**Who Owns What????**

It is important to know and understand different forms of ownership. Incorrect “named insureds” on a policy or having incorrect (unauthorized) signatures to change a policy, can cause major problems for us, the insurance company, and the insured (or their heirs).

It is VERY important that you know how things are owned. Insuring something with incorrect ownership may mean NO COVERAGE at claim time. Ask specific ownership questions (who owns this house, car, business). Ask for documentation if not clear or prospect seems unsure.

You need to have a basic understanding of the following entities and how they work. On the other hand, these are LEGAL entities, and you are not an attorney. **An underwriter should always be consulted when setting up or making changes to policies for proper handling and signatures.**

All of this information is general in nature. **Each insurance company may handle things differently.** Your responsibility is to have a basic understanding, awareness, and provide information to the insurance company.

**Business - Entities/Ownership Types**

1. Individual (Sole proprietor)

* Can enter into contracts or make changes, by their signature, as owner of the business.

1. Partnership (Can be complicated. Watch out!).

* A partnership agreement (which may or may not exist) sets the terms and conditions of the business relationship, including *authority to act on behalf of the partnership*, *signature authority (2 needed?),* etc.
* May, or may not, be a separate legal entity from owners. Simple/standard partnerships are not. Professional Partnerships, Limited Partnerships, Limited Liability Partnerships - probably are.

1. Corporations (No person is the owner - artificial person)
2. **C** Corp. & **S** Corp. –

- Has stockholders or shareholders

* An authorized officer is the only one who can enter into a contract.\*

B. LLC’s

- LLC’s have members (not officers or stockholders)

* LLC’s may have a manager who makes decisions
* Only members (or the manager) can enter into a contract.\*

Notes for business entities:

* All forms of ownership may operate under a different name. Example: Bob’s Sandwich Shop may be “owned” by BSS, Inc. This is also referred to as a DBA (Doing Business As) – BSS, Inc. DBA Bob’s Sandwich Shop.

* Most DBA’s are registered with the State. The correctness can be established by asking for a copy or going to the State website.

* A copy of the “authorizing” clause of who can sign for the corporation (if not the whole agreement) should be requested for insuring Partnerships and Corporations (of all types), to be submitted with the application. This puts the insurance company in charge of making sure things are correct.

\*Unless the legal agreement states otherwise.

**Non-Business Ownership (personal)**

1. Individuals, multiple individuals, and spouses

* Can be listed as Insureds on a policy, giving total authority to any changes to each person.
* Possible to list individuals as Additional Insureds (or other insurance company language) to provide coverage without any authority to make changes.

1. Trusts

* The basic idea is that “someone else” owns (most times a bank or professional trust company) and controls (is the trustee) the property listed in the trust. A beneficiary might have possession and use of the property (a home or car for instance).
* In the insurance world, the trustee would be responsible for, and the only person authorized, to take out a policy on the property, and make changes.

Note: If the Trust is Irrevocable, it can never be changed (the trustee could change, but not the terms of the trust). If it is Revocable, the situation may change in the future (trust might be changed or no longer in existence).

* A Living Trust can own a property. The person setting up the trust (and transferring property into it) is the trustee who controls the trust. The primary reason for this setup is to pass the property to the next trustee (named in the trust) upon death, to avoid going through probate. A privacy and simplicity-based plan.

Note: For us, this only involves being sure the policy owner is stated correctly on the policy, and the policy application and changes are signed properly.

* A Life Estate is a property ownership form. It states that the owner has control of the property as long as they live, but as soon as they die, it passes to the beneficiary named in the documents. The owner during their lifetime has 100% control and responsibility for the property. This is another plan (as above) to transfer property upon death.

Note: For us, this involves being sure the policy owner is stated correctly on the policy. You should check with the insurance company on how they want this stated and the paperwork signed.

* Another property transfer language you may encounter is a Transfer on Death. This language could be included on a property deed or other ownership papers (vehicle title). This is like a beneficiary designation to allow transfer when a person dies.

Note: This type of transfer places the property owner in 100% control while alive and should not impact insurance language or signatures.