

## Common Insurance Mistakes and Misconceptions

Don't compromise your risk protection with misunderstandings and misconceptions about your risk coverage!

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As Winston Churchill said, "All men make mistakes, but only wise men learn from their mistakes." While Churchill was not talking about insurance, the same principle applies. Agents and insureds make mistakes. Hopefully they learn from them. An unfortunate consequence of these insurance mistakes may be an uninsured loss. When an uninsured loss could have been covered by a readily available insurance solution, it makes the loss even worse. The following are some mistakes that even the most competent insureds and seasoned agents make.

### *"I don't need that coverage."*

In insurance, where there is exposure, there is often coverage. The problem is that insureds and their agents often do not see that exposure and fail to obtain coverage. One such exposure is Mechanical Breakdown. Agents and insureds often incorrectly assume that only production plants or contractors have an exposure to this loss. The policy generally provides coverage for any equipment that uses, creates, or transmits energy, including electronic communications equipment such as computers and telephones. Given the broad scope of covered equipment and the dependence many businesses have on this equipment, most insureds have an exposure. Couple this with the rising costs of technology, and you have a potential for a large uninsured loss.

### *"If it's not excluded, it's included."*

On numerous occasions I have heard experienced insurance professionals use this term to describe what insurance policies cover. The problem with the statement is its overemphasis on a policy's exclusions to determine what is covered. Insurance policies exclude coverage in places other than the section entitled "Exclusions." For instance, the industry accepted Commercial General Liability (CGL) form does not cover lawsuits brought in a foreign country, though you will find no foreign country "exclusion." The definition of "coverage territory" specifically omits the coverage. To determine the coverage given by an insurance policy, the entire policy must be read because no part of the policy is greater than the whole.

### ***Undervaluing Property***

Many insureds will suffer some kind of property loss at least once. Perhaps the only way a loss can be worse for an insured is for the limit of insurance they have selected to be inadequate. If addressed prior to the loss, this problem can be mitigated or eliminated completely. For starters, the property policy should have an agreed value endorsement whereby the insurer waives the right to invoke coinsurance after a loss occurs. The second step is proper valuation of property limits. Even with agreed value on a property policy, the property can still be undervalued because the limit of insurance will be the most an insurer pays for a total loss.

The best way to avoid insurance mistakes such as these is to select a competent risk advisor. Even the savviest insured does not have the time to keep up with insurance industry changes and developments. A risk advisor can properly evaluate the risks and exposures a company faces and provide solutions. Finally, the risk advisor can provide guidance on adequate property valuation and will understand the provisions of insurance policies.