



Current Articles 1999 – June

A Changing World --- and Changing Policy Wordings

Prior to the introduction of a Homeowners Policy, almost all residential policy wordings were the same. Today, there are considerable and significant differences in Homeowner wordings and when comparing one wording to another there may be a difference that may affect a claim.

For example, I recently received the renewal of my Homeowners Policy. I realise that I may be one of the minority that actually read the entire document. But what drew my attention was the fact that the same insurer had introduced a new wording. Several years ago I changed to a Comprehensive wording and since there were no specific exclusions for breakage of photographic equipment I deleted cameras from my Personal Articles Floater. The prior wording had an exclusion (for other than Specified Perils) that stated: "We do not insure loss or damage to: eyeglasses; glassware; statuary; bric-a-brac; porcelains; contact lenses; other similar fragile articles."

The new wording has combined several exclusions but the applicable exclusion for the renewal states: "we do not insure loss or damage to: hearing aids, eyeglasses, glassware, statuary, bric-a-brac, porcelains, lenses including contact lenses, other fragile articles. " The word "similar" has been omitted!

Is a camera or photographic lens a "fragile article"? Are all fragile articles excluded for breakage? My VCR came in a box marked "FRAGILE". If it is dropped it is not covered. Probably the majority of our household contents are labeled as fragile!!!

The story has a happy ending. After contacting the underwriter a return call indicated that the exclusion does not apply to cameras -- or my VCR.

A second example came when I visited my son and daughter-in-law and was greeted by my grandson Nicholas riding his new Kawasaki Ninja Power Wheels! This "toy"? is battery operated, has a motor and will do 9 kms. I asked Steve who would cover a loss if he knocked down a "little old lady" who was crossing the street? He thought his personal policy should apply. I agreed -- but -- the policy excludes motorized vehicles except for lawn mowers, other gardening equipment, snow blowers, wheelchairs and motorized golf carts on the golf course premises.

On Monday we called the underwriter who referred the problem to the claims department. At first they said that it was covered because it was a "toy". When I told them that the policy wording does not include "toy motorized vehicles" they agreed to investigate and call back. Which they did, and advised that the entire claims department agreed that it was a toy and that they would cover both the unit and liability. I asked for a confirming letter for my sons file and to which the reply was that they could not give me such a letter as it would depend on the circumstances of the claim!! Now how does that grab you?

The other interesting observation is that in both cases the underwriting department gave the problems to the claims department. It is not an Insurance Principle that the Underwriting department design the policies and make decisions as to accept or reject risks? Why should the claims department be advising the underwriting department as to what is or is not covered by the wordings that the underwriting department has created??

The message here is that for brokers to better serve their clients they must be aware of their client's family interests and hobbies and review their company wordings carefully. Better to explain the coverage or what is not covered before the loss than exposing yourself to an E. & O. for an unexplained and uninsured claim.

Have a good summer and watch out for those Kawasaki Ninja Power Wheels

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