

# Navigating the Insurance Policy Maze

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If you have ever set out to read your insurance policies, you know it can be a daunting task. The binders are thicker than “War and Peace” but lack a sustainable plot to keep the reader interested.

Insurance policies are crafted meticulously and deliberately by thoughtful writers to include or exclude specific coverage for a specific risk. Through carefully chosen terminology, carriers weave a coverage web that is about as straightforward as a maze. Amazingly, consumers are protected by insurance departments and other entities, but policy language never ceases to confuse even the most astute insurance professional.

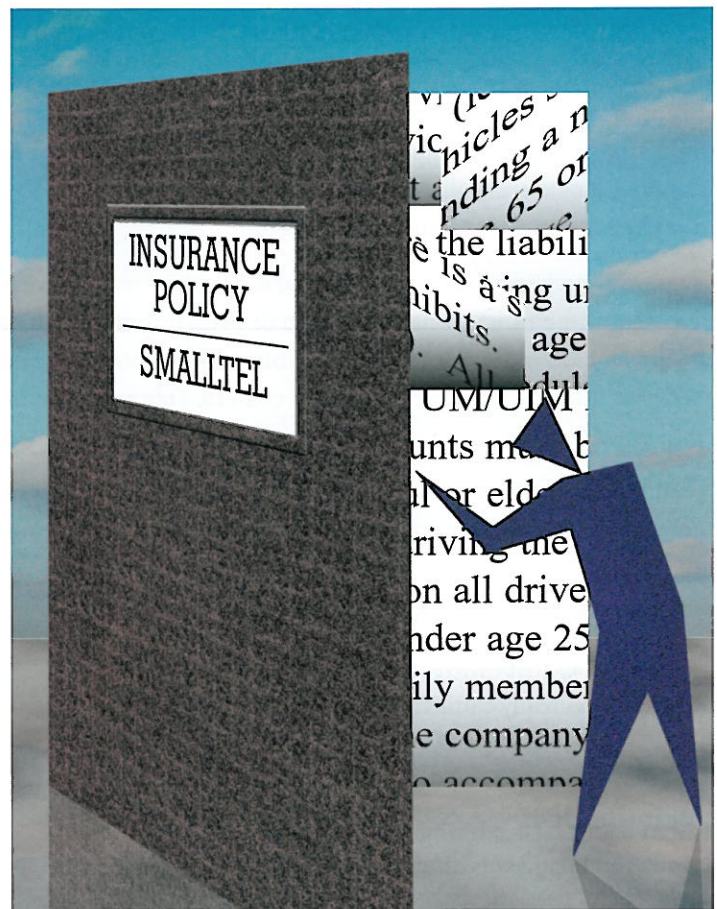
So, how can the average reader navigate these labyrinths of coverage? This article hopes to peak your interests, help you understand the basics and help you ask the right questions of those providing your coverage.

## Declaring Where to Start

There are five key parts of the insurance policy. The core questions of life—who, what, when, where and why—can be applied to review most of the policy basics. This information is normally found on the declarations page of most policies, meaning the first page that “declares” what the policy entails.

While it may seem basic, the declaration of *who* is important to the foundation of the policy. *Who* defines the insured (who the policy is covering and who has certain rights/responsibilities afforded to them), the carrier (who is actually going to provide the coverage) and the producer (who helped write the policy). It is important to verify that the named insured is correct and includes all legal parties. Coverage terms will tell you under what parameters owned subsidiaries and newly acquired or created businesses are protected.

A better option than relying on the policy definition is to name all entities upfront when accepting coverage. Equally important is to perform a quick background check on the carrier to make sure its financial ratings are strong, and to understand if the carrier is admitted or nonadmitted in your state to do business. Both of



these things could have an impact upon your future claims. A carrier

that falls into financial trouble that is nonadmitted will not be backed by a financial guarantee fund, and even those that are covered/admitted will leave existing and future claimants with a less than desirable claims process. Normally, your producer, the third party mentioned on the declarations page, should cover this with you prior to policy issuance.

*What* usually details what type of policy is enclosed, such as property, general liability, crime, automobile, workers compensation, directors and officers, or errors and omissions; and the specific limits of liability or property coverage, ►►

deductibles and premiums for each of these lines of business.

When is dictated by the effective and expiration dates of the policy, but is not limited to just this information. It is important to understand the type of policy form provided because it determines when a claim is covered. An occurrence policy,

which is offered on general liability, automobile liability and umbrella forms, triggers coverage when an "occurrence" happens during the policy period, regardless of when the claim is made.

Conversely, a "claims-made" policy form, which is usually offered on directors and officers and errors and omissions poli-

cies, triggers coverage when a claim is "made and brought" during a policy period, even if the injury or loss occurred many years in the past. This increases the importance of the retroactive date (first date of coverage) being clearly stated on the declarations page.

Where is not always as easy to locate as the first three elements, but depending on the type of policy, it may be stated on the declarations page, especially if you are looking at a workers compensation policy. However, most policies cover where in the coverage territory policy conditions. You should always review this segment to ensure that you have coverage in the area that you conduct business operations. Most U.S. policies at least will afford coverage to the continental United States, and often extend coverage worldwide, assuming that the claim is made and brought in the United States. However, if you have international exposure, meaning you travel for business out of the country for extended periods of time, this definition will need to be broadened, or you must secure an international policy.

Why requires the reader to crack the cover of the binder to understand the terms and conditions of the policy. Generally, the insurance company will explain what is covered and excluded.

### Getting Past Page One and Dissecting Policy Language

This is where it really gets interesting because if your agent is doing a good job, you already know the answers to the basic questions covered above. The tricky question is often the one that is never really answered to the detail that you would like: "Am I covered?"

The agent's appropriate response to this inquiry is, "For what?" While the insurance company dislikes answering a question with a question, it is important to identify what you are trying to cover. The insurance company normally will offer the brush off question by stating that coverage interpretation is subject to each individual claim, and the policyholder should consult an attorney to know exactly what is covered



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**The terms and conditions of coverage often can be challenging to read, but not having coverage that matches your business operations and exposure is much more deadly than the pain of sorting through the details of the policy forms.**

and how it will apply. While this is a correct answer, do not accept it. Provide specific concrete examples of claims and ask for an interpretation based on those specific parameters.

The language and wording is not easy to understand, but it is important that you comprehend the policy completely. Insurance policies are contracts, and all parties involved must adhere to their terms. In general, courts favor protecting the policyholder/customer. However, the policyholder has the responsibility to be an educated consumer. The terms and

conditions of coverage often can be challenging to read, but not having coverage that matches your business operations and exposure is much more deadly than the pain of sorting through the details of the policy forms.

### **Make an Educated Buying Decision**

Consumers naturally gravitate to the cheapest, most convenient product that immediately meets their needs. Arguably,

insurance is a commodity, but specialized insurance is difficult to purchase cheaply and conveniently if the provider is completely serving the customer's interests.

When purchasing insurance coverage, make sure to invest adequate time and evaluate your options. The key to purchasing insurance is to fully explain your operations in detail to the insurance professional. Further, when the insurance professional delivers its offer, as the policyholder you must take some responsibility for confirming your needs were met.

When it comes to navigating the insurance policy maze, take time to crack the cover of the binder, ask many questions and choose carefully. In addition to definitions, the entire policy is important in shaping coverage. ■

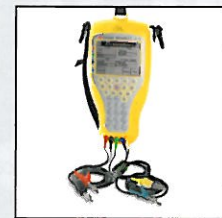
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