

Most policyholders are concerned about the extent of coverage

⇒ Can they collect under the policy

Time to determine such issues should be before loss occurs

When answering this question you should refer to:

- Declarations - Named insured who are the insured parties

• Insuring Agreements - binding relationship
between insured
; insurer

⇒ Specific Coverage

• Deductibles - Amt. of \$ dollar
loss borne by insured

• Definitions - establish meaning of
important terms that
bind coverage

• Exclusions - limits to coverage,
perils, people, property
or time period not included
under the contract

Conditions - Rights & Duties of the
Insurer & Insured under
the Contract

Endorsements - Amendments to add
& Riders more coverage, overcome
exclusions

Standard Policies - Why we have them

① More economical for the insurer
to print & use

② More economical to calculate
one insurance rate for a
standardized policy

Basic Property: Liability Insurance
Contracts

Evolution of P&L Contracts

Ocean Marine → Dwelling:
Contents Forms

→ ISO (Ins. Services Office)
Homeowner's Policies
(HO)

Standardization was needed to
protect against moral/morale hazards
: avoid language ambiguities.

- ③ Standardize policy allows for a large statistical data base needed for rate making
- ④ Standardized policies become more widely known by attorney, courts, insurer employees? Some consumers
- ⑤ Standardization tends to drive out poorer policies from the market
"Gresham's law"
- ⑥ Standardization may limit adverse selection (e.g. earthquake, flood)
insurers

Exclusions serve the following purposes:

- ① Eliminate losses arising from Catastrophic Events
- ② Eliminate losses from moral or morale hazards
- ③ Eliminate coverage not needed by the typical insured
- ④ Eliminate Coverage when another policy is specifically designed to provide Coverage
- ⑤ Excluded non insured Parties (e.g. Bailee relationship - business pursuits coverage required)