

Table of Contents

	Page
PREFACE TO THE SECOND EDITION	III
PREFACE TO THE FIRST EDITION	V
HOW TO READ THIS TEXT	VII
CHAPTER 1. INSURANCE: CONCEPTUALIZATION AND CLASSIFICATION 1	
§ 1.1 Insurance, Insurance Transactions, and Insurance Law	1
§ 1.1(a) Introduction.....	1
§ 1.1(b) The Problem of Definition	3
§ 1.2 Disputes About What Constitutes Insurance.....	5
§ 1.3 Concepts Underlying Insurance.....	7
§ 1.3(a) Risk	7
(1) The Concept.....	7
(2) Terminology: Risk, Hazard, and Peril	8
§ 1.3(b) Risk Management	9
(1) Risk Control.....	9
(2) Risk Transference, Risk Distribution, and Reinsurance.....	10
(3) Risk Retention (“Self-Insuring”)	12
§ 1.3(c) Adverse Selection.....	12
§ 1.3(d) Moral Hazard	13
§ 1.4 The Role of Classification in Insurance Law.....	14
§ 1.5 Classification by the Nature of the Risks	16
§ 1.5(a) Introduction.....	16
(1) Influences on Classification by Risk	16
(2) All-Risk and All-Lines Insurance.....	17
§ 1.5(b) Marine, Inland Marine, and Fire Insurance	17
(1) Marine Insurance.....	17
(2) Inland Marine Insurance.....	18
(3) Fire Insurance	18
§ 1.5(c) Life and Accident Insurance	18
(1) Life Insurance	18
(2) Industrial Life Insurance	20
(3) Trip Insurance.....	22
(4) Annuities	22
§ 1.5(d) Casualty Insurance.....	23
§ 1.5(e) Title Insurance.....	23
CHAPTER 2. THE MARKETING OF INSURANCE 25	
§ 2.1 Organization of Marketing	26
§ 2.1(a) Organizations That Sell Insurance.....	26
(1) Lloyd’s Insurers.....	26
(2) Stock Companies.....	29

	(3) Mutual Insurers	29
§ 2.1(b)	Control over Underwriting	31
	(1) Centralization of the Power to Contract.....	31
	(2) Decentralization of the Power to Contract	32
	(3) Factors Bearing on Centralization.....	32
§ 2.1(c)	Structuring the Marketing Transaction.....	34
	(1) Offer, Acceptance, and Counteroffer.....	34
	(2) Interim Coverage	35
	(3) Delivery of an Insurance Policy	36
§ 2.2	Oral Contracts of Insurance	38
§ 2.2(a)	Usefulness and Disadvantages of Oral Agreements	38
§ 2.2(b)	Requisites for Oral Contracts.....	39
§ 2.2(c)	Oral Insurance Contracts and the Statute of Frauds.....	40
	(1) Oral Agreements to Arrange for Renewals	40
	(2) Guaranty Insurance.....	41
	(3) Reinsurance Agreements.....	42
§ 2.2(d)	Oral Contracts and the Potential Impact of Sanctions	42
§ 2.2(e)	Specific Provisions That Require Written Contracts or Written Documents	43
§ 2.3	Temporary Contracts of Insurance	44
§ 2.3(a)	The Need for Temporary Contracts of Insurance	44
§ 2.3(b)	The Use of Conditional Receipts in Life Insurance Marketing	46
§ 2.3(c)	Judicial Restructuring of the Life Insurance Marketing Transaction.....	49
	(1) Conditional Binding Receipts as Contracts of Adhesion	52
	(2) Unconscionability in Binding Receipt Transactions.....	52
	(3) Adverse Selection Problems	53
	(4) Free Temporary Insurance for “Uninsurables”?	54
	(5) Funding Judicially Imposed Temporary Coverage	54
	(6) Temporary Coverage and the Question of the Obligation to Issue Long Term Coverage	55
§ 2.3(d)	Avoiding the Binding Receipt Coverage Controversy	56
§ 2.3(e)	Scope of Temporary or Interim Coverage.....	58
§ 2.4	Delay in Acting on an Application for Insurance.....	60
§ 2.4(a)	The Duty to Act Promptly	60
§ 2.4(b)	Comparisons of Judicially Recognized Grounds for Liability	62
	(1) Estoppel	62
	(2) Implied Agreement to Act Promptly	63
	(3) Silence as Acceptance	64
	(4) Tort Liability	64
§ 2.4(c)	Recognizing Public Policy Justification for Liability for Delay	65
§ 2.4(d)	Whose Cause of Action?	66
§ 2.5	Intermediaries in Insurance Marketing	67
§ 2.5(a)	The Agents, Brokers, and Employees Who Sell Insurance	67
§ 2.5(b)	Insurance Terminology and Agency Law	67
	(1) Life Insurance Terminology	68
	(2) Fire, Marine, and Casualty Insurance Terminology	69
	(3) Insurance Brokers.....	70

(4) Terminology, Contractual Limitations on Authority, and Liability: Express Authority and Apparent Authority	71
(i) Express Authority	71
(ii) Apparent Authority.....	72
§ 2.5(c) Liability of Insurers and Intermediaries in Insurance Marketing Transactions.....	73
(1) Introductory Note.....	73
(2) Liability of Intermediary and Insurer When an Insurance Company Has Been Specified or Otherwise Indicated.....	74
(3) Liability of Intermediaries and Insurers in Marketing Transactions When No Insurance Company Has Been Specified.....	75
(4) Liability of Intermediary for Failure to Procure Adequate Coverage	77
(5) Theories of Liability for Intermediaries	79
(i) Liability Based on Contract.....	79
(ii) Liability Based on Tort	80
(iii) Liability to Injured Party.....	81
(iv) Applicant Insured's Duty of Care.....	81
(v) Liability Based on Breach of Fiduciary Duty	84
§ 2.5(d) Misleading and Erroneous Applications of Agency Classifications	84
§ 2.5(e) Insurance Intermediaries and Conflict of Interests	85
§ 2.6 Group Marketing and Coverage Under Group Contracts	88
§ 2.6(a) Introduction.....	88
§ 2.6(b) Group Insurance and Adverse Selection	90
§ 2.6(c) Mistakes by the Group Administrator	91
§ 2.6(d) Group Insurance and Agency Concepts.....	94
§ 2.6(e) Modification of Group Contracts.....	95
§ 2.6(f) Termination or Cancellation of Coverage.....	96
§ 2.7 Marketing Insurance Without Sales Representatives	97
§ 2.8 The Development and Marketing of Standard Insurance Contracts	100
§ 2.8(a) The Role of Standardization.....	100
§ 2.8(b) The Processes That Produce Standardization	102
(1) Legislative Prescription and Proscription of Policy Terms	103
(2) Administrative Prescription of Policy Forms Under Statutory Authorization	104
(3) Legislative Requirements for Administrative Approval of Policy Forms	105
(4) Cooperation Among Insurers in Developing Policy Forms....	106
(5) Standardization of a Single Company's Policy Forms	106
§ 2.8(c) Individualization, Standardization, and Adhesion.....	106
CHAPTER 3. INDEMNITY AND INSURABILITY	111
§ 3.1 Indemnity and Insurability: An Introduction	112
§ 3.1(a) The Principle of Indemnity.....	112
§ 3.1(b) The Doctrine of Insurable Interest	113
§ 3.1(c) Potential Evils of Net Gains from Insurance	114

§ 3.1(d)	Conflicts Between the Principle of Indemnity and Other Principles or Goals	117
	(1) Introduction	117
	(2) Insurance as a “Personal” Contract	118
§ 3.1(e)	Characterization of All Insurance Policies as Contracts of Indemnity	119
§ 3.2	History of the Insurable Interest Doctrine.....	120
§ 3.2(a)	The Statute of George II.....	120
§ 3.2(b)	The Statute of George III	120
§ 3.2(c)	British Marine Insurance Acts of 1906 and 1909	121
§ 3.2(d)	“Legal” Versus “Factual” Insurable Interests: The Emergence of Competing Theories	121
§ 3.2(e)	Adoption and Development of the Doctrine in America	124
§ 3.2(f)	The Policy Proof of Interest (P.P.I.) Clause and Honor Policies	125
§ 3.3	Applications of the Insurable Interest Doctrine.....	126
§ 3.3(a)	Introduction.....	126
§ 3.3(b)	The Time When an Insurable Interest Must Exist	127
	(1) Life Insurance	127
	(2) Property Insurance	130
	(3) Observations.....	131
§ 3.3(c)	The Right to Question the Existence of an Insurable Interest	133
	(1) Generally	133
	(2) Estoppel and the Insurable Interest Doctrine	134
	(3) Incontestability Clauses	136
§ 3.3(d)	Return of Premiums When an Insurable Interest Is Lacking	136
§ 3.3(e)	The Insurable Interest Doctrine as an Impairment of Freedom of Contract and Stability of Contract	138
§ 3.4	Insurable Interests for Property Insurance	140
§ 3.4(a)	Types of Insurable Interest in Property	140
	(1) Generally	140
	(2) Property and Contract Rights	141
	(3) Legal Liabilities as Insurable Interests	142
	(4) Representative Relationship as an Insurable Interest.....	142
	(5) Factual Expectancies as Insurable Interests	143
§ 3.4(b)	Relationships Between Objectives and Theories of Insurable Interest and Indemnity	147
	(1) Generally	147
	(2) Deviations Toward More Rigorous Insurable Interest Requirements than Those Warranted by the Principle of Indemnity	148
	(3) Deviations Toward Less Rigorous Insurable Interest Requirements than Those Warranted by the Principle of Indemnity.....	150
§ 3.4(c)	Common Factual Patterns	151
	(1) Property Owned by a Spouse.....	151
	(2) Property Owned by a Corporation	151
	(3) Property Owned by a Debtor	152
§ 3.5	Insurable Interests for Life Insurance.....	152
§ 3.5(a)	Introduction.....	152

§ 3.5(b)	Obtaining Insurance on One's Own Life	153
(1)	Generally	153
(2)	Wagering Transactions.....	154
§ 3.5(c)	Relationships Supporting an Insurable Interest in Another's Life	154
(1)	Introduction.....	154
(2)	Family Relationships	155
(3)	Non-Family Relationships.....	156
(4)	Consent of the Person Whose Life Is Insured	158
§ 3.5(d)	Beneficiaries and Assignees Without an Insurable Interest	159
§ 3.5(e)	The Risk of Inducement to Murder.....	163
§ 3.5(f)	Insurable Interests for Industrial Life Insurance	164
§ 3.5(g)	Insurable Interest for Liability Insurance	165
§ 3.6	Rules for Preventing Net Gain.....	166
§ 3.6(a)	The Rules.....	166
(1)	Nonliability.....	167
(2)	Liability for Net Economic Loss	167
(3)	Liability for Modified Gross Loss	168
(4)	Liability for Distributed Gross Loss	168
§ 3.6(b)	The "Unearned" Premium Question	169
§ 3.7	The Measure of Recovery in Marine Insurance	170
§ 3.7(a)	Types of Marine Losses	170
§ 3.7(b)	The Measure of Recovery for Cargo Losses.....	172
§ 3.7(c)	The Measure of Recovery for Hull Losses	173
§ 3.8	Coinurance Provisions in Property Insurance.....	175
§ 3.8(a)	Generally	175
§ 3.8(b)	The New York Standard Coinurance Clause	176
§ 3.9	The Measure of Recovery in Property Insurance.....	179
§ 3.9(a)	Generally	179
§ 3.9(b)	Depreciation	181
§ 3.9(c)	Replacement Coverage	183
§ 3.9(d)	Obsolescence.....	185
§ 3.9(e)	Property Subject to a Condemnation Order, an Executory Demolition Contract, or a Right of Redemption	186
§ 3.9(f)	Use and Occupancy Losses.....	189
§ 3.9(g)	Relation to the Principle of Indemnity	189
§ 3.10	Subrogation	190
§ 3.10(a)	Subrogation Rights by Type of Insurance	190
(1)	Introduction.....	190
(2)	Property Insurance	193
(3)	Liability Insurance.....	194
(4)	Uninsured Motorist Insurance	195
(5)	Casualty Insurance.....	196
(6)	Life and Accident Insurance.....	196
(7)	Medical and Health Insurance	198
(8)	Workers' Compensation Insurance	200
§ 3.10(b)	Allocation of Recoveries When an Insurer Has a Subrogation Interest	201
(1)	Approaches to Allocation	201

	(2) Settlements.....	204
	(3) Litigation Costs and Attorney Fees	205
§ 3.10(c)	Enforcement of Subrogation Rights.....	206
	(1) Parties to Actions	206
	(2) Splitting the Cause of Action	207
	(3) Precluding Interference with Subrogation Rights	209
	(4) Remedies for an Insured's Breach or Impairment of the Insurer's Subrogation Rights	209
§ 3.10(d)	Impediments to Subrogation.....	211
	(1) Introduction.....	211
	(2) The Primary Obligation Rule	212
	(3) Voluntary Payments by Insurers	213
	(4) Claims Against Common Carriers	214
	(5) Implied Insureds	215
§ 3.10(e)	Observations.....	216
§ 3.11	Other Insurance Clauses	217
§ 3.11(a)	Introduction.....	217
	(1) Types of Other Insurance Clauses	217
	(2) Purposes of Other Insurance Clauses.....	219
	(3) Enforceability of Other Insurance Clauses	220
	(4) Comment.....	222
§ 3.11(b)	Property Insurance	222
§ 3.11(c)	Life Insurance	223
§ 3.11(d)	Health Insurance	224
§ 3.11(e)	Liability Insurance	225
	(1) Generally	225
	(2) Enforceability	226
	(3) Allocation of Liability.....	227
§ 3.11(f)	Other Insurance Clauses in Uninsured Motorist Insurance	228
	(1) Introduction.....	228
	(2) Enforcement of the Excess-Escape Provision.....	229
	(3) The Other Insurance Provision of the 1977 Insurance Services Office Uninsured Motorist Insurance Form	232
§ 3.11(g)	Other Insurance Clauses and Agreements Allocating the Insured Risk	233
§ 3.11(h)	Observations on Other Insurance Clauses.....	234
§ 3.12	Valued Policies	235
§ 3.12(a)	Property Insurance	235
	(1) Real Property Insurance.....	235
	(2) Personal Property Insurance.....	237
	(3) Use and Occupancy and Business Interruption Insurance....	237
§ 3.12(b)	Marine Insurance.....	238
CHAPTER 4. PERSONS AND INTERESTS PROTECTED		239
§ 4.1	Methods of Defining the Persons and the Interests Protected	240
§ 4.1(a)	Introduction.....	240
§ 4.1(b)	Ways of Designating Insureds in Various Types of Insurance	242
	(1) Designating Insureds in Property Insurance.....	242

(2)	Allocating Insurance Benefits in Multi-Party Property Insurance Arrangements	243
(3)	Distinguishing “Insureds” from Others Benefiting from Property Insurance	246
(4)	Designating Insureds in Casualty Insurance	247
(5)	Designating Insureds in Life Insurance	248
§ 4.1(c)	Assignments	249
(1)	Introduction	249
(2)	Assignments of Insurance Policies	249
(3)	Assignments of the Right to Be Paid Insurance	254
§ 4.1(d)	Observations on Ascertaining the Status of a Claimant	256
§ 4.2	Interests in Property That Is Mortgaged, Including Subrogation Rights	256
§ 4.2(a)	Questions Underlying Conflicting Claims When Insurance Is Paid to a Mortgagee	256
§ 4.2(b)	The Right of Subrogation When Insurance Is Paid to a Mortgagee	257
§ 4.2(c)	Mortgagee-Only Insurance: Subrogation and Premium Rates	261
§ 4.2(d)	Personal Property Insurance: Subrogation to a Mortgagee’s Rights	263
§ 4.2(e)	Assignability of a Mortgagee’s Interest	265
§ 4.2(f)	Subrogation to a Mortgagee’s Tort Claim Against a Third Person That Caused a Motor Vehicle Accident	267
§ 4.3	Interests in Real Property That Is Being Sold: Providing Coverage for the Seller and Purchaser of Realty	267
§ 4.3(a)	Introduction	267
§ 4.3(b)	Allocation of the Risk of Casualty Loss as Between a Seller and a Purchaser of Realty	268
§ 4.3(c)	Explicit Contractual Provisions	271
§ 4.3(d)	Defenses Based on an Insured’s Failure to Comply with Coverage Terms	272
§ 4.3(e)	Solutions to Coverage Claims When Both the Seller and the Purchaser Have Acquired Property Insurance and the Contract Provisions Are Inconclusive	273
(1)	Liability-for-Insurable-Interest	273
(2)	Liability-for-Full-Loss	275
(3)	Primary-and-Excess-Coverage	276
(4)	Proration of Coverage	276
§ 4.4	Leases and Life Estates in Realty	277
§ 4.4(a)	Rules Applicable When Contractual Provisions in Leases Are Inconclusive	277
§ 4.4(b)	Subrogation of the Lessor’s Insurer to the Lessor’s Claims for Indemnity Against the Tenant	280
§ 4.4(c)	Life Estates and Other Limited Interests in Realty	283
§ 4.4(d)	Interest of Personal Representatives; Survivorship	286
§ 4.5	Interests in Personal Property Held in Bailment, “In Trust,” “On Commission,” or in Analogous Ways	286
§ 4.5(a)	Generally	286
§ 4.5(b)	Relation to Coinsurance Provisions	288

§ 4.6	Generalizations Applicable to “Multiple Interests” Problems in Property Insurance	290
§ 4.7	Omnibus Clauses	294
§ 4.7(a)	Generally	294
§ 4.7(b)	Omnibus Liability Insurance Coverage..... (1) Automobiles	296
	(2) Liability	302
	(3) Rights of Additional Insured	307
	(4) Injury to a Named Insured by an Additional Insured	308
	(5) Comment: An Appraisal of Omnibus Clauses in Automobile Liability Coverages	310
§ 4.7(c)	“Omnibus” Uninsured Motorist Insurance Coverage for Occupants of Motor Vehicles	311
	(1) Proximity to an Insured Vehicle	312
	(2) Activities Related to the Use of an Insured Vehicle	313
	(3) Claims Beyond the Scope of Protection	314
§ 4.8	Liability Insurance.....	315
§ 4.8(a)	Generally	315
§ 4.8(b)	Insolvency of an Insured: Insurance Policy Clauses, Statutory Provisions, and Vested Rights	316
§ 4.8(c)	Direct Liability Statutes: Statutory Limitations on Defenses Available to Liability Insurers	318
§ 4.8(d)	Liability Insurance and the Immunity of Insureds from Tort Liabilities.....	320
§ 4.9	Automobile Insurance	323
§ 4.9(a)	Generally	323
§ 4.9(b)	Liability Insurance for the Operators of an “Insured” Vehicle	324
	(1) Pre-1966 Coverage Terms	324
	(2) Post-1966 Coverage Terms	325
§ 4.9(c)	Liability Insurance Exclusions	325
	(1) Specified Persons, Classes of Persons, and Family Members	325
	(2) Employees of an Insured	328
§ 4.9(d)	Medical Payments Coverage	328
§ 4.9(e)	Uninsured and Underinsured Motorist Insurance	328
§ 4.9(f)	The Standardization of Automobile Insurance Forms	331
§ 4.9(g)	Comments on the Adequacy of Coverage Provided by the Standard Automobile Insurance Forms	332
§ 4.10	No-Fault Motor Vehicle Insurance.....	333
§ 4.10(a)	Introductory Note: Fault and No-Fault Coverages for Accident Victims	333
§ 4.10(b)	Motor Vehicles, Accidents, and Insurance Legislation: A Brief History	335
§ 4.10(c)	No-Fault Automobile Insurance in Massachusetts	338
§ 4.10(d)	No-Fault Legislation in Other States	341
§ 4.10(e)	The Impact of No-Fault Automobile Insurance	343
§ 4.11	Life Insurance.....	344
§ 4.11(a)	Generally	344
§ 4.11(b)	Community Property and Life Insurance	345

§ 4.11(c)	Beneficiary Clauses of Life Insurance Policies	346
	(1) Designation of Beneficiaries	346
	(2) Payment Arrangements.....	346
§ 4.11(d)	Formalities for Changing Beneficiaries.....	348
	(1) Partial Compliance with Formalities	348
	(2) Effect of Divorce on Beneficiary Designation	350
	(3) Standing to Raise Compliance with Formalities	351
	(4) Insurance for Military Personnel.....	353
	(5) Double Liability for Insurers.....	354
§ 4.11(e)	Assignments of Life Insurance.....	354
	(1) Beneficiaries Versus Assignees	354
	(2) Compliance with Formalities	355
§ 4.11(f)	Creditors as Beneficiaries or Assignees	357
	(1) Insurance Acquired by a Debtor	357
	(2) Insurance Acquired by a Creditor	359
§ 4.11(g)	Disqualification of Beneficiaries	360
	(1) Generally	360
	(2) The Effect of Legislative Provisions That Affect a Beneficiary's Right to Receive Life Insurance.....	362
	(3) Who Is Entitled to Proceeds After a Beneficiary's Disqualification?.....	364
	(4) Arguments for Not Paying the Life Insurance Proceeds	366
CHAPTER 5. THE RISKS TRANSFERRED		369
§ 5.1	Defining and Restricting the "Risks" Transferred	370
§ 5.1(a)	Introductory Note.....	370
§ 5.1(b)	Approaches to Defining the Risks Transferred: All-Risk and Specified-Risk Policies	371
	(1) Generally	371
	(2) Common Types of All-Risk Insurance	372
§ 5.1(c)	The Effect of an Insurance Policy's Design on Burdens of Proof.....	373
§ 5.1(d)	Insurance "Packages" and Gaps in Coverage.....	375
§ 5.2	Insurance Policy Provisions That Expressly Restrict the Risks Transferred.....	377
§ 5.2(a)	Generally	377
§ 5.2(b)	Insurance Policy Terms That Both Define and Limit Coverage: Illustrations from Motor Vehicle Insurance.....	377
§ 5.3	Implied Exceptions to the Risks Transferred.....	382
§ 5.3(a)	Principles Underlying Implied Exceptions.....	382
§ 5.3(b)	Implied Exceptions Applicable to Life Insurance	385
	(1) Public Executions	385
	(2) Criminal Activities	387
	(3) Suicides	388
	(4) Claims for Life Insurance Benefits by Wrongdoers	389
	(5) Payment of Insurance Benefits to "Innocent" Claimants.....	391
§ 5.3(c)	Marine Insurance and the "Inherent Vice" Exception	392
§ 5.3(d)	An Implied Exception for Property Insurance: The "Friendly Fire" Rule.....	393

§ 5.3(e)	Fire Insurance Coverage for Grossly Negligent or Reckless Conduct.....	397
§ 5.3(f)	Liability Insurance Coverage for Intentional Torts	398
§ 5.3(g)	Liability Insurance Coverage for Punitive Damages	400
§ 5.4	Insurance Policy Provisions and Other Requirements Concerning the "Accidental" or "Unintentional" Nature of Losses	403
§ 5.4(a)	Introduction.....	403
§ 5.4(b)	Accidental "Causes" and Accidental "Results"	404
	(1) Life Insurance Policy Provisions.....	404
	(2) Accident Insurance Policy Provisions	405
	(3) "Accidental Means" and "Accidental Results"	407
	(4) Fortuity and Suicide	410
	(5) The Consequences of Criminal Acts as Accidents.....	413
	(6) Insured's Death Resulting from the Exercise of Self-Defense.....	414
§ 5.4(c)	Selecting the Vantage Point from Which to Analyze Whether a Loss Is "Accidental"	415
	(1) Introductory Note.....	415
	(2) Life Insurance and Death Benefits in Accident Insurance	417
	(3) Uninsured Motorist Insurance	418
	(4) Property Insurance	419
	(5) Liability Insurance.....	420
§ 5.4(d)	Liability Insurance for Intentional Torts	420
	(1) Generally	420
	(2) Approaches to Assessing Whether Liability Coverage Exists for a Consequence That the Tortfeasor Allegedly Did Not Intend.....	424
	(3) Wanton or Reckless Acts	427
	(4) Motor Vehicle Liability Insurance as Protection for the Victim's Interest	428
	(5) Vicarious Liability for Intentional Torts and Negligent Supervision	430
	(6) "Assault and Battery": Special Coverage Problems in Regard to Liability Insurance	431
	(7) The Capacity to Act and Coverage for Intentional Torts	433
	(8) Professional and Business Liability Coverage for Intended Consequences.....	434
§ 5.4(e)	Insurance Coverage for "Highly Expectable" Losses	435
	(1) Business Costs.....	436
	(2) "Calculated Risks"	436
	(3) Coverage for Nuisances	437
	(4) Coverage for Defective Products	438
	(5) First Party Coverage for Losses Resulting from Medical Treatment.....	439
	(6) Incredibly Foolish Conduct: The "Damn Fool" Doctrine	440
§ 5.4(f)	Failure of an Insured to Prevent or Mitigate an Injury	442
	(1) Clauses Designed to Prevent Losses from Occurring	442
	(2) Clauses Designed to Prevent Additional Losses	442
	(3) Duty to Mitigate in Absence of Clause	443

§ 5.5	Causation Problems	444
§ 5.5(a)	Introduction.....	444
	(1) The “Cause-Event-Result” Trichotomy.....	445
	(2) Patterson’s Classification System.....	446
	(3) Contract and Tort.....	446
	(4) Covered and Non-Covered Causation Clauses.....	449
	(5) Anti-Concurrent Causation (“ACC”) Clauses.....	453
	(6) “Arising From or Out of”	454
§ 5.5(b)	Causation in Relation to Collision and Comprehensive Coverages in Motor Vehicle Insurance	455
§ 5.5(c)	Problems of Legal (Proximate) Cause: Tort Versus Contract	457
§ 5.5(d)	Causation, Overlapping Coverages, the Indemnity Principle, and Premium Inequities	460
	(1) The Goal of Indemnifying and the Indemnity Principle.....	460
	(2) Premium Inequities	461
§ 5.5(e)	Observations.....	462
§ 5.6	Warranty: Insurance Policy Provisions and Legal Consequences	463
§ 5.7	Misrepresentations and Mistakes in Applications for Insurance	466
§ 5.8	Concealment	471
§ 5.8(a)	Generally	471
§ 5.8(b)	Changing Circumstances or Changes in What the Applicant Knows	474
§ 5.8(c)	Life Insurance Applications and Binding Receipts	476
§ 5.8(d)	The Experienced Insurance Purchaser.....	477
§ 5.8(e)	Marine Insurance.....	477
	(1) Inland Marine Insurance.....	478
	(2) Fire Insurance Contrasted	478
§ 5.9	Limits of Liability Provisions	478
§ 5.9(a)	Generally	478
§ 5.9(b)	Multiple Coverages and Multiple Claims.....	479
	(1) Multiple Coverage Claims by a Single Individual Under a Single Insurance Policy	479
	(i) Multiple Units of Medical Payments Insurance	480
	(ii) Multiple Units of Uninsured Motorist Insurance	481
	(iii) Multiple Units of Different Coverages.....	482
	(2) Multiple Claims Under a Single Coverage: Loss of Consortium	483
§ 5.9(c)	Separation of Insureds Provision	483
§ 5.10	Duration of the Coverage Period.....	485
§ 5.10(a)	Introductory Note.....	485
§ 5.10(b)	Claims for Coverage Beyond the Duration Specified in the Declarations	485
	(1) Determining the Commencement Date for Coverage and the Anniversary Date for Renewals.....	485
	(2) Restricting Coverage to the Period of Time Specified in the Declarations	486
	(3) Extending Coverage to a Time Period After the Anniversary Date.....	487

(4) Claims for Coverage During an Application Period.....	487
(5) Claims Predicated on an Insured's "Acceptance" of a Tardy Premium Payment	489
(6) Avoiding Coverage Gaps by Providing for Automatic Renewals.....	489
§ 5.10(c) Providing Coverage for Events That Occur Before Insurance Is Acquired.....	489
(1) Marine Insurance.....	490
(2) Property Insurance	490
(3) Liability Insurance.....	491
§ 5.10(d) Defining and Discerning the Scope of the Coverage Period.....	492
(1) Coverage for "Occurrences"	492
(2) Provisions That Limit Coverage to Losses "Incurred" Within a Prescribed Time Period	493
(3) "Claims Made" Coverage	494
(4) "Delayed-Manifestation" Injuries.....	497
(i) Injury in Fact.....	498
(ii) Exposure	499
(iii) Manifestation.....	500
(iv) Single Trigger	501
(v) Continuous or Multiple Triggers.....	502
§ 5.11 Termination of Coverage	505
§ 5.11(a) Introduction.....	505
§ 5.11(b) Nonpayment of Premiums.....	505
§ 5.11(c) Cancellation of Insurance by an Insurer.....	507
(1) Cancellation and Marketing Practices	508
(2) Motor Vehicle Insurance.....	508
(3) Life Insurance	509
(4) Health and Accident Insurance.....	510
(5) Notice of Cancellation	510
§ 5.11(d) Cancellation of Insurance by an Insured	510
(1) Generally	510
(2) Cancellation and Right to Premium Refunds	510
§ 5.11(e) Group Insurance Contracts: Termination of Individual Policies	511
§ 5.12 Renewal of Insurance Policy.....	512

CHAPTER 6. RIGHTS AT VARIANCE WITH INSURANCE POLICY

PROVISIONS	515
§ 6.1 Introduction to Principles and Defenses.....	516
§ 6.1(a) The Most Influential Principles and Doctrines Employed to Justify Variance Claims	516
§ 6.1(b) Other Principles Employed by Courts to Justify Rights at Variance with Policy Provisions.....	518
(1) Reformation	518
(2) Rescission	519
(3) Waiver and Estoppel.....	519
(4) Election	520

	(5) Variance Theories and the Authority of Sales Representatives.....	522
	(6) Variance Theories and Incontestability Clauses	522
	(7) Observations.....	523
§ 6.1(c)	Defenses to Variance Claims.....	523
	(1) Introductory Note.....	523
	(2) Application of the Extrinsic (Parol) Evidence Rule	524
	(3) Applications of the Statute of Frauds.....	525
	(4) Applications of Entire-Contract Statutes	525
§ 6.1(d)	Principles Applied to Interpreting Insurance Contracts.....	526
§ 6.2	Disallowing Unconscionable Advantage and Requiring Good Faith	528
§ 6.2(a)	Generally	528
	(1) Unconscionable Advantage.....	528
	(2) Good Faith and Fair Dealing.....	529
§ 6.2(b)	Unconscionable Advantage and the Doctrine of Election	531
§ 6.2(c)	Unconscionable Advantage and the Law of Warranty	531
§ 6.3	Honoring Reasonable Expectations	532
§ 6.3(a)	Emergence of the Principle	532
	(1) The Historical Context.....	532
	(2) Resolving Ambiguities Against Insurers.....	532
	(3) Construing Ambiguities to Protect Reasonable Expectations	533
	(4) Justifications for Protecting Reasonable Expectations	535
	(5) Arguments Against Protecting Reasonable Expectations	537
§ 6.3(b)	Implications and Applications of the Expectations Principle	538
	(1) The Principle and a Corollary	538
	(2) Reasonable Expectations and Unconscionability.....	539
	(3) Reasonable Expectations and Detrimental Reliance.....	540
§ 6.3(c)	Limitations on Applications of the Expectations Principle.....	541
	(1) The Duty to Read	541
	(2) Actual Expectations Versus Reasonable Expectations.....	543
	(3) Presumed Understanding of an Insurance Contract	545
	(4) Individual Knowledge of Limiting Provisions Resulting from Expertise.....	546
	(5) Statutory and Administrative Actions.....	547
§ 6.4	Variance Claims Based on Declared Public Policies.....	548
§ 6.4(a)	Public Policy and Discrimination.....	548
§ 6.4(b)	Public Policy and Disability	550
§ 6.4(c)	Public Policy and Genetics	553
§ 6.4(d)	Public Policy and Willful Acts.....	554
§ 6.4(e)	Public Policy and Punitive Damages	555
§ 6.4(f)	Public Policy and Augmented Awards.....	555
§ 6.4(g)	Public Policy and Civil Penalties and Sanctions	556
§ 6.4(h)	Public Policy and Motor Vehicle Coverage.....	556
§ 6.5	Detrimental Reliance	557
§ 6.5(a)	Generally	557
§ 6.5(b)	Types of Representations to Which the Detrimental Reliance Principle Applies	557
§ 6.5(c)	The Scope of an Agent's Authority.....	559

§ 6.5(d)	Justifiable Detrimental Reliance	559
§ 6.5(e)	Proof of Detriment and the Measure of Relief	561
	(1) Punitive Measures	561
	(2) Detrimental Reliance and Unconscionable Advantage	562
	(3) Presumption of Detriment in the Absence of Evidence	563
§ 6.5(f)	Persons Protected	564
§ 6.5(g)	Detrimental Reliance, Estoppel, and Waiver: Observations.....	565
§ 6.6	Regulation of Defenses Based on Warranty, Representation, or Concealment	566
§ 6.6(a)	Decisional Limitation of Warranty	566
§ 6.6(b)	Concepts of Warranty, Representation, and Coverage.....	570
	(1) Generally	570
	(2) The New York Statutory Definition of Warranty	571
	(3) Warranty Statutes of Other States.....	573
§ 6.6(c)	Regulatory Standards.....	574
	(1) Deceit Provisions.....	574
	(2) Contribute to Loss and Increase of Risk Provisions	576
§ 6.6(d)	Incontestability	584
§ 6.6(e)	Patterns of Treatment of Common Clauses	591
	(1) Generally	591
	(2) Clauses Concerning Physical Location.....	592
	(3) Moral Hazard Clauses	595
	(4) Good Health; Medical Treatment; Pre-Existing Disease	596
§ 6.7	Avoiding or Limiting Claims for Variance.....	598
§ 6.7(a)	Reservation of Rights Notices and Nonwaiver Agreements	598
§ 6.7(b)	“Coverage Provisions” as a Limitation on Variance Claims	599
	(1) Classifying an Insurance Policy Term as a “Coverage Provision”	599
	(2) Justifications Urged by Insurers for Recognizing a Special Status for Coverage Provision Classifications	600
	(3) Classification and Confusion	601
	(4) Comment.....	602
§ 6.8	Variance Claims Involving Incorrect Information in Insurance Applications, Tardy Premium Payments, or the Status of Insured Property	604
§ 6.8(a)	Introductory Note.....	604
§ 6.8(b)	Erroneously Recorded Answers in an Application for Insurance.....	604
	(1) Generally	604
	(2) Erroneous Answers and Positive Representations by an Agent	605
	(3) Applicants Negligence as a Defense	606
	(4) Entire-Contract Statutes	608
	(5) Contract Provisions as a Defense.....	608
§ 6.8(c)	Accepting Premiums Tendered Late or Otherwise Improperly	609
	(1) Generally	609
	(2) Waiver.....	609
	(3) Election	611
	(4) Premium Payments Tendered in Conformity with Prior Practices of an Insurer; Herein of Detrimental Reliance	612

§ 6.8(d)	Notice to the Insurer of Changes Concerning Location, Use, or Occupancy.....	613
	(1) Location Clauses	613
	(2) Occupancy Clauses.....	614
§ 6.9	Regulation of Claims Processes.....	614
§ 6.9(a)	Generally	614
§ 6.9(b)	Variance Claims Based on the Insurer's Conduct	615
§ 6.9(c)	Subrogation Rights and Variance Claims	617
§ 6.9(d)	Notice and Proof of Loss Clauses and Variance Claims	619
§ 6.9(e)	Insurer's Breach as Excusing an Insured's Noncompliance with Claim Procedures	621
§ 6.10	Insurer's Rights at Variance with Policy Provisions	623
§ 6.10(a)	Introductory Note.....	623
§ 6.10(b)	Reformation of the Coverage Agreement	623
§ 6.10(c)	Implied Exceptions: Resolution of "Ambiguities" in Favor of an Insurer	624
§ 6.10(d)	Modification of the Coverage Terms	626
§ 6.10(e)	Termination of Coverage: Rescission and Cancellation	627
CHAPTER 7. CLAIMS: PROCESSES AND SETTLEMENTS		629
§ 7.1	Chapter Overview	630
§ 7.2	Claims Presentment.....	632
§ 7.2(a)	Timeliness Provisions.....	632
	(1) Introduction.....	632
	(2) Specific Versus General Timeliness Provisions	634
	(3) Timeliness Provisions and the Statute of Limitations	635
§ 7.2(b)	Provisions Requiring Notice of a Loss	636
	(1) Generally	636
	(2) Enforcement of Notice Requirements	636
	(3) Determining "When" a Time Period Begins to Run.....	638
§ 7.2(c)	Provisions Requiring Timely Presentment of Claims	641
§ 7.2(d)	Provisions Requiring Forwarding of Litigation Papers.....	642
§ 7.2(e)	Defenses to the Enforcement of Claims Presentment Timeliness Provisions	643
	(1) Introductory Note.....	643
	(2) Noncompliance and Requiring Prejudice to the Insurer	643
	(i) Determining Whether an Insurer Has Been Prejudiced	645
	(ii) Allocating the Burden of Proof	647
	(iii) Observations	649
	(3) Excuses for Noncompliance	651
§ 7.2(f)	Claims-Made Coverage.....	654
§ 7.2(g)	Fraud and False Swearing in Claims Submissions	654
§ 7.2(h)	The Insured's Liability for Failing to Comply with Claims Presentment Provisions.....	658
§ 7.3	Assistance and Cooperation Provisions	659
§ 7.3(a)	Generally	659
§ 7.3(b)	The Prejudice Requirement.....	660
§ 7.3(c)	Assessing Whether an Insured's Conduct Was Prejudicial	662

§ 7.3(d)	Limitations on the Enforcement of Cooperation and Assistance Provisions	663
§ 7.4	Multiple Claims Under Liability Insurance	665
§ 7.4(a)	Multiple Claim Cases: An Introductory Note	665
§ 7.4(b)	The Insurer's Duty to the Insured	666
§ 7.4(c)	The Insurer's Duty to the Claimants: The Problem of Preferential Settlements	667
§ 7.4(d)	Proration Among Claimants of Insurance Coverage	669
§ 7.4(e)	Allocation by Agreement of the Claimants	671
§ 7.4(f)	Comment	671
§ 7.5	Reciprocal Claims	673
§ 7.5(a)	The Effect of Settling a Single Claim	673
(1)	Generally	673
(2)	Settlements of a Reciprocal Claim by an Insurer	675
(3)	Settlements of a Reciprocal Claim by an Insured	676
§ 7.5(b)	The Effect of a Judicial Determination of a Reciprocal Claim	677
(1)	Generally	677
(2)	Settlements in the Course of Litigation	678
(3)	Consent Judgments	679
§ 7.5(c)	Erroneous Uses of Fiduciary and Agency Concepts in Relation to Reciprocal Claims	681
§ 7.6	Conflict of Interests Under Liability Insurance	683
§ 7.6(a)	Sources and Nature of Conflict of Interests	683
(1)	Introduction	683
(2)	Examples of Conflicting Interests	686
(i)	Possibility That the Third Party's Claims Against an Insured Are Not Covered by the Applicable Liability Insurance	686
(ii)	Disclosure of Information by an Insured to or a Discovery of Information by Insurer-Retained Defense Counsel That Would Sustain a Coverage Defense	687
(iii)	Reciprocal Claims	688
(iv)	Multiple Insureds	688
(v)	Claims in Excess of the Applicable Limits of Liability	689
(vi)	Claims for Punitive Damages	690
(vii)	Continuing to Provide a Defense After the Exhaustion of Coverage	690
(viii)	Opposing Parties Insured by the Same Insurance Company	691
(ix)	Liability Insurance Combined with Uninsured or Underinsured Motorist Coverage	691
(x)	Failure of an Insured to Comply with Provisions Relating to the Claims Process	692
(xi)	Possible Collusion Between an Insured and a Third Party Claimant or Misrepresentation by an Insured	692
(xii)	Tactical Decisions	694
(3)	Comment: The Pervasiveness of Conflicting Interests	694
§ 7.6(b)	The Rights, Responsibilities, and Risks of Insurers	695

§ 7.6(c)	The Roles, Responsibilities, and Risks for Attorneys	700
(1)	Problems for Defense Attorneys.....	700
(2)	Defense Counsel's Liability to the Insured and the Insurer	703
(3)	Ethical Questions and Conflict of Interests Problems for Attorneys Representing Plaintiffs	705
(4)	Responding to a Conflict of Interests by Withdrawal.....	707
(5)	Comment.....	708
§ 7.6(d)	Possible Courses of Action to Be Pursued When There Is a Conflict of Interests Between an Insured and the Insurer	708
(1)	Denial of Coverage and Refusal to Provide a Defense.....	708
(2)	Disclosure of the Conflict and "Waiver" by the Insurer of a Coverage Limitation or a Defense.....	709
(3)	Disclosure of the Conflict and Consent by the Insured to Representation by an Attorney Retained by the Insurer and a "Waiver" by the Insured (Thereby Preserving the Right to a Subsequent Adjudication of the Coverage Question)	710
(4)	Disclosure of the Conflict Without Consent to Representation by an Attorney Selected by the Insurer (but Preserving the Right to a Subsequent Adjudication of the Coverage Question).....	711
(5)	Declaratory Judgment Proceeding.....	714
(6)	Inclusion of the Insurer as a Party in the Lawsuit.....	717
§ 7.6(e)	Resolution of the Claim and the Insured's Right to Indemnification	718
(1)	Settlement Payment by the Insurer and Waiver of the Coverage Defense	719
(2)	Settlement Payment by the Insured.....	719
(3)	Insured Prevails in Adjudication of the Third Party Claim.....	720
(4)	Adjudication of the Third Party Claim in Favor of the Third Party Claimant and Judgment Within Policy Limits.....	721
(5)	Adjudication of Third Party Claim in Favor of the Third Party Claimant and Judgment in Excess of Policy Limits.....	721
§ 7.6(f)	Observations.....	725
§ 7.7	Statutory Penalties for Nonpayment and Late Payment of Insurance Claims	726
§ 7.7(a)	Introductory Note.....	726
§ 7.7(b)	Statutory Remedies for an Insured	727
§ 7.7(c)	Standards and Justifications for Assessing Attorney's Fees, Interest, and Other Legislatively Prescribed Remedies	728
§ 7.7(d)	Unfair Claims Settlement Practices Legislation	731
§ 7.7(e)	Relating Statutory Remedies to Common Law Claims	732
§ 7.8	The Liability Insurer's Duty to Insureds Regarding Settlement.....	733
§ 7.8(a)	Introductory Note.....	733
§ 7.8(b)	The Standards for Assessing Whether an Insurer's Conduct Warrants Excess Liability.....	736
(1)	Negligence, Bad Faith, and Good Faith.....	737
(2)	The Insurer's Interests Versus the Insured's Interests.....	739

(3) Strict Liability	741
(4) Comment: The Case for and the Case Against Strict Liability	742
§ 7.8(c) Liability in the Absence of an Offer from the Claimant or a Demand by an Insured to Settle	744
§ 7.8(d) Settlement Possibilities in Excess of Insurance Policy Limits	745
§ 7.8(e) Multiple Insurers and Multiple Claimants	747
(1) Reinsurance	747
(2) Other Insurance: Primary or Excess Coverage	748
(3) Multiple Claimants	749
§ 7.8(f) Withdrawal of the Insurer from the Defense or Control over Settlement	750
§ 7.8(g) The Insurer's Right to Continue Directing the Defense Following the Rejection of an Opportunity to Settle	751
§ 7.8(h) Damages for Breach	753
§ 7.8(i) Remedies for Insureds Who Are Solvent and Those Who Are Insolvent	754
(1) "Insolvent" Insureds	754
(2) Solvent Insureds	756
(3) Assertion of Excess Claims by Third Party Claimants	757
(4) Comment: Liability to the Extent of a Solvent Insured's Net Assets	757
§ 7.8(j) Statute of Limitations	759
§ 7.9 The Liability of First Party Insurers for Consequential Damages	760
§ 7.9(a) Introduction	760
§ 7.9(b) The Justification for Imposing Liability	762
(1) Breach of Contract	764
(2) Tort Liability	765
§ 7.9(c) Nature of an Insurer's Duty to an Insured	767
§ 7.9(d) Persons to Whom the Duty Is Owed	769
§ 7.9(e) Compensatory-Consequential Damages	769
§ 7.9(f) Bad Faith Claims by Insurers Against Insureds	771
§ 7.10 Punitive Damage Awards Against Insurers	771
§ 7.10(a) Introductory Note	771
§ 7.10(b) Justifications for and Against, and Standards for, Awards of Punitive Damages	773
§ 7.10(c) Due Process Limits	774
§ 7.10(d) Observations	776

CHAPTER 8. DEFENDING LIABILITY CLAIMS INVOLVING INSURANCE.....	779
§ 8.1 The Liability Insurer's Right and Duty to Defend	780
§ 8.1(a) Introductory Note	780
§ 8.1(b) The Nature of the Duty to Defend	781
§ 8.1(c) Preparing for the Defense of an Insured	785
§ 8.1(d) The Scope of the Duty to Defend	787
(1) Duty to Investigate	787
(2) Duty to Defend "Suits"	788
(3) Duty to Defend Entire Action	789

§ 8.1(e)	The Costs of Defense.....	790
	(1) Mixed Claims.....	790
	(2) Multiple Insurers	791
§ 8.1(f)	Control of the Defense	792
§ 8.2	Settlement Negotiations	794
§ 8.2(a)	Introductory Note.....	794
§ 8.2(b)	The Liability Insurer's Right and Duty to Initiate Settlement Negotiations	794
§ 8.3	The Standard of Performance for a Liability Insurer's Defense of an Insured.....	795
§ 8.3(a)	Relating the Defense Obligation to the Allegations in the Third Party's Suit.....	795
	(1) Complaints Against an Insured with Allegations That Include Some Claims Within the Coverage.....	797
	(2) Complaints with Allegations of Claims That Are All Beyond the Insurance Coverage	798
	(3) Ambiguous Allegations in the Pleadings by the Third Party	804
	(4) Groundless, False, or Fraudulent Claims by the Third Party	805
	(5) Appeals as a Defense Obligation.....	806
§ 8.3(b)	Limitations on an Insurer's Right to Control the Defense	807
§ 8.3(c)	Insured Control of the Defense	807
	(1) Depriving Insurer of Right to Control Defense	808
	(2) Selecting Independent Counsel.....	809
§ 8.3(d)	Conducting the Defense: The Standard of Conduct	810
§ 8.4	Discharging the Liability Insurer's Obligation to Provide a Defense.....	812
§ 8.4(a)	Introductory Note.....	812
§ 8.4(b)	The Effect of a Declaratory Action Resolving Indemnity Coverage Questions on the Obligation to Defend	812
§ 8.4(c)	The Effect on the Insurer's Defense Obligation of Exhausting or Tendering the Applicable Indemnity Coverage	814
	(1) Introductory Note.....	814
	(2) Insurance Policy Terms	815
	(3) Discharging the Defense Obligation	816
	(i) Payment of a Judgment	816
	(ii) Settlements of Claims	817
	(iii) Tendering Policy Limits to a Court or to the Claimant	817
	(4) Enforceability of Insurance Policy Provisions That Expressly Limit or Eliminate the Defense Obligation	819
§ 8.5	Remedies for an Insurer's Breach of the Duty to Defend	821
§ 8.5(a)	Introductory Note.....	821
§ 8.5(b)	Assessing the Insured's Remedies in Relation to the Resolution of the Third Party's Claim.....	821
	(1) Claims by an Insured for the Expenses Incurred in Reaching a Settlement and the Amount of the Settlement	821
	(i) Settlement Within the Coverage Limit	822
	(ii) Settlement in Excess of the Coverage Limit	823

(2)	Reimbursement Claims by an Insured for the Expenses of Defending a Suit with a Judgment for the Insured.....	823
(3)	Reimbursement Claims by an Insured for the Defense Expenses and for an Amount of a Judgment in Favor of a Third Party	824
	(i) Adjudications of Liability and Damages Within the Scope of Coverage.....	825
	(ii) Adjudication of Liability Within the Scope of Coverage and Damages in Excess of the Coverage Limits	827
	(iii) Adjudication of Liability Without a Clear Indication of the Basis of the Insured's Liability	828
	(iv) Adjudication of Liability That Is Beyond the Scope of the Risks Insured	828
(4)	Recovering the Costs of Establishing Coverage.....	828
(5)	Assigning the Insured's Claim to the Third Party.....	829
§ 8.5(c)	Comments on Obligating the Insurer to "Act on Behalf of an Insured" and the Consequences of Breach of This Obligation	829
§ 8.6	Negating the Duty to Defend.....	831
§ 8.7	Negligent Conducting of the Defense of the Insured	833
§ 8.8	Multiple Insurers	834
§ 8.9	Arrangements for Alternative Dispute Resolution of Possible "Future" Disputes: Arbitrations and Appraisals	836
§ 8.9(a)	Introductory Note.....	836
§ 8.9(b)	Arbitration.....	837
	(1) Introductory Note.....	837
	(2) Arbitration Provisions in Uninsured Motorist Coverage	838
	(3) The Enforceability of Pre-Existing Arbitration Arrangements.....	839
§ 8.9(c)	Appraisal Arrangements for Valuation Disputes Involving Property Insurance	841
§ 8.10	Insurance Policy Provisions That Restrict the Insured's Right to Sue an Insurer	845
§ 8.10(a)	Introductory Note.....	845
§ 8.10(b)	Provisions That Prescribe Time Limits	846
§ 8.10(c)	"No Action" Clauses in Liability Insurance Policies.....	848
CHAPTER 9. INSURANCE REGULATION AND GOVERNMENT SPONSORSHIP OF INSURANCE 851		
§ 9.1	Allocation of Powers Among Federal and State Regulatory Institutions.....	852
§ 9.1(a)	The Federal-State Accommodation.....	852
§ 9.1(b)	Unresolved Questions Regarding Regulatory Responsibilities	856
§ 9.1(c)	Legislative, Administrative, and Judicial Regulation.....	859
§ 9.2	Objectives and Areas of Insurance Regulation	860
§ 9.2(a)	Objectives of Insurance Regulation	860
§ 9.2(b)	Areas of Insurance Regulation.....	862
	(1) Introduction.....	862
	(2) The Business of Insurance.....	863
§ 9.3	The Nature and Scope of Insurance Regulation	868
§ 9.3(a)	Generally	868

§ 9.3(b)	Health Plans.....	870
§ 9.3(c)	Contracts for Services or for the Maintenance of Goods	873
§ 9.3(d)	Variable Annuities.....	876
§ 9.4	Regulation of Insurance Rates	877
§ 9.4(a)	Objectives and Methods of Rating and Regulation.....	877
(1)	Introduction.....	877
(2)	Possible Approaches to Regulation of Premium Rates.....	879
(3)	A Short History of Rate Regulation	880
(i)	State Rate Regulation Before 1944 and the Events of 1944	880
(ii)	Rate Regulation: 1944–1960s	881
(iii)	Rate Regulation After the 1960s	884
§ 9.4(b)	Equity and Discrimination.....	885
§ 9.4(c)	Observations.....	887
§ 9.5	Differences in Regulatory Measures for Various Types of Insurers	888
§ 9.5(a)	Generally	888
§ 9.5(b)	Individuals as Insurers.....	888
§ 9.5(c)	Mutuals and Stock Insurers.....	888
§ 9.5(d)	Fraternal Societies.....	889
§ 9.5(e)	Reciprocal Exchanges	890
§ 9.5(f)	Risk Retention Groups	890
§ 9.5(g)	Captives	891
§ 9.5(h)	Observations.....	892
§ 9.6	Governmental Sponsorship of Insurance	893
§ 9.6(a)	Techniques of Governmental Sponsorship	893
§ 9.6(b)	Areas of Governmental Sponsorship	894
§ 9.6(c)	Objectives of Governmental Sponsorship.....	895
(1)	Implementation of Legislation Concerning Economic Security	895
(2)	Compulsion or Encouragement of Potential Insureds to Participate	896
(3)	Provision of Fringe Benefits for Government Personnel.....	897
(4)	Protection of the State or Its Political Subdivisions	898
(5)	Provisions for Insurance as a Catalyst for Economic Development.....	898
(6)	Provisions for the Use of Insurance as an Instrument of Risk Control.....	899
(7)	Experimental Development of New Types of Insurance Coverage	899
(8)	Provisions for Insurance That Will Not Be Offered Privately	900
§ 9.6(d)	Collateral Effects of Governmental Sponsorship	901
§ 9.6(e)	The Problem of Uninsured Losses	902
§ 9.6(f)	The Problem of Unwanted Insureds	904
AN AFTERWORD FROM THE AUTHORS		907
TABLE OF CASES		909
INDEX.....		951