

Manager/Supervisor Risk Management

#87– 9/6/12

A twice weekly e-mail training for YCPARMIA members

TOPIC: ANATOMY OF AN INSURANCE POLICY

An insurance policy is a contract between the insurance company and their insured; in most ways it is very similar to YCPARMIA's self-insured Coverage Agreement (and an employee's personal insurance policies). Most policies are fairly standard in form and not fun reading. Over the next few topics we will break the agreement down into its various parts, and highlight the important points. Recognize that the Coverage Agreement is an important document; it defines when and how the entity and its employees are protected from third party claims.

In broad terms, the main parts of an insurance policy are:

- The declaration – identifying who is covered, the limits, and deductibles;
- The coverage agreement – indicating what is covered;
- The definitions – defining terms that are used in the contract/policy;
- The exclusions – taking away coverage by indicating what is not covered;
- The conditions -- indicating how the contract/policy will work; and
- The endorsements -- things added onto the standard policy to modify it.

YCPARMIA's coverage agreement adds three more sections:

- Defense and settlement –YCPARMIA's right and obligation to control the claims process;
- Limit of coverage -- confirming coverage limits and deductibles; and
- Coverage period and territory – essentially worldwide until canceled.

YCPARMIA is a "primary pool;" coverage for its 28 members starts at dollar one. Sitting above YCPARMIA's coverage agreement is a Memorandum of Coverage for our excess pool, the California Joint Powers Risk Management Authority, providing coverage for 98 member entities. Their form is virtually identical to YCPARMIA's Coverage Agreement, and ensures continuity of coverage for claims with exposures above the limits provided by YCPARMIA.

When a claim against a member entity is received, the first step in YCPARMIA's adjusting process is to review the alleged facts and assertions to confirm that they fall within the protection extended by our Coverage Agreement. Once or twice a year we receive a claim that does not, and coverage is denied. If requested, YCPARMIA will continue to assist the member through the uncovered claims and litigation process, and offers a funding mechanism for advancing settlement funds.

Next topic: YCPARMIA's Declarations and Insuring Agreement