

# Understanding Your Insurance Policy

An insurance policy is a legal contract between an insurance company (the insurer), and the person(s), business, or entity being insured. Reading your policy helps you verify that the policy meets your needs and that you understand your and the insurance companies responsibilities if a loss occurs.

## Basic Parts to an Insurance Contract:

- **Declarations Page.** Usually the first part of an insurance policy. It identifies who is an insured, what risks or property are covered, the policy limits, and the policy period. The declarations page of an automobile policy will include the description of the vehicle covered, the name of the person covered, the premium amount, and the deductible. The declarations page of a life insurance policy will include the name of the person insured and the face amount of the life insurance policy.
- **Insuring Agreement.** Summarizes the major promises of the insurance company, as well as states what is covered. In the Insuring Agreement, the insurer agrees to do certain things such as paying losses for covered perils, providing certain services, or agreeing to defend the insured in a liability lawsuit.
- **Exclusions.** Take coverage away from the Insuring Agreement. The three major types of exclusions are excluded perils or causes of loss, excluded losses, and excluded property. Examples of excluded perils under a homeowners policy are flood and earthquake.
- **Conditions.** Provisions inserted in the policy that qualify or place limitations on the insurer's promise to pay or perform. If the policy conditions are not met, the insurer can deny the claim. Common conditions in a policy include the requirement to file a proof of loss with the company, protect property after a loss, and to cooperate during the company's investigation or defense if a liability lawsuit.

## Definitions

Most policies have a Definitions section, which defines specific terms used in the policy. It may be a stand- alone section or part of another section. In order to understand the terms used in the policy, it is important to read this section.

## Endorsements and Riders

An insurer may change the language or coverage of a policy at the time of the policy renewal. Endorsements and riders are written provisions that add to, delete, or modify the provisions in the original insurance contract. It is important that you read all Endorsements or Riders so you understand how your policy has changed and if the policy is still adequate to meet your needs.



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