

# **Insurance Law**

## **Insurance Transaction**

### ● **Article 1**

Insurance is a contract in which one party undertakes to indemnify the loss sustained by the other party caused by the occurrence of specific events, in consideration of receipt of a certain sum or sums of money from the other party. The undertaking party is named the Insurer, the other party the Insured, the money paid by the insured to insurer is termed premium and the subject of insurance is termed interest.

### ● **Article 2**

The insurance contract and its terms and conditions must be written down and the said document shall be called an Insurance policy.

### ● **Article 3**

**The following information must be clearly stated in the insurance policy:**

1. Date of conclusion of the contract.
2. Name of the Insurer and the Insured.
3. Interest insured.
4. The event against which the insurance is taken out.
5. Date of commencement and termination of the insurance cover.
6. Premium.
7. Amount of liability of the Insurer in case risk materializing.

### ● **Article 4**

The subject of insurance may be property of any kind, whether material or interest, of financial rights, or any type of legal liability as long as the insured has a bona fide interest in the subject insured. Also, the insurance may be against an event or risk the occurrence of which would cause a loss to the insured.

### ● **Article 5**

The Insured may be the actual owner of the property or may be an agent of the owner of interested party.

### ● **Article 6**

The insurance belongs to the person purchasing it unless the name of the insured party be specifically mentioned in the policy, but transport policies may be issued in the name of whom it may concern, without mentioning the name of the owner.

### ● **Article 7**

A creditor may insure property held as security or under mortgage by him. In the case of the said property any indemnity payable by the insurer shall be payable



to the insured only up to the extent of his lien on the property, the balance being payable to the owner of the property.

● **Article 8**

The risk covered cannot be insured twice for the same period in favor of the same beneficiary.

● **Article 9**

In case a property is insured for less than its actual value, it may be insured for the balance. In such a case the liability of each of the insurers shall be proportional to the sum insured by him.

● **Article 10**

In case any property be under-insured, the insurer shall be liable for only that proportion of the loss which the sum insured bears to the actual value of the property insured.

### **Cancellation and Annulment**

● **Article 11**

In case insured or his representative insures a property for more than its actual value at the time of commencement of policy with a view to defraud, the insurance contract shall be null and void and the premium paid shall not be returnable.

● **Article 12**

In case the insured intentionally withholds information, or makes false statements, and the information withheld be of such a nature that alters the risks or decreases its importance from the point of view of the insurer, the insurance contract ensuing thereon shall be void even if the above-mentioned alteration do not affect the occurrence of the event insured against. In such cases the premium paid shall not be returnable, and the insurer shall have the right to claim the unpaid installments due up to the date of the discrepancy.

● **Article 13**

In case of unintentional withholding of information or false statements the policy shall not be void. In the case of the occurrence of the event insured against the insured shall have the right to continue the policy after receipt of the extra premium agreed to by the insured, or cancel the policy. In case of cancellation, the insurer shall notify the insured in writing through a letter or statement sent by registered post obtaining a receipt of delivery. The cancellation shall be effective two days after the receipt of the letter by the insured, and the insurer shall return the unearned premium from the date of cancellation.

Should the withheld information or false statement be discovered after materialization of the risk, the indemnity payable shall be reduced in proportion to the premium paid and the amount that would have been payable if the full facts of the risk had been stated.

#### ● Article 14

The Insurer is not liable for any loss arising out of the Insured's own or his agent's neglect.

#### ● Article 15

The insured shall, in order to prevent and reduce the loss, accord to the insured property the same care as accorded by the owner to his uninsured property, and in case of proximity of the hazard or occurrence of loss, shall take the necessary precautions to prevent or decrease the loss and shall notify the insurer at the earliest but not later than five days. Otherwise, the insurer shall not be liable unless the insured proves that the delay was due to circumstances beyond his control. The expenses incurred by the insured in an attempt to prevent or lessen the loss shall be borne by the insurer, even if the attempt be unsuccessful. But in case the desirability or amount of the expenses in relation to the insured property be disputed, the difference shall be referred to an arbitrator or a court.

#### ● Article 16

In case the insured, by his own action, increases the risk insured or alters the type or circumstances of the risk in such a way that, if the new circumstances had existed prior to the conclusion of the present insurance contract, the insurer would not have accepted the risk or at least not on the conditions mentioned in the contract, the insured shall notify the insurer at once.

In case the increase or alteration in the circumstances be not due to an act of insured, he shall notify the insurer in writing within ten days of the date of which he becomes aware of the same. In both the above-mentioned cases the insurer shall have the right to propose an extra premium to the insured, and in case the insured does not agree to pay the extra premium, the insurer may cancel the policy, and if the increase in risk be a result of an act of the insured, the insurer may demand through the court compensation for any loss incurred by him.

In case the insurer indicated agreement (expressed or implied) to continue the policy after receipt of the information about increase of the risk, i.e. by accepting installments of the premium or paying any claims arising after an accident, the insurer cannot refer to the said increase of risk.

Acceptance of premium installments after receipt of information about increase of the risk, or payment of any indemnity with the knowledge of an accident and its circumstances, shall be deemed to be an indication of agreement to continue the contract.

#### ● Article 17

In case of the death of the insured or transfer of the ownership of the subject of insurance, if the heir or transferee continues to fulfill all the obligations on the insured towards the insurer, the insurance contract shall continue in favor of the heir or transferee. Nevertheless, the insurer or heir or transferee shall have the right to cancel the policy.

The insurer may cancel the policy within the period of 3 months from the date on which the transferee applies for the transfer of the policy to his name. In case of transfer of the policy the previous owner shall be liable to pay all the overdue



installments of premium to the insurer, but shall not be liable for any installments due after the date of intimation to the insurer, the said intimation being in the form of a registered letter or statement. In case of more than one heir succeeding the insured, each shall be liable to pay the full sum of premium to the insurer.

#### ● **Article 18**

If it appears that the event insured against, had occurred prior to the conclusion of the insurance contract, the insurance shall be deemed to be null and void. In this case the insurer shall return to the insured any premium received after deducting %10 as expenses.

### **Liability of Insurer**

#### ● **Article 19**

The liability of the insurer shall be equal to the difference between the value of the insured property immediately before the event and the residue value immediately after the event. The indemnity shall be paid in cash, the right to repair or reinstatement by the insurer be mentioned in the policy. In this case the insurer shall repair or replace the subject insured in the minimum time customarily taken by the necessary repair or replacement. The liability of the insurer shall not exceed the sum insured.

#### ● **Article 20**

The insurer shall not be liable for any damage due to any inherent vice of the subject of insurance unless specifically stipulated otherwise in the policy.

#### ● **Article 21**

The insurer shall be liable for only the following losses arising from fire:

1. Damage sustained by the subject matter of insurance although the fire may have occurred in proximity of the insured property.
2. Any damage or depreciation in value of the insured property caused by water or any other medium used for putting out the fire.
3. Loss of, damage to, the insured property in the course of rescue from fire.
4. Damage incurred by the insured property as a result of total or partial demolition of the building in order to prevent conflagration of the fire.

#### ● **Article 22**

In the below classes of insurance the damage shall be calculated in the following manner:

1. In transport insurance, the value of the property at the destination.
2. In the loss of profit dependent on a venture, the amount that would have been gained in case of the success of the venture.
3. In the case of agricultural crop insurance, its value in the field at the time of harvest. To ascertain the actual loss incurred, the expenses and cost of services chargeable in case of non-occurrence of the event insured against shall be deducted from the above value, and in any case the indemnity payable shall not exceed the insured value.



#### ● **Article 23**

In the case of life or personal accident insurance, the indemnity to be paid for the death of the insured, or injury, shall be clearly defined at the time of the conclusion of the contract.

Insurance taken out against the death of or injury to, a third party shall be void without the previous consent in writing of the person concerned.

In case of persons devoid of legal personality, the consent of his guardian shall suffice.

In case of group insurance for life or injury and disability, the amount of indemnity shall be according to the schedule agreed to by the contracting parties prior to issuance of the policy.

#### ● **Article 24**

The amount payable in the event of the death of the insured shall be paid the deceased's heirs unless the beneficiary is specified in the policy at the time of issuing the policy or subsequently. In this case the money shall be paid to the beneficiary mentioned in the policy.

#### ● **Article 25**

The insured shall have the right to change the beneficiary mentioned in his life policy all along the duration of the policy when he has transferred the policy and handed it over to the transferee.

#### ● **Article 26**

During all of the duration of a policy the proposer shall have the right to transfer the sum insured to anybody. The said transfer shall be signed by the transmitter and the insurer.

#### ● **Article 27**

The legal effects of the transfer of the sum insured shall commence from the date of death of the insured, although any money received by the proposer against it or any other transactions with the insurer shall be held valid.

#### ● **Article 28**

The insurer shall not be liable for claims arising out of war or revolution unless an agreement to the contrary has been stipulated in the policy.

#### ● **Article 29**

In the case of moveable property the insurer shall be free from any liability to a third party by paying the indemnity to the insured after the happening of the event insured against.

#### ● **Article 30**

The insurer shall, by paying or consenting to pay the indemnity, shall succeed the insured in respect of any rights against the party responsible for the occurrence of the loss, up to the amount paid or consented to. If the insured acts against this contract he shall be liable to the insurer.



● **Article 31**

In the event of insolvency or bankruptcy of the insured, the insurer shall have the right to terminate the contract.

● **Article 32**

In the event of the bankruptcy of the insured shall have priority over other creditors, and in different classes of insurance, life assurance shall have the first priority.

● **Article 33**

The premium debt shall have a priority over all other debts, even if the other debts be supported by registered documents.

● **Article 34**

In the event of a single insurance contract covering various subjects, fraud by the insured proved in respect of one of the subjects shall cause annulment to the extent of all the subjects covered, and the whole of the contract shall be deemed to be null.

Various subjects mentioned in one policy shall be construed to be once contract.

● **Article 35**

The contracting parties may include other conditions the insurance contract, but may not reduce the time limit mentioned in Article 16, although they may extend the said time limit by mutual consent.

This law shall be applicable to the previous contracts as well.

● **Article 36**

The time limit for suits arising out of insurance shall be two years, commencing from the date of occurrence of event forming the basis of the claim, but any suits entered into courts prior to this law shall not be affected by this law.