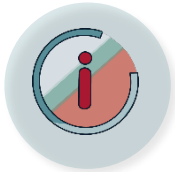


Indemnity, Subrogation & Contribution



Indemnity - Meaning

A contract of indemnity will provide financial compensation in the event of a loss, its aim is for the insured to be returned to the same financial position they were in immediately before the loss happened.

Remember that the insured should not be worse or better off as a result of a claim.



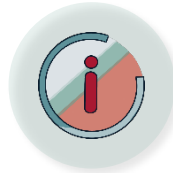
Indemnity - Settlement Options

Cash payment - the insurer agrees to a financial settlement of the claim and will either send a cheque or complete a BACS transfer.

Repair - This is very common in motor insurance.

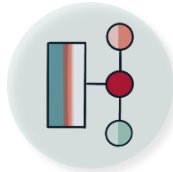
Replacement - providing a replacement item for the one lost/damaged, this is a popular option on household policies especially around electrical goods.

Reinstatement - the insurer restores/rebuilds damaged buildings or machinery.



Contribution - Meaning

Contribution is where an insured party may have policies with two or more insurers covering the same risk, although not necessarily with equal degrees of liability. Therefore, in the event of a claim, all of the insurers should pay an equitable proportion of the claim payment.

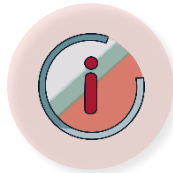


Contribution occurs when

There is more than one policy of indemnity involved and all the policies covering the loss must be in force.

All the policies cover the same peril causing the loss.

All the policies cover the same subject-matter.



Subrogation - Meaning

The principle of subrogation allows the insurer to pursue any rights or remedies which the policyholder may possess, always in the name of the insured.



Subrogation - In Practice

Once an insurer has paid out under an insurance contract, the insurer can "step into the shoes" of the insured. The insurer acquires the rights to:

Use the insured's name to proceed against any third party who was responsible for causing the loss.

Claim from the insured any sums received by way of compensation from that third party.