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## **Insurance With Assurance**

### **Limits of Insurance And Valuation**

*by Rick Janis*

#### **What are the Limits of Insurance and Valuation I should consider when purchasing insurance?**

The most important part of any insurance product is the proper insurance coverage for your type of business exposures. The most obvious examples are fire insurance for your personal and real property, automobile liability and Comprehensive/collision coverage for your vehicles and workers compensation Coverage for your employees.

No matter what coverage you decide upon it is always important to consider the amount of insurance your company needs for each coverage. In the case of property insurance, it is more important to focus on the type of valuation the policy offers.

Let's discuss the proper limits for the most common insurance products and how certain types of valuation will affect those coverages. A good example is property coverage for both real and personal property. Real property is generally considered to be the building, or any equipment that is installed or attached to the building. Personal property would be office furniture, office machines, etc. These coverages can be written in one of two ways - either on a replacement cost or actual cash value (ACV) basis.

We believe that these should always be written on a replacement cost basis so as to avoid the depreciation clause of an ACV policy. Once you have determined that you want the replacement cost, it is important that you or your agent make sure that you are insured to value. There are several ways to make sure you have proper valuation. The easiest way is to have the insurance company do an inspection. Their inspector will make a valuation of the building and recommend the proper limit. Your insurance agent can also provide this service.

Automobile liability limits are always a big question mark when it comes to determining what is enough. Your insurance agent or company representative can help you determine the proper limit. Some state laws also can be of some guidance. However, the more limit you buy the more likely the premium will decrease per \$100,000 of coverage. Most carriers will allow you to add the auto liability to the umbrella once you have a \$1,000,000 underlying auto limit.

The toughest decision is to try and determine how much uninsured/underinsured auto liability limit to purchase. Uninsured/underinsured liability is coverage for passengers in your vehicles who are injured in your vehicle by someone who does not have insurance or does not have enough insurance to properly settle the claim. Different states have different laws relating to these coverages so check with your insurance professional. However, in those states where

there is no maximum limit to these coverages. A good rule of thumb is to purchase the same limit for these coverages as you purchase for your auto liability.

Workers compensation limits are subject to state laws and should be purchased as such. However, employers' liability in most states is not subject to maximum limits. This coverage protects the policyholder from suits brought by employees who have been injured and feel they have a case that is not subject to the workers compensation laws. This coverage can also be included in your umbrella liability policy subject to various underlying limits.

These are just a few of the limits and valuations you should consider when purchasing insurance. There are many more, but these basics can give you a better understanding of the proper insurance coverage. As always, you should rely on your insurance professional for the proper advice.

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