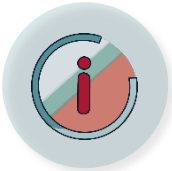


Insurable Interest & Proximate Cause

Insurable Interest - Meaning



Insurable interest is where you have a valid & legal right to insure and stand to suffer a direct financial loss if the event insured against occurs. To demonstrate insurable interest, there must be something tangible that can be insured such as property, life or rights imposed by law.

A person has an insurable interest in their own home or car – but not those of their neighbour's.

Insurable Interest & Life Assurance



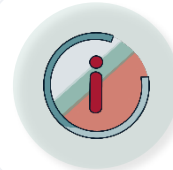
For life assurance policies insurable interest will apply at inception only, as these are benefit NOT indemnity policies, i.e. the sum assured or benefit is agreed before the policy is taken out.

Insurable Interest & General Insurance



For other General Insurance policies, insurable interest must apply both at the start of the policy and at the time of any loss/claim.

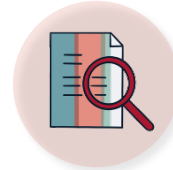
These are contracts of indemnity, and as a result the insured can only recover to the extent of their loss, i.e. the value of the property that has been damaged/lost.



Proximate Cause - Meaning

The proximate cause is the dominant cause that sets in play a chain of events.

Proximate Cause - In Practice



An insurance policy will define the perils or insured events that cover is provided for (and those that are excluded).

All contracts are subject to terms and conditions that will exclude certain causes of loss.

Therefore, in the event of a claim, it is important to ascertain the cause of the loss in order to determine if that cause is insured or excluded.



Proximate Cause - Example

If lightning damaged a building and weakened a wall, following which the weakened wall was blown down by high winds, lightning would be considered as the proximate cause.