



TEACHING CASE LETS AND CASE-STUDY

Case Developer : Dr. Urvi Amin
Designation : Associate Professor
E-Mail : urviamin@ymail.com
Case Title : Fire Insurance
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Fire Insurance

- Adia lives with her elderly third cousin in a home she owns. In order to pay for her cousin's funeral and other related costs, Adia determines she needs life insurance on her third cousin in addition to fire insurance for the house. She purchases a \$10,000 life insurance policy from Beta Insurance Co. on her third cousin and a fire insurance policy from Ajax Insurance Co. Adia gives John the title to her house after she sells it to him six months later.
 - Adia moves into an apartment with her cousin. Adia's third cousin passes away and the house is completely destroyed by fire with two months left on the Ajax policy. Although they both tender back premiums, the insurance firms maintain that their contracts release them from liability. Were the companies correct in taking such action?
- 1 • Were the companies correct in taking such action?
 - 2 • Which principle can be taken into consideration here?