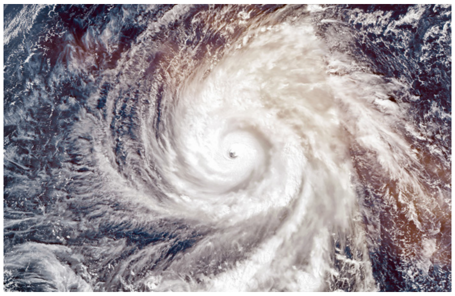
Moratorium

Let's dive into what it is, when it's used, and why/how it can affect your insureds.



In the insurance industry, a moratorium, also known as a binding prohibition or binding suspension, is when a company stops binding or updating policies due to an impending natural disaster.

Moratoriums are most commonly initiated before a major weather event or natural disaster, such as a hurricane, and is designed to keep policyholders from buying and/or increasing coverage based on the forecast.

How It Works

A moratorium effectively works to maintain what a carrier already has on their book of business and prevent an outpouring of applicants seeking coverage (new or increased) solely because they fear property destruction from an imminent threat; this type of adverse selection is not encouraged, hence a moratorium is put into effect.

Who's Impacted

The following Insured's may be impacted:

- Those who are looking to purchase or incept a new business policy
- Those who are looking to switch Insurance carriers
- Those who want to amend coverage to an existing policy

A moratorium will not impact insureds with existing coverage in place, who aren't looking to make any changes. Conversely, it can affect in force policies if the insured is looking to change deductibles, add/remove coverages, and other types of coverage amendments.

Let's Talk Timeframes

Moratoriums can be placed in effect anywhere from 24-48 hours before an expected event and may last up to 24-48 hours after the event has passed.

As long as there is an imminent threat or danger, moratoriums remain in effect until the peril has passed.

Events & Locations

Moratoriums can be put in effect for:

- Hurricanes
- Wildfires
- Earthquakes
- Civil unrest or riots
- Floods

And can be placed based on certain counties or regions, entire states, specific types of business, dependent on the event and its projected impact.

Let's Connect

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