

PRINCIPLES OF INSURANCE

The main principles of insurance are as follows:

- Insurable interest- The legal right to insure arising from the legitimate financial interest which a person has in a subject matter of insurance.
- Utmost good faith- The insured is to disclose to the insurer all material facts regarding the subject matter of the insurance and the circumstances pertaining to it which will influence a prudent underwriter in deciding the acceptance of the risk or the premium to be charged.
- Contract of indemnity- A contract to make good or restore, the insured to the same financial position immediately before the loss or damage by way of payment, repair, replacement or reinstatement.
- Contribution- The insurer is liable only for the insurer's rateable proportion of the loss or damage in the event there are other insurers insuring and liable for the same loss or damage.