cover for the computers and other electronic equipment, which is used at home.

Under most circumstances, Insurers require that a separate commercial policy be taken out for a business run from home. The policy is underwritten separately and the office section needs to comply with all normal requirements for commercial policies.

4.4 Liability cover compared for personal and commercial insurance

- **Defined Events**

Damages which the Insured shall become legally liable for as result of negligent acts resulting Accidental Death or injury to person/s and or physical damage to Third Party Property in course of the business.

- **Sections**

▪ Public Liability: covers members of public when visiting a business.
▪ Professional Liability: covers the advice given by a professional to member of public.
▪ Product liability: covers defective /bad products.
▪ Defective workmanship: Covers products that have been put together wrongly.
▪ Employers Liability: Covers an employer for civil cases made against them by employees.

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