



## Consumer Advisory – HOW INSURANCE ENDORSEMENTS and RIDERS WORK<sup>1</sup>

As of January 14, 2021

You've just purchased a beautiful, expensive piece of jewelry that you want to protect if it's lost, damaged or stolen so you ask your insurance producer (agent or broker) to add coverage onto your homeowners insurance policy. As a small business owner, you or your insurer requests a change to your insurance policy that would add, limit, exclude or eliminate a particular coverage for your company's particular type of risk(s). These examples, which involve changing the terms or conditions of your current, existing insurance policy are accomplished with a policy "endorsement." An endorsement, also known as a rider, adds, deletes, excludes or changes insurance coverage. An endorsement/rider takes precedence over the standard limits or terms of coverage found in the original policy.

### HOW AN INSURANCE ENDORSEMENT/RIDER WORKS

An insurance endorsement/rider is an amendment to an existing insurance contract that changes the original policy's terms. An endorsement/rider can be issued at the time of purchase, mid-term or at renewal time. An endorsement may cause your premium to go up or down depending upon the type of endorsement.

You can have an endorsement/rider on your homeowners, renters, automobile or life insurance or business policies. Endorsements/riders may include adding or deleting people, vehicles, equipment and locations to your current insurance policy. Endorsements/riders are important because they customize your original contract or policy for your specific risks.

- Additional Coverage – An endorsement can add or include coverage that would otherwise be excluded.
- Exclusions – An endorsement can exclude coverage for certain types of claims.
- Modification of Coverage – An endorsement can expand or restrict the scope or amount of existing coverage.

### WHAT YOU SHOULD KNOW

**Be informed of any insurance policy changes.** Endorsements can vary depending upon the insurer and the type of insurance to which the endorsement applies. If you receive a document stating that there is an endorsement to your policy, be sure to

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carefully compare it to your original policy, and talk with your insurance producer about the changes to make sure you understand them.

**Educate yourself on how an endorsement can protect your belongings.** If you have expensive jewelry, like a diamond engagement ring or vintage necklace, you might want to consider an endorsement/rider. This type of endorsement can provide coverage for a higher limit and wider range of perils or causes of loss or damage than your original homeowners policy. Other items of value that you may want to purchase an endorsement/rider for may include antiques, fine art, and stamp or coin collections, to name a few.

You can also purchase an endorsement to cover additional perils that are not covered under your standard homeowners policy. For instance, many homeowners insurance policies exclude coverage for mold damage or sump pump overflow. An endorsement to your insurance policy can provide you with added protection.

Another type of optional endorsement is an inflation guard endorsement, which protects you from increasing costs to repair or rebuild your home after a covered loss. This type of endorsement is common and automatically increases the amount of insurance coverage on your home each year to account for rising construction costs caused by inflation.

### **THREE THINGS TO REMEMBER**

- An endorsement/rider alters the policy and becomes part of your legal insurance contract.
- Always keep a copy of the endorsement and the change notice that accompanies the endorsement along with your copy of the original policy since it remains in force until the contract expires.
- Endorsements can reduce or increase your policy premium.