What is Subrogation?

Subrogation in insurance is a legal right of the insurance company to legally pursue a third-party responsible for the damag
Subrogation is done to recover the claim amount insurance company pays to the insured for the damages.

In simple words, when you suffer a financial loss because of negligent or irresponsible actions of a third-party, you have a
party. However, if you had a life insurance for the loss and you file a claim for it, the legal right of pursuing the third-party

Principle of Subrogation

Principle of subrogation means surrender of the legal right to receive compensation or salvage the damages in the favour o
following scenarios:

a) A third party causes the insured loss
b) Certain goods were lost which can be recovered later

How does Subrogation Work?

Here is how the concept of subrogation works:

a) In case of lost insured goods, insurer pays you for the loss and now owns the right to possess the goods if they are later
b) If a third-party is supposed to compensate you for the insured loss, but insurer pays you, the legal right to receive comp
c) Only the insurance company has the right to claim reimbursement for the amount that they have paid to you.

Principle of subrogation ensures that insured do not profit from the insurance and the damages are compensated equitably.

Example of Subrogation in Insurance

Subrogation refers to the surrender of legal rights to recover losses. A few examples of this principle can be:

i. A shipping company loses control of a ship in the middle of the ocean due to a storm and has to abandon it. The compan
company for the ship. A few months later the storm ceases and the ship can be safely recovered. Now only the insurer will
had subrogated their rights of the ship to the insurer the moment they received the claim for its loss.

ii. Another driver drives into your stationary car at a car parking. You discover that the vehicle owner did not have insuran
In the meanwhile, you also file a claim with your insurer. Your insurer accepts and reimburses you for the damages.

Under the principle of subrogation, you lose the right to sue the erring driver in favour of the insurer as the insurer has con
pursue the case and recover the money.

Rights of an Insurer in Subrogation in Insurance

The principle of subrogation endows the insurer with certain rights to the claims that the insurer accepts. These rights can

a) Receive the lost property for which the insured has been compensated by the insurer if the property or asset is recovered
b) Receive the compensation from the insured if the lost asset is recovered by the insured later
c) Salvage the damaged property in full or to the extent reimbursed to the insured
d) Sue or pursue legal action against the culprits, who may have caused the damage to the property or loss to the insured

These rights will only come into play once the insurer accepts the claim of the insured for the loss.

What is Waiver of Subrogation?

Waiver of subrogation is a special provision of the insurance contract. This provision allows the insured to waive off the ri
culprit. The insurance company has to agree to include such a provision in the contract at the commencement. You may ha
provision in your insurance contract.