Achievable

PERSONAL LINES INSURANCE DUMP SHEET

Policy provisions and claims

Losses and what causes them

- **Direct loss:** physical damage to property from a covered peril
- **Indirect (resultant) loss:** what follows from a direct loss
  Additional living expense, loss of income, loss of rent, rental value, loss of use.
- **Proximate cause:** the dominant peril that sets off an unbroken chain of events. Coverage follows it even where a later link is excluded
- **Accident** is one event; an **occurrence** is continued or repeated exposure to the same harmful conditions
- **Vacant:** empty or unfurnished, with no intent to return. **Unoccupied:** furnished and nobody present, with intent to return

Indemnity and what supports it

- **Principle of indemnity:** restore the insured to the financial position held before the loss — never a profit
- **Insurable interest** must exist at the **time of loss** in property and casualty
- **Subrogation:** once it has paid, the insurer takes over the insured's right to recover from the party at fault
- **Other insurance:**
  - **Pro rata:** each policy pays its share of the total coverage — $70,000 of $100,000 pays 70%
  - **Excess (non-concurrent):** pays only after the primary limit is spent
- **Salvage:** the insurer takes title to property it has paid a total loss on
- **Assignment:** a P&C policy is a personal contract and cannot be transferred without the insurer's written consent

How a loss is valued

Method	What it pays
Actual cash value	Replacement cost less depreciation — the default in most property forms
Replacement cost	Like kind and quality with no deduction for depreciation, up to the limit. Costs more and must be written into the contract
Market value	What a willing buyer would pay a willing seller; rarely used in standard forms
Agreed value	A value set by appraisal before any loss, which replaces coinsurance. For fine art, antiques and collector vehicles
Stated amount	A value the insured declares — the insurer pays that or the cost to repair or replace, whichever is less
Functional replacement cost	Repair with less costly modern materials that do the same job
Valued policy	A fixed amount for a total loss. Some states require the full limit on a total dwelling loss by fire

- **Coinsurance** applies to PARTIAL losses only, and requires insurance to value — typically 80%: $\text{paid} = \frac{\text{carried}}{\text{required}} \times \text{loss} - \text{deductible}$
  Carry $120,000 where 80% of a $200,000 building is required, and a $6,000 loss with a $250 deductible pays $4,250.
- **Deductibles apply per occurrence**, not once a policy period: against a $250 deductible, losses of $700, $1,000 and $200 pay $450, $750 and nothing

Liability, negligence and defenses

- Liability is **third-party coverage** — a two-party contract that pays an injured third party
- Negligence needs all four: a **duty** owed to the public, a **breach** of it, **injury or damage** resulting, and **causation** linking the two
- Defenses that reduce or remove liability:
  - **Contributory negligence:** any fault of the injured party bars recovery — now only a few states
  - **Comparative negligence:** the court apportions damages by fault
  - **Last clear chance:** the injured party had a distinct chance to avoid it
  - **Assumption of risk:** the injured party took the risk voluntarily
  - **Intervening (superseding) cause:** an independent event breaks the chain
- Limits are written **single**, **split**, **dual** or **aggregate**

Claims, disputes and cancellation

- **Proof of loss** is a signed statement of the loss, its cause and its value
  Payment is triggered by the proof of loss — not the date of loss, the notice of claim, or the end of the adjuster's investigation.
- **Appraisal** settles a disagreement over the AMOUNT where both sides agree coverage applies
  - Each party names an appraiser; the two choose an umpire
  - Any two of the three agreeing fixes the amount of loss, and that alone
- **Arbitration** is common in property claims and required by some auto and UM/UIM contracts; liability disputes go to court
- **Cancellation refunds: pro rata** when the INSURER cancels, **short rate** when the INSURED does
  An insurer cancelling must give written notice and its reasons to the first named insured at the last known address.