



JAMES K. RUBLE SEMINAR

Ruble Graduate Seminar

The National Alliance Webinar
March 8-9, 2021

Ruble Graduate Seminar

Ruble Graduate Seminar

March 08-09, 2021 • Webinar

Monday, March 8, 2021

7:30 AM - 8:00 AM

Join Webinar

8:00 AM - 12:00 PM

Section 1

Workers Compensation Issues and Trends

Patrick Deem

12:00 PM - 1:15 PM

Lunch

1:15 PM - 5:15 PM

Section 2

Additional Insureds

Patrick Deem

Tuesday, March 9, 2021

7:30 AM - 8:00 AM

Join Webinar

8:00 AM - 12:00 PM

Section 3

Advanced Estate Planning and Senior Life Settlement

Jerry Rhinehart

8:00 AM - 12:00 PM

Section 4

Understanding Time Element for the First Time

John M. Dismukes

12:00 PM - 1:15 PM

Lunch

1:15 PM - 5:15 PM

Section 5

Issues with Answers: Commercial P&C

John M. Dismukes

Faculty

Patrick Deem CIC

PADSR, INC.

Jerry Rhinehart CIC, CLU, ChFC, RHU

Rhinehart & Associates

John M. Dismukes CIC, CPCU, AAI, AIS

Dismukes Training & Consulting, LLC



A Letter from William J. Hold, President/CEO

We know that choosing the right professional development programs to strengthen your career can be challenging. There are many options for you to choose from; so how can you be sure that your time, efforts, and money are being invested and not wasted?

By becoming a committed participant of The National Alliance, you can rest assured that you are also making the best educational choice for your career—no matter what step of your learning path you are on.

For the last 50 years, our designations have been regarded throughout the industry as symbols of quality and trust. Our practical insurance and risk management courses are taught by active insurance practitioners, include policies and forms currently used in the field, and guide you through real-world scenarios to give you a deeper understanding of what your clients are facing today. The knowledge and skills you develop in any one of our courses (or designation programs) can be put to use immediately.

You will build long-lasting relationships with your clients, stay ahead of industry trends, emerging risks, and products that are constantly evolving in our dynamic market. You will have access to the industry's latest learning materials and will be the first to hear about new courses. With a learning path customized to fit your needs, you will be better equipped to protect your clients.

Have no doubt that your success is our priority. Whether you are new to your career, or a seasoned professional, you are about to embark on a wonderful professional development journey. Thank you for choosing The National Alliance for Insurance Education & Research as your guide toward a thriving career.

Let's take the first step.

William J. Hold, M.B.A., CRM, CISR
President/CEO

JAMES K. RUBLE SEMINAR
Ruble Graduate Seminar
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2 — ADDITIONAL INSUREDS

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5 — ISSUES WITH ANSWERS: COMMERCIAL P&C



James K. Ruble Seminar

a proud member of The National Alliance for Insurance Education & Research

Section 1

Workers Compensation Issues and Trends

WORKERS COMPENSATION ISSUES AND TRENDS

PATRICK A. DEEM, SR., CIC, CRIS
RISK MANAGEMENT & INSURANCE EDUCATION
AUSTIN, TEXAS

OVERVIEW:

- I. Where are we now?
- II. The Aging Workforce
- III. Waiver of Subrogation
- IV. Independent Contractors
- V. Experience Modification Issues
- VI. Errors/Omissions and Coverage Issues
- VII. The Future of Workers Compensation

I. WHERE ARE WE NOW?

NCCI – Annual Issues Symposium: Posted May 25, 2018

A. Combined Loss & Expense Workers Compensation – Private Carriers

	Calendar Year	Accident Year	
2003	110.5	98	
2004	106.9	88	
2005	102.1	87	
2006	95.4	86	
2007	101.7	99	
2008	101.5	106	
2009	107.9	110	
2010	116.1	118	
2011	117.6	114	
2012	109.7	108	
2013	110.4	103	
2014	102.3	97	
2015	95.4	98	
2016	94.0	95	
2017	89.0	99	
2018	83.0	95	(86)
2019	85.0	99.0	(90)

What NCCI believes
will be final
combined for that
accident year.

*P/C Industry net combined ratio – All Lines – 99

B. Premiums – Private Carriers and State Funds

1. 2017, totaled \$39.8 billion
2018, totaled \$48.6 billion
2019, totaled \$47.0 billion
2. Why premium change
 - a. Increase in WC carrier payroll – largest driver impacting growth, up 5.5% 2018 to 2019
 - b. Loss Cost changes, mix of business – down 9.3% 2018 to 2019
 - c. Carrier discounting – down .1% 2018 to 2019
 - d. Change in written premiums between private carrier and state funds, due to written premiums audits impact average experience mod deductible credits – down 1.3% 2018 to 2019
 - e. Change in average experience mod – new split points in full effect
 - f. Wages grew faster than employment 2018-2019

C. Combined Loss and Expense

Year	Private Carrier	State Funds
2003	110	103
2004	107	102
2005	103	102
2006	93	106
2007	101	115
2008	101	121
2009	110	129
2010	115	138
2011	115	133
2012	109	124
2013	102	115
2014	100	116
2015	94	107
2016	94	108
2017	88	115
2018	83	Not reported
2019	85	Not reported

NCCI – From “State of the Line” May 2020

D. Residual Markets – for NCCI Administered States

Year	Average Policy Size	Combined L/R	Premiums (in Millions of Dollars)
2001	4,407	112	465
2002	5,405	114	791
2003	5,419	109	997
2004	4,948	106	1015
2005	4,426	104	924
2006	3,822	106	781
2007	3,436	111	660
2008	3,024	113	501
2009	2,790	109	396
2010	2,675	113	344
2011	3,008	113	389
2012	4,194	106	580
2013	4,875	103	758
2014	4,775	104	808
2015	4,384	106	799
2016	3,948	98	
2017	3,769	106	
2018	No Info	Given	1,000
2019	No info	Given	900

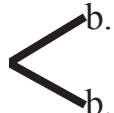
E. Residual Markets – for NCCI Administered States

1. Residual Market Share of Total Market 8% (2013, 2014, 2015, 2016, 2017)
7.2% in 2018
7% in 2019
2. Top Class Codes – based upon written premium – 24% in 2017
 - a. 5645 – Carpentry – Construction of Residential Dwellings not exceeding three stories in height (8.5%)
 - b. 5551 – Roofing – All kinds and Drivers (6.1%)
 - c. 7228 – Local Trucking – Local Hauling Only – All Employees and Drivers (3.6%)
 - d. 5474 – Painting NOC & Shop Operations, Drivers (3.3%)
 - e. 7229 – Long-Haul Trucking – Long Distance Hauling Only – All Employees and Drivers (2.5%)

F. Deaths

1. 5,190 in 2016
5,147 in 2017
5,250 in 2018
2. The number is a 2% increase from 2017
3. Most dangerous occupations – based upon actual deaths per 100,000 of full-time employees in 2018
 - a. Loggers
 - b. Commercial fishing
 - c. Aircraft pilots and Flight Engineers
 - d. Roofers
 - e. Refuse and Recyclable material collectors
4. All industry average 3.6 deaths/100,000 workers
5. Causes
 - a. All transportation (including vehicle crashes)
 - b. Contacts with objects and equipment
 - b. Assaults and violence (incl. homicides)
 - d. Falls
 - e. Exposure to harmful substances or environments
 - f. Fires and Explosions

Tie



TOP NON-FATAL OCCUPATIONS WITH THE LARGEST NUMBER OF INJURIES AND ILLNESSES – 2018 (1)

Occupation (1)
Laborers (nonconstruction)
Truckdrivers, heavy
Janitors and cleaners
Nursing assistants
General Maintenance and repair workers
Retail salesperson
Stock clerks/order fillers
Police and Sheriff's patrol officers
Registered nurses
Light truck or delivery
Construction workers

(1) Nonfatal injuries and illnesses involving days off from work for private industries: excludes farms with fewer than 11 employees

Source: U.S. Department of Labor, Bureau of Labor Statistics.

II. THE AGING WORKFORCE

A. According to Bureau of Labor Statistics from 2018 to 2028 total labor force to increase by 9,000,000 workers

B. Age 2018-2028 Projected Percentages

16-24	Down 1.1%	over previous decade
25-44	Up 4.8%	over previous decade
45-64	Down .7%	over previous decade
65-older	Up 6.1%	over previous decade

C. Result of Projection of Labor Force Percentages

	2018	2028 – projected
65-older	6%	10%

Source: US Bureau of Labor Statistics

D. Self-Employed

1. Generally have higher household incomes than wage earners*
2. Generally less likely to have pensions or health insurance*
3. Where are they covered by Workers Compensation?

Source: *Growing Older in America*, US Department of Health and Human Services, p. 46

E. Why people stop working

1. Poor Health
 - a. Age Group 55-59 – 35%
 - b. Age Group 60-64 – 30%
 - c. Age Group 65-69 – 27%
 - d. Age Group 70-74 – 18%
 - e. Age Group 75-79 – 22%
 - f. Age Group 80+ – 10%
2. Most common reason – more time with family
 - a. At age 55-59 it equals Poor Health
 - b. 70% of people stop working for either Poor Health or more time with family at age 55-59

Source: *Growing Older in America*, US Department of Health and Human Services, p. 47

F. Effect of older workers on injury rates

1. Workers 65 or older more likely to be out two weeks than one
2. Workers 65 or older more likely to be out a month or more
3. Workers 65 or older median lost time is 75% greater than all workers (14 days vs. 8 days*)
*8 days median loss time **for all** workers
4. Types of Claims (Older workers)
 - a. Falls, Slips, Trips – about 50% of all claims for all older workers (17 days away)
 - b. Overexertion: has highest days away from work (20)
 - c. Contact injuries: 6 days away
4. Fatality rate for workers 65 and older is triple that of all workers
5. Workplace of future continues to readjust to accommodate the surge in older workers – EPL issue?

Source: US Bureau of Labor Statistics, US Department of Labor; Insurance Information Institute.

G. In the ten years 2018-2028

1. Baby Boomers will be 10% of the workforce (82-64)
2. Generation X will be 35% of the workforces – (63-48)
3. Millennials and Generation Z will be over 50% of the workforce - 1981 (47) and after

Source: Barry Lipton, FCAS, MAAA, Practice Leader & Senior Actuary NCCI
@ Annual Issues Symposium 2020.

H. Workers Compensation, Medicare and Social Security

1. Medical Law specifics
 - a. If Workers Compensation is available, Medicare will pay nothing (secondary payer)
 - b. Medicare will pay if costs remain after all medical benefits are exhausted
 - c. If Medicare does pay a bill, it has a right of recovery from the employer **or** Workers Compensation insurer
2. Medicare fear is that it will be “stuck” with costs shifted from those responsible for paying Workers Compensation costs. So, Workers Compensation Carriers **must** protect Medicare’s interest when settling claims otherwise.
3. Medicare response to issue is to gain ability to review, and perhaps disapprove, Workers Compensation settlements, if Medicare believes the settlement is insufficient money in settlement to pay future medical costs
4. Result of 3 is that Medicare may align with workers against employers and Workers Compensation insurers, which will increase Workers Compensation Administration costs
5. To prevent Medicare Set-Asides exist: Funds created by insurance carrier that help pay for future work-related injury costs that Medicare might otherwise pay
6. Social Security Retirement Income is not offset for Workers Compensation indemnity payments
7. Disable workers age 66 and over can collect both

Source: Title 42 Code of Federal Regulations, Section 411 et seq.

I. Workers Compensation and “Obesity”

1. Classes – by Body Mass Index

- | | | | |
|----|-----------------|-----|----------------|
| a. | Underweight | BMI | less than 18.5 |
| b. | Health weight | BMI | 18.5-24.9 |
| c. | Overweight | BMI | 25.0-29.9 |
| d. | Obese Class I | BMI | 30.0-34.9 |
| e. | Obese Class II | BMI | 35.0-39.9 |
| f. | Obese Class III | BMI | 40+ |

2. Body Mass Index Formula

- Your weight in kilograms divided by your height in meters(squared)
- 2.2064 pounds to the kilogram
39.37 inches to the meter

3. Claim Data

- Class III workers file twice as many Workers Compensation claims as healthy-weight workers
- Class III workers have 13 times more lost workdays than healthy-weight workers
- Indemnity costs are 11 times higher for Class III workers than healthy-weight workers

4. What is the workforce of your clients?

Source: Centers for Disease Control and Prevention

- J. As per Center for Disease Control and Preventions, age 20 years and older

The Average American age 20 years and older is:

Male

Female

Height

Weight

Waist

Effective April 1, 1984

WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS ENDORSEMENT

We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against the person or organization named in the Schedule. (This agreement applies only to the extent that you perform work under a written contract that requires you to obtain this agreement from us.)

This agreement shall not operate directly or indirectly to benefit anyone not named in the Schedule.

Schedule

Note:

1. Use this endorsement to waive the company's right of subrogation against named third parties who may be responsible for an injury.
2. The sentence in () is optional with the company. It limits the endorsement to apply only to specific jobs of the insured, and only to the extent that the insured is required to obtain this waiver.
3. The following entry must be added to the endorsement when used in Hawaii: "The premium charge for the endorsement is \$ _____."
4. The endorsement does not apply to policies in Missouri where the employer is in the construction group of code classifications. According to Section 287.150(6) of the Missouri statutes, a contractual provision purporting to waive subrogation rights is against public policy and void where one party to the contract is an employer in the construction group of code classifications.
5. In most states, including Florida, any associated premium charge must be filed and approved prior to use.
6. For New York, the company shall as applicable indicate a premium charge of 2% to 10% of the manual premium subject to a minimum charge of \$250 per policy for blanket coverage.
7. For New York, the company shall as applicable indicate a premium charge of 5% to 10% of the manual premium for each person or organization named above subject to a minimum charge of \$250 per policy for specific coverage.
8. In Oregon, the sentence in () must be excluded from the endorsement where the endorsement is applied in association with a construction agreement as defined by Oregon statute.
9. For Kansas, use of this endorsement is limited by the Kansas Fairness in Private Construction Contract Act (K.S.A. 16-1801 through 16-1807 and any amendments thereto) and the Kansas Fairness in Public Construction Contract Act (K.S.A. 16-1901 through 16-1908 and any amendments thereto). According to the Acts, a provision in a contract for private or public construction purporting to waive subrogation rights for losses or claims covered or paid by liability or workers compensation insurance shall be against public policy and shall be void and unenforceable except that, subject to the Acts, a contract may require waiver of subrogation for losses or claims paid by a consolidated or wrap-up insurance program.

1 of 1

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III. WAIVER OF SUBROGATION

- A. There is no grant of permission for waiving subrogation prior to the loss in the Workers Compensation policy as there is in the Commercial General Liability and Business Auto Policy
- B. The policy states this fact no fewer than four times

G. Recovery From Others

We have your rights, and the rights of persons entitled to the benefits of this insurance, to recover our payments from anyone liable for the injury. You will do everything necessary to protect those rights for us and to help us enforce them.

Page 2 of 6

H. Recovery From Others

We have your rights to recover our payment from anyone liable for an injury covered by this insurance. You will do everything necessary to protect those rights for us and to help us enforce them.

Page 4 of 6

Part Four – Duties in the Event of a Loss

- 5. Do nothing after an injury occurs that would interfere with our right to recover from others.

Page 5 of 6

C. Transfer of Your Rights and Duties

Your rights or duties under this policy may not be transferred without our written consent.

If you die and we receive notice within thirty days after your death, we will cover your legal representative as insured.

Page 6 of 6

- C. Because of the lack of contractual liability the endorsement granting the waiver is more important on the Workers Compensation policy than the other liability forms, especially the CGL
- D. Not allowed in Kansas, Kentucky, Missouri, New Hampshire, New Jersey, North Dakota, Ohio and Wyoming

IV. INDEPENDENT CONTRACTORS: PARTS 1 & 2

A. Defined by United States Internal Revenue Service

B. Revenue Ruling (87-41) – “The 20-Factor Test”

1. Used to determine “status”

a. Employee

OR

b. Independent Contractor

2. Answer “yes” to **any** question = employee

3. “Right to control” determining factor

NOTES

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

C. The Test

1. Instructions
2. Training
3. Integration
4. Service rendered personally
5. Hiring, supervising and paying assistants
6. Continuing relationship
7. Set hours of work
8. Full time required
9. Location of work
10. Order of sequence of work

11. Oral or written reports
12. Payment by hour, week or month
13. Payment of business and/or traveling expense
14. Tools and materials
15. Significant investment
16. Profit or loss potential
17. Working for more than one firm
18. Making service available to the general public
19. Right to discharge
20. Right to terminate

D. The 20-Factor Test – Revised on three primary criteria

1. Behavior Control – The more control an employer has over a worker’s behavior, the greater the chances it will be considered an employer-employee relationship
2. Financial Control – This includes various factors which show whether a business has a right to control the business aspects of the worker’s job
3. Type of relationship – This appears to be the proverbial “catch-all” category. Some factors considered by the IRS in determining “type of relationship”

E. Behavior Control

1. Does the business have a right to direct and control how the worker does the task for which the worker is hired?

Generally, the more control, the greater likelihood that the worker is an employee rather than a contractor

2. Does the employer have the right to control how the work results are achieved?

If the business has the right to control the details of a worker’s performance, he or she is more likely an employee. For independent contractors, the employer has likely given up this right

3. How much, if any, instruction does the business provide the worker?

Employees are generally subject to business’s instructions about when, where, and how to work, including where to buy supplies and services, what equipment to use, and what order to follow when doing the work

4. How much training is provided?

Employees usually receive training to perform a certain job in a certain manner, but not independent contractors (in the eyes of the Uncle Sam)

F. Financial Control

1. Reimbursement of business expenses
2. Extent of worker's investment
3. Extent to which worker makes services available to the relevant market
4. How the business pays the worker
5. The extent to which the worker can realize a profit or loss (An independent contractor can make a profit or loss. An employee cannot)

G. Type of Relationship

1. Written Contracts describing relationship parties tend to create
2. Whether the business provides the worker with employee-type benefits such as insurance, a pension plan, vacation pay or sick pay
3. The expectation of permanency of the relationship – is the worker hired with the expectation that the relationship will continue indefinitely rather than for a specific project or period? If so, such expectation indicates an employer-employee relationship rather than independent contractor relationship

(In another revealing document, the IRS identifies “how long the person plans to work with your company” as “foremost” in the IRS’s determination of independent contractor status. Referring to independent contractors who are hired to do work previously performed by employees, the agency says, “If you expect to work together indefinitely the IRS believes that you’re creating what is really an employee relationship.”)
4. The extent to which services performed by the worker are considered a key aspect of the company’s regular business. The more important they are to the company business, the more likely (in the IRS’s view) the business will have the right to direct control of the worker’s activities, thus indicating an employer-employee relationship

V. EXPERIENCE MODIFICATION PROBLEMS/

A. What time is on the market clock?



1. Where are we now?

- a. Hard Market
- b. Soft Market
- c. Somewhere in between

2. Where were we when the data was generated?

- a. Hard Market
- b. Soft Market
- c. Somewhere in between

3. How does that make a difference?

- a. Who did the audit?
- b. Was an audit even done?

B. Why have this system?

1. To provide occupational health and safety
2. To give an individual employer some influence over their final premium
3. To provide an incentive for employers to develop loss prevention
4. To provide an incentive for a “back-to-work” program (loss control)
5. To refine the premium for the employer by using their own payroll and losses

C. What does the system do for the employer?

1. It focuses the final premium of an insured on the individual insured, rather than all insureds in the same class
2. Adds incentives for Loss Reduction by taking the average loss experience for a class of business and modify it on the insured's own experience

D. Characteristics of the system

1. Recognizes the cost of an accident
2. Gives greater weight to frequency rather than severity even though it measures both
 - a. Accident Limitation
 - b. Split rating approach

E. Ownership/Combinability

1. Ownership change – carrier notified within 90 days
2. More than 50% Common Ownership – one modification

F. Essentials of the system

1. Mandatory for all insureds that meet premium eligibility
2. Formula measures how the performance of an individual employer differs “predictably” from similarly classified employers
3. Tailor the final cost of coverage to the particular employer

G. Basic Statistical Principles

1. The larger the premium, the more reliable the record in predicting future losses
2. The “cost” of an injury may vary over a large range. Or, said another way:

“Cost is less predictable than the fact the injury occurred”
3. Result of “B” – Primary and Excess components
4. New Split Point Value
 - a. Now \$15,000 +
 - b. Depending upon state, beginning January 1, 2013 or later in 2013

Year 1 – 5,000 to 10,000

Year 2 – 10,000 to 13,500

Year 3 – 13,500 to 15,000 – adjusted plus 2 years inflation

WORKERS COMPENSATION EXPERIENCE RATING

NAME
OF
RISK

XYZ COMPANY

Risk Ident. No. 123456789
State: ANY STATE

Effective Date: 05/01/20

1 CODE	2 ELR	3 D- RATIO	4 PAYROLL	5 EXPECTED LOSSES	6 EXP PRIM LOSSES	7 CLAIM DATA	8. O INJ F	9. ACT INC LOSSES	10 ACT PRIM LOSSES
** CARRIER 99999 POLICY NUMBER 94 43 32 1									
						EFF DATE 05/01/17		EXP DATE 05/01/18	
3507	1.48	0.50	2,807,260	41,547	20,774	02-0024	1 O	20,000	5,000
7380	1.04	0.41	93,870	876	400	03-0006	5 F	12,497	5,000
8742	0.21	0.38	127,430	268	102			9,871	9,981
8810	0.08	0.47	425,480	340	160				
POLICY TOTAL			3,454,040	(SUBJECT PREMIUM = 110,529)				42,718	19,871
**CARRIER 99999 POLICY NUMBER 95 43 32 2									
						EFF DATE 05/01/18		EXP DATE 05/01/19	
3507	1.48	0.50	3,232,201	47,837	23,919	03-0027	5 O	9,477	5,000
7380	1.04	0.41	102,618	1,067	437	04-0034	5 F	3,600	3,600
8742	0.21	0.38	135,368	284	108			13,423	13,243
8810	0.08	0.47	462,375	370	174				
POLICY TOTAL			3,932,562	(SUBJECT PREMIUM = 125,842)				26,320	21,843
** CARRIER 99999 POLICY NUMBER 96 43 32 3									
						EFF DATE 05/01/19		EXP DATE 05/01/20	
3507	1.48	0.50	3,868,379	57,252	28,625	04-0001	2 O	62,500	5,000
7380	1.04	0.41	107,322	1,116	458	05-0002	2 F	4,826	4,826
8742	0.21	0.38	132,507	278	106			5,974	5,974
8810	0.08	0.47	502,408	402	189				
POLICY TOTAL			4,610,618	(SUBJECT PREMIUM = 142,008)				73,300	15,800
	(A)	(B)	(C) EXPECTED EXCESS (D-E)	(D)	(E)	(F) ACTUAL EXCESS (H-I)	(G)	(H)	(I)
	0.22		76,284	151,737	75,453	84,824	22,800	142,338	57,514

* Total by Policy Year of all cases \$2,000 or less
Limited Loss

		(11) PRIMARY LOSSES	(12) STABILIZING VALUE	(13) RATABLE EXCESS	(14) TOTALS	
PAGE NO.	ACTUAL	(I) 57,514	(C)x(1-w)+(G) 62,302	(A) x (F) 18,061	(J) 158,477	(15) EXP-MOD
DATE	EXPECTED	(E) 75,453	62,302	(A) x (C) 10,782	(K) 174,537	(J)/(K) 0.91

H. Worksheet Components

1. Columns 1-6 – Relate to type of business and payroll reported
 - a. Classification Code **
 - b. Expected Loss Rate – ELR
 - c. Discount Ratio – Expected **Primary** Losses (\$15,000+)
 - d. Payroll reported to insurer **
 - e. Expected Losses – Column 2 x Column 4
 - f. Expected Primary Losses – Column 5 x Column 3

** Most important Columns

WORKERS COMPENSATION EXPERIENCE RATING

NAME
OF
RISK

XYZ COMPANY

Risk Ident. No. 123456789
State: ANY STATE

Effective Date: 05/01/20

1 CODE	2 ELR	3 D- RATIO	4 PAYROLL	5 EXPECTED LOSSES	6 EXP PRIM LOSSES	7 CLAIM DATA	8. O INJ F	9. ACT INC LOSSES	10 ACT PRIM LOSSES
** CARRIER 99999 POLICY NUMBER 94 43 32 1									
				EFF DATE 05/01/17		EXP DATE 05/01/19=8			
3507	1.48	0.50	2,807,260	41,547	20,774	02-0024	1 O	20,000	5,000
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8742	0.21	0.38	132,507	278	106			5,974	5,974
8810	0.08	0.47	502,408	402	189				
POLICY TOTAL			4,610,618	(SUBJECT PREMIUM = 142,008)				73,300	15,800
	(A)	(B)	(C) EXPECTED EXCESS (D-E)	(D)	(E)	(F) ACTUAL EXCESS (H-I)	(G)	(H)	(I)
	0.22		76,284	151,737	75,453	84,824	22,800	142,338	57,514

* Total by Policy Year of all cases \$2,000 or less
Limited Loss

		(11) PRIMARY LOSSES	(12) STABILIZING VALUE	(13) RATABLE EXCESS	(14) TOTALS	
PAGE NO.	ACTUAL	(I) 57,514	(C)x(1-w)+(G) 62,302	(A) x (F) 18,061	(J) 158,477	(15) EXP-MOD
DATE	EXPECTED	(E) 75,453	62,302	(A) x (C) 10,782	(K) 174,537	(J)/(K) 0.91

2. Columns 7-10, Relates to specific claims
 - a. Column 7 – Claim Data
 - (1) By claim number if over \$2,000
 - (2) Bundled if under \$2,000
 - b. Column 8 – Injury Type/Claim Status
 - (1) Numerical System
 - (2) Open or Final
 - c. Column 9 – Actual Incurred Losses
 - (1) Could be dollars spent
 - (2) Could be reserve only
 - (3) Could be both (a) & (b)
 - d. Column 10 – Actual Primary Losses

Always relate Column 10 to Column 6
3. Columns 11-14 – A summary of Columns 1-10 and actuarial figures

I. Modification worksheet as marketing tool

Key Classifications:

1. Those with significant increases/decreases
2. If Manufacturer – the more payroll, the more product, the greater the Business Income issue
3. If Mercantile – the more payroll in sales, the more goods sold, the greater the Business Income issue
4. Look at driver payroll versus auto schedule
5. Transportation exposures – Drivers payroll, increases in manufacturers payroll or sales payroll
6. Large payroll increases could mean new equipment or locations – leased, owned or rented?

J. Experience Modification Issues (COVID-19)

1. NCCI E-1407 – Exclusion of COVID-19 claims from Experience Rating.
What about your state?
2. Payroll for Furloughed EEs (being paid)
What class maintain same (two classes, highest rate applies or do we split payroll?)
3. Filing B – 1441 – Employees being paid, but not working.
Payments not to be used in calculation of premium
4. Code 8871 – Clerical Telecommuter Employees
Employer continues to pay employees while working from home, rather than the office
5. Specialty Cleaning Companies:
Code 9014 – Janitorial Services
Code 5473 – Asbestos Removal – full body suit, respirators, other personal protective equipment
6. Physical Audit vs. Virtual Audit
7. Claim Reporting – Accident Date December 1, 2019
Subsequent COVID-19 related
Extraordinary Loss Event
8. Temporary Total vs. Sick Pay

INFORMATION PAGE

Blank Insurance Company

N.J. Employer Registration No.

--	--	--	--	--	--	--	--	--	--

NCCI Company No.

--	--	--	--	--

POLICY NO.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

PRIOR POLICY NO.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

1. The Insured:
Mailing address: _____ Individual _____ Partnership
Other workplaces not shown above: _____ Corporation or _____
2. The policy period is from _____ to _____ at the insured's mailing address.
3. A. Workers Compensation Insurance: Part One of the policy applies to the Workers' Compensation Law of the states listed here:
B. Employers Liability insurance: Part Two of the policy applies to work in each state listed in Item 3.A The limits of our liability under Part Two are:
Bodily Injury by Accident \$ _____ each accident
Bodily Injury by Disease \$ _____ policy limit
Bodily Injury by Disease \$ _____ each employee
C. Other States Insurance: Part Three of the policy applies to the states, if any, listed here:
D. This policy includes these endorsements and schedules:
4. The premium for this policy will be determined by our Manuals of Rules, Classifications, Rates and Rating Plan. All information required below is subject to verification and change by audit.

Classifications	Code No.	Premium Basis Total Estimated Annual Remuneration	Rate Per \$100 of Remuneration	Estimated Annual Premium
-----------------	----------	---	--------------------------------------	--------------------------------

Premium for increased limits Part Two, if applicable
Total premium subject to the experience modification
Premium modified to reflect experience modification of _____
Other premium charges
Total Estimated Standard Premium

Premium Discount, if applicable
Expense Constant Charge
Total Estimated Premium
Second Injury Fund Surcharge
Uninsured Employers Fund Surcharge

Minimum Premium \$ _____ Total Estimated Cost \$ _____

Deposit Premium _____

Name of Producer _____ Countersigned by _____

Servicing Office _____ Date _____

© Compensation Rating and Inspection Bureau

VI. COVERAGE AND ERORRS & OMISSIONS ISSUES

A. Set the policy up correctly

1. THE INFORMATION PAGE

a. Item 1 – the Insured

- (1) Name
- (2) Address
- (3) Other Workplaces not shown
- (4) Legal status

b. Item 2 – Policy Period

- (1) Time frame of coverage
- (2) At insured's Mailing Address

c. Item 3 – Coverage

- (1) Item 3A – the trigger of coverage
 - (a) Known or expected exposure
 - (b) At inception date of policy
- (2) Item 3B – Employers Liability
 - (a) Triggered by Item 3A
 - (b) Limits
 - (i) Accident
 - (ii) Disease

POLICY NO.
PRIOR POLICY NO.

--	--	--	--	--	--	--	--	--



- | Classifications | Code
No. | Premium Basis
Total Estimated
Annual Remuneration | Rate Per
\$100 of
Remuneration | Estimated
Annual
Premium |
|-----------------|-------------|---|--------------------------------------|--------------------------------|
|-----------------|-------------|---|--------------------------------------|--------------------------------|

Minimum Premium \$ _____ Total Estimated Cost \$ _____
 Deposit Premium _____
 Name of Producer _____ Countersigned by _____
 Servicing Office _____ Date _____

(3) Item 3C – Other States Insurance

(a) Unknown or unexpected – **but possible**

(b) Broadest Coverage

“All states except those in Item 3A and
North Dakota, Ohio, Washington,
Wyoming”

(c) No coverage – “None”

(4) Item 3D – Endorsements and Schedules

d. Item 4 – Premium Determination

(1) Classifications

(2) Remuneration

(3) Rates

(4) Item 4D

PART THREE

OTHER STATES INSURANCE

A. How this insurance applies

1. This other states insurance applies only if one or more states are shown in Item 3.C. of the Information Page.
2. If you begin work in any one of those states after the effective date of this policy and are not insured or are not self-insured for such work, all provisions of the policy will apply as though that state were listed in Item 3.A. of the Information Page.
3. We will reimburse you for the benefits required by the workers compensation law of that state if we are not permitted to pay the benefits directly to persons entitled to them.
4. If you have worked on the effective date of this policy in any state not listed in Item 3.A. of the Information Page, coverage will not be afforded for that state unless we are notified within thirty days.

B. Notice

Tell us at once if you begin work in any state listed in Item 3.C. of the Information Page.

B. Other State Insurance

1. Must be listed in Item 3C of the Information Page
2. Work begun
 - a. After the effective date
 - b. Treated as though in Item 3A
3. Reimbursement if required
4. 30-day requirement
5. Notice of commencement of work

C. Attorney Involvement

1. Increases in claim cost by 12-15%
2. On the average, actual involvement depending on the state average a low of 5% to a high of 10% for all workers compensation claims for that state
3. The higher the number of disputes, the more attorney involvement
4. The greater the severity of injury, higher than \$100,000 involvement. It could go as high as 33 1/3% (1 in 3)

D. Audit Issues

1. Problem – How are the insureds books organized?
2. Problem – Do they interchange labor?
3. Are they growing fast?
4. How do you know which state rates apply?

E. Solution – Solve the problem(s) before they happen...

1. Communicate to carrier
2. Communicate with State Comp Bureau

F. Employers Liability – Action Over Claims

1. Is it General Liability claim?
2. Is it Employers Liability?



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VII. THE FUTURE OF WORKERS COMPENSATION

A. Loss prevention

1. Increased work place safety
2. Credits for consulting services
3. Mandatory Safety Committees
4. Higher fines and penalties for violations

B. Loss Control

1. Back-to-work programs
2. Managed care
3. Limiting certain physicians and practices
4. Redefining compensability
5. Amending claims procedures

C. Does national health care reform mean a national workers compensation law?

1. Current problems with managed care
2. An aging work force – “baby boomers”
3. Medical Marijuana

[illegible]

NATIONAL ACADEMY OF SCIENCES, ENGINEERING, AND MEDICINE
January 2017 Conclusions

- A. Substantial evidence of benefit
 - 1. Chronic pain
 - 2. Nausea and vomiting due to chemotherapy
- B. Limited or Moderate Evidence for Benefit
 - 1. Anxiety symptoms
 - 2. Improving short-term sleep outcomes due to a variety of conditions
 - 3. Increasing appetite and decreasing weight loss with HIV/AIDS
 - 4. Spasticity due to multiple sclerosis
 - 5. Some symptom PTSD
- C. Other studies outside of NASEM have shown benefits for seizure control

Source: Medical Marijuana: The Move to Schedule II
Presentation by David Deitz, MD, PhD
@ NCCI's Annual Issues Symposium

The Health Effects of Cannabis and Cannabinoids: The Current
State of Evidence and Recommendations for Research

LEGAL MEDICAL MARIJUANA – 29 STATES AND DC

1. AK	12. MD	23. OH
2. AR	13. ME	24. OR
3. AZ	14. MI	25. PA
4. CA	15. MN	26. RI
5. CO	16. MT	27. VT
6. CT	17. ND	28. WA
7. DE	18. NH	29. WV
8. FL	19. NJ	+ DC
9. HI	20. NM	
10. IL	21. NV	
11. MA	22. NY	

LEGAL MEDICAL AND RECREATIONAL – 9 STATES +DC

1. AK	5. ME	9. WA
2. CA	6. NV	+ DC
3. CO	7. OR	
4. MA	8. VT	



James K. Ruble Seminar

a proud member of The National Alliance for Insurance Education & Research

Section 2

Additional Insureds

ADDITIONAL INSUREDS

PATRICK A. DEEM, SR., CIC, CRIS
RISK MANAGEMENT & INSURANCE EDUCATION
AUSTIN, TEXAS

I. OVERVIEW

- A. Commercial General Liability policy
- B. Business Auto policy
- C. Workers Compensation
- D. Commercial Umbrella

II. COMMERCIAL GENERAL LIABILITY – ADDITIONAL INSURED

- A. Three types of insureds under the CGL policy
 - 1. Named insureds
 - 2. Automatic insureds, i.e., directors, Officers, “employees”
 - 3. Non-automatic additional insureds specifically added by endorsements
- B. What is an Additional Insured?
 - 1. Definition of Additional Insured – “is intended to signify those insureds that generally are not automatically included as insureds under the liability policy of another, but for whom the named insured desires or is required to provide a certain degree of protection under its liability policies”
 - 2. How do you achieve such status?
 - a. Added by endorsement, or
 - b. Provided by a provision in a policy that is triggered by some requirement for this additional insured status in the underlying contractual agreement



This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

- (1) That the insured would have in the absence of the contract or agreement; or
- (2) Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorney fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage", provided:
 - (a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and
 - (b) Such attorney fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

CG 00 01 04 13. Page 2 of 16.

C. Reasons for demanding additional insured status:

1. Contractual liability, 2001/2004 versions
2. It can assure greater safety in a risk transfer – a “safety net” for a hold harmless agreement
3. It can give those parties who attempt to transfer potential risk direct rights under the other party’s insurance
4. It may protect the party(ies) who attempt the transfer of potential risk from subrogation

5. People or organizations with whom the named insured has a close relationship or a business relationship and typically a contractual relationship
 - a. Project owners on the policies of General Contractors
 - *CG 20 10 – Additional Insured – Owners, Lessee or Contractors – Scheduled Person or Organization*
 - *CG 20 33 – Additional Insured – Owners, Lessees or Contractors – Automatic Status When Required in Construction Agreement With You (Blanket)*
 - *CG 20 38 – Additional Insured – Owners, Lessees or Contractors – Automatic Status for Other Parties When Required in Written Construction Agreement (blanket)*
 - *CG 20 37 – Additional Insured – Owners, Lessees or Contractors – Completed Operations*
 - *CG 24 26 – Amendment of Insured Contract Definition*
 - b. General Contractors on the policies of subcontractors
 - c. Owners of real estate on the policies of tenants
 - *CG 20 11 – Additional Insured – Managers or Lessors of Premises*
 - d. Lessors of equipment on the policies lessees
 - *CG 20 28 – Additional Insured – Lessor of Leased Equipment*
 - e. Retailers and distributors on the policies of manufacturers
 - *CG 20 15 – Additional Insured – Vendors*
 - f. Others
 - *CG 20 26 – Additional Insured – Designated Person or Organization*
 - *CG 20 01 – Primary and Noncontributory – Other Insurance Condition*



This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 10 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – OWNERS, LESSEES OR
CONTRACTORS – SCHEDULED PERSON OR
ORGANIZATION**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)	Location(s) Of Covered Operations

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

1. Your acts or omissions; or
2. The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured(s) at the location(s) designated above.

However:

1. The insurance afforded to such additional insured only applies to the extent permitted by law; and
2. If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

B. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to "bodily injury" or "property damage" occurring after:

1. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or
2. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

- C. With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance**:

If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:

1. Required by the contract or agreement; or

2. Available under the applicable limits of insurance;

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – OWNERS, LESSEES OR
CONTRACTORS – AUTOMATIC STATUS WHEN
REQUIRED IN A WRITTEN CONSTRUCTION
AGREEMENT WITH YOU**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. Section II – Who Is An Insured is amended to include as an additional insured any person or organization for whom you are performing operations when you and such person or organization have agreed in writing in a contract or agreement that such person or organization be added as an additional insured on your policy. Such person or organization is an additional insured only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

1. Your acts or omissions; or
2. The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured.

However, the insurance afforded to such additional insured:

1. Only applies to the extent permitted by law; and
2. Will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

A person's or organization's status as an additional insured under this endorsement ends when your operations for that additional insured are completed.

B. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to:

1. "Bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:

- a. The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
- b. Supervisory, inspection, architectural or engineering activities.

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage", or the offense which caused the "personal and advertising injury", involved the rendering of or the failure to render any professional architectural, engineering or surveying services.

2. "Bodily injury" or "property damage" occurring after:

- a. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or
- b. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

C. With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance**:

The most we will pay on behalf of the additional insured is the amount of insurance:

- 1. Required by the contract or agreement you have entered into with the additional insured; or
- 2. Available under the applicable limits of insurance;

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – OWNERS, LESSEES OR
CONTRACTORS – AUTOMATIC STATUS FOR OTHER
PARTIES WHEN REQUIRED IN WRITTEN
CONSTRUCTION AGREEMENT**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. Section II – Who Is An Insured is amended to include as an additional insured:

1. Any person or organization for whom you are performing operations when you and such person or organization have agreed in writing in a contract or agreement that such person or organization be added as an additional insured on your policy; and
2. Any other person or organization you are required to add as an additional insured under the contract or agreement described in Paragraph 1. above.

Such person(s) or organization(s) is an additional insured only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

- a. Your acts or omissions; or
- b. The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured.

However, the insurance afforded to such additional insured described above:

- a. Only applies to the extent permitted by law; and
- b. Will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

A person's or organization's status as an additional insured under this endorsement ends when your operations for the person or organization described in Paragraph 1. above are completed.

B. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to:

1. "Bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:

- a. The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
- b. Supervisory, inspection, architectural or engineering activities.

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage", or the offense which caused the "personal and advertising injury", involved the rendering of, or the failure to render, any professional architectural, engineering or surveying services.

2. "Bodily injury" or "property damage" occurring after:

- a. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or

- b. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.
- C. With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance**:
The most we will pay on behalf of the additional insured is the amount of insurance:
1. Required by the contract or agreement described in Paragraph **A.1.**; or

2. Available under the applicable limits of insurance;

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 37 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – OWNERS, LESSEES OR
CONTRACTORS – COMPLETED OPERATIONS**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)	Location And Description Of Completed Operations
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury" or "property damage" caused, in whole or in part, by "your work" at the location designated and described in the Schedule of this endorsement performed for that additional insured and included in the "products-completed operations hazard".

However:

1. The insurance afforded to such additional insured only applies to the extent permitted by law; and
2. If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

B. With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance:**

If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:

1. Required by the contract or agreement; or
 2. Available under the applicable limits of insurance;
- whichever is less.

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AMENDMENT OF INSURED CONTRACT DEFINITION

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

The definition of "insured contract" in the **Definitions** section is replaced by the following:

"Insured contract" means:

- a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner is not an "insured contract";
- b. A sidetrack agreement;
- c. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
- d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
- e. An elevator maintenance agreement;
- f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization, provided the "bodily injury" or "property damage" is caused, in whole or in part, by you or by those acting on your behalf. However, such part of a contract or agreement shall only be considered an "insured contract" to the extent your assumption of the tort liability is permitted by law. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

Paragraph **f.** does not include that part of any contract or agreement:

- (1) That indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing;
- (2) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:
 - (a) Preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
 - (b) Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage; or
- (3) Under which the insured, if an architect, engineer or surveyor, assumes liability for an injury or damage arising out of the insured's rendering or failure to render professional services, including those listed in (2) above and supervisory, inspection, architectural or engineering activities.

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 11 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – MANAGERS OR LESSORS OF PREMISES

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Designation Of Premises (Part Leased To You):
Name Of Person(s) Or Organization(s) (Additional Insured):
Additional Premium: \$
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by you or those acting on your behalf in connection with the ownership, maintenance or use of that part of the premises leased to you and shown in the Schedule and subject to the following additional exclusions:

This insurance does not apply to:

1. Any "occurrence" which takes place after you cease to be a tenant in that premises.
2. Structural alterations, new construction or demolition operations performed by or on behalf of the person(s) or organization(s) shown in the Schedule.

However:

1. The insurance afforded to such additional insured only applies to the extent permitted by law; and

2. If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

B. With respect to the insurance afforded to these additional insureds, the following is added to Section III – Limits Of Insurance:

If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:

1. Required by the contract or agreement; or
2. Available under the applicable limits of insurance; whichever is less.

This endorsement shall not increase the applicable limits of insurance.

COMMERCIAL GENERAL LIABILITY
CG 20 28 12 19

ADDITIONAL INSURED – LESSOR OF LEASED EQUIPMENT

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)
<div></div>
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A. Section II – Who Is An Insured** is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person(s) or organization(s).
However:
1. The insurance afforded to such additional insured only applies to the extent permitted by law; and
 2. If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.
- B.** With respect to the insurance afforded to these additional insureds, this insurance does not apply to any "occurrence" which takes place after the equipment lease expires.
- C.** With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance:**
If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:
1. Required by the contract or agreement; or
 2. Available under the applicable limits of insurance;
- whichever is less.
- This endorsement shall not increase the applicable Limits of Insurance shown in the Declarations.

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 15 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – VENDORS

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s) (Vendor)	Your Products
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

- A. Section II – Who Is An Insured** is amended to include as an additional insured any person(s) or organization(s) (referred to throughout this endorsement as vendor) shown in the Schedule of this endorsement, but only with respect to liability for "bodily injury" or "property damage" arising out of "your products" shown in the Schedule of this endorsement which are distributed or sold in the regular course of the vendor's business. However:
1. The insurance afforded to such vendor only applies to the extent permitted by law; and
 2. If coverage provided to the vendor is required by a contract or agreement, the insurance afforded to such vendor will not be broader than that which you are required by the contract or agreement to provide for such vendor.
- B.** With respect to the insurance afforded to these vendors, the following additional exclusions apply:
1. The insurance afforded the vendor does not apply to:
 - a. "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;
 - b. Any express warranty unauthorized by you;
 - c. Any physical or chemical change in the product made intentionally by the vendor;
 - d. Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;
 - e. Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;
 - f. Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;
 - g. Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or

h. "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:

- (1) The exceptions contained in Sub-paragraphs d. or f.; or
- (2) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

2. This insurance does not apply to any insured person or organization, from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.

C. With respect to the insurance afforded to these vendors, the following is added to **Section III – Limits Of Insurance:**

If coverage provided to the vendor is required by a contract or agreement, the most we will pay on behalf of the vendor is the amount of insurance:

1. Required by the contract or agreement; or
2. Available under the applicable limits of insurance;

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

COMMERCIAL GENERAL LIABILITY
CG 20 26 12 19

ADDITIONAL INSURED – DESIGNATED PERSON OR ORGANIZATION

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A. Section II – Who Is An Insured** is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:
1. In the performance of your ongoing operations; or
 2. In connection with your premises owned by or rented to you.
- However:
1. The insurance afforded to such additional insured only applies to the extent permitted by law; and
 2. If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.
- B.** With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance:**
- If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:
1. Required by the contract or agreement; or
 2. Available under the applicable limits of insurance;
- whichever is less.
- This endorsement shall not increase the applicable limits of insurance.

Page 1 of 1



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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**PRIMARY AND NONCONTRIBUTORY –
OTHER INSURANCE CONDITION**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

LIQUOR LIABILITY COVERAGE PART

PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

The following is added to the **Other Insurance** Condition and supersedes any provision to the contrary:

Primary And Noncontributory Insurance

This insurance is primary to and will not seek contribution from any other insurance available to an additional insured under your policy provided that:

- (1) The additional insured is a Named Insured under such other insurance; and

- (2) You have agreed in writing in a contract or agreement that this insurance would be primary and would not seek contribution from any other insurance available to the additional insured.

D. Problems with Additional Insureds

1. Problems for Named Insureds

- a. Diminution of policy limits
- b. Unintended coverage provided
- c. Defense conflicts
- d. Compliance problems

2. Problems for the additional insured

- a. Loss of defense control
- b. “Other insurance conflicts” (prior to 2001 Edition)
- c. Increased probability of disputes over coverage

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 25 02 07 98

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AMENDMENT OF LIMITS OF INSURANCE

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

	Limits Of Insurance
General Aggregate Limit	\$ _____
Products-Completed Operations Aggregate Limit	\$ _____
Personal & Advertising Injury Limit	\$ _____
Each Occurrence Limit	\$ _____
Damage To Premises Rented To You Limit	\$ _____ Any One Premises
Medical Expense Limit	\$ _____ Any One Person

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

The limits of insurance shown in the Declarations are replaced by the limits designated in the Schedule or in the Declarations as subject to this endorsement with respect to which an entry is made.



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POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 25 03 05 09

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**DESIGNATED CONSTRUCTION PROJECT(S)
GENERAL AGGREGATE LIMIT**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Designated Construction Project(s):

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A.** For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Section I – Coverage A, and for all medical expenses caused by accidents under Section I – Coverage C, which can be attributed only to ongoing operations at a single designated construction project shown in the Schedule above:
1. A separate Designated Construction Project General Aggregate Limit applies to each designated construction project, and that limit is equal to the amount of the General Aggregate Limit shown in the Declarations.
 2. The Designated Construction Project General Aggregate Limit is the most we will pay for the sum of all damages under Coverage A, except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard", and for medical expenses under Coverage C regardless of the number of:
 - a. Insureds;
 - b. Claims made or "suits" brought; or
 - c. Persons or organizations making claims or bringing "suits".
 3. Any payments made under Coverage A for damages or under Coverage C for medical expenses shall reduce the Designated Construction Project General Aggregate Limit for that designated construction project. Such payments shall not reduce the General Aggregate Limit shown in the Declarations nor shall they reduce any other Designated Construction Project General Aggregate Limit for any other designated construction project shown in the Schedule above.
 4. The limits shown in the Declarations for Each Occurrence, Damage To Premises Rented To You and Medical Expense continue to apply. However, instead of being subject to the General Aggregate Limit shown in the Declarations, such limits will be subject to the applicable Designated Construction Project General Aggregate Limit.

- B.** For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Section I – Coverage **A**, and for all medical expenses caused by accidents under Section I – Coverage **C**, which cannot be attributed only to ongoing operations at a single designated construction project shown in the Schedule above:
- 1.** Any payments made under Coverage **A** for damages or under Coverage **C** for medical expenses shall reduce the amount available under the General Aggregate Limit or the Products-completed Operations Aggregate Limit, whichever is applicable; and
 - 2.** Such payments shall not reduce any Designated Construction Project General Aggregate Limit.
- C.** When coverage for liability arising out of the "products-completed operations hazard" is provided, any payments for damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard" will reduce the Products-completed Operations Aggregate Limit, and not reduce the General Aggregate Limit nor the Designated Construction Project General Aggregate Limit.
- D.** If the applicable designated construction project has been abandoned, delayed, or abandoned and then restarted, or if the authorized contracting parties deviate from plans, blueprints, designs, specifications or timetables, the project will still be deemed to be the same construction project.
- E.** The provisions of Section III – Limits Of Insurance not otherwise modified by this endorsement shall continue to apply as stipulated.

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY

CG 25 45 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**DESIGNATED PROJECT(S)
PRODUCTS-COMPLETED OPERATIONS
AGGREGATE LIMIT**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Designated Construction Project(s):

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A.** For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Section I – Coverage **A** because of "bodily injury" and "property damage" included in the "products-completed operations hazard" which can be attributed only to "your work" at a single designated project shown in the Schedule above:
1. A separate Designated Project Products-Completed Operations Aggregate Limit applies to each designated project, and that limit is equal to the amount of the Products-Completed Operations Aggregate Limit shown in the Declarations.
 2. The Designated Project Products-Completed Operations Aggregate Limit is the most we will pay for the sum of all damages under Coverage **A** because of "bodily injury" and "property damage" included in the "products-completed operations hazard", regardless of the number of:
 - a. Insureds;
 - b. Claims made or "suits" brought; or
 - c. Persons or organizations making claims or bringing "suits".
 3. Any payments made under Coverage **A** for damages shall reduce the Designated Project Products-Completed Operations Aggregate Limit for that designated project. Such payments shall not reduce the Products-Completed Operations Aggregate Limit shown in the Declarations nor shall they reduce any other Designated Project Products-Completed Operations Aggregate Limit for any other designated project shown in the Schedule above.
 4. The limits shown in the Declarations for Each Occurrence continue to apply. However, instead of being subject to the Products-Completed Operations Aggregate Limit shown in the Declarations, such limits will be subject to the applicable Designated Project Products-Completed Operations Aggregate Limit.

- B.** For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Section I – Coverage **A** because of "bodily injury" and "property damage" included in the "products-completed operations hazard" which cannot be attributed only to "your work" at a single designated project shown in the Schedule above:
- 1.** Any payments made under Coverage **A** for damages because of "bodily injury" and "property damage" included in the "products-completed operations hazard" shall reduce the amount available under the Products-Completed Operations Aggregate Limit; and
 - 2.** Such payments shall not reduce any Designated Project Products-Completed Operations Aggregate Limit.
- C.** Any payments for damages under Coverage **A**, except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard", will reduce the General Aggregate Limit, and will not reduce the Products-Completed Operations Aggregate Limit nor any Designated Project Products-Completed Operations Aggregate Limit.
- D.** If the applicable designated project has been abandoned, delayed, or abandoned and then restarted, or if the authorized contracting parties deviate from plans, blueprints, designs, specifications or timetables, the project will still be deemed to be the same project.
- E.** The provisions of Section III – Limits Of Insurance not otherwise modified by this endorsement shall continue to apply as stipulated.

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 25 04 05 09

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**DESIGNATED LOCATION(S)
GENERAL AGGREGATE LIMIT**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Designated Location(s):

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A.** For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Section I – Coverage **A**, and for all medical expenses caused by accidents under Section I – Coverage **C**, which can be attributed only to operations at a single designated "location" shown in the Schedule above:
- 1.** A separate Designated Location General Aggregate Limit applies to each designated "location", and that limit is equal to the amount of the General Aggregate Limit shown in the Declarations.
 - 2.** The Designated Location General Aggregate Limit is the most we will pay for the sum of all damages under Coverage **A**, except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard", and for medical expenses under Coverage **C** regardless of the number of:
 - a.** Insureds;
 - b.** Claims made or "suits" brought; or
 - c.** Persons or organizations making claims or bringing "suits".
 - 3.** Any payments made under Coverage **A** for damages or under Coverage **C** for medical expenses shall reduce the Designated Location General Aggregate Limit for that designated "location". Such payments shall not reduce the General Aggregate Limit shown in the Declarations nor shall they reduce any other Designated Location General Aggregate Limit for any other designated "location" shown in the Schedule above.
 - 4.** The limits shown in the Declarations for Each Occurrence, Damage To Premises Rented To You and Medical Expense continue to apply. However, instead of being subject to the General Aggregate Limit shown in the Declarations, such limits will be subject to the applicable Designated Location General Aggregate Limit.

B. For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Section I – Coverage **A**, and for all medical expenses caused by accidents under Section I – Coverage **C**, which cannot be attributed only to operations at a single designated "location" shown in the Schedule above:

1. Any payments made under Coverage **A** for damages or under Coverage **C** for medical expenses shall reduce the amount available under the General Aggregate Limit or the Products-completed Operations Aggregate Limit, whichever is applicable; and
2. Such payments shall not reduce any Designated Location General Aggregate Limit.

C. When coverage for liability arising out of the "products-completed operations hazard" is provided, any payments for damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard" will reduce the Products-completed Operations Aggregate Limit, and not reduce the General Aggregate Limit nor the Designated Location General Aggregate Limit.

D. For the purposes of this endorsement, the **Definitions** Section is amended by the addition of the following definition:

"Location" means premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway, waterway or right-of-way of a railroad.

E. The provisions of Section III – Limits Of Insurance not otherwise modified by this endorsement shall continue to apply as stipulated.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DESIGNATED LOCATION(S) GENERAL AGGREGATE LIMIT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Designated Location(s):
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A.** For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Section I – Coverage A because of "bodily injury" and "property damage" included in the "products-completed operations hazard" which can be attributed only to:
- a. Operations at; or
 - b. "Your products" manufactured, sold, handled or distributed at, from or in connection with;
- a single designated "location" shown in the Schedule above:
- 1. A separate Designated Location Products-Completed Operations Aggregate Limit applies to each designated "location", and that limit is equal to the amount of the Products-Completed Operations Aggregate Limit shown in the Declarations.
 - 2. The Designated Location Products-Completed Operations Aggregate Limit is the most we will pay for the sum of all damages under Coverage A because of "bodily injury" and "property damage" included in the "products-completed operations hazard", regardless of the number of:
 - a. Insureds;
 - b. Claims made or "suits" brought; or
 - c. Persons or organizations making claims or bringing "suits".
- 3.** Any payments made under Coverage A for damages shall reduce the Designated Location Products-Completed Operations Aggregate Limit for that designated "location". Such payments shall not reduce the Products-Completed Operations Aggregate Limit shown in the Declarations nor shall they reduce any other Designated Location Products-Completed Operations Aggregate Limit for any other designated "location" shown in the Schedule above.
- 4.** The limit shown in the Declarations for Each Occurrence continues to apply. However, instead of being subject to the Products-Completed Operations Aggregate Limit shown in the Declarations, such limit will be subject to the applicable Designated Location Products-Completed Operations Aggregate Limit.
- B.** For all sums which the insured becomes legally obligated to pay as damages caused by "occurrences" under Section I – Coverage A because of "bodily injury" and "property damage" included in the "products-completed operations hazard" which cannot be attributed only to:
- a. Operations at; or
 - b. "Your products" manufactured, sold, handled or distributed at, from or in connection with;

a single designated "location" shown in the Schedule above:

1. Any payments made under Coverage **A** for damages shall reduce the amount available under the Products-Completed Operations Aggregate Limit; and
 2. Such payments shall not reduce any Designated Location Products-Completed Operations Aggregate Limit.
- C.** Any payments for damages, except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard", will reduce the General Aggregate Limit, and will not reduce the Products-Completed Operations Aggregate Limit nor any Designated Location Products-Completed Operations Aggregate Limit.

- D.** For the purposes of this endorsement, the **Definitions** section is amended by the addition of the following definition:

"Location" means premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway, waterway or right-of-way of a railroad.

- E.** The provisions of Section **III** – Limits Of Insurance not otherwise modified by this endorsement shall continue to apply as stipulated.

4. Other Insurance

If other valid and collectible insurance is available to the insured for a loss we cover under Coverages **A** or **B** of this Coverage Part, our obligations are limited as follows:

a. Primary Insurance

This insurance is primary except when Paragraph **b.** below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in Paragraph **c.** below.

b. Excess Insurance

(1) This insurance is excess over:

(a) Any of the other insurance, whether primary, excess, contingent or on any other basis:

(i) That is Fire, Extended Coverage, Builder's Risk, Installation Risk or similar coverage for "your work";

(ii) That is Fire insurance for premises rented to you or temporarily occupied by you with permission of the owner;

(iii) That is insurance purchased by you to cover your liability as a tenant for "property damage" to premises rented to you or temporarily occupied by you with permission of the owner; or

(iv) If the loss arises out of the maintenance or use of aircraft, "autos" or watercraft to the extent not subject to Exclusion **g.** of Section **I** – Coverage **A** – Bodily Injury And Property Damage Liability.

(b) Any other primary insurance available to you covering liability for damages arising out of the premises or operations, or the products and completed operations, for which you have been added as an additional insured.

(2) When this insurance is excess, we will have no duty under Coverages **A** or **B** to defend the insured against any "suit" if any other insurer has a duty to defend the insured against that "suit". If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

(3) When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

(a) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and

(b) The total of all deductible and self-insured amounts under all that other insurance.

(4) We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown in the Declarations of this Coverage Part.

c. Method Of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

5. Premium Audit

a. We will compute all premiums for this Coverage Part in accordance with our rules and rates.

b. Premium shown in this Coverage Part as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period and send notice to the first Named Insured. The due date for audit and retrospective premiums is the date shown as the due date on the bill. If the sum of the advance and audit premiums paid for the policy period is greater than the earned premium, we will return the excess to the first Named Insured.

c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

6. Representations

By accepting this policy, you agree:

a. The statements in the Declarations are accurate and complete;

- b. Those statements are based upon representations you made to us; and
- c. We have issued this policy in reliance upon your representations.

7. Separation Of Insureds

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Part to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom claim is made or "suit" is brought.

8. Transfer Of Rights Of Recovery Against Others To Us

If the insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

9. When We Do Not Renew

If we decide not to renew this Coverage Part, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 30 days before the expiration date.

If notice is mailed, proof of mailing will be sufficient proof of notice.

SECTION V – DEFINITIONS

1. "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters. For the purposes of this definition:
 - a. Notices that are published include material placed on the Internet or on similar electronic means of communication; and
 - b. Regarding web sites, only that part of a web site that is about your goods, products or services for the purposes of attracting customers or supporters is considered an advertisement.
2. "Auto" means:
 - a. A land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment; or
 - b. Any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

However, "auto" does not include "mobile equipment".

3. "Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.
4. "Coverage territory" means:
 - a. The United States of America (including its territories and possessions), Puerto Rico and Canada;
 - b. International waters or airspace, but only if the injury or damage occurs in the course of travel or transportation between any places included in Paragraph a. above; or
 - c. All other parts of the world if the injury or damage arises out of:
 - (1) Goods or products made or sold by you in the territory described in Paragraph a. above;
 - (2) The activities of a person whose home is in the territory described in Paragraph a. above, but is away for a short time on your business; or
 - (3) "Personal and advertising injury" offenses that take place through the Internet or similar electronic means of communication;

provided the insured's responsibility to pay damages is determined in a "suit" on the merits, in the territory described in Paragraph a. above or in a settlement we agree to.
5. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".
6. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, bylaws or any other similar governing document.
7. "Hostile fire" means one which becomes uncontrollable or breaks out from where it was intended to be.
8. "Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:
 - a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or
 - b. You have failed to fulfill the terms of a contract or agreement;

if such property can be restored to use by the repair, replacement, adjustment or removal of "your product" or "your work" or your fulfilling the terms of the contract or agreement.

COMMERCIAL GENERAL LIABILITY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations, and any other person or organization qualifying as a Named Insured under this policy. The words "we", "us" and "our" refer to the company providing this insurance.

The word "insured" means any person or organization qualifying as such under Section II – Who Is An Insured.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section V – Definitions.

SECTION I – COVERAGES

COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in Section III – Limits Of Insurance; and
- (2) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages A and B.

- b. This insurance applies to "bodily injury" and "property damage" only if:
 - (1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";

- (2) The "bodily injury" or "property damage" occurs during the policy period; and

- (3) Prior to the policy period, no insured listed under Paragraph 1. of Section II – Who Is An Insured and no "employee" authorized by you to give or receive notice of an "occurrence" or claim, knew that the "bodily injury" or "property damage" had occurred, in whole or in part. If such a listed insured or authorized "employee" knew, prior to the policy period, that the "bodily injury" or "property damage" occurred, then any continuation, change or resumption of such "bodily injury" or "property damage" during or after the policy period will be deemed to have been known prior to the policy period.

- c. "Bodily injury" or "property damage" which occurs during the policy period and was not, prior to the policy period, known to have occurred by any insured listed under Paragraph 1. of Section II – Who Is An Insured or any "employee" authorized by you to give or receive notice of an "occurrence" or claim, includes any continuation, change or resumption of that "bodily injury" or "property damage" after the end of the policy period.

- d. "Bodily injury" or "property damage" will be deemed to have been known to have occurred at the earliest time when any insured listed under Paragraph 1. of Section II – Who Is An Insured or any "employee" authorized by you to give or receive notice of an "occurrence" or claim:

- (1) Reports all, or any part, of the "bodily injury" or "property damage" to us or any other insurer;
- (2) Receives a written or verbal demand or claim for damages because of the "bodily injury" or "property damage"; or
- (3) Becomes aware by any other means that "bodily injury" or "property damage" has occurred or has begun to occur.

- e. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury".

2. Exclusions

This insurance does not apply to:

a. Expected Or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

- (1) That the insured would have in the absence of the contract or agreement; or
- (2) Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorneys' fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage", provided:
 - (a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and
 - (b) Such attorneys' fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

c. Liquor Liability

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

- (1) Causing or contributing to the intoxication of any person;
- (2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or
- (3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in:

- (a) The supervision, hiring, employment, training or monitoring of others by that insured; or
- (b) Providing or failing to provide transportation with respect to any person that may be under the influence of alcohol;

if the "occurrence" which caused the "bodily injury" or "property damage", involved that which is described in Paragraph (1), (2) or (3) above.

However, this exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages. For the purposes of this exclusion, permitting a person to bring alcoholic beverages on your premises, for consumption on your premises, whether or not a fee is charged or a license is required for such activity, is not by itself considered the business of selling, serving or furnishing alcoholic beverages.

d. Workers' Compensation And Similar Laws

Any obligation of the insured under a workers' compensation, disability benefits or unemployment compensation law or any similar law.

e. Employer's Liability

"Bodily injury" to:

- (1) An "employee" of the insured arising out of and in the course of:
 - (a) Employment by the insured; or
 - (b) Performing duties related to the conduct of the insured's business; or
- (2) The spouse, child, parent, brother or sister of that "employee" as a consequence of Paragraph (1) above.

This exclusion applies whether the insured may be liable as an employer or in any other capacity and to any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract".

Exclusions – CG 00 01 04 13

Damage to Your Work (page 5 of 16)

“Property Damage” to “your work” arising out of it or any part of it and included in the “products-completed operations hazard”.

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

Definitions – CG 00 01 04 13

22. “Your Work” (page 16 of 16)

a. Means:

- (1) Work or operations performed by you or on your behalf; and
- (2) Materials, parts or equipment furnished in connection with such work or operations

b. Includes:

- (1) Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of “your work”, and
- (2) The providing of or failure to provide warnings or instructions.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION – DAMAGE TO WORK PERFORMED BY
SUBCONTRACTORS ON YOUR BEHALF**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

Exclusion I. of **Section I – Coverage A – Bodily Injury And Property Damage Liability** is replaced by the following:

2. Exclusions

This insurance does not apply to:

I. Damage To Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard".

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION – DAMAGE TO WORK PERFORMED BY
SUBCONTRACTORS ON YOUR BEHALF – DESIGNATED**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Description Of Designated Sites Or Operations

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

With respect to those sites or operations designated in the Schedule of this endorsement, Exclusion I. of **Section I – Coverage A – Bodily Injury And Property Damage Liability** is replaced by the following:

2. Exclusions

This insurance does not apply to:

I. Damage To Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard".

III. BUSINESS AUTO – WHO IS AN INSURED?

A. Who is an Insured?

1. You – for any covered auto
2. Anyone else using with your permission a covered “auto” you own, hire or borrow, except:
 - a. The owner or anyone else from whom you hire or borrow a covered “auto”. This exception does not apply if the covered “auto” is a “trailer” connected to a covered “auto” you own
 - b. Your employee – if the covered “auto” is owned by the employee or a member of his or her household
 - c. Someone using a covered “auto” while he or she is working in a business of selling, servicing, repairing, parking or storing autos unless that business is yours
 - d. Anyone other than your “employees”, partners (if you are a partnership), members (if you are a limited liability company), or a lessee or borrower, or any of their “employees”, while moving property to and from a covered “auto”
 - e. A partner (if you are a partnership), or member (if you are a limited liability company) for a covered “auto” owned by him or her or a member of his or her household
3. Anyone liable for the conduct of an “insured” but only to the extent of that liability

B. Coverage for Additional Insureds

1. Individual Named Insured – CA 99 17
2. Drive Other Car Coverage – CA 99 10
 - a. Non-owned coverage
 - b. Listed Individuals only
3. Employees as Insureds – CA 99 33
4. Lessor – Additional Insured and Loss Payee CA 20 01
5. Hired Autos Specified as Covered Autos – CA 99 16
6. Employee as Lessor – CA 99 47
7. Designated Insured – CA 20 48
8. Employee Hired Autos – CA 20 54

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

INDIVIDUAL NAMED INSURED

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

If you are an individual, the policy is changed as follows:

A. Changes In Covered Autos Liability Coverage

1. The Fellow Employee Exclusion does not apply to "bodily injury" to your or any "family member's" fellow "employees".

2. Personal Auto Coverage

If any "auto" you own of the "private passenger type" is a covered "auto" under Covered Autos Liability Coverage:

- a. The following is added to the **Who Is An Insured** provision:

"Family members" are "insureds" for any covered "auto" you own of the "private passenger type" and any other "auto" described in Paragraph **2.b.** of this endorsement.

- b. Any "auto" you don't own is a covered "auto" while being used by you or by any "family member" except:

- (1) Any "auto" owned by any "family members".
- (2) Any "auto" furnished or available for your or any "family member's" regular use.
- (3) Any "auto" used by you or by any of your "family members" while working in a business of selling, servicing, repairing or parking "autos".
- (4) Any "auto", other than an "auto" of the "private passenger type", used by you or any of your "family members" while working in any other business or occupation.

- c. The Pollution Exclusion and, if forming a part of the policy, the Nuclear Energy Liability Exclusion (Broad Form), do not apply to any covered "auto" of the "private passenger type".

- d. The following exclusion is added and applies only to "private passenger type" covered "autos":

This insurance does not apply to:

"Bodily injury" or "property damage" for which an "insured" under the policy is also an "insured" under a nuclear energy liability policy or would be an "insured" but for its termination upon its exhaustion of its limit of liability. A nuclear energy liability policy is a policy issued by the Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or any of their successors. This exclusion does not apply to "autos" registered or principally garaged in New York.

B. Changes In Physical Damage Coverage Personal Auto Coverage

If any "auto" you own of the "private passenger type" is a covered "auto" under Physical Damage Coverage, a "non-owned auto" will also be considered a covered "auto". However, the most we will pay for "loss" to a "non-owned auto" which is a "trailer" is \$500.

C. Additional Definitions

As used in this endorsement:

1. "Family member" means a person related to you by blood, marriage or adoption who is a resident of your household, including a ward or foster child.

2. The words "you" and "your" include your spouse if a resident of the same household except for notice of cancellation.
3. When the phrase "private passenger type" appears in quotation marks it includes any covered "auto" you own of the pickup or van type not used for business purposes, other than farming or ranching.
4. "Non-owned auto" means any "private passenger type" "auto", pickup, van or "trailer" not owned by or furnished or available for the regular use of you or any "family member", while it is in the custody of or being operated by you or any "family member".

SAMPLE

POLICY NUMBER:

COMMERCIAL AUTO
CA 99 10 10 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DRIVE OTHER CAR COVERAGE – BROADENED COVERAGE FOR NAMED INDIVIDUALS

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM
BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Named Insured:

Endorsement Effective Date:

SCHEDULE

Name Of Individual:			
Covered Autos Liability Coverage	Limit:	\$	Premium: \$
Auto Medical Payments	Limit:	\$	Premium: \$
Comprehensive	Deductible:	\$	Premium: \$
Collision	Deductible:	\$	Premium: \$
Uninsured Motorists	Limit:	\$	Premium: \$
Underinsured Motorists	Limit:	\$	Premium: \$
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

Note: When Uninsured Motorists Coverage is provided at limits higher than the basic limits required by a financial responsibility law, Underinsured Motorists Coverage is included, unless otherwise noted. If Underinsured Motorists Coverage is provided as a separate coverage, make appropriate entry in the Schedule above.

A. This endorsement changes only those coverages where a premium is shown in the Schedule.

B. Changes In Covered Autos Liability Coverage

1. Any "auto" you don't own, hire or borrow is a covered "auto" while being used by any individual named in the Schedule or by his or her spouse while a resident of the same household except:

a. Any "auto" owned by that individual or by any member of his or her household.

b. Any "auto" used by that individual or his or her spouse while working in a business of selling, servicing, repairing or parking "autos".

2. The following is added to **Who Is An Insured**:

Any individual named in the Schedule and his or her spouse, while a resident of the same household, are "insureds" while using any covered "auto" described in Paragraph **B.1.** of this endorsement.

C. Changes In Auto Medical Payments And Uninsured And Underinsured Motorists Coverages

The following is added to **Who Is An Insured**:

Any individual named in the Schedule and his or her "family members" are "insureds" while "occupying" or while a pedestrian when being struck by any "auto" you don't own except:

Any "auto" owned by that individual or by any "family member".

D. Changes In Physical Damage Coverage

Any private passenger type "auto" you don't own, hire or borrow is a covered "auto" while in the care, custody or control of any individual named in the Schedule or his or her spouse while a resident of the same household except:

1. Any "auto" owned by that individual or by any member of his or her household.

2. Any "auto" used by that individual or his or her spouse while working in a business of selling, servicing, repairing or parking "autos".

E. Additional Definition

As used in this endorsement:

"Family member" means a person related to the individual named in the Schedule by blood, marriage or adoption who is a resident of the individual's household, including a ward or foster child.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EMPLOYEES AS INSURED

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

The following is added to the **Section II – Covered Autos Liability Coverage**, Paragraph **A.1. Who Is An Insured** provision:

Any "employee" of yours is an "insured" while using a covered "auto" you don't own, hire or borrow in your business or your personal affairs.



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POLICY NUMBER:

COMMERCIAL AUTO
CA 20 01 10 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LESSOR – ADDITIONAL INSURED AND LOSS PAYEE

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM
BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Named Insured:

Endorsement Effective Date:

SCHEDULE

Insurance Company:

Policy Number:

Effective Date:

Expiration Date:

Named Insured:

Address:

Additional Insured (Lessor):

Address:

Designation Or Description Of "Leased Autos":

Coverages	Limit Of Insurance
Covered Autos Liability	\$ Each "Accident"
Comprehensive	Actual Cash Value Or Cost Of Repair, Whichever Is Less, Minus \$ Deductible For Each Covered "Leased Auto"
Collision	Actual Cash Value Or Cost Of Repair, Whichever Is Less, Minus \$ Deductible For Each Covered "Leased Auto"
Specified Causes Of Loss	Actual Cash Value Or Cost Of Repair, Whichever Is Less, Minus \$ Deductible For Each Covered "Leased Auto"
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. Coverage

- Any "leased auto" designated or described in the Schedule will be considered a covered "auto" you own and not a covered "auto" you hire or borrow.
- For a "leased auto" designated or described in the Schedule, the **Who Is An Insured** provision under **Covered Autos Liability Coverage** is changed to include as an "insured" the lessor named in the Schedule. However, the lessor is an "insured" only for "bodily injury" or "property damage" resulting from the acts or omissions by:
 - You;
 - Any of your "employees" or agents; or
 - Any person, except the lessor or any "employee" or agent of the lessor, operating a "leased auto" with the permission of any of the above.
- The coverages provided under this endorsement apply to any "leased auto" described in the Schedule until the expiration date shown in the Schedule, or when the lessor or his or her agent takes possession of the "leased auto", whichever occurs first.

B. Loss Payable Clause

- We will pay, as interest may appear, you and the lessor named in this endorsement for "loss" to a "leased auto".

- The insurance covers the interest of the lessor unless the "loss" results from fraudulent acts or omissions on your part.
- If we make any payment to the lessor, we will obtain his or her rights against any other party.

C. Cancellation

- If we cancel the policy, we will mail notice to the lessor in accordance with the Cancellation Common Policy Condition.
- If you cancel the policy, we will mail notice to the lessor.
- Cancellation ends this agreement.

- The lessor is not liable for payment of your premiums.

E. Additional Definition

As used in this endorsement:

"Leased auto" means an "auto" leased or rented to you, including any substitute, replacement or extra "auto" needed to meet seasonal or other needs, under a leasing or rental agreement that requires you to provide direct primary insurance for the lessor.

POLICY NUMBER:

COMMERCIAL AUTO
CA 99 16 10 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

HIRED AUTOS SPECIFIED AS COVERED AUTOS YOU OWN

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM
BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Named Insured:

Endorsement Effective Date:

SCHEDULE

Description Of Auto:

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Any "auto" described in the Schedule will be considered a covered "auto" you own and not a covered "auto" you hire, borrow or lease.

B. Changes In Covered Autos Liability Coverage
The following is added to the **Who Is An Insured** provision:

While any covered "auto" described in the Schedule is rented or leased to you and is being used by or for you, its owner or anyone else from whom you rent or lease it is an "insured" but only for that covered "auto".

CA 99 16 10 13

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Page 1 of 1

POLICY NUMBER:

COMMERCIAL AUTO
CA 99 47 10 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EMPLOYER AS LESSOR

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM
BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Named Insured:

Endorsement Effective Date:

SCHEDULE

Description Of "Auto":

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Any "auto" described in the Schedule will be considered a covered "auto" you own and not a covered "auto" you hire, borrow or lease.

B. While any covered "auto" described in the Schedule is leased to you by one of your "employees", the **Who Is An Insured** provision under **Covered Autos Liability Coverage** is changed to include that "employee" as an "insured".

POLICY NUMBER:

COMMERCIAL AUTO
CA 20 48 04 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**DESIGNATED INSURED FOR
COVERED AUTOS LIABILITY COVERAGE**

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM
BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by this endorsement.

This endorsement identifies person(s) or organization(s) who are "insureds" for Covered Autos Liability Coverage under the Who Is An Insured provision of the Coverage Form. This endorsement does not alter coverage provided in the Coverage Form.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Named Insured:

Endorsement Effective Date:

SCHEDULE

Name Of Person(s) Or Organization(s):

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

Each person or organization shown in the Schedule is an "insured" for Covered Autos Liability Coverage, but only to the extent that person or organization qualifies as an "insured" under the Who Is An Insured provision contained in Paragraph **A.1.** of Section **II** – Covered Autos Liability Coverage in the Business Auto and Motor Carrier Coverage Forms and Paragraph **D.2.** of Section **I** – Covered Autos Coverages of the Auto Dealers Coverage Form.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EMPLOYEE HIRED AUTOS

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM
BUSINESS AUTO COVERAGE FORM
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

A. Changes In Covered Autos Liability Coverage

The following is added to the **Who Is An Insured** Provision:

An "employee" of yours is an "insured" while operating an "auto" hired or rented under a contract or agreement in an "employee's" name, with your permission, while performing duties related to the conduct of your business.

2. Any covered "auto" hired or rented by your "employee" under a contract in an "employee's" name, with your permission, while performing duties related to the conduct of your business.

However, any "auto" that is leased, hired, rented or borrowed with a driver is not a covered "auto".

B. Changes In General Conditions

Paragraph **5.b.** of the **Other Insurance** Condition in the Business Auto and Auto Dealers Coverage Forms and Paragraph **5.f.** of the **Other Insurance – Primary And Excess Insurance Provisions** Condition in the Motor Carrier Coverage Form are replaced by the following:

For Hired Auto Physical Damage Coverage, the following are deemed to be covered "autos" you own:

1. Any covered "auto" you lease, hire, rent or borrow; and

IV. WORKERS COMPENSATION

- A. Designated to provide coverage only for named insured
- B. Alternate employer endorsement
 - 1. Adds the alternate employer as an additional insured
 - 2. Provides blanket waiver of subrogation in favor of alternate employer
 - 3. Uses
 - a. Joint ventures
 - b. Wrap-up projects
 - c. Employee leasing opportunities
- C. Employee leasing client endorsement
- D. Labor contractor endorsement



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ALTERNATE EMPLOYER ENDORSEMENT

This endorsement applies only with respect to bodily injury to your employees while in the course of special or temporary employment by the alternate employer in the state named in Item 2 of the Schedule. Part One (Workers Compensation Insurance) and Part Two (Employers Liability Insurance) will apply as though the alternate employer is insured. If an entry is shown in Item 3 of the Schedule the insurance afforded by this endorsement applies only to work you perform under the contract or at the project named in the Schedule.

Under Part One (Workers Compensation Insurance) we will reimburse the alternate employer for the benefits required by the workers compensation law if we are not permitted to pay the benefits directly to the persons entitled to them.

The insurance afforded by this endorsement is not intended to satisfy the alternate employer's duty to secure its obligations under the workers compensation law. We will not file evidence of this insurance on behalf of the alternate employer with any government agency.

We will not ask any other insurer of the alternate employer to share with us a loss covered by this endorsement.

Premium will be charged for your employees while in the course of special or temporary employment by the alternate employer.

The policy may be canceled according to its terms without sending notice to the alternate employer.

Part Four (Your Duties If Injury Occurs) applies to you and the alternate employer. The alternate employer will recognize our right to defend under Parts One and Two and our right to inspect under Part Six.

Schedule

- | | |
|--|----------------|
| 1. <u>Alternate Employer</u> | <u>Address</u> |
| 2. <u>State of Special or Temporary Employment</u> | |
| 3. <u>Contract or Project</u> | |

Notes:

1. This endorsement may be used when the insured named in Item 1 of the Information Page has agreed to provide insurance against workers compensation and employers liability claims made by employees of the insured against a special or temporary employer named in the endorsement Schedule.
2. This endorsement may be used only if the state of temporary or special employment is a state shown in Item 3.A. of the Information Page.
3. If the insured is in the business of providing temporary workers for others, the insurer may show the alternate employer in the Schedule by the words "all" or "any."
4. Three uses of this endorsement are illustrated here:
 - a. Use this endorsement if the policy is issued to a contractor (the insured) who is required by an oil company (as alternate or special employer to provide workers compensation and employers liability insurance to protect the oil company from claims brought by the contractor's employees.
 - b. Use this endorsement if the policy is issued to a business that operates and manages property for others (the insured) who is required by the property owner (the alternate employer) to provide this insurance to protect the owner from claims brought by employees of the operator/manager.
 - c. Use this endorsement if the policy is issued to a supplier of temporary office help (the insured) who is required by its customer (the user of the temporary office help - the alternate employer) to provide this insurance to protect the customer from claims brought by the insured's employees against the alternate employer.
5. Show an appropriate entry to Item 3 to limit the endorsement to apply only to specific jobs or contracts of the insured. This endorsement may not be used to limit coverage to specific jobs or contracts in Wisconsin.
6. If this endorsement is used because of temporary or special employment in Illinois, the carrier must send a written notice of cancellation to all Illinois Alternate Employers shown in the Schedule.

EMPLOYEE LEASING CLIENT ENDORSEMENT

This endorsement applies only to the insurance provided by the policy when you enter into a contract or have an existing contract or contracts to lease workers to others. Part Six (Conditions) is changed by adding these conditions. Each entity to which you lease workers is called the Client. You must provide us the following information in writing for each Client within 30 days of the effective date of the leasing contract:

1. Contract effective date and term.
2. Client's name.
3. Client's Federal Employer Identification Number.
4. Client's mailing address
5. Number of workers you leased to your Client, description of duties of each, and work location of each.

Your Clients are obligated to maintain workers compensation coverage for their direct and leased employees. You must submit to us a certificate of insurance from your Client's insurer or other proof that the Client has lawfully secured its workers compensation obligations for the leased workers. If you do not submit the certificate of insurance or other proof, you must pay premium for the leased employees. If your Client has not obtained the lawful coverage, we may cancel the policy as provided in Part Six (Conditions), Section D. Cancellation, of the policy.

Notes:

1. This endorsement may be used when the insured is a voluntary risk in the labor contracting business. See Special conditions or Operations that Affect Coverage in the **Basic Manual User's Guide**.
2. This endorsement must be used when the insured obtains insurance through a Workers Compensation Insurance Plan in a state that has approved Assigned Risk Special Conditions or Operations that Affect Coverage, as described in the **Basic Manual User's Guide**, and is in the labor contracting business.
3. This endorsement does not apply to bodily injury to workers provided to clients on a temporary basis. Workers provided on a temporary basis include workers furnished to substitute for a permanent employee on leave or to meet seasonal or short-term workload conditions.

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LABOR CONTRACTOR ENDORSEMENT

This endorsement applies only with respect to bodily injury to your leased employees in the state named in Item 2 of the Schedule when provided by a labor contractor named in Item 1 of the Schedule. This endorsement does not apply with respect to bodily injury to workers provided to you on a temporary basis.

Certain words and phrases in this endorsement are defined as follows:

Labor contractor means the entity furnishing some or all of the workers to another entity.

Client means the entity using the services of a labor contractor to obtain some or all of its workers.

Temporary worker means a worker who is furnished to an entity to substitute for a permanent employee on leave or to meet seasonal or short-term workload conditions.

Part One (Workers Compensation Insurance) and Part Two (Employers Liability Insurance) will apply as though the labor contractor is an insured. If an entry is shown in Item 3 of the Schedule, the insurance afforded by this endorsement applies only to work you perform under the contract or at the project named in the Schedule.

Under Part One we will reimburse the labor contractor named in the Schedule for the benefits required by the workers compensation law if we are not permitted to pay the benefits directly to the persons entitled to them.

The insurance afforded by this endorsement is not intended to satisfy the labor contractor's duty to secure its obligations under the workers compensation law. We will not file evidence of this insurance on behalf of the labor contractor with any government agency.

We will not ask any other insurer of the labor contractor to share with us a loss covered by this endorsement.

Premium will be charged for your leased employees while provided by the labor contractor. You must obtain from the labor contractor and furnish to us a complete payroll record of your leased employees provided by the labor contractor to satisfy your obligations under Part Five (Premium), C.2.

The policy may be cancelled according to its terms or for violation of rules applicable to employee leasing operations provided that the labor contractor has been provided a reasonable opportunity to cure the violation. If the policy is canceled, we will send notice of such cancellation to the labor contractor.

Part Four (Your Duties If Injury Occurs) applies to you and the labor contractor. The labor contractor will recognize our right to defend under Parts One and Two and our right to inspect under Part Six (Conditions).

- | | Schedule | Address |
|----|-----------------------------------|---------|
| 1. | <u>Labor Contractor</u> | |
| 2. | <u>State Where Work Performed</u> | |
| 3. | <u>Contract or Project</u> | |

Notes

1. This endorsement may be used in the voluntary market. The endorsement is attached to the client policy.
2. This endorsement must be attached to policies in the workers compensation insurance plan. The endorsement is attached to the client policy.

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[illegible]

V. COMMERCIAL UMBRELLA POLICIES

A. Additional Insureds

1. Same as underlying policies?
2. Required by contract?
3. What does “follow form” really mean?

B. Effect on limits

1. One aggregate limit, not two
2. Occurrence and aggregate limits the same dollar amount
3. Limit restrictions: “We shall pay the lesser of...”
 - a. Limits of insurance under this policy
 - OR
 - b. Minimum limit of insurance you agree to provide

C. Maintenance of underlying insurance

1. In policy provisions
2. In effect at inception only

OR

Always in effect

3. Penalty – loss will be determined as though underlying insurance has been in full effect and remained unchanged
4. Two exceptions – maybe
 - a. All underlying limits totally exhausted by covered losses
 - b. Underlying limits

D. Summary – do not assume anything on the umbrella policy



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Section 3

Advanced Estate Planning and Senior Life Settlement

Advanced Estate Planning and Senior Life Settlements

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Advanced Estate Planning and Senior Life Settlements

Learning Objectives:

- 1 To understand the importance of Estate Planning and the various options available.**
- 2 To be familiar with the usual misconceptions, or “myths”, of Estate Planning and the important federal “numbers” to know.**
- 3 To know the law and advantages regarding “gifting” and the importance of ‘liquidity’ in estate planning .**
- 4 To understand the applications, benefits and use of various trusts and their coordination with life insurance:**
 - Irrevocable Life Insurance Trust**
 - Charitable Remainder Trust**
 - Testamentary Trust**
- 5 The history and current trends in Senior Life Settlements**
- 6 The actual Settlement process: The various reasons a person would enter into a settlement?; the process; the secondary market**
- 7 Tax implications to the parties involved in the settlement process**
- 8 The agent: opportunities; requirements; NAIC model Acts; E & O implications**

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

DISCLAIMER

Insurance policy forms, clauses, rules, court decisions, and laws change constantly. Policy forms and underwriting rules vary from company to company. This outline is intended as a general guideline and may not apply in each and every situation.

For any matters of legal and/or tax issues one should consult with competent counsel or advisor for the matter in question and in the jurisdiction in question.

Neither the organization for whom this seminar is conducted, nor the seminar instructor shall have neither liability nor responsibility to any person or entity with respect to any loss or damage alleged to be caused directly or indirectly as a result of the information contained in this outline.

I. **Estate Planning** - *The Planning Dilemma and Tax Problems That Many Will Face*

The estate planning dilemma

The Importance of Estate Planning

“I live in Alexandria, Virginia. Near the Supreme Court chambers is a toll bridge across the Potomac River. When in a rush, I pay the dollar toll and get home early. However, I usually drive outside the downtown section of the city and cross the Potomac on the free bridge.

If I went over the toll bridge and through the barrier without paying the toll, I would be committing tax evasion. If, however, I drive the extra mile and drive outside the city of Washington to the toll free bridge, I am using a legitimate, logical and suitable method of tax avoidance, and I am performing a useful social service by doing so.

For my tax evasion, I should be punished. For my tax avoidance, I should be commended. The tragedy of life is that so few people know that the free bridge even exists.”

Justice Louis D. Brandeis
United States Supreme Court

The cost of doing **nothing** vs. the cost/time/aggravation of **doing it right!**

- a. High federal estate tax (FET); high probate cost; delays in settlement...

vs.

Low (or no) FET; reduced (or no) probate cost, prompt settlement!

- b. Possible liquidity problems for loved-ones...

vs.

Ample cash flow to pay taxes, debts and provide an income for the life of your spouse!

- c. Tough decisions to be made by loved-ones – probably not trained for such a task...

vs.

Pre-determined decisions that treat loved-ones, beneficiaries, charities, employees, etc., based **exactly** on your wishes!

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

Name	Gross Estate	Total Settlement Cost	Net Estate	% Shrinkage
W. C. Fields	\$884,640	\$329,793	\$554,887	37%
Clark Gable	2,806,526	1,101,038	1,705,488	30%
Walt Disney	23,004,851	6,811,943	16,192,908	30%
Marilyn Monroe	819,176	448,750	370,426	55%
Elvis Presley	10,165,434	7,374,635	2,790,799	73%
J. D. Rockefeller, Jr.	160,598,182	24,965,954 ⁽¹⁾	135,632,630	16%

⁽¹⁾ Most of the estate went to the Rockefeller Brothers Fund, Inc.

Five Ways to Provide for Death Taxes

1. *The executor may borrow the cash.* This only defers the problem, since the money will have to be repaid with interest. This includes installment payments to the government.
2. *The taxpayer may pay the cash.* Rarely does a person accumulate large sums of cash. If so, they will probably forgo many profitable investment opportunities in order to keep the estate in a liquid position.
3. *The taxpayer may sell stock market investments.* This may be a wise choice if the “market is up” when the stocks or bonds need to be converted to cash.
4. *The executor may liquidate other assets.* If there is not a ready market, however, the assets may be sold at a great loss.

5. *The taxpayer can pay the estate settlement cost with life insurance.*

Advantages of Life Insurance for Estate Settlement

- A. Dollars are “**discounted**.” The taxpayer’s heir almost always gets back more than they pay in.
- B. Payment of benefit is **prompt**. The event that triggers the problem (death) also triggers the solution!
- C. There is **no income tax** on the proceeds.
- D. Proceeds can be **free of federal estate tax**.
- E. **Payments can be spread out** rather than paid all at once.
- F. It **avoids all the problems** of the other four methods as noted above.
- G. The proceeds are generally **not subject to probate**.

What about a possible Estate Tax (ET) or Inheritance Tax (IT) for a State? Currently, 17 states have such a tax on the person that dies, and/ or the person, or persons, that receives the inheritance. They are: CT (ET), DC (ET), HI (ET), IA (IT), IL (ET), KY (IT), MA (ET), MD (ET & IT), ME (ET), MN (ET), NB (IT), NJ (IT), NY (ET), PA (IT), OR (ET), RI (ET), VT (ET), WA (ET)

For details: GOOGLE: state with a state inheritance tax 2021

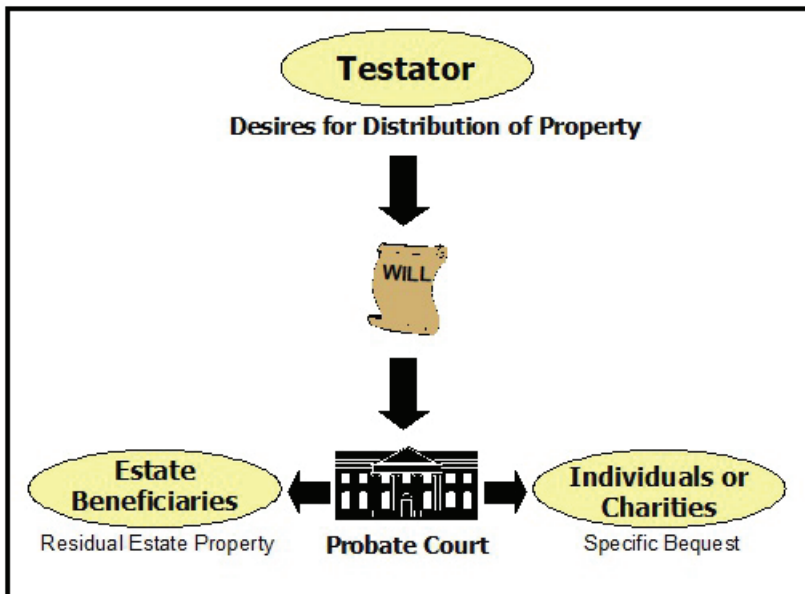
- B. Estate planning “Myths” that many prospects believe.
1. Myths concerning a basic will (or no will)
 - a. “Having a will allows me to avoid probate.” (**INCORRECT!**)
 - b. “Having a will saves me estate taxes.” (**INCORRECT!**)
 - c. “My loved ones will be treated equally even if I don’t have a will.” (**INCORRECT!**)
 - d. “I told my kids how they are to distribute my possessions, heirlooms, etc. Even though I don’t have a will, they will follow my instructions.” (**MAYBE NOT!**)
 - e. “My business is very successful. I don’t see why I need to change my will to add an Authorization of Business Continuation Agreement. If I die, the business will do just fine!” (**WRONG -- AGAIN!**)
 2. “I’m not rich.” (problems that group life insurance and travel accident policies can create)
 3. “I can do this planning sometime in the future.”
 4. “I don’t have to do anything to get the tax breaks that are available.”

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

Advantages of a Will

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Avoids distribution of assets under the law of intestacy. 2. Permits the nomination of a guardian for minor children. 3. Permits the waiver of the probate bond. 4. Allows you to choose the executor. 5. Possible to make specific bequests to individuals or charities. 6. Allows for the sale of assets during the probate process. | <ol style="list-style-type: none"> 7. Authorizes the continuation of a business. 8. Allows for the deferral of assets to minors – when used in conjunction with certain trusts. 9. Tax savings when used in conjunction with certain trusts. 10. Peace of mind. |
|--|---|



- ◆ The testator executes a will which reflects his / her wishes regarding the disposition of his / her assets at death.
- ◆ When the testator dies, an executor is appointed, the will is probated, and the decedent's property becomes part of the probate estate.
- ◆ The property in the probate estate is distributed to the estate beneficiaries (and, or charities), by order of the probate court and in accordance with the desires of the decedent expressed in the will, subject to certain restrictions of state law.

C. Problems faced by the heirs after the death of a wealthy loved one.

1. Numbers to know and **The Rules of the Game** (as it applies to estate planning)

a. **\$11,700,000¹** (2021) – per person exemption (known as the “applicable exclusion amount”). Thus, it is possible for a married couple to have NO estate tax liability to their family should their net estate be under \$23.4 million.

b. **40%** – FET rates (taxes can be deferred until the spouse dies)

NOTE: The 2021 tax rules continues the “portability provision” of the federal estate tax exemption between married couples. This means that if the first spouse dies and the value of his or her estate does not require the use all of his or her federal exemption from estate taxes, then the amount of the exemption that was not used for the deceased spouse's estate may be transferred to the surviving spouse's exemption so that he or she can use the deceased spouse's unused exemption plus his or her own exemption when the surviving spouse later dies.

c. **5%** – possible probate expense (of your entire estate value)

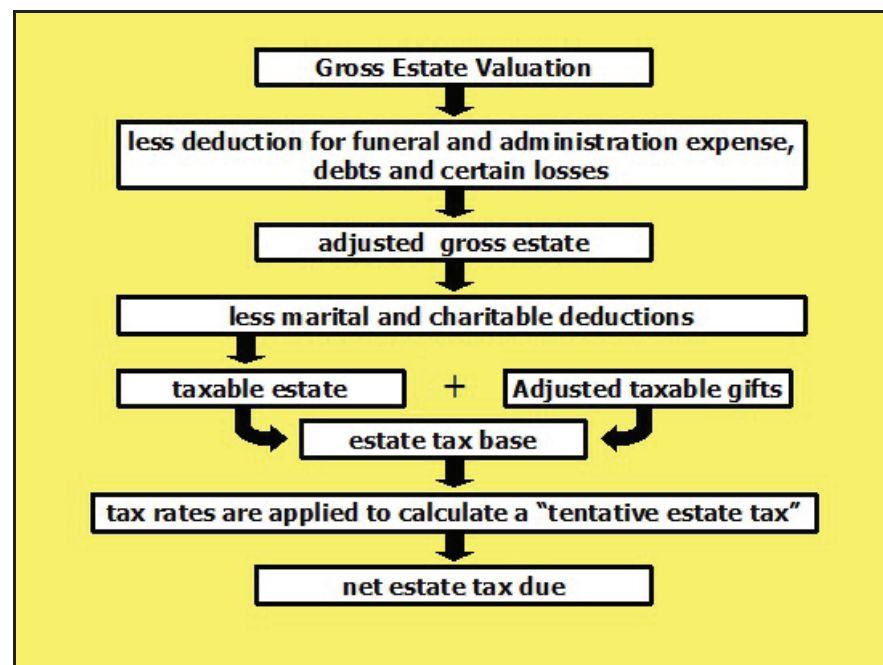
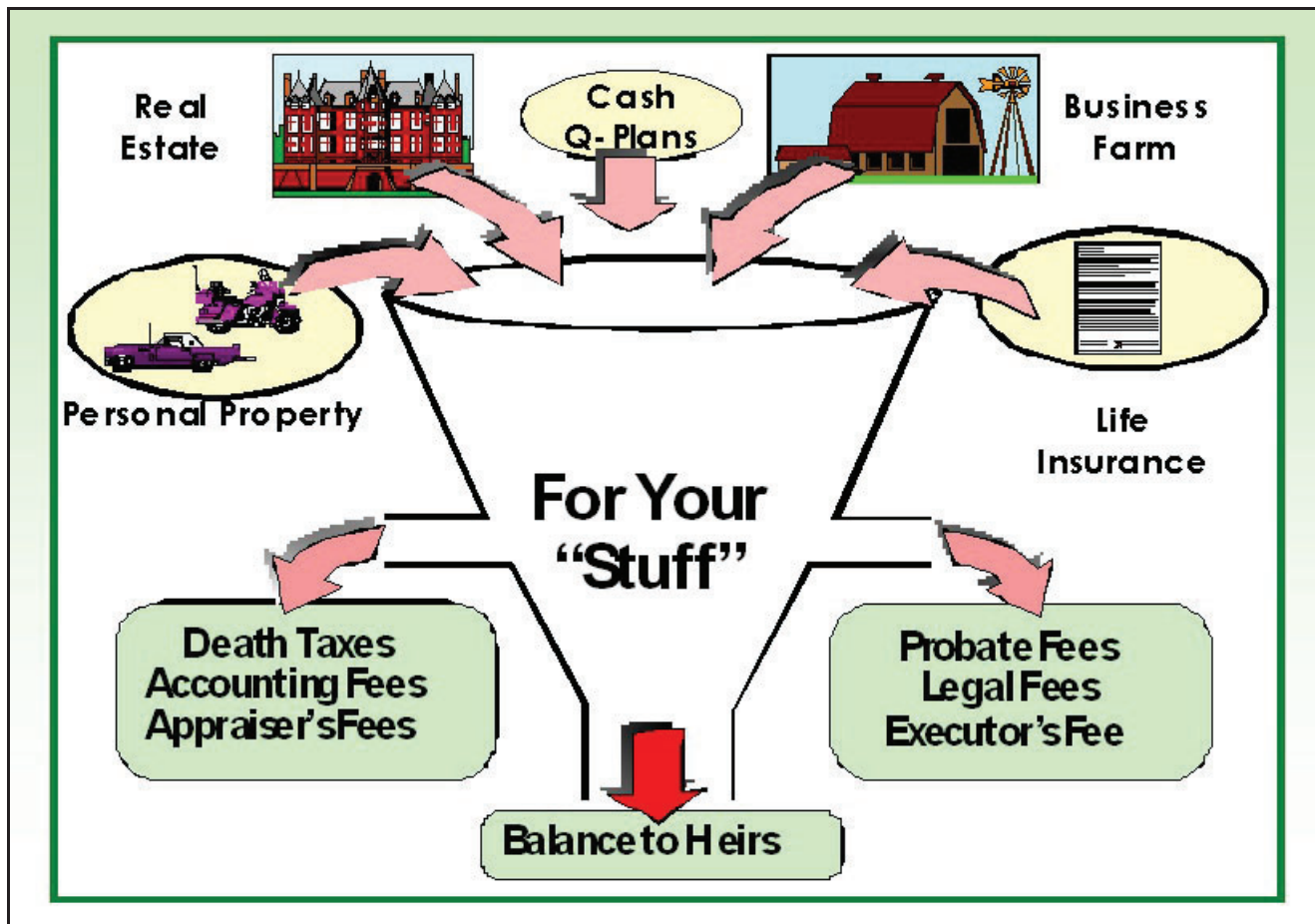
d. **9 months** – when the FET is due (generally)

e. **Cash** – how the FET must be paid

f. **7 years** – potentially the time it may take to settle with heirs and beneficiaries if no planning (or poor planning) is done. Note: the tax is still generally due 9 months after death!

2. Potential forced sale of property to create liquidity

a. “Garage-Sale Problem” and the “Dreaded Discount Buyer”



How Federal Estate Taxes Are Calculated

- D. Why make gifts to beneficiaries and charities?
1. Reduce current estate size
 2. Reduce future estate taxes – puts potential future appreciation in someone else’s estate.
 - a. Low basis gifts
 - (1) Basis is transferred to recipient for gifts during lifetime
 - (2) Property received after death receives a “step-up” in basis
 3. Enjoyment of the donor
 4. Fund life insurance trust
 - a. The trust must to be irrevocable; the person making the gift can not have any incidents of ownership, otherwise the death benefit is included in the donors estate.
 5. Gifts are tax deductible when made to a qualified charity
 - a. Should the gift be made to an individual, the recipient does **not** pay income tax on the gift
 6. Let someone else have the future appreciation

[illegible]

- E. Gifts to a medical facility or university for anyone (unlimited amount)
 - 1. Payment must be made directly to the facility/university, not to the individual. The individual benefitting from the gift need not be related to the person making the gift.

- F. Problems with some gifts?
 - 1. Three year rule – contemplation of death

 - 2. Excess gifts and their tax consequence

 - 3. Why gifts must be “completed gifts”?

- G. Unlimited gifts between a husband and wife are allowed (and even a great idea!) (IRC §2056)
 - 1. Advantages of husband-wife gifts that have a “low-basis.”

 - 2. Severe problems can arise when an agreement (trust) is established to save FET (such as a Bypass Trust), but the assets (such as real estate, a business, art work, etc.), has not be titled in the name of the proper spouse.

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

Annual Gift Exclusion - 2021

Any person may give, on an annual basis, an asset valued up to \$15,000¹ to an unlimited number of people. This limit is unchanged from 2018. With gift-splitting by spouses they can give \$30,000 to each of any children, grandchildren, etc.

NOTE: Lifetime gifts beyond the annual exclusion amount (\$15,000 in 2021) count toward the \$11.7 million estate exemption.

¹ The annual exclusion will be indexed for inflation in years following 1998. It will increase by the Consumer Price Index (CPI). However, the exclusion amount will be rounded down to the nearest \$1,000.

[illegible]

II. The use of various TRUST in Estate Planning and how (and where) Life Insurance may apply

A. Irrevocable Life Insurance Trust (ILIT)

1. Why is this Trust beneficial for a husband and wife that have an Estate Tax problem?
 - a. Life insurance “owned” by the wealthy individual (and / or the spouse) will be included in the calculation for estate tax purposes
 - b. “Incidence of Ownership” rule
 - c. Life insurance owned by the ILIT is not included in the calculation for estate tax purposes
 1. “Three year rule” for transfer of an existing life policy
2. How does an ILIT work?
 - a. Who is (can be) the trustee(s)

B. Charitable Remainder Trust (CRT)

1. Why would someone give away their assets to a charity?
 - a. Fair market value (FMV) included in the estate for estate tax purposes.
 - b. The potential problem with “low basis” assets that have a high FMV.
 - (1) Capital Gains Tax
 - (2) May not produce adequate income
 - (a) May result in an annual expense (i.e. undeveloped land, art, etc.)
 - c. The way the issue of “basis” works
 - (1) Receipt of an asset during lifetime and the transfer of basis.
 - (2) Receipt of an asset after death and the “step-up” in basis.

Advanced Estate Planning and Senior Life Settlements

[illegible]

2. How does a Charitable Remainder Trust (CRT) works?

- Work with a competent attorney – one highly skilled in CRTs and estate work
- Form your own qualified charity (you can name the ultimate charities now or later)
- Possible to name a Family Foundation (which must be a charity)
- You can be the Trustee; name successor trustees
- Gift assets to the CRT (unlimited amount)
- Take a tax deduction
- CRT sells illiquid (or low dividend) assets and buys investments (i.e. mutual funds)
- CRT pays no tax on the sale of asset (it's a charity!)
- CRT pays an income (for life) to the grantors (5%-8% of CRT asset is the norm)
- Income can be paid monthly, quarterly, semi-annually or annually
- Income is taxable to the recipient
- Wealth Replacement Trust (Irrevocable Life Insurance Trust - ILIT) is formed (*optional*)
- Apply for single (or survivor life) policy to replace heirs' portion of the gift
- Gift an amount to the ILIT to fund the life insurance
- Upon death of last grantor, the income stops and remaining CRT value goes to charity(s)
- Heirs receive life insurance proceeds from ILIT – free of any tax

3. What are good assets to transfer to the CRT?

- a. Low basis assets, real estate, a business/farm, etc.

4. How a tax deduction is taken?

- a. The amount of the deduction is a complicated calculation that uses the estimated life expectancy of the beneficiary that statistically should live the longest, the percentage (or dollar amount) of payout by the CRT, and the current federal discount rate. The higher the percentage payout, the lower the deduction. As an example, a couple, both age 60, making a gift of \$100,000 to a CRT, and taking a 7% annual payout, would receive approximately \$37,000 in allowable deductions.
- b. Deductible maximum is 30% - 50% of adjusted gross income in any one year. Unused deductible amounts may be carried forward for up to five additional years.

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

- ☛ Charitable Remainder Unitrust (CRUT) - Fixed percentage payout. Example:
Year 1 – Trust value @ \$1,000,000 with 7% payout = \$70,000 annual
Year 5 – Trust value @ \$1,400,000 with 7% payout = \$98,000 annual
- ☛ Charitable Remainder Annuity Trust (CRAT) – Fixed dollar payout. Example:
Year 1 – Trust value @ \$1,000,000 with \$70,000 payout = \$70,000 annual
Year 5 – Trust value @ \$1,400,000 with \$70,000 payout = \$70,000 annual

[illegible]

5. How does a CRT provide an income stream for the donor(s)?
 - a. The CRT sells the illiquid (or low dividend) asset, and replaces with an asset that is consistent with the grantors risk tolerance (i.e. mutual fund, bond fund, etc.)
 - b. As the asset produces income, the CRT pays the grantor based on the trust agreement payout (either fixed dollar, or fixed percentage).
6. The heirs will **not** receive the asset at the death of the donor(s). The remainder interest goes to a charity. How can the donor(s) equitably treat the heirs?
 - a. Wealth Replacement Trust
 - (1) Must be an Irrevocable Life Insurance Trust (ILIT)
 - (a) This insures that the death proceeds are **not** included in the gross estate of the grantor(s).
 - (2) Premiums are paid by the ILIT from gifts made by the grantor(s)
 - (a) \$15,000¹ can be given annually by each donor (\$30,000 for a husband and wife) to each beneficiary. There is no limit as to the number of beneficiaries.

¹

The annual exclusion will be indexed for inflation in years following 1998. It will increase by the Consumer Price Index (CPI). However, the exclusion amount will be rounded *down* to the nearest \$1,000.

Notes	To Do
<p>Charitable Remainder Trust</p> <ul style="list-style-type: none"> Mom and Dad Low Basis "Stuff" Low Income "Stuff" "Stuff" FET <p>Gift</p> <p>CRT</p> <ul style="list-style-type: none"> Sell Asset(s) Pays Income Pays No Tax <p>Mom & Dad</p> <ul style="list-style-type: none"> Trustee(s) Receives Income Tax Deduction <p>Gift</p> <p>Wealth Replacement Trust - Life Insurance -</p> <p>Children (heirs)</p>	<p>Irrevocable Life Insurance Trust (ILIT)</p> <ol style="list-style-type: none"> The grantors should have no ownership or control of the policy so as to keep the death benefit from being part of their estate. The ILIT owns, pays for and is the beneficiary of the policy(s). The trustee(s) of the ILIT can be a bank, one or more of the adult children, or an unrelated individual. The grantors (parents) gift the premium to the trust for the life insurance. They should not pay the premium directly, especially if there is an estate tax issue. The children (heirs) are the beneficiary of the trust and receive the death benefit proceeds.

7. What are the advantages of a CRT to the donor(s)?
 - a. Sell a low basis asset without paying capital gains tax
 - b. Diversify assets
 - c. Significant income tax deductions
 - d. Remove assets from their estate... possible to pay NO estate taxes
 - e. Income stream for life
 - f. Control... the person(s) giving the assets can also be the trustee(s) of the CRT
 - g. Assurance that the loved-ones still receive an inheritance (Wealth Replacement Trust)
 - h. Knowledge that the loved-ones will not have to sell the assets at some future date (probably at a reduced value – *Garage Sale*) in order to pay the estate tax.
 - i. Knowledge that the loved-ones will not be burdened with the estate settlement process.
 - j. Should a Living Trust be used for all remaining non-CRT assets, the loved-ones will not be burdened by the probate process.
 - k. The IRS gets less tax (none on the sale of the asset, none on the gift, none for future estate settlement, and only a small portion on the trust income payout).

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

Disadvantages of a Charitable Remainder Trust

- ❖ The initial thought of giving your hard earned assets to a charity.
- ❖ The heirs will receive none of the inheritance (or its value) if a Wealth Replacement Trust is not implemented. The issue of one or both of the grantors being uninsurable could keep the parents from proceeding with the CRT.
- ❖ The initial legal and accounting expense for the CRT and Wealth Replacement Trust.
- ❖ A CRT is irrevocable. There could be a subsequent “change of heart.”
- ❖ If it is a CRAT, the extra earnings would *not* go to the grantors (or children), but ultimately the charity.
- ❖ If it is a CRAT, and additional charitable gifts are to be made, a new trust (and it’s resultant expense) would have to be created.

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C. Testamentary Trust

- An absolute **must** for parents (single or a couple) that have minor children -

1. A document attached to a will – (most attorneys can draft a will and this type of trust.)
2. It directs how minors will be treated and provided for (health, education and welfare) should the parent(s) die prior to the child's age of majority. With a single parent, it is activated at the death (or incapacity) of the parent. With a married couple, it is activated at the death (or incapacity) of the last surviving parent, or at the simultaneous death of both.
3. The trust directs who will be the trustee
 - a. This person, or entity, oversees the management and distribution of money for the beneficiaries as per the terms of the trust document.
 - b. The trustee can be an individual or a professional trustee (such as a bank).
4. The trust should be the **contingent beneficiary** for all personal and group life insurance on the life of the parent(s) with minor children.
 - a. The use of a Revocable Family Trust can further direct how money and assets will be used for heirs over the age of majority.

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

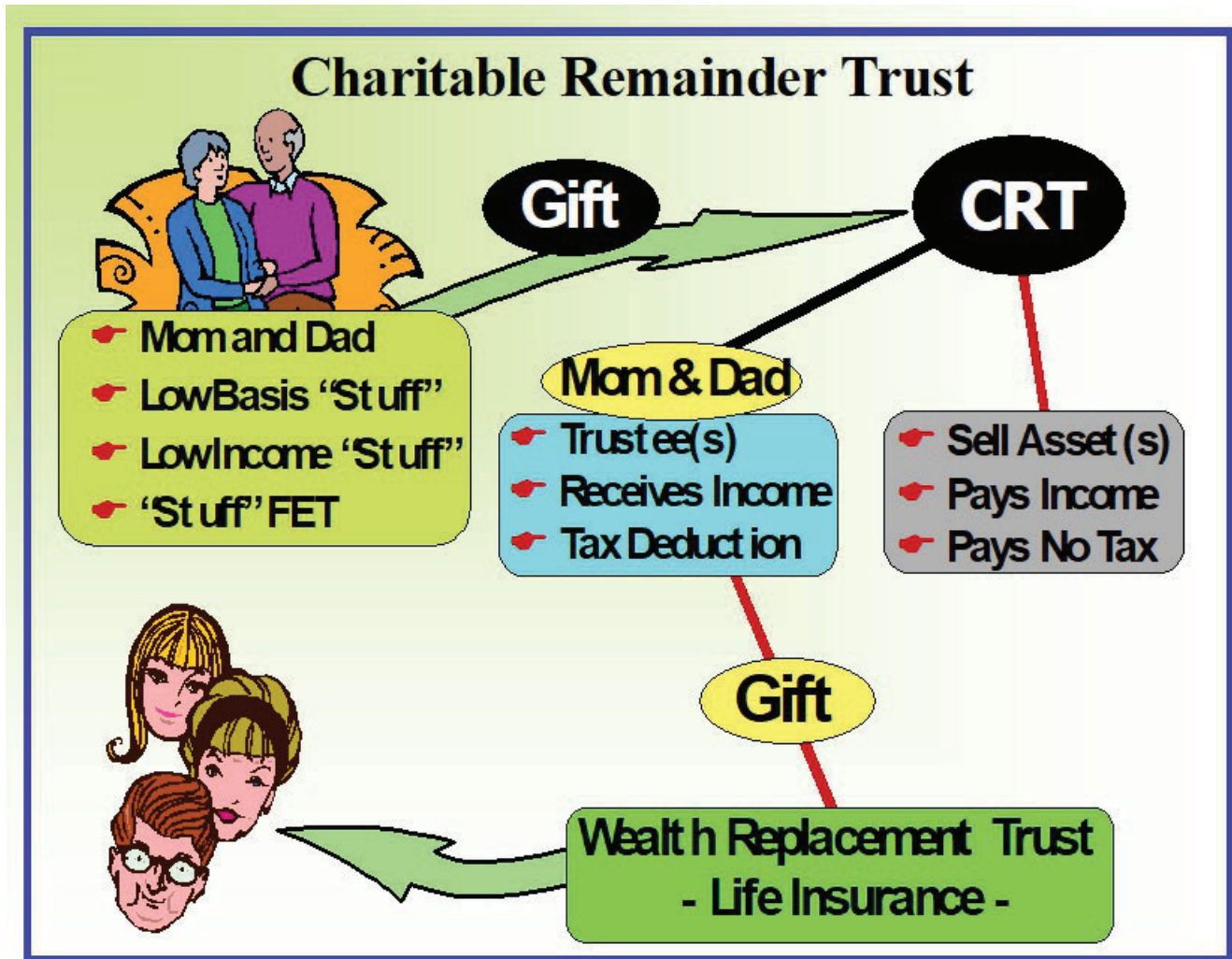
Young Children (or Special Needs Situations) Named as Beneficiaries of Life Insurance

If you are a single parent why not just name your child / children as the beneficiary of your individual and group life insurance? Well, let's examine a couple of questions that will arise after your death: 1) **Would any insurance company pay money owed from a contract (life insurance) to a minor?** Obviously, the answer is NO. The company would then pay the money to the court and let the judge sort it out. 2) **Would any court pay money to a minor?** Once again the answer is NO. If there is a valid will with an appointed guardian, the judge would most likely instruct the proceeds to be used by the guardian for the benefit of the child / children. If there is no written will, the court would then appoint a guardian for the child / children and probably instruct the life insurance proceeds to follow the guardian for the benefit of the child / children. However, a potential arises when a child reaches age of majority - age 18 in many states. Since the "child" is now an "adult" the remaining proceeds would most likely be paid lump sum to that individual. The same questions (and potential problems) exist if you are married and currently have your spouse named as primary beneficiary, and your child / children listed as contingent beneficiary. Is there a better way? Yes ... the use of a well written Testamentary Trust in coordination with a properly drafted will can solve most of the problems discussed above. Once drafted, simply list the Trust as the beneficiary of the life insurance (individual and group). If married, list the spouse as primary beneficiary and the Trust as the contingent. The same general problems exist if the desired beneficiary has "special needs". Once again this Trust can solve most of the potential problems previously discussed.

EXAMPLES OF COMMONLY USED BENEFICIARY DESIGNATIONS

- | | |
|--|---|
| <p>(1) <i>Insured's Estate: The Executors or Administrators of the Estate of the Insured.</i></p> <p>(2) <i>One Beneficiary: Mary E. Doe, Wife.</i></p> <p>(3) <i>Two Primary Beneficiaries: John A. Doe, father and Jane M. Doe, mother, share alike, or survivor.</i></p> <p>(4) <i>Several Named and Unnamed Children, Primary Beneficiary: Allen S. Doe, son, Bo J. Doe, son and Jo Ann Doe, daughter, and any other children hereafter born of the union of the Insured and said wife, share alike, survivors or survivor.</i></p> <p>(5) <i>Wife, Primary Beneficiary; Named Children and Unborn Children, Contingent Beneficiary: Mary E. Doe, wife, if living, otherwise Allen S. Doe, son, Jo Ann Doe, daughter, and any other children hereafter born of the union of the Insured and said wife, share alike, survivors or survivor.</i></p> <p>(6) <i>Wife, Primary Beneficiary (No Children living); Unborn Children, Contingent Beneficiary: Mary E. Doe, wife, if living, otherwise any children hereafter born of the union of the Insured and said wife, share alike, survivors or survivor.</i></p> | <p>(7) <i>One Primary and One Contingent Beneficiary: Mary E. Doe, wife, if living, otherwise Bo J. Doe, son.</i></p> <p>(8) <i>One Primary Beneficiary and Two or more Contingent Beneficiaries: Mary E. Doe, wife, if living, otherwise Allan S. Doe, son, and Jo Ann Doe daughter, share alike, or survivor.</i></p> <p>(9) <i>One Primary, One First Contingent and One Second Contingent Beneficiary: Mary E. Doe, wife, if living, otherwise Frank J. Doe, son, if living, otherwise Jane M. Doe, mother.</i></p> <p>(10) <i>Trustee as Beneficiary under a Written Trust Agreement: The First National Bank of Gotham City, as Trustee, under Agreement of Trust dated June 11, 1999, if said agreement shall then be in force, and if not, the Executors or Administrators of the Estate of the Insured.</i></p> <p>(11) <i>Unequal Distribution; Use fractions with a Common Denominator: Three-fourths (3/4) of the proceeds to Mary E. Doe, wife, if living, and one-fourth (1/4) of the proceeds to Jo Ann Doe, daughter, if living, otherwise all to the survivor.</i></p> |
|--|---|

Notes	To Do



Terms and Definitions for Estate Planners

ADMINISTRATOR Person or entity not nominated in a will but appointed by the probate court to settle an estate.

ADMINISTRATRIX Archaic Term for female administrator.

ATTORNEY-IN-FACT Person having power of attorney to act on behalf of another. Also known as "agent".

BENEFICIARY a. One who inherits a share or part of a decedent's estate; or b. One who will or may receive distribution from a trust, life insurance or retirement plan.

BUY-SELL AGREEMENT Written agreement between an owner or a business interest and an employee, co-owner or the business entity itself for the sale of the owners's interest in the business upon the owner's death.

CODICIL Amendment or supplement to an existing will.

COMMUNITY PROPERTY A for or ownership between husband and wife; this form is presumed unless they have chosen some other title form.

CONSERVATOR One who is appointed by a court to manage the personal decisions and/or estate of a protected adult.

DECEDENT Person who has died.

DEVISE Gift under a will.

DOMICILE Permanent residence of a person. A person can have more than one residence but only one domicile.

DONEE Recipient of a gift.

DONOR Person who makes the gift.

DURABLE POWER OF ATTORNEY FOR HEALTH CARE DECISIONS A document allowing an individual to act on grantor's behalf to make health care decisions when grantor becomes incapacitated; can specify directions, regarding termination of life support.

DURABLE POWER OF ATTORNEY Power of attorney which specified that it is effective even after the grantor is incapacitated.

ESTATE PLANNING Arranging of a person's assets, taking into account the laws of wills, trusts, insurance, property, and taxes so as to gain maximum benefit while carrying out the person's own wishes for the disposition of the property.

ESTATE TAX Tax on the transfer of the property as the result of death. Coordinates with gift tax. Imposed by federal government and also by some states.

EXECUTOR Person or entity named in a will to settle an estate.

FIDUCIARY One occupying a position of trust, e.g., executor, administrator, trustee, guardian or conservator.

GIFT TAX Federal tax on the transfer of property by gift. Coordinates with estate tax. Changes enacted in 2001.

GRANTOR A Person who establishes a trust, either while alive (living trust) or through a will on death (testamentary trust). Also known as "settlor" or "trustor".

- a. Person who gives power or attorney to another. Also known as "principal".
- b. Person who transfers property to another.

GROSS ESTATE **a.** (For probate) Value of all assets which are subject to probate, regardless of any debts or liens. **b.** (For federal estate tax) Probate estate, plus decedent's other property and interests including life insurance, retirement plans and joint tenancies.

GUARDIAN One who is appointed by a court to manage the personal decisions and/or estate of a protected minor.

INCAPACITY Incompetency; the lack of physical or mental ability, or of legal qualification to act for one's self.

INHERITANCE TAX Tax imposed by some states upon assets passing to a deceased person's heirs. (Many states do **not** have this form of taxation).

INTESTATE Having no will. Different laws in each state determine who receives the assets.

IRREVOCABLE TRUST Legal entity in which assets are held by a trustee for the beneficiaries, subject to terms which may not be amended or revoked.

JOINT TENANCY One form of co-ownership. When on joint tenant dies, his or her interest passes to the surviving joint tenant or tenants, without probate. By definition, joint tenants are equal owners (except for bank accounts).

LIVING TRUST Trust created during grantor's lifetime. (Often refers to revocable trust).

LIVING WILL Form for direction to terminate life support; invalid in some states.

POWER OF ATTORNEY Right, ability or authority to do any act which the grantor might lawfully perform.

PROBATE Judicial settling and distributing of decedent's probate estate, governed by the will, if any, and subject to legal requirements.

PROBATE ESTATE Property which is subject to

the jurisdiction of the probate court. Usually excludes life insurance, joint tenancy assets and retirement benefits.

REVOCABLE TRUST Legal entity in which assets are held by a trustee for the beneficiaries, subject to terms which may be amended or revoked by grantor(s). **NOTE:** grantor(s), trustee(s), and beneficiary(ies) can be the same person(s).

TENANCY-IN-COMMON A form of co-ownership. Upon death, each tenant's interest is subject to the tenant's will.

TESTAMENTARY To take effect after death pursuant to provisions of the will.

TESTATOR Creator of a will.

TRUST Legal arrangement by which title to property is given to trustee to manage for the beneficiaries.

TRUSTEE Person holding property in trust; must follow the terms of the trust for the benefit of the beneficiaries.

WILL Formal, legal written instructions regarding the disposition of property passing through probate, the guardianship of minor children and the administration of one's estate.

[illegible]

III. Senior Life Settlement

A. Just what is a Senior Life Settlement (SLS)?

A Senior Life Settlement (many times referred to simply as a Life Settlement) is a financial transaction in which a policyowner possessing an unneeded or unwanted life insurance policy sells the policy to a third party for an amount less than the contract death benefit. The purchaser becomes the new owner and beneficiary of the policy and is now responsible for all current and subsequent premium payments.

Life settlements are an important development in that they have opened a secondary market for life insurance in which policyowners can access fair market value for their policies, rather than accepting the lower cash surrender value from the issuing life insurance company. Many companies will even make an offer on a term policy.

Generally speaking, life settlements are an option for high-net-worth policyowners age 65 or older. Independent estimates report that among this group, 20% of policies have a market value that exceeds the cash value offered by the carrier. And while many policyowners are unfamiliar with life settlements until a financial professional mentions the option to them, the concept has gained attention from high-profile proponents such as Warren Buffett, numerous media sources including The Wall Street Journal, Time Magazine and The Economist. A growing number of experts now believe that informing clients about offering life settlements should fall under the fiduciary duty of a financial advisor.

B. How does a Viatical Settlement differ from a SLS?

A viatical settlement is the sale of a life insurance policy by the policy owner before the policy matures. Such a sale, at a price discounted from the face amount of the policy but usually in excess of the premiums paid or current cash surrender value, provides the seller an immediate cash settlement. Generally, viatical settlements involve insured individuals with a life expectancy of less than two years. In countries without state-subsidized healthcare and high healthcare costs (e.g. United States), this is a practical way to pay extremely high health insurance premiums that severely ill people face. Life settlements, which are similar transactions, normally involve policy owners (minimum age of 65) with longer life expectancies and many with no existing health problems. Viatical contracts normally have no age minimums.

- C. Why would an insured / owner want to “sell” a life insurance policy?
1. Life insurance policy no longer wanted or needed.
 2. Premiums payments have become unaffordable.
 3. Insured is considering surrendering or lapsing the policy.
 4. There is a change estate planning needs or change in tax law.
 5. There is a change in financial circumstances.
 6. There is a change in life circumstances (divorce, sale of business, etc.)
 7. The insured needs the cash now to cover rising healthcare costs.
 8. Business no longer needs key-person life insurance coverage.
 9. Charity (church, university, hospice, etc.) needs to raise cash by selling one policy to pay the premiums on other gifted policies.
- D. Where does the money come from for the SLS business?
- ◆ Financing comes from either **institutional funding** or **private (individual) sources**. Financing or funding entities normally do not have direct contact with the sellers of life insurance policies and, as such, generally, do not have to be licensed by the various state insurance departments, but they may have to follow other state laws.
 - ◆ **Institutional funding** (Berkshire Hathaway, Citigroup, GE Capital, J. P. Morgan, Bank of New York Mellon, etc. Also reinsurance companies)
 - ◆ **Private (individual) funding** - an individual or group of individuals who “invest” their money for settlement purposes and own the entire policy or fractional shares of insurance contracts.

Life Settlements

Life Settlements for Term Insurance

by David Cherkas

Term insurance has been the bargain of the insurance marketplace for more than 20 years. It provides effective low-cost coverage that helps achieve a wide range of planning goals. Term insurance can be the answer for a corporate client who needs key-man coverage or a high net worth couple who needs income protection. But, for all of the reasons for clients to buy term, people assume that there are just as many reasons to let it lapse when the need for coverage passes. As we are about to see, that assumption may no longer be valid.

Term policies account for about 40% of new individual life insurance purchased each year. The popularity of term is largely due to a 20-year price war, which has steadily driven down term rates as insurers grapple for market share. With term consumers paying just 25% of what they once paid, it is no wonder that \$1.3 trillion worth of new term policies are issued each year.

For most insureds, a term policy functions much like the disposable raincoat they bought on the way into a football game. After it provided affordable and effective protection for the duration of the game, they dumped it without a second thought. Likewise, billions of dollars worth of term insurance is lapsed every year. After all, why should a client keep paying for a term policy that is no longer useful? With the rise of the secondary market for life insurance, advisors are asking a very different question, "How much can my client receive for an unneeded term policy?"

What Is My Client's Term Policy Worth?

The life settlement of a term policy is one of the greatest opportunities presented by the secondary market for life insurance. Term life settlements represent a rapidly growing portion of the market. While it may seem counter-intuitive for clients to receive cash for unneeded term insurance, a large amount of term coverage on the books carries a value in the secondary market.

A term life settlement can be a boon to the client. Consider an example from the world of real estate. Imagine that your client rents an apartment. The lease lets him cover

his housing needs by making regular payments and he has no expectation of a return when he moves out. Now imagine helping your client sell the lease for twice the amount he has paid out over the lifetime of the lease. What if you could collect compensation for selling the lease and helping the landlord convert the apartment to a condo? This is how term life settlements work. Clients win by receiving an unexpected return on their premium investments while dropping an asset that they don't need anymore. What does the advisor gain? For starters, the relationship with your client becomes stronger when you present them with value that they didn't know existed. In addition, you will have multiple compensation opportunities on the sale and conversion of the policy.

Here's a recent real-world example. A corporate client no longer wanted to pay the premiums for a \$25 million term policy on a 66 year-old man. The client intended to convert \$10 million and let the remainder lapse. The writing agent didn't recommend an appraisal. Fortunately, an attorney associated with the transaction introduced a second advisor who was experienced in policy valuation. This advisor helped the client with a \$175,000 life settlement for the remaining \$15 million in coverage. The company was so pleased with getting unexpected return on top of achieving their original goal of dropping the unnecessary coverage that they began sending additional conversion business to the second advisor.

The profile of good settlement candidates for term or for other types of policies has broadened significantly from the market's early days. As another recent case illustrates, an impaired life expectancy is no longer a prerequisite. A company was using an \$8 million term policy as collateral for a credit line through a local bank. The insured was a 69-year-old male company executive with a life expectancy of 14 to 17 years. The premium payments were no longer tolerable to the company, which was planning to let the policy lapse. After an astute advisor recommended a valuation, the policy appraised for \$500,000. The company chose a life settlement,

which disposed of the original policy while generating significant cash to cover operating expenses, including a portion of the premiums for a new \$6 million policy purchased at preferred rates.

These cases illustrate another compelling fact about term life settlements. Term insurance is a bridge to permanent coverage in the majority of planning scenarios. Until now, clients and their advisors have been content to drop the unneeded term coverage. However, by appraising and settling such policies, advisors can use the term policy's market value to give clients a springboard into far more affordable permanent solutions.

Tapping the Term Market

Considering that term clients never expect to see a return, underperforming policies represent a tremendous opportunity for advisors to bring new value to clients. Even better, the sheer volume of in force term insurance makes prospecting relatively simple. Here are a few suggestions on how to tap into the term life settlement market:

- Examine your book of business. Are any of your clients considering dropping or converting term policies?
- Talk with accounting and law firms since they are often involved in developing solutions for clients with larger term policies.
- Consider offering financial planning seminars, which can be another valuable prospecting tool.
- Study the published financials of public companies for corporate-owned term policies that may be suitable for life settlements.

Term life settlements are still an unrecognized opportunity. Building a thriving term life settlement business can be a powerful strategy to reach new clients and build core business. Realizing significant value for such "valueless" policies is a concept that any client will warm up to. □

David Cherkas is Senior VP, Account Services for Coventry. He develops and manages alliances with key national accounts in the financial services industry. He's also a respected national educator and speaker on the secondary market for life insurance. Call 877-836-8300.

E. What are the mechanics of the Senior Life Settlement?

1. The Agent / Broker

a. The Settlement Broker - Note: the broker can assist to see if the potential SLS prospects is “qualified”. The agents and the prospect does **NOT** want to waste time, nor ‘get the hopes up’ if they are a poor candidate. See a sample of a pre-screening questionnaire on page 34 that is used by one settlement broker.

b. The application

c. Commissions

3. The Provider of the Funds

a. Called the Secondary Market

4. Insurable interest issues

5. The soliciting agent working with brokers and providers

a. Working with the Client’s “team”

b. Family members; the attorney; the accountant; the financial advisor; the trust officer; the existing life insurance agent, etc.

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

Manna From Heaven Settlement Company

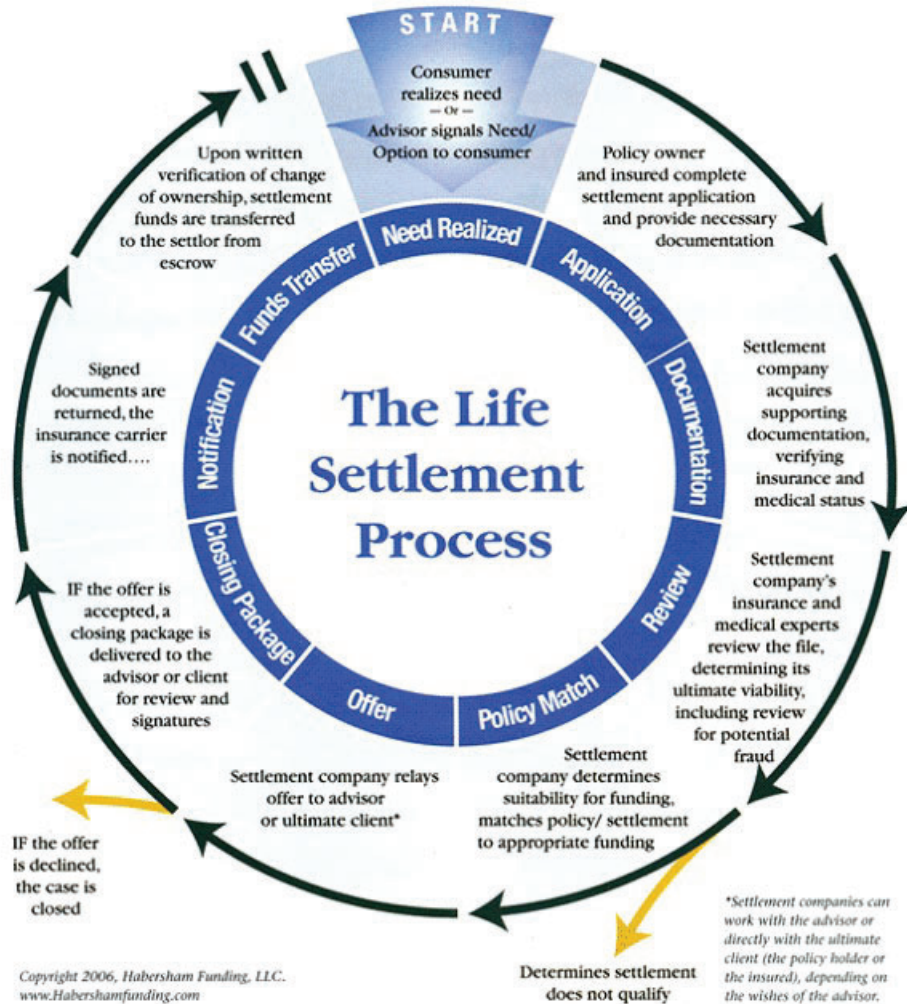
Total Score	Life Settlement Probability
6	Highly unlikely
7-12	Unlikely - call us first
13-18	Average - complete application
19-24	Highly likely - complete application

Client's Name _____ Score _____ Policy Amount _____

Please rate each category and add the points for a total. Compare the score with the table above for a settlement probability.

Client's age and sex: <input type="checkbox"/> 1 point Male age 74 or less / Female age 77 or less <input type="checkbox"/> 2 point Male age 75-78 / Female age 78-81 <input type="checkbox"/> 3 point Male age 79-83 / Female age 82-86 <input type="checkbox"/> 4 point Male age 84+ / Female age 87+	Current cash surrender value of the policy as a percentage of the death benefit: <input type="checkbox"/> 1 point 30%+ <input type="checkbox"/> 2 point 20% - 30% <input type="checkbox"/> 3 point 10% - 20% <input type="checkbox"/> 4 point 0% - 10%
Medical Condition: <input type="checkbox"/> 1 point Health senior <input type="checkbox"/> 2 point Has a minor health problem <input type="checkbox"/> 3 point Health has changed considerably since policy issue <input type="checkbox"/> 4 point Client has developed a terminal illness	Outstanding loans as a percentage of the death benefit: <input type="checkbox"/> 1 point 30%+ <input type="checkbox"/> 2 point 20% - 30% <input type="checkbox"/> 3 point 10% - 20% <input type="checkbox"/> 4 point 0% - 10%
Policy type: <input type="checkbox"/> 1 point Joint Survivorship or Whole Life <input type="checkbox"/> 2 point Term Life <input type="checkbox"/> 3 point Universal Life <input type="checkbox"/> 4 point Joint Survivorship with one deceased	Current premiums as a percentage of the death benefit: <input type="checkbox"/> 1 point 4%+ <input type="checkbox"/> 2 point 3% - 4% <input type="checkbox"/> 3 point 2% - 3% <input type="checkbox"/> 4 point 1% - 2%

F. What is the 'flow' of the SLS process?



G. What are the tax issues the contract owner will face when an in-force life insurance contract is sold under a Life Settlement arrangement?

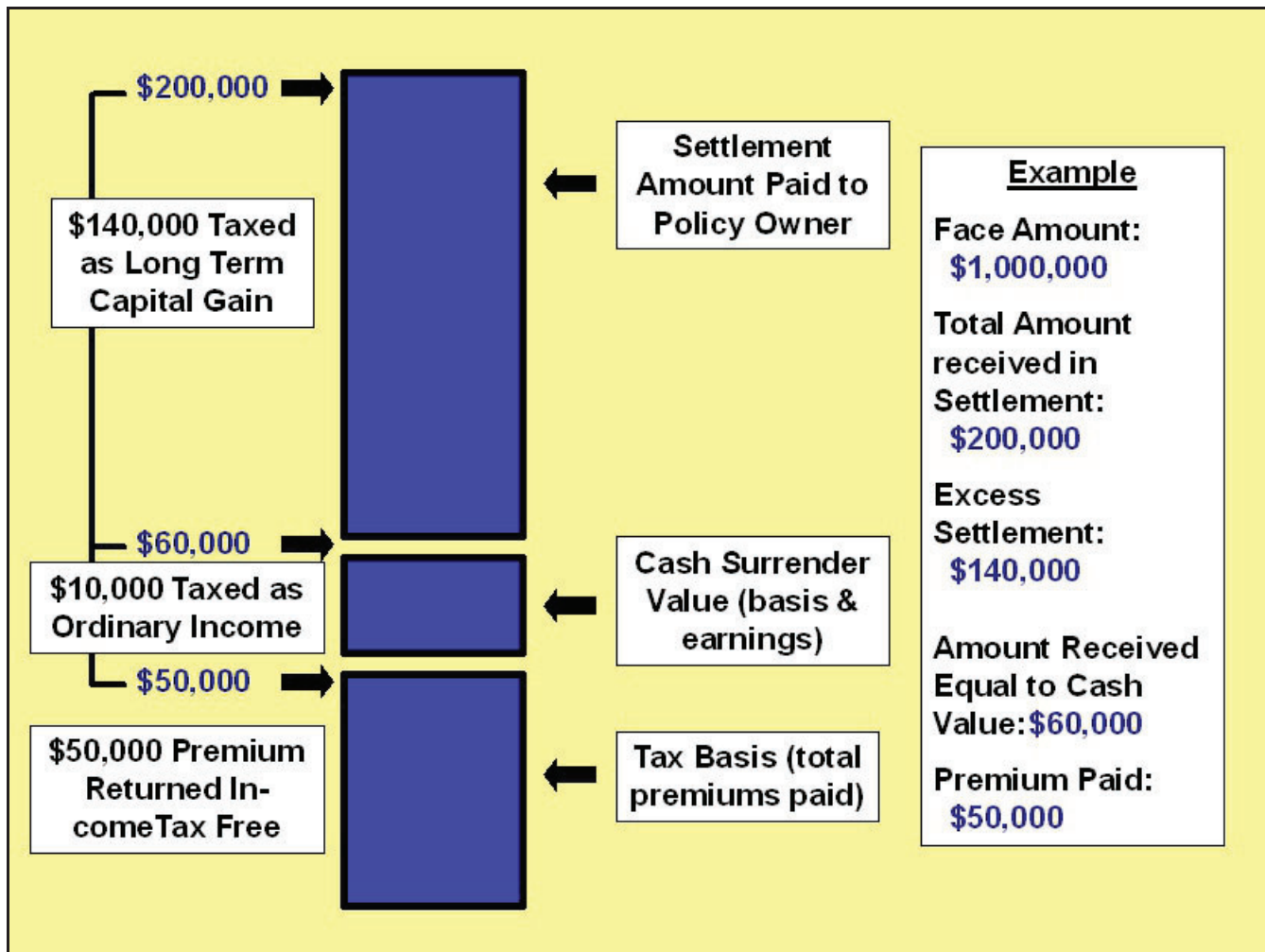
1. Premiums paid
2. Cash value / settlement received

The Tax Issues

Revenue received from a Settlement are subject to taxation. However the entire amount received may be taxed in at least **three** different ways:

1. An amount equal to all paid PREMIUMS **may not be taxed** at all. (Return of basis rule).
2. The amount equal to the CASH SURRENDER VALUE *minus* premiums paid might be taxed as **ordinary income**.
3. The amount received **minus** the **greater** of the cash surrender value or premiums paid may be taxed as a **capital gain**.

NOTE: Sellers should consult their tax professional for proper planning and reporting regarding the sale of a life insurance policy.



H. What are the Regulatory Issues in your jurisdiction?

1. State regulations (vary by state)
 - a. Special License / Continuing Education
 - b. Mandatory agent training
 - c. Disclosure information and rules
2. “Suitability issues” with your prospect
 - a. Suitability questions

I. Shopping the market

1. “Best Terms” or best contract with your client

Advanced Estate Planning and Senior Life Settlements

Notes	To Do

Dealing with the children, beneficiary(s), attorneys, CPAs, Financial Planner, the other life insurance agent

- ◆ Potential problems that can arise from the family or professionals:
 - Lost inheritance (in the form of the life policy's death benefit) for loved ones
 - Circumstances may change
 - Estate tax laws may change

Note: Try to anticipate potential problems before they come up (discus with attorney, CPA, etc.)

Stranger Owned Life Insurance

Yo Buddy, want some free life insurance? Better yet, we'll not only pay all the premiums on the policy but we'll also pay you!

Promoters are placing huge policies on the lives of total strangers, people on whose lives they have no insurable interest -- no previous economic or family relationship or interest in the continuation of the insured's life--with a pitch that goes something like this:

"You purchase \$10 million of insurance on your life. We'll advance the premiums for two years at an interest rate of 12% to 15% and take a collateral assignment on the policy. You pay nothing. You don't even have to pay any interest--it accrues with the loan. At the end of two years, if you want to continue the coverage, you pay us the interest you owe and repay the principal. It's a non-recourse loan. That means you risk nothing. If you don't want the coverage at the end of two years, no problem. We'll take over the policy and you have no liability.

You owe nothing. Best of all, we'll pay you \$250,000 in cash up-front to sweeten the deal."

Of course, this "free insurance for two years" scheme is a thinly disguised attempt to skirt the insurable interest laws and create a market for huge amounts of insurance on foolhardy individuals' lives. (Would you allow a stranger or group of totally unknown individuals to purchase a \$10 million policy on your life? How about a \$1 million policy? Would you believe \$100,000?)

Stranger-Owned Life Insurance ("SOLI") is a rapidly spreading virus that is infecting both individuals and charities. The end result is likely to be a lose-lose-lose situation for the public, the insureds, their families, and the insurance and estate planning communities. In fact, everyone is likely to lose--except the promoter-marketers and third-party investors they assemble to finance what is clearly an end-run around centuries old insurable interest laws.

<http://www.csi.mt.gov/forms/Licensing/ViaticalSettlementBrokerApplication.pdf>

<http://www.NIPR.com>

J. **Marketing options for SLS: The TOLI (Trust Owned Life Insurance)**

1. What is a TOLI and what is it typically used for?
2. Estate tax laws ... constantly changing ... just consider 2020!
3. Trusts (and the Trust Officers) may not have an established and on-going plan for monitoring the performance of a TOLI

K. **SLS in the Business arena**

1. In-force contracts insuring the life of the Key executive who may soon be retiring or has already retired
2. Funding a Deferred Compensation arrangement
3. Buy-Sell insurance contracts when there is a business “divorce”
4. The business may be required to “find some money” due to a “credit crunch” or to avoid bankruptcy.

L. **SLS and Philanthropy**

1. Working with the “Affluent Seniors”
2. 58% of seniors that had or intended to make gifts to charities stated they “**would give more (or large gifts) to their charities if they could actually see the impact of their gifts**”. (Bank of America survey, 2013)
3. As one Settlement company likes to promote ... “**Giving While Living**”.

4. Ways that a Life Settlement can apply toward a charitable situation:
- **Liquidity Source for the Senior** (cash proceeds may be donated directly to the charity)
 - **Optimization Solution for the Charity** (charities can maximize the value of the policy on the verge of lapse or surrender)
 - **Fund-raising / Development Tool**
 - **Deferred Giving Options** (the grantor may wish to transfer an unwanted life policy to a Charitable Remainder Trust that can be sold later)

Examples of Life Settlement Involving Charities

(from the web-site of a large Life Settlement company)

Case 1: We were asked to assist a religious foundation in Iowa that owned a \$400,000 life insurance policy. The policy, which had little cash surrender value and a loan against it, was becoming a problem to maintain. The organization decided it was no longer feasible to make premium payments to keep it in force. Rather than surrender the policy for \$4,432.00, they opted for a life settlement in the amount of \$40,000 — over 10 times the cash surrender value.

Case 2: This case involved a charitable organization dedicated to easing human trauma and stress in war-torn countries, particularly in the Mid-East. The charity owned a \$5 million policy that had been donated by one of its major supporters, but when premium payments became a burden, the charity decided to explore the life settlement option. With a cash surrender value of only \$62,812, the board decided that it made more sense to pursue a life settlement, and they asked _____ Settlement Company to shop for the highest possible offer from its network of funders. The charity ultimately accepted a \$1 million settlement — an amount nearly sixteen (16) times the cash surrender value. The proceeds were used for various projects in support of the organization's international mission.

Case 3: This case involved one of the nation's largest community foundations to which a donor had gifted a \$4 million second-to-die life insurance policy. When the insured passed away, the spouse was unable to maintain the premiums and the foundation considered surrendering the policy for \$474,000. The family's insurance agent, who was knowledgeable about life settlements and how the product could be applied in the nonprofit sector, suggested a life settlement. The agent and the planned giving staff asked _____ Settlement Company to pursue the highest offer from its network of funders. The community foundation accepted an offer for \$1.395 million, which was nearly three times the cash surrender value. This allowed the charity to maximize the donors charitable legacy.

Case 4: This case involved an 82 year old male who donated a \$400,000 policy to his local community foundation in Ohio. The donor had been making annual premium payments on the policy as his annual gift, but decided at one point that he could no longer afford the \$30,000 per year payments. Since the charity could not afford those payments either, they decided to let the policy lapse, since it had "zero" cash surrender value. However, while the policy was in a "lapse pending" status, an insurance agent working with _____ Settlement Company joined the board of directors and learned about the policy. He recommended that the charity make a minimum monthly premium payment to keep the policy in force while the life settlement transaction was being underwritten and _____ Settlement Company pursued an offer on the secondary market. It was a wise decision. The charity received \$48,000 for a policy that was otherwise worthless!

Case 5: A major state university foundation owned a \$1.6 million life insurance policy that had been donated a number of years ago. When they decided that it was fiscally prudent to sell the policy, they asked _____ Settlement Company to shop the policy and obtain multiple offers. The result was an offer in the amount of \$600,000 to the foundation — approximately 37 percent of the policy face value.

Case 6: his case involved a community charity that owned a \$400,000 variable universal life insurance policy gifted 12 years ago by a senior donor. When premiums on the policy reappeared, the organization was not in the position to make premium payments. They had the choice to either accept the cash surrender value of \$54,656, or pursue a life settlement. They decided to exercise a life settlement and by obtaining multiple offers, were able to more than double the cash surrender value for a life settlement in the amount of \$124,000.

(Note: enter **life settlement charity** in any Internet search engine — such as Google — and numerous site will be shown)

- ◆ Examples of actual Senior Life Settlement contracts issued by two leading carriers (taken from the two company's web-sites)

Insured:	73 year-old male (good health)
Face Amount:	\$5,000,000
Policy Type:	Universal Life
Cash Surrender Value:	\$2,862
Amount Paid to Seller:	\$1,050,000
Amount Above Cash Value:	\$1,047,138
Reason for Policy Change:	Estate planning tax change

Insured:	74 year-old male (good health)
Face Amount:	\$1,000,000
Policy Type:	Universal Life
Cash Surrender Value:	\$37,078
Amount Paid to Seller:	\$250,000
Amount Above Cash Value:	\$212,922
Reason for Policy Change:	No longer needed the coverage

Insured:	82 year-old female (fair health)
Face Amount:	\$1,000,000
Policy Type:	Universal Life
Cash Surrender Value:	\$14,139
Amount Paid to Seller:	\$298,333
Amount Above Cash Value:	\$194,195
Reason for Policy Change:	Estate planning tax change

Insured:	77 year-old male (very good health)
Face Amount:	\$750,000
Policy Type:	Universal Life
Cash Surrender Value:	\$102,287
Amount Paid to Seller:	\$137,000
Amount Above Cash Value:	\$34,713
Reason for Policy Change:	Problem paying the premium
Insured:	68 year-old male (by-pass history)
Face Amount:	\$2 000,000
Policy Type:	Convertible Term
Cash Surrender Value:	\$ -0-
Amount Paid to Seller:	\$40,500
Amount Above Cash Value:	\$40,500
Reason for Policy Change:	No longer needed the coverage
Insured:	86 year-old female (fair health)
Face Amount:	\$1,000,000
Policy Type:	Universal Life
Cash Surrender Value:	\$150,565
Amount Paid to Seller:	\$570,000
Amount Above Cash Value:	\$419,435
Reason for Policy Change:	Estate planning tax change

Senior Life Settlements: A New Life Insurance Option

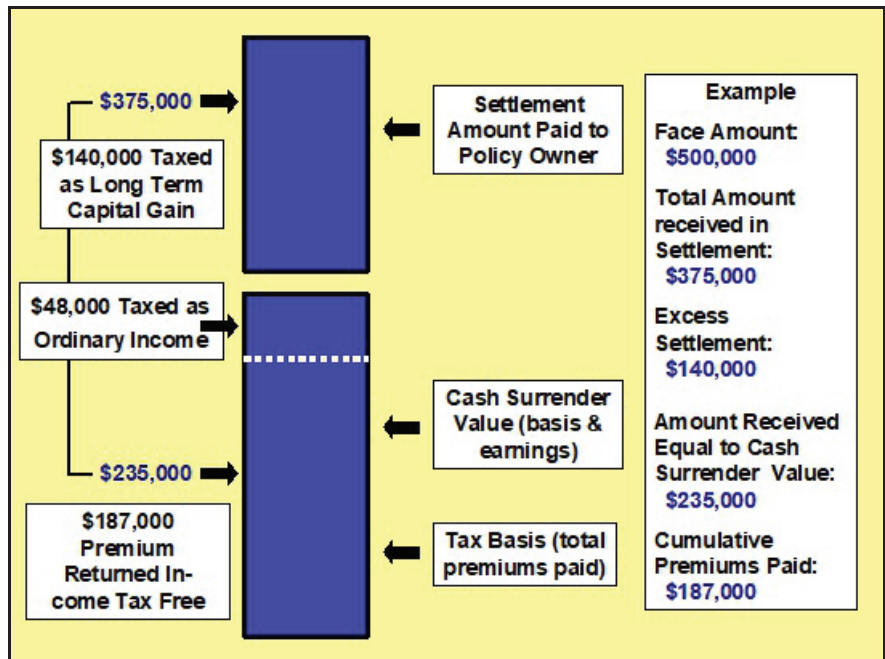
By: Jerry Rhinehart, CIC, CLU, ChFC, RHU

In the mid-to-late 1980's, the use of a financial arrangement called a "viatical settlement" began to emerge. A good example of this arrangement is as follows: A terminally ill person (the first ones were mostly gay men dying from AIDS) would "sell" their in-force life insurance policy to a 3rd party for an amount that was greater than the cash surrender value but less than the face amount. Medical underwriting would be performed on the insured and the shorter the insured's life expectancy – the greater the payout. Generally, the insured's life expectancy was somewhere between a few months to less than 2 years. In exchange for the payout the 3rd party organization (or individual) would then become owner, premium payor and beneficiary of the life insurance contract. These arrangements soon came under extreme scrutiny by the various state insurance regulators and continue to do so to this day.

While viatical settlements (VS) are still in use today, they were the impetus and fore runner of what has become a new and growing market called Senior Life Settlement (SLS). It is also known in the industry as a Life Settlement. While similar in some respects to a VS, they have a couple major differences: first, the SLS is for a person that is age 65 or older; and second, a person in good health for their age (even perfect health) can enter into an SLS arrangement. Here are a couple of other details to know: Most settlement companies (usually referred to as a Provider) will consider *any* contract and *most* arrangements (**Contracts:** Term – even group term, Whole Life, Universal, Variable; **Arrangements:** Individually owned, owned by a Business or a Trust, even owned by a Charity). Normally, a life insurance contract will only be considered after it has been in force for at least two years.

Let's look at what might be a typical SLS case: Paul, age 82, is in fair health (some heart problems, he is a diabetic and few other minor ailments) has a \$500,000 Universal Life policy that was purchased in the early 80's when he was 55 and owned his business. The annual premium is \$7,200 and it has a cash surrender value of \$235,000. Since his wife recently passed away he feels he no longer needs this policy. Additionally, he is beginning to have a problem paying the annual premium. He has another small paid-up life policy that will easily be enough to take care of any final expenses. He tells his personal lines agent that he is thinking about cashing

in the policy and would appreciate his assistance with the paperwork. His agent tells him he has recently read about the SLS concept and this might be an alternative to consider. The agent contacts a life insurance broker who has access to numerous "settlement companies". The initial paperwork is completed, followed by some minimal medical underwriting (mostly the settlement broker corresponds with Paul's physicians) and after about 6 weeks the broker notifies the agent that he has six firm "offers". The best offer is a cash settlement of \$375,000. Paul accepts the offer and signs the forms



to make the settlement company the owner and beneficiary. The settlement company is now responsible for future premiums. Upon Paul's death they would receive the death benefit – free of any taxation. Let's examine Paul's potential taxation on his \$375,000 check: An amount equal to the cumulative premiums he paid (let's assume \$187,000) would be free of any tax; the next \$48,000 – the difference between the current cash value and the cumulative premiums – would be subject to ordinary income tax; the remaining \$140,000 would be subject to capital gains taxation.¹

What are some factors that determine the amount of the potential payout from a SLS? The age (and sex) of the insured, the type of policy, the current (and

future) premiums as a percentage of the death benefit, cash surrender value (if any) of the policy as a percentage of the death benefit, outstanding loans as a percentage of the death benefit, medical condition of the named insured, and the financial rating of the carrier.

Who are “providers” and where can they be found?

Currently there are thought to be less than 200 settlement providers. Some are institutional providers and some are individuals. There is even an association for the industry (Life Insurance Settlement Association - found on the Internet at lisassociation.org). Many of the larger providers are members of this association. A quick search of any Internet browser (Google, Firefox, etc.) will reveal numerous “hits” for settlement companies. Simply type in “life insurance settlement”. Most life insurance periodicals will have several ads for the larger and more aggressive settlement companies. **Should an agent work directly with one of the providers?** Certainly nothing prevents this. But, it is highly recommended to work through a reputable broker that has an affiliation with several of the leading providers. If an agent goes direct to one or two settlement companies, he / she can not be certain the offer is the best for the client. Whereas a settlement broker will shop the case with numerous organization, handle all details after the initial paperwork, and should be able to justify a “best offer”.

What are some reason a person might wish to consider a SLS?

- ◆ Enjoy a higher quality of life
- ◆ Enjoy personal independence and dignity
- ◆ Purchase financial products or investments which are more suited to their present life circumstances
- ◆ Exercise greater control over their health care options
- ◆ Take care of any personal debt
- ◆ Take a dream vacation
- ◆ Buy a new car or home
- ◆ Make gifts to loved ones or charities
- ◆ Compensate for lost income
- ◆ Take care of financial arrangements
- ◆ Eliminate the life insurance premium
- ◆ Have peace of mind

How do the “traditional” life insurance companies feel about the emerging SLS concept? Well, simply put ... they're not too fond of it. The reason? All life insurance contracts are based on actuarial assumptions. One key assumption is the “future lapse rate” of the various types of contract. Based on this and many other assumption the actuary can set a sound, but profitable, pricing and cash values structure. Older contracts, especially term and universal life, have substantial lapse assumptions at the older ages of the insured. It is assumed that many of the cash value building contracts will either be cashed in or they might allow the cash value to keep the death benefit in force for

some period of time. Obviously, a contract purchased by a settlement company will be in-force at the time the insured dies. This “failure to lapse” will certainly impact the bottom line of life insurance companies that experience a substantial number of ownership transfers to the SLS market. While the number of transacted SLS cases are not substantial in relation to the total number of in-force life policies, the emerging concept is causing some concern in the “traditional” life insurance community.

Is the SLS market here to stay and should a licensed agent get to know it better? Most definitely!

- First, let's **consider the money**: A recent survey by lisassociation.org with just 11 settlement providers reported they had paid \$850 million **MORE** than the cash surrender value of their settled contracts in years of 2004-2005. That is a large amount of additional money for seniors that may have felt their life contracts were no longer needed.
- Next, let's consider the various **regulatory groups**: A quick search finds that there is currently **NO** federal regulations concerning VS or SLS. A few states (AL, AZ, ID, MO, NH, SC, SD, WV AND WY) currently have no regulations; a few more states regulate VSs only (CA, IL, MA, MN, NM, NY, OR, VT, WA and WI) and the balance of the states regulate both VSs and SLS. (Please see http://www.lisassociation.org/vlsaamembers/legislative_maps/images/Reg-of-viactical-and-life-se.jpg for a current map). This is certain to change as the use of the contract arrangements gain more “press” and public awareness. The Life Settlement Association, and various other regulatory bodies are pushing for more protection to policy holders from unscrupulous practices. There is even discussion of a Model Act. Here, some disagreement exist between the various parties (associations for both agents and companies and the various state and federal legislative bodies) as to how a Model Act should work, as well as its key components. An agent needs to check with their own state department of insurance regarding specific licensing and continuing educational requirements that might be necessary for a particular state. The bottom line ... when associations are formed and when regulatory bodies enacted licensing and continuing education rules that is usually a good clue that the “concept” is alive and well!

- Another consideration are the **professional advisors** (accountants, attorneys, financial advisors, etc.). They are now beginning to see articles in their trade magazines regarding the SLS concept. Some articles are even recommending the professional advise their client that there is an alternative (the SLS concept) to surrendering an unwanted or expensive life insurance contract. It could be very beneficial for a knowledgeable life agent to work closely – even counsel – these advisors who might need assistance in placing a SLS.
- And lastly, all agents – life and property / casualty – need to be aware of this **new life insurance trend**. There is a very good educational “white paper” that can be down-loaded from the Life Insurance Settlement Association at: http://www.lisassociation.org/files/LISA_whitepaper.pdf that can provide excellent additional information to anyone wanting more details about the SLS. While some agents may not wish to become involved with the SLS from a sales standpoint, it certainly can be something to be consider for themselves personally or a loved one. As with any line of insurance, the agent’s clients, friends and family will appreciate sound recommendations that can provide extra value for their financial planning or protection.

¹ The life insurance policy owner should always check with their tax professional regarding any and all tax ramifications a SLS might have.



James K. Ruble Seminar

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Section 4

Understanding Time Element for the First Time

Understanding Time Element Coverages For The First Time!



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I. Business Income Loss Exposures

A. What is Business Income Coverage?

1. Provides protection for the reduction in the insured's revenues because of physical damage to covered property by a covered cause of loss.
2. Provides protection for extra expenses incurred by the insured to avoid or minimize the loss of income following a physical loss.
3. It is known by different titles:
 - a. Time Element Insurance
 - b. Business Interruption Insurance
 - c. Use and Occupancy Insurance
 - d. Loss of Income Insurance

B. What is the purpose of Business Income Coverage?

TO DO FOR THE BUSINESS WHAT THE BUSINESS WOULD HAVE DONE FOR ITSELF HAD NO LOSS OCCURRED

C. Why is so little Business Income Coverage sold today?

1. Agents, insurance company personnel, and claims adjusters are not familiar with the coverage.
2. Lending institutions typically do not require the coverage.
3. Many insureds are reluctant to furnish the financial information required to properly write the coverage.
4. Many insureds are not aware of the exposure, or feel the exposure is already covered by their property insurance.
5. It involves accounting.

D. Why an insured should consider Business Income coverage.

1. It protects the income or profit of the business.
2. It replaces the lost sales and income of the business.
3. The business is able to keep its key employees.
4. The business will have the funds to operate temporarily while rebuilding.

5. The business will probably get a better and faster loss settlement on the property loss.
6. Business income losses can be – and usually are – larger than the property loss.
7. The business will be able to retain valuable contracts.

E. Financial elements of Business Income coverage

1. Gross income
2. Net income
3. Operating Expenses
4. Continuing expenses
5. Extra expenses

F. Business Income/Extra Expense Exposures

1. Owned or rented premises
2. Dependency on one supplier
3. Dependency on one buyer
4. Dependency on one manufacturer
5. Dependency on a “leader” property
6. Personal property off premises
7. Off premises power/utility services

G. What is Business Income designed to pay?

THE ACTUAL LOSS OF BUSINESS INCOME OR EXTRA EXPENSES INCURRED BY THE INSURED DUE TO THE NECESSARY SUSPENSION OF OPERATIONS CAUSED BY A COVERED CAUSE OF LOSS DURING THE PERIOD OF RESTORATION

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

II. Handling Business Income Exposures

A. ISO Insurance forms

1. Business Income Including Extra Expense (CP 00 30)
2. Business Income Excluding Extra Expense (CP 00 32)
3. Extra Expense Form (CP 00 50)
4. Leasehold Interest Form (CP 00 60)

B. Other methods of writing the coverage

1. Valued Business Income forms
2. Businessowner policies
3. Boiler and Machinery policies
4. Difference in Conditions forms

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section F., Definitions.

A. Coverage

1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

Coverage is provided as described and limited below for one or more of the following options for which a Limit of Insurance is shown in the Declarations:

- (1) Business Income Including "Rental Value".
- (2) Business Income Other Than "Rental Value".
- (3) "Rental Value".

If option (1) above is selected, the term Business Income will include "Rental Value". If option (3) above is selected, the term Business Income will mean "Rental Value" only.

If Limits of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to property at premises which are described in the Declarations and for which a Business Income Limit of Insurance is shown in the Declarations. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, your premises means:

- (a) The portion of the building which you rent, lease or occupy; and
- (b) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

C. Business Income Including Extra Expense (CP 00 30)

1. Business Income Coverage is provided as described below for one or more of the following options for which a limit is shown on the declarations.
 - a. Business Income including Rental Value
 - b. Business Income Other than Rental Value
 - c. Rental Value

2. Insuring Agreement
 - a. We will pay the actual loss of **Business Income** you sustain due to the necessary “**suspension**” of operations during the “**period of restoration**”. The “suspension” must be caused by direct physical loss or damage to property at premises which are described in the declarations and for which a Business Income Limit of Insurance is shown in the declarations. The loss or damage must be caused by or result from a covered cause of loss

1.Business Income

Business Income means the:

- a.** Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b.** Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

6."Suspension" means:

- a.** The slowdown or cessation of your business activities; or
- b.** That a part or all of the described premises is rendered untenable, if coverage for Business Income including "Rental Value" or "Rental Value" applies.

3."Period of Restoration" means the period of time that:

- a.** Begins:
 - (1)** 72 hours after the time of direct physical loss or damage for Business Income coverage; or
 - (2)** Immediately after the time of direct physical loss or damage for Extra Expense coverage; caused by or resulting from any Covered Cause of Loss at the described premises; and
- b.** Ends on the earlier of:
 - (1)** The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
 - (2)** The date when business is resumed at a new permanent location.

b. Insuring agreement definitions

(1) Business Income

The net income (Net profit or loss) that would have been earned or incurred and continuing normal operating expenses incurred, including payroll

(2) Suspension means the slowdown or cessation of your business activities or that a part or all of the described premises is rendered untenable.

(3) The Period of Restoration means the period of time that:

- (a) Begins 72 hours after the time of direct physical loss or damage for Business Income, or immediately after the time of loss or damage for Extra Expense and
- (b) Ends on the earlier of the date when the property at described premises **should be** repaired, rebuilt, or replaced with reasonable speed and similar quality, or the date when business is resumed at a new permanent location.
- (c) Period of Restoration does not include any increased period required to the enforcement of or compliance with any ordinance or law

We will pay for **the actual loss** of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be **caused by direct physical loss of or damage to property at premises which are described in the Declarations** and for which a Business Income Limit of Insurance is shown in the Declarations. The loss or damage **must be caused by or result from a Covered Cause of Loss**. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

2.Extra Expense

- a. Extra Expense coverage is provided at the premises described in the Declarations only if the Declarations show that Business Income coverage applies at that premises.
- b. Extra Expense means necessary expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss.

- c. Insuring agreement “triggers”
 - (1) There must be direct damage to property
 - (2) Loss or damage must be at described premises
 - (3) Loss or damage must be caused or result from a covered cause of loss
 - (4) There must be a “suspension” of operations, or there must be extra expenses incurred
 - (5) The insured must suffer a financial loss

ALL OF THESE “TRIGGERS” MUST BE PRESENT FOR THE INSURED TO HAVE A COMPENSABLE LOSS

- 3. Extra Expense Coverage is provided at premises described in the declarations if the declarations show that Business Income coverage applies at that premises
 - a. Extra Expense means the necessary expenses that you incur that you would not have incurred had there been no loss
 - b. Will pay extra expenses to avoid or minimize the “suspension” and to continue operations.

4.Additional Limitation – Interruption Of Computer Operations

- a. Coverage for Business Income does not apply when a "suspension" of "operations" is caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage – Interruption Of Computer Operations.
- b. Coverage for Extra Expense does not apply when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage – Interruption Of Computer Operations.
- c. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.
- d. This Additional Limitation does not apply when loss or damage to electronic data involves only electronic data which is integrated in and operates or controls a building's elevator, lighting, heating, ventilation, air conditioning or security system.

4. Additional Limitation – Interruption of Computer Operations
 - a. Coverage does not apply when the “suspension” is caused by the destruction or corruption of electronic data except as provided under the Additional Coverage – Interruption of Computer Operations
 - b. Electronic data is defined
 - c. 2012 change clarifies that the limitation does not apply to certain data which is integrated in or operates a building’s elevator, lighting, heating, ventilating, air conditioning or security system.

5. Additional Coverages

a. Civil Authority

In this Additional Coverage – Civil Authority, the described premises are premises to which this Coverage Form applies, as shown in the Declarations.

When a Covered Cause of Loss causes damage to property other than property at the described premises, we will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises, provided that both of the following apply:

- (1) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property; and
- (2) The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of the Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.

Civil Authority Coverage for Business Income will begin 72 hours after the time of the first action of civil authority that prohibits access to the described premises and will apply for a period of up to four consecutive weeks from the date on which such coverage began.

Civil Authority Coverage for Extra Expense will begin immediately after the time of the first action of civil authority that prohibits access to the described premises and will end:

- (1) Four consecutive weeks after the date of that action; or
- (2) When your Civil Authority Coverage for Business Income ends;
whichever is later.

b. Alterations And New Buildings

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
 - (a) Used in the construction, alterations or additions; or
 - (b) Incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of "operations", the "period of restoration" for Business Income Coverage will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred.

c. Extended Business Income

(1) Business Income Other Than "Rental Value"

If the necessary "suspension" of your "operations" produces a Business Income loss payable under this policy, we will pay for the actual loss of Business Income you incur during the period that:

- (a) Begins on the date property (except "finished stock") is actually repaired, rebuilt or replaced and "operations" are resumed; and
 - (i) The date you could restore your "operations", with reasonable speed, to the level which would generate the business income amount that would have existed if no direct physical loss or damage had occurred; or 60 consecutive days

5. Additional Coverages

a. Civil Authority

- (1) Describes what civil authority action is covered
- (2) Limits distance from damage to 1 mile
- (3) Time is increased to 4 weeks

b. Alterations and New Buildings

c. Extended Business Income – increased from 30 days to 60 days in the 2012 filing.

d. Interruption Of Computer Operations

- (1) Under this Additional Coverage, electronic data has the meaning described under Additional Limitation – Interruption Of Computer Operations.
- (2) Subject to all provisions of this Additional Coverage, you may extend the insurance that applies to Business Income and Extra Expense to apply to a "suspension" of "operations" caused by an interruption in computer operations due to destruction or corruption of electronic data due to a Covered Cause of Loss. However, we will not provide coverage under this Additional Coverage when the Additional Limitation – Interruption of Computer operations does not apply based on paragraph A.4.d therein.
- (3) With respect to the coverage provided under this Additional Coverage, the Covered Causes of Loss are subject to the following:
 - (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage – Interruption Of Computer Operations is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.
 - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage – Interruption Of Computer Operations includes Collapse as set forth in that form.
 - (c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage – Interruption Of Computer Operations.
 - (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for an interruption related to manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, maintain, repair or replace that system.

d. Interruption of Computer Operations

- (1) Covers Business Income and/or Extra Expense
- (2) Covered causes of loss are subject to the following:
 - (a) If the Special Cause of Loss applies – then only for the “specified causes of loss”
 - (b) If the Broad Form applies – then Collapse is also covered
 - (c) If a cause of loss form is endorsed to add additional causes of loss – the additional causes do not apply to this additional coverage
 - (d) The causes of loss include a virus, harmful code, or similar instruction
 - (e) The most that will be paid under this additional coverage is \$2,500 for all loss sustained and expenses incurred in any one policy year. 2012 change clarifies that this limit can be changed on the declarations page
 - (f) This additional coverage does not apply to loss sustained after the “period of restoration” has ended.
 - (g) 2012 change underlined on previous page is in conjunction with change in the Additional Limitation – interruption of Computer Operations

6.Coverage Extension

If a Coinsurance percentage of 50% or more is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

NEWLY ACQUIRED LOCATIONS

- a. You may extend your Business Income and Extra Expense Coverages to apply to property at any location you acquire other than fairs or exhibitions.
- b. The most we will pay under this Extension, for the sum of Business Income loss and Extra Expense incurred, is \$100,000 at each location.
- c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:
 - (1) This policy expires;
 - (2) 30 days expire after you acquire or begin to construct the property; or
 - (3) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property.

The Additional Condition, Coinsurance, does not apply to this Extension.

B. Limits Of Insurance

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

Payments under the following coverages will not increase the applicable Limit of Insurance:

1. Alterations And New Buildings;
2. Civil Authority;
3. Extra Expense; or
4. Extended Business Income.

The amounts of insurance stated in the Interruption Of Computer Operations Additional Coverage and the Newly Acquired Locations Coverage Extension apply in accordance with the terms of those coverages and are separate from the Limit(s) of Insurance shown in the Declarations for any other coverage.

C. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

1. Appraisal

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser.

The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

6. Coverage Extensions

a. Newly acquired Locations

- (1) Not at fairs or exhibitions
- (2) The most that will be paid is \$100,000 (2012 change clarifies that this limit can be changed on declarations)
- (3) Ends on the earlier of:
 - (a) 30 days
 - (b) The policy expires
 - (c) The insured reports the new location to the insurer

7. Limits of Insurance

8. Loss Conditions

a. Appraisal

b. Duties in the event of loss

- (1) All are similar to commercial Property policy except last duty
- (2) If intending to resume operations, the insured must resume all or part of their operations as quickly as possible.

3. Loss Determination

a. The amount of Business Income loss will be determined based on:

- (1)** The Net Income of the business before the direct physical loss or damage occurred;
- (2)** The likely Net Income of the business if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses;
- (3)** The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and
- (4)** Other relevant sources of information, including:
 - (a)** Your financial records and accounting procedures;
 - (b)** Bills, invoices and other vouchers; and
 - (c)** Deeds, liens or contracts.

b. The amount of Extra Expense will be determined based on:

- (1)** All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:
 - (a)** The salvage value that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed; and
 - (b)** Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and
- (2)** Necessary expenses that reduce the Business Income loss that otherwise would have been incurred.

c. Resumption Of Operations

We will reduce the amount of your:

- (1)** Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
- (2)** Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.

9. Loss Determination – Business Income

- a. The Net Income of the business before the loss
- b. The likely net income of the business if no loss had occurred. (No coverage for favorable conditions)
- c. The operating expenses necessary to resume operations with the same quality of service.
- d. Any other relevant information

10. Loss determination – Extra Expense

- a. All expenses that exceed the normal operating expenses except:
 - (1) Any salvage value
 - (2) Extra Expense paid by any other insurance

11. Resumption of Operations

D. Additional Condition

Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

We will not pay the full amount of any Business Income loss if the Limit of Insurance for Business Income is less than:

- a. The Coinsurance percentage shown for Business Income in the Declarations; times
- b. The sum of:
 - (1) The Net Income (Net Profit or Loss before income taxes), and
 - (2) Operating expenses, including payroll expenses,
that would have been earned or incurred (had no loss occurred) by your "operations" at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).

Instead, we will determine the most we will pay using the following steps:

- 1. Multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;
- 2. Divide the Limit of Insurance for the described premises by the figure determined in Step 1.; and
- 3. Multiply the total amount of loss by the figure determined in Step 2.

We will pay the amount determined in Step 3. or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

In determining operating expenses for the purpose of applying the Coinsurance condition, the following expenses, if applicable, shall be deducted from the total of all operating expenses:

- 1. Prepaid freight – outgoing;
- 2. Returns and allowances;
- 3. Discounts;
- 4. Bad debts;
- 5. Collection expenses;
- 6. Cost of raw stock and factory supplies consumed (including transportation charges);
- 7. Cost of merchandise sold (including transportation charges);
- 8. Cost of other supplies consumed (including transportation charges);
- 9. Cost of services purchased from outsiders (not employees) to resell, that do not continue under contract;
- 10. Power, heat and refrigeration expenses that do not continue under contract (if Form **CP 15 11** is attached);
- 11. All ordinary payroll expenses or the amount of payroll expense excluded (if Form **CP 15 10** is attached); and
- 12. Special deductions for mining properties (royalties unless specifically included in coverage; actual depletion commonly known as unit or cost depletion – not percentage depletion; welfare and retirement fund charges based on tonnage; hired trucks).

12. Additional Condition – Coinsurance

- a. The insurer will not pay the full amount of any loss if the limit of insurance shown is less than the coinsurance percentage shown in the declarations times the sum of:
 - (1) The net income of the business, and
 - (2) **All** operating expenses – including payroll
- b. In computing “All Operating Expenses”, the following expenses shall be deducted from the total of all operating expenses:
 - (1) Prepaid freight – outgoing
 - (2) Returns and allowances
 - (3) Discounts
 - (4) Bad debts
 - (5) Collection expenses
 - (6) Cost of raw stock and factory supplies used
 - (7) Cost of merchandise sold
 - (8) Cost of other supplies consumed
 - (9) Cost of services purchased from others that do not continue
 - (10) Power, heat, and refrigeration expenses that do not continue (if CP 15 11 is attached)
 - (11) All ordinary payroll expenses, or payroll excluded, (if CP 15 10 is attached)
 - (12) Special deductions for mining operations

E. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

1. Maximum Period Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for the total of Business Income loss and Extra Expense is the lesser of:
 - (1) The amount of loss sustained and expenses incurred during the 120 days immediately following the beginning of the "period of restoration"; or
 - (2) The Limit of Insurance shown in the Declarations.

2. Monthly Limit Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the beginning of the "period of restoration" is:
 - (1) The Limit of Insurance, multiplied by
 - (2) The fraction shown in the Declarations for this Optional Coverage.

3. Business Income Agreed Value

- a. To activate this Optional Coverage:
 - (1) A Business Income Report/Work Sheet must be submitted to us and must show financial data for your "operations":
 - (a) During the 12 months prior to the date of the Work Sheet; and
 - (b) Estimated for the 12 months immediately following the inception of this Optional Coverage.
 - (2) The Declarations must indicate that the Business Income Agreed Value Optional Coverage applies, and an Agreed Value must be shown in the Declarations. The Agreed Value should be at least equal to:
 - (a) The Coinsurance percentage shown in the Declarations; multiplied by
 - (b) The amount of Net Income and operating expenses for the following 12 months you report on the Work Sheet.
- b. The Additional Condition, Coinsurance, is suspended until:
 - (1) 12 months after the effective date of this Optional Coverage; or
 - (2) The expiration date of this policy;whichever occurs first.

4. Extended Period Of Indemnity

Under Paragraph **A.5.c.**, Extended Business Income, the number "60" in Subparagraphs **(1)(b)** and **(2)(b)** is replaced by the number shown in the Declarations for this Optional Coverage.

13. Optional Coverages

a. Maximum Period of Indemnity

- (1) Coinsurance clause is suspended
- (2) 120 days maximum coverage
- (3) Pays the lesser of:
 - (a) The loss sustained during 120 days
 - (b) The limit of liability

b. Monthly Limit of Indemnity

- (1) Coinsurance clause is suspended
- (2) The most the company will pay in any 30 day period is the limit of insurance shown multiplied by the fraction shown on the declarations page.
- (3) Fractions options are $\frac{1}{3}$, $\frac{1}{4}$, $\frac{1}{6}$
- (4) This is NOT limited by time. This option keeps paying insured subject to the monthly “maximum” or until limit is exhausted.

c. Agreed Value

d. Extended Period of Indemnity

- (1) Can buy in 30 day increments

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LOSS PAYMENT EXAMPLE

Annual Business Income = \$125,000 Loss date is October 15th

MONTH	LOSS	100,000 @80 CO	62,500 @ 50 CO	62,500@80 CO	100,000 @1/4 MO	100,000 MAX P.
OCT	5,000	5,000	5,000	3,125	5,000	5,000
NOV	20,000	20,000	20,000	12,500	20,000	20,000
DEC	31,000	31,000	31,000	19,375	25,000	31,000
JAN	9,000	9,000	6,500	5,625	9,000	9,000
FEB	8,000	8,000	0	5,000	8,000	0
MAR	2,000	2,000	0	1,250	2,000	0
	75,000	75,000	62,500	46,874	69,000	65,000

What would have happened if this risk were written at a 1/3 monthly limit?

Did ¼ limit pay more than 4 months?

How did I get \$100,000 limit @ 80% coinsurance?

DETERMINING THE AMOUNT OF INSURANCE

1. Ask the insured the estimated months of shut-down. _____
2. From the P&L's, determine the CONSECUTIVE months which generate the largest loss for the insured _____
3. For those months, add up the net profit, Payroll, and ALL expenses _____
4. Increase this figure by the anticipated Growth for the next year _____
5. You now have the correct amount of Insurance _____

DETERMINING THE PROPER CO-INSURANCE CLAUSE

6. From the P&L's, determine the annual income. _____
7. From the P&L's, determine the annual cost of goods sold _____
8. Subtract # 7 from # 6 _____
9. Increase # 8 by the expected growth % _____
10. Result of # 9 is the Annual Business Income _____
11. Divide # 5 by # 10 _____
12. Round down to nearest "10's" _____
13. # 12 is the coinsurance clause

NOTE: STEP 3 ABOVE INCLUDES ALL EXPENSES IN THE EXAMPLE. PLEASE NOTE IN DETERMINING THE AMOUNT PAYABLE AT CLAIM TIME, ONLY NECESSARY CONTINUING EXPENSES WILL BE PAID

D. How to determine the proper amount of insurance to recommend to your client.

1. Four step process

- a. Ask the client what would be the maximum length of time it would take to get the business back in operation.
- b. From the client's Profit & Loss Statement (P&L), determine the maximum possible loss (net income and continuing expenses) that the client would incur for the time given in "a" above
 - (1) From the P&L, find the CONSECUTIVE months which would generate the largest loss for the number on months given in "a" above
- c. Once you determine the CONSECUTIVE months, add up the net profit and continuing expenses for those months.
- d. Increase the figure arrived in "c" above by the anticipated growth percentage for next year.

**YOU NOW HAVE THE CORRECT AMOUNT OF INSURANCE
NEEDED BY THE CLIENT!**

DETERMINING THE AMOUNT OF INSURANCE

1. Ask the insured the estimated months of shut-down. _____
2. From the P&L's, determine the CONSECUTIVE months which generate the largest loss for the insured _____
3. For those months, add up the net profit, Payroll, and ALL expenses _____
4. Increase this figure by the anticipated Growth for the next year _____
5. You now have the correct amount of Insurance _____

DETERMINING THE PROPER CO-INSURANCE CLAUSE

6. From the P&L's, determine the annual income _____
 7. From the P&L's, determine the annual cost of goods sold _____
 8. Subtract # 7 from # 6 _____
 9. Increase # 8 by the expected growth % _____
 10. Result of # 9 is the Annual Business Income _____
 11. Divide # 5 by # 10 _____
 12. Round down to nearest "10's" _____
- The coinsurance clause to recommend

NOTE: STEP 3 ABOVE INCLUDES ALL EXPENSES IN THE EXAMPLE PLEASE NOTE IN DETERMINING THE AMOUNT PAYABLE AT CLAIM TIME, ONLY NECESSARY CONTINUING EXPENSES WILL BE PAID

EXAMPLE

Joe Jones Retail ---- Annual Business Income \$125,000

Month	Net Profit	Expenses	Total
Jan	500.	9,500	10,000
Feb	1,000	7,000	8,000
Mar	400	8,000	8,400
Apr	300	7,500	7,800
May	500	6,500	7,000
June	400	7,000	7,400
July	100	6,000	6,100
Aug	3,500	10,500	14,000
Sep	3,500	11,500	15,000
Oct	2,000	8,000	10,000
Nov	5,000	15,000	20,000
Dec	10,000	21,000	31,000

DETERMINING THE AMOUNT OF INSURANCE

1. Ask the insured the estimated months of shut-down. _____
2. From the P&L's, determine the CONSECUTIVE months which generate the largest loss for the insured _____
3. For those months, add up the net profit, Payroll, and ALL expenses _____
4. Increase this figure by the anticipated Growth for the next year _____
5. You now have the correct amount of Insurance _____

DETERMINING THE PROPER CO-INSURANCE CLAUSE

6. From the P&L's, determine the annual income _____
 7. From the P&L's, determine the annual cost of goods sold _____
 8. Subtract # 7 from # 6 _____
 9. Increase # 8 by the expected growth % _____
 10. Result of # 9 is the Annual Business Income _____
 11. Divide # 5 by # 10 _____
 12. Round down to nearest "10's" _____
- The coinsurance clause to recommend

NOTE: STEP 3 ABOVE INCLUDES ALL EXPENSES IN THE EXAMPLE. PLEASE NOTE THAT IN DETERMINING THE AMOUNT PAYABLE AT CLAIM TIME, ONLY NECESSARY CONTINUING EXPENSES WILL BE INCLUDED

E. Determine the proper coinsurance clause to recommend to a client.

1. Three step process
 - a. Determine the “Annual Business Income”
 - (1) Use ISO Business Income Worksheet (CP 15 15), or
 - (2) Use the Simplified Worksheet (see exhibit), or
 - (3) Subtract client’s cost of goods from total annual sales
 - b. Increase the number obtained in “a” above by the expected growth for next year.
 - c. Divide the amount of insurance by the number obtained in “b” above and round down to the nearest of the following: 50, 60, 70, 80, 90, 100, or 125

YOU NOW HAVE THE PROPER COINSURANCE CLAUSE!

Let’s do one together!!!

DIZZY'S RETAIL STORE

PROFIT & LOSS STATEMENT

INCOME:

Gross Sales	\$550,000.
Returns	10,000.
Net Sales	\$540,000.
Other income:	
Cash discounts	\$5,000.
Interest income	10,000.
Total income	\$555,000.

EXPENSES

Accounting	\$3,000.
Advertising	10,000.
Automobile expense	2,000.
Bad debts	1,000.
Collection expense	1,000.
Cost of goods	150,000.
Payroll	200,000.
Insurance expense	15,000.
Supplies	6,000.
Other expenses	50,000.
NET INCOME	117,000.

Beginning inventory	180,000.
Inventory purchased	400,000.
Ending inventory	430,000.

Projected 8 Month Shutdown

Month	Income	OP Expenses	Net Profit
Jan	46,000	24,800	8,400
Feb	40,000	21,600	7,200
Mar	35,000	18,900	6,300
Apr	20,000	10,800	3,700
May	48,000	25,900	8,700
June	49,000	25,300	10,500
July	42,000	22,700	7,600
Aug	51,000	27,000	9,700
Sept	50,000	27,000	9,000
Oct	29,000	22,000	(1,100)
Nov	60,000	26,000	19,900
Dec	85,000	36,000	27,100
TOTAL	555,000	288,000	117,000

DETERMINING THE AMOUNT OF INSURANCE

1. Ask the insured the estimated months of shut-down. _____
2. From the P&L's, determine the CONSECUTIVE months which generate the largest loss for the insured _____
3. For those months, add up the net profit, Payroll, and ALL expenses _____
4. Increase this figure by the anticipated Growth for the next year _____
5. You now have the correct amount of Insurance _____

DETERMINING THE PROPER CO-INSURANCE CLAUSE

6. From the P&L's, determine the annual income _____
 7. From the P&L's, determine the annual cost of goods sold _____
 8. Subtract # 7 from # 6 _____
 9. Increase # 8 by the expected growth % _____
 10. Result of # 9 is the Annual Business Income _____
 11. Divide # 5 by # 10 _____
 12. Round down to nearest "10's" _____
- The coinsurance clause to recommend _____

NOTE: STEP 3 ABOVE INCLUDES ALL EXPENSES. IN THE EXAMPLE. PLEASE NOTE THAT IN DETERMINING THE AMOUNT PAYABLE AT CLAIM TIME, ONLY NECESSARY CONTINUING EXPENSES WILL BE PAID

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BUSINESS INCOME REPORT/WORKSHEET

Date:	
Your Name	Location

This worksheet must be completed on an accrual basis.

The beginning and ending inventories in all calculations should be based on the same valuation method.

Applicable When The Agreed Value Coverage Option Applies:
I certify that this is a true and correct report of values as required under this policy for the periods indicated and that the Agreed Value for the period of coverage is \$, based on a Coinsurance percentage of %.
Signature:
Official Title:

Applicable When The Premium Adjustment Form Applies:
I certify that this is a true and correct report of values as required under this policy for the 12 months ended:
Signature:
Official Title:
Agent Or Broker:
Mailing Address:

**BUSINESS INCOME REPORT/WORKSHEET
FINANCIAL ANALYSIS**

Income And Expenses	12-Month Period Ending:		Estimated For 12-Month Period Beginning:	
	Manufacturing	Non- Manufacturing	Manufacturing	Non- Manufacturing
A. Gross Sales	\$	\$	\$	\$
B. Deduct: Finished Stock Inventory (at sales value) At Beginning	-		-	
C. Add: Finished Stock Inventory (at sales value) At End	+		+	
D. Gross Sales Value Of Production	\$		\$	
E. Deduct: Prepaid Freight – Outgoing Returns And Allowances Discounts Bad Debts Collection Expenses	- - - - -	- - - - -	- - - - -	- - - - -
F. Net Sales		\$		\$
Net Sales Value Of Production	\$		\$	
G. Add: Other Earnings From Your Business Operations (not investment income or rents from other properties): Commissions Or Rents Cash Discounts Received Other	+ + +	+ + +	+ + +	+ + +
H. Total Revenues	\$	\$	\$	\$

Income And Expenses	12-Month Period Ending:		Estimated For 12-Month Period Beginning:	
	Manufacturing	Non- Manufacturing	Manufacturing	Non- Manufacturing
Total Revenues (Line H. from previous page)	\$	\$	\$	\$
I. Deduct:				
Cost Of Goods Sold (See page 5 for instructions.)	-	-	-	-
Cost Of Services Purchased From Outsiders (not your employees) To Resell, That Do Not Continue Under Contract	-	-	-	-
Power, Heat And Refrigeration Expenses That Do Not Continue Under Contract (if CP 15 11 is attached)	-		-	
All Payroll Expenses Or The Amount Of Payroll Expense Excluded (if CP 15 10 is attached)	-	-	-	-
Special Deductions For Mining Properties (See page 6 for instructions.)	-	-	-	-
J.1. Business Income Exposure For 12 Months	\$	\$	\$	\$
J.2. Combined (firms engaged in manufacturing and non-manufacturing operations)	\$		\$	
The Figures In J.1. Or J.2. Represent 100% Of Your Actual And Estimated Business Income Exposure For 12 Months.				

Income And Expenses	12-Month Period Ending:		Estimated For 12-Month Period Beginning:	
	Manufacturing	Non- Manufacturing	Manufacturing	Non- Manufacturing
K. Additional Expenses:				
1. Extra Expenses – Form CP 00 30 Only (expenses incurred to avoid or minimize suspension of business and to continue operations)			\$	\$
2. Extended Business Income and Extended Period Of Indemnity – Form CP 00 30 Or CP 00 32 (loss of Business Income following resumption of operations for up to 60 days or the number of days selected under Extended Period Of Indemnity option)			+	+
3. Combined (all amounts in K.1. and K.2.)			\$	
L. Total Of J. And K.	"Estimated" Column \$			
<p>The figure in L. represents 100% of your estimated Business Income exposure for 12 months, and additional expenses. Using this figure as information, determine the approximate amount of insurance needed based on your evaluation of the number of months needed (may exceed 12 months) to replace your property, resume operations and restore the business to the condition that would have existed if no property damage had occurred.</p> <p>Refer to the agent or company for information on available coinsurance levels and indemnity options. The Limit of Insurance you select will be shown in the Declarations of the policy.</p>				

Supplementary Information				
	12-Month Period Ending:		Estimated For 12-Month Period Beginning:	
Calculation Of Cost Of Goods Sold	Manufacturing	Non- Manufacturing	Manufacturing	Non- Manufacturing
Inventory At Beginning Of Year (including raw material and stock in process, but not finished stock, for manufacturing risks)	\$	\$	\$	\$
Add: The Following Purchase Costs: Cost Of Raw Stock (including transportation charges)	+		+	
Cost Of Factory Supplies Consumed	+		+	
Cost Of Merchandise Sold Including Transportation Charges (for manufacturing risks, means cost of merchandise sold but not manufactured by you)	+	+	+	+
Cost Of Other Supplies Consumed (including transportation charges)	+	+	+	+
Cost Of Goods Available For Sale	\$	\$	\$	\$
Deduct: Inventory At End Of Year (including raw material and stock in process, but not finished stock, for manufacturing risks)	-	-	-	-
Cost Of Goods Sold (Enter this figure in Item I. on page 3.)	\$	\$	\$	\$

Supplementary Information		
Calculation Of Special Deductions – Mining Properties		
	12-Month Period Ending:	Estimated For 12-Month Period Beginning:
Royalties, Unless Specifically Included In Coverage	\$	\$
Actual Depletion, Commonly Known As Unit Or Cost Depletion (not percentage depletion)	+	+
Welfare And Retirement Fund Charges Based On Tonnage	+	+
Hired Trucks	+	+
Enter This Figure In Item I. On Page 3.	\$	\$

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F. Business Income Excluding Extra Expense Coverage Form (CP 00 32)

1. This coverage form is identical to the Business Income Including Extra Expense form with the following exception:

This form covers Extra Expense ONLY to the extent that the Extra Expense reduces the amount of the Business Income loss. It does not cover ALL extra expenses ONLY those that reduce the BI loss.

G. Extra Expense Coverage Form (CP 00 50)

1. Designed primarily for the firm that can not afford to have a “suspension” of operations, and therefore does not need Business Income coverage.
2. Pays extra expenses:
 - a. To continue operation
 - b. To minimize the “suspension” if the insured can not continue operations
 - c. To repair or replace property, but only to the extent it reduces the amount of loss otherwise payable.

3.Limits On Loss Payment

We will not pay more for Extra Expense than the percentages shown in the Declarations times the Limit of Insurance.

When the "period of restoration" is:

- a. 30 days or less, the first percentage applies.
- b. 60 days or less, but more than 30 days, the second percentage applies.
- c. More than 60 days, the third percentage applies.

Example: The Limit of Insurance is \$ 100,000
The percentages
shown in the
Declarations are 40%-80%-100%
The "period of restoration"
is 45 days
The amount of Extra
Expenses incurred is \$ 90,000

We will not pay more than \$100,000 times 80% (the percentage applicable for a "period of restoration" of 31-60 days), or \$80,000. The remaining \$10,000 is not covered.

3. The rest of the Extra Expense form is virtually identical to the coverage found in the Business Income form with the following exception:
 - a. Limits on Loss Payments
 - (1) When the “Period of Restoration” is:
 - (a) Less than 30 days, the first percentage applies
 - (b) Less than 60 days but more than 30 days, the second percentage applies
 - (c) More than 60 days, the third percentage applies
 - b. Usually shown as 40-80-100
 - c. Percentages can be changed by endorsement

LEASEHOLD INTEREST COVERAGE FORM

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION F. – DEFINITIONS.

A. COVERAGE

We will pay for loss of Covered Leasehold Interest you sustain due to the cancellation of your lease. The cancellation must result from direct physical loss of or damage to property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Leasehold Interest

Covered Leasehold Interest means the following for which an amount of "net leasehold interest" at inception is shown in the Leasehold Interest Coverage Schedule:

a. Tenants' Lease Interest, meaning the difference between the:

- (1) Rent you pay at the described premises; and
- (2) Rental value of the described premises that you lease.

b. Bonus Payments, meaning the unamortized portion of a cash bonus that will not be refunded to you. A cash bonus is money you paid to acquire your lease. It does not include:

- (1) Rent, whether or not prepaid; or
- (2) Security.

c. Improvements and Betterments, meaning the unamortized portion of payments made by you for improvements and betterments. It does not include the value of improvements and betterments recoverable under any other insurance, but only to the extent of such other insurance.

Improvements and betterments are fixtures, alterations, installations or additions:

- (1) Made a part of the building or structure you occupy but do not own; and
- (2) You acquired or made at your expense but cannot legally remove.

d. Prepaid Rent, meaning the unamortized portion of any amount of advance rent you paid that will not be refunded to you. This does not include the customary rent due at:

- (1) The beginning of each month; or
- (2) Any other rental period.

H. Leasehold Interest Coverage Form (CP 00 60)

1. Pays for loss of covered leasehold interest the insured sustains due to a lease cancellation arising from a loss to premises by a covered cause of loss.
2. Leasehold Interest includes:
 - a. Tenants lease interest – the difference between rent paid and rental value of the premises
 - b. Bonus payments – monies paid to acquire a lease
 - c. Improvements and betterments – the unamortized portion of payments made for improvements
 - d. Prepaid rent – the unamortized portion that will not be refunded.

EXPANDED LIMITS ON LOSS PAYMENT

This endorsement modifies insurance provided under the following:

EXTRA EXPENSE COVERAGE FORM

The LIMITS ON LOSS PAYMENT Loss Condition is replaced by the following:

LIMITS ON LOSS PAYMENT

- A. We will not pay more for Extra Expense than the percentages shown in the Declarations, or in the Schedule, times the Limit of Insurance.

SCHEDULE

When the "period of restoration" is:

Percentage Applicable

30 days or less
60 days or less, but more than 30 days
90 days or less, but more than 60 days
120 days or less, but more than 90 days
150 days or less, but more than 120 days
180 days or less, but more than 150 days
210 days or less, but more than 180 days
240 days or less, but more than 210 days
270 days or less, but more than 240 days
300 days or less, but more than 270 days
330 days or less, but more than 300 days
360 days or less, but more than 330 days
More than 360 days

- B. For any "period of restoration" for which a percentage is not shown, the percentage applicable is 100%.

III. Endorsements to Business Income Coverage

A. Expanded Limits on Loss Payment (CP 15 07)

1. Applies to the Extra Expense Form only.
2. Changes the percentage payable each 30 days
3. 100-100-100 costs an additional 400% of the Extra Expense policy premium.

BUSINESS INCOME FROM DEPENDENT PROPERTIES – BROAD FORM

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

SCHEDULE

Name And Describe Occupancy And Location
Contributing Locations:
Secondary Contributing Locations (Not Named): <input type="checkbox"/>
Recipient Locations:
Secondary Recipient Locations (Not Named): <input type="checkbox"/>
Manufacturing Locations:
Leader Locations:
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

B. Business Income from Dependent Properties – Broad Form (CP 15 08)

1. Extends the Business Income coverage to respond when property damage occurs at the premises of a “Dependent property” described in the policy.
2. There are four types of Dependent Properties:
 - a. Contributing Property
 - b. Recipient Property
 - c. Manufacturing Property
 - d. Leader Property
3. Used when Business Income Coverage is written in the insured’s location.
4. Business Income from Dependent Properties – Limited Form
 - a. Used when the insured has not purchased Business Income coverage on the insured’s location, but wishes to purchase BI on the “Dependent Property” location
5. 2012 change added the option for a secondary contributing or recipient location

PAYROLL LIMITATION OR EXCLUSION

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

SCHEDULE

Premises Number:	Building Number:
<input type="checkbox"/> Payroll Expense Limitation – Number Of Days:	
<input type="checkbox"/> Payroll Expense Exclusion	
The following are subject to the provisions of this endorsement if so indicated in this Schedule:	
<input type="checkbox"/> All employees and job classifications including officers, executives, management personnel and contract employees	
<input type="checkbox"/> All employees and job classifications other than officers, executives, management personnel and contract employees	
<input type="checkbox"/> All employees and job classifications (including officers, executives, management personnel and contract employees), except:	
<input type="checkbox"/> Only the following job classifications and/or employees:	

Premises Number:	Building Number:
<input type="checkbox"/> Payroll Expense Limitation – Number Of Days:	
<input type="checkbox"/> Payroll Expense Exclusion	
The following are subject to the provisions of this endorsement if so indicated in this Schedule:	
<input type="checkbox"/> All employees and job classifications including officers, executives, management personnel and contract employees	
<input type="checkbox"/> All employees and job classifications other than officers, executives, management personnel and contract employees	
<input type="checkbox"/> All employees and job classifications (including officers, executives, management personnel and contract employees), except:	

☐ Only the following job classifications and/or employees:

Premises Number:

Building Number:

☐ **Payroll Expense Limitation – Number Of Days:**

☐ **Payroll Expense Exclusion**

The following are subject to the provisions of this endorsement if so indicated in this Schedule:

☐ All employees and job classifications including officers, executives, management personnel and contract employees

☐ All employees and job classifications other than officers, executives, management personnel and contract employees

☐ All employees and job classifications (including officers, executives, management personnel and contract employees), **except:**

☐ Only the following job classifications and/or employees:

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. In the Business Income (And Extra Expense) Coverage Form and the Business Income (Without Extra Expense) Coverage Form, Business Income includes continuing normal operating expenses, including payroll, subject to all applicable policy provisions.

If the Payroll Expense Limitation is indicated in the Schedule, then Business Income includes payroll expense only up to the number of days shown, with respect to the job classifications and/or employees subject to the provisions of this endorsement. The number of days need not be consecutive but must fall within the "period of restoration" or extension of the "period of restoration" if an extension is provided under this policy.

If the Payroll Expense Exclusion is indicated in the Schedule, then payroll expense is excluded from Business Income with respect to the job classifications and/or employees indicated in the Schedule.

B. In determining the operating expenses for the policy year for Coinsurance purposes, payroll expenses will include only those incurred during the number of days shown in the Schedule. If payroll expenses for the policy year vary during the year, the period of greatest payroll expenses will be used.

C. Payroll expenses include:

1. Payroll;
2. Special compensation such as bonuses and other incentive compensation;
3. Employee benefits, if directly related to payroll;
4. FICA payments you pay;
5. Union dues you pay; and
6. Workers' compensation premiums.

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C. Payroll Limitation or Exclusion (CP 15 10)

1. A complete rewrite for 2012. Coverage intent has not changed, but it was rewritten to clarify the intent of the insured as to payroll limitation or exclusion.
2. This revised endorsement allows the insured to exclude, or limit payroll for a specified number of days.
3. Insured can now select exactly which type of payroll expense exclusion they desire.
4. Includes a new definition of “payroll expenses”

POWER, HEAT AND REFRIGERATION DEDUCTION

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

- A. Business Income does not include the cost of power, heat or refrigeration:
 - 1. Consumed in production "operations"; and
 - 2. That does not continue under contract.
- B. In determining the operating expenses for the policy year for coinsurance purposes, the cost of power, heat or refrigeration as described in paragraph A. of this endorsement will not be included.

D. Power, Heat, and Refrigeration Deduction (CP 15 11)

1. Used to delete the costs of power, heat, and refrigeration from the calculation of the Annual Business Income.
2. Allows the insured to lower the needed amount of insurance.

ORDINANCE OR LAW – INCREASED PERIOD OF RESTORATION

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM
EXTRA EXPENSE COVERAGE FORM

A. If a Covered Cause of Loss occurs to property at the premises described in the Declarations, coverage is extended to include the amount of actual and necessary loss you sustain during the increased period of "suspension" of "operations" caused by or resulting from the requirement to comply with any ordinance or law that:

1. Regulates the construction or repair of any property;
2. Requires the tearing down of parts of any property not damaged by a Covered Cause of Loss; and
3. Is in force at the time of loss.

However, coverage is not extended under this endorsement to include loss caused by or resulting from the enforcement of any ordinance or law which requires:

1. The demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
2. Any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.

B. The **Period of Restoration** definition is replaced by the following:

3. "Period of Restoration" means the period of time that:

a. Begins:

- (1) 72 hours after the time of direct physical loss or damage for Business Income coverage; or
- (2) Immediately after the time of direct physical loss or damage for Extra Expense coverage; caused by or resulting from any Covered Cause of Loss at the described premises; and

b. Ends on the earlier of:

- (1) The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
- (2) The date when business is resumed at a new permanent location.

"Period of restoration" includes any increased period required to repair or reconstruct the property to comply with the minimum standards of any ordinance or law, in force at the time of loss, that regulates the construction or repair, or requires the tearing down of any property.

The expiration date of this policy will not cut short the "period of restoration".

C. The following definition is added:

"Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

**E. Ordinance or Law – Increased Period of Restoration
(CP 15 31)**

1. Extends the period of restoration to include any necessary time necessary to comply with existing building laws regulating the construction, repair, or demolition of the insured's property.
2. The expiration date of the policy will not cut short the "period of restoration"
3. 2012 filing changed language to "requirement to comply "

UTILITY SERVICES – TIME ELEMENT

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
 BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM
 EXTRA EXPENSE COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Utility Services Limit Of Insurance	Enter "X" for each applicable property.					
			Water Supply Property	Waste-water Removal Property	Communication Supply Property (including overhead transmission lines)	Communication Supply Property (not including overhead transmission lines)	Power Supply Property (including overhead transmission lines)	Power Supply Property (not including overhead transmission lines)
		\$						
Causes Of Loss Form Applicable:								
		\$						
Causes Of Loss Form Applicable:								
		\$						
Causes Of Loss Form Applicable:								
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.								

A. Coverage

Your coverage for Business Income and/or Extra Expense, as provided and limited in the applicable Coverage Form, is extended to apply to a "suspension" of "operations" at the described premises caused by an interruption in utility service to that premises. The interruption in utility service must result from direct physical loss or damage by a Covered Cause of Loss (as provided under the applicable Causes of Loss Form indicated in the Schedule) to the property described in Paragraph C. if such property is indicated by an "X" in the Schedule.

F. Utility Services – Time Element (CP 15 45)

1. Used to cover losses caused by the interruption of utility services due to an off premises loss.
2. Utility services eligible:
 - a. Water
 - b. Communications
 - c. Power
3. Can include or exclude overhead transmission lines.
4. 2012 added waste water removal property

FOOD CONTAMINATION (BUSINESS INTERRUPTION AND EXTRA EXPENSE)

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

SCHEDULE

Premises Number:	Building Number:
Description Of Business:	
Food Contamination Limit Of Insurance (Annual Aggregate Limit): \$	Additional Advertising Expense Limit Of Insurance (Annual Aggregate Limit): \$
Premises Number:	Building Number:
Description Of Business:	
Food Contamination Limit Of Insurance (Annual Aggregate Limit): \$	Additional Advertising Expense Limit Of Insurance (Annual Aggregate Limit): \$
Premises Number:	Building Number:
Description Of Business:	
Food Contamination Limit Of Insurance (Annual Aggregate Limit): \$	Additional Advertising Expense Limit Of Insurance (Annual Aggregate Limit): \$
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

G. Food Contamination (CP 1505 10 12)

1. New endorsement with the 2012 filing
2. Adds an Additional Coverage of Food Contamination
3. Covers if insured is closed by the Board of Health, or any other governmental organization due to the discover of or suspicion of “food Contamination”
4. Covers:
 - a. Costs to clean equipment
 - b. Costs to replace the food
 - c. Costs of medical tests for employees (no WC)
 - d. Loss of Business Income (24 hr waiting period)

BUSINESS INCOME – LANDLORD AS ADDITIONAL INSURED (RENTAL VALUE)

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

SCHEDULE

Description Of Rented Premises:			
Name Of Additional Insured:			
Mailing Address Of Additional Insured:			
Causes Of Loss Form	Applicable Business Income Coverage Form (Enter Form Number)	Limit Of Insurance	Coinsurance Percentage
		\$	%
Endorsements, If Any, Supplementing Or Restricting The Covered Causes Of Loss With Respect To The Coverage Provided Under This Endorsement:			
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

- A. The person or entity identified in the Schedule is insured for loss of "Rental Value", up to the Limit of Insurance shown in the Schedule. Such coverage applies in accordance with all terms of Business Income – "Rental Value" Coverage under the applicable Business Income Coverage Form, and all conditions in the Common Policy Conditions and Commercial Property Conditions, except as otherwise provided in this endorsement or other applicable endorsement.
- B. The Causes Of Loss Form shown in the Schedule applies to the coverage provided under this endorsement. Unless shown in the Schedule, endorsements which modify the Causes Of Loss Form do not apply to the coverage provided under this endorsement.

H. Business Income – Landlord as Additional Insured (Rental Value) CP 15 03

1. New endorsement with the 2007 filing
2. Allows the tenant to purchase loss of rental income
3. It is designed to protect the landlord/building owner in case the tenant is unable to use the premises because of a covered loss
4. Some leases now require the tenant to furnish this coverage.

DISCRETIONARY PAYROLL EXPENSE

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

SCHEDULE

Job Classifications Or Employees	Maximum Number Of Days For Discretionary Payroll Expense
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

- A.** Payroll expenses for the Job Classifications and/or Employees identified in the Schedule will be included as continuing normal operating expenses in determining the amount of Business Income loss, provided that you pay such expenses and regardless of whether such expenses are necessary to resume "operations".
- Payroll expenses include:
1. Payroll;
 2. Employee benefits, if directly related to payroll;
 3. FICA payments you pay;
 4. Union dues you pay; and
 5. Workers' compensation premiums.
- B.** With respect to Job Classifications and/or Employees identified in the Schedule, payroll expenses are included in the Business Income loss for the entire "period of restoration" and any extension of the "period of restoration" if an extension is provided under this policy, unless the Schedule indicates otherwise. With respect to a Job Classification(s) or Employee(s) for which the Schedule shows a maximum number of days, Business Income loss includes payroll expenses for not more than the stated number of days. The number of days need not be consecutive but must fall within the "period of restoration" or extension (if any) of the "period of restoration".
- C.** This endorsement does not affect coverage of payroll expenses for job classifications and employees not identified in the Schedule.

I. Discretionary Payroll Expense (CP 15 04)

1. New endorsement with the 2007 filing
2. Allows the insured to designate continuation of payroll expenses for certain positions as continuing normal operating expenses, even though they are not necessary to resume normal operations.

CIVIL AUTHORITY CHANGE(S)

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM
EXTRA EXPENSE COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Schedule Part A Coverage Period (Number Of Days)	Schedule Part B Radius (Number Of Miles)

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Coverage Period

Under the Additional Coverage – Civil Authority, the four-week coverage period is replaced by the number of days indicated in Part **A** of the Schedule, subject to all other provisions of that Additional Coverage. If there is no entry in Part **A** of the Schedule, the four-week coverage period continues to apply, subject to all other provisions of the Additional Coverage – Civil Authority.

B. Radius

The Additional Coverage – Civil Authority includes a requirement that the described premises are not more than one mile from the damaged property. Such one-mile radius is replaced by the number of miles indicated in Part **B** of the Schedule, subject to all other provisions of that Additional Coverage. If there is no entry in Part **B** of the Schedule, the one-mile radius continues to apply, subject to all other provisions of the Additional Coverage – Civil Authority.

C. The coverage provided under this endorsement does not increase the applicable Limit of Insurance.

J. Civil Authority Change(s) CP 15 32

1. Can be used to modify the one mile radius.
2. Can be used to amend the 4 week coverage period.
3. Very important endorsement to reduce the possibility of an E & O!

BUSINESS INCOME CHANGES – BEGINNING OF THE PERIOD OF RESTORATION

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

SCHEDULE

Select Either A. Or B.

A. ☐ 72-Hour Time Period Is Replaced By 24 Hours

B. ☐ 72-Hour Time Period Is Eliminated

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. If the Schedule indicates that the 72-hour time period is replaced by 24 hours, then:

1. The 72-hour time period in the definition of "period of restoration" is replaced by 24 hours. Therefore, the period of restoration for Business Income Coverage begins 24 hours after the time of direct physical loss or damage, subject to all other provisions of the definition of "period of restoration"; and
2. The 72-hour time period in the Civil Authority Additional Coverage is replaced by 24 hours. Therefore, coverage under the Additional Coverage – Civil Authority begins 24 hours after the time of action of civil authority, subject to all other provisions of that Additional Coverage.

B. If the Schedule indicates that the 72-hour time period is eliminated, then:

1. The 72-hour time period in the definition of "period of restoration" is deleted. Therefore, the period of restoration for Business Income Coverage begins at the time of direct physical loss or damage, subject to all other provisions of the definition of "period of restoration"; and
2. The 72-hour time period in the Civil Authority Additional Coverage is deleted. Therefore, coverage under the Additional Coverage – Civil Authority begins at the time of action of civil authority, subject to all other provisions of that Additional Coverage.

K. Business Income Changes – Beginning of the Period of Restoration (CP 15 56)

1. New endorsement with the 2007 filing
2. Allows the insured to choose between 24 hour waiting period and no waiting period.

FOOD CONTAMINATION (BUSINESS INTERRUPTION AND EXTRA EXPENSE)

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

SCHEDULE

Premises Number:	Building Number:
Description Of Business:	
Food Contamination Limit Of Insurance (Annual Aggregate Limit): \$	Additional Advertising Expense Limit Of Insurance (Annual Aggregate Limit): \$
Premises Number:	Building Number:
Description Of Business:	
Food Contamination Limit Of Insurance (Annual Aggregate Limit): \$	Additional Advertising Expense Limit Of Insurance (Annual Aggregate Limit): \$
Premises Number:	Building Number:
Description Of Business:	
Food Contamination Limit Of Insurance (Annual Aggregate Limit): \$	Additional Advertising Expense Limit Of Insurance (Annual Aggregate Limit): \$
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. The following is added to Additional Coverages:

Food Contamination

1. If the business described in the Schedule is ordered closed by the Board of Health or any other governmental authority as a result of the discovery or suspicion of "food contamination", we will pay:
 - a. Your expense to clean your equipment as required by the Board of Health or any other governmental authority;
 - b. Your cost to replace the food which is, or is suspected to be, contaminated;
 - c. Your expense to provide necessary medical tests or vaccinations for your employees (including temporary and leased employees) who are potentially infected by the "food contamination". However, we will not pay for any expense that is otherwise covered under a Workers' Compensation Policy;
 - d. The loss of Business Income you sustain due to the necessary "suspension" of your "operations" as a result of the "food contamination". The coverage for Business Income will begin 24 hours after you receive notice of closing from the Board of Health or any other governmental authority; and
 - e. Additional advertising expenses you incur to restore your reputation.
 2. Subject to Paragraph 3., the most we will pay for the total of all loss and expense under Paragraphs 1.a. through 1.d. is the Food Contamination Limit Of Insurance indicated in the Schedule.
Subject to Paragraph 3., the most we will pay for all expense under Paragraph 1.e. is the Additional Advertising Expense Limit Of Insurance indicated in the Schedule.
 3. The applicable Limit is an annual aggregate limit and as such is the most we will pay for the total of all covered loss and expense caused by all occurrences in a 12-month period (starting with the beginning of the present annual policy period), regardless of the number of occurrences during that period of time. Thus, if the first occurrence does not exhaust the applicable Limit, then the balance of that Limit is available for a subsequent occurrence. If an occurrence begins during one annual policy period and ends during the following annual policy period, any Limit applicable to the following annual policy period will not apply to that occurrence.
 4. We will not pay any fines or penalties levied against you by the Board of Health or any other governmental authority as a result of the discovery or suspicion of "food contamination" at the described premises.
 5. With respect to the coverage provided under this endorsement, any exclusion of virus or bacteria in this policy does not apply.
- B. For the purposes of this endorsement, "food contamination" means an outbreak of food poisoning or food-related illness of one or more persons arising out of:**
1. Tainted food you distributed or purchased;
 2. Food which has been improperly processed, stored, handled or prepared in the course of your business operations; or
 3. Food which has been contaminated by virus or bacteria transmitted through one or more of your employees, including temporary and leased employees.

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section F. Definitions.

A. Coverage

1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

Coverage is provided as described and limited below for one or more of the following options for which a Limit Of Insurance is shown in the Declarations:

- (1) Business Income Including "Rental Value".
- (2) Business Income Other Than "Rental Value".
- (3) "Rental Value".

If option (1) above is selected, the term Business Income will include "Rental Value". If option (3) above is selected, the term Business Income will mean "Rental Value" only.

If Limits of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to property at premises which are described in the Declarations and for which a Business Income Limit Of Insurance is shown in the Declarations. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of such premises.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of a building, your premises means:

- (a) The portion of the building which you rent, lease or occupy;
- (b) The area within 100 feet of the building or within 100 feet of the premises described in the Declarations, whichever distance is greater (with respect to loss of or damage to personal property in the open or personal property in a vehicle); and
- (c) Any area within the building or at the described premises, if that area services, or is used to gain access to, the portion of the building which you rent, lease or occupy.

2. Extra Expense

- a. Extra Expense Coverage is provided at the premises described in the Declarations only if the Declarations show that Business Income Coverage applies at that premises.

- b. Extra Expense means necessary expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss.

We will pay Extra Expense (other than the expense to repair or replace property) to:

- (1) Avoid or minimize the "suspension" of business and to continue operations at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.
- (2) Minimize the "suspension" of business if you cannot continue "operations".

We will also pay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

3. Covered Causes Of Loss, Exclusions And Limitations

See applicable Causes Of Loss form as shown in the Declarations.

4. Additional Limitation – Interruption Of Computer Operations

- a. Coverage for Business Income does not apply when a "suspension" of "operations" is caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage, Interruption Of Computer Operations.
- b. Coverage for Extra Expense does not apply when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage, Interruption Of Computer Operations.
- c. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.
- d. This Additional Limitation does not apply when loss or damage to electronic data involves only electronic data which is integrated in and operates or controls a building's elevator, lighting, heating, ventilation, air conditioning or security system.

5. Additional Coverages

a. Civil Authority

In this Additional Coverage, Civil Authority, the described premises are premises to which this Coverage Form applies, as shown in the Declarations.

When a Covered Cause of Loss causes damage to property other than property at the described premises, we will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises, provided that both of the following apply:

- (1) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property; and
- (2) The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of the Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.

Civil Authority Coverage for Business Income will begin 72 hours after the time of the first action of civil authority that prohibits access to the described premises and will apply for a period of up to four consecutive weeks from the date on which such coverage began.

Civil Authority Coverage for Extra Expense will begin immediately after the time of the first action of civil authority that prohibits access to the described premises and will end:

- (1) Four consecutive weeks after the date of that action; or
 - (2) When your Civil Authority Coverage for Business Income ends;
- whichever is later.

b. Alterations And New Buildings

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
 - (a) Used in the construction, alterations or additions; or
 - (b) Incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of "operations", the "period of restoration" for Business Income Coverage will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred.

c. Extended Business Income

(1) Business Income Other Than "Rental Value"

If the necessary "suspension" of your "operations" produces a Business Income loss payable under this policy, we will pay for the actual loss of Business Income you incur during the period that:

- (a) Begins on the date property (except "finished stock") is actually repaired, rebuilt or replaced and "operations" are resumed; and
- (b) Ends on the earlier of:
 - (i) The date you could restore your "operations", with reasonable speed, to the level which would generate the business income amount that would have existed if no direct physical loss or damage had occurred; or
 - (ii) 60 consecutive days after the date determined in (1)(a) above.

However, Extended Business Income does not apply to loss of Business Income incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

(2) "Rental Value"

If the necessary "suspension" of your "operations" produces a "Rental Value" loss payable under this policy, we will pay for the actual loss of "Rental Value" you incur during the period that:

- (a) Begins on the date property is actually repaired, rebuilt or replaced and tenantability is restored; and
- (b) Ends on the earlier of:
 - (i) The date you could restore tenant occupancy, with reasonable speed, to the level which would generate the "Rental Value" that would have existed if no direct physical loss or damage had occurred; or
 - (ii) 60 consecutive days after the date determined in (2)(a) above.

However, Extended Business Income does not apply to loss of "Rental Value" incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of "Rental Value" must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

d. Interruption Of Computer Operations

- (1) Under this Additional Coverage, electronic data has the meaning described under Additional Limitation – Interruption Of Computer Operations.
- (2) Subject to all provisions of this Additional Coverage, you may extend the insurance that applies to Business Income and Extra Expense to apply to a "suspension" of "operations" caused by an interruption in computer operations due to destruction or corruption of electronic data due to a Covered Cause of Loss. However, we will not provide coverage under this Additional Coverage when the Additional Limitation – Interruption Of Computer Operations does not apply based on Paragraph **A.4.d.** therein.
- (3) With respect to the coverage provided under this Additional Coverage, the Covered Causes of Loss are subject to the following:
 - (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage, Interruption Of Computer Operations, is limited to the "specified causes of loss" as defined in that form and Collapse as set forth in that form.
 - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage, Interruption Of Computer Operations, includes Collapse as set forth in that form.
 - (c) If the Causes Of Loss form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage, Interruption Of Computer Operations.
 - (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for an interruption related to manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, maintain, repair or replace that system.
- (4) The most we will pay under this Additional Coverage, Interruption Of Computer Operations, is \$2,500 (unless a higher limit is shown in the Declarations) for all loss sustained and expense incurred in any one policy year, regardless of the number of interruptions or the number of premises, locations or computer systems involved. If loss payment relating to the first interruption does not exhaust this amount, then the balance is available for loss or expense sustained or incurred as a result of subsequent interruptions in that policy year. A balance remaining at the end of a policy year does not increase the amount of insurance in the next policy year. With respect to any interruption which begins in one policy year and continues or results in additional loss or expense in a subsequent policy year(s), all loss and expense is deemed to be sustained or incurred in the policy year in which the interruption began.
- (5) This Additional Coverage, Interruption Of Computer Operations, does not apply to loss sustained or expense incurred after the end of the "period of restoration", even if the amount of insurance stated in (4) above has not been exhausted.

6. Coverage Extension

If a Coinsurance percentage of 50% or more is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

Newly Acquired Locations

- a. You may extend your Business Income and Extra Expense Coverages to apply to property at any location you acquire other than fairs or exhibitions.
- b. The most we will pay under this Extension, for the sum of Business Income loss and Extra Expense incurred, is \$100,000 at each location, unless a higher limit is shown in the Declarations.

c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:

- (1) This policy expires;
- (2) 30 days expire after you acquire or begin to construct the property; or
- (3) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property.

The Additional Condition, Coinsurance, does not apply to this Extension.

B. Limits Of Insurance

The most we will pay for loss in any one occurrence is the applicable Limit Of Insurance shown in the Declarations.

Payments under the following coverages will not increase the applicable Limit of Insurance:

1. Alterations And New Buildings;
2. Civil Authority;
3. Extra Expense; or
4. Extended Business Income.

The amounts of insurance stated in the Interruption Of Computer Operations Additional Coverage and the Newly Acquired Locations Coverage Extension apply in accordance with the terms of those coverages and are separate from the Limit(s) Of Insurance shown in the Declarations for any other coverage.

C. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions:

1. Appraisal

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser.

The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

2. Duties In The Event Of Loss

a. You must see that the following are done in the event of loss:

- (1)** Notify the police if a law may have been broken.
- (2)** Give us prompt notice of the direct physical loss or damage. Include a description of the property involved.
- (3)** As soon as possible, give us a description of how, when and where the direct physical loss or damage occurred.
- (4)** Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5)** As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.
Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.
- (6)** Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (7)** Cooperate with us in the investigation or settlement of the claim.
- (8)** If you intend to continue your business, you must resume all or part of your "operations" as quickly as possible.

b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

3. Loss Determination

a. The amount of Business Income loss will be determined based on:

- (1)** The Net Income of the business before the direct physical loss or damage occurred;
- (2)** The likely Net Income of the business if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses;
- (3)** The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and
- (4)** Other relevant sources of information, including:
 - (a)** Your financial records and accounting procedures;
 - (b)** Bills, invoices and other vouchers; and
 - (c)** Deeds, liens or contracts.

b. The amount of Extra Expense will be determined based on:

- (1)** All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:
 - (a)** The salvage value that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed; and
 - (b)** Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and

- (2) Necessary expenses that reduce the Business Income loss that otherwise would have been incurred.

c. Resumption Of Operations

We will reduce the amount of your:

- (1) Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
 - (2) Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.
- d. If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.

4. Loss Payment

We will pay for covered loss within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part, and:

- a. We have reached agreement with you on the amount of loss; or
- b. An appraisal award has been made.

D. Additional Condition

COINSURANCE

If a Coinsurance percentage is shown in the Declarations, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

We will not pay the full amount of any Business Income loss if the Limit of Insurance for Business Income is less than:

- 1. The Coinsurance percentage shown for Business Income in the Declarations; times
- 2. The sum of:
 - a. The Net Income (Net Profit or Loss before income taxes), and
 - b. Operating expenses, including payroll expenses, that would have been earned or incurred (had no loss occurred) by your "operations" at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).

Instead, we will determine the most we will pay using the following steps:

- Step (1): Multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;
- Step (2): Divide the Limit of Insurance for the described premises by the figure determined in Step (1); and
- Step (3): Multiply the total amount of loss by the figure determined in Step (2).

We will pay the amount determined in Step (3) or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

In determining operating expenses for the purpose of applying the Coinsurance condition, the following expenses, if applicable, shall be deducted from the total of all operating expenses:

- (1) Prepaid freight – outgoing;
- (2) Returns and allowances;
- (3) Discounts;

- (4) Bad debts;
- (5) Collection expenses;
- (6) Cost of raw stock and factory supplies consumed (including transportation charges);
- (7) Cost of merchandise sold (including transportation charges);
- (8) Cost of other supplies consumed (including transportation charges);
- (9) Cost of services purchased from outsiders (not employees) to resell, that do not continue under contract;
- (10) Power, heat and refrigeration expenses that do not continue under contract (if Form **CP 15 11** is attached);
- (11) All payroll expenses or the amount of payroll expense excluded (if Form **CP 15 10** is attached); and
- (12) Special deductions for mining properties (royalties unless specifically included in coverage; actual depletion commonly known as unit or cost depletion – not percentage depletion; welfare and retirement fund charges based on tonnage; hired trucks).

Example 1 (Underinsurance)

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been: \$ 400,000
 The Coinsurance percentage is: 50%
 The Limit of Insurance is: \$ 150,000
 The amount of loss is: \$ 80,000

Step (1): $\$400,000 \times 50\% = \$200,000$
 (the minimum amount of insurance to meet your Coinsurance requirements)

Step (2): $\$150,000 \div \$200,000 = .75$

Step (3): $\$80,000 \times .75 = \$60,000$

We will pay no more than \$60,000. The remaining \$20,000 is not covered.

Example 2 (Adequate Insurance)

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been: \$ 400,000
 The Coinsurance percentage is: 50%
 The Limit of Insurance is: \$ 200,000
 The amount of loss is: \$ 80,000

The minimum amount of insurance to meet your Coinsurance requirement is \$200,000 ($\$400,000 \times 50\%$). Therefore, the Limit of Insurance in this example is adequate and no penalty applies. We will pay no more than \$80,000 (amount of loss).

This condition does not apply to Extra Expense Coverage.

E. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

1. Maximum Period Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for the total of Business Income loss and Extra Expense is the lesser of:
 - (1) The amount of loss sustained and expenses incurred during the 120 days immediately following the beginning of the "period of restoration"; or
 - (2) The Limit Of Insurance shown in the Declarations.

2. Monthly Limit Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the beginning of the "period of restoration" is:
 - (1) The Limit of Insurance, multiplied by
 - (2) The fraction shown in the Declarations for this Optional Coverage.

Example

When:	The Limit of Insurance is:	\$ 120,000
	The fraction shown in the Declarations for this Optional Coverage is:	1/4
	The most we will pay for loss in each period of 30 consecutive days is:	\$ 30,000
	(\$120,000 x 1/4 = \$30,000)	
	If, in this example, the actual amount of loss is:	
	Days 1–30:	\$ 40,000
	Days 31–60:	\$ 20,000
	Days 61–90:	\$ 30,000
		<u>\$ 90,000</u>
	We will pay:	
	Days 1–30:	\$ 30,000
	Days 31–60:	\$ 20,000
	Days 61–90:	\$ 30,000
		<u>\$ 80,000</u>

The remaining \$10,000 is not covered.

3. Business Income Agreed Value

- a. To activate this Optional Coverage:
 - (1) A Business Income Report/Work Sheet must be submitted to us and must show financial data for your "operations":
 - (a) During the 12 months prior to the date of the Work Sheet; and

- (b) Estimated for the 12 months immediately following the inception of this Optional Coverage.
- (2) The Declarations must indicate that the Business Income Agreed Value Optional Coverage applies, and an Agreed Value must be shown in the Declarations. The Agreed Value should be at least equal to:
 - (a) The Coinsurance percentage shown in the Declarations; multiplied by
 - (b) The amount of Net Income and operating expenses for the following 12 months you report on the Work Sheet.
- b. The Additional Condition, Coinsurance, is suspended until:
 - (1) 12 months after the effective date of this Optional Coverage; or
 - (2) The expiration date of this policy; whichever occurs first.
- c. We will reinstate the Additional Condition, Coinsurance, automatically if you do not submit a new Work Sheet and Agreed Value:
 - (1) Within 12 months of the effective date of this Optional Coverage; or
 - (2) When you request a change in your Business Income Limit of Insurance.
- d. If the Business Income Limit of Insurance is less than the Agreed Value, we will not pay more of any loss than the amount of loss multiplied by:
 - (1) The Business Income Limit of Insurance; divided by
 - (2) The Agreed Value.

Example

When: The Limit of Insurance is: \$ 100,000
 The Agreed Value is: \$ 200,000
 The amount of loss is: \$ 80,000

Step (1): $\$100,000 \div \$200,000 = .50$

Step (2): $.50 \times \$80,000 = \$40,000$

We will pay \$40,000. The remaining \$40,000 is not covered.

4. Extended Period Of Indemnity

Under Paragraph **A.5.c., Extended Business Income**, the number 60 in Subparagraphs (1)(b) and (2)(b) is replaced by the number shown in the Declarations for this Optional Coverage.

F. Definitions

1. "Finished stock" means stock you have manufactured.
 "Finished stock" also includes whiskey and alcoholic products being aged, unless there is a Coinsurance percentage shown for Business Income in the Declarations.
 "Finished stock" does not include stock you have manufactured that is held for sale on the premises of any retail outlet insured under this Coverage Part.
2. "Operations" means:
 - a. Your business activities occurring at the described premises; and
 - b. The tenantability of the described premises, if coverage for Business Income Including "Rental Value" or "Rental Value" applies.
3. "Period of restoration" means the period of time that:
 - a. Begins:
 - (1) 72 hours after the time of direct physical loss or damage for Business Income Coverage; or
 - (2) Immediately after the time of direct physical loss or damage for Extra Expense Coverage; caused by or resulting from any Covered Cause of Loss at the described premises; and

b. Ends on the earlier of:

- (1)** The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
- (2)** The date when business is resumed at a new permanent location.

"Period of restoration" does not include any increased period required due to the enforcement of or compliance with any ordinance or law that:

- (1)** Regulates the construction, use or repair, or requires the tearing down, of any property; or
- (2)** Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

The expiration date of this policy will not cut short the "period of restoration".

- 4.** "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- 5.** "Rental Value" means Business Income that consists of:
 - a.** Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred as rental income from tenant occupancy of the premises described in the Declarations as furnished and equipped by you, including fair rental value of any portion of the described premises which is occupied by you; and
 - b.** Continuing normal operating expenses incurred in connection with that premises, including:
 - (1)** Payroll; and
 - (2)** The amount of charges which are the legal obligation of the tenant(s) but would otherwise be your obligations.
- 6.** "Suspension" means:
 - a.** The slowdown or cessation of your business activities; or
 - b.** That a part or all of the described premises is rendered untenable, if coverage for Business Income Including "Rental Value" or "Rental Value" applies.



James K. Ruble Seminar

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Section 5

Issues with Answers: Commercial P&C

Issues with Answers: Commercial P&C (Ordinance or Law, Valuation, CCC, Claims Made)



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This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

I. Ordinance Or Law Coverage Issues

- A. The # 2 cause of Agent and Company E&O today
- B. Virtually every insured has these exposures: Commercial and Residential
 - 1. The Value of the undamaged portion of the building
 - a. City, County, or State building codes
 - b. These codes regulate the rebuilding of a partially damaged building
 - c. The percentages can vary from 51% to 1 %
 - 2. The cost to demolish the undamaged portion of the building and haul away the debris.
 - 3. The cost to rebuild the building to comply with current building codes. (City, County, State or Federal regulations)
- C. Standard insurance coverages
 - 1. ISO Commercial Property Policy
 - a. 5% of the limit of insurance on the building or \$10,000 – which ever is less for exposure 3 only listed above!
 - b. THAT IS ALL!
 - 2. ISO Homeowners policy
 - a. 10% of the amount of insurance on the home for all three exposures identified above!
 - b. THAT's ALL!
 - 3. Let's look at the commercial endorsement.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW COVERAGE

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
STANDARD PROPERTY POLICY**SCHEDULE**

Building Number/ Premises Number	Coverage A	Coverage B Limit Of Insurance	Coverage C Limit Of Insurance	Coverages B And C Combined Limit Of Insurance
/	<input type="checkbox"/>	\$	\$	\$
/	<input type="checkbox"/>	\$	\$	\$
/	<input type="checkbox"/>	\$	\$	\$

Post-Loss Ordinance Or Law Option: Yes ☐ No ☐

*Do **not** enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages **B** and **C**, or if one of these Coverages is not applicable.

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Each Coverage – Coverage A, Coverage B and Coverage C – is provided under this endorsement only if that Coverage(s) is chosen by entry in the above Schedule and then only with respect to the building identified for that Coverage(s) in the Schedule.

B. Application Of Coverage(s)

The Coverage(s) provided by this endorsement applies with respect to an ordinance or law that regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises, subject to the following:

1. The requirements of the ordinance or law are in force at the time of loss. But if the Post-Loss Ordinance Or Law Option is indicated in the Schedule as being applicable, then Paragraph **B.2.** applies instead of this Paragraph **B.1.**

2. The requirements of the ordinance or law are in force at the time of loss; or the ordinance or law is promulgated or revised after the loss but prior to commencement of reconstruction or repair and provided that such ordinance or law requires compliance as a condition precedent to obtaining a building permit or certificate of occupancy.
3. Coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.

Overview of Ordinance Or Law Coverage

CP 04 05 09 17

Schedule

Coverage A: Check the box - no limit needed

Coverage B: This one requires a little research:
Tear down is much cheaper than build up – it could be as much as 75% cheaper
This amount is “keyed” to the percentage in the law (51% or higher)

Coverage C: This one also requires a little research – what will it cost to bring building up to code?

Combined B And C
Highly recommended

Post Loss Ordinance Or Law Option

B. Application of Coverage

This section of the endorsement has some “teeth” that will bite

Let’s look at 1. 2, and 3

Excluded costs: 6.a., 6.b. and 7.

C. Coverage

1. Coverage A - Coverage For Loss To The Undamaged Portion Of The Building

- Covers THAT building that has sustained damage

2. Coverage B - Demolition Cost Coverage

- Covers if the law requires demolition

3. Coverage C - Increased Cost Of Construction Coverage

- Look at (2) Example in the case study

4. Coverage under this endorsement applies only if:

- a. The building sustains only direct physical damage that is covered under this policy and as a result of such damage, you are required to comply with the ordinance or law; or
- b. The building sustains both direct physical damage that is covered under this policy and direct physical damage that is not covered under this policy, and as a result of the building damage in its entirety, you are required to comply with the ordinance or law.

However, there is no coverage under this endorsement if the building sustains direct physical damage that is not covered under this policy, and such damage is the subject of the ordinance or law, even if the building has also sustained covered direct physical damage.

5. If coverage applies under this endorsement based on the terms of Paragraph **B.4.b.**, we will not pay the full amount of loss otherwise payable under the terms of Coverages **A**, **B**, and/or **C** of this endorsement. Instead, we will pay a proportion of such loss, meaning the proportion that the covered direct physical damage bears to the total direct physical damage.

(Paragraph **F**. of this endorsement provides an example of this procedure.)

However, if the covered direct physical damage, alone, would have resulted in a requirement to comply with the ordinance or law, then we will pay the full amount of loss otherwise payable under the terms of Coverages **A**, **B** and/or **C** of this endorsement.

6. We will not pay under this endorsement for:

- a. Enforcement of or compliance with any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
- b. The costs associated with the enforcement of or compliance with any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.

7. We will not pay under this endorsement for any loss in value or any cost incurred due to an ordinance or law that you were required to comply with before the time of the current loss, even in the absence of building damage, if you failed to comply.

C. Coverage

1. Coverage A – Coverage For Loss To The Undamaged Portion Of The Building

With respect to the building that has sustained covered direct physical damage, we will pay under Coverage **A** for the loss in value of the undamaged portion of the building as a consequence of a requirement to comply with an ordinance or law that requires demolition of undamaged parts of the same building.

Coverage **A** is included within the Limit Of Insurance applicable to such building as shown in the Declarations or addressed elsewhere in this policy. Coverage **A** does not increase the Limit of Insurance.

2. Coverage B – Demolition Cost Coverage

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building as a consequence of a requirement to comply with an ordinance or law that requires demolition of such undamaged property.

The Coinsurance Additional Condition does not apply to Demolition Cost Coverage.

3. Coverage C – Increased Cost Of Construction Coverage

- a. With respect to the building that has sustained covered direct physical damage, we will pay the increased cost to:

- (1) Repair or reconstruct damaged portions of that building; and/or
- (2) Reconstruct or remodel undamaged portions of that building, whether or not demolition is required;

when the increased cost is a consequence of a requirement to comply with the minimum standards of the ordinance or law.

However:

- (1) This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.

- (2) We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

The Coinsurance Additional Condition does not apply to Increased Cost of Construction Coverage.

- b. When a building is damaged or destroyed and Coverage **C** applies to that building in accordance with Paragraph **C.3.a.** above, coverage for the increased cost of construction also applies to repair or reconstruction of the following, subject to the same conditions stated in Paragraph **C.3.a.**:

- (1) The cost of excavations, grading, backfilling and filling;
- (2) Foundation of the building;
- (3) Pilings; and
- (4) Underground pipes, flues and drains.

The items listed in **b.(1)** through **b.(4)** above are deleted from Property Not Covered, but only with respect to the coverage described in this provision, **3.b.**

D. Loss Payment

1. All following loss payment provisions, **D.2.** through **D.5.**, are subject to the apportionment procedures set forth in Paragraph **B.5.** of this endorsement.
2. When there is a loss in value of an undamaged portion of a building to which Coverage **A** applies, the loss payment for that building, including damaged and undamaged portions, will be determined as follows:
 - a. If the Replacement Cost Coverage Option applies and such building is being repaired or replaced, on the same or another premises, we will not pay more than the lesser of:
 - (1) The amount you would actually spend to repair, rebuild or reconstruct such building, but not for more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or

- (2) The Limit Of Insurance applicable to such building as shown in the Declarations or addressed elsewhere in this policy. (If this policy is endorsed to cover Earthquake and/or Flood as a Covered Cause of Loss, the Limit of Insurance applicable to the building in the event of damage by such Covered Cause of Loss may be lower than the Limit of Insurance that otherwise would apply.)

- b. If the Replacement Cost Coverage Option applies and such building is **not** repaired or replaced, or if the Replacement Cost Coverage Option does **not** apply, we will not pay more than the lesser of:

- (1) The actual cash value of such building at the time of loss; or
- (2) The Limit Of Insurance applicable to such building as shown in the Declarations or addressed elsewhere in this policy. (If this policy is endorsed to cover Earthquake and/or Flood as a Covered Cause of Loss, the Limit of Insurance applicable to the building in the event of damage by such Covered Cause of Loss may be lower than the Limit of Insurance that otherwise would apply.)

3. Unless Paragraph **D.5.** applies, loss payment under Coverage **B** – Demolition Cost Coverage will be determined as follows:

We will not pay more than the lesser of the following:

- a. The amount you actually spend to demolish and clear the site of the described premises; or
- b. The applicable Limit Of Insurance shown for Coverage **B** in the Schedule.

4. Unless Paragraph **D.5.** applies, loss payment under Coverage **C** – Increased Cost Of Construction Coverage will be determined as follows:

a. We will not pay under Coverage **C**:

- (1) Until the building is actually repaired or replaced, at the same or another premises; and
- (2) Unless the repair or replacement is made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

b. If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay under Coverage **C** is the lesser of:

- (1) The increased cost of construction at the same premises; or
- (2) The applicable Limit Of Insurance shown for Coverage **C** in the Schedule.

c. If the ordinance or law requires relocation to another premises, the most we will pay under Coverage **C** is the lesser of:

- (1) The increased cost of construction at the new premises; or
- (2) The applicable Limit Of Insurance shown for Coverage **C** in the Schedule.

5. If a Combined Limit Of Insurance is shown for Coverages **B** and **C** in the Schedule, Paragraphs **D.3.** and **D.4.** do not apply with respect to the building that is subject to the Combined Limit, and the following loss payment provisions apply instead:

The most we will pay, for the total of all covered losses for Demolition Cost and Increased Cost of Construction, is the Combined Limit Of Insurance shown for Coverages **B** and **C** in the Schedule. Subject to this Combined Limit of Insurance, the following loss payment provisions apply:

a. For Demolition Cost, we will not pay more than the amount you actually spend to demolish and clear the site of the described premises.

b. With respect to the Increased Cost of Construction:

- (1) We will not pay for the increased cost of construction:
 - (a) Until the building is actually repaired or replaced, at the same or another premises; and

(b) Unless the repair or replacement is made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

(2) If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the same premises.

(3) If the ordinance or law requires relocation to another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the new premises.

E. The terms of this endorsement apply separately to each building to which this endorsement applies.

F. Example of proportionate loss payment for Ordinance Or Law Coverage Losses (procedure as set forth in Paragraph **B.5.**).

Assume:

- Wind is a Covered Cause of Loss; Flood is an excluded Cause of Loss
- The building has a value of \$200,000
- Total direct physical damage to building: \$100,000
- The ordinance or law in this jurisdiction is enforced when building damage equals or exceeds 50% of the building's value
- Portion of direct physical damage that is covered (caused by wind): \$30,000
- Portion of direct physical damage that is not covered (caused by flood): \$70,000
- Loss under Ordinance Or Law Coverage **C** of this endorsement: \$60,000

Step 1: Determine the proportion that the covered direct physical damage bears to the total direct physical damage.

$$\$30,000 \div \$100,000 = .30$$

Step 2: Apply that proportion to the Ordinance or Law loss.

$$\$60,000 \times .30 = \$18,000$$

In this example, the most we will pay under this endorsement for the Coverage **C** loss is \$18,000, subject to the applicable Limit of Insurance and any other applicable provisions.

Note: The same procedure applies to losses under Coverages **A** and **B** of this endorsement.

G. The following definition is added:

"Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

SAMPLE

4. What about the Homeowners Policy?
 - a. Some companies will give up to 100%
 - b. Many companies offer only up to a total of 50%
 - c. How much does your insured need?
5. Ordinance or Law Premiums
 - a. Coverage A: Building Fire rate (increased by 1.15%)
 - b. Coverage B: Building Fire rate
 - c. Coverage C: Building Fire Rate
6. Business Income Issue:
 - a. Enforcement of Building ordinances or codes could lengthen the period of restoration
 - b. ISO Business Income Form excludes this
 - c. Endorsement needed:

[illegible]

Ordinance or Law Case

The Facts:

The named insured (Condo Y) in a condominium in Aspen, Colorado. The building is a multi-story – 25 floors – 250 units and is insured for \$90,000,000 on a replacement cost basis. The agent involved (Agent X) is an agent for a direct writer for Company Z. The agent resides in Aspen and specializes in writing commercial condos. Agent X writes insurance on 20 other condos similar to Condo Y. Agent X has insured Condo Y from its inception – 17 years ago.

Agent X routinely adds Ordinance or Law coverage to every condo he insures. He simply forgot to add it to Condo Y's policy. Agent X has a renewal checklist which he uses every year for all his condo renewals. This renewal checklist includes "Does the insured need/have Ordinance or Law coverage?" Agent X "forgets" to ask that particular question on renewal for 17 years.

The Loss:

Condo unit #1 (ground floor) has a small fire resulting from the fireplace located in unit one. There was a very small amount of fire and smoke damage to unit 1 and adjoining unit #2. No damage to any other unit or any other part of the building. The direct loss by fire and smoke is estimated at under \$25,000.

Due to the fire, the Aspen Fire Department responded. The Aspen Fire Marshall recognized that the fireplace in Unit 1 did not comply with current Aspen fire code, and ruled that Condo Y must replace the fireplace in Unit 1 – and all other 249 units – with fireplaces that comply with the current Aspen code. In addition, the Fire Marshall noticed that the current wiring and insulation in the building was also out of code and had to be replaced in the entire building. The estimated (and final) cost to make the required code upgrades amounted to \$6,000,000. There was no Ordinance or Law coverage on their policy through Agent X. Each unit owner was assessed \$24,000 to pay for the upgrades.

Company Z then alleged they only owed the cost to bring Unit 1 & 2 up to code – not the remainder of the building. Company Z added the Ordinance or Law Endorsement – which we have just studied. Either they copied ISO or ISO copied them, but that is not the question.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on the right side, suggesting it's resting on a surface.

[illegible]

II. Valuation Issues

A. So what's the problem?

1. COSTIMATOR ISSUES

- a. Of the current E&O cases I am involved with 60% are undervaluation issues.
- b. Most are homes, but some are commercial structures
- c. PERSONAL OPINION BASED ON CURRENT CASES - Most insurance company costimators are low – significantly low!
- d. Commercial estimators are also very low.
- e. WHY?
 - (1) Law of Large Numbers
 - (2) Percentage of losses that are total losses
- f. What can an agent do to protect themselves?
- g. Another MAJOR problem with valuation – failure to explain how replacement cost works.
- h. No definition of ACV in most insurance policies.

2. Agreed Value Issues

- a. Agreed Value is NOT Agreed Amount!
- b. ISO treatment of Agreed Value

G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item:

1. Agreed Value

- a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.
- b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.
- c. The terms of this Optional Coverage apply only to loss or damage that occurs:
 - (1) On or after the effective date of this Optional Coverage; and
 - (2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

2. Inflation Guard

- a. The Limit of Insurance for property to which this Optional Coverage applies will automatically increase by the annual percentage shown in the Declarations.
- b. The amount of increase will be:
 - (1) The Limit of Insurance that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Limit of Insurance, times
 - (2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times
 - (3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Limit of Insurance, divided by 365.

Example

If: The applicable Limit of Insurance is: \$ 100,000
The annual percentage increase is: 8%
The number of days since the beginning of the policy year (or last policy change) is: 146
The amount of increase is:
 $\$100,000 \times .08 \times 146 \div 365 =$ \$ 3,200

3. Replacement Cost

- a. Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Valuation Loss Condition of this Coverage Form.
- b. This Optional Coverage does not apply to:
 - (1) Personal property of others;
 - (2) Contents of a residence;
 - (3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or
 - (4) "Stock", unless the Including "Stock" option is shown in the Declarations.Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

COMMERCIAL PROPERTY COVERAGE PART DECLARATIONS PAGE

POLICY NO.

EFFECTIVE DATE ____ / ____ / ____

☐ "X" If Supplemental
Declarations Is Attached

NAMED INSURED

DESCRIPTION OF PREMISES

Prem. No.	Bldg. No.	Location, Construction And Occupancy
--------------	--------------	--------------------------------------

COVERAGES PROVIDED Insurance At The Described Premises Applies Only For Coverages For Which A Limit Of Insurance Is Shown

Prem. No.	Bldg. No.	Coverage	Limit Of Insurance	Covered Causes Of Loss	Coinsurance*	Rates
--------------	--------------	----------	-----------------------	---------------------------	--------------	-------

*If Extra Expense Coverage, Limits On Loss Payment

OPTIONAL COVERAGES Applicable Only When Entries Are Made In The Schedule Below

Prem. No.	Bldg. No.	Expiration Date	Agreed Value Cov.	Amount	Replacement Cost (X) Building	Pers. Prop.	Including "Stock"
--------------	--------------	-----------------	----------------------	--------	----------------------------------	----------------	----------------------

Inflation Guard (%) Bldg.	Pers. Prop.	*Monthly Limit Of Indemnity (Fraction)	Maximum Period Of Indemnity (X)	*Extended Period Of Indemnity (Days)
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*Applies to Business Income Only

MORTGAGEHOLDERS

Prem. No.	Bldg. No.	Mortgageholder Name And Mailing Address
--------------	--------------	---

DEDUCTIBLE

\$500. Exceptions:

FORMS APPLICABLE

To All Coverages:

To Specific Premises/Coverages:

Prem. No.	Bldg. No.	Coverages	Form Number
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7. Valuation

We will determine the value of Covered Property in the event of loss or damage as follows:

- a. At actual cash value as of the time of loss or damage, except as provided in **b.**, **c.**, **d.** and **e.** below.
- b. If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.

The cost of building repairs or replacement does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.

However, the following property will be valued at the actual cash value, even when attached to the building:

- (1) Awnings or floor coverings;
 - (2) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or
 - (3) Outdoor equipment or furniture.
- c. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.
 - d. Glass at the cost of replacement with safety-glazing material if required by law.
 - e. Tenants' Improvements and Betterments at:
 - (1) Actual cash value of the lost or damaged property if you make repairs promptly.
 - (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
 - (a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
 - (b) Divide the amount determined in (a) above by the number of days from the installation of improvements to the expiration of the lease.
- If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
- (3) Nothing if others pay for repairs or replacement.

[illegible]

3. Functional Valuation Issues

FUNCTIONAL BUILDING VALUATION

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

CONDOMINIUM ASSOCIATION COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Limit Of Insurance
		\$
		\$
		\$

Post-Loss Ordinance Or Law Option: Yes ☐ No ☐

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A.** The Limit Of Insurance shown in the above Schedule is the only limit of insurance applicable to the building described in the above Schedule.
- B.** The **Coininsurance** Additional Condition does not apply to the building described in the above Schedule.
- C.** With respect to the building described in the above Schedule, the following replaces Items **a.** and **b.** of the **Valuation** Loss Condition:
- 1.** If you contract for repair or replacement of the loss or damage to restore the building shown in the above Schedule for the same occupancy and use, within 180 days of the damage unless we and you otherwise agree, we will pay the smallest of the following, **a.**, **b.**, **c.** or **d.**:
 - a.** The Limit Of Insurance shown in the above Schedule as applicable to the damaged building;
 - b.** In the event of a total loss, the cost to replace the damaged building on the same site (or on a different site if relocation is required by an ordinance or law as described in Paragraph **E.2.a.** below), with a less costly building that is functionally equivalent to the damaged building;
 - c.** In the event of partial loss:
 - (1)** The cost to repair or replace the damaged portion of the building with less costly material, if available, in the architectural style that existed before the loss or damage occurred; and
 - (2)** The amount you actually spend to demolish and clear the site of undamaged parts of the building as described in Paragraph **E.2.b.** below.
 - d.** The amount you actually spend:
 - (1)** That is necessary to repair or replace the lost or damaged building with less costly material if available; and
 - (2)** To demolish and clear the site of undamaged parts of the building as described in Paragraph **E.2.b.** below.
 - 2.** If you do not make a claim under Paragraph **1.** above, we will pay the smallest of the following, **a.**, **b.** or **c.**:
 - a.** The Limit Of Insurance shown in the above Schedule as applicable to the damaged building;
 - b.** The "market value" of the damaged building, exclusive of the land value, at the time of loss; or
 - c.** The amount it would cost to repair or replace the damaged building on the same site, with less costly material in the architectural style that existed before the damage occurred, less allowance for physical deterioration and depreciation.

Functional Building Valuation (CP 04 38 09 17)

1. Provides a means to insure a building to reflect use and not condition.
2. Use when insured has a building they don't consider to be worth ACV. Also used to address problem of replacement cost for partial loss on older buildings.
3. May only be used when Functional Replacement cost is less than ACV.
4. Provides coverage for specifically described property which can be replaced with similar property that performs the same function as currently used when replacement with identical property is impossible or unnecessary.
5. Coinsurance is not applicable.
6. If repair or replacement is contracted for within 180 days, loss payment will be based on the cost of a less costly, but functionally equivalent building, or in the case of a partial loss, on the cost of restoring the building in the same architectural style, using less costly material if available.
7. If claim is not made on a repair/replacement basis, loss settlement will be based on market value exclusive of land value. A definition of market value is provided

Personal Lines Valuation Case

The Facts:

A prospect walked into an agent's office and desires a homeowners quote on their whole log home. The agent represents Company A which insures whole log homes and has a "costimator" which will assist the agent in determining the proper value. The home is a one story with 1,000 square feet and a 200 foot loft. The company costimator does not have an option for a loft, so the CSR uses 1500 ground floor square feet to estimate value. That costimator calculation was otherwise done correctly. The costimator estimated the replacement cost at \$400,000. The insured reluctantly accepted the \$400,000 value but complained that it was too high.

The Loss:

The home suffers a total loss by fire. Three separate estimates to re-build the home were obtained. The Lowest of the three was \$600,000. The insured sued the agent and company over the underinsurance.

The Result:

The agent's E&O carrier and Company A each paid \$100,000 to the insured.

What were the issues?

Commercial Valuation Case

The Facts:

The insured was a 100 unit apartment building. There were 10 separate buildings with 10 units per building. The agent used a commercial value estimator to come up with the needed amount of insurance. The estimator value was 10,800,000. The agent wrote \$10,000,000 blanket coverage on all 10 buildings at 90% coinsurance.

The Loss:

A tornado ripped through the apartment complex resulting in a virtual total loss. The only property left were the foundations, which were also damaged and had to be replaced. Estimated replacement cost: \$14,000,000.

The Issues:

[illegible]

III. Care, Custody, or Control Issues

A. So what's the problem?

1. Property of others in the insured's care, or custody, or control is typically excluded by liability policies.
2. if you own it, rent it, occupy it, or have it in your possession and damage it – NO COVERAGE
3. What are the major exposures?
 - a. A tenant occupying a building owned by someone else.
 - b. Your insured that has personal property of others in their care.
 - (1) Appliance repair shops
 - (2) Computer repair shops
 - (3) Lawn equipment repair shops
 - (4) Dry cleaners
 - (5) Garages
 - (6) Auto accessory shops
 - (7) Many others
4. Claim examples
5. So what is the solution?
 - a. For the tenant in (a) above – get a waiver of subrogation in the lease with the landlord, or buy the Legal liability Coverage Form
 - b. For (b) above – buy some type of Bailee Legal Liability Coverage

LEGAL LIABILITY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section **F**. Definitions.

A. Coverage

We will pay those sums that you become legally obligated to pay as damages because of direct physical loss or damage, including loss of use, to Covered Property caused by accident and arising out of any Covered Cause of Loss. We will have the right and duty to defend any "suit" seeking those damages. However, we have no duty to defend you against a "suit" seeking damages for direct physical loss or damage to which this insurance does not apply. We may investigate and settle any claim or "suit" at our discretion. But:

- (1) The amount we will pay for damages is limited as described in Section **C**. Limits Of Insurance; and
- (2) Our right and duty to defend end when we have used up the Limit of Insurance in the payment of judgments or settlements.

1. Covered Property And Limitations

Covered Property, as used in this Coverage Form, means tangible property of others in your care, custody or control that is described in the Declarations or on the Legal Liability Coverage Schedule.

Covered Property does not include electronic data. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This paragraph does not apply to electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning or security system.

2. Covered Causes Of Loss

See applicable Causes of Loss form as shown in the Declarations.

3. Additional Coverage

SUPPLEMENTARY PAYMENTS

We will pay, with respect to any claim or any "suit" against you we defend:

- a. All expenses we incur.
- b. The cost of bonds to release attachments, but only for bond amounts within our Limit of Insurance. We do not have to furnish these bonds.
- c. All reasonable expenses incurred by you at our request, including actual loss of earnings up to \$250 a day because of time off from work.
- d. All costs taxed against you in the "suit".
- e. Prejudgment interest awarded against you on that part of the judgment we pay. If we make an offer to pay the Limit of Insurance, we will not pay any prejudgment interest based on that period of time after the offer.
- f. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the applicable Limit of Insurance.

IV. LEGAL LIABILITY COVERAGE FORM (CP 00 40 10 12)

- A. A property coverage form that pays ONLY if the insured is legally liable for damage to property of others.
- B. Needed by tenants
- C. Other solutions:
 - 1. Waiver of subrogation in the lease. Can be waived in writing prior to a loss and before a loss for some parties.
 - 2. Additional Insured on the landlord's policy. With several tenants, difficult to monitor. Lending institutions do not like this method.
- D. 2012 revision now includes clarification as to data required to operate the building's elevator, lighting, heating, security systems ----

E. Coverage Form

1. Coverage

Legally Obligated - Direct physical loss including loss of use caused by an accident arising out of a Covered Cause of Loss. Duty to defend. Company may investigate and settle. Duty to defend ends when limit is used up in payment of judgments or claims.

2. Covered Property

Property of others in the care, custody or control as described in the declarations.

3. Causes of loss

As scheduled

4. Additional Coverage - supplementary payments

a. Expenses incurred by company

b. Cost of bonds

c. \$100 a day loss of earnings

d. Costs of the suit

e. Pre-judgment interest

f. Post judgment interest

5. Coverage Extensions

a. Additional insureds

b. Newly formed organizations

c. Newly acquired property - same as commercial building and personal property form

F. Exclusions and Limitations

See the applicable cause of loss form

G. Limits of Insurance

1. Applicable limit shown on declarations
2. Additional Coverage and Newly Acquired Extensions are additional limits of insurance. Multi-insureds does not increase the limit.

H. Loss Conditions

1. Duties in the event of accident, claim or suit
2. Legal action against us
3. Other insurance
4. Transfer of rights of recovery against others to us

I. Additional Conditions

1. Amendment of Commercial Property Conditions - none apply except:
 - a. A - Concealment, misrepresentation and fraud
 - b. C - Two or more coverages
 - c. E - Liberalization
2. Bankruptcy
3. Policy period, Coverage territory
4. Separation of insureds

J. Definitions

"Suit" includes arbitration

K. ENDORSEMENT FOR LEGAL LIABILITY COVERAGE FORM

- Newly Acquired or Constructed Property
Increased Limit (CP 04 25)

Care, Custody or Control Case

The Facts:

The insured leased and occupied, in its entirety, a 50,000 square foot building used as a machine shop. The insured's employee, while driving the insured's vehicle, failed to stop in front of the building and drove the vehicle through the building doing \$80,000 damage to the building. The insured turned the claim into his CGL carrier and the CGL carrier denied the claim based on exclusion J.1 in the CGL (damage to property exclusion). The insured then turned the claim over to his Business Auto insurer and they also denied the claim. The insured finally turned to his CGL carrier and requested payment under the "Damage to Premises Rented to You" provision of his CGL policy which had a sub limit of \$100,000. Carrier again denied coverage,

CGL policy language:

Damage To Property

"Property damage" to:

- (1) Property you own, rent, or occupy, including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property;

Paragraphs (1), (3) and (4) of this exclusion do not apply to "property damage" (other than damage by fire) to premises, including the contents of such premises, rented to you for a period of 7 or fewer consecutive days. A separate limit of insurance applies to Damage To Premises Rented To You as described in Section III – Limits Of Insurance.

BAP policy language:

6.Care, Custody Or Control

"Property damage" to or "covered pollution cost or expense" involving property owned or transported by the "insured" or in the "insured's" care, custody or control. But this exclusion does not apply to liability assumed under a sidetrack agreement.

[illegible]

V. Occurrence vs. Claims Made Issues

TWO VERSIONS OF THE COMMERCIAL GENERAL LIABILITY COVERAGE FORM

A. Occurrence Form - CG 00 01

B. Claims Made Form - CG 00 02

- Designed for special type of risk
- Seldom used
- Not approved in all states

C. Coverage Differences

- Different “Trigger” of coverage
 - a. Occurrence - injury or damage must occur during the policy period.
 - b. Claims Made - claim for injury or damage is first made against the insured during the policy period.
- Claims-Made has characteristics not found in Occurrence forms
 - a. Retroactive date - all injury or damage which occurs prior to the retroactive date is excluded.
 - b. Extended Reporting Period Endorsements - does not extend time for injury or damage to take place. It only extends the time for a claim to be reported.

COMMERCIAL GENERAL LIABILITY COVERAGE FORM

**COVERAGES A AND B PROVIDE CLAIMS-MADE COVERAGE.
PLEASE READ THE ENTIRE FORM CAREFULLY**

SECTION I – COVERAGES

COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in Section III – Limits Of Insurance; and
- (2) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages A and B.

b. This insurance applies to "bodily injury" and "property damage" only if:

- (1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";
- (2) The "bodily injury" or "property damage" did not occur before the Retroactive Date, if any, shown in the Declarations or after the end of the policy period; and
- (3) A claim for damages because of the "bodily injury" or "property damage" is first made against any insured, in accordance with Paragraph c. below, during the policy period or any Extended Reporting Period we provide under Section V – Extended Reporting Periods.

D. Insuring Agreement

1. Must be a “BI” or “PD”
2. Must be covered by the policy
3. Company has right and duty to defend if covered
4. Company has right to investigate and settle any claim
5. Amount paid is limited by “limits of Insurance”
6. Duty to defend ends when the applicable limit is exhausted in the payment of judgments or settlements under coverages A,B and C
7. The “BI” or “PD” must be caused by an “occurrence” that takes place in the “coverage territory”
8. AND, the “occurrence” did not take place before the retroactive date shown in the declarations.

E. ISSUE!!!

Claims Made Definition vs. Claims Made and Reported Definition

“Pure Claims-Made” Form requires that a claim be made during the policy period or the “ERP.” However, the major distinction between this form and the “claims-made and reported form” is that insured needs only report the claim “as soon as practicable,” or promptly, and not necessarily during the policy term which, in essence, can be anytime in the future.

While the differences of the policies seem basic, not knowing those differences can have a dramatic impact on the coverage. Also, the answers may vary depending on the insurance company issuing the policy. In the professional liability insurance community, “claims-made” terminology is generically used whether it is a “claims-made and reported” form or a “pure claims-made” form. Many policies declare they are “Claims-Made,” when in reality, they are the “Claims-Made & Reported.” Some policy forms incorporate either bold wording on the declaration page or a statement within the insuring agreement proclaiming the policy is a “Claims-Made & Reported” policy.

What is a claim?

Before an insured can report a claim, they need to know what constitutes a claim. In many instances a claim may be defined as “an oral or written demand for monetary or non-monetary damages, including any judicial or administrative proceeding.”

COMMERCIAL GENERAL LIABILITY COVERAGE FORM

COVERAGES A AND B PROVIDE CLAIMS-MADE COVERAGE.
PLEASE READ THE ENTIRE FORM CAREFULLY

...

SECTION I – COVERAGES

COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

- (3) A claim for damages because of the "bodily injury" or "property damage" is first made against any insured, in accordance with Paragraph c. below, during the policy period or any Extended Reporting Period we provide under Section V – Extended Reporting Periods.
- c. A claim by a person or organization seeking damages will be deemed to have been made at the earlier of the following times:
- (1) When notice of such claim is received and recorded by any insured or by us, whichever comes first; or
 - (2) When we make settlement in accordance with Paragraph a. above.

All claims for damages because of "bodily injury" to the same person, including damages claimed by any person or organization for care, loss of services, or death resulting at any time from the "bodily injury", will be deemed to have been made at the time the first of those claims is made against any insured.

All claims for damages because of "property damage" causing loss to the same person or organization will be deemed to have been made at the time the first of those claims is made against any insured.

F. Insuring Agreement – Claims Made Continued

1. A claim must be made during the policy period OR the Extended Reporting Period
2. A claim will be deemed to have been made at the earlier of:
 - a. When notice of such claim is received and recorded by any insured, or by the company – which ever comes first
 - b. Or, when the company makes settlement
 - c. The policy goes on to clarify that all claims by a person or organization will be deemed to have been made at the time the first claim was made

G. Examples:

During the policy period, the insured received a notice from an ex employee alleging “discrimination” and the insured does not report it to the carrier. By the policy definition, that notice would be considered a claim. Unfortunately, the insured may not realize that this would be deemed a claim because an actual lawsuit or demand was not filed against him or her. Therefore, the insured may not be compelled to report this to the carrier.

In that situation, if a lawsuit were filed against the insured after the policy expiration, after the ERP, if applicable, or even against a subsequent policy term, no coverage would be afforded because the notice by the ex employee served as the actual notice of claim, not the lawsuit recently filed. Conversely, if the insured reports complaint during the policy period on the 60 day ERP in this case, coverage would apply.

Case 2:

An employee of a clothing store was being sexually harassed by another employee. The harassed employee informed the supervisor of this incident by a memo and asked for assistance in stopping the harassment. The supervisor took a report, but did not report the claim to the insurance company during the policy period or 60 day ERP. Seventy-five days after the policy expired, the harassed employee files a lawsuit against the company and then reports the claim to the carrier.

H. Reporting Requirements

Excerpt from CG 00 02 04 13

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS

2. Duties In The Event Of Occurrence, Offense, Claim Or Suit

- a.** You must see to it that we are notified as soon as practicable of an "occurrence" or offense which may result in a claim. To the extent possible, notice should include:
 - (1)** How, when and where the "occurrence" or offense took place;
 - (2)** The names and addresses of any injured persons and witnesses; and
 - (3)** The nature and location of any injury or damage arising out of the "occurrence" or offense.Notice of an "occurrence" or offense is not notice of a claim.
- b.** If a claim is received by any insured, you must:
 - (1)** Immediately record the specifics of the claim and the date received; and
 - (2)** Notify us as soon as practicable.You must see to it that we receive written notice of the claim as soon as practicable.
- c.** You and any other involved insured must:
 - (1)** Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or a "suit";
 - (2)** Authorize us to obtain records and other information;
 - (3)** Cooperate with us in the investigation or settlement of the claim or defense against the "suit"; and
 - (4)** Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.
- d.** No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

Reporting a claim

It is the insured's obligation to report a claim or a potential circumstance that could give rise to a claim to the carrier. While many insured's might be inclined initially to try to handle claims internally to avoid reporting to the carrier, the delay in reporting can easily be detrimental to the insured and put the coverage in jeopardy.

In contrast, the "pure claims-made" form requires that the claim be reported promptly or as soon as practical. That, of course, is very subjective and, in theory, can be reported at any time in the future even after policy expiration. However, this is certainly not an advisable approach.

In addition to the "claims-made" issue, many policies provide an awareness provision that allows the insured the ability to report any incidents or circumstance the insured may become aware of that may lead to a future claim. That also has a window that states such notice must be given during the policy period.

When a circumstance is reported, it will be considered to have been reported during that policy period should it result in litigation after the policy has expired. Because each policy has a different reporting provision, it is important that the insured knows and understands his or her reporting requirement.

[illegible]

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS

10. Your Right To Claim And Occurrence Information

We will provide the first Named Insured shown in the Declarations the following information relating to this and any preceding general liability claims-made Coverage Part we have issued to you during the previous three years:

- a.** A list or other record of each "occurrence", not previously reported to any other insurer, of which we were notified in accordance with Paragraph **2.a.** of the Section **IV** – Duties In The Event Of Occurrence, Offense, Claim Or Suit Condition. We will include the date and brief description of the "occurrence" if that information was in the notice we received.
- b.** A summary by policy year, of payments made and amounts reserved, stated separately, under any applicable General Aggregate Limit and Products-Completed Operations Aggregate Limit.

Amounts reserved are based on our judgment. They are subject to change and should not be regarded as ultimate settlement values.

You must not disclose this information to any claimant or any claimant's representative without our consent.

If we cancel or elect not to renew this Coverage Part, we will provide such information no later than 30 days before the date of policy termination. In other circumstances, we will provide this information only if we receive a written request from the first Named Insured within 60 days after the end of the policy period. In this case, we will provide this information within 45 days of receipt of the request.

We compile claim and "occurrence" information for our own business purposes and exercise reasonable care in doing so. In providing this information to the first Named Insured, we make no representations or warranties to insureds, insurers, or others to whom this information is furnished by or on behalf of any insured. Cancellation or nonrenewal will be effective even if we inadvertently provide inaccurate information.

VI. COMMERCIAL GENERAL LIABILITY – CLAIMS MADE – IMPORTANT CONDITIONS

A. INSURED'S RIGHT TO INFORMATION

- Company agrees to provide for last three years
 1. A list of each record or occurrence reported to them
 2. A summary by policy year of amounts paid or reserved
 3. Insured agrees not to disclose information given in 2 above to any claimant
 4. If the company non renews, they will provide this information to the first named insured 30 days before policy termination.
 5. For any other reason, company will provide to the First named Insured if requested within 60 days of policy termination – 45 days after such request

SECTION V – EXTENDED REPORTING PERIODS

1. We will provide one or more Extended Reporting Periods, as described below, if:
 - a. This Coverage Part is canceled or not renewed; or
 - b. We renew or replace this Coverage Part with insurance that:
 - (1) Has a Retroactive Date later than the date shown in the Declarations of this Coverage Part; or
 - (2) Does not apply to "bodily injury", "property damage" or "personal and advertising injury" on a claims-made basis.
2. Extended Reporting Periods do not extend the policy period or change the scope of coverage provided. They apply only to claims for:
 - a. "Bodily injury" or "property damage" that occurs before the end of the policy period but not before the Retroactive Date, if any, shown in the Declarations; or
 - b. "Personal and advertising injury" caused by an offense committed before the end of the policy period but not before the Retroactive Date, if any, shown in the Declarations.

Once in effect, Extended Reporting Periods may not be canceled.

3. A Basic Extended Reporting Period is automatically provided without additional charge. This period starts with the end of the policy period and lasts for:
 - a. Five years with respect to claims because of "bodily injury" and "property damage" arising out of an "occurrence" reported to us, not later than 60 days after the end of the policy period, in accordance with Paragraph 2.a. of the Section IV – Duties In The Event Of Occurrence, Offense, Claim Or Suit Condition;
 - b. Five years with respect to claims because of "personal and advertising injury" arising out of an offense reported to us, not later than 60 days after the end of the policy period, in accordance with Paragraph 2.a. of the Section IV – Duties In The Event Of Occurrence, Offense, Claim Or Suit Condition; and
 - c. Sixty days with respect to claims arising from "occurrences" or offenses not previously reported to us.

The Basic Extended Reporting Period does not apply to claims that are covered under any subsequent insurance you purchase, or that would be covered but for exhaustion of the amount of insurance applicable to such claims.

4. The Basic Extended Reporting Period does not reinstate or increase the Limits of Insurance.
5. A Supplemental Extended Reporting Period of unlimited duration is available, but only by an endorsement and for an extra charge. This supplemental period starts when the Basic Extended Reporting Period, set forth in Paragraph 3. above, ends.

You must give us a written request for the endorsement within 60 days after the end of the policy period. The Supplemental Extended Reporting Period will not go into effect unless you pay the additional premium promptly when due.

B. EXTENDED REPORTING PERIODS

1. Guaranteed by the policy
2. Basic Extended Reporting Period (BERP)
 - a. Provided automatically if:
 - 1) Policy is canceled
 - 2) Policy is renewed with restrictions
 - 3) Retroactive date is advanced
 - 4) Policy is replaced by an occurrence form
 - b. Provides coverage for claims
 - 1) Known and reported no later than 60 days after policy term and claim made within five years.
 - 2) 60 days for incurred but not reported
 - c. Only extends time for reporting claims
3. Supplemental Extended Reporting Periods (SERP)
 - a. Unlimited duration to report claims
 - b. Guaranteed right to purchase within 60 days of policy termination
 - c. Additional premium charge - up to 200%
 - d. New aggregates

C. CLAIMS-MADE RETROACTIVE DATE

1. All injury or damage that occurs prior to the retroactive is excluded
2. ISO retroactive date choices:
 - a. Policy inception of first claims-made coverage
 - b. Prior to inception
 - c. None - “ Full prior acts coverage”
3. Limitations of changing the retroactive date
 - a. Change of carrier
 - b. Change in exposure
 - c. Concealment or misrepresentation
 - d. Insureds request
 - e. Insured must sign consent form for any of above

D. MAJOR CLAIMS MADE MISTAKES MADE BY AGENTS

1. Advancing the retro date to lower premium without a corresponding “tail
2. Allowing a claims made policy to expire when the insured retires without a corresponding tail
3. Replacing a claims made policy with an occurrence trigger.

CONCLUSION

Food for Thought:

1. Valuation issues are the number one issues involving agent and company potential errors and/or omissions.
2. Ordinance and Law Issues are number two!
3. Care, Custody or Control is number three!
4. Claims made issues are not number four, but they are on the increase!

My primary goal with this class was to advise you of what I see in the market place today

