



**INDEMNITY**

# WHAT IS INDEMNITY?

- Determining the payout for property losses is determined by the *Principle of Indemnity*.
- **Indemnity** is the payment of a loss by the insurer to the insured, but for no more than the actual amount of the loss.
- Indemnity compensates the insured for loss, but does not allow the insured to make a profit out of the loss.
- It would be a Moral Hazard if the insured could profit from a loss, possibly motivating the insured to actually cause the loss to make a profit, or a morale hazard would be created, causing the insured to be complacent in preventing a loss.
- Insurance that causes these hazards would be against public policy, and would drive up premiums to unaffordable prices.
- For the same reason, the insured cannot collect from multiple insurance policies, even from different companies, for the same loss.