



Center for Enterprise Risk Management

# **Understand Your Insurances : Manuscript Vs. Standard Market Wordings**

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# Agenda

- Insurance Policy Wording – What and Why?
- Components of Wording.
- Significance – Relevance to Coverage.
- Market Prevalent wording – Normal Fire / CMI
- Comparison to Manuscript Wording
- Client Experience - HUBCO

# Purpose

Highlight the significance of Insurance  
Wording to Insurance buyers.  
The Good , Bad and Ugly.....

# Insurance Policy – What and Why?

- Insurance Contracts – Governed by Contract law [legally enforceable]
- Insurance Policy Wording – Represent the agreement between an Insurance Company and the Insured - Evidence of Contract between Insurer and Policy Holder.
- Central to any Insurance contract is the Insuring agreement. Insurance Policy wording is the Manifestation of the Insuring Agreement.

# Insurance Policy – Components

- Preamble/ Operative Clause
- Policy Schedule
- Definitions
- Exclusions
- General Conditions
- Specific Conditions & Warranties / Endorsements
- Coverage Extensions [if any]

# Insurance Policy Wording - Significance

Fulfil the formal requirement for a legal contract : Insurance Contracts either must be in writing [ Marine insurance] or Evidenced in writing.

Legal Tender : Contested in court of Law

Defines Length , Breadth and Depth of coverage afforded : Set limitations and boundaries.

## **Limited Standard Fire Policy Coverage:**

Fire & Lightning, Riot & Strike and Malicious Damage, Impact & Aircraft Damage, Earthquake Fire & Shock, Atmospheric Disturbance, Explosion, Burglary & Electrical Clause ‘B’

## **CMI Coverage:**

Advanced version of standard Fire policy with an extension of Machinery Breakdown and Business Interruption. The policy still have certain exclusion and restricted coverage on sub-limits.

# Comparison to Manuscript Wording

Normal Fire Policy	CMI	Marsh All Risk
<b>Basis of Indemnity :</b>		
Market Value	For all property 5 years from age of manufacture the basis is Actual Value (ie depreciation for age shall apply - also a similar depreciation for technological obsolescence if applicable).	New Replacement value on all assets, Current Technology is allowed
Undamaged Property - Not covered	Undamaged Property - Not covered	Replacement of undamaged property allowed
Depreciation applied in any case	Depreciation considering same age, kind and capacity	No depreciation applied
Average condition / Under Insurance shall apply where applicable	Average condition / Under Insurance shall apply where applicable	Average condition/ Under Insurance DOES NOT apply
Obsolescence not covered	Obsolescence not covered	Cover for parts and spares of lost property that has become obsolete
Loss to be covered under warranty/ guarantee is not recoverable	Loss to be covered under warranty/ guarantee is not recoverable	Marsh Form is silent on this and may indemnify and then seek recourse to other parties from which compensation could be due



# Comparison to Manuscript Wording

Normal Fire Policy	CMI	Marsh All Risk
<b>Extensions:</b>		
Fee / expenses not covered	Not part of standard CMI unless specifically agreed at additional premium	Architects, surveyor's, engineer's fee incurred for reinstatement
Cost associated with public municipal authorities not covered	Not part of standard CMI unless specifically agreed at additional premium	Public Authorities: this caters for costs following an insured loss to comply with requirements of public/ municipal authorities.
Deliberate Damage not covered	Not part of standard CMI Policy	Deliberate Damage to comply with public authority's directions following an insured loss.
Shut-down/start-up cost not covered	Not part of standard CMI Policy	Shut-down/ Start-up Cost following insured loss
Property in course of construction not covered	Not part of standard CMI unless specifically agreed at additional premium	Property in course of construction - including testing and commissioning for construction projects up to project value of USD 10 million.
claims preparation cost not covered	Not part of standard CMI unless specifically agreed at additional premium	Claims Preparation cost. This covers expense incurred for utilizing services of forensic accountants/ engineers/ experts to substantiate the loss to be an 'insured loss'.

# Comparison to Manuscript Wording

Normal Fire Policy	CMI	Marsh All Risk
<b>Exclusions:</b>		
Any 'underground property' is excluded	Any 'underground property' is excluded property under standard CMI	Underground storage facility including stocks therein are explicitly covered.
Pipelines is an excluded property	Pipelines is an excluded property under standard CMI	Pipelines is explicitly covered under Marsh Form.
Property in course of construction is excluded	Property in course of construction is excluded	This is covered under the Extension 'Property in course of Construction'
Only limited Riot & Strike coverage is available	Strike, Riot and Civil Commotion is a standard exclusion under CMI - 1.1	Strike, Riot and Civil Commotion is covered
Faults / defects not covered	Faults/ defects including those of which Insured was not aware of BUT should have been aware of	Marsh form does not have this as a stated condition and is likely to be catered for by 'inadvertent errors & omissions' clause

# Marsh Manuscript Wording - Exclusions

- ▶ Consequential loss
- ▶ Contract works
- ▶ Defective workmanship or design
- ▶ Deterioration:
- ▶ Disappearance
- ▶ Money
- ▶ Precious goods
- ▶ Production process
- ▶ Property excluded unless specified:
- ▶ Theft by employees:
- ▶ Transit
- ▶ Vehicles, aircraft and watercraft
- ▶ War, Confiscation, Terrorism and Nuclear risks
- ▶ Electronic data exclusion
- ▶ War and terrorism exclusion

**THANK YOU...**