

Pieces of the Process

Insuring a risk has many steps and, once secured, the policy is comprised of declarations, exclusions, definitions and more. So what does this all mean? Let's take a closer look.

Indication

A figure provided by either an underwriter or rating system that is a non-binding rate of the anticipated premium, typically based of the risk exposure, value and if there are any losses. All subject to additional information, obtaining an indication is sometimes a preferred method for agents/brokers to determine if they would like to proceed with requesting a quote.

Quote

A statement of the projected premium based on the information supplied in a formal application. A quote may encompass subjectivities, that if accepted, must be satisfied before an insurance contract (i.e. binder) can be ordered.

In order to obtain a quote, the agent/broker must complete either standard ACORD forms or a carrier-specific application depending on the type of risk.

Binder

The agreement between the insured and the insurance company that serves as written confirmation that a policy will be issued. Insured's can also use the binder as proof of insurance, until policy documentation is received; however it's important to note that an insurance binder can be issued for a limited time and have an expiry date.

6 Key Elements

- 1 Clearly identify the risk
- 2 Liability Insurance amount
- 3 Deductibles and coverage limits
- 4 Clearly identify the named insured and specify additional named insureds
- 5 Insurance effective date and duration
- 6 Identify the insurance agent who authorizes the binder



Insurance Policy

A document detailing the terms and conditions of a contract of insurance between the insurer and the insured, known as the policyholder.

Policy Breakdown

Declarations - the front page (or pages) of a policy that specifies the named insured, address, policy period, location of premises, policy limits and other key information that varies by the exposure or risk.

Insuring Agreement - the portion of the insurance policy in which the insurer promises to make payment to or on behalf of the insured.

Policy Definitions - defines terms and phrases relative to policy coverage that have special and very specific meanings.

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Policy Conditions - identifies general requirements of an insured and the insurer on matters, such as loss reporting and settlement, property valuation & various other items.

Exclusions - a provision of an insurance policy or bond referring to hazards, perils, circumstances or property not covered by the policy.

Coverage Form - one of the primary standardized insurance forms used to construct an insurance contract. The coverage form generally contains the insuring agreement, coverage conditions, exclusions and limits of coverage.

Causes of Loss Forms - commercial property insurance forms that establish and define the causes of loss (or perils) for which coverage is provided. Manuscript forms are generally used by Excess and Surplus Lines carriers to customize the forms to the exposure.

Endorsements - an insurance policy form that changes the provisions included in one or more forms used to construct the policy, such as adding another vehicle to an auto policy or location to a property policy.

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