



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

June marks the official start of the hurricane season so throughout this month we will feature insurance-related terms. This week's term is: **Indemnity**

Indemnity is the legal principle that the policyholder should be restored to the same financial position that he/she enjoyed prior to suffering a loss due to a natural disaster or accident. There are a number of ways in which the insurer can ensure that the policyholder is **indemnified** and these are:-

- Cash Payment
- Repair
- Replacement (this method covers the cost of replacing the item with one that is of a similar age and in a similar condition)
- Reinstatement (this method covers the full cost of replacing the item as new)

What does this mean for you?

It is important to know what your options are as far as which method the insurance company uses to indemnify you in the event of a loss. This does have implications for your finances and what you decide to do in the aftermath. For example, if you have a car that got damaged in an accident and you were comprehensively insured, there are several ways in which your insurance company may honour its commitment depending on the extent of the damage. They may decide to pay you cash or they may repair your vehicle based on the estimates received. Whichever method is used, the idea is that your finances should not be in a worse state prior to the loss or damage incurred.