## **What Is Insurable Interest?**

A person or entity has an insurable interest in an item, event or action when the damage or loss of the object would cause a financial loss or other hardships. To have an insurable interest a person or entity would take out an [insurance](https://www.investopedia.com/terms/i/insurance.asp) policy protecting the person, item or event in question. The insurance policy mitigates the risk of loss should something beset the asset.

Insurable interest is an essential requirement for issuing an insurance policy that makes the entity or event legal, valid and protected against intentionally harmful acts. People not subject to financial loss do not have an insurable interest. Therefore a person or entity cannot purchase an insurance policy to cover themselves in the event of a loss.

**ESSENTIALS OF INSURABLE INTEREST:**

The following are the essentials of the insurable interest:

* There must be property, rights, interest, life, limb or potential liability devolving upon the insured capable of being covered by a policy of the insurance.
* Such property, right, life, interest, life or liability must be subject matter of insurance.
* The insured must bear such relationship, recognized by law, to that subject matter of the insurance whereby he benefits by the safety of that subject matter and is prejudiced by the loss, damage and destruction thereof.