



THE CHARTERED INSTITUTE
OF LOSS ADJUSTERS

PARTS OF THE PUZZLE -POLICY WORDINGS

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Introduction

Understanding the parts that make the whole of a Policy is key to starting your career in Claims Management. The below terms will be a common sight when reviewing Real Estate Insurance policies; but how well do you truly understand the terminology? The below will help you test your knowledge or develop your understanding of the three documents typically make up an insurance contract in the Real Estate insurance market.

These documents outline the terms and conditions of the agreement between the insurer and the policyholder, confirm the levels of cover purchased and act as proof of the coverage for the subject matter.

The Policy Wording

This sets out the terms and conditions of the insurance policy. It defines the coverage that is provided and outlines the specific perils and events that are covered, or those that are specifically excluded. Most policy wordings will be written on an "All Risks" basis, which will simply outline the perils and contingencies that are specifically excluded from the policy's cover. Policy wordings that are written by brokers tend to provide wider coverage, compared with those written by insurers, with less stringent restrictions and exclusions.

The Policy Schedule

This is usually the first page or first few pages of a policy that a customer will receive from their insurer. It summarises the policy's cover and provides details that are relevant to policyholder's business, such as:

- their name and address,
- the period of coverage,
- the premium amount,
- and any additional terms or endorsements that will extend or restrict the coverage that is set out in the policy wording.

This can be used a quick reference guide, collating the relevant information from the policy wording in a more accessible format.



The Policy Certificate

This serves as proof of the coverage for individual subject matter being insured (i.e. an individual property). It typically includes basic information such as the policy number, the insured party's name, the sums insured and the effective dates of the policy, along with details of any additional restrictions or increased excesses. The policy certificate is often issued to the policyholder as evidence of their insurance coverage and may be required when making a claim or when providing proof of insurance to third parties, such as lenders or regulatory authorities.

These three documents work together to form the insurance contract, with the policy wording being the most important document that provides the detailed terms and conditions of the policy. The policy schedule and certificate provide a summary and evidence of the coverage provided under the policy. It is important for policyholders to carefully review and understand these documents to ensure they are aware of their rights, responsibilities, and the scope of coverage provided by their insurance policy.

It should be noted that the Policy Schedule supersedes the Policy Wording, and the Policy Certificate supersedes the Policy Schedule.

Author

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