

Franchise vs Excess (Deductible)

	Franchise	Excess (Deductible)
Definition	Franchise means an amount below which claims will not be honoured. Claims above that amount are paid in full.	Excess means an amount which will be deducted from value of any claim.
Example 1:	Insured amount: EUR 150.000 Franchise 5% (EUR 7.500) Total loss: EUR 7.000 In this example the insured is fully responsible for the entire loss as it is less than EUR 7.500	Insured amount: EUR 150.000 Excess 5 % (EUR 7.500) Total loss: EUR 7.000 In this example the insured is fully responsible for the entire loss as it is less than EUR 7.500.
Example 2:	Insured amount: EUR 150.000 Franchise 5 % (EUR 7.500) Total loss: EUR 20.000 In this example the insured is fully recovered for its loss (i.e. EUR 20.000) as it is greater than EUR 7.500.	Insured amount: EUR 150.000 Excess 5% (EUR 7.500) Total loss: EUR 20.000 In this example the insured is responsible for EUR 7.500 and the insurance company is responsible for the amount in excess of that, i.e. (EUR 20.000 – EUR 7.500) total EUR 12.500.
UCP 600 Article 28(j):	“An insurance document may indicate that the cover is subject to a franchise or excess (deductible)”.	
“irrespective of percentage”	Partial losses will be paid regardless of any franchise (deductible) or percentage	
	When the documentary credit requires that the insurance cover must be “irrespective of percentage”, then the following apply: The insurance document need not state the words “irrespective of percentage”, however The insurance document must not indicate that the insurance cover is subject to a franchise or an excess (deductible).	

Source: Coastline and UCP600 Insurance Documents by Kim Sindberg

This chart is intended to offer a general overview. For further details, please consult the official UCP 600/ISBP publications and ICC Opinions. The content has been prepared with care and to the best of our knowledge; however, no liability is assumed for its timeliness, completeness, or accuracy.