

SPECIAL REPORT

THE DANGER OF A SIGNED STATEMENT OF VALUES

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Insurance carriers will frequently require insureds to provide a signed statement of values form. This form will set forth the values that you insure for buildings and personal property.

This form is typically completed by an insurance agent and signed by the insured. The form concludes by requesting a signature affirming that:

“All values submitted are correct to the best of my knowledge and belief.”

The importance of this statement relates to the clause in virtually every Property insurance policy that says as follows:

CONCEALMENT, MISREPRESENTATION OR FRAUD

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

The key language here says that the Property section of the policy is **void** if you or any other insured **at any time** intentionally misrepresent a material fact.

The statement of values form and the misrepresentation clause in the policy is fraught with landmines. The insurance company could challenge the values that were affirmed by the insured if they cannot be supported at the time of a property claim.

The misrepresentation does not have to relate to the location that had the loss because it applies to any location. It does not even need to relate to the values on a current statement of values because it says “at any time”.

If a policy has multiple insureds, one insured could misrepresent a material fact for another property, even though it did not have a loss and the loss at another location could be denied..

SOME SUGGESTIONS

- Pay close attention to what you are signing, particularly if the values were determined by your insurance agent.
- Your insurance agent, under Michigan law, is your agent and values determined by that agent are, from a legal standpoint, your statement.
- Whether or not you or your insurance agent has adequate support for the values that were used, make sure the elements you used comport to the policy coverage. (See our Special Reports on determining building and personal property values.)
- Modify the affirmation language to the following:

“The real and personal property values indicated are correct to the best of my knowledge and belief based on the information available and should be considered estimates and not a warranty that the values represent the actual replacement cost amounts.”

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