INSURANCE

Insurance refers to a service that undertakes to safeguard and compensate the unfortunate few businessmen and organizations which might suffer from some risks insured against.

It is an aid to trade which safeguards individuals and firms against losses arising from risks. The aim of insurance is to compensate a person for what he has lost and thus restore him back to business. The underlying principle of insurance is the pooling of risks.

Pooling of Risks

This means that every person exposed to a risk should pay a small amount of money (premium) which goes to a common pool from which those who actually suffer from the stated risks are compensated. Thus the risk is spread over many people each bearing only a small proportion of the total loss.

Insurance and Assarance

Insurance

This refers to cover against events which may or may not occur or take place eg theft accident and burglary.

Assurance

This refers to cover against events which are bound to happen; only that one is not certain ab the time of their occurrence e.g death and old age.

BASIC TERMS USED IN INSURANCE

Insurer

This refers to the insurance company which grants the insurance cover by guaranteeing compensation in the event of a loss arising from an insured risk. Examples, of insurers insurance companies in Uganda include State Wide Insurance Company (SWICO). Pan Wide Insurance Company (PWICO), National Insurance Corporation (NIC), Rio Insurance Company First Insurance Company, American Insurance Group (AIG), United Assurance Company etc.

Insured

This refers to the person or business firm that takes out an insurance policy to be compensated by the insurance company in the event of a loss.

Risk

This is an event against which an insurance policy is taken out, eg. If one insures his car against accident, accident is the risk insured against .Other risks includes fire, theft, burglary etc. A risk may or may not take place.

Premium

This refers to the amount of money paid by the insured to the insurer as a consideration for the insurance cover provided by the insurer, It is the regular payment an insured makes for insurance cover. Premiums may be paid in installments or as a large sum .Premiums paid by the insured persons constitute a pool from which those who suffer losses are compensated.

Loss

This is the occurrence of an event against which an insurance policy is taken out. If the entire property insured is destroyed, the loss is said to be a **total loss**. However if only part of the property insured is destroyed. the loss is said to be a **partial loss**

Sum Insured

This is the value of the property insured as stated by the owner at the time of applying for insurance. The amount paid as premium depends on this sum. The higher the sum insured. The higher the premium charged. If the property insured is completely destroyed as a result of the insured risk, the insurance company undertakes to pay the sum insured or the correct value of uie property, which ever is less. This is intended to prevent the insured from either over insuring or under insuring his property

Under Insurance

This is a situation where the insured under declares the value of his property at the time of taking out an insurance policy. For example, if the actual value of a car is shs 5 million but it is insured for shs 10 million. In this case he will be charged a lower premium but in the event of a total loss. he will be paid only the sum insured which will not fully compensate him. The portion of the value of the property which is not declared is considered by the insurer to have been self insured.

Over - Insurance:

This is a situation where the insured over declares the value of his property at the time of taking out an insurance policy .For example, if the actual value of a car is shs 15 million but is insured for shs 20 million. In this case he will be charged a higher premium, but in the event of a total loss. he will be paid only the correct value of the property. Over - insurance is therefore of no benefit to the insured.

Co- Insurance: This is a situation where the insured insures part or parts of the same risk with more than one insurance company, i.e, the insured spreads the risk among several insurance firms insuring only a portion with each insurance company. The insurance company with the largest share of risk (called the leader) carries out the documentation on behalf of all the co-insurers and divides it among the co-insurers. In the event of total loss, the co- insurers pay compensation according to the proportion of the risk insured. The decision to co-insure is made by the insured himself.

Re- Insurance

This is a situation where the insurance company insures itself against the risk of the insured with another larger insurance company (re-insurer). In this case, the insurer who has undertaken to protect the insured against a big risk now becomes an insured and enters into another insurance contract with another insurance company i.e re- insurer and also insures its self against such big claims so that it can ask for compensation when a claim is made. Re- insurance occurs when the sum insured is too large to be effectively insured by one insurance company, eg destruction of aircraft (aviation policy) .It is an agreement between the insurer and re- insurer and the insured does not even know about it.

Actuary

This is an insurance expert who calculates the amount of premium to be paid by the insured. His calculations are always based on past statistical information.

Assessor (Adjuster)

This is an insurance expert who determines the amount of compensation to be paid to the insured who has suffered a loss arising from an insured risk. His calculations are based on the extent of the loss.

Proposal Form

This is application form for insurance in which all the details of the insurance contract are spelt out. The insured is required to display utmost good faith when filling this document. Cover Note

This is a document issued by the insurer to the insured after paying premium as a proof that he is protected from the risks stipulated in the proposal form. It is issued before an insurance policy and it is valid for only 30 days.

Insurance Policy

This is the document issued by the insurer to the insured specifying the details and terms of the insurance contract, It acts as an evidence of the insurance contract between the insurer and the insured. The insurance policy is the main document of insurance.

Claim

This is a request by the insured to the insurer for compensation for the loss suffered as a e

an insured risk A claim is settled by the insurer after carefully examining the immediate ca the loss.

No Claim Bonus

This is a discount given by the insurer to the insured who has made no claim for compensation against his policy for a given period of time.

Contribution

This refers to a situation when the different insurance companies raise finds in different proportions to cover a claim or an expensive property co-insured with these insurance companies

It is where a number of insurance firms jointly raise funds to settle a claim of an insured who b insured his expensive property with more than one insurance company because one insurance company is not able to adequately undertake an insurance cover.

Double Insurance

This is where the same property is insured against the same risk with two insurance companies

The insured cannot receive full compensation from each insurance company in the event of a los but instead each firm makes a contribution to settle the claim. This policy does not therefore benefit the insured who instead loses by double payment of premiums.

Surrender Value

This is the amount of money paid back or refunded by the insurer to the insured party when he decides to cancel a life insurance policy before its maturity period i.e. expiry of the specified period. It is payable only in the case of policies in respect of which at least a few years premium has been paid, and it is always less than the value of the whole premium paid.

Nomination

This is the selection of a person or persons to benefit from the life policy after the death of the insured. It takes place under whole life policy where the insured is required to pay premiums for the whole of his life time till death with the total sum insured paid after the death of the insured to the named beneficiaries.

Beneficiary

This is a person or firm entitled to receive compensation from a given insurance policy. It may be the insured himself or some other person covered by the policy or named by the insured.

Settlement

This refers to money paid to the insured by the insurer to fulfill a claim in the event of a loss from an insured risk.

Assignment

This refers to the process of transferring the title and interests in the policy to another person. Life insurance policies are freely transferable.

Average Clause

This clause is normally included in fire or marine insurance policies to discourage the insured from under-insuring the subject matter. For example, if a person takes out a fire insurance policy for shs 20, 000. and 0000 to cover goods worth shs 40.000,000 and suffers a loss to the extent of shs 10.000,000, he will be able to claim only 50% of the loss i.e. Shs 5,000,000 instead of recovering the full amount of the loss of shs 10.000.000 from the insured.

Paid Up Policy

This is where a policy holder who for some reasons does not want to pay the future premium. requests the insurance company to make such a re-arrangement of the contract. The amount by which the sum insured is reduced is called Paid-up value of the policy

Co-operative Insurance

This is where a group of people with common property come together to take an insurance policy.

Insurance Broker

This is an insurance intermediary who connects or links the insured to the insurer in return for a **commission.**

Insurance underwriter

This is an insurance official who negotiates and enters into insurance contracts with the insured on his own account.

Liability

This refers to the obligation of the insurer to compensate the insured in the event of a foss. The insurer is liable for the loss only if the cause of the Joss is the one which was agreed upon in the policy.

Types of Risks

(a) Insurable risks : These are risks whose probability of occurrence can be predicted e.g fire, accidents, burglary, damage to goods, dishonest by employees, loss of cash in transit etc

(b) Non - insurable risks: These are rsks whose probability of occurrence cannot be predicted with a certain degree of accuracy e.g natural disasters like floods and earth quakes, a loss resulting from price fluctuations or change in fashions etc.

(c) Material risks: These are risks which are concerned with material things in life.

(d) Personal risks: These are risks which arise from the conduct of other people in society e.g an error in books of accounts by accountants, a mistake made by a banking accountant, a mistake made by a pilot or captain of ship etc.

Ways of Compensation:

The insurer may compensate a loss from an insured risk in one of the following ways:-

i. Replacement: This is where the insured is compensated by being given another property in place of the destroyed or lost one.

ii. Repair: Where the insured has suffered a partial loss pay be the cost of repairing the damaged property eg the car or business premise.

iii. Cash compensation: This is where the insured is compensated by being given cash equivalent to the value of the property destroyed or lost. which is repairable, the insurer may

INSURANCE CONTRACT

This refers to a legally binding agreement between the insurer and the insured regarding the terms and conditions under which the insurer is liable to compensate the insured for the losses suffered.

Elements of an Insurance Contract

The parties to the contract ; This specifies the names of the insurer and the insured

The policy : This shows the terms and conditions of the insurance contract under which the insurer has accepted to cover the stated risks

Beneficiary: This is a person or firm to whom the compensation is payable. The beneficiary is normally the insured person in case of general insurance policies. However in case of life assurance polices, the beneficiary may not be the insured himself but his dependents or family members

Claim: This is a request by the insured for compensation by the insurer after suffering a loss from an insured risk.

Settlement: This is the payment agreed upon in event of a loss.

Proceeds: This is the amount of money paid by the insured to the beneficiary as compensation for the loss suffered.

Basic Principles of Insurance

These are the rules or the guidelines that govern insurance business and contracts. They include:

1. Insurable interest.
2. Utmost good faith.
3. Indemnity.
4. Subrogation.
5. Proximate Cause.

1. Insurable Interest

This principle requires that a person insures only that property whose destruction would result into a financial loss to himself. This eliminates the possibility of a person insuring property which does not belong to him and then destroy it so as to benefit from that loss. For example, one cannot be allowed to insure the property of his friend or neighbor because he will not lose financially if it is destroyed and therefore has no insurable interest in it.

2. Utmost Good Faith (Uberima Fides)

This principle requires a person applying for insurance or filling a proposal formdisclose all relevant and material facts about the property or life being insured so as to help the insurance company assess its suitability for insurance and calculate the premium to accurately. If the insured conceals information or deliberately gives wrong information it is later discovered, the insurer has a right to declare the contract invalid or null and void

3.Indemnity

This principle states that insurance does not aim at benefiting a person but to restore ki to his original financial position or status he was in before the occurrence of the lose ensures that a person insuring his property does not make any profit or gain out of the loss of the property, but in the event of a loss, the insured is only compensated to restor him to his original financial position. An insurance contract is said to be a contract of indemnity. This principle does not apply to life insurance, personal accident and valued policy.

4.Subrogation

This principle states that in the event of a total loss, and after the insurer has fully compensated the insured or settled the claim, the insurer acquires the rights that the insured previously had in the property destroyed. For example, the insured is required to surrender the remains of the destroyed car after the accident (scrap) after the insurer has fully compensated him so that the insured does not sell it to make profit. However, if the insured decides to retain the scrap, the insurer pays compensation less the value of scrap. This is because the compensation offered to the insured and the procceds from the sale of the scrap might exceed the value of the car thereby benefiting the insured contrary to the principle of indemnity.

5.Proximate Cause

This principle states that there must be a fairly close connection between the cause of the loss and the actual risk insured against for compensation to be made. For example. if a car is insured against accident but is instead lost through robbery, there would be no compensation made because the cause of the loss (robbery) is not directly connected to the risk insured against (accident). The significance of this principle is therefore to honour only those claims where the insured risk is the actual cause of the loss.

The Procedure of taking out an Insurance Policy

The following steps are involved in taking out an insurance policy by the insured:

1. **Inquiry**: An applicant or person wishing to be insured makes an inquiry either directly of indirectly through an insurance agent or broker on how to get cover for a certain risk or risks.
2. **Filling a proposal form:** Application for insurance cover is made on a proposal form issued by the insurance company. The applicant is required to display utmost good faith or maximum honesty when filling the proposal form.
3. **Determining the premium to be paid:** On receiving the proposal form, the insurance company calculates the premium to be paid. Where necessary, the insurance officials may arrange to inspect the property before determining the premium.
4. **Issue of a cover note:** If the application is accepted and the first premium is paid, the insurer issues a cover note offering immediate cover until a policy is issued. The cover note serves as a proof that the first installment has been paid and accepted by the insurance company which undertakes to indemnity the insured in case the risk insured against occurred. A cover note is a temporary protection which is valid for a period of 30 days during which an insurance policy is being processed and drafted
5. **Issue of an insurance policy**: A policy is issued within 30 days after the issue of the cover note. A policy constitutes an insurance contract between the insured and the insurer. It shows in details

the terms and conditions under which the insurance company has accepted to cover the stated risk.

6. **Payment of subsequent premiums**: Payment of subsequent premium must be done on the dates stated or within the permitted days of grace. Failure to pay the premiums makes the policy null and void.

Procedure of Claiming Compensation from Insurance Company

i. Notification of the insurer: If the event insured against occurs, the insured notifies the insurer accordingly.

ii. Filling a claim form: The insured is required to fill a claim form clearly indicating all the details of the loss without concealing or falsifying the information.

iii. Investigating the claim: The insurer sends out an assessor to carry out a thorough investigation with a view to determining the cause, nature and extent of the loss suffered by the insured

iv. Settlement of the claim: The claim is settled by the insurer basing on the assessor's survey report. On receiving the survey report, the insurer pays due compensation to the insured.

Reasons why the Insurer may not Honour the Claim of the Insured i.e. refuse to pay Compensation

I. The immediate cause of the loss may not be directly related to the risk insured against i.e no fairly close connection between the cause of the loss and the actual risk insured against, e.g if the house is insured against fire but is instead destroyed by lightening or if a car is insured against accident but is instead lost through robbery,
II. The insured may not have an insured interest in the property destroyed and therefore suffered no financial loss. E.g if an one insured his friend's car against accident and the car is later destroyed by accident, no compensation will be made since the insured has suffered no financial loss.
III. If the Joss is deliberately caused by the insured himself e.g if one insured his house against fire and later goes ahead to set it on fire himself, there will be no compensation.
IV. Violation of principle of utmost good faith e.g if the insured fails to disclose all relevant material facts about the property or deliberately gave wrong information about the property and is later discovered, the insurer may not honour his claim.
V. The insured may not have paid the subsequent premiums agreed upon hence making the policy null and void.
VI. The loss may take place after the expiry of the specified period e.g in case of the endowment policy under life insurance.

Duration of the Policy

The insurance policy usually specifies the period for which the insurance is to last. In case general insurance policies such as fire, burglary and accident policies, the period is usually of months, although any period may be fixed by mutual consent and subject to renewal. In case life insurance policies, the period may be a fixed one in case of an endowment policy or till s death of the insured in case of whole life policy.

Termination (Ending) of the Policy

A policy may be terminated if the specified period expires e.g. endowment policy in case of life insurance, or if the risk covered by the policy occurs and the insurer settles the claim accordingly The policy can also be cancelled when the insured fails to pay the premium wit in the dates stated or within the permitted days of grace.

Factors Considered when determining the Premium to be paid by the Insured

(i) The type or value of the policy: The more valuable the policy the higher the premium paid by the insured. For example, aviation policy requires more premium than motor vehicle accident policy because an aircraft is more expensive compared to a motor vehicle.

(ii) The nature of property insured; The nature of the property insured determines the premium paid. For example, in case of fire polices petrol stations which handle highly inflammable products such as petroleum products pay higher premium because of the high risk of catching fire.

(iii) The number of applicants for a similar policy: The more the number of people applying for the same policy the lower the premium paid because the risk of loss is spread over many people each bearing a smaller proportion of the loss.

(iv) Precautions taken by the insured to reduce the risk. If the insured takes up the necessary precautions or measures to reduce the risks, he reduces the possibility of loss or damage from an insured risk and is therefore charged lower premium. For example. In case of fire policy, firms which have installed fire extinguishers may be charged lower premium than those without. In case of motor vehicle accident policy and third party policy, those with speed governors and seat belts may be charged lower premium because of reduced risk of accidents.

(v) The age of the person applying for insurance: In case of life insurance policies, the age of the insured may determine the premium to be paid. For example, the aged people are charged higher premium because under normal circumstances they have higher risk of dying than young ones.

(vi) The age or life span of the property: If the property has stayed for a long period of time, it has higher risks of damage than one which is still new and therefore higher premiums are paid. For example an old vehicle in a dangerous mechanical condition is charged higher premium because it has more chances of causing an accident than one which is still in a sound condition.

Probability or chances of occurrence of the insured risk: The greater the or chances of occurrence of the risk insured against, the higher the premiums charged ad Vice-versa. For example, in case of fire insurance policies, petrol stations and factories are charged higher premiums.

(vii) Probability Period of payment of premium: The shorter the period of premium payment, (the higher the premium charged and vice-versa.

Factors considered before issuing an Insurance Policy

I. The nature or type of risk je whether it is insurable or non -only issued against insurable Polices are only issued against insurable risks.
II. Whether a person applying for insurance has an insurable interest in the property or life to be insured.
III. Whether a person applying for insurance has filled the proposal form with utmost good faith i.e displayed maximum honesty and disclosed all relevant and material facts about the property or life to be insured.
IV. The past record of a person applying for insurance ie whether he is careful and responsible or not.
V. The sum insured ie value of property to be insured if it can be covered.
VI. Whether the applicant has paid the premium. A policy is only issued after the insured has paid the premium.

Insurance and Gambling

Gambling refers to undertaking something risky which may result in loss of money or failure in hope of achieving success or making money e.g betting involving foot ball matches, buying lottery tickets etc.

Similarities between Insurance and Gambling

I. They are both based on chance as none of the participants is sure to win or lose.
II. They both involve a number of people with a common point of interest or worry.
III. They both involve financial contribution in form of premium in case of insurance and entrance or participation fee in case of gambling eg money for buying lottery tickets
IV. They both have a set of rules governing their operations. In case of insurance, there are insurance principles while in case of gambling, there are gambling rules e.g betting rules, terms and conditions apply etc.

Differences between Insurance and Gambling

I. In insurance the event or risk insured against may or may never take place e.g a person may insure his a car against accident and the accident may never take place while in gambling the event speculated must occur to decide the winner.
II. Insurance aims at compensating the unfortunate people who have suffered losses by restoring them back to their original financial position. It does not benefit them in any way or improve their status. On the other hand, the money paid to the winner in gambling improves his financial position.
III. In insurance one must have an insurable interest in the property or life he is intending to insure against which is not the case in gambling.
IV. Insurance is an important aid to trade which protects people against risks while gambling is not an aid to trade but simply a game of chance
V. In insurance there is need for utmost good faith by disclosing all relevant material facts about the life or property being insured which is not the case in gambling,
VI. Insurance is legal while some gambling practices are illegal

TYPES (CLASSES) OF INSURANCE

There are two main types of insurance namely:

1. Life insurance.
2. General insurance.

1.LIFE INSURANCE

This refers to insurance of human life. A person can only insure life in which be insurable interest e.g his own life or a debtor's life. Policies under life insurance are referred to as life assurance policies because the risk insured against i.e death or old age is bound to or must occur; only that one is not certain about the time of occurrence. When a person decides to cancel his life policy before its maturity date, the insurance company refunds part of the premium already paid by the insured. This is referred to as **surrender value.**

Characteristics of Life Insurance

I. It is a cover for human life for a specified period of time or until death.
II. The event insured against is bound to or must occur; on!y that one is not certain about the time of its occurrence e.g. death and old age.
III. It has a date of maturity when the sum insured is payable.
IV. Life insurance policies are basically "Saving plans" i.e. a sure way of saving for the future during old age or after retirement.
V. Life insurance policies can be assigned to beneficiaries e.g. one's family or his dependants.
VI. It requires insurance of life only where one has got an insurable interest e.g. his own life, a business partner's life. a debtors' life, etc.
VII. It has surrender value, which is the amount of money paid back by the insurer to the insured who has decided to cancel or terminate a life policy before its maturity period.
VIII. It is usually a long term contract.
IX. The life policy can be of any value or amount depending on the ability of the assured to pay premiums.
X. In life insurance policies, the principle of indemnity does not apply.

Types of Life Iusurance Policies

a) Endowment Policy: This life insurance policy requires payment of premiums for a specific period only with the sum insured becoming payable to the dependants of the policy holder on his death or at the expiry of the period whichever is earlier .Endowment policy is meant to assist the insured after he has retired from the job or during his old age.

b) Whole Life Policy: This is a life insurance policy which requires payment of premiums for the whole life time of the insured till death. The total sum insured is only paid after the death of the insured. This policy provides money to the dependants or relatives of the policy holder after his death. Under whole life policy, the policy holder is required to name the people who will benefit from the policy after his death. This process is called nomination. The bigger the number of people named, the higher the premium charged.

c) Group Life Policy: This is where a group of people take out insurance to provide pension during old age. It is usually organized by a group of people such as workers in a particular industry who pay premiums through monthly deduction from their wages so that they may be paid pension after their retirement. In this case, both the insured and his beneficiaries are able to enjoy the benefits from the insurer.

d) Sickness Policy: This policy covers people against a specific disease or all forms of curable diseases. It is meant to assist individuals in times of sickness as the insurer undertakes to pay medical treatment fees as well as supporting his family during the time of sickness.

e) Temporary Policy: This is where a person insures his life for only a short period such as when going on a journey and after the journey the policy expires.

2. GENERAL INSURANCE

This refers to insurance of property against risks, A person can insure only that property in which he has an insurable interest ie his own property whose destruction or damage would make him suffer a financial loss.

Characteristics of General Insurance

I. It covers insurance of properties for a specific period of time.
II. It is a contract of indemnity where the insured is compensated by the insurer to restore him to the financial position he was in before the occurrence of the loss, but nor to benefit him financially.
III. A person can insure only that property in which he has an insurable interest, for example a person can insure his own house against fire but not his neighbour's house as he sill not suffer any loss in case his neighbour's house is destroyed.
IV. In the event of a total loss, the insurance company undertakes to pay the sum insured or the correct value of the property, whichever is less.
V. The premium charged depends on the sum insured, the value of the policy and the degree of the insured risk.
VI. It can be assigned to beneficiaries e.g. one's family or relatives.
VII. It has no surrender value.
VIII. It is usually a short terin contract which is renewed annually e.g. motor vehicle Third party policy.

Types of General Insurance Policies

General insurance policies are provided under three forms or departments namely:

1. Accident Insurance Department
2. Fire Insurance Department
3. Marine Insurance Department

1. Accident Insurance Department

This safeguards property owners against damages or injury arising out of accidents.

Types of Accident Insurance Policies

The policies offered under Accident insurance Department include:

(a) **Motor Vehicle Insurance**: This is insurance against accidents to motor vehicles especially due to crashing or overturning. This policy may be provided in two forms namely:

1. Third party insurance policy
2. Comprehensive insurance policy

i) **Third Party Insurance Policy:** This policy covers losses inflicted on a third party ie any vehicle owner. For example. if a vehicle insured under this policy crashes or overtums injuring passengers on board and pedestrians on the road, the insurance company compensates the injured passengers on board and those knocked by the vehicle on the road ie pedestrians but not the owner of the vehicle or his vehicle. In this case. The vehicle owner is the first party. his vehicle is the second party and the passengers and pedestrians injured by the vehicle are the third party. Examples of claims covered third party include passengers traveling in the insured vehicle which is a maximum he in case of commuter taxis, any person injured as a result of the accident e.g pedestrians on the road and owners of other vehicles or properties damaged as a result of accident. Third insurance policy is compulsory for al commercial and private vehicles in Uganda.

ii) **Comprehensive Motor Insurance Policy:** This policy covers all parties involved in accident such as the vehicle, passengers traveling in the insured vehicle, driver, conductor and pedestrians.

(b) **Personal Accident Policy;** This policy covers individuals against possible accident especially due to motor vehicles.

(c) **Aviation Policy:** This safeguards people against loss or damage resulting from aircraft crashes or accidents. Aviation policy may be provided in two forms namely:

I. Aviation Cargo Policy.
II. Aviation Hull Policy.

I. **Aviation Hull Policy**: This is an insurance policy that covers loss or damage to an air craft.
II. **Aviation Cargo Policy:** This is an insurance policy that covers loss or damage to goods on an aircraft.

(d) **Plate Glass Policy:** This policy covers the company's employees or serious injury resulting from broken pieces of glass.

(e) **Employer's Liability Policy (Workman's Compensation Policy):** This is an insurance policy that covers an employer against injuries or accidents sustained by his employeeswhile at the place of work as a result of the employer's negligence. For example. Umeme Ltd may undertake this policy to cover against injury sustained by its workers in the process of connecting electric cables while at the place of work.

(f) **Public Liability Policy:** This covers against injury to members of the public as a result of the operations of the firm or factory.

(g) **Machinery Breakdown and Consequential Loss Policy**: This is an insurance policy that covers a firm or factory owner against losses arising from break down of machines. It caters for loss of profits when the firm is not producing or selling any goods on the market as a result of machinery break down.

(h) **Fidelity Guarantee Policy:** This is an insurance policy that covers an insured against losses arising from dishonesty of his employees. It covers losses arising from embezzlement of funds by employees. This policy is commonly used by financial institutions whose employees such as cashiers and accounts are exposed to large sums of money in their day to day duties.

(i) **Cash in Transit Policy:** This is an insurance policy that covers an insured against losses arising from loss of cash while being transported from one place to another eg transporting cash from one commercial bank branch to another.
(j) **Goods in Transit Policy:** This covers goods against risks while being transported fron one place to another.
(k) **Bad Debts Policy:** This is an insurance policy that covers business men against losse resulting from failure by their castomers to pay off their debts.
(l) **Profits and Loss Policy:** This policy covers loss of profits due to uncontrollable circumstances.
(m) **Burglary and Theft Insurance Policy:** This policy covers an insured against Tosses arising from property being stolen by buglers and thieves eg if thieves break into a ware house and steal goods waiting for sale.
(n) **Travel Baggage Insurance:** This insurance policy covers an individual against loss of property while in the process of being transported from one place to another.
(o) **Mortgage Insurance**: This policy covers risks to property used as collateral security for a loan from a financial institution.

2.Fire Insurance Department

This department covers property owners against losses arising from fire outbreak.

Types of Fire Insurance Policies

(a) **Fire Policy:** This is an insurance policy that covers an insured against losses resulting from fire out break which is not intentionally caused.
(b) **All Risks Household Property Policy:** This covers an insured against losses to house hold property resulting from fire out break e.g. furniture, beddings, and utensils. NB; Consequential Fire Losses: These are additional losses or expenses which may be insured against as a result of fire outbreak e.g paying fire brigade workers who assisted in putting out the fire.
(c) **All Risks Office Equipment Policy:** This covers office equipment and machinery against fire e.g. office computers, lap tops, furniture, etc.
(d) **Burglary and Theft Policy**: This policy covers the insured against losses arising from property being stolen by burglars and thieves e.g. if armed robbers break into a warehouse and steal goods awaiting for sale.

3.Marine Insurance Department

This safeguards cargo and ships against possible risks on water

Types of Marine Insurance Polices

(a) **Marine Hull Policy:** This is an insurance policy that covers loss or damage to the ship. It does not cover the cargo on the ship.
(b) **Marine Cargo Policy**: This is an insurance policy that covers loss or damage to the goods on the ship or port. It does not cover the ship.The policies offered by marine insurance section to cover goods or ships on water or ports include the following:

i) **Voyage Policy:** This policy covers loss or damage to the ship or cargo for only one specified journey e.g from Mombasa to Cape Town. The insurance company is only liable to compensate the insured for the losses suffered during that particular journey.
ii) **Time Policy:** This policy covers loss or damage to the cargo or ship for a specific period of time regardless of where the ship sails. e.g six months. The insurance policy ends as soon as the time has expired.
iii) **Mixed Policy:** This policy covers losses or damages to the ship or cargo for one specified journey for a specific period of time. It combines both voyage and time policies. For example, a mixed policy for goods being transported from Mombasa to Cape Town for six months. The sailing of the ship from Mombasa to Cape Town is the voyage policy while six months is the time policy,
iv) **Floating Policy:** This covers losses on a particular route for a specified peiod and all ships sailing on this route during that particular period are covered the policy.
v) **Open Policy:** This policy covers all risks as regards the shipment of goods and transporting them from one port to another.
vi) **Valued Policy**: This is where the insured is compensated with the value agreed upon at the time of taking out the policy.
vii) **Unvalued Policy**: This policy does not specify the value or amount compensation to be given to the insured The amount of indemnity is on determined after the occurrence of the loss.
viii) **Port Policy**: This policy covers loss or damage to the ship for a specified period of time while in a port.
ix) **Fleet Policy**: This is an insurance policy that covers loss or damage to a number of ships belonging to one individual or company.
x) **Construction Policy**: This covers a ship against risks during the process of its construction.
xi) **Ship Owner's Liability Policy**: This policy covers passengers and gocds on a ship against injury or damage arising out of the negligence of the ship crew e.g. a mistake made by the captain of a ship in navigating the ship leading to an accident and damage or loss of cargo or injury to people on board the ship.

Types of Losses in Marine Insurance

a) Actual Total Loss: This refers to the complete loss or destruction of the cargo or shin when nothing is repairable or recoverable

b) Constructive Total Loss: This is where the ship is not completely lost but has to be abandoned because of the huge cost of repairing it or the cargo is so seriously damaged that it cannot be used for the intended purpose.

c) Average Loss: This is where the ship or its cargo suffers only a partial damage which is repairable and the cargo can still be used to serve the intended purpose. Average loss is of two types namely General average loss and particular average loss.

i) **General Average Loss**: This is where the loss is shared by both the ship owner and the owner of the jettisoning or throwing off some cargo over board to prevent the ship from sinking so as to save lives.

ii) **Particular average loss**: This is where part of the cargo or ship suffers damage and a partial loss which is sustained is either met by the owner of the cargo or the owner of the ship.

The Role (Advantages) of Insurance Companies in Uganda

i.It provides compensation: Insurance compensates the unfortunate few who suffer losses and therefore restores them back to business. The compensation given sustains the business.

ii. It encourages investment confidence; Insurance creates confidence among investors to undertake business ventures without fear of loss by guaranteeing compensation in case of financial loss or loss of property.

iii. It is a means of saving: Insurance is a means of saving e.g life assurance is a sure way saving for the future. Individuals are encouraged to save for old age, disability and retirement. For example. under whole life policy one saves money to provide for the family after his death while under endowment policy one saves money for sustaining him and family after during old age.

iv.It helps business men to get loans: Insurance policy holders can use their insurance sertificates as security to get loans from financial institutions.

v.IL reduces the cost of social services to government: Compensation by insurance companies in case of sickness or loss of life leads to reduction in the cost of social services to government as the funds to assist the victims are contributed jointly.

vi.It contributes to government internal revenue: Insurance companies contnbute government internal revenue by paying taxes to government such as VAT. corporation tax and PAYE.

vii. It provides employment opportunities: Insurance companies provide employment opportunities for people who work with them e.g brokers, actuaries, assessors, accountants etc.

viii. It contributes towards the country's invisible exports: Insurance companies contribute towards the country's invisible exports and earn foreign exchange to government. This takes place when foreign companies like MTN and Stanbic Bank as well as individuals take up insurance policies with local insurance firms.

ix. It facilitates international trade; Insurance promotes international trade because traders are able to export or import without fear of loss as insurance guarantees compensation in case of financial loss or loss of goods in transit.

X. Insurance companies may set up real estates or investments such as houses, factories, roads. schools etc.

xi. It educates the public about possible risks in trade: Insurance companies sensitize the public about possible risks through organizing seminars, workshops as well as advertising their services.

xii. Act as trustees: Insurance companies act as trustees for business men.

xiii. Avenue of investment opportunities: Insurance companies as are avenues of investment opportunities e.g. cooperative insurance.

xiv. Contribute to the growth of the economy: Insurance firms contribute to the growth of the economy through pooled resources which are invested in infrastructure like roads.

Reasons why Insurance Services are not commonly used by the Business Community in Uganda.

i. Insurance services in Uganda are limited to urban areas and are not widely spread throughout the country.

ii. Most of the potential customers are ignorant about insurance services.

iii. Insurance services or benefits are invisible and only realized when the risk or loss takes place.

iv. People lack valuable assets worth insuring due to high levels of poverty in the country.

v. Insurance contract is regarded as additional expense which increases the cost of running the business.

vi. Insurance industry is misunderstood as a gamble and curse to society thus has limited market.

vii. Getting an insurance policy is complicated i.e. the principles of insurance are not readily understood.

Problems facing Insurance Companies in Uganda

i) **Ignorance of the public about insurance**: This reduces the number of people applying for insurance policies.
ii) **Limited capital:** Insurance companies lack adequate capital to finance their operations.
iii) **Loss of public confidence in insurance companies** due to non –compensation effectively failure of insurance companies to honour the claims of their customers who have suffered losses.
iv) High level of competition among several insurance companies due to concentration of insurance companies in few urban areas.
v) **Limited market or low demand for insurance services** due to low incomes of the population.
vi) **Political instability** in some parts of Uganda hinders the operations of insurance companies.
vii) **Limited skilled manpower** to work in insurance companies.
viii) **Corruption and embezzlement of funds** by insurance staff.
ix) **High taxes** imposed by government which increases the cost of production and reduce their profits.
x) **Poor management of insurance companies** due to low education and experience in the insurance industry.