

A Note from our President: Application Warranties

It is a new year and a good time to start new ideas and concepts. In that light I will send you a short note every month.

The intent will be to share our experiences with respect to common business issues and areas of ambiguity with the products that we market in such a way that they become tools for our immediate business community to become informed and benefit from avoiding similar circumstances. For the month of January let's look at what "Application Warranties" mean in terms of an insurance contract.

Many of our policies are issued with the insurance application attached and forming a part of the issued policy. The application stresses that the information on the application used by the underwriters to offer and propose a rate for the policy is warranted by the applicant prospect and will become an integral part of the issued policy.

In real life, for example, let's say that you have a Jewelers Block Policy in force. The application, attached to the issued policy, lists ABC Company as the provider of a UL Certified Premises Working Alarm System of Extent 2AA and connected to your safe(s). In the event of a loss should the alarm not be working for any reason, or not be as specified on the application, the claim will likely be denied.

This is because the application "warranted" such a Premises Working Alarm System. Per the contract terms the claim adjuster will have no choice but to deny the claim. You may seek to go after the alarm company, but most alarm contracts waive any liability. So now you ask what the solution is. Well, the best solution is to choose a long established reliable and reputable alarm company with a good track record. I have seen many a prospect or sometimes clients who compromise on their systems, including not maintaining them properly for many different reasons.

Understanding this concept will go a long way in preventing a very unpleasant and costly experience. For the February issue I will write some notes on Consignment Goods, more commonly referred to in the Jewelry business as "Memo Goods".

JSIS Insurance, January 2008