

Read your policy: Does it cover what you do/how you/your customer want your property protected?

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In the mid 1980s, the various insurance departments (1 per state) ordered insurance companies to write their policies in "plain English" ... I'd love to see our legislators required to do the same thing ... but that's another story. So, there is no longer any "valid excuse" for not reading your policy, in fact, the courts have been known to require this!

The insurance industry has various pigeonholes or classifications:

- *Accident and Health
- *Property and Casualty (P&C)

We are concerned only with P&C.

The P&C business is subdivided into:

- *Personal Lines (homeowners/renters, automobile, et al)
- *Commercial (automobile, commercial general liability, workers' compensation, et al)

Approximately 96% of all P&C insurance is subject to state regulation over content and pricing. The remainder is "free from rate and form filing" and involves both Inland Marine (builder's risk/installation(s) coverages; contractors equipment; motor truck cargo, etc.) and Ocean Marine (hull; P&I; cargo, etc.). Regardless of whether your insurance policy is subject to state regulation of form and price, each insurance company has proprietary coverage forms specifically tailored to various markets ... florists, dry cleaners, furriers, warehouses, newspapers, printers, et al. Unfortunately, the policy designers do not necessarily construct policy terms and conditions which exactly fit your individual requirements. Stated another way, insurance companies provide to their agents and brokers "rack suits" rather than "ready-to-wear" coverages.

Your insurance representative ("agent") should want to know not only what general business category you occupy (florist; printer; rigger; millwright; fuel oil dealer, et al) but also how your business differs from that of your competitors. If you think of the insurance policy as a "rack suit," your agent needs to make sure that it is tailored to meet your specific requirements. Your paperwork (work order, invoice, purchase order, et al) may or may not dovetail with your insurance policy(s). In case of conflict, your insurance policy's terms and conditions will govern.

If you are a bailee - a legal term for possession of personal property you do not own - your obligation is limited to providing ordinary care to bailed property ... in English ... negligence! This isn't always what your customer (or possibly you) expect after a loss.

Consider the following:

*A dry cleaner accepts a leather jacket for cleaning. He gives the customer a receipt which limits the cleaner's liability to ten times (10x) the cost of cleaning. The receipt makes no provision to declare a higher limit. Additionally, unknown to the customer, and not addressed in the receipt, the dry cleaner always sends leather garments to a 3rd party for the actual cleaning (I believe leather cleaning is a specialized process). While at the leather cleaner the building is struck by lightning and fire destroys the leather coat. Who is responsible for the owner's loss and for how much?

I'm told the possible legal issues involve include:

(1) a possibly invalid limitation of liability (limited to 10x cleaning charges) as the bailee did not give the bailor the right to declare excess value. Additionally, had the coat been destroyed at the original bailee's premises, the bailee would be free from negligence as lightning is considered to be an "act of God."

(2) However as the bailee did not inform the bailor that he was going to "subcontract" out the work to a 3rd party, the original bailee becomes responsible for any loss or damage occurring to the property while away from the original bailee's premises. So, bailee #1 may require not only insurance coverage for property of others at his own premises, but also for property in transit to and from and while at bailee #2's premises!

If the facts contained in this illustration could apply to you, your business or operation(s), you should consult with an attorney (I'm not an attorney nor did I go to law school).

What we know is that designing an effective risk management and insurance program requires an understanding of the business activities, forms, contracts, documents etc.; only then can an effective risk management and insurance program be constructed!

Recommendation:

Read your property or package policy and see if it covers what you do and how you want your property - and that of your customers - protected.

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