
Understanding Your Insurance Policy

An insurance policy is a legal contract between the insurance company (the insurer) and the person(s), business, or entity being insured (the insured). Reading your policy helps you verify that the policy meets your needs and that you understand your and the insurance company's responsibilities if a loss occurs. Many insureds purchase a policy without understanding what is covered, the exclusions that take away coverage, and the conditions that must be met in order for coverage to apply when a loss occurs. Reading and understanding your policy can help you avoid problems and disagreements with your insurance company in the event of a loss.

The **Arkansas Insurance Department** is charged with regulating all insurance companies that do business in the State of Arkansas. The Department has adopted as its Mission Statement **“To serve and protect the public interest by the equitable enforcement of the state’s laws and regulations affecting the insurance industry. The primary mission of the State Insurance Department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.”**

Get Smart About Insurance

We believe *insurance* is the most *important* product consumers purchase. Unfortunately, most of us know very little about the purchases we make, but we rely on insurance to cover our *life*, our *health*, our *homes* and our *automobiles*. **We cannot afford to make the wrong purchase or not have the right coverage.** Therefore, it is *important* that you, as an insurance consumer, know what you have purchased. If you have any questions or need assistance, please do not hesitate to call our office.

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The Basics of an Insurance Contract

There are four basic parts to an insurance contract:

- **Declaration Page**
- **Insuring Agreement**
- **Exclusions**
- **Conditions**

It is important to understand that multi-peril policies may have specific exclusions and conditions for each type of coverage, such as collision coverage, medical payment coverage, liability coverage, etc. You will need to make sure that you read the language for the specific coverage that applies to your loss.

- The **Declaration Page** is usually the first part of an insurance policy. It identifies who is an insured, what risks or property are covered, the policy limits, and the policy period (i.e. time the policy is in force). For example, the Declarations Page of an automobile policy will include the description of the vehicle covered (e.g. make/model, VIN number), the name of the person covered, the premium amount, and the deductible (the amount you will have to pay for a claim before an insurer pays its portion of a covered claim). Similarly, the Declarations Page of a life insurance policy will include the name of the person insured and the face amount of the life insurance policy (e.g. \$25,000, \$50,000, etc.).
- The **Insuring Agreement** summarizes the major promises of the insurance company,

as well as states what is covered. In the Insuring Agreement, the insurer agrees to do certain things such as paying losses for covered perils, providing certain services, or agreeing to defend the insured in a liability lawsuit. There are two basic forms of an insuring agreement:

- * **Named-perils coverage**, under which only those perils specifically listed in the policy are covered. If the peril is not listed, it is not covered.
 - * **All-risk coverage**, under which all losses are covered except those losses specifically excluded. If the loss is not excluded, then it is covered. Life insurance policies are typically all-risk policies.
 - The **Exclusions** take coverage away from the Insuring Agreement. The three major types of Exclusions are:
 - * **Excluded perils or causes of loss**
 - * **Excluded losses**
 - * **Excluded property**
- Typical examples of excluded perils under a homeowners policy are flood, earthquake, and nuclear radiation. A typical example of an excluded loss under an automobile policy is damage due to wear and tear. Examples of excluded property under a homeowners policy are personal property such as an automobile, a pet, or an airplane.
- The **Conditions** are provisions inserted in the policy that qualify or place limitations on the insurer's promise to pay or perform. If the policy conditions are not met, the insurer can deny the claim. Common conditions in a policy include the requirement to file a proof of loss with the company, to protect property after a loss, and to cooperate during the company's investigation or defense of a liability lawsuit.

Definitions

Most policies have a Definitions section, which defines specific terms used in the policy. It may be a stand-alone section or part of another section. In order to understand the terms used in the policy, it is important to read this section.

Endorsements and Riders

An insurer may change the language or coverage of a policy at the time of the policy renewal. Endorsements and Riders are written provisions that add to, delete, or modify the provisions in the original insurance contract. In most states, the insurer is required to send you a copy of the changes to your policy. It is important that you read all Endorsements or Riders so you understand how your policy has changed and if the policy is still adequate to meet your needs.

Obtaining a Copy of Your Policy

To obtain a copy of your insurance policy, you should contact your insurance company or your agent/sales representative.

Get More Information

For more information you can contact our Consumer Services Division at **1-800-852-5494** or visit our Web site at:

www.insurance.arkansas.gov