

Make It a Policy

'Full Coverage' Insurance – What It Really Means

By JAMES LAGODICH

As a business owner and consumer you receive your insurance policy, pay your premium, and assume all is good because you believe you have 'full coverage.' Do you know for sure which coverages you have or don't have? Not knowing could lead to a very expensive lesson!

You arrive to work to find four of your business computers and other property were stolen while you were off the premises. Meanwhile, the morning mail contains a letter from an attorney informing you that a former employee is suing the company for wrongful termination.

Before your noon lunch meeting, you are informed that the work you performed three months ago caused harm to someone. Your office manager complains there is no heat because the water in the basement damaged your furnace. The phone rings and one of your employees tells you he sustained injuries as a result of an accident he had in his own car while delivering your products to a customer out of state. In the face of all of these

distractions, you remind yourself that you have no worries—you have 'full' insurance coverage.

On your way home from work you are sitting in your car waiting at a traffic light, and you are hit by another car. The other driver has no insurance. Your car suffers significant damage and is towed away. Somewhere between the accident scene and the trip to the repair shop, your \$3,000 car stereo system disappears. The repair shop wants to use after-market replacement parts to repair your new car as well as set you up with a rental car. Days later your back is bothering you and requires a hospital stay. Next thing you know, you require surgery and are out of work for six weeks. Again, you find comfort knowing that you have 'full' insurance coverage.

Eventually you return home to find that your basement is flooded and your tools, washer/dryer, rugs, and antiques are standing in four inches of water. Your 16-year-old daughter informs you that while she was

shopping online, someone stole your personal information and went on a shopping spree with your credit information. Your spouse taps you on the shoulder to discuss how the neighbor's child broke his arm jumping in your pool while avoiding your dog. Once more, you hold tight to the solace of knowing that you have 'full' insurance coverage.

We can all agree that even a single one of these events would make for a pretty tough day. After seeing the examples above, you might be motivated to ask yourself—and your insurance agent—about this thing everyone refers to as 'full' coverage.

Asking about it is a good thing. Some of these situations may be covered or available for purchase as additional coverage on your current policy, while for others you may have purchased a separate policy. Don't assume which coverages you have or don't have. Not knowing could lead to a very expensive lesson!

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You may have been led to believe that you have full coverage on your insurance policies or that the businesses you work with have full coverage on theirs, but let me assure you: there is no such thing as full coverage!

A lot of consumers are led to believe that they have 'full coverage.' When you purchase or renew your insurance policy you may be told by your agent that you have full coverage. Just look at the advertisements in your local newspaper or at the sign on the contractor's truck while sitting at a traffic light: 'We are fully insured.'

What does 'full coverage' mean? Many people believe it means that the insurance company will cover everything that may happen to you, your family, or business for any claim that may happen—anywhere, anytime, to anybody, for any amount. Never say never, but this will never happen.

Virtually all insurance policies contain language that can either restrict or exclude certain coverages or perils (cause of loss). In fact, to avoid confusion the insurance industry years ago changed the wording in policies from 'all risk' to 'open peril.'

There are three standard types of forms included on property policies issued today: basic (good), broad (better), and special (best).

- **Basic Form**, named 'peril coverage,' includes fire, lighting, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action.

- **Broad Form**, named 'peril,' includes basic form plus falling objects; weight of snow, ice, or sleet; and water damage.

- **Special Form**, named 'open peril,' will respond to any loss except for specific exclusions listed in the policy. Exclusions may include law and ordinance, Earth movement, government action, nuclear action, utility services, war and military action, water, fungus, etc.

Which type of 'form coverage' is included on your policy?

In addition to coverages and perils, each type of insurance policy may contain unique restrictions or exclusions. This not only applies to each type of policy; insurance companies can add their own coverage restrictions or exclusions as well. Whether you are insuring your vehicle, home, or business, or do business with companies, it is important to know what is covered and what is not covered.

You also need to balance between premium costs and coverage when determining what policy makes the best sense for your business and personal protection. You may not need all the endorsements or 'bells and whistles' on your policy; however, be careful not to compromise on valuable coverage. The most important assets are often our home, car, and business. It is important to secure coverage that provides you with the best coverage value for what you can afford. Value is a relative thing; you are looking for a fair return on the premium you pay. As the old saying goes, 'you get what you pay for.'

There is really no such thing as full coverage. As a consumer, you are not expected to be insurance experts, so remember to sit down with your agent to review your policies and understand the value they provide in terms of the type of coverage you have, as well as the type of coverage you need to insure life as you know it.

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