

PENNSYLVANIA PROPERTY & CASUALTY LICENSING STUDY COURSE

Insurance Agents & Brokers



Daily Class Schedule

8:00 a.m. – 12:30 p.m.

Class

12:30 p.m. – 1:30 p.m.

Lunch (provided)

1:30 p.m. – 5:00 p.m.

Class



PA Producer's Exam for P&C Series 16-06

<u>Section</u>	<u># Questions</u>
1 – Insurance Regulation	30
2 – General Insurance	12
3 – Property & Casualty Basics	21
4 – Dwelling ('14) Policy	6
5 – Homeowners ('11) PA Version	10 or 11
6 – Personal Auto ('05)	15
7 – Commercial Auto ('13)	7 or 8
8 – Commercial Property ('12)	10 or 11
9 – Commercial General Liability ('13)	10 or 11
10 – Crime ('15)	3
11 – Businessowners ('13) Policy	4 or 5
12 – Workers Compensation Laws	7 or 8
13 – Other Coverages and Options	12

Completion Certificate

- Certificate will be based on the information you provide on your PLE request form.
- Probably your Pennsylvania driver's license.
- We will collect and enter that name on your completion certificate.
- We will give this to you on Thursday.
- You must take this certificate with you and present it at the test center.



Insurance Regulation

Chapter 1 – 30 Questions



Purpose of Licensing

- Protect the Public and assure they are treated fairly and equitably.
- Cannot act as a producer until the Insurance Department has issued the appropriate license.



Licensing Prerequisites

- Licensing Prerequisites
 - 24 hours of approved pre-licensing education
 - Waivers
 - CPCU, CLU, CIC
- Applicant Qualifications
- Submission Requirements
- Fees
- Lines of Authority
 - Types of insurance you are licensed to sell

Types of Licenses

- Insurance Producer (Resident)
 - Agent representing company - appointment
 - Broker representing consumer – written agreement
- Non-Resident Producer
- Temporary Licenses
 - 4 instances when the Commissioner may grant
 - New Business Prohibited
 - Maximum of 180 days
- Managers & Exclusive General Agents



Maintenance and Duration of Licenses

- Fees
 - Resident \$55
 - Non-Resident \$110
 - Lapsed Renewal \$165
- Address Change and Conviction of Criminal Conduct
 - Notify Insurance Department within 30 days



Maintenance and Duration of Licenses

- Continuing Education
 - 24 hours
 - Max of 24 carry forward
 - Requirement may be waived due to Inactivity Due to Military or Extenuating Circumstances
- License Lapse & Reinstatement
 - First 60 days
 - Within one year



Disciplinary Actions

- Prohibited Activities
 - Unlicensed persons
 - Rebating
 - Misrepresentation
- Penalties
 - Fines (\$5,000 each)
 - Imprisonment (up to 6 months)
 - Revoke License



Disciplinary Actions

- Enforcement by the Department
 - Notification of violation
 - Hearing
 - Evidence Presented
 - Penalties if violation found:
 - Loss of license
 - Financial
 - Cease and Desist



Disciplinary Actions

- Court Imposed Penalties
 - Did not know
 - \$1,000 / \$10,000
 - Did know
 - \$5,000 / \$50,000
 - Violation of Cease & Desist
 - Up to \$10,000
- Consent Agreement
 - Penalty paid but no admission of wrongdoing

State Regulations

- Acts constituting an insurance transaction
(Acts Requiring Licensure)
 - Negotiate
 - Sell
 - Solicit



State Regulations

- Powers & Duties of Insurance Commissioner
 - Issue, suspend, revoke and non-renew licenses
 - Company regulation for solvency
 - Investigate complaints
 - Regulate rates
 - Rules and forms
 - Collect fees
 - Regulate trade and claim practices
 - Report illegalities to the Attorney General



Company Regulation

- Certificate of Authority (admitted carriers)
- Solvency
- Rates
 - Adequate
 - Not Excessive
 - Not Unfairly Discriminatory
- Rates and forms filings must receive prior approval



Company Regulation

- Regulate unfair claims practices
- Prohibited Practices



Producer Regulation

- Fiduciary Responsibility
- Examination of Books & Records
- Producer Disclosure Requirements
(written agreement before representing)



Producer Regulation

- Commissions & Fees
 - Nominal referral fees
 - Additional fees
 - In writing
 - Reasonable
 - Not for application completion



Unfair Insurance Practices (Prohibited Acts)

- Illegal inducement (rebating)
- Misrepresentation
- False advertising
- Defamation of an insurer
- Unfair discrimination practices
- Agency Termination
- Boycott, coercion or intimidation
- Misappropriation of funds
- Larceny
- Penalties



Agency Termination

- Written notification of termination to the Commissioner and the producer required at least 90 days prior
- Rehabilitation when termination includes adverse experience or mix of business
- Rehabilitation Specifics



Appointment of Producers

- Representative of the insurance company (agent – appointed by the company)
 - Remains appointed until terminated in writing; or
 - Producer's license is suspended, revoked, etc.
- Representative of the consumer (broker – no company appointment)



Federal Regulation

- Fair Credit Reporting Act
- Fraud and false statements
- Insurance & Fraud Regulation
- Gramm-Leach-Bliley Act
 - Annual Notice
 - Opt-out option
 - How information is shared if at all
 - Personal financial information kept secure
 - Penalties up to 15 years in prison/\$50,000 fine



Federal Terrorism Insurance Program (TRIA)

- Passed and extended through 2020
- Act voids terrorism exclusions in policy
- Definition of Terrorism
 - Foreign & domestic
- “Acts of Terrorism”
 - Must be certified



Federal Terrorism Insurance Program (TRIA)

- \$100 Million of PC losses
- Carrier deductible is 20%
- Federal reinsurance or backstop – 85%
- \$100 Billion cap



Privacy of Consumer Financial Information

- Motor Carrier Act
- Pollution – MCS – 90 Endorsement



Federal Regulation

- Other Federal Regulations
 - TCPA (Telephone Consumer Protection Act) – Do Not Call List
 - If soliciting via phone, you must consult the list every 31 days to remain current
 - CAN-SPAM (emails)
 - 10 business days to honor opt-out request



General Insurance Concepts

Chapter 2 – 12 Questions



Risk Management Key Terms

- Risk Management Process
 - Identify & analyze
 - Examine different alternatives
 - Select
 - Implement
 - Monitor
- Risk
 - Speculative or pure
 - Uncertainty of loss
 - Person/property
 - Peril



Risk Management Key Terms

- Exposure
 - Interchangeable with the term risk
- Hazard
- Peril
- Loss
 - Property Insurance
 - Reduction in monetary value of property
 - Liability Insurance
 - Amount of the claim



Methods of Handling Risk

- Avoidance
 - Don't Do It!
- Retention
 - Active/Passive
- Sharing
 - Legal Organization/Groups
- Loss Control
 - Loss Prevention
 - Loss Reduction
- Transfer
 - Insurance
 - Non-insurance - Contractual



Elements of an Insurable Exposure

- Definite loss
 - Time, place & amount
- Accidental loss
- Financial hardship
- Not Catastrophic
- Large group of similar exposure units
 - Many homogeneous exposures
- Loss must be calculable (\$\$\$)
- Reasonable cost to insure



Adverse Selection

- Company assumes average insureds and average number of losses
- Greater number of losses leads to adverse selection
- Underwriting Goal –

AVOID ADVERSE SELECTION



Law of Large Numbers

- Mathematical Principle
 - Helps to predict losses
- The more exposures/data/etc.
- The greater accuracy of total losses
- Cannot tell who or when



Types of Insurers

- Stock
 - Corporation owned by stockholders
 - Stockholders receive dividends
- Mutual
 - Corporation owned by policyholders who have voting rights
 - Policyholders receive benefits of profits
 - Assessable or non-assessable
- Admitted vs. Non-admitted
 - Authorized vs. unauthorized
 - Surplus lines producer only may write non-admitted



Types of Insurers

- Domestic
 - In state
- Foreign
 - Out of state but within the U.S.
- Alien
 - Out of country



Producers and General Rules of Agency

- Representative of the insurer – “Agent”
 - By company appointment
- Representative of the consumer – “Broker”
 - Written agreement required



Responsibilities to the Applicant/Insured

- Timely
- Honestly



Responsibilities to the Insurance Company

- LORAC



Powers and Authority of Producers

- Express authority
 - verbal or written
- Implied authority
 - The “custom”, extension of express authority
- Apparent Authority
 - Sometimes known as authority by estoppel
 - Protects innocent people



Elements of a Legal Contract

- Offer and acceptance (agreement)
 - Meeting of the minds
- Competent parties
 - Not a minor, insane, intoxicated or enemy alien
- Legal Purpose
- Consideration
 - Payment or promise



Legal Interpretation of Contract

- Reasonable Expectation
- Indemnity
- Utmost Good Faith



Legal Interpretations Affecting Contracts

- Representations / Misrepresentations
 - Representations
 - True to best of insured's knowledge
 - Misrepresentations
 - Misstatements of fact
 - Material misrepresentations
 - If originally known, the contract would not have been written
 - Contract voidable at company's option



Legal Interpretations Affecting Contracts

- Warranties (statement of guarantee)
 - Affirmative
 - True at time warranty is made
 - Continuing
 - Certain facts remain true for policy term
 - Implied
 - Unspoken but assumed



Legal Interpretations Affecting Contracts

- Concealment
 - Intentional failure to reveal information
- Fraud
 - Intentional manipulation of the truth (LIAR, LIAR...



Property & Casualty Insurance Basics

Chapter 3 – 21 Questions



Principles and Concepts

- Insurable interest
 - Who?
 - Suffers a financial loss
 - Must exist at time of loss
 - Principle of Indemnity



Principles and Concepts

- Underwriting
 - Evaluate – gather information from:
 - Applications
 - Producer
 - Reports
 - Select
 - Reject
 - Price
 - Coverage

UNDERWRITING PURPOSE

**TO AVOID ADVERSE
SELECTION**



Rates

- Judgment Rates
- Manual or Class Rates
- Merit Rates
 - Experience
 - Looks to past experience to predict future premiums
 - Retrospective (Workers Comp)
 - Estimated premium
 - Uses only loss history of the current policy to determine final premium



Rates / Premiums / Merit Rates

Example: Two Homeowners policies – rates based on \$1,000.

- Homeowner #1 has a policy for \$250,000. The insured has had three losses over the past year. The company will surcharge the insured using merit rating, resulting in a higher final premium.
- Homeowner #2 has a policy for \$500,000 and installs a central station burglar & fire alarm. This will result in a premium reduction.

<u>Homeowner #1</u>		<u>Homeowner #2</u>
\$250,000	Amount of Coverage	\$500,000
250	Rates are per 1,000	500
X \$3.00	Rate*	X \$3.00
\$750	Premium	\$1,500
X 2.0	Merit Rate Factor	X .90
\$1,500	Final Premium	\$1,350

**Manual or Class Rate*



Hazards

- Anything that increases frequency or severity of a loss.
 - Physical hazard
 - Overloading outlets or loose handrails (you can see them)
 - Moral hazard
 - Character flaws in a person
 - Someone who would commit fraud
 - Morale hazard
 - Careless
 - Irresponsible



Perils

- Causes of loss
- Named peril policy (basic or broad form)
 - Lists each peril covered – not listed, not covered
- Open peril policy (special form)
 - Lists only causes of loss not covered
 - Burden of proof shifts to the insurance company



Basic Named Perils

- Fire
- Lightning
- Windstorm
- Hail
- Explosion – BOOM!
- Riot or Civil
- Aircraft
- Vehicles
- Smoke
- Vandalism or Malicious Mischief
- Sprinkler Leakage (CPP & BOP only)
- Sinkhole Collapse (CPP & BOP only)
- Volcanic Action/Eruption



Broad Named Perils (in addition to Basic Named Perils)

- Theft (see specific policies)
- Falling Objects
- Weight of Ice, Snow or Sleet
- Accidental Discharge or Overflow of Water (From within a heating, plumbing or household appliance.)*

**Covered under Water Damage for
Commercial Property*



Broad Named Perils (in addition to Basic Named Perils)

- Sudden and Accidental Tearing Apart, Cracking, Burning or Bulging (Of a steam or hot water heating, AC, automatic sprinkler or an appliance for heating water.)*
- Freezing of Plumbing *
- Sudden and Accidental Damage From Artificially Generated Electrical Current (Homeowners and Dwelling policies only – VERY LIMITED COVERAGE)

**Covered under Water Damage for Commercial Property*

Direct Losses

- Direct loss
 - Direct damage to property



Consequential & Indirect Losses

- Indirect loss
 - Consequences of a direct loss
 - Additional expenses incurred
 - Loss of income



Specific Insurance



**Building at 5 Elm Street
insured for \$1,000,000**

Specific

- One limit
- One property
- One location

Scheduled & Blanket Insurance



Building \$100,000

Business Personal Property \$ 50,000

Schedule

- Building Limit \$100,000
BPP Limit \$ 50,000

Blanket

- Building & BPP Limit \$150,000

Scheduled & Blanket Insurance

Location 1



Store - \$100,000

Location 2



Store - \$200,000

Location 3



Warehouse - \$150,000

Schedule - List each location separately with a valuation limit

Blanket - One limit (\$450,000) written to apply to all three locations.



Basic Types of Construction

- Frame
 - Combustible roof, walls, floors
 - Highest premium for fire
- Joisted Masonry
 - Masonry walls with wood roofs & ceilings
- Noncombustible
 - All metal



Basic Types of Construction

- Masonry Noncombustible
- Modified Fire Resistive
 - 1 hour
- Fire Resistive
 - Up to 2 hours
 - Lowest premium for fire



Loss Valuation

- Actual Cash Value
 - RC minus depreciation
- Replacement Cost
 - At the time of loss
 - Materials of like kind and quality
 - New for old
- Functional Replacement Cost
 - More commonly used building materials
 - Performs same function



Actual Cash Value

- Replacement Cost (RC)
- Depreciation (D)
- Actual Cash Value (ACV)

$$RC - D = ACV$$

\$100,000 replacement cost (at time of loss)

\$ 20,000 depreciation (or 20%)

\$ 80,000 actual cash value

$$\$100,000 - \$20,000 = \$80,000$$

Loss Valuation

- Market Value
- Agreed Value
 - Suspends coinsurance
- Valued Policy
 - Guaranteed for total loss
 - Destroyed – send the check!



Insurance Policy Structure

- Declarations (who, what, where, when)
 - Personalizes policy
- Definitions (specific meanings)
- Insuring Agreement (the promise)
- Additional/Supplementary (no cost)



Insurance Policy Structure

- Exclusions (perils, property, people)
 - Restrict or eliminate coverage
- Conditions (rights and duties, ifs & buts)
- Endorsements
 - Changes to original policy terms



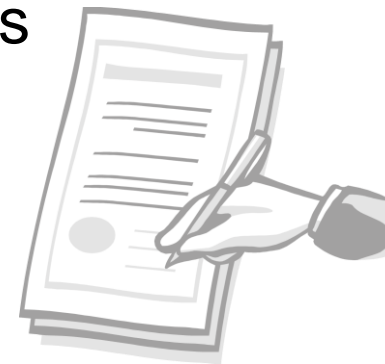
Certificates of Insurance

- For information only
- Does not amend or alter coverage



Common Policy Provisions

- Insureds
 - Named
 - Specifically named on Dec Page
 - You
 - First Named
 - First person/entity listed on the Dec Page
 - CPP and BOP only
 - Represents all insureds in all policy matters



Common Policy Provisions

- Additional
 - Not usually named on Dec Page
 - Added by endorsement
- Automatic
 - Automatically covered by policy wording



Common Policy Provisions

- Policy Period
 - When covered
- Policy Territory
 - Where covered



Common Policy Provisions

- Cancellation
 - Insurer cancels – Pro Rata
 - Insured cancels – Short Rate
 - Policy issued by company and not taken by insured – Flat Rate
- Nonrenewal
 - No coverage extended beyond anniversary date
- Earned premium
- Unearned premium



Common Policy Provisions

- Deductibles
 - Dollar (\$500)
 - Percentage (3%)
 - Time (72 hours)



Other Insurance Clause

- When 2 or more policies cover the same property:
 - Primary / Excess
 - Primary carrier pays first and all of its limits
 - Only then does excess carrier pay
 - Primary is usually more specific

<u>Primary</u>	\$25,000 on ten fork lifts (IM policy)
<u>Excess</u>	\$100,000 on contents of building
<u>Loss</u>	\$30,000 to the ten fork lifts

PRIMARY PAYS → \$25,000

EXCESS PAYS → \$ 5,000



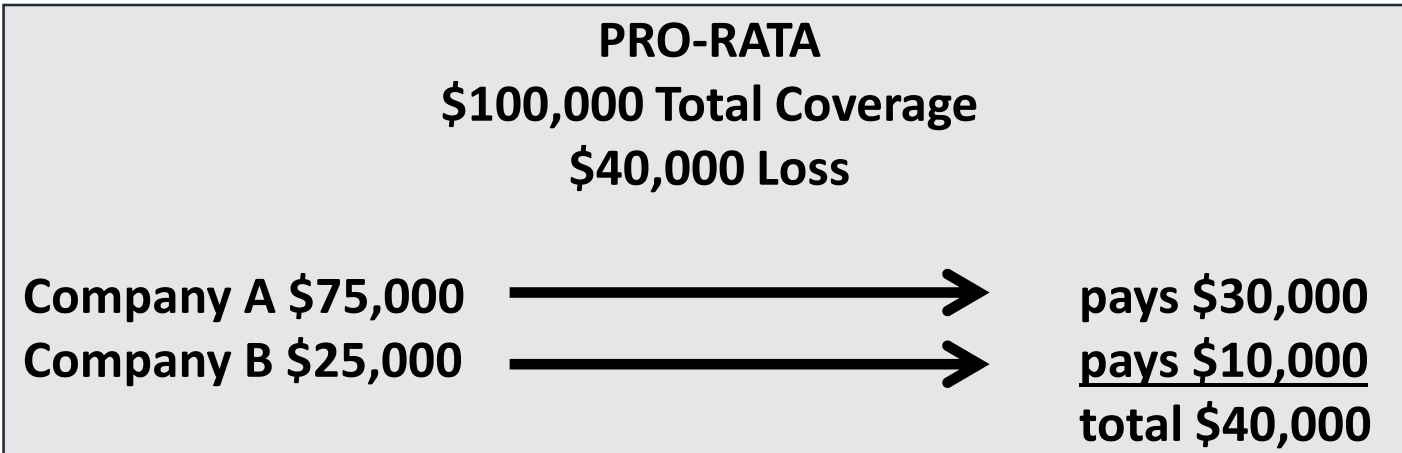
Other Insurance Clause

- When 2 or more policies cover the same property:
 - Pro Rata Liability
 - Each pays their fair share (percentage) as it bears to the total of all insurance

$$\frac{\text{Company Amount}}{\text{Total Amount}} \times \text{Amount of Loss} = \text{Amount Co. Will Pay}$$



Examples



COMPANY A

$$\frac{\$75,000}{\$100,000} \times \$40,000 \text{ Loss} = \$30,000 \text{ Pay}$$

COMPANY B

$$\frac{\$25,000}{\$100,000} \times \$40,000 \text{ Loss} = \$10,000 \text{ Pay}$$



Examples

CONTRIBUTION BY EQUAL SHARES

\$200,000 Total Coverage

Company A \$150,000

Company B \$50,000

LOSS \$50,000

Co. A - \$25,000

Co. B - \$25,000

LOSS \$100,000

Co. A - \$50,000

Co. B - \$50,000

LOSS \$150,000

Co. A - \$50,000 + \$50,000 = \$100,000

Co. B - \$50,000

***Company A adds the difference to cover the full loss.**



Examples

NON-CONCURRENCY

\$100,000 Total Coverage

\$20,000 Theft Loss

Co. A \$75,000 (OPEN PERILS)

3/4 of \$20,000 = \$15,000

Co. B \$25,000 (BASIC PERILS)

(theft not covered) \$0

\$15,000 total

Company A only pays their fair share. There is a gap in coverage due to non-concurrency of \$5,000.

Common Policy Provisions

- Coinsurance
 - Purpose
 - Only applies to partial losses
 - If complied with . . . NO PENALTY!



Common Policy Provisions

- Coinsurance Example #1

$$\frac{\text{Amount of Insurance Carried (DID)}}{\text{Amount of Insurance Required (SHOULD)}} \times \text{Loss} = \text{Amount of Payment}$$

$$\text{Amount of Insurance Required} = \text{Coinsurance \%} \times \text{Value of Property}$$

Coinsurance Example:

Building Value	= \$100,000
Amount of Insurance	= \$60,000
Coinsurance %	= 80%
Amount of Loss	= \$20,000

$$\frac{\text{DID - \$60,000}}{\text{SHOULD = \$80,000 (80\% X \$100,000)}} \times \$20,000 = \text{\$15,000 (Payment Amount)}$$



Common Policy Provisions

- Coinsurance Example #2

Building Value - \$100,000

Amount of Insurance - \$80,000

Coinsurance – 80%

Amount of Loss - \$20,000

$$\frac{\$80,000}{\$80,000} \times \$20,000 = \$20,000 \text{ payment}$$



Insured's Provisions

- Vacancy
 - Penalties after 60 days
 - Absence of people and property
 - Commercial insurance - required 31% occupied or considered vacant.
- Unoccupancy
 - Absence of people
 - Normally no affect on coverage



Insured's Provisions

- Duties after a loss (PINES)
 - Protect
 - Inventory
 - Notify
 - Exhibit Damaged Property
 - Submit Proof of Loss
- Assignment



Insurer Provisions

- Liberalization
- Subrogation
- Claims Settlement Options (Insurer's choice)
 - Repair
 - Replace
 - Pay Cash



3rd Party Provisions

- Mortgage Clause (Lienholders Rights)
- Loss Payable Clause
- No Benefit to Bailee – legal obligation
 - Preserves subrogation



Liability Basics

- Legal Liability
 - Common Law
 - Negligence
 - Torts
 - Statutory Law
 - Contract Law
 - Assumption of Liability
 - Breach of Contract



Four Elements of Negligence

- Legal duty or standard of care
- Breach of duty
- Proximate Cause
- Actual Loss or Damage
 - By 3rd party



Defenses

- Common law defenses
 - Assumption of risk
 - Voluntary exposure to danger
 - Knowledge and appreciation
 - Act of God
 - Intervening cause
 - Breaks or interrupts proximate cause
 - Contributory negligence
 - Any percentage can prevent recovery (even 1%)



Defenses

- Statutory defenses
 - Statute of Limitations
 - Time limit to file suit
 - PA = 2 years for personal injury
 - 4 years for contract (UM/UIM)
 - Minors have 2 years from age 18
 - Comparative Negligence
 - PA has “not greater than rule”
 - Damages are reduced by your % of guilt



Comparative Negligence PA

“Not Greater Than”

	<u>FAULT</u>	<u>DAMAGES</u>	<u>PAYMENT</u>
1.	40%	\$10,000	Collects \$6,000
2.	60%	\$ 1,000	Collects Nothing
<hr/>			
1.	50%	\$10,000	Collects \$5,000
2.	50%	\$ 1,000	Collects \$ 500
<hr/>			
1.	70%	\$10,000	Collects nothing
2.	20%	\$10,000	Collects 80% from #1
3.	10%	\$10,000	Collects 90% from #1 or #2.



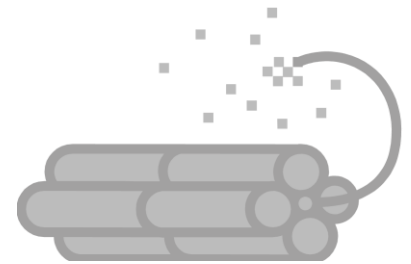
Damages

- Compensatory Damages
 - To make whole
 - Special (economic or out-of-pocket)
 - General (noneconomic)
- Punitive or exemplary
 - To punish
 - Not insurable in PA except,
 - Vicarious liability



Liability Basics

- Strict Tort Liability
 - Defective products
 - PA, liquor liability laws. . .
- Absolute Liability
 - Dangerous instrumentalities
 - Inherently dangerous operations
 - Animals of vicious propensity



Liability Basics

- Vicarious Liability
 - Acting on behalf of
 - Under control of
 - Within scope of authority
 - Negligence of wrongdoer imputed to controller
 - Employer/Employee
 - Contractor/Subcontractor
 - Principal/Agent



Limits of Liability

- Per person
- Per occurrence (or accident)
- Split Limits
- Combined Single Limits
- Aggregate Limits
 - Per location
 - Per project
 - Per policy



Per Person / Per Occurrence Example

Peter has a Personal Auto Policy with Bodily Injury limits of \$25,000 per person and \$50,000 per accident. Peter has an accident causing \$27,000 in injuries to Paul, \$13,000 in injuries to Mary and \$15,000 in injuries to Judy. How much will the policy pay?

Per Person Limit = \$25,000

Occurrence Limit = \$50,000

Injuries	Paid	Unpaid (paid out of pocket by Pete)
Paul - \$27,000	\$25,000	* \$2,000
Mary - \$13,000	\$13,000	* \$0
Judy - \$15,000	\$12,000	* \$3,000

*Courts will determine exact split of the payments. However, the total payments can never exceed the occurrence limit and the payment to any one individual can never exceed the per person limit. Any amount awarded in excess of the policy limit is the responsibility of the insured.

Split Limit Example

Personal Auto Policy Example

Bodily Injury: \$25,000 per person
 \$50,000 per accident

Property Damage: \$50,000 per accident



Combined Single Limit Example

- Continuing with our previous Auto example, if the insured had a CSL of \$100,000, the insured could have much greater flexibility in certain claims situations. Assuming that there was a claim for \$30,000 bodily injury to one person, the example above would only pay \$25,000. With a CSL of \$100,000, the entire \$30,000 could be paid.



Aggregate Limit Example

Per Occurrence Limit - \$100,000

Products & Completed Ops Aggregate Limit - \$300,000

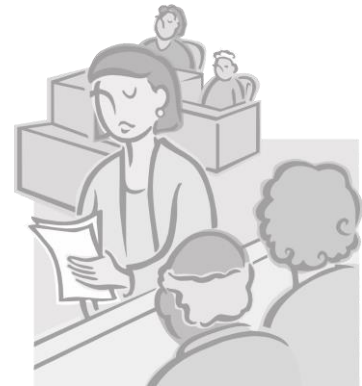
<u>Date</u>	<u>Amount</u>	<u>Total Paid</u>	<u>Unpaid</u>
January 3	\$100,000	\$100,000	\$0
March 17	\$ 80,000	\$180,000	\$0
April 9	\$ 70,000	\$250,000	\$0
May 1	\$100,000	\$300,000	\$50,000

All Products Liability claims up to the May 1 claim would be fully paid. Even though the May 1 claim was within the \$100,000 per occurrence limit, there was only \$50,000 left in the aggregate limit. The insured is responsible for the additional \$50,000.



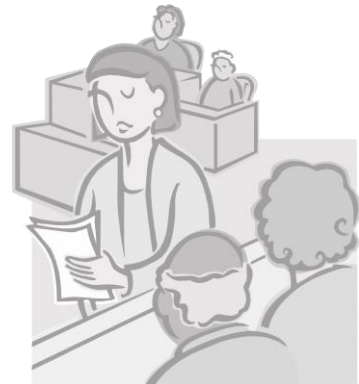
Accident vs Occurrence

- Accident
- Occurrence



Casualty Basics

- Duty to pay sums legally obligated to pay
 - Determined by the court
 - Bodily injury, property damage, personal injury
- Duty to defend
 - Broader than duty to pay
 - Usually paid in addition to policy limits



PA Laws, Regulations & Required Provisions

- Pennsylvania Property & Casualty Insurance Guaranty Association (PIGA)
 - Purpose & how it works
 - To pay covered claims for PC insolvency
- Authority
 - Most PC lines of coverage



PA Laws, Regulations & Required Provisions

- Covered claims
 - \$100 up to \$300,000
- Participation – all carriers
- Funding
 - Assessments and premiums



PA Laws, Regulations & Required Provisions

- Standard Fire Policy
 - Language required by PA law in all property policies
- Binders
 - Temporary contract of insurance
 - Oral or written
 - 30 days
- Pennsylvania Notice
 - Insurance Consultation Services Exemption Act

Dwelling ('14) Policy

Chapter 4 – 6 Questions

A green circular logo containing the text "IA&B" in white. The logo is positioned in the bottom-left corner of the slide, partially overlapping an orange horizontal bar at the bottom.

IA&B

Dwelling Policy

- Residential property
- Used in place of Homeowners
- Three Forms
 - Basic DP-00-01
 - Broad DP-00-02
 - Special DP-00-03



Dwelling Policy Eligibility

- Owner or tenant occupied
- 1-4 family and up to 5 roomers/boarders
- Primarily residential
- Incidental business occupancies (studio, offices)
- Mobile homes
- Dwelling in course of construction
- Townhouses and Rowhouses
- NO FARMS!



Dwelling Policy Coverage Parts

	DP-1 (BASIC)	DP-2 (BROAD)	DP-3 (SPECIAL)
COV A (Dwelling)	Selected by the insured	Selected by the insured	Selected by the insured
COV B (Other Structure)	10% of Cov A included in limit	10% of Cov A in addition to limit	10% of Cov A in addition to limit
COV C (Personal Property)	Selected by the insured	Selected by the insured	Selected by the insured
COV D (Fair Rental Value)	20% of Cov A included in limit	20% of Cov A in addition to limit	20% of Cov A in addition to limit
COV E (Additional Living Expense)	N/A		



Dwelling Policy Perils Insured

- Basic Form – DP-1
 - Fire, lightning, internal explosion
 - Add extended coverage perils \$\$\$
 - Add Vandalism \$\$\$

WHARVVES

Dwelling Policy Perils

- Broad Form – DP-2
 - Same perils as Basic
 - Fire, lightning, E.C. Vandalism plus:
 - Damage by burglars – not theft
 - Falling objects (outside)
 - Weight of ice, sleet and snow
 - Water damage – not plumbing bill
 - Water system cracking, burning, etc.
 - Freezing of plumbing
 - Power surge



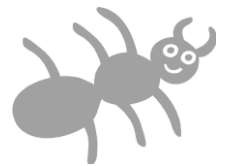
Dwelling Policy Perils

- Special Form – DP-3
 - “Special” is key word
 - Open or comprehensive perils
 - Cover everything unless excluded
 - For coverages A & B only
 - Coverage C is Broad Form perils
 - Only theft on policy is for A & B
 - Note theft exclusions



Open Perils Exclusions

- Wear & tear, marring, deterioration
- Inherent vice, latent defect, mechanical breakdown
- Smog, rust, corrosion, mold, wet or dry rot
- Smoke from agricultural or industrial
- Pollution (definition of pollutants)
- Settling, shrinking, bulging or expansion, cracking of . . .
- Birds, vermin, rodents, insects or domestic animals



Property Coverages

- Coverage A – Dwelling (Direct Loss)
 - Structure
 - Anything attached
 - Materials & Supplies
 - Building & Outdoor Equipment
 - Not Land
 - Basic is ACV
 - Broad & Special option for RC



Property Coverages

- Coverage B – Other Structures (Direct Loss)
 - Anything constructed
 - Separated by clear space
 - Not used for business except:
 - Storing insured's business property
 - Rented as a private garage
 - 10% of Coverage A
 - Not additional in the Basic



Property Coverages

- Coverage C – Personal Property (Direct Loss)
 - Owned or used
 - Primarily on premises
 - 10% of Cov. C anywhere in the world
 - Homeowners is 100%
 - Limits are chosen, not a % of Cov. A and not automatic



Property Coverages

- Coverage C – Personal Property Exclusions
 - Accounts, bank notes, securities,
 - Coins, currency, bullion, money,
 - Deeds, evidence of debt, bills,
 - Gold, platinum, silverware, medals
 - Letters of credit, manuscripts, passports, personal records
 - Tickets, stamps, scrip, stored value cards, smart cards.

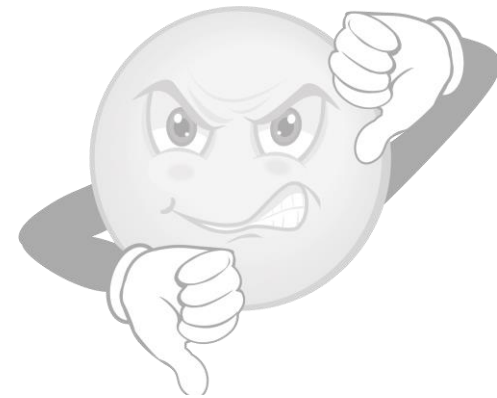
DEMCABS

**Limited coverage for these under the Homeowners Policy.*



Property Coverages

- Coverage C – Personal Property Exclusions
 - Animals, birds and fish
 - Aircraft & parts, not hobby
 - Motor vehicles, parts & electrical in/on auto
 - Hovercraft
 - Watercraft, except rowboats & canoes
 - Business data
 - Credit cards, check cards
 - Water
 - Grave markers



Property Coverages

- Coverage D – Fair Rental Value (Indirect Loss)
 - Indirect or Consequential Loss
 - Must be a covered Direct Loss to A or B
 - Must be rented or held for rent
 - 20% of Coverage A
 - Not additional in the Basic Form



Property Coverages

- Coverage E – Additional Living Expense
 - Indirect or Consequential Loss
 - Direct Loss to A or B
 - Only expenses in addition to normal
 - 20% of Coverage A
 - Not included in DP-1
 - Two weeks – civil authority for DP-2 and DP-3



Other Coverages

- Debris removal – included in limit
- Improvements & betterments – 10% Cov. C
- Reasonable repairs
- Property removed – all risks, 5 or 30 days
- Trees, shrubs & plants (DP 2 & 3)



Other Coverages

- Fire Department Service Charge - \$500
- Collapse – named perils (DP 2 &3)
- Glass – earthquake (DP 2 & 3)
- Ordinance & law – 10% of Cov. A (DP 2 & 3)



General Exclusions

- Ordinance & law
- Earthquake
- Flood (water damage)
- Off premises power failure
- War
- Nuclear
- Neglect
- Intentional damages
- Governmental action



Open Peril Exclusions – DP-3

- Concurrent Causation Exclusions
 - Excludes 9 previous losses whether alone or concurrently
 - Weather conditions covered alone only
 - Acts or decisions
 - Faulty, inadequate or defective
 - In every open perils contract



Dwelling Policy Conditions

- Policy Period
- Insurable Interest
- Concealment or fraud – material
- Duties after a loss
- Pair or set
- Glass replacement – safety glazing
- Appraisal 20/15 days
- Other insurance & service agreement
- Subrogation
- Our option – PA Law – 15 days



Loss Settlement

- Basic Form is ACV for A, B & C
 - Broad and Special
 - ACV for Coverage C, and
 - Awnings, carpeting, appliances
 - Outdoor equipment
 - Structures that are not buildings
 - For Coverage A & B, RC is an option
 - If at time of loss inured to 80% of RC
 - If not: higher of two amounts



Example #1

Building	\$100,000
Roof	10 years old (50% deprec.)
Insurance	\$60,000
Loss	\$10,000

Step 1

Insured with 80% at \$60,000?

NO

$80\% \times \$100,000 = \$80,000$

Step 2

\$60,000

$\frac{\$60,000}{\$80,000} \times \$10,000 \text{ loss} = \$7,500$



Step 3

ACV $\$10,000 - 50\% = \$5,000$

Example #2

Building	\$100,000 RC
Roof	2 years old (10% deprec.)
Insurance	\$60,000
Loss	\$10,000

Step 1

Insured with 80% at \$60,000? NO
 $80\% \times \$100,000 = \$80,000$

Step 2

$\frac{\$60,000}{\$80,000} \times \$10,000 \text{ loss} = \$7,500$

Step 3

ACV $\$10,000 - 10\% = \$9,000$



Conditions

- Loss Payment
- Mortgage clause
- Cancellation – state specific for test
- Assignment
- Recovered property



Pennsylvania Cancellation Law Owner Occupied

ACTION	WRITTEN NOTICE	REASON
Cancellation (first 60 days)	30 days	Any reason
Cancellation (after 60 days)	30 days	<ul style="list-style-type: none">• Material misrepresentation• Non-payment• Substantial increase of hazard• Increase of hazard willful acts• Other approved reasons
Nonrenewal	30 days	<ul style="list-style-type: none">• Same reasons as cancellation



Pennsylvania Cancellation Law Non-Owner Occupied - Commercial

ACTION	WRITTEN NOTICE	REASON
Cancellation (first 60 days)	30 days	Any reason
Cancellation (after 60 days)	15 days	<ul style="list-style-type: none"> • Material misrepresentation • Non-payment
	60 days	<ul style="list-style-type: none"> • Substantial increase of hazard • Increase of hazard willful acts • Other approved reasons
Increase in Premium	30 days	<ul style="list-style-type: none"> • Prior to renewal
Nonrenewal	60 days	<ul style="list-style-type: none"> • Prior to renewal



Dwelling Endorsements

- Death (DP 01 37)
 - PA state specific
 - Named insured dies
 - End of policy period
 - 180 day if longer
- Automatic increase
 - Coverage A & B
 - Pro rata throughout policy period



Dwelling Endorsements

- Dwelling under construction
- Broad theft property
 - For personal property
- Personal Liability Supplement
 - Section II of Homeowners



Homeowners (‘11 PA Version)

Chapter 5 – 10-11 Questions



Homeowners Eligibility

- Owner Occupied
- 1-4 family
- Incidental business occupancies
- 2 roomers/boarders per unit
- Dwelling under construction (policy must be written in the name of the intended owner-occupant)
- Trusts
- NO MOBILE HOME



Homeowners Forms

- HO-2 Broad Form
 - 16 named perils
 - Coverages A, B & C
- HO-3 Special Form
 - Open perils for Coverage A & B
 - 16 named perils for Coverage C
 - The most common form used



Homeowners Forms

- HO-4 Contents Broad Form
 - 16 named perils Coverage C
 - No Coverage A or B
 - Endorsement available for open perils
- HO-5 Comprehensive Form
 - Open perils Coverage A, B & C
 - The best possible for homeowner



Homeowners Forms

- HO-6 Condominium Unit-Owners
 - 16 named perils Coverage A & C
 - No Coverage B
 - 2 Optional endorsements for open perils
- Coverage A - Dwelling
 - Alterations, appliances, fixtures & improvements
 - Real property
 - Property of your responsibility
 - Other structures
- \$5,000 automatic limit



Homeowners Forms

- HO-8 Modified Coverage Form
 - Used for older, lower in value dwelling where there is a large difference between replacement cost and market value
 - 10 named perils
 - Limited theft
 - FRC (functional replacement cost)
 - Limited “additional coverages”
 - Collapse
 - Landlord furnishings
 - Glass



Homeowners Definitions

- “You” and “Your”
 - Named insured
 - Spouse, if resident
- “We”, “Us”, “Our”
 - The insurance company



Homeowners Definitions

- “Bodily Injury”
- “Business”
 - Part time or occasional
 - Not:
 - Less than \$2,000 last 12 months
 - Volunteer activities
 - Home day care either not paid or
 - Home day care for relative



Homeowners Definitions

- “Employee”
- “Insured”
 - You and relatives
 - Related or
 - In your care under age 21
 - Section II Liability
 - Others, for animals or watercraft
 - Students, full time
 - Under age 24 if related to you
 - Under age 21 if in your care



Homeowners Definitions

- “Insured Location”
 - Residence premises
 - Residence or grounds used by you as residence and
 - Shown in the Declarations
 - Acquired by you during policy period
 - Premises used by you in connection with the above
 - Temporary residence
 - Vacant Land (NOT FARM LAND)
 - Land owned or rented where residence for insured is being built
 - Cemetery plots
 - Any premises occasionally rented for other than business



Homeowners Definitions

- “Motor Vehicle”
 - Anything self-propelled!
 - Including an amphibious vehicle
- “Occurrence”
 - Accident including continuous and repeated exposure
- “Property Damage”
 - Physical injury to, destruction of or loss of use of tangible property
- “Residence Employee”
 - Employee related to the use of residence

Section I - Property

	HO-2	HO-3	HO-4	HO-5	HO-6	HO-8
Cov A <i>Dwelling</i>	Selected by insured	Selected by insured	N/A	Selected by insured	\$5,000 automatic and the insured can purchase additional	Selected by insured
Cov B* <i>Other Structures</i>	10% of Cov A	10% of Cov A	N/A	10% of Cov A	N/A	10% of Cov A
Cov C** <i>Personal Property</i>	50% of Cov A	50% of Cov A	Selected by insured	50% of Cov A	Selected by insured	50% of Cov A
Cov D <i>Loss of Use</i>	30% of Cov A	30% of Cov A	30% of Cov C	30% of Cov A	50% of Cov C	10% of Cov A

In the Dwelling Form we have two separate coverages for loss of use, Coverage D – Fair Rental and Coverage E – Living Expense. Those two are combined here.



Section I Property

- Coverage A – Dwelling (Direct Loss)
 - The Residence itself,
 - Structures attached,
 - Materials and supplies used . . .
 - NOT LAND



Section I Property

- Coverage B – Other Structures (Direct Loss)
 - On Premises
 - Blanket coverage
 - Set apart by clear space
 - NO LAND
 - NO Business except:
 - Rental of private garage,
 - Storage of an insured's business property EXCLUDING gaseous or liquid fuels.



Section I Property

- Coverage C – Personal Property (Direct Loss)
 - Owned or used
 - Anywhere in the world
 - At your request:
 - Property of others on premises
 - Guest or residence employee



Section I Property

- Property “usually located” at other residences
 - 10% of Coverage C or \$1,000 (greater of)
 - Exception if repairing, renovating or rebuilding
 - Newly acquired residence for 30 days
- OR**
- At a self-storage facility



Special Limits of Liability

- Money
- Bank notes
- Bullion
- Gold other than goldware
- Silver other than silverware
- Platinum other than platinumware
- Coins
- Medals
- Scrip
- Stored value cards
- Smart cards

Limit = \$200



Special Limits of Liability

- Securities
- Accounts
- Deeds
- Evidences of debt
- Letters of credit
- Notes other than bank notes
- Manuscripts
- Personal records
- Passports
- Tickets
- Stamps

Limit = \$1,500

This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.

Special Limits of Liability

- Watercraft of all types
 - Including:
 - Trailers,
 - Furnishings
 - Equipment
 - Outdoor engines or motors
- Trailers or semitrailers not used with watercraft of all types
- Loss by **theft** of jewelry, watches, furs, precious and semiprecious stones. *

Limit = \$1,500

**Under the HO-5 the limitations above also apply to losing and misplacing.*

Special Limits of Liability

- Loss by **theft** of firearms and related equipment *

Limit = \$2,500

- Loss by **theft** of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter. *

**Under the HO-5 the limitations above also apply to losing and misplacing.*



Special Limits of Liability

- On property, on the “residence premises”, used primarily for “business” purposes

Limit = \$2,500



Special Limits of Liability

- On property, away from the “residence premises”, used primarily for “business” purposes.

Limit = \$1,500

However, this limit does not apply to loss to:

- antennas, tapes, wires, records, disks or other media used with electronic equipment that reproduces, receives or transmits audio, visual or data signals **and**
- In or upon a “motor vehicle.”



Special Limits of Liability

- On portable electronic equipment that:

Limit = \$1,500

- Reproduces, receives or transmits audio, visual or data signals
- Designed to be operated by more than one power source, one of which is a “motor vehicle’s” electrical system; and
- In or upon a “motor vehicle.”



Special Limits of Liability

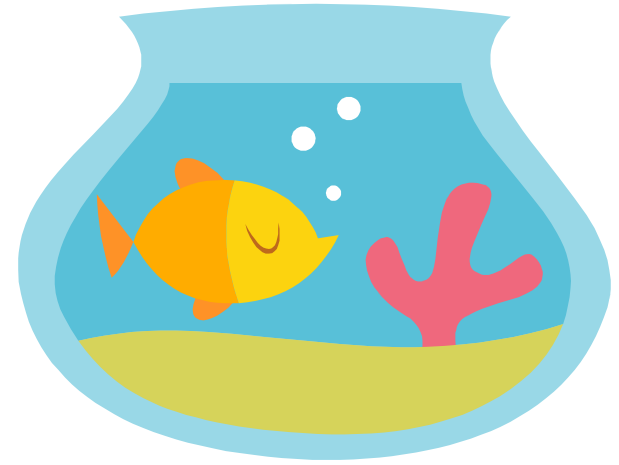
- antennas, tapes, wires, disks or other media used with electronic equipment that:

Limit = \$250

- Reproduces, receives or transmits audio, visual or data signals, and
- In or upon a “motor vehicle.”

Personal Property Not Covered

- Articles separately insured
- Animals, birds or fish
- “Motor Vehicles”
 - Includes parts & equipment
 - Electronic apparatus
 - Unless not in/upon the motor vehicle
 - EXCEPT . . .



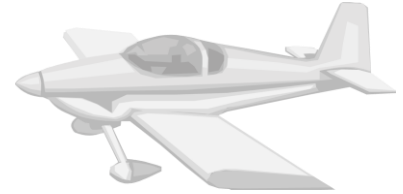
Personal Property Not Covered

- “Motor Vehicle” exceptions:
 - Used solely to service . . .
 - Designed to assist the handicapped
- Intent was to cover riding lawnmowers, garden tractors, and motorized wheelchairs but . . .!!!!



Personal Property Not Covered

- Aircraft
- Hovercraft
- Roomers property, not related
- Furnishings in apartment except . . .
- Property rented off premises
- Business data
- Credit cards or check cards
- Water or steam



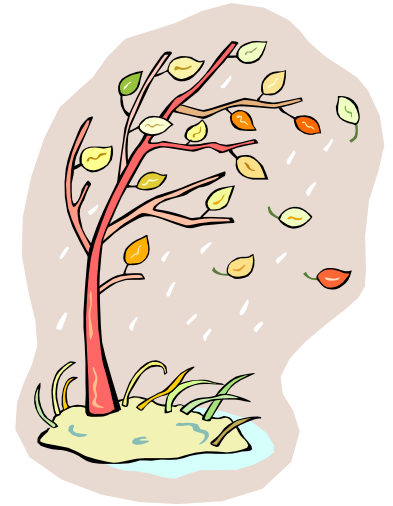
Section I - Property

- Coverage D – Loss of Use (Indirect Loss)
 - Not fit to live
 - Increase over normal expenses
- Fair Rental Value
 - Only if rented or held for rent
- Civil Authority
 - Neighboring premises
 - Two weeks limit



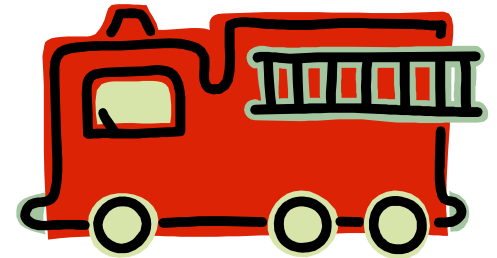
Additional Coverages

- Debris Removal
 - Included in limit plus 5% additional
 - Fallen trees \$1,000 total if:
 - Snow, wind, ice, sleet or hail (SWISH)
 - Any Coverage C peril if neighbors tree, but
 - Must do damage to covered structure, or
 - Blocks driveway or handicapped ramp
 - In PA, damage to structure . . .
 - \$500 limit per tree



Additional Coverages

- Reasonable repairs
- Trees, shrubs & plants (Lawns)
 - Additional insurance
 - FLAVVER – T
 - 5% of Coverage A, \$500 per tree
- Fire Department Service Charge
 - Additional insurance
 - \$500
 - No deductible



Additional Coverages

- Property Removed
 - All risks for 30 days
- Credit Card, Check Card, Check Forgery, Counterfeit Money
 - Additional insurance, no deductible
 - 4 parts
 - \$500 limit
 - Excludes household members
 - Defense coverage



Additional Coverages

- Loss Assessment - \$1,000
- Collapse
 - Direct damage from named perils
 - Hidden decay
 - Hidden insect or vermin damage
 - Weight of contents, equipment and people
 - Weight of rain
 - Defective material in construction
 - Designed for buildings only
 - No flood or earthquake



Additional Coverages

- Glass – PA gives earthquake
- Landlord furnishings
 - Furnished apartment on premises
 - \$2,500 each apartment
 - Coverage C perils, no theft
 - Not in HO-8



Additional Coverages

- Ordinance or Law
 - Additional insurance
 - 10% of Coverage A
 - Increased costs of damaged and undamaged property
 - Demolition and debris removal
 - Not loss of value
 - Not pollutant clean up
- Grave markers
 - \$5,000
- Improvements & Betterments
 - Additional insurance
 - Applies only to Ho-4 – 10% of Coverage C



Policy Forms Summary of Perils

Policy Form	Coverage A	Coverage B	Coverage C
HO-2	Broad Named Perils (16)	Broad Named Perils (16)	Broad Named Perils (16)
HO-3	Open Perils *	Open Perils *	Broad Named Perils (16)
HO-4	N/A	N/A	Broad Named Perils (16)
HO-5	Open Perils *	Open Perils *	Open Perils *
HO-6	Broad Named Perils (16)	N/A	Broad Named Perils (16)
HO-8	Limited Named Perils (10)	Limited Named Perils (10)	Limited Named Perils (10)

** Open Perils – Risk of Direct Physical Loss*



Additional Explanations

- Coverage A – Dwelling and Coverage B – Other Structures
 - Freezing of plumbing
 - Not covered if failed to maintain heat, or
 - Shut off water and drain system
 - Freezing, thawing, pressure or weight of water or ice
 - Outdoor property not covered (fence, pavement, swimming, pool, pier, etc.)
 - Theft
 - Committed by an insured
 - Dwelling under construction
 - Part of the residence premises rented by insured to someone other than an insured



Homeowners Perils

- Coverage A & B
 - Broad perils for HO-2 & HO-6
 - Open perils for HO-3 & HO-5
- For HO-3 and HO-5 all “real property” is covered for all perils unless excluded



Perils Insured Against

- Hot Water / AC / Sprinkler Systems
- Freezing
 - Maintain heat
 - Drain Pipes
- Power Surge
 - Not electronic components
 - Not circuitry
 - Not appliance
- Volcanic Eruption – not earthquake



Covered C Perils

- Named Perils
 - Fire & Lightning
 - Windstorm & hail
 - No coverage to inside of building or property caused by rain, snow, etc. unless wind damages the exterior
 - Watercraft and trailers only if inside a fully enclosed building
 - Explosion
 - Riot or civil commotion
 - Aircraft
 - Vehicles
 - Smoke
 - Sudden & accidental
 - Includes puffbacks



Coverage C Perils

- Vandalism
- Theft
 - Not committed by insured
 - Dwelling in course of construction
 - From the roomers room
 - Off premises trailers/watercraft
 - At another residence unless temporarily residing there
 - Student at school vacant 90 days



Perils Insured Against

- Falling objects – outside
 - Exterior must be damaged first for property inside to be covered
 - Falling object itself, not covered
- Weight of Ice, Snow or Sleet
- Water Damage – plumbing system
 - Not the plumbing bill
 - Covers mold damage if hidden within walls/ceilings/floors
 - Not sump pump overflow



Section I Exclusions

- Ordinance or Law
- Earth Movement
 - Sinkhole Collapse
 - Mine Subsidence
- Water Damage
 - Flood and other



Section I Exclusions

- Power Failure – off premises
- Neglect – during or after a loss
- War
- Nuclear
- Intentional
- Governmental Action



Section I Exclusions

- Concurrent Causation
 - Tied to previous 9 exclusions
 - Open perils forms only
 - Weather Conditions
 - Covered if acting alone
 - Excluded if contributing
 - Acts or decisions
 - Faulty, inadequate or defective



Perils Insured Against

- HO-3 & HO-5 – Exclusions

1. Collapse except under additional coverage
2. Freezing when vacant unless . . .
3. Freezing to outdoor structural items
4. Theft, dwelling under construction
5. Vandalism 60 days vacant
6. Mold, fungus unless . . .
7. Wear and tear, marring, deterioration
8. Mechanical breakdown, latent defect, inherent vice
9. Smog, rust, corrosion, dry rot
10. Agricultural or industrial smoke
11. Pollutants, unless Coverage C peril
12. Settling, shrinking, bulging, etc. . .
13. Birds, rodents, insects
14. Animals owned or kept



HO-5 Perils Coverage C

- Breakage of fragile articles except:
 - Jewelry, watches, bronzes, cameras and photographic lenses
 - Plus breakage by one of 16 broad named perils
- Dampness, temperature change
- Refinishing, repairing
- Collision other than . . .
- HO-5 covers misplacing or losing items
 - Subject to limits for jewelry, furs, guns and silverware



Section I Conditions

- Insurable Interest
- Deductible
 - Applies per loss
 - If two deductibles apply, only higher one charged
- Duties after a loss (PINES)
- Loss Settlement
 - ACV for personal property
 - Awnings, carpeting, appliances, antennas and outdoor equipment
 - Structures not buildings
 - Grave Markers



Section I Conditions

- Loss Settlement Provision
 - Buildings (Coverage A & B)
 - 80% Replacement Cost provision
 - If less than 80%
 - ACV or
 - Proportionate amount
 - Calculations exclude foundations etc.
 - Must state intent in 180 days
 - RC if less than \$2,500 and 5%



Loss Settlement Example

The insured has a ten-year old dwelling with a replacement cost of \$100,000. The Coverage A amount is \$60,000 and has a loss of \$10,000.

Replacement cost of the dwelling:	\$100,000
Insurance Carried:	\$ 60,000
Loss to Dwelling:	\$ 10,000

$$\frac{\$60,000}{\$80,000} \times \$10,000 = \$7,500$$

ACV – assuming \$4,000 in depreciation, your “insured” would be paid the actual cash value of \$6,000 (\$10,000 - \$4,000).

\$7,500 which is the proportionate cost to repair the damage.

The insured has the option of receiving the larger of the above two calculations (\$6,000 or \$7,500). In this case he would choose the proportionate amount of \$7,500.



Loss Settlement Example

The insured has a ten-year old dwelling with a replacement cost of \$100,000. The Coverage A amount is \$60,000 and has a loss of \$10,000.

Replacement cost of the dwelling:	\$100,000
Insurance Carried:	\$ 60,000
Loss to Dwelling:	\$ 10,000

$$\frac{\$60,000}{\$80,000} \times \$10,000 = \$7,500$$

ACV – assuming \$500 in depreciation, your “insured” would be paid the actual cash value of \$9,500 (\$10,000 - \$500).

\$7,500 which is the proportionate cost to repair the damage.

The insured has the option to receive the **larger** of the above two settlement choices (\$9,500 or \$7,500). In this case he would choose the ACV settlement of \$9,500.



Section I Conditions

- Loss to a Pair or Set
- Appraisal
- Other Insurance and Service Agreement
 - Warranty agreements are primary
- Suit Against Us
 - Two Years



Section I Conditions

- Our Option – 15 Days
- Loss Payment
- Abandonment of Property
- Mortgage Clause
- No Benefit to Bailee
- Nuclear Hazard Clause
- Recovered Property
- Volcanic Eruption Period



Section I Conditions

- Policy Period
- Concealment or Fraud
- Loss Payable Clause
 - Included as “insured”
 - If fraud no coverage to “no insured”
 - Not like Mortgagee



Section II Conditions

- Limit of Liability
- Severability of Insurance
- Duties After Occurrence
- Duties of an Injured Person
- Payment of Claim
- Suit Against Us
- Bankruptcy of an Insured
- Other Insurance
 - Excess
- Policy Period
- Concealment or Fraud



Section I and II Conditions

- Liberalization Clause
- Waiver or Change of Policy Provisions
- Cancellation
- Nonrenewal
- Assignment
- Subrogation
- Death



Section II Liability

- Coverage E – Personal Liability - \$100,000
- Coverage F – Medical Payments to others - \$1,000
- Coverage E – Personal Liability
 - BI & PD
 - Legal Liability
 - Duty to defend



Section II Liability

- Coverage F – Medical Payments
 - No-fault medical for 3 years
 - Legal Liability no necessary
 - Not for regular residents
 - Covered on “insured locations” and
 - Off for:
 - Conditions
 - Activities
 - Residence employee
 - Animals



Section II Additional Coverages

- Claims Expenses (all in addition to limit of insurance)
 - Defense Costs
 - Premiums on bonds
 - Reasonable expenses
 - Loss of earnings - \$250 per day
 - Pre-judgment and post-judgment interest

- First Aid Expenses



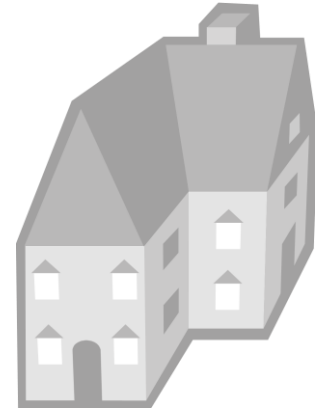
Section II Additional Coverages

- Damage to Property of Others
 - Caused by “insured”
 - Up to \$1,000
 - Few exclusions:
 - Recoverable under Section I - Property
 - Business
 - Motor vehicles, boats, aircraft, etc.



Section II Additional Coverages

- Loss Assessment
 - \$1,000
 - Covered BI or PD claim
 - Directors & officers coverage
- Endorse to \$50,000 for all Condos and those required to belong to a Homeowners' Association



Section II Exclusions

- Motor Vehicle Liability
 - Registered for use
 - Required to be registered
- Used:
 - Racing
 - Rented
 - Carrying for fee
 - Business



Section II Exclusions

Types of Vehicles	Coverage – HO Section II
Utility trailers, Camper trailers, Travel trailers	No coverage while being towed. Covered if detached from towing unit.
Motorcycles and Motorized bikes (owned)	No coverage if registration required. Covered if recreational types on “ insured location. ”
Snowmobiles (owned)	No coverage if registration required. Covered if recreational types on “ insured location. ”
ATV, Dune Buggy, Go-Kart, etc. (owned)	No coverage if registration required. Covered if recreational types on “ insured location. ”
Recreational vehicles such as ATV, snowmobile, etc. (Non-owned)	No coverage if registration required. Covered if rented or borrowed.
Motorized conveyances used solely to service the insured’s residence premises or designed to assist the handicapped.	Covered. Service vehicle not covered if used for other purposes. Handicapped vehicle not covered if being used by non-handicapped person.
Golf cart (owned)	Covered on golf course. Covered on road of insured’s community, if allowed.
Motor vehicles in dead storage on an insured location	Covered.



Section II Exclusions

- Watercraft Liability
 - No Racing, Renting, For a Fee, or Business
 - Covered if stored

Watercraft Liability Coverage Chart				
Type	Owned	Rented	Borrowed	Stored
Outboard	25 hp or less	Any size	Any size	Any size
Inboard or Inboard/Outdrive	Not covered	50 hp or less	Any size	Any size
Sailing Vessel	Less than 26 ft	Less than 26 ft	Any size	Any size



Section II Exclusions

- Aircraft Liability
 - Except model aircraft
- Hovercraft Liability
- Expected or Intended Injury
 - Even different kind/quality/degree
 - Even if different person/property
 - Not use of reasonable force!!



Exclusions Applicable to Coverage E & F

- Expected or Intended Injury
 - Even different kind/quality/degree
 - Even if different person/property
 - Use of reasonable force is covered!
- All Business, except:
 - Rental on an occasional basis
 - Of part of residence (apartment)
 - For incidental business use
 - Cover an “insured”:
 - Under age 21 (\$2,000 limitation does not apply)
 - Part-time, self-employed
 - With no employees



Exclusions Applicable to Coverage E & F

- Professional Services
- Additional Premises (owned/rented)
 - Off Premises
 - By/to insured or to others
- War
- Communicable Disease
- Sexual Molestation, Corporal Punishment, or Physical or Mental Abuse
- Controlled Substance



Exclusions Applicable to Coverage E Only

- Part E only:
 - Liability
 - Loss assessment except as earlier provided
 - Contractual liability except . . .
 - PD to owned property
 - PD rented or in Care, Custody or Control
 - Except coverage for fire, smoke or explosion
 - BI for Workers Compensation
 - Nuclear
 - Intra-family lawsuits



Exclusions Applicable to Coverage F Only

- Part F only:
 - Residence employee
 - Off premises and
 - Not on the job
 - Coverage applies when on the job whether on or off premises
 - Workers Compensation
 - Nuclear
 - Regular residents
 - Except residence employee



Homeowners Endorsements

- Special Provisions
 - How ACV is calculated
 - Replaces intentional loss exclusion
- Limited Water Back-up and Sump Discharge or Overflow
 - Originates from within the dwelling and back-ups through sewers or drains
 - Overflows or is discharged from a sump
 - Includes equipment breakdown or power failure
 - Does not cover damage to the sump pump



Homeowners Endorsements

- Limited fungi, wet or dry rot
 - Limits coverage to hidden mold
 - Limitation applies to both property and liability
 - Separate annual aggregate applies to both property and liability



Homeowners Endorsements

- Permitted incidental occupancy
 - Eliminates \$2,500 business property limit
 - If incidental occupancy is in an other structure – free coverage for other structure is given back
 - Gives premises liability
- Identity Fraud
 - Up to \$15,000



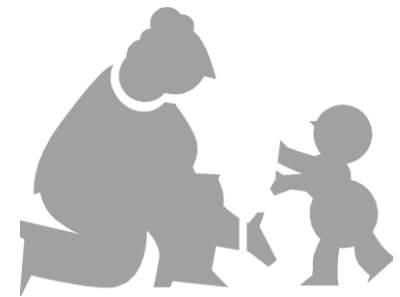
Homeowners Endorsements

- Scheduled Personal Property (HO 04 61)
 - Open perils
 - No deductible
 - Newly acquired property
 - Automatic 25% for that class up to \$10,000 (least)
 - If notified within 30 days
 - Except fine arts is 90 days
 - Stated amount
 - Agreed value is only for fine arts



Homeowners Endorsements

- Home Day Care
 - Rated by # of children
 - Own aggregate limit of liability
 - Gives back coverage for premises liability and eliminates \$2,500 maximum for business personal property on premises
 - No coverage for saddle or draft animals



Homeowners Endorsements

- Personal Property Replacement Cost – PA Specific
- Business Pursuits
 - School teachers including corporal punishment
 - Only for those who do not own the business
- Watercraft – over 25 HP, inboards, inboard/outdrives and sailboats over 26 feet.
- Personal Injury – intentional torts
 - EVERYONE needs this (liable, slander, defamation of character, etc.)



How Is It Covered?

Scheduled Personal Property Endorsement

- Newly acquired property
 - Automatic 25% for that class up to \$10,000 (least)
 - If notified within 30 days

Current Coverage

Jewelry	\$20,000
Furs	\$0

Example

Diamond tennis bracelet purchased 9/1	\$5,000
Fur coat purchased 9/1	\$3,000

Loose bracelet and fur coat stolen at restaurant on 9/4. Report these losses to the company on 9/5. How does current coverage apply?



How Is It Covered?

\$5,000 diamond tennis bracelet

COVERED by endorsement

\$3,000 fur coat

NOT COVERED by endorsement

Is there anything else I can do to get coverage for the fur coat?

How Is It Covered?

Section I – Property

Covered under Coverage C – Personal Property

Deductible

clarifies, taken from total loss

Fur Coat Stolen	\$3,000
Deductible	<u>- \$500</u>
Difference	\$2,500
Amount Payable	\$1,500 (limit)

What Is Covered Property?

Covered?

1. Single family home with one room used as an office?
2. Chain-link fence?
3. Swimming Pool
 - a. Above ground?
 - b. In ground?
4. Satellite dish?
5. Detached garage used to store business property?
6. Detached rented guest cottage on the premises?
7. Detached workshop used to repair lawnmowers?
8. Your personal property while on vacation?
9. The camera you borrow from a friend?
10. Your son's personal property in his college dormitory room?

What Is Covered Property?

Covered?

11. The furniture you have stored in a mini-warehouse?
12. A \$3,000 camper trailer?
13. The Amway products you sell and are stored in your basement?
14. Your portable cellular phone?
15. A \$2,000 riding lawnmower?
16. Your laptop computer?
17. Your software and business records?
18. The clothes belonging to a roomer who is not related?
19. The clothes belonging to a houseguest?
20. A rented garden tractor?



What Is Covered Property?

Covered?

21. A \$6,000 diamond ring?

22. Fifi, your French poodle?

23. Your golf cart?

24. The personal property of your 25 year old daughter who is living at home and paying rent.



Are the Following Losses Covered?

Covered?

1. Fire damage to house and contents, including a \$5,000 unscheduled fur coat?
2. Theft of TV owned by you and located on the rented second floor of your two-family house?
3. Rain blew in through an open window and damaged drapes and carpeting?
4. Your child spray painted his bicycle in the living room and in the process, also painted the walls, an oriental rug and the sofa?
5. Your Labrador Retriever, Beau, chewed through the walls in the garage?
6. Raccoons got into your attic and caused damage to the walls, wiring and insulation?
7. While entering your driveway, you lost control of your car and ran over several of your shrubs, through your cedar fence and knocked out the corner of your house before coming to a stop?



Are the Following Losses Covered?

Covered?

8. An unknown driver jumped the cur band totally wiped out your prize rose bushes?
9. Your neighbors went to Florida during the winter. They did not maintain heat in the house nor drain the pipes. When they returned, their house was covered with water from the pipes which had frozen and then thawed?
10. You borrowed your friend's camera. While using it, you accidentally dropped the camera, causing it to break into pieces?
11. You borrowed your friend's \$10,000 fur coat to attend the Charity Ball. Someone stole the fur from the hotel coat room.
12. Your \$2,000 camp trailer was stolen from a camp site?
13. Your son came home for Christmas on December 10. He returned on January 5 to find that someone had broken into his room and stolen his TV and stereo?



Are the Following Losses Covered?

Covered?

14. A tornado knocked out the power lines a mile from your home. Before power could be restored, all the food items in your refrigerator and freezer spoiled?
15. A notebook computer, which is used for business purposes, was stolen from your hotel room?
16. Your portable auto/cellular phone was stolen from the auto?



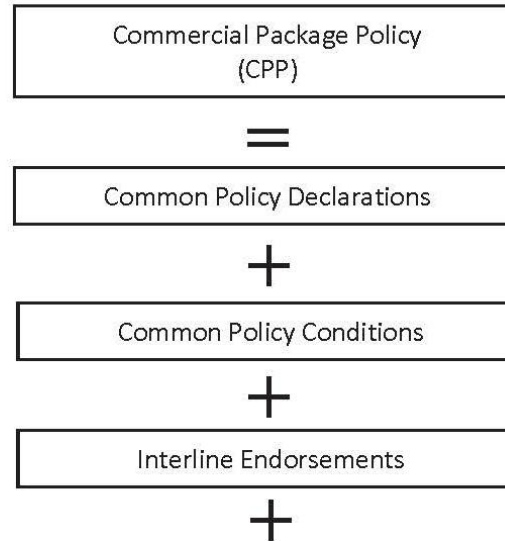
Commercial Property Policy ('12)

Chapter 8 – 11 Questions

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IA&B

COMPONENTS OF A COMMERCIAL POLICY



Two or more of the following coverage parts:

- CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART
- COMMERCIAL AUTOMOBILE COVERAGE PART
- COMMERCIAL GENERAL LIABILITY COVERAGE PART
- COMMERCIAL INLAND MARINE COVERAGE PART
- COMMERCIAL LIABILITY UMBRELLA
- COMMERCIAL PROPERTY COVERAGE PART
- CRIME AND FIDELITY COVERAGE PART
- EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART
- EQUIPMENT REAKDOWN COVERAGE PART
- FARM COVERAGE PART
- LIQUOR LIABILITY COVERAGE PART
- POLLUTION LIABILITY COVERAGE PART
- PROFESSIONAL LIABILITY COVERAGE PART

Commercial Package Policy

- Purpose
 - Organize and simplify
- Commercial clients
- Components & structure
 - Common policy documents
 - Eliminate duplication & reduce paperwork
 - Coverage parts (lines) LIP-FACE
 - Stand alone or package concept



COMMON POLICY DECLARATIONS

COMPANY NAME AREA	PRODUCER NAME AREA
--------------------------	---------------------------

NAMED INSURED: _____
 MAILING ADDRESS: _____
 POLICY PERIOD: FROM _____ TO _____ AT 12:01 A.M. STANDARD
 TIME AT YOUR MAILING ADDRESS SHOWN ABOVE.

BUSINESS DESCRIPTION _____

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.	
	PREMIUM
BOILER AND MACHINERY COVERAGE PART	\$ _____
COMMERCIAL AUTOMOBILE COVERAGE PART	\$ _____
COMMERCIAL CRIME COVERAGE PART	\$ _____
COMMERCIAL GENERAL LIABILITY COVERAGE PART	\$ _____
COMMERCIAL INLAND MARINE COVERAGE PART	\$ _____
COMMERCIAL PROPERTY COVERAGE PART	\$ _____
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART	\$ _____
FARM COVERAGE PART	\$ _____
LIQUOR LIABILITY COVERAGE PART	\$ _____
POLLUTION LIABILITY COVERAGE PART	\$ _____
PROFESSIONAL LIABILITY COVERAGE PART	\$ _____
_____	\$ _____
TOTAL:	\$ _____
Premium shown is payable: \$ _____ at inception. \$ _____	

FORMS APPLICABLE TO ALL COVERAGE PARTS (SHOW NUMBERS):

Countersigned: _____	By: _____
(Date)	(Authorized Representative)



Commercial Policy Declarations

- Who, what, when, where
- Must apply to all 7 coverage parts
- First named insured
- Mailing address
- Lines of coverage



Commercial Policy Conditions

- Cancellation – first named insured
- Changes – first named insured
- Examination of books & records
 - Up to 3 years after
- Inspections and surveys
- Premiums – first named insured
- Transfer of Rights and Duties (Assignment Clause)
 - Written consent of the company

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.	Agreed Value			Replacement Cost (X)		
		Expiration Date	Cov.	Amount	Building	Pers. Prop.	Including "Stock"

Inflation Guard (%)	*Monthly Limit Of	Maximum Period	*Extended Period
Bldg. Pers. Prop.	Indemnity (Fraction)	Of Indemnity (X)	Of Indemnity (Days)

*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
-----------	-----------	-----------	-------------



Commercial Property Declarations

- Information particular to property
 - Locations, descriptions, construction, amounts, perils
 - Coverage, coinsurance, rates
 - Optional coverages
 - Deductibles, mortgagees



Commercial Property Conditions

- Most are the same as other property forms but some need review
- Control of property
 - Act or neglect by any person beyond the insured's direction or control, will not affect this insurance
- Insurance under 2 or more coverages
 - The insurer will not pay more than the actual amount of loss
- Coverage Territory
 - United States, its possessions and territories, Puerto Rico and Canada
- Subrogation
 - Allows insured to waive rights after a loss to
 - Anyone who qualifies as insured under policy
 - A parent or subsidiary company of insured
 - A tenant of the insured's building



Building & Personal Property Cov Form

- Definition of building
 - The structure
 - Completed additions
 - Fixtures, indoor & outdoor
 - Permanent machinery & equipment
 - Personal property used to maintain/service the building/premises
 - Additions under construction including materials, equipment, supplies and temporary structures within 100 feet of described premises

Building & Personal Property Cov Form

- Business Personal Property in or on building described, or in open (or a vehicle) within 100 feet, whichever is greater
 - Furniture and fixtures
 - Machinery and equipment
 - Stock
 - PP owned and used
 - Labor, materials & service
 - Improvements & betterments
 - Leased property/contractual
- Personal Property of Others



Property Not Covered

- DEMCABS
- Animals unless “stock”
- Autos
- Bridges, roadways, paved, etc.
- Contraband
- Excavations
- Foundations



Property Not Covered

- Land, water, growing crops or lawns
- Personal property airborne/waterborne
- Bulkheads, pilings, piers, etc.
- Specifically insured elsewhere
- Retaining walls
- Underground pipes, flues, drains
- Electronic data – except \$2,500
- Valuable papers & records
- Vehicles, self-propelled machines
- Outdoor stuff



Additional Coverages (6)

1. Debris removal

- 25% of limit included, and
- \$25,000 additional
- If no covered property damaged, policy pays up to \$5,000 for debris removal of other property

2. Preservation of property

- All risk – 30 days

3. Fire department service charge

- \$1,000



Additional Coverages (6)

4. Pollutant clean up

- \$10,000 any one location per policy year; reported within 180 days

5. Increased cost of construction

- \$10,000 or 5% of limit, whichever is less

6. Electronic data

- \$2,500 annual aggregate



Coverage Extensions (6)

To get these, must be a % in coinsurance on dec page

1. Newly acquired/constructed

- \$250,000 buildings / \$100,000 personal property – up to 30 days

2. Personal effects

- \$2,500 per premises, theft excluded

3. Valuable papers & records

- \$2,500 per location



Coverage Extensions (6)

4. Property off premises

- \$10,000

5. Outdoor property

- \$250 any one tree, shrub, plant (maximum \$1,000)
- Perils - FLARE

6. Non-owned detached trailers

- \$5,000



Commercial Property

- Limits
 - The amount on the dec page
 - \$2,500 all signs
- Deductible
 - \$500 standard
 - Taken from total loss
- Loss conditions / payment
 - ACV, repair, replace, cash

Vacancy Clause

- Tenant of building
 - “not enough BPP to conduct customary operations”
- Landlord
 - Less than 31% rented and/or
 - Used
- No coverage for 6 perils
 - Vandalism
 - Sprinkler leakage
 - Building glass breakage
 - Water damage
 - Theft or attempted theft
- All other perils less 15%



Valuation

- ACV
- RC for small losses
- Except awning, appliances, outdoor
- Stock – finished/sold = selling price
- Glass, safety glazing
- Tenant's improvements/betterments:
 - ACV if replaced by tenant
- Policy is subject to coinsurance

Builders Risk

- Reporting form or completed value (100% coinsurance)
- Coverage includes
 - Machinery, equipment used to service the building
 - Materials & supplies to become building
 - Property of contractor in care of insured
- Written for one year but ends when:
 - Policy expires or is canceled
 - Property accepted by purchaser
 - Insured's interest in property ends
 - Insured abandons construction
 - 90 days after construction is complete
 - 60 days after building is occupied or put to intended use.



Business Income Coverage Form (Indirect Loss)

- Provides actual loss of income
 - From partial or total shutdown of business
 - Caused by direct damage
 - Due to covered loss
 - Coverage provided for period of restoration, after a 72 hour waiting period (deductible)
- Period of restoration – ends earlier of
 - Property should have been repaired or replaced
 - When business resumes at new location



Business Income Coverage Form

Provides the following coverages

- Business income
 - Defined as net income (profit or loss before taxes) and all continuing normal operating expenses including payroll
 - Coinsurance requirement – typically 50%
- Expenses to reduce loss (extra expense)
 - Covers necessary expenses incurred to reduce business income loss
 - No 72 hour waiting period (no deductible)



Business Income Coverage Form

Provides the following coverages

- Civil authority – prohibits access to your business
 - Provides actual loss of business income
 - Due to covered loss to neighboring property
 - Within 1 mile of your premises
 - Provided for 4 weeks
 - Subject to 72 hour waiting period
- Alterations & new buildings
- Extended business income
 - Provided for 60 days



Optional Business Income Coverages

- To eliminate coinsurance
 - Monthly limit of indemnity
 - $\frac{1}{3}$, $\frac{1}{4}$, $\frac{1}{6}$ per month
 - Maximum period of indemnity
 - 120 days
- Extra Expense Coverage Form
 - For business that can't afford to close
 - No waiting period
- Legal Liability Coverage Form
 - Coverage for property of others
 - Includes loss of use & defense
 - Only applies if insured is legally liable
 - Perils other than fire



Building & Personal Property Cov Options

- Agreed Value
 - Suspends the coinsurance clause
- Replacement Cost
- Inflation Guard
 -



Causes of Loss Forms

- Only in the property part of CPP
- 2 named peril, 1 open peril
- Basic (CP-10-10)
 - 11 named perils (FL WHARVVVSSSS)
 - We've added sprinkler leakage & sinkhole collapse
- Broad (CP-10-20)
 - Basic plus 3
 - Falling objects
 - Weight of ice, snow, sleet
 - Water damage
 - Collapse as additional coverage



Causes of Loss Forms

- Special (CP-10-30)
 - Subject to named exclusions
 - Standard property exclusions worth explaining:
 - Explosion of steam boilers
 - Continuous & repeated seepage – 14 days
 - Dishonest acts of insureds or employees
 - Property in the open (rain, sleet, ice)
 - Voluntary parting
 - Pollution, except specified perils
 - Mechanical breakdown



Special Cause of Loss

- Theft limitations
 - \$2,500 furs
 - \$2,500 jewelry, gold, precious stuff
 - \$2,500 patterns, dies, molds
 - \$250 stamps, tickets, etc.
- Collapse – same as HO
- Fungus
 - \$15,000 annual aggregate
 - 30 days – business income
- Property in transit
 - \$5,000



Selected Endorsements

- Ordinance or law
 - Increased costs of construction
 - Damaged and undamaged
 - Loss of value
 - Demolition expense
 - Debris removal
- Spoilage
 - Breakdown
 - Power outage



Selected Endorsements

- Peak season
 - Predictable fluctuating inventories
- Value reporting form
 - Unpredictable fluctuating
 - Must be accurate & timely – or penalty may be incurred
 - Three penalty provisions are:
 - 1st report late (within 60 days of end of 1st month); and insured has loss
 - Maximum of 75% is paid
 - If subsequent reports not made within 30 days after the end of prior month, then payment is based on previous month's report
 - If insured under reports values from the last report, loss is paid proportionally, as there is a 100% coinsurance penalty
 - Example: If amount reported is \$100,000, but actual value is \$200,000, the insured would only be paid 50% of the loss.



Problems With Value Reporting

- Limit of insurance \$100,000

Under Report	Excess Report	First Report Late	Subsequent Reports Late
Policy pays that percentage reported Example: Reported \$50,000;	Policy limit applies Example: Reported \$125,000;	Policy pays 75% of amount that otherwise would have been paid Example: Reported (No Report)	Last report of values Example: Last reported \$82,000;
Actual \$75,000;	Limit \$100,000		
Loss \$60,000;	Loss \$125,000;	Loss \$100,000;	Loss \$100,000;
Policy Pays <u>\$50,000</u> \$75,000 = 66 2/3%	Policy Pays	Policy Pays	Policy Pays
\$40,000	\$100,000	\$75,000	\$82,000



Commercial Inland Marine

- Nationwide Marine Definition (5 groups of property)
 - Imports
 - Exports
 - Domestic Shipments
 - Bridges, Tunnels, Instrumentalities of Transportation and Communication
 - Piers, pipelines, transmission lines, towers, etc.
 - Property Floater Risks



Commercial Inland Marine

- Inland Marine Coverage Forms
 - Filed or Controlled
 - Non-filed or Uncontrolled



Inland Marine

- Filed forms – forms & rates filed with Insurance Department (fewer of these forms)
 - Accounts Receivable – labor and money
 - Commercial Articles
 - Open perils
 - Film
 - Cameras
 - Musical instruments



Inland Marine

- Jewelers Block
 - Protective Safeguards
- Signs Coverage Form
 - 100% coinsurance
 - Open perils
- Valuable Papers & Records
- Equipment Dealers
 - Mobile agricultural equipment
 - Construction equipment



Inland Marine

- Non-filed Forms – more common
- Bailees Customers – care, custody, control
 - Dry cleaner
- Contractors Equipment – mobile equipment
 - Schedule or Blanket Basis
- Electronic Data Processing
 - Hardware
 - Software
 - Business income and/or extra expenses



Inland Marine

- Installation Floater
- Transportation Coverages
 - Common Carrier (liability)
 - Not liable for acts of god, shipper negligence, inherent vice
 - Motor Truck Cargo Forms
 - Truckers Form – liability coverage
 - Shipper's Form – property coverage
 - Owner's Form – property coverage
 - Two Transportation Policies
 - Annual form
 - Trip Transit – One Trip



Equipment Breakdown

- Steam apparatus (boilers)
- Mechanical breakdown
- Electrical apparatus – power surge
- Direct damage – “breakdown” defined as:
 - Failure of pressure or vacuum
 - Mechanical failure, including bursting
 - Electrical failure, including arcing
- Covered Property – owned or CCC

Equipment Breakdown

- Definition of “covered equipment”
 - Internal pressure or vacuum
 - Electrical or mechanical equipment
 - Communication equipment
 - Examples:
 - Steam boilers, compressors, turbines, air conditioning, refrigeration, etc.
- Exclusions
- Equipment Breakdown Coverage

Equipment Breakdown

- Exclusions
- Automatic Coverages - \$25,000
- Deductible options
 - Dollar
 - Time
 - Multiple of Daily Value
 - Percentage of Loss
- Suspension Condition
 - Immediate suspension possible
- No Coverage during testing
- Endorsements - ACV
 - Dollar



Farm Property Coverage Form

- Extensions of Coverage – Coverage A – Dwelling
 - Trees, shrubs & plants – similar to Homeowners
 - Must be within 250 feet of dwelling



Farm Property Coverage Form

- Extensions of Coverage – Coverage C – Household Personal Property
 - Off Premises Limit
 - 10% of Coverage C or \$1,000 (whichever is greater)
 - Worldwide
 - Refrigerated Products – not farm personal property
 - \$500
 - If named insured is tenant
 - 10% of Coverage C for Improvements & Alterations



Farm Personal Property Coverage Form

- Coverage E – Scheduled Farm Personal Property
 - Covered Property
 - Grain, hay, farm products and machinery
 - Livestock
 - Except transit
 - Poultry
 - Excluding turkeys unless specified
 - Computers
 - Related to farm equipment
 - Miscellaneous tools, borrowed equipment, bees, worms, fish and other animals
 - Portable buildings and structures
 - Property Not Covered
 - Growing crops, trees, shrubs, plants or lawns



Farm Personal Property Coverage Form

- Coverage E – Scheduled Farm Personal Property
 - Special Limits
 - \$10,000 any one stack of hay, straw or fodder in open
 - Poultry – paid at market value
 - \$3,000 – any one item of miscellaneous equipment
 - Per head of livestock, lesser of ACV or \$2,000
 - Coverage Extensions
 - Newly acquired livestock – 25% of Coverage E – 30 days to report
 - Newly acquired farm machinery, vehicles – up to \$100,000 – 30 days to report
 - Replacement machinery, vehicles – value of old equipment plus \$75,000 – 30 days to report.



Farm Personal Property Coverage Form

- Coverage F – Unscheduled Farm Personal Property
 - Blanket Limits
 - All types of farm personal property, EXCEPT:
 - Household personal property
 - Race and show horses
 - Growing crops
 - Contents of chicken houses
 - Irrigation equipment
 - Livestock limited to \$2,000 per head if older than 1 year, \$1,000 per head under 1 year
 - Subject to 80% coinsurance
 - Losses settled at ACV



Farm Personal Property Coverage Form

- Coverage G – Barns, Outbuildings & Other Farm Structures
 - Covers barns, silos, pens, fences, corrals, portable buildings, outdoor radio & TV equipment, other described structures
 - Power & light poles - \$1,000 per occurrence



Farm Personal Property Coverage Form

- Livestock Coverage Form (FP 00 40)
 - Coverage to livestock on a named perils basis
 - Livestock can be written on a schedule or blanket basis
- Mobile Agricultural Machinery & Equipment Form
 - Provides open peril coverage for mobile agricultural machinery and equipment used in the everyday operations of the farm.



Farm Property Coverage Form

- Causes of Loss
 - 3 forms – Basic, Broad, Special
 - All include some types of “farm types losses”



Farm Property Coverage Form

- Basic Form
 - 14 named perils
 - Explosion – does not include explosion of alcohol stills or steam equipment
 - Collision for Coverage E (Scheduled) and Coverage F (Unscheduled) Farm Property
 - Damage to covered farm machinery
 - Death of livestock from
 - Overturn of transporting vehicle
 - Being struck moving along or standing on public road
 - Damage to other farm personal property in or on motor vehicle
 - Earthquake loss to livestock
 - Flood loss to livestock



Farm Property Coverage Form

- Broad Form
 - Basic Form plus following losses to livestock
 - Electrocution
 - Attacks by dogs or wild animals
 - Accidental shootings on insured location
 - Drowning (except swine under 30 days old)
 - Loading or unloading



Farm Property Coverage Form

- Special Form
 - Open perils, subject to named exclusions, including
 - Rain, snow, ice, sleet to personal property in the open
 - Voluntary parting of property
 - Inventory shortage
 - Damage to farm equipment as a result of foreign objects being taken into any farm machinery or harvester
 - Artificially generated electric current
 - Dishonest acts of an insured or employee



Farm Property Coverage Form

- Exclusions - Same as other property policies
- Additional Coverages
 - % of loss included in limit plus additional
 - 5% of limit of insurance
 - Reasonable repairs
 - Damage to property removed
 - All risk; 30 days
 - Fire department service charge - \$1,000
 - Pollutant clean up and removal – up to \$10,000
 - Under Coverages A, B, C & D
 - Removal of fallen trees
 - \$500 any one tree, up to \$1,000
 - Credit card, forgery, counterfeit - \$500
 - Under Coverages E & F
 - \$2,000 to restore, replace or research farm records



Farm Property Coverage Form

- Conditions
 - Similar to commercial property, but one unique condition
 - Unoccupancy or vacancy – if a structure is unoccupied or vacant beyond 120 consecutive days, all losses are reduced by 50%.



Farm Property Coverage Form

- Definitions

- Custom farming – farming performed for an agreed charge on a neighbor’s farm under the direction of supervision of the owner.
 - Excluded if insured’s receipts exceed \$5,000 for the 12 months prior to the date of the loss.
- Farming means the operation of an agricultural or aquacultural enterprise and includes operations of roadside stands on the named insured’s farm premises
- Livestock means cattle, sheep, swine, goats, horses, mules and donkeys.



Farm Coverage – Combination of Personal & Commercial

- Farm Property Coverage Form
 - Coverage A – Dwellings
 - \$1,000 antennas and satellites
 - Loss payment same as Homeowners
 - Coverage B – Other Private Structures
 - Same as Homeowners, but excludes structures used for farming
 - Coverage C – Household Personal Property
 - All personal property except personal property related to farming
 - Coverage D – Loss of Use
 - Similar to Homeowners



Commercial General Liability ('13)

Chapter 9 – 10-11 Questions

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IA&B

Components of a Commercial General Liability Policy



CGL

- Two coverage forms
 - Occurrence
 - Claims-made
- Only difference is trigger
 - Occurrence (BI or PD occurs during the policy period)
 - Claims-made (claim made during the policy period)



Coverage A – BI & PD

- Pays sums for BI & PD legally owed
- For an “occurrence” or “claim made” during policy period
- If ongoing BI/PD only when you “first knew” will pay
- In the covered territory
- Will defend in addition to limits
- Subject to exclusions



Premises and Operations

- At insured's business location
- Off premises – due to your operations
- Example:
 - Customer slips and falls on a wet floor in your restroom.
 - Your employee carpenter drops a hammer from a roof you're replacing and injures someone walking by.



Products & Completed Operations

- Products – when a customer takes possession of the product and the product is removed from insured's premises
- Completed Operations – Insured's work has been completed – a finished job
- Examples
 - Customer buys a steamer from a retail store (insured). Customer gets home, uses the steamer and it malfunctions, causing steam to blow back into customer's face – Product Claim
 - The roof you have finished replacing leaks six weeks later causing \$4,000 damage to interior of building. – Completed Operations Claim

Part A Exclusions

- Expected or intended
- Contractual except six insured contracts
 1. Lease of Premises
 2. Easement or License Agreement
 3. Agreement to Indemnify a Municipality
 4. Sidetrack Agreement
 5. Elevator Maintenance
 6. Tort Liability of a 3rd party
 - Insured was legally obligated anyway and
 - If an “insured contract”



Part A Exclusions

- Liquor liability
 - Only if “in the business”
 - Host Liquor is provided
- Workers Compensation
- Employers Liability



Part A Exclusions

- Pollution
 - Very little coverage
- On premises
 - Hostile fire
 - Additional insured's premises
 - Heating equipment – puffbacks, etc.
- Off premises
 - Operating fluids of mobile equipment
 - If I don't bring it to the worksite
 - Products claims
 - Fumes in the building



Part A Exclusions

- Aircraft, Auto and Watercraft
 - Ownership, maintenance or use
 - Negligent supervision, training, etc.
 - Give back for “non-owned watercraft”
 - Give back for valet parking
 - Give back for assumed liability for aircraft and boats, not auto
 - Give back for operation of “mobile equipment”



Part A Exclusions

- Transportation or racing of mobile equipment
- PD to property
 - You own, rent, occupy, etc.
 - Sell, give away or abandon
 - Loaned to you
 - Personal property in your care
 - That particular part of real property in your care
 - Except damage by fire



Part A Exclusions

- Faulty workmanship
- Damage to your product
- Damage to your work
- Impaired property – failure to perform
- Product recall
- Personal and advertising injury
- Electronic data
- CAN-SPAM & TCPA
- Employment related practices
- Fungi or bacterial



Part B – Personal & Advertising Injury

- Insuring agreement – Legal Liability
- Intentional torts – “offense”
- Normal business advertising activities – worldwide for internet
- Exclusions
 - Knowingly violate rights
 - Knowledge that its false
 - Prior to policy period

Part B - Exclusions

- Criminal acts
- Contractual liability
- Breach of contract
- Failure to conform
- Wrong price
- Infringement of copyright, patent, trademark or trade secret
- Insured's whose business is
 - Advertising
 - Broadcasting
 - Publishing
 - Internet provider (chat rooms, bulletin boards)



Supplementary Payments – Cov A & B

- Paid in addition to limits
- Defense costs is the big \$\$\$
- \$250 earnings
- Premiums on bonds
- Pre & post judgment interest
- Costs taxed (not attorney fees)
- Reasonable costs incurred at company request



Who Is An Insured?

- Sole proprietor – owner & spouse
- Partnership – partners & spouses
- LLC – members & managers
- Corporation and Others
 - Directors
 - Executive Officers
 - Stockholders
- Trust - trustees

Who Is An Insured?

- Employees
- Volunteer workers
- Real estate manager
- Temporary custody if you die
- Legal representatives if you die
- Newly acquired organizations
 - Not partnerships, joint ventures, LLC's, etc.
 - 90 days coverage

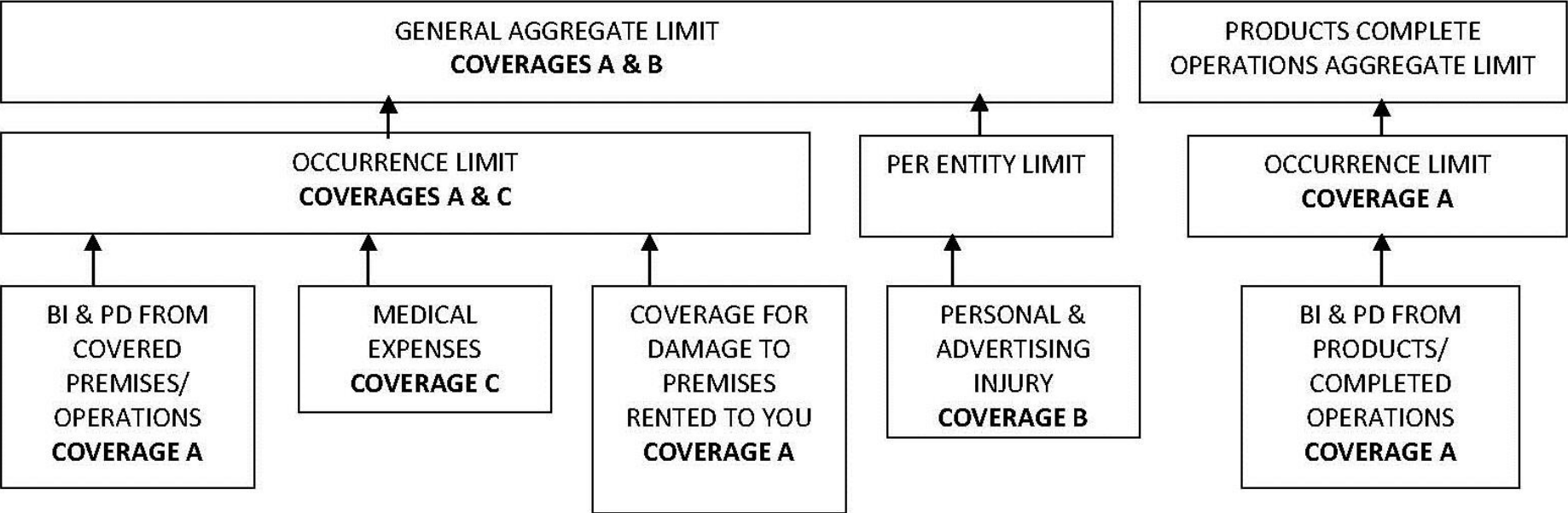


Limits of Insurance

- 6 Limits for the CGL
 - Two aggregates
 - General
 - Products – Completed Operations
 - Occurrence limit
 - Coverage A & C
 - Coverage B limit per offense
 - Coverage C limit per person
 - Damage to premises rented – per fire



COMMERCIAL GENERAL LIABILITY – LIMITS OF INSURANCE



CGL Conditions

- Duties after loss
 - Prompt notice
- Other insurance
- Audit
- Separation of insureds
- Subrogation



Definitions

- Advertisement
- Auto
 - Land motor vehicle, trailer, semi-trailer designed for use on public roads
 - Any other land vehicle subject to compulsory or financial responsibility law
- Licensed or should be licensed



Definitions

- Bodily injury
- Coverage territory
 - USA, territories, Puerto Rico, Canada
 - Airways, waterways between ports
 - Limited worldwide products
 - Made or sold in US
 - Lawsuit in covered territory
- Worldwide for personal & advertising injury over the internet



Definitions

- Mobile Equipment
 - Land vehicles always used off roads and usually transported on roads by a trailer
 - Land vehicles that are self-propelled but only to get to each job site
 - Trailers with permanently attached equipment mainly used off premises
 - Any other vehicle not used primarily for transporting people or cargo
- Self-propelled
 - Snow removal, road maintenance and street cleaning
 - Cherry pickers
 - Servicing equipment



Definitions

- Occurrence – accident plus
- Personal and advertising injury
- False arrest, detention, imprisonment
- Malicious prosecution
- Wrongful eviction/entry
- Slander or libel
- Right of privacy
- Use of another's advertising ideas
- Infringement of copyright, trade dress or slogan

Definitions

- Property Damage
 - Physical injury to tangible property
 - Loss of use of that property
 - Loss of use of property not physically injured
 - Electronic data is not tangible property



Definitions

- Your Product
 - Made, sold, handled, distributed, tested, etc.
 - Physical possession relinquished
 - Warranties and representations
- Your Work
 - Operations performed by insured
 - Completed Operations is a work product



Claims-Made Policy Features

- Trigger
 - Was the claim “made” during the PP
 - A demand for damages
- Retroactive Dates
 - A wall to bar any previous occurrences
 - 3 possibilities
 - The current policy date
 - Some prior date
 - No date??



Claims-Made Policy Features

- Two questions to determine coverage
 - Was the claim made during the PP?
 - Did it occur after the retro date?
- Both answers must be yes



Extended Reporting Period – Tail Cov

- Do not extend policy period
- Only to report claims
- Two tails
 - Basic (BERP)
 - Free
 - Contingent
 - Two parts
 - 60 days for any claim
 - 5 years if reported in the 60 day



Extended Reporting Period – Tail Cov

- Supplemental (SERP)
 - Forever tail
 - 200% cost
 - Makes it an occurrence policy
- Need tails when
 - Move a retro date
 - Go back to occurrence policy
 - Go out of business



CGL Claims Made (Tails)

BASIC

60 days	5 years	
Known & unknown occurrences	Known occurrences only	Known and unknown occurrences
	Unknown occurrences only	

- **Known Occurrences** – reported to insurance company during policy period and up to 60 days following expiration.
- **Unknown Occurrences** – not reported to insurance company



Claims-Made Question

- ABC Manufacturing Company has a claims-made CGL policy with the basic tail coverage for the policy period of 1/1/12 to 1/1/13. Which of the following claims would not be covered?

- | | |
|-----------------------|--------------------|
| 1. Occurrence 2/15/12 | Claim made 1/15/13 |
| 2. Occurrence 6/15/12 | Claim made 2/15/13 |
| 3. Occurrence 1/1/10 | Claim made 6/15/12 |
| 4. Occurrence 1/15/13 | Claim made 1/15/13 |



Crime ('15)

Chapter 10 – 3 Questions



Commercial Crime

- Protects business or organization – commercial or Government from unlawful taking of property or money
- Needed because other policies exclude



Commercial Crime

- Definitions
 - Burglary
 - Visible signs of forced entry/exit
 - Robbery
 - Threat of violence or actual violence
 - Theft
 - Broadest coverage
 - Employee
 - Including 30 days after termination



Commercial Crime

- Property covered
 - Money - \$\$\$
 - Securities
 - Investments that represent money or property – tokens, tickets, stamps, evidences of debt (credit card)
 - Other property
 - Tangible property, other than money and securities

Crime Coverage Forms (2)

- Commercial Crime Forms / Government Crime Forms
 - Discovery form
 - Pays losses from acts committed any time & discovered during policy or extended period (60 days)
 - Loss Sustained Form
 - Pays losses from acts committed during policy & discovered during policy period or within 1 year
- Limits
 - Commercial Form – per loss basis
 - Government Form – per loss and per employee



Coverages

- Both Discovery Form & Loss Sustained Form
 - Employee Theft
 - Only coverage part that covers if employee takes anything
 - Blanket or schedule basis
 - Forgery or alteration
 - Checks, drafts, promissory notes
 - Inside the Premises – Theft of M&S
 - Covers theft, disappearance or destruction



Coverages

- Inside the Premises – Robbery or Safe Burglary of Other Property
 - Robbery of custodian
 - Custodian – insured partner or employee but not watchperson or janitor
- Outside the Premises
 - In custody of messenger or armored vehicle
 - Messenger – insured or relative, partner employee
- Computer Fraud
- Funds Transfer Fraud
- Money Orders & Counterfeit Money



Coverages

- Other Crime Coverages
 - Lessees of Safe Deposit Boxes
 - CR 04 09
 - Securities Deposited with Others
 - CR 04 10
 - Guests' property
 - CR 04 11
 - Safe Depository
 - CR 04 12



Businessowners ('13) Policy

Chapter 11 – 4 or 5 Questions

Businessowners Overview

- Coverage
 - Meant to be complete package
 - Special form with named perils option
 - 4 Optional coverages
 - Outdoor signs
 - Money & securities
 - Employee dishonesty
 - Equipment breakdown
 - Replacement cost 80% for buildings
 - Business income automatic
 - Extra expense automatic
 - Liability is CGL policy
 - Peak season increase 25%



Eligible Risks

- Bakeries
- Barber & beauty shops
- Dental labs
- Dry cleaning & laundry (3 pickups)
- Engraving & Photoengraving
- Funeral homes
- Mailing or addressing
- Photocopying, printing & lithographing
- Photography
- Shoe repair
- Tailoring
- Taxidermy
- Television & appliance installation/service
- Watch, clock and jewelry repair

Eligibility

BUSINESSOWNERS ELIGIBLE RISKS INCLUDE

- Apartment Buildings
- Office Buildings – including office condominiums not exceeding 6 stories or a total of 100,000 square feet.
- Mercantile, Processing or Service Risks (Bakeries, Barber Shops, Dry Cleaners, Funeral Homes, Printers, Shoe Repair, Tailoring, Repair Shops, etc.), if the total floor area of the building does not exceed 35,000 square feet and whose sales do not exceed \$6,000,000.
- Contractors whose annual payroll does not exceed \$300,000 and no work done over 3 stories.
- Convenience Stores – with a minimum of 3,000 square feet; if gas sales - no auto repair or service, no car wash, and no propane or kerosene tank filling.
- Motels – not exceeding 3 stories, no bar or lounge and not seasonal.
- Restaurants – all restaurants limited to 7,500 square feet. Fast food, casual and fine dining restaurants maximum seating capacity of 150 (limited cooking 75). Fast food and limited cooking – beer and wine only 25% of sales; casual and fine dining – alcohol only 50% of sales.
- Self-Storage Facilities – no more than 2 stories and no storage of industrial materials, chemicals or cold storage.
- Wholesale Risks – with no more than 25% retail sales and 25% of area open to public.

Businessowners - Ineligibles

- Auto
- Amusements
- Bars
- Banks, credit unions, stockbrokers
- Contractors
- Condo associations
- Dwellings
- Household personal property
- Manufacturing
- Self-storage – outdoor vehicles



Businessowners Policy

Section I

Building & Personal Property Coverage Form

Causes of Loss – Special Form

Business Income Form

Peak Season Endorsement

Automatic Increase in Insurance

Endorsements

Protective Safeguards

Utility Services – Direct Damage

Utility Services – Time Element



Businessowners Property

- Coverage similar to CPP – Building & Personal Property Form
- Buildings, same definition plus,
 - Personal property in apartments
- Business Personal Property – same
 - 100 feet limitation
 - Includes property of others
 - Exterior building glass for tenants

Businessowners Property Not Covered

- Only 10 items compared to 17 in CPP
 - Aircraft, watercraft, automobiles, etc.
 - Money & securities – buy back
 - Contraband
 - Land
 - Outdoor property – except extension
 - DEMCABS
 - Computers in vehicles
 - Electronic data
 - Animals



BOP Property

- Additional Coverages – 18
 - Debris removal
 - Preservation of property – 30 days
 - Fire department service charge - \$2,500
 - Collapse – same
 - Water damage – same
- Business income – actual loss sustained for one year – no coinsurance



BOP Additional Coverages

- Extra expense – no limit
- Pollutant clean up – same
- Civil authority – 4 weeks, one mile
- Money orders & Counterfeit - \$1,000
- Forgery or alteration - \$2,500
- Increased cost of construction
- BI from dependent properties
- Glass – board ups
- Fire extinguisher recharge - \$5,000

BOP Additional Coverages

- Electronic data
 - \$10,000 aggregate limit damage to data
- Interruption of Computer Operations
 - \$10,000 business income & extra expense
- Limited Fungi/Bacteria
 - \$15,000 aggregate + 30 days business income



BOP Coverage Extensions

- Newly acquired/constructed – same
- PP off premises - \$10,000
- Outdoor property - \$2,500 (\$1,000/tree)
- Personal effects - \$2,500
- Valuable papers & records - \$10,000 on \$5,000 off premises
- Accounts receivable - \$10,000 on \$5,000 off
- Business personal property temporarily in portable storage units

Limits of Insurance

- Outdoor signs - \$1,000 per sign
- Automatic building increase
 - 8% or selected increase (daily)
 - Special calculation
- Peak season 25%
- Deductible
 - Standard \$500
 - Applies to optional coverages



BOP Liability

- Business liability – CGL policy
 - \$300,000 / \$600,000 liability
 - \$5,000 Med Pay
 - \$50,000 Damages to Premises Rented to You
- Same exact coverage with 3 changes
 - Exclusions of Part A
 - Professional liability specifically excluded
 - Non-owned watercraft up to 51 feet
 - General Aggregate Limits
 - Twice the occurrence and medical expenses limit



Exclusions – Medical Expenses

- To any insured
- Hired to work or tenant of insured
- Person injured on part of premises you own or rent that the person normally occupies
- Covered under Workers Comp
- Person involved in physical exercises, sports or athletics
- Included under products and completed operations
- Excluded under business liability

Who Is An Insured

- Same as the CGL except:
 - No automatic coverage for newly acquired or newly formed organizations



Limits of Insurance

- Similar to CGL, BUT:
 - BOP has single limit for liability and medical expenses including:
 - Personal advertising as well as bodily injury and property damage
- Five Limits under BOP Liability
 - Medical Expense – per person
 - Damage to Premises Rented to You – not taken from general aggregate
 - Products/Completed Operations Aggregate Limit
 - General Aggregate Limit
 - Twice the liability and medical expense limit



Selected Definitions

- Auto
- Coverage Territory
- Hostile Fire
- Insured Contract
- Mobile Equipment
- Products and completed operations hazard
 - Broadened to include coverage for consumption of insured's products on the insured's premises
 - Delicatessen, fast food restaurant, etc.



Deductibles

- \$500 on the following optional coverages:
 - Money & Securities
 - Employee Dishonesty
 - Outdoor Signs
 - Forgery and Alteration
- No \$ deductible applies to:
 - Fire department service charge
 - Business income or extra expense (subject to 72 hour waiting period)
 - Civil authority
 - Fire extinguisher recharge



Businessowners

- Property Loss Conditions
 - Appraisal
 - Recovered property
 - Valuation
 - Vacancy
 - Loss payment – PA Changes
- Optional coverages
 - Outdoor signs
 - Money & securities (burglary & robbery if named perils)
 - Employee dishonesty
 - Equipment breakdown



BOP Endorsements

- Hired and non-owned auto liability
- Protective safeguards
 - Warranties
 - 48 hour grace for sprinkler system
- Utility services direct damage
- Utility services – time element



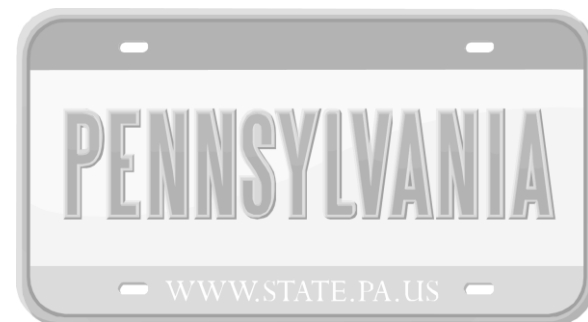
Personal Auto Insurance ('05)

Chapter 6 – 15 Questions



Pennsylvania Motor Vehicle Financial Responsibility Requirements

- 15/30/5 Liability Limits or
- \$35,000 CSL
- \$5,000 First Party Benefits Medical Expense



Eligibility - Ownership

- Individuals
 - Not Corporation, Partnership, LLC, etc.
 - Leased for 6 months in writing
- Co-owners
 - Husband/wife in same household
 - Resident & non-resident relatives
 - Non-related individuals in the same household
 - Individual trust owned vehicle



Eligibility – Vehicle Types

- Private Passenger

- Four wheels
- Not a “truck”
- Leased 6 months written contract = owned
- Not a taxi
- Not rented



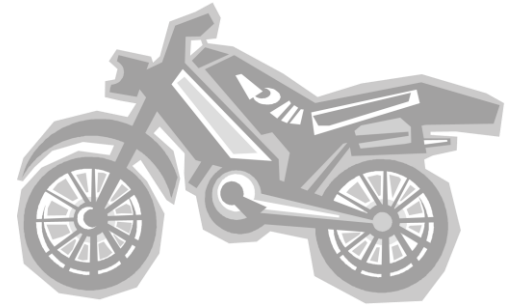
- Pickups and Vans

- Less than 9,000 GVW
- Only incidental business use
- Principal farm use is OK
- Trailers



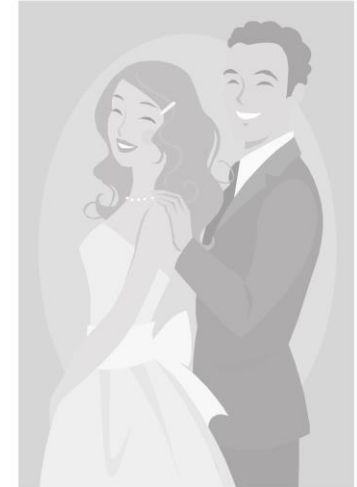
Other Eligible Vehicles

- Miscellaneous Type Vehicles
 - Motorcycles, mopeds, dirt bikes, ATVs
 - Golf Carts
 - Motorhomes



Definitions

- “You” or “Your”
 - The named insured
 - Spouse, if resident
 - If unnamed spouse moves out:
 - Until the end of the policy period
 - Or 90 days
 - Or until he or she gets their own policy
 - Name both on the declarations page
 - The named insured gets the broadest coverage



Definitions

- “We”, “us” and “our” = the insurance company
- “Bodily Injury” – bodily harm, sickness or disease and death.
- Business – courts require:
 - Continuity of activity
 - Expectation of profit



Definitions

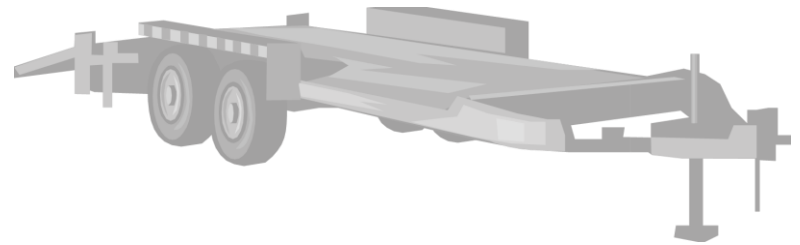
- “Family Member”
 - Related
 - Resident of the household who is:
 - Ward or foster child



Definitions

- “Property Damage”
 - Damage to tangible property
 - Loss of Use

- “Trailer”
 - Designed to be pulled by PP, PU or Van
 - Wheels? GVWR?
 - Farm Equipment



Your Covered Auto

- Vehicle on the Declarations
- A “Newly Acquired Auto”
- Owned Trailers
- Temporary Substitute
 - Any auto replacing owned auto
 - Breakdown, repair, servicing, loss or destruction
 - Any auto not excluded



“Newly Acquired Auto”

- Coverage begins the date “you” become the owner of:
 - Private passenger
 - Qualifying pickup or van

- Replacement or Additional



“Newly Acquired Auto”

- Always the broadest coverage
- Automatic from ownership
- Reporting periods vary
 - Liability vs. Physical Damage
 - To end of policy period
 - 14 days or
 - 4 days

“Newly Acquired Auto”

- Must be a private passenger or pickup-van type
- Automatic coverage during policy period if “you” acquire it

COVERAGES	REPLACEMENT	ADDITIONAL
Liability	To end of policy period	14 days
Med Pay / UM, etc.	To end of policy period	14 days
OTC	14 days if any current auto is covered for OTC. 4 days if no current auto is covered.	14 days if any current auto is covered for OTC. 4 days if no current auto is covered.
Collison	Same as OTC but determined and reported separately	Same as OTC but determined and reported separately
Deductible	Broadest or if no coverage currently \$500	Broadest or if no coverage currently \$500



“Newly Acquired Auto” Quiz

Example One: Joe Jones acquires a new Lincoln Town Car on 7/1/13 and currently has a 2002 Ford Pickup with Other Than Collision but no Collision coverage. Joe doesn't call his agent and on 7/11/13 he runs into a tree with the new Lincoln. What coverage does Joe have?

- ❖ Due Date to report for Collision? **7/5/13**
- ❖ Due Date to report for Other Than Collision **7/15/13**
- ❖ Would the results be different if Joe had traded in the Ford Pickup for the new Lincoln? **NO**
- ❖ Due date to report for Liability Coverages? **End of P.P.**

“Newly Acquired Auto” Quiz

Example Two: Bill Smith has a 2005 Ford Taurus currently insured with Liability coverages and OTC but no Collision coverage. Bill trades in the Taurus for a new Ford Mustang. How many days does Bill have to report for these coverages?

❖ Liability Coverage	End of P.P.
❖ Other Than Collision	14 days
❖ Collision?	4 days



“Newly Acquired Auto” Quiz

JACK & JILL HILL’S PAP

Auto	2012 Ford Edge	2009 Jeep Wrangler	2001 Dodge Pickup
Liability	\$300,000	\$300,000	\$300,000
Med Pay	\$ 5,000	\$ 5,000	\$ 5,000
UM	\$300,000	\$300,000	\$300,000
Collison	\$500 ded.	\$250 ded.	N/A
OTC	\$250 ded.	\$100 ded.	N/A



Are the following a “your covered auto” under the Hill’s PAP? If so, what coverage will the auto have under the “your covered auto” or “newly acquired auto” definition?

- 1. They purchase a fourth auto for their son, a 2010 Honda?**
- 2. Jack trades in his 2001 pickup for a 2011 Ford pickup?**
- 3. A Coleman camping trailer they owned at policy inception?**
- 4. They purchase an Airstream Travel Trailer?**
- 5. They rent an auto from Hertz while on vacation?**
- 6. Jill borrows the neighbor’s car because the Ford has a dead battery?**
- 7. Jack purchases a Yamaha 4-wheel ATV for hunting?**
- 8. They purchase a 30-foot Winnebago Motorhome?**
- 9. A 1957 Chevrolet BelAir they owned at policy inception?**



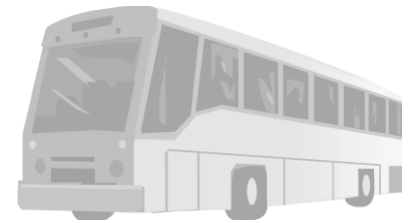
Part A - Liability

- Insuring Agreement
 - Pay “damages” for BI & PD
 - For any “insured”
 - For an auto accident
 - “We” will settle or defend
 - Duty to defend until limits are exhausted



Liability – Who Is An Insured?

- #1 – You or Family Member for any auto
 - Any auto not excluded
 - Not just “your covered auto”
 - Not just eligible autos
 - Not just listed drivers
- Ownership, maintenance or “use” of any auto



Liability – Who Is An Insured?

- #2 – Any person using “your covered auto”
 - “Reasonable belief”
 - Permissive user
 - Only “your covered auto”
 - Loan your car, loan your insurance



Liability – Who Is An Insured?

- #3 – A person or organization for vicarious liability of “your covered auto”
 - Law of agency
 - Relationships like:
 - Employer/employee
 - Contractor/subcontractor
 - Your employer can be an insured on your PAP



Liability – Who Is An Insured?

- #4 – A person or organization for vicarious liability for other than “your covered auto”
 - Same as #3 except different auto
 - Exception to a #4:
 - Vehicle owned by that person
 - Lend your car, then only your PAP will cover you



Question?

- Bob has an at fault accident driving Tim's van while on church business. What coverage as an "insured" (#1, #2, #3 or #4) do the following or organizations have on both Bob and Tim's PAPs?

WHO?	TIM'S PAP	BOB'S PAP
Bob	#2	#1
Church	#3	#4
Tim	#1	-



Question?

- Mr. and Mrs. Bob have a PAP. They have family members, Bob Jr., Sis, Butch and Billy. Are the following “insureds” under their policy? If so, are they #1, #2, #3 or #4s?

Question

1. Mr. Bob while driving his personal auto on company business? Mr. Bob’s company, the Better Business Bureau?
2. Mr. Bob while driving a company auto on business? Mr. Bob’s company?
3. Mrs. Bob, while driving a van rented from Budget to take her Brownie Troop to the zoo? Budget? The Brownie’s Scout Council?
4. Their son, Bob Jr., while driving his friend’s car? Their son’s friend?



Supplementary Payments

- Paid in addition to limits
 - \$250 for bail bonds
 - Appeal bond premiums and to release attachments
 - Post judgment interest
 - Loss of earnings to \$200
 - Other reasonable expenses
 - PA requires prejudgment interest



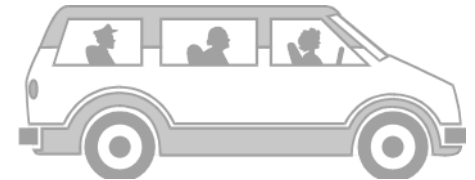
Part A Exclusions - Persons

- Intentional damages
- PD to property owned or transported
 - Not just insured's property
- PD to property rented, used by or in the care
 -
 - PD to rental car?
 - Exception for non-owned residence or garage



Part A Exclusions - Persons

- Workers Compensation
 - If employee of the insured
 - Exception for domestic worker
- Public or Livery Conveyance
 - Taxis
 - Trucks hauling “stuff” for a fee
 - Exception for car pools



Part A Exclusions - Persons

- Auto Business includes:

- Selling
- Repairing
- Servicing
- Storing
- Parking Vehicles



- Exception for OMU of “your covered auto” by you or family member

Part A Exclusions - Persons

- Other business use except:
 - Farming/ranching are covered
 - Private passenger vehicles
 - Pickups and vans
 - Trailers used with . . .
- Not:
 - Large trucks
 - Motorhomes
 - Other than private passenger



Part A Exclusions - Persons

- Using a vehicle without a reasonable belief . . .
 - Restricts “#2” insured
 - Old wording “permissive use”
 - Applies to non-owned autos
 - Exception for a family member
- Nuclear Energy Liability Policy



Part A Exclusions - Vehicles

- Fewer than 4 wheels or off road use
 - No motorcycles
 - No ATVs
 - No dune buggies unless . . .
 - Except medical emergencies
 - Except non-owned golf carts
 - Buy back with Miscellaneous Type Vehicle Endorsement (PP 03 23)



Part A Exclusions - Vehicles

- Any vehicle other than “your covered auto”
 - Owned by “you” or
 - Furnished or available for “your” regular use
 - Company cars
 - Long term rental cars
 - A relative’s car used long term
 - Girlfriend/Boyfriend



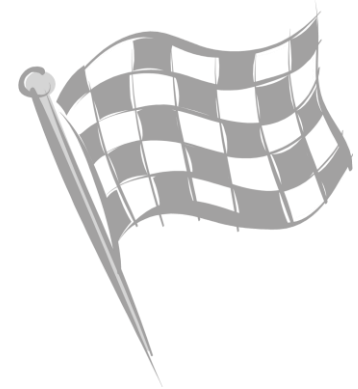
Part A Exclusions - Vehicles

- Any vehicle other than “your covered auto”
 - Owned by “a family member”
 - Furnished/available for regular use of a “family member”
 - Same vehicles as exclusion #B2, but . . .
 - Exception for “you”
 - Only the named insured gets this coverage.



Part A - Exclusions

- Any vehicle located inside a racing facility for:
 - Competing in; or
 - Practicing or
 - Preparing for a race



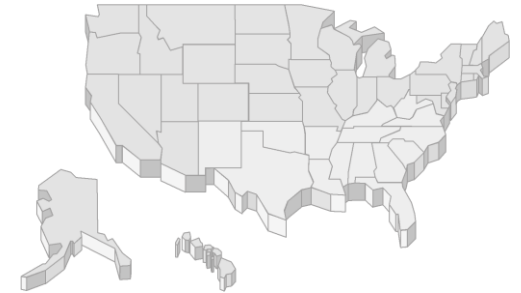
Part A – Limit of Liability

- Can be written
 - Split limits
 - Combined single limit
- No stacking
- Carrying adequate limits (E&O)?
 - Liability & UM for large losses
 - Minimum umbrella limits and
 - A personal umbrella on top



Part A – Limit of Liability

- Out of state coverage
 - Limits will meet other state minimums
 - Also required PIP or no-fault benefits
- Financial Responsibility Compliance
- Other Insurance
 - Owned Auto is primary
 - Non-owned auto is excess



Liability Coverage Quiz

- Mark and Mary Marx have an unendorsed PAP. Will their policy provide Liability coverage for the following:

Question

1. Mary, while driving a van she borrowed to take Girl Scouts to the zoo?
2. Mark, while driving his owned Mercedes on company business?
3. Mark, while driving a rented Mercury from Hertz on company business?
4. Mark, while driving a company car furnished to him? Mary driving the same auto?
5. Mark, while driving a rented dump truck for business use?

Liability Coverage Quiz

- Mark and Mary Marx have an unendorsed PAP. Will their policy provide Liability coverage for the following:

Question

6. Mark, while driving a rented U-Haul truck to move his daughter, Maxine's property to college?
7. Mitch, the auto mechanic, while test driving the Marx's auto?
8. Mary, while driving an auto owned by their son, Maxwell, who lives with them and this auto is not scheduled on their PAP? Their son, Maxwell, who owns the auto? The Marx's daughter, Maxine, who lives at home while driving the same auto?
9. Mark, while driving the company auto furnished to their son who lives at home? The son?



Liability Coverage Quiz

- Mark and Mary Marx have an unendorsed PAP. Will their policy provide Liability coverage for the following:

Question

10. Mark, while driving after consuming a few beers with the boys?
11. The Marx's son while driving a motorcycle?
12. Mark, while driving a rented Winnebago Motorhome on vacation?
13. Their 12 year old son, who is unlicensed and decided to drive the car?



Happy Days Example

- Mr. and Mrs. Cunningham reside in a household with their son “Richie” and daughter “Joanie.” Joanie has a boyfriend, “Chachi,” who obviously does not live with them. Chachi’s car is not furnished or available for any of the Cunningham’s use. They each have their own autos and auto policies as follows:

Happy Days Example #1

• Mr. & Mrs. C	\$500,000	CSL
• Richie	\$100,000	CSL
• Joanie	\$ 35,000	CSL
• Chachi	\$ 35,000	CSL

Joanie has an accident driving Chachi's car.
How much coverage is available to Joanie
for the loss and where do we get coverage?

Happy Days Example #1

Policy Limits

- Mr. & Mrs. C \$500,000 CSL
- Richie \$100,000 CSL
- Joanie \$ 35,000 CSL
- Chachi \$ 35,000 CSL

Chachi's Policy	\$ 35,000
Joanie's Policy	\$ 35,000
Mr. & Mrs. C	\$500,000
Richie	<u>\$100,000</u>
	\$670,000

Chachi only has his own policy to go to for coverage.

Happy Days Example #2

- | | | |
|----------------|-----------|-----|
| • Mr. & Mrs. C | \$500,000 | CSL |
| • Richie | \$100,000 | CSL |
| • Joanie | \$ 35,000 | CSL |

Joanie has an accident driving Richie's car.
How much coverage is available to her and
where do we get coverage?

Happy Days Example #2

Policy Limits

- Mr. & Mrs. C \$500,000 CSL
- Richie \$100,000 CSL
- Joanie \$ 35,000 CSL

Richie	\$100,000
Joanie's Policy	<u>\$ 35,000</u>
	\$135,000

***Mr. & Mrs. C's policy not available
because of exclusion B3.***

Happy Days Example #3

- | | | |
|----------------|-----------|-----|
| • Mr. & Mrs. C | \$500,000 | CSL |
| • Richie | \$100,000 | CSL |
| • Joanie | \$ 35,000 | CSL |

Joanie has an accident driving her own car.
How much coverage is available to her and
where do we get coverage?

Happy Days Example #3

Policy Limits

- Mr. & Mrs. C \$500,000 CSL
- Richie \$100,000 CSL
- Joanie \$ 35,000 CSL

Joanie's Policy \$ 35,000
 \$ 35,000

Mr. & Mrs. C's policy and Richie's policy are not available because of exclusion B3.



Full Tort / Limited Tort

- Full Tort
 - Retain the right to collect full Compensatory Damages
 - Both BI claim and
 - UM/UIM claims
- Limited Tort
 - May only collect Special Damages or Economic (out of pocket)
 - No pain & suffering, inconvenience, etc.



Full Tort / Limited Tort

- Owner selects at time of application
- Notice in writing of options with costs shown
- All family members bound by election
- If conflict on vehicles, follows car



Full Tort / Limited Tort

- Amendment of Policy Provisions
Endorsements
 - State Specific for Limited Tort
- “Noneconomic Loss”
 - General Damages
- “Serious Injury”
 - If it fits the definition then full tort



Full Tort / Limited Tort

- Limited Tort Alternative Notice – may still collect Full Tort if:
 - Serious injury – verbal threshold
 - DUI or ARD
 - Out of State
 - Intentional
 - Uninsured motorist
 - Auto business defect
 - Occupant of a commercial vehicle



First Party Benefits

- Replaces Part B – Medical Payments
- No fault coverage
 - Collect from own insurer
 - Benefits follow insured, not the vehicle
- Basic First Party Benefits – Mandatory
 - Medical Expenses
 - \$5,000



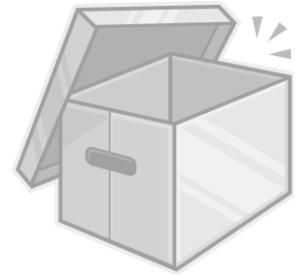
First Party Benefits

- Added First Party Benefits – Optional
 - Medical Expense Benefits
 - Up to \$100,000
 - Maintenance or use of a motor vehicle
 - Medical and rehab incurred
 - Work Loss Benefits
 - Minimum \$1,000/\$5,000 up to \$2,500/\$50,000
 - 80% of gross income
 - 5 day waiting period



First Party Benefits

- Added First Party Benefits – Optional
 - Funeral Expense Benefits
 - Minimum \$1,500 up to \$2,500
 - 24 month limitation
 - Accidental Death Benefit
 - Minimum \$5,000 up to \$25,000
 - 24 month limitation
- Combination benefit of \$177,500
 - \$2,500 maximum for funeral benefits
 - \$25,000 maximum for accidental death benefits
 - No internal limits for medical or income loss



Extraordinary Medical Benefit

- Medical Expenses only
 - Same coverage as Basic Medical
 - \$100,000 increments to \$1 Million
 - Only applies +\$100,000 claims
 - Limit of \$50,000/year after 18 months



First Party Benefits

- Priority of Policies
 1. Named insured
 2. Family member
 3. Occupant
 4. Any vehicle in the accident
 5. Pedestrian FPB and Assigned Claims Plan
- All First Party is primary except WC
- No subrogation
- No stacking



First Party Benefits Exclusions

- Intentional
- Felony
- Avoiding arrest
- Stolen car
- Owns/occupies auto with no FR
- Used as residence
- Recreational vehicles
- Pedestrians outside Pennsylvania
 - If not covered by a policy
- War and Nuclear



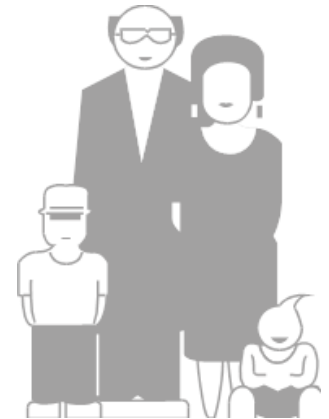
Uninsured & Underinsured Motorists

- Injuries from accidents – someone else is legally responsible
 - Property damage NOT covered
- That person either has:
 - No insurance (UM) or
 - Not enough insurance (UIM) to pay
- Compensatory damages, including:
 - Unpaid out-of-pocket expenses
 - Pain and suffering, etc.
- Coverage follows the car



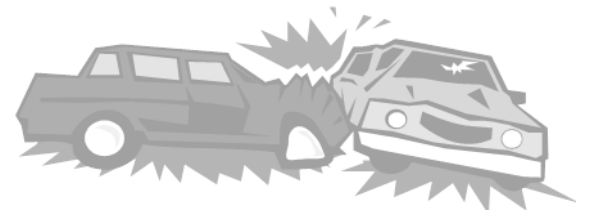
Uninsured & Underinsured Motorists

- Insuring Agreement
 - Compensatory Damages
 - For an “insured”
 - In an accident
 - By an “uninsured motor vehicle”
 - Insureds
 - You and family members
 - Others occupying
 - Others entitled to collect



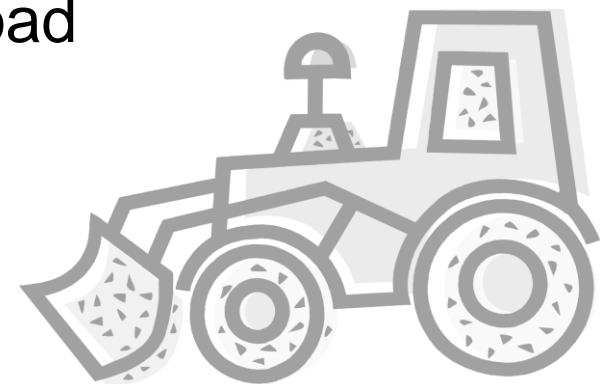
Uninsured & Underinsured Motorists

- “Uninsured Motor Vehicle” means:
 - No insurance
 - Hit and run vehicle included
 - Non contact accidents
 - Insurance company denies claim or is insolvent



Uninsured & Underinsured Motorists

- An “uninsured motor vehicle” is not a vehicle:
 - Owned by “you” or “family member”
 - Furnished/available to you or family member
 - Qualified self insurer
 - Rails or crawler treads
 - Off road vehicles – when off road
 - A residence



Uninsured & Underinsured Motorists Exclusions

- No coverage if you don't buy it
- No coverage for any insured if:
 - No consent to settle
 - Public livery or conveyance, or
 - Reasonable belief
- Limited Tort no general damages unless serious injury or commercial vehicle
- Benefits are yours and not for
 - WC carrier or Disability Inc. carrier
- Punitive damages are excluded



Uninsured & Underinsured Motorists

- Limits equal or less than liability limits
 - Signed waiver for lower
- Combined single limits or split limits
- Stacked or Non-stacked
- Stacked = “the sum of the limits”
- Lesser premium for non-stacked and higher premium for stacked
- First named insured must sign all forms



Uninsured Motorist Quiz

- Jim and Jennifer Johnson and the Johnson family have a PAP with Uninsured/Underinsured Motorists coverage limits of 100/300. Are the following losses covered?

Question

1. Jim is injured when he has a one-car accident and runs into a tree. The tree is not insured.
2. Jennifer is side swiped while driving on the interstate. The other car leaves the scene. Jennifer then loses control and runs into the guardrails and is injured. Jennifer reports the loss to the police that night.
3. Jim's grandmother who lives with them, is hit by an uninsured motorist while crossing the street as a pedestrian.

Uninsured Motorist Quiz

- Jim and Jennifer Johnson and the Johnson family have a PAP with Uninsured/Underinsured Motorists coverage limits of 100/300. Are the following losses covered?

Question

4. **Joseph, their 15 year old son, takes the family car without permission and rear-ends another car at a red light. The other car has no insurance and Joseph is injured.**
5. **While Jim is on a hunting trip, he is struck and injured by an all-terrain vehicle which is uninsured.**
6. **Jennifer's stepson, Josh, is 20 and a student at college in another state. Josh is a passenger in a fellow student's vehicle and is injured. The fellow student's vehicle is uninsured.**

Uninsured Motorist Quiz

- Jim and Jennifer Johnson and the Johnson family have a PAP with Uninsured/Underinsured Motorists coverage limits of 100/300. Are the following losses covered?

Question

7. Jim and Jennifer are stopped at a red light and are rear ended by Otis, the town drunk. Otis has state minimum limits of 15/30. Both Jim and Jennifer have compensatory damages in excess of \$15,000. Can they collect on their PAP? What if the court awards punitive damages?



Part D–Coverage for Damage to Your Auto

- Insuring Agreement
 - Direct and accidental loss
 - “Your covered auto” and
 - “Non-owned auto”
 - On Dec page with deductibles
 - Broadest coverage for any “non-owned auto”



Part D—Coverage for Damage to Your Auto

- Collision
 - Upset or
 - Impact with another vehicle or object



- Other Than Collision
 - Open perils coverage
 - Ten listed perils are Other than Collision
 - Breakage of glass is either



Part D—Coverage for Damage to Your Auto

- “Non-owned Auto” means:
 - A private passenger, pickup, van or trailer
 - Not owned/furnished/available
 - Custody of you or a family member “OR”
 - A temporary substitute
 - Gets broadest coverage



Part D—Coverage for Damage to Your Auto

- Transportation Expenses, 2 parts:
 - Temporary transportation expenses
 - \$20/day to \$600
 - Any covered loss
 - Expenses for legal responsibility
 - Loss of use or down time
 - Other expenses
- 48 hour wait for theft
- 24 hour qualification for other claims
- Notice of rental car coverage
 - Must be included on policy



Part D - Exclusions

- Public livery or conveyance
 - Except car pools
 - Can't buy back
- Maintenance type exclusions
 - Wear and tear
 - Freezing
 - Mechanical or electrical breakdown
 - Road damage to tires
 - Exception for total theft



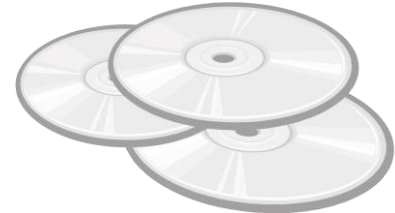
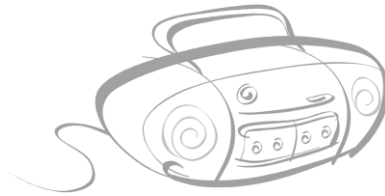
Part D - Exclusions

- Radioactive contamination, nuclear and war
- Electronic equipment for
 - Audio, visual, data, etc. including:
 - Radios, TVs, CDs, DVDs, Onstar & GPS, Computers, etc. UNLESS:
 - Permanently installed anywhere
 - \$1,000 limit if installed where auto manufacturer did not intend



Part D - Exclusions

- Tapes, records, discs or other media used with such equipment



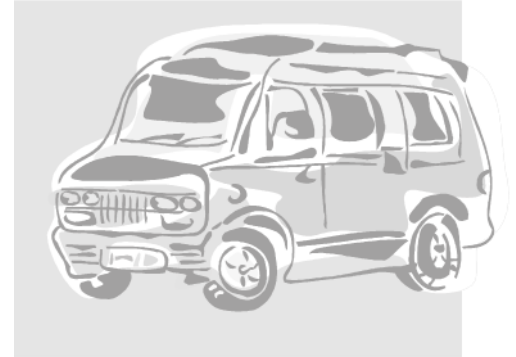
Part D - Exclusions

- Destruction or confiscation by Government
 - Total losses only
- Camper, Trailer or Motorhome - owned
 - Must be shown on dec page
 - Includes facilities & equipment
 - Non-owned trailers = \$1500
 - Newly acquired = 14 days



Part D - Exclusions

- Reasonable belief
- Radar detection devices
- Customized equipment of pickups and vans
 - Special carpeting, insulation
 - Furniture or bars
 - Height extending roofs
 - Custom murals, painting or decals/graphics
 - Not caps, covers or bedliners



Part D - Exclusions

- Non-owned autos used in the auto business
- Vehicles inside the racing facility
- Damage to a rental car if precluded by state law
 - States are IL & CA



Part D—Coverage for Damage to Your Auto

- Payment of Loss – Insurance Company chooses:
 - Money
 - Repair
 - Replacement
- Other Insurance
 - Owned autos, pro rata
 - Non-owned autos, excess



Auto Quiz

- Willie and Whitney Wilson have a PAP with two autos insured, a Windstar with Collision and Other Than Collision, and a Wrangler with Other Than Collision only. Are these losses covered?

Question

1. **While on a long trip, Willie Jr. drops bubble gum and Mountain dew on the back seat of the Windstar. The cleaning bill is \$500.**
2. **The Jeep Wrangler's paint is damaged by a hailstorm. The cost to repaint is \$3,000.**



Auto Quiz

- Willie and Whitney Wilson have a PAP with two autos insured, a Windstar with Collision and Other Than Collision, and a Wrangler with Other Than Collision only. Are these losses covered?

Question

- 3. While on vacation, the Wilson's rent a car for two weeks. While the car is parked in the hotel parking lot, it is hit and run damaged to the tune of \$2,500. The car rental company also is charging \$300 for down time of six days.**
- 4. While driving down a country road, a wild turkey flies across the front of the Windstar and breaks the windshield. Is this a Collision or Other Than Collision loss?**

Auto Quiz

- Willie and Whitney Wilson have a PAP with two autos insured, a Windstar with Collision and Other Than Collision, and a Wrangler with Other Than Collision only. Are these losses covered?

Question

5. **Whitney is driving the Windstar in New York City and is arrested for DUI. The authorities legally confiscate the car.**
6. **Willie spends \$3,000 to customize the Windstar. He installs a TV and a DVD player. He also has a \$500 library of DVDs.**

Auto Quiz

- Willie and Whitney Wilson have a PAP with two autos insured, a Windstar with Collision and Other Than Collision, and a Wrangler with Other Than Collision only. Are these losses covered?

Question

7. **The Wilson's decide to buy a travel trailer valued at \$20,000 on March 1st but never call their agent. On March 10th the trailer is broken into and many items are stolen. The trailer door and awning are also damaged.**



Part E – Duties After An Accident or Loss

- Prompt notification of accidents
- For claims
 - Full cooperation
- For UM/UIM promptly report hit and run to police
- For Coverage D
 - Protect property
 - Report theft to police
 - Permit us to inspect and appraise



Part F – General Provisions

- Policy Period and Territory
 - USA & territories
 - Puerto Rico and Canada
 - **NOT MEXICO**, use the personal umbrella
- Termination/Cancellation – State Specific
- Assignment clause
- Two or more policies, highest limit



Extended Non-Owned Coverage Vehicles Furnished or Available For Regular Use (PP 03 06)

1. Eliminates exclusion in Part A Liability
 - Exclusion for vehicle owned, furnished or available for regular use
2. Only covers non-owned autos
3. For Liability and Medical Payments only



Personal Auto Endorsements

- Joint Ownership Coverage
 - To cover individuals not related
 - Nonresident relatives
- Miscellaneous Type Vehicles
 - Motorhome, MC, ATV, dune buggy, etc. and golf cart
- Towing & Labor
- Amendment of Policy Provisions

Pennsylvania Auto Plan

- Assigned Risk Plan
- Purpose and Operations
- All agents may write if registered



Pennsylvania Auto Plan

- Financial Responsibility



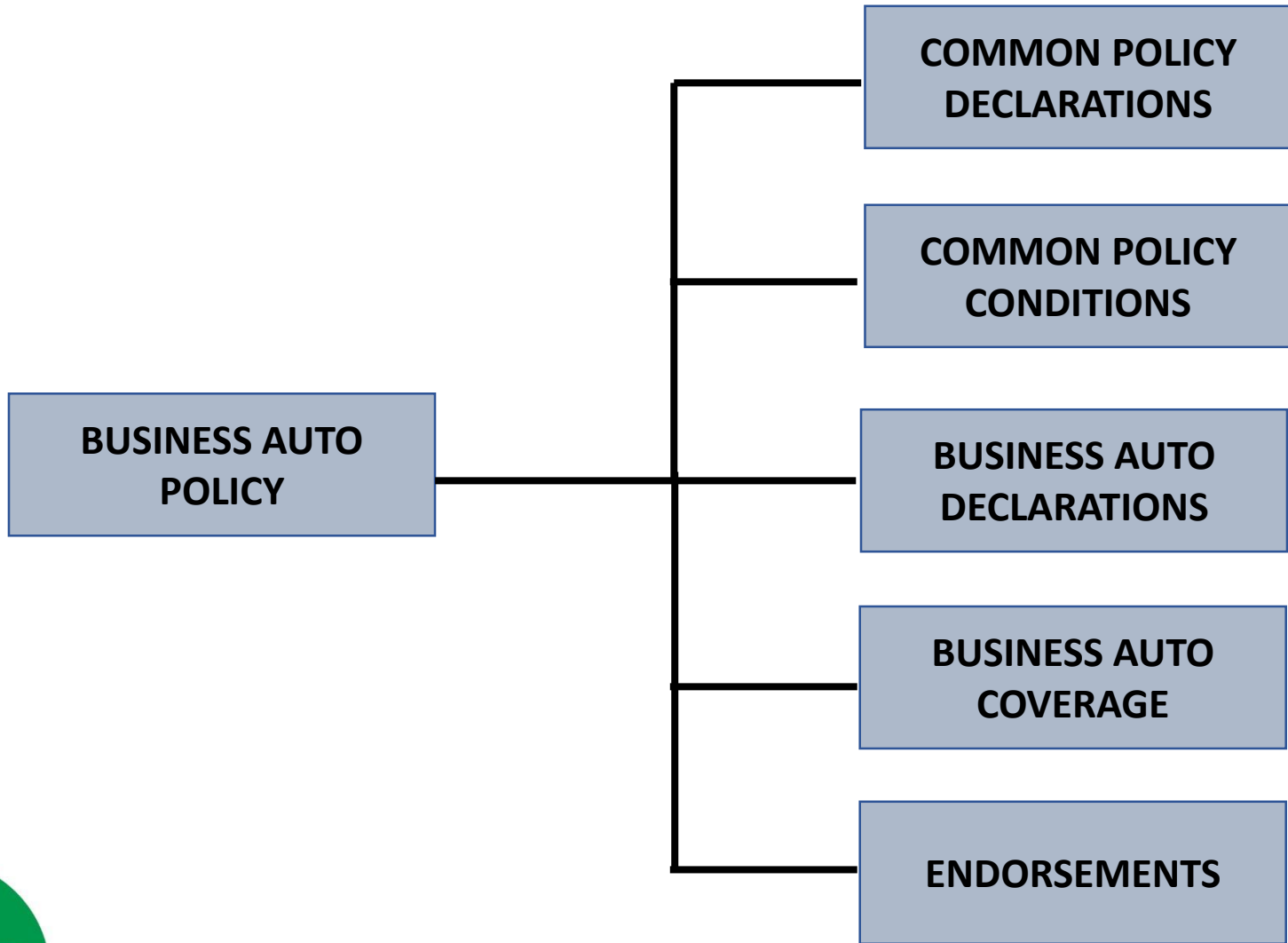
Commercial Auto Insurance ('13)

Chapter 7 – 7 or 8 Questions

A green circular logo with the text "IA&B" in white. The logo is positioned in the bottom-left corner of the slide, partially overlapping an orange horizontal bar at the bottom.

IA&B

Business Auto Policy



SYMBOL	DESCRIPTION
1	ANY "AUTO." Use for Liability coverage only.
2	OWNED "AUTOS" ONLY. Use for any coverage.
3	OWNED PRIVATE PASSENGER "AUTOS" ONLY. Use for any coverage.
4	OWNED AUTOS OTHER THAN PRIVATE PASSENGER "AUTOS". Use for any coverage.
5	OWNED "AUTOS" SUBJECT TO NO-FAULT. Use if No-Fault benefits are required by the state where auto garaged.
6	OWNED "AUTOS" SUBJECT TO COMPULSORY UNINSURED MOTORISTS LAW. Use if UM benefits cannot be rejected in the state where garaged.
7	SPECIFICALLY DESCRIBED "AUTOS" ONLY. Use for any coverage.
8	HIRED "AUTOS" ONLY. Use for any coverage leased, hired, rented or borrowed autos. Excludes autos owned by employees, partners of partnership, member of LLC, or members of their families.
9	NONOWNED "AUTOS" ONLY. Use for Liability coverage only on autos not owned, leased, hired, rented or borrowed by the insured and used in the insured's business.
19	MOBILE EQUIPMENT SUBJECT TO COMPULSORY OR FINANCIAL RESPONSIBILITY OR OTHER MOTOR VEHICLE INSURANCE LAW ONLY. Autos that would qualify under the definition of "mobile equipment" if they were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where they are licensed or principally garaged.



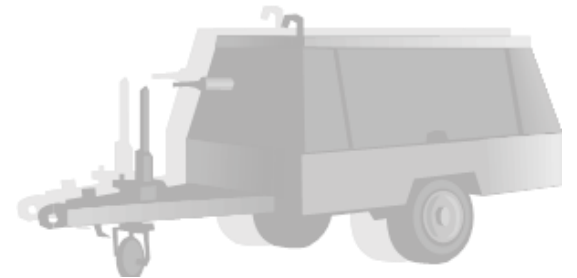
Business Auto Policy (BAP)

- Newly acquired autos
 - Symbols 1, 2, 3, 4, 5, 6, 19 activate coverage for the same “autos”
 - To the end of the policy period
 - Symbol 7 has two requirements:
 - Must insure all current autos or
 - Replaces a current auto and
 - Notification in 30 days



Business Auto Policy

- Extra additional liability coverage
- As long as any symbol on Dec for liability, covers:
 - Trailers up to 2,000 lbs. load capacity
 - Transport of “mobile equipment”
 - Temporary substitute autos



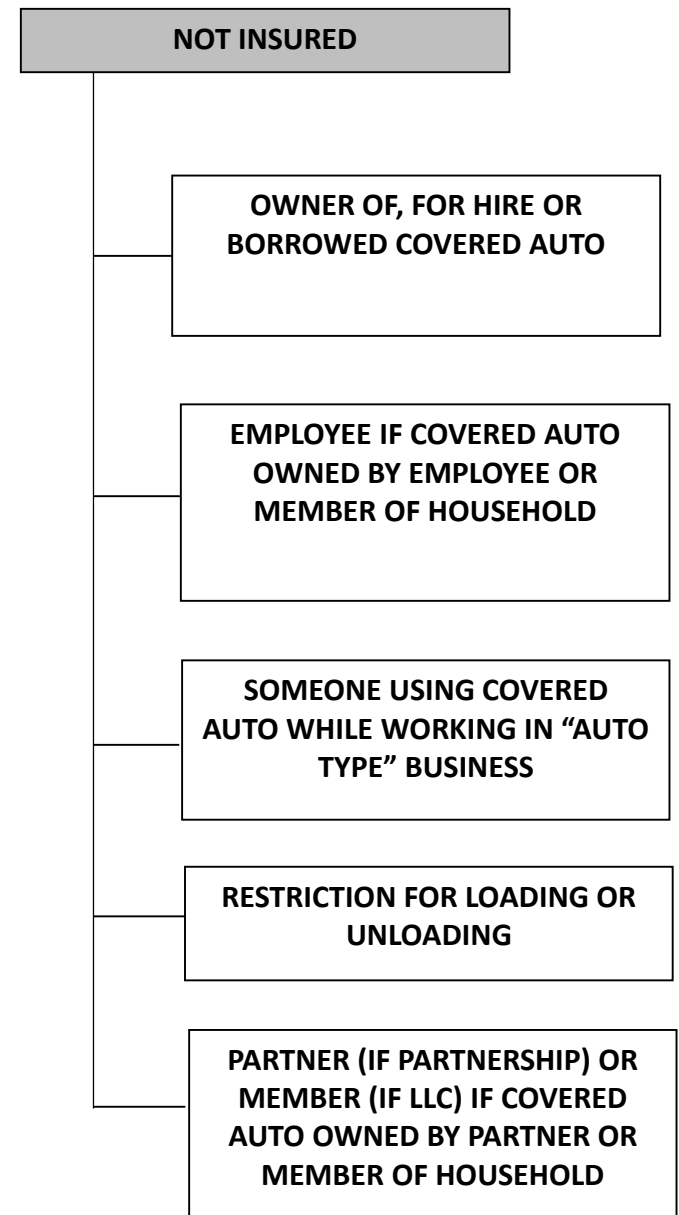
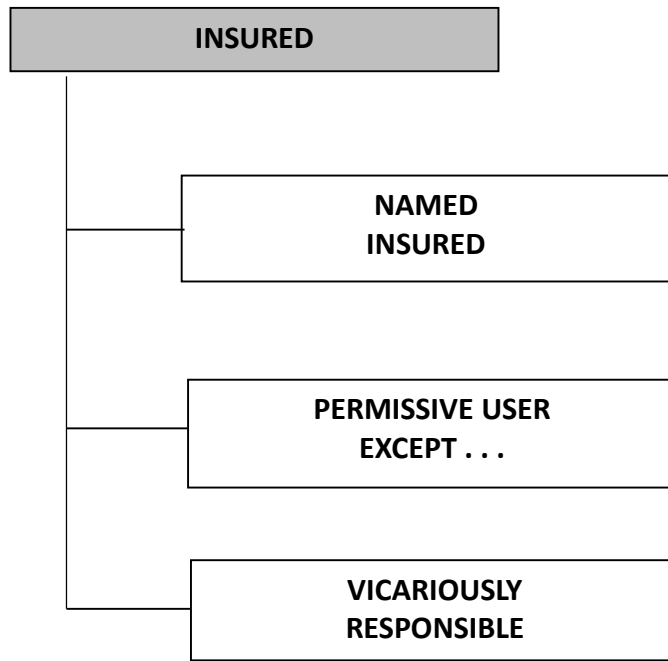
BAP Liability

- Insuring agreement
 - BI/PD for Ownership, maintenance or use of a covered auto
 - “Covered pollution cost or expense”
 - Very limited
 - Must look in 3 different places
 - Insuring agreement
 - Definitions
 - Exclusions
- Defense



BAP Coverages

WHO IS AN INSURED?



BAP Other Coverage

- First Party Benefits – same options as PAP
- UM/UIM – same coverage
 - Can't stack business owned vehicles
- No Tort Selection
 - Always full tort if occupying commercial auto



BAP Exclusions

- Intentional
- Contractual except . . .
- Workers Compensation
- Employee Liability
- Fellow Employee
- Care, Custody or Control
- Before loaded & after delivered
- Movement by mechanical device



BAP Exclusions

- Operations by “mobile equipment”
- Completed operations
- Pollution – except “covered pollution cost/expense:
 - Operating fluids of covered auto and
 - Accidents away from premises
 - Pollutant cannot be in/upon our auto
- War
- Racing



BAP Physical Damage Exclusions

- Nuclear, war, etc.
- Racing
- Wear and tear, freezing, mechanical breakdown, road damage to tires
- Electronic equipment
 - Audio, visual, data, permanently installed
 - Or necessary for operation of auto
 - No tapes, discs, radar detectors, etc.
 - \$1,000 limit if installed in odd places
- Diminution in value



Auto Dealers Policy

One policy to cover operations as well as vehicles.

- Covered autos
 - Coverage triggered by symbols
- Exclusions
 - Leased autos
 - Defective products (buy back)
 - Care, custody, control
- Garagekeepers coverage
 - Specified, Comprehensive, Collision
 - Deductibles
 - Legal Liability or
 - Direct Excess or Direct Primary



Motor Carrier Form

- Eligible types of operations include
 - Private carriers
 - Own trucks hauling own goods
 - Carriers who transport passengers
 - Combination carriers
 - Own goods
 - Goods of others
 - Carriers of both
 - Passengers
 - Freight (property)
- Legal liability
- Tractor leased to trailer company
- CCC exclusion for trailer
- Trailer Interchange Coverage
 - Symbol 69



Commercial Auto Endorsements

- Lessor – Additional Insured and Loss Payee
- Individual Named Insured
 - Titled to individual, not the business
 - If they don't have a PAP
 - PAP like coverage
- Drive Other Car Coverage (DOC)
 - If they don't have a PAP
 - Nonowned autos, non-business use
- Mobile Equipment



Commercial Auto

- Motor Carrier Act of 1980
 - Transport “hazardous substances”
 - Financial Responsibility limits
 - Vary by situation
 - From 750,000 to 5,000,000
 - Vehicles over 10,000 lbs. that haul cargo over state lines
 - Tow Trucks



Commercial Auto

- Compliance – MCS-90 endorsement
 - Guarantees performance (clean-up)
 - Acts as a bond
 - Insured required to pay back
 - NOT coverage



Workers Compensation Insurance

Chapter 12 – 7 or 8 Questions



Workers Compensation

- Before WC, workplace injuries:
 - Only solution, to sue employer
- Employer's common law defenses
 - Assumption of Risk
 - Contributory Negligence
 - Fellow servant rule



Workers Compensation Laws

- Compulsory
 - 49 states
 - Employer must cover
 - Some exempt classes
- Competitive
 - Most states including PA
- Elective
 - Texas
- Monopolistic
 - North Dakota
 - Ohio
 - Washington
 - Wyoming



Workers Compensation

- Funding of WC obligation in PA
 - Private insurance
 - State Workers Insurance Fund (SWIF)
 - Self-insurance – financial responsibility limits
 - Group self insurance



Workers Compensation

- Compliance Requirements
 - New employees given WC information
 - Benefits
 - Name of WC Insurance Company
 - Post Notice
 - “Tell Employer of Injury”
 - May Establish Provider List
 - Employees must notify
 - 21 days
 - Notify Department of Labor and Industry
 - 48 hours – Death
 - Other injuries – 7 days, unless back to work in 1 day
 - Employers record all injuries
 - Notice of Denial – within 21 days of disability
 - Department of Labor and Industry
 - Employee



PA Workers Compensation Act

- All public and private employments subject to act
 - Possible exemption for employee – Religious Sects
 - Amish
- Exempt
 - Domestic workers
 - Casual workers
 - Agricultural
 - Less than \$1,200 year or
 - Work less than 30 days
 - Real Estate Sales Person
 - Elected Officials of Commonwealth or Subdivisions
- Elective options
- Executive officers
 - Elect out
- Employers of domestics
 - Elect in



Workers Compensation

- Covered injuries
 - Arise out of employment
 - In the course of employment
- Exclusions
 - Intoxication
 - Horseplay
 - Intentional
 - Personal fights
 - Failure to use safety device



Workers Compensation

- Occupational disease
 - Particular & peculiar to employment
 - Statutorily imposed
- Benefits
 - Medical – unlimited
 - Income – 66 2/3 % of SAWW
 - Weekly max is \$888, min is \$444
 - Based on classification of disability
 - Waiting (7 days) Retro (14 days)



WC Disability Classes

- **Temp Total – broken leg**
 - 66 2/3 % subject to max and min
- **Temp Partial – broken arm**
 - 66 2/3 % of the difference
 - 500 week max
- **Permanent Partial**
 - Scheduled benefits for body parts
 - 66 2/3 % of difference
- **Permanent Total**
 - 66 2/3 % for life



Workers Compensation

- Benefits
 - Rehab, both physical & occupational
 - Death & survivor – must be dependent
 - 66 2/3 % spouse & child
 - 51% spouse only
 - 32% child only
- Burial allowance - \$3,000



Workers Compensation

- Subsequent Injury Fund
 - Second injury, previous WC claim
 - PA, must be loss of body part not recurring disability



Federal Workers Compensation Laws

- FELA – interstate railroad workers
 - Based on negligence, unlike WC
- USLHWA – federal compensation
 - Shore based occupations
 - On/over “navigable waters”
- Jones Act – federal liability act
 - Merchant marine act of 1920
 - Wages, transportation, maintenance & cure
 - Negligence claim



Workers Compensation & Employers Liability Policy

- Most companies use policy developed by National Council on Compensation Insurance (NCCI)
- Information Page (Declarations) plus
 - General Section
 - Part One – Workers Comp Policy
 - Part Two – Employers Liability Insurance
 - Part Three – Other States Insurance
 - Part Four – Your Duty if Injury Occurs
 - Part Five – Premium
 - Part Six - Conditions



Information Page

1. Named Insured
2. Policy Period
3. Three Major Sections
 - 3A – Workers Comp – States Included for Coverage
 - All Known or Expected Locations
 - All Locations in States Listed
 - 3B – Employers Liability Limits
 - PA Statutory
 - \$100,000 BI by accident, each accident
 - \$500,000 BI by disease, policy limit
 - \$100,000 BI by disease, each employee
 - 3C – Other States Coverage
 - See next slide
4. Premium Information



Information Page

- 3A lists all locations “known or expected”
- 3C lists – all states except N-O-W-W and states designated in item 3A of the information page
- Employees unexpectedly injured in other states (other than listed in 3A) where that state’s jurisdiction may apply.
- Employer is responsible for the increased benefits. Insurance company will reimburse the employer.
- If employer begins work in an other state, tell us at once. Only 30 days after effective date to report .
- Part Three is not for ongoing or anticipated operations. No premium charged unless actual operations.
- Most state WC Laws are extraterritorial.



General Section

- Who, where covered
- Part One – Workers Comp (3A)
 - Pays for
 - Bodily Injury by
 - Accident or disease
 - Pay benefits required by law
 - Excluded
 - Employer's serious/willful misconduct
 - Knowingly employing in violation of law
 - Failure to comply with Health & Safety Laws
 - Discharges, coerces, discriminates in violation of WC Law



General Section

- Part Two – Employers Liability (3B)

- Protection for lawsuits outside exclusive remedy protection

- Pay for liability
 - For bodily injury
 - To employee

1. Third-party claims (action over) or those claims made against the employer by others (third parties) who have been held liable for an employee injury.

ABC Inc. is sued by a manufacturer who had to pay an employee of ABC Inc. due to a lawsuit. Now the manufacturer sues ABC Inc. stating that ABC Inc. didn't properly train their employee.

2. Care and loss of services; these claims include loss of consortium claims that are brought by the injured employee's spouse
3. Consequential bodily injury to a spouse or immediate relative of the employee. An example of this kind of situation would be a spouse, when learning of his wife's work related injury, suffers a heart attack and files suit against the employer.
4. Dual capacity occurs when an employee is injured and the employer may be sued in a capacity other than the employer.

Ben is employed by ABC Ladder Manufacturing. While at work, Ben was using a ladder manufactured by ABC to change a light bulb when the ladder broke. Ben fell and broke his arm. Ben filed a Workers Compensation claim as the employee but is also suing ABC as the manufacturer of the ladder (faulty product).



Part Two – Employers Liability (3B)

- Exclusions
 - Assumed by contract
 - Punitive if worker employed in violation of law
 - Workers comp
 - Intentional bodily injury
 - Bodily injury outside territory
 - Temporary is covered
 - Wrongful discharge
 - Violation of Federal Laws



Part Three – Other States Insurance (3C)

- Incidental exposures
- States not shown in 3A
- Temporary, travel or occasional work
- No coverage for monopolistic states
 - ND, OH, WA & WY



Part Four – Your Duties If Injury Occurs

Part Five – Premium

Part Six - Conditions

Selected Endorsements

- Voluntary Compensation & Employer Liability Coverage Endorsement



Premium Computation

- Job classification
 - Higher risk, higher rate
 - Rate \$100 payroll
- Experience modification factor

Current Experience Modification Factor is derived from the insured's own past loss history. The current policy period is not used in determining that factor.			
	Policy Inception	Policy Expiration	Experience Modification Factor
Renewal Policy	06/15/13	06/15/14	** ←
Current Policy	06/15/12	06/15/13	The experience from these three years (good or bad) determines the experience modification factor for the renewal policy.
Past Policy	06/15/11	06/15/12	
Past Policy	06/15/10	06/15/11	
Past Policy	06/15/09	06/15/10	

To determine the experience modification factor for 13-14, the rating bureau uses the losses and final audited premium for 11-12, 10-11 and 09-10. An experience modification of less than 1 is good and more than 1 is unfavorable.

**If the insured has a standard premium of \$10,000 and experience modifier of .65 then the insured would have experience premium of \$6,500 instead of \$10,000. If the insured in the same example had an experience modifier of 1.15, he/she would have to pay \$11,500 instead of the standard premium of \$10,000.



Workers Compensation

- Premium discounts
 - \$5,000
 - Discount increases with premium increase
- Other Sources of Coverage
 - Self Insurance – To Qualify
 - Must provide security = to % of outstanding liability
 - Adequate and competent staff
 - State Workers Insurance Fund (SWIF)
 - Competitive fund
 - Market of last resort
 - Broker may be designated, but not paid
 - Producer's cannot issue Certificates of Insurance



Other Coverages and Options

Chapter 13 – 12 Questions



Umbrella / Excess Liability Policies

- Commercial
 - Business Liability
- Purpose
 - Higher limits
 - When underlying does not respond to claim
 - Not covered
 - Limits exhausted
- Limits
 - \$1,000,000 to hundreds of millions
- Typical SIR
 - \$1,000 to \$10,000



Umbrella / Excess Liability Policies

- Personal or Commercial – Liability
- Limits - \$1,000,000 and up
- Self Insured Retention (SIR)
 - Similar to deductible
 - Applied when underlying excludes, and Umbrella / Excess Pays



Personal

- Non-Business Liability
- Purpose
 - Higher limits over underlying policies

Example: An insured who has a \$500,000 limit of liability under his auto policy and \$1 million liability under his/her umbrella, is involved in an at fault accident. He/she is found liable for \$1.1 million in damages, the loss would pay as follows: \$500,000 would be paid by the underlying auto policy and the umbrella would provide \$600,000 of excess coverage above the auto liability limit. In this example, please note that the insured wasn't responsible for ANY payment. In the event that the insured fails to maintain the required underlying limit of insurance, he/she would be responsible for the required underlying limit (in this case \$500,000), but the umbrella policy would still pay it's \$600,000.

Personal

- Could provide broader than underlying

An example of this might be a broader definition of territory, especially when compared to that found in the automobile liability insurance. If an insured is traveling in Spain and has an accident while driving a car the underlying personal auto policy would not respond as this is out of the coverage territory, however the umbrella may respond and pay the claim from the first dollar, subject to what is called the self-insured retention. The self-insured retention is similar to a deductible, but it only applies if the loss is paid by the umbrella/excess policy when the underlying policy does not provide coverage (the loss is excluded). The typical self-insured retention for a personal excess/umbrella policy is \$250.

- Typical Limits
 - \$1,000,000 to \$5,000,000
- SIR
 - \$0 to \$500



Specialty Liability Insurance

- Professional liability
 - Standard of care
 - Names and types
 - Medical malpractice
 - Lawyers professional
 - Errors & Omissions
 - Usually written on claims made basis
- Directors & Officers
 - Protects for “wrongful acts” not in best interest or corporation
 - Necessary due to exclusions in CGL & Homeowners policy
 - Non-Standard
 - Claims Made
 - Basically an E&O policy for Directors & Officers



Specialty Liability Insurance

- Employee Benefits
 - Due to an act, error or omission committed in the administration of employee benefits.
- Internet Liability
 - Risks associated with E-business, the internet, networks and informational assets
- Employment Practices Liability Policy (EPLI)
 - Protects from employee's claims that their rights have been violated
 - Stand alone policy or endorsement to D&O
 - Types of Exposures
 - Failure to promote, breach of contract
 - Sexual harassment
 - Verbal, mental, physical, etc. abuse



Surety Bonds

- Not insurance – no transfer of risk
- 3 parties to a bond
 - Principal – one who must perform
 - Obligee – Party who benefits from bond
 - Surety – usually insurance company
- Bond underwriting
 - Character – integrity, reliability
 - Capacity – expense and manpower
 - Capital – financial condition, working capital



Surety Bonds

- Contract bonds – construction business
 - Bid Bond
 - Contractor will enter into contract & furnish bonds, if not
 - Surety pays difference in bid & actual contract
 - Performance Bond
 - Guarantee that contractor will complete
 - Maintenance Bond
 - Guarantee that contractor will correct defects for a period of time
- License & Permit Bonds
- Judicial Bonds
 - Appeal Bond
 - Attachment Bond
 - Bail Bond
 - Fiduciary Bond



Ocean Marine Insurance

- Major Coverages (4)
 - Hull Coverage – Property
 - Damage to vessel
 - Running down clause – other ships and their cargo
 - Single vessel or fleet basis
 - Cargo Coverage – Property
 - Cargo for which freight fee has been paid
 - Written on voyage policy or
 - Open cargo basis (no expiration date)
 - If warehouse to warehouse – sea and land
 - Terms used in transporting goods
 - FAS – Seller until alongside vessel
 - FOB – seller until on board vessel
 - C&F – seller until in custody of ocean carrier
 - CIF – seller responsible & provides insurance to named point.
 - Freight Coverage
 - Loss of income for transporting cargo or
 - Passage money coverage when transporting passengers
 - Protection & Indemnity (Liability)
 - Legal liability – BI & PD



Ocean Marine Insurance

- Marine concepts
 - Open peril
 - Named perils
 - Perils of the sea
 - Perils on the sea
- Warranties
 - No deviation
 - Seaworthy
 - Legal purpose
 - Cargo packaged property
- Loss Adjustment
 - General average – pro-rated losses
 - Particular average – only owner whose cargo is damaged



Flood Insurance

- Objectives of NFIP
 - Purchase coverage
 - Proper flood plain management
- WYO vs NFIP-Direct
- Eligibility
 - Emergency
 - Regular



Flood Insurance

- Coverages
 - Single peril – flood
 - Definition – 2 or more acres or 2 or more properties
 - Overflow of inland tidal waters
 - Unusual rapid accumulation or runoff of surface waters
 - Mudflow
 - Collapse or subsidence of land
 - 30 day waiting period, except. . .
- Deductible
 - \$1,000 standard
 - Applies separately



National Flood Insurance Program

LIMITS

EMERGENCY PROGRAM FLOOD INSURANCE LIMITS

BUILDINGS	Basic Limits	Additional Limits	Total Limits
Single Family	\$ 35,000	\$0	\$ 35,000
2-4 Family Dwelling	\$ 35,000	\$0	\$ 35,000
Other Residential	\$100,000	\$0	\$100,000
Non-residential	\$100,000	\$0	\$100,000
CONTENTS			
Residential	\$ 10,000	\$0	\$ 10,000
Non-Residential	\$100,000	\$0	\$100,000

REGULAR PROGRAM FLOOD INSURANCE LIMITS

BUILDING	Basic Limits	Additional Limits	Total Limits
Single Family	\$ 60,000	\$190,000	\$250,000
2-4 Family Dwelling	\$ 60,000	\$190,000	\$250,000
Other Residential	\$175,000	\$ 75,000	\$250,000
Non-residential	\$175,000	\$325,000	\$500,000
CONTENTS COVERAGE (per unit)			
Residential	\$ 25,000	\$ 75,000	\$100,000
Non-Residential	\$150,000	\$350,000	\$500,000

Keep in mind some property is subject to internal limits.



Other Policies

- Difference in Conditions (DIC)
 - Fill in gaps of other property coverages
 - Flexible
 - Non-standard
 - Usually surplus lines



Residual Markets Including FAIR Plans

- Developed because private insurers found exposure not insurable
- Markets classified 3 ways
 - Government Programs – Flood; Crop
 - Specialty Pools – nuclear; aviation
 - Shared Market – assigned risk plans



Residual Markets Including FAIR Plans

- FAIR Plan (Fair Access to Insurance Requirements)
 - State supervised pool
 - Basic property insurance only
 - FLWHARVVVES
 - Applications submitted (coverage not bound)
 - Plan inspects
 - Advises producer of eligibility
 - Will accept “marginal” risks but
 - May require improvements first
 - Some risks are not insurable
 - Fire damaged, not repaired
 - Poor housekeeping
 - Violation of building codes, public policy or law
 - Vacant and open to trespass
 - Cannot deny due to environmental hazards beyond insured’s control



Alternative Funding Mechanisms

- Risk Retention Groups
 - Insurer formed to cover liability losses
 - Common characteristics of all RRGs
 - Members – similar or related business
 - Owned by members
 - Risk retention group in name
 - Chartered and licensed in one state as insurance company
 - Can conduct business in other states
 - Does not write Workers Compensation
 - Not subject to PIGA
- Risk Purchasing Groups
 - Purchases liability on group basis
 - Not risk bearing



Federal Crop Insurance

- Federal Crop Insurance
 - Managed by Risk Management Agency (RMA)
 - Basic/Catastrophic Crop Insurance – 1980
 - Private Insurance Companies & Agents
 - Reinsured by Federal Crop Insurance Corp (FCIC)
 - Most field crops by unavoidable losses
 - Excluded: mismanagement, theft, neglect, poor market conditions
 - Unit insurance – separate crops/acreage
 - Yield guarantee plans
 - Maximum 75% of mean yield
 - Price election
 - Once, not less than 90% of projected market price
 - Grains
 - Cereal grains – barley, wheat, oats
 - Coarse grain - corn
 - Application
 - Deadline established by Government, before planting date



Other Policies

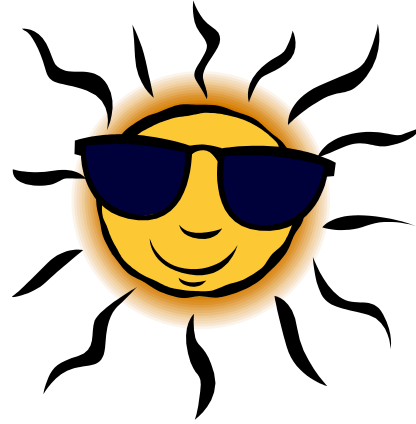
- Property Insurance (Hull)
 - 3 coverages
 - All Risk – Ground and Flight
 - All Risk – Not in Motion
 - All Risk – Not in Flight
 - Deductibles
 - In motion
 - Not in motion
 - Hull Exclusions
 - Not airworthy
 - Confiscated
 - Not right pilot
- Aircraft Liability
 - Combined BI & PD
 - Combined BI & PD, excluding passengers
 - BI to passengers only
 - Property damage



Other Policies

- Boatowners
 - Section I – Property
 - Boat, motor, trailers
 - Section II – Liability
 - BI & PD
 - Med Pay
- Recreational Vehicles
- Farmowners/Ranchowners
- Mobile Home





Good Luck!

Instructor Name

Instructor Phone Number

Instructor Email Address

IA&B