

## Learning Unit 8: All Risks

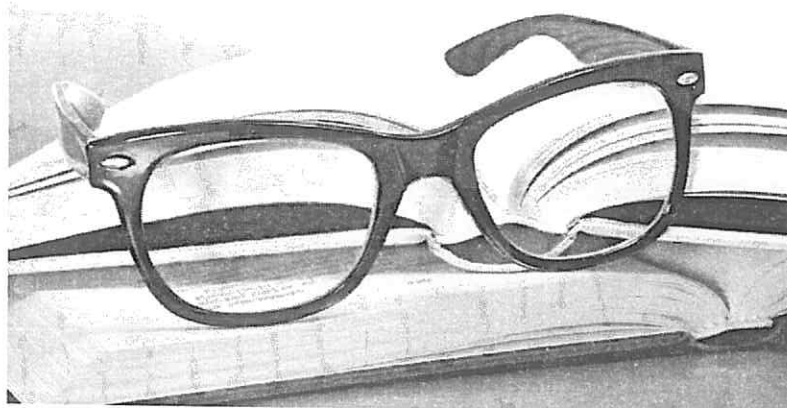


learning outcomes

### Learning Outcomes

Upon completion of this learning unit, it is expected that you will be able to:

- Distinguish between General All Risks and Specified All Risks.
- List who we insure under this section.
- Describe what we insure under this section.
- Identify what we do not insure (exclusions) under the All Risks section.
- Describe the limits of compensation based on the item and the policy wording.
- Explain the special conditions relevant to All Risks insurance.
- List the underwriting rules for this section.



## Introduction

In plain terms, all risks cover serves to protect the insured party against loss, theft or accidental damage outside the home as well as in the home. Considering that most loss, theft or accidents happen when a person is out and about, it makes sense to have this insurance cover.

All risks cover is therefore designed to protect an individual or family away from their usual private residence. Cover is on a worldwide basis and would not be restricted by any territorial limits. As the name suggests, the cover is not limited to particular hazards, for example, fire, lightning or storm.

In other words, All Risks insurance covers everything identified, unless specifically excluded.



In certain circumstances, an item that could be insured under the All Risks section could also be covered under the Household Goods section.

### For example:

The insured has an expensive camera, which is included under the All Risk section. If the insured accidentally dropped the camera at home, it would be covered in terms of the All Risks section. However, if the camera was damaged as a result of fire or was stolen following a burglary at the insured's residence, then the loss would be covered under the Household Goods section. To substantiate the statement the cover afforded under the Household Goods section is limited to the defined events stated in the policy wording, whilst All Risk covers everything, unless specifically excluded.

There are two sections covered under the All Risks section, namely:

1. General All Risks.
2. Specified All Risks.

We will now consider the definitions of these two terms, as well as certain terminology which, by now, you should be familiar with.

### 8.1 Definitions

Word or phrase used	Definition and description
General All Risks	<p>Cover provided for items that are designed to be carried on a person. This definition includes the description of the items covered under this section as follows:</p> <ul style="list-style-type: none"> <li>• Clothing and personal items that a person would normally wear or carry;</li> <li>• Personal sporting gear and equipment that a person participating in sport would normally wear or use;</li> <li>• Household goods, including groceries that are being transported to or from any place of purchase, repair or renovation.</li> </ul>
Specified All Risks	<p>Cover provided for items that are particular in nature and specifically listed in the schedule. This definition includes the description of the items covered under this section as follows:</p> <ul style="list-style-type: none"> <li>• Items named in the schedule;</li> <li>• Money, cheques or similar documents if shown in the schedule.</li> </ul>
you (your, yourself)	The phrase <b>you</b> refer to the policyholder and other people we insure under this section.
we (us, our)	This is Mutual & Federal Insurance Company Ltd. Registration No: 1970/006619/06.
compensation	This means that the insurer will pay the insured the amount stated in the schedule when a claim against an insured event has been made.
consequential loss	This is the loss or damage which occurs as a result of the actual, insured loss or damage. It is the 2 <sup>nd</sup> loss experienced and might not be insured.
excess	This is the first amount which must be paid by the policyholder before a claim is settled.

<p>exclusions</p>	<p>This is an event, loss or damage which <u>is not</u> insured.</p> <p>Exclusions in the policy free an insurer of liability for property not intended to be covered. Exclusions are, therefore, a specific condition in the policy that more accurately defines the risk accepted by the insurer and excludes liability for loss not intended to be covered.</p>
<p>schedule</p>	<p>This is the document which sets out:</p> <ul style="list-style-type: none"> <li>• The type of insurance bought,</li> <li>• The parties insured,</li> <li>• The period of insurance,</li> <li>• The amounts insured for,</li> <li>• Excesses that apply,</li> <li>• Premium to be paid.</li> </ul>

### 8.2 Who we insure

The following people are insured under this section:

- The policyholder;
- Members of the policyholder’s family who live with them.

### 8.3 What we insure

As we have already learnt, cover afforded clearly describes what cover the insured has under this section.

#### Items that must be specified

- Mobile communication devices, such as cellular phones and accessories;
- Car radios and sound systems;
- Bicycles, surf boards, kite boards, paddle skis, kayaks, canoes, surf skis, windsurfer and sailboards;
- Tools;
- Stamp and coin collection;
- Money and documents;
- Furs;
- Wheelchairs;
- Guns;
- Artificial limb/s and replacements.



If the insured has more than one specified item, each item will be listed individually on the policy schedule.

Each item of specific property will have a separate sum insured and this is the maximum amount of any claim settlement.

It is important to ensure that specified items are adequately described and serial numbers of cameras, radios and cellular phones should be obtained at the time of going on risk. This assists the insurer in identifying and possibly recovering the item following a loss.

Valuation certificates need to be obtained for items to be insured over a certain value. Valuation certificates are required not only to establish the value of the item but also to prove that the policyholder actually owns such an item when he takes out the policy.

#### 8.4 What we do not insure (exclusions)

##### **Items that we do not insure under this section**

##### **Vehicles**

The insurer will not compensate the policyholder for:

- Motor vehicle and accessories (other than specified car radio and sound systems);
- Trailers and caravans;
- Hang gliders;
- Aircraft and watercraft.



These items are excluded under this section of the policy as they can be more specifically insured, for example, trailers and caravans can be insured under the Motor section of the Allsure policy.

##### **Items insured elsewhere**

In terms of the insured, he/she has paid a premium based on a particular sum insured; therefore, the insured should not be entitled to an amount in excess of the sum insured. Thus, in the case of an item being specified, it cannot be claimed for under the general All Risks section.

##### **Computers**

Cover is excluded in respect of computer equipment or accessories which include laptops, palmtops, notebooks, iPads, tablets, desktop computers.

Computer equipment or accessories can be more specifically insured under the Personal Computer section of the Allsure policy.

## **Loss or damage that we do not insure**

### **Wear and tear, depreciation and deterioration**

We do not compensate you for gradual causes such as wear and tear, rust, mildew, corrosion, decay, depreciation and deterioration. These are common exclusions to most sections as items have depreciated and have lost some of their original value over a period of time due to usage and age. Most items have a particular lifespan and after a period of time their condition deteriorates. The deterioration can be attributed to wear and tear, which is excluded in terms of the policy wording.

### **Pairs and sets**

The condition clearly states that the insurer will only compensate the insured for the proportionate value of the part of the set that is lost or damaged. This limits the insurer's compensation to pay only for the item that has been lost or damaged and not the whole set. The insurer excludes the drop in value of the set owing to the loss or part of it.

### **Electronic data**

The insurer will not be liable for the cost of reproducing sounds, data and images that are lost from tapes, records, films, magnetic media or any other electronic media. Therefore, if an item has been totally destroyed or stolen, a complete new compact disc or tape would have to be purchased. The insurer will only be liable for the value of the unused material, for example, a blank compact disc or tape.

### **Cleaning, dyeing, renovating and repairing**

Cover excludes any damage caused by cleaning, dyeing, renovating or repairing. If a leather jacket is sent in to the dry cleaners and is damaged during the cleaning process, the insurer will not be liable for the damage.

### **Confiscation and detention**

Loss of items by confiscation or detention by any process of law can best be illustrated by way of an example.

An insured buys a firearm whilst on holiday in Germany. The insured is going to try and arrange the licence for the firearm when he returns back from his vacation. On his return to South Africa he tries to bring the firearm through customs without declaring it. The customs officials apprehend him and the firearm is confiscated. There is no cover under this section of the policy for losses under these circumstances.

**Professional and commercial use**

The insured is not compensated for loss or damage to any item used for professional or commercial purposes, such items would include the photographic equipment used by a professional photographer and the tools used by a professional handyman.

**Electrical and mechanical breakdown**

Cover excludes electrical or mechanical breakdown, breakages or failure. This exclusion can be better illustrated by means of an example. If a television set breaks down and the damage is found to be as a result of electrical or mechanical breakdown because the television set is old, the insurer will not be liable for the repairs.

This type of cover can be more specifically insured under the Mechanical and Electrical Breakdown section of the Allsure policy.

**The action of light or climatic conditions**

Cover excludes any damage caused by the action of light or climatic conditions. If a camera is left on the back seat of a car and exposed to the sun which results in damage, then this would not be covered.

**Manufactures purchase agreements, guarantees or service contracts**

We do not compensate you for any loss or damage or breakage covered by a manufactures purchase agreement, guarantees or service contract.

**8.5 Compensation**

Compensation is granted if an insured item is accidentally lost or damaged.

**How we compensate you**

It is at the discretion of the insurer as to which method will be used in the settlement of claims. The insurer has the option

- To pay the insured in cash in lieu for the damage,
- To replace whatever is lost or damaged,
- To have the item repaired,

**Limit of compensation**

If the property insured was accidentally lost or damage, the compensation is limited to the limit shown in the schedule at the time of the insured event. This amount applies to any single event or for a series of incidents that are the result of one event.

The following explains the particular limits of compensation:

<p><u>General</u></p>	<p>The maximum amount that an insurer would be liable for in the event of a claim is <b>25% of the sum insured for anyone article.</b></p> <p>For example, if the sum insured is R5 000, the limit per item is R1 250 i.e. 25% of R5 000. It is important to note that for a whole claim the insurer will compensate the insured up to the limit reflected in the policy schedule.</p>
<p><u>Specified Items</u></p>	<p>Each item of specified property will have a separate sum insured, which will reflect on the policy schedule and this is the maximum amount of any claim settlement. It is the insured's responsibility to ensure that the sum insured selected is adjusted according to replacement value of the item.</p>

**For personal documents**

The insurer will only compensate the insured for the value of the materials and the cost of labour to replace personal documents. The insurer will not compensate the insured for any consequential loss that would have occurred as a result of the insured loss or damage.

**For stamp collections**

A stamp collection can be defined as the collecting of postage stamps as objects of interest or value. Individuals who collect stamps are known as *philatelists*. If a stamp collection is specified in the policy schedule, a specific sum insured is stated for the collection and a premium is calculated according to the sum insured and the risk involved.

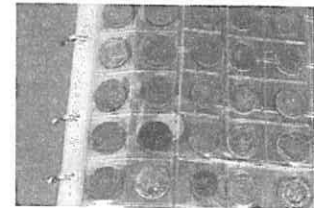
The insurer will only be liable if one or more complete pages of the collection are lost or damaged. As stamps are items that are easily accessible to the public, the insurers limit their liability to a loss in which they will only indemnify the insured in the event of one or more complete pages being lost or damaged.



Furthermore, the insurer limits their liability to no more than two thirds of the value stated in any current recognised catalogue and no more than the limit reflected in the schedule for any one stamp.

**For coin collections**

A coin collection can be defined as a set of stamped discs of metal used as official money. The idea behind coin collecting is very similar to that of stamp collecting. Most individuals do it as a hobby.



The insurer will only cover the insured if the coin collection is specified on the policy schedule. In the event of a loss, the insurer limits their liability to the limit stated in the schedule for any single coin and/or the limit stated for the whole collection.



Coins forming part of a collection that are in current use or circulation are not insurable.

**CDs and DVD collection**

The insurer compensates for CDs and DVDs if it specified in the schedule. There is no compensation for:

- More than the maximum number of CDs and DVDs shown in the schedule;
- More than the limit stated in the schedule for any one CD or DVD;
- More than the limit stated in the schedule for the whole collection.

**The contents of caravans and camper trailers**

We compensate the policyholder for the contents of caravan and camper trailers if they are specified in the schedule.

**What is insured**

We cover for items in a caravan or camper trailer or in an attached tent.

**What we do not insure**

The insurer will not compensate the insured for:

- Theft of insured items in caravan and attached tent is unoccupied, unless there are visible signs of forced entry.
- Theft of insured items in camper trailer and attached tent is unoccupied, unless there are visible signs of forced entry.

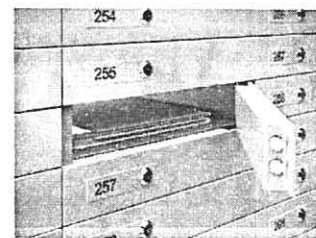
- Permanent fittings of the caravan or camper trailer.
- Loss of damage caused by fraud or dishonestly by the person who has borrowed or hired the caravan
- Stamp or coin collections, furs, jewellery, watches and any articles more specifically insured

**Limit of compensation**

The limit that will be paid out will be the limit that is shown in the schedule.


**For items in bank safety deposit boxes or recognised private vaults**

Many people hire a safety deposit box at their bank so that they have an extremely safe location to keep very important documents and invaluable items.



This type of cover is commonly used for items of high value and discounts in premium are offered as the risk of the items being lost or damaged whilst in the safe deposit box are low.

This cover can be provided for specified articles that are kept in a bank safety deposit box or a recognised private vault. Cover only operates while the article is in the safe.



If the policyholder removes the item from the bank safety deposit box or private vault, then you must notify the insurer and insure the item as an ordinary specified item.

**For items stolen from vehicles**

The insurer will cover you for items stolen from an unattended car if there are visible signs of forced entry to the vehicle.

**Remote jamming or blocking**

Mutual & Federal has been made aware of the increasing number of remote control blocking incidents that have been taking place across the country. Remote control "blocking" takes place when criminals interfere with a car's central locking system, leaving the vehicle owner to think that the car has been locked when it actually has not.

Criminals are believed to be doing this by pressing down on a gate remote control at the same time as when the car owner presses down the central locking button. This then blocks the car's remote control signal. Most car and gate remote controls use

the same frequency, making it easier for the gate remote control to block the car remote control.

In terms of the cover under the All Risks section, losses of this nature would not be covered as there would not be any visible signs of forced entry to the vehicle. Due to losses of this nature, a decision was made to grant cover in the event of items stolen from an unoccupied motor vehicle if there is no forcible entry/exit into the vehicle as follows:

Should there not be visible signs of forced entry we will compensate you on the following basis:

- Items covered under the General Items is not included;
- Items must be specified in the schedule;
- The maximum compensation is the limit shown in the schedule per item
- The maximum compensation is the limit shown in the schedule for any one event
- There is an excess shown in the schedule. This is the amount that you must pay before we compensate you.

**Make sure you are not under-insured**



It is the policyholder's responsibility to insure their All Risks items for the replacement value. The replacement value refers to the amount that Mutual & Federal would have to pay to replace an asset at the present time, according to its current worth.

**Excess**

There is an excess applicable under this section of the policy which will reflect on the policy schedule.

## 8.6 Special conditions

### You must give proof of ownership

There are times when the insurer will request acceptable proof that you own an item, or acceptable proof of its value. **Acceptable** means:

- Good enough to be used for a particular purpose; or
- To be considered satisfactory; or
- An agreement which is acceptable to all sides.

Examples of acceptable proof would be valuation certificates, invoices etc.

### You must give us proof of valuation of jewellery and watches.

Valuation certificates are required for all jewellery, watches. This must be provided at the inception of a policy or an addition of an item to an existing policy.

The insured is expected to produce a professional valuation at claim stage for all insured jewellery and watches.

It is important to note that the valuation certificate must be dated prior to the date of loss or damage.

If the insured is not in possession of a professional valuation then the claim will be limited per item to the amount shown in the policy schedule.



## Underwriting Rules

The follow three underwriting rules are extremely important.



The All Risks section must be supported by a Household Goods section.

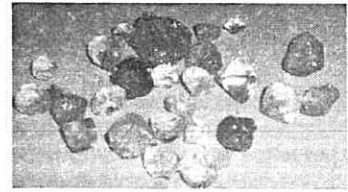
In addition, there are several other rules that need to be adhered to, some of which are unique to the All Risks section. These include the following:

- Specified items must always be fully described, with all detail required. Descriptions such as "car radio" or "ring" are not acceptable. Serial numbers for items must be obtained ` where applicable.
- The registration number of the vehicle in question must be noted against the description of any car sound equipment, and the make, model and serial number of the equipment must be provided.
- The cellular phone IMEI number must be captured on the system.
- Serial numbers on firearms and the firearm licence number must be captured on the system.
- Where more than one item is insured in a group, for example camping equipment, a maximum value for any single item must be specified. Example: camping equipment valued at R20, 000, maximum for any single item R350
- Only children's toy quad bikes can be added to the All Risks section i.e. Zippy Nippy, Kiddies Cycles/Quads etc. This is done so by selecting Category Code ABT.
- Portable generators can be added to the specified items up to the amount of R20 000, if the value is over R20 000 it needs to be included in the Houseowners Section.
- Items such as jewellery in a bank safety deposit box attract a reduced premium. If any item(s) are removed from the safety deposit box, the insured should be notified immediately and the full premium charged until such time as the item(s) are returned to the deposit box.



**Declined risks**

- Unset gemstones including loose diamonds.
- Mag wheels and other motor accessories (excluding car radios) – these must be insured under the Motor section.





**ACTIVITIES**

**Activity 1**

The insured has included All Risks cover on his personal portfolio. The cover afforded under this section is as follows:

<b>Section</b>	<b>Sum Insured</b>
General All Risks:	R25 750
Specified All Risks:	
Seiko Watch:	R 2 150
Nokia cellular phone:	R 3 560
Wedding ring:	R13 500
Gold bracelet:	R 7 250
Engagement ring:	R25 670

Jonathan goes to gym every morning before work. He locks his gym bag in the locker that is allocated to him by the gym. Before he starts his gym workout he removes his watch and cell phone and places them in his gym bag, which he locks in his locker. After his gym workout he goes to his locker to retrieve his gym bag before he goes to shower. One day he found that someone had broken into his locker and stolen his gym bag. Jonathan submitted a claim to his insurer and listed the following items that were contained in his gym bag:

Item	Value
Gym bag	R 750
1 x Towel	R 125
Toiletry bag together with contents	R 75
1 x T shirt	R 100
1 x Tracksuit pants	R 175
1 x Tracksuit top	R 185
Seiko watch	R2 350
Nokia cell phone	R3 560

Taking into account the cover Jonathan has in terms of his Allsure policy, calculate what settlement he would receive from his insurers.

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**Activity 2**

The policyholder has insured his entire coin collect for an amount of R50 000 and with a limit on any one coin for R5 000. Part of the insured's coin collection was stolen and the following values are attached:

Coin A	R6 600
Coin B	R 600
Coin C	R 875

How would the insured be compensated for his loss in terms of the policy wording?

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**Activity 3**

The policyholder insured her expensive diamond ring under the All Risks section and has indicated that the ring will be kept in a safety deposit box. She removed the diamond ring to wear it to a family function. When she returned home she found that the diamond had fallen out of the ring setting and she submitted a claim to her insurer for the replacement of the diamond.

Would this loss be covered in terms of the policy wording?

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**Activity 4**

The insured has a Persian carpet that is covered as a specified item under this section of the policy. The insured would like to submit a claim as the Persian carpet has lost its colour as a result of visitors wiping their shoes on the carpet in the entrance hall of the insured's house.

Would this loss be covered in terms of the policy wording and why?

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**Activity 5**

The insured has a pair of antique vases which are worth R25, 000 a pair. A single vase of exactly the same kind is worth R7, 500 because they are not nearly as rare as a matching pair. One afternoon the insured’s domestic worker was cleaning the lounge and accidentally knocked down and broke one of the antique vases.

How would this claim be settled by the insurer?

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**Summary**

The All Risks section is not as complicated as it seems – provided you are familiar with all the terms and conditions. These are numerous and need to be clearly described when assisting the client to make decisions.

In this learning unit we have looked at what can be covered in the General Risks section as well as the Specified Risks section. At the same time, explanations have been provided as what cannot be covered and why.

The very important aspect of special conditions related to certain items has been highlighted and it is important to be clear on these. Not adhering to these conditions can cause a great deal of unhappiness on the part of a claimant.

It is hoped that you have gained further information in this learning unit and that you will feel confident enough to assist your clients better when discussing their All Risks section of their policy.

