



JAMES K. RUBLE SEMINAR

Ruble Graduate Seminar

Pennsylvania

August 9-10, 2022

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A Letter from William J. Hold, President/CEO

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Let's take the first step.

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



James K. Ruble Seminar

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

Section 1

Commercial Property Concepts Your Client Will Be Glad You Understand

Commercial Property Concepts Your Client Will Be Glad You Understand

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Valuation

Valuation

Common Valuation Methods

- Replacement Cost
- Actual Cash Value
- Selling Price
- Functional Valuation

Coinsurance

- Limit chosen must satisfy coinsurance at the time of loss
- Agreed Value suspends coinsurance

Replacement Cost

- The cost to repair/replace the damaged property with property/materials of like kind and quality in today's dollars - There is no deduction for depreciation.
- Replacement Cost ≠ Reconstruction Cost
 - Rebuilding something is usually more costly than building it new.
 - The policy pays to repair/rebuild the damaged part of a building/structure.
 - Setting aside the issue of depreciation, the policy pays to return the damaged part of a building/structure to its pre-loss condition.

Replacement Cost

Building and Personal Property Coverage Form CP 00 10 10 12

We will not pay on a replacement cost basis for any loss or damage:

(1) Until the lost or damaged property is actually repaired or replaced; and

(2) Unless the repair or replacement is made as soon as reasonably possible after the loss or damage.

Replacement Cost

What if the insured doesn't have the money to repair or replace the property? Does the insurer have to pay RC?

No - Tamco Corp. v. Federal Ins. Co. of New York

The insured could only recover the depreciation holdback amount upon compliance with the rebuilding and replacement condition expressed in the policy. Until that time, explained the court, the insurer was only obligated to pay the actual cash value.

Yes - Coblenz et ux. V. Oklahoma Farm Bureau Mt. Ins. Co

Insurer, by means of this condition precedent placed Plaintiffs, who lacked the financial wherewithal to replace the property, in a legal "Catch 22." Because Plaintiffs lacked the resources to provide for the loss (which was the purpose of their insurance contract), Insurer was able to compel them to accept the lower actual cash value of the property instead of the full replacement value coverage they expected and for which they paid.

Coinsurance

$$\frac{\text{Limit of Insurance}}{\text{Value of Property at Time of Loss} \times \text{Coinsurance Percentage}} \times \text{Loss}$$

a/k/a

$$\frac{\text{Did}}{\text{Should}} \times \text{Loss}$$

Agreed Value suspends coinsurance. The insurer expects that the limit chosen is correct before agreeing to include Agreed Value.

Do BOPs have coinsurance?

Technically No, but.....

- (b) If, at the time of loss, the Limit of Insurance applicable to the lost or damaged property is less than 80% of the full replacement cost of the property immediately before the loss, we will pay the greater of the following amounts, but not more than the Limit of Insurance that applies to the property:
- (i) The actual cash value of the lost or damaged property; or
 - (ii) A proportion of the cost to repair or replace the lost or damaged property, after application of the deductible and without deduction for depreciation. This proportion will equal the ratio of the applicable Limit of Insurance to 80% of the full replacement cost of the property.

Example

The full replacement cost of property which suffers a total loss is \$100,000. The property is insured for \$70,000. 80% of the full replacement cost of the property immediately before the loss is \$80,000 (\$100,000 x .80 = \$80,000). A partial loss of \$25,000 is sustained. The amount of recovery is determined as follows:

$$\begin{aligned} \text{Amount of recovery} \\ \$70,000 \div \$80,000 = .875 \\ .875 \times \$25,000 = \$21,875 \end{aligned}$$

BP 00 03 07 13

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.
REMOVAL OF INSURANCE-TO-VALUE PROVISION

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS COVERAGE FORM

Paragraph **E.5.d. Loss Payment** Property Loss Condition in **Section I – Property** is amended as follows:

A. Paragraph d.(1)(a) is replaced by the following:

(1) At replacement cost without deduction for depreciation, subject to the following:

(a) We will pay the cost to repair or replace, after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:

(i) The Limit of Insurance under Section I – Property that applies to the lost or damaged property;

(ii) The cost to replace, on the same premises, the lost or damaged property with other property:

i. Of comparable material and quality; and

ii. Used for the same purpose; or

(iii) The amount that you actually spend that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost is limited to the cost which would have been incurred had the building been built at the original premises

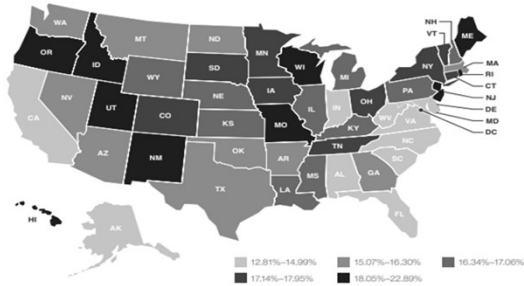
B. Paragraph d.(1)(b) does not apply.

What if values change during the term?

Historic lumber price surge boosts overall reconstruction costs

Total reconstruction costs, including materials and retail labor, rose 16.7% from July 2020 to July 2021, doubling the increase from the April 2020 to April 2021 period, when costs rose 8.1%. Lumber is still the primary factor driving reconstruction costs upward, as prices rose 162.7% year over year. This, too, is double the already historic pace noted in April when prices rose 84.7% between 2020 and 2021. Quarterly costs were up 8.8%, a steep increase from the 1.2% gain in the prior quarter.

Reconstruction costs increased in all states. Idaho, Hawaii, and Maine had the biggest increases at 22.9%, 20.2%, and 19.3%, respectively. Florida had the lowest change at 12.8%. The states mirrored the overall national trend, with the rate of price changes growing by leaps.



Changes in reconstruction costs by state. States are grouped in quintiles; each range/color in the legend includes 20% of the total number of states.

*All rates, percentages, increases, decreases, etc., are calculated as percentage changes from July 2020 to July 2021, unless otherwise noted.



Changing Values

Inflation Guard

- An optional coverage in CP 00 10 10 12

OPTIONAL COVERAGES Applicable Only When Entries Are Made In The Schedule Below							
Prem. Bldg.		Agreed Value			Replacement Cost (X)		
No.	No.	Expiration Date	Cov.	Amount	Building	Pers. Prop.	Including "Stock"
Inflation Guard (%)		*Monthly Limit Of Bldg. Pers. Prop. Indemnity (Fraction)			Maximum Period Of Indemnity (X)	*Extended Period Of Indemnity (Days)	
4%		4%					
*Applies to Business Income Only							

Inflation Guard

Policy effective dates: 1/1/21-22

Building limit: \$1,000,000

Inflation guard: 4%

Date of Loss: 7/1/21

Number of days since inception: 182

Limit available $\$1,000,000 \times .04 \times 182/365$
 $= \$1,020,000$

Cost Increases after a Disaster

POLICY NUMBER:

COMMERCIAL PROPERTY
CP 04 09 10 12

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

INCREASE IN REBUILDING EXPENSES FOLLOWING DISASTER (ADDITIONAL EXPENSE COVERAGE ON ANNUAL AGGREGATE BASIS)

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Additional Expense Coverage Percentage
		%
		%
		%

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

CP 04 09 10 12

Trigger:

- The event that caused the covered loss:
 - Results in declaration of a state of disaster by federal or state authorities, or
 - Occurs in close temporal proximity to the event that resulted in declaration of disaster by federal or state authorities
- Cost to repair or replace damaged property must have increased as a result of the disaster – limit of insurance is inadequate as a result.
- Insured must elect to repair or replace the building to get the additional dollars.

CP 04 09 10 12

The Highlights:

- Percentage on the endorsement is applied to the building limit (adjusted if needed to reflect any coinsurance penalty.)
- In determining compliance with the policy's coinsurance or similar requirement, the increase in expenses attributable to the disaster will be disregarded.
- If insured completed any improvements which increase the RC of the building by 5% or more, the insured must have notified the insurer within 30 days of completion.

Look for Carrier Enhancements

BUILDING EXTENDED REPLACEMENT COST

This endorsement modifies insurance provided under the following:

SPECIAL PROPERTY COVERAGE FORM

Except as otherwise stated in this endorsement, the terms and conditions of the Policy apply.

A. Paragraph 1. of Section C., LIMITS OF INSURANCE, is deleted and replaced with the following:

1. For Buildings, if the amount of loss of or damage to a Building in any one occurrence exceeds the Limit of Insurance stated in the Declarations, we will increase the Limit of Insurance to equal the current replacement cost of the Building, subject to a maximum of 125% of the Limit of Insurance stated in the Declarations.

For Business Personal Property, the most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

B. The following condition is added to Section F., PROPERTY GENERAL CONDITIONS:

Building Extended Replacement Cost Conditions

- a. If we increase the Building Limit of Insurance as outlined in Paragraph C.1., we will adjust the premium for the applicable Building from the time of loss or damage for the remainder of the policy period based on the increased Limit of Insurance.
- b. With respect to the Building Limit-Automatic Increase provision in Paragraph C.2., the date on which the loss or damage occurred will be considered to be the date of a policy change amending the Building limit. This applies regardless of whether the policy change has been processed.
- c. You must notify us within 30 days of completion of construction of any additions, improvements or enlargements which increase the replacement cost of a Building by more than 5%.
- d. If you don't notify us as required by Paragraph c. above, we will apply a penalty equal to the percentage that the replacement cost of the unreported construction bears to the total replacement cost of the Building.
- e. If you elect not to repair or replace the Building after loss or damage, we will pay no more than the actual cash value at the time of loss or damage.

But the bank says I have to carry.....

State Over-Insurance Laws

Example - Florida 626.621 (7)

Grounds for discretionary refusal, suspension, or revocation of agent's, adjuster's, customer representative's, service representative's, or managing general agent's license or appointment. The department may, in its discretion, deny an application for, suspend, revoke, or refuse to renew or continue the license or appointment of any applicant, agent, adjuster, customer representative, service representative, or managing general agent, and it may suspend or revoke the eligibility to hold a license or appointment of any such person, if it finds that as to the applicant, licensee, or appointee any one or more of the following applicable grounds exist under circumstances for which such denial, suspension, revocation, or refusal is not mandatory under s. 626.611:

(7) Willful over insurance of any property or health insurance risk

But the bank says I have to carry.....

State Over-Insurance Laws

Example - Florida 690-167.009

Mortgage Fire Insurance Requirements Limited

No mortgage lender shall, in connection with any application for a mortgage loan in this state which is secured by a mortgage on residential real estate located in this state, require any prospective mortgagor to obtain by purchase or otherwise a fire insurance policy in excess of the replacement value of the covered premises as a condition for granting such a mortgage.

But the bank says I have to carry.....

State Over-Insurance Laws

Example - NJ Administrative Code 3:1-13.1

(c) No lender shall, in connection with any application for a loan secured by a mortgage on real property located in New Jersey, require any mortgagor to obtain by purchase or otherwise a fire insurance policy in excess of the replacement value of the covered premises as permitted under N.J.S.A. 17:36-5.19 as a condition for granting such mortgage loan.

What if there is something special about the building?



Murals

- Is the paint covered?
- Is the cost of the artist's time covered?
- If the mural is covered, is it a work of art?
- Is the mural on the National Register of Historic Places?

CP 00 10 10 12

Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Valuation Loss Condition of this Coverage Form.

b. This Optional Coverage does not apply to:

... (3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac;

Consider specialized coverage for this exposure.

What is Actual Cash Value?

How does the Building and Personal Property Coverage Form (CP 00 10 10 12) define Actual Cash Value?

It Doesn't!

What is Actual Cash Value?

What most of us learned:

ACV = Replacement Cost minus Depreciation

My refrigerator has a useful life of 10 years.

Five years ago, I purchased my refrigerator for \$3,000.

Today, I can purchase that same refrigerator for \$2,000.

What is the RC of the refrigerator?

\$2,000

What is the ACV of the refrigerator?

\$1,000 (\$2,000 RC - \$1,000 depreciation)

What is Actual Cash Value?

Other Possible Definitions

Fair Market Value

- The difference between the fair market value of the property before and after the loss
- “the amount which in all probability would be arrived at by fair negotiations between an owner willing to sell and a purchaser desiring to buy.”

Butler v. Aetna Ins. Co. of Hartford, 256 N.W. 214 (ND 1934).

What is Actual Cash Value?

Other Possible Definitions

Broad Evidence Rule

May consider factors such as: market value, RC, physical depreciation, original cost, useful life factors, condition of the property, location, use, intended use, assessed value, offer to sell value, offers to purchase amounts

What is Actual Cash Value? Some states have helped

Example - Nebraska (IL 01 22 09 07)

"The following is added to any provision that uses the term actual cash value: In our determination of the actual cash value of Covered Property at the time of loss, an adjustment will be made for factors such as depreciation, deterioration and obsolescence."

Example - Pennsylvania (IL 01 66 09 07)

"Actual cash value is calculated as the amount it would cost to repair or replace covered property, at the time of loss or damage, with material of like kind and quality, subject to a deduction for deterioration, depreciation and obsolescence. Actual cash value applies to valuation of covered property regardless of whether that property has sustained partial or total loss or damage. The actual cash value of the lost or damaged property may be significantly less than its replacement cost."

What is Actual Cash Value? Some states have helped

Example - Washington (IL 01 57 07 02)

The term actual cash value means:

- a. When the damage to property is economically repairable, actual cash value means the cost of repairing the damage, less reasonable deduction for wear and tear, deterioration and obsolescence.*
- b. When the loss or damage to property creates a total loss, actual cash value means the market value of property in a used condition equal to that of the destroyed property, if reasonably available on the used market.*
- c. Otherwise, actual cash value means the market value of new, identical or nearly identical property less reasonable deduction for wear and tear, deterioration and obsolescence.*

What is Depreciated?

Estimate to replace a roof damaged in a windstorm - \$25,500

- \$10,000 labor
- \$10,000 materials
- \$4,000 overhead and profit
- \$1,500 tax

Roof has a useful life of 30 years and is 15 years old. What is the ACV of the Roof?

It Depends

Labor Can be Depreciated

Basham v. United Servs. Auto. Ass'n, Civil Action No. 16-cv-03057-RBJ, 2017 U.S. Dist. LEXIS 118729 (D. Colo. 2017)

"[c]overed property, such as a roof, is often the product of both materials and labor. Accordingly, repair and replacement costs comprise the cost of materials (e.g., shingles and nails), and the cost of labor (e.g., roofing contractors). Both the cost of materials and the cost of labor are therefore subject to a depreciation deduction."

Graves v. American Family Mut. Ins. Co., 686 F. App'x 536 (10th Cir. 2017)

"if American Family could depreciate only the cost of materials in determining the actual cash value of Graves' loss, she [the insured] would receive a windfall based on labor costs she never incurred."

Labor Cannot be Depreciated

Adams v. Cameron Mut. Ins. Co., No. CV-13-456, 2014 Ark. LEXIS 10 (2014)

Supreme Court of Arkansas held that the term "actual cash value" was ambiguous, and, therefore, the insurer could not depreciate labor.

Note: In *Shelter Mut. Ins. Co. v. Goodner*, 2015 Ark. 460, 477 S.W.3d 512 (2015), the same court held that the insurer could depreciate labor. That policy expressly provided that "when calculating depreciation, we will include depreciation of the materials, labor, and the tax."

Labor Cannot be Depreciated

Riggins v. American Family Mut. Ins. Co., 106 F. Supp. 3d 1039 (W.D. Mo. 2015)

The policy defined ACV as the cost "to repair or replace property with property of like kind and quality less depreciation for physical deterioration and obsolescence."

Court said "phrase 'for physical deterioration and obsolescence' limits the type [of] depreciation that may be factored into a calculation of 'actual cash value.'" Labor isn't subject to physical deterioration so can't be depreciated.

Some Labor Can be Depreciated

Branch v. Farmers Ins. Co., 311 F.3d 1241 (10th Cir. 2002),

Damages in Question:

- The cost to tear off damaged shingles – Not subject to depreciation
- The labor cost of installing shingles – Subject to depreciation

Depreciation of Sales Tax

CA Ins. Code § 2051(b)(2).

in the "case of a partial loss to the structure, a deduction for physical depreciation shall apply only to components of a structure that are normally subject to repair and replacement during the useful life of that structure."

Johnson v. Hartford Cas. Ins. Co., No. 15-cv-04138-WHO, 2017 U.S. Dist. LEXIS 77482 (N.D. Cal. 2017)

"The sales tax is distinct from the physical items and not subject to 'depreciation' or deduction

What can be depreciated?

Things to Consider:

- What does the policy language say?
- If the policy doesn't specifically allow for labor to be depreciated, are there court decisions in the state?
- If labor can be depreciated, will pure labor items also be depreciated?
 - e.g. Debris removal vs. labor to replace siding
- Are there any state insurance department regulations?

Valued Policy Laws

- In the event of a total loss, the amount of insurance shall be considered the true value of the insured property.
 - In other words – The limit of insurance is paid.
- In most states with valued policy laws, the law applies only to real property.
- The valued policy law may apply only to certain types of real property.
- The valued policy law may apply only to damage by certain perils.

Valued Policy Laws

Example - Florida (627.702)

- Property subject to valued policy law: Any building, structure, mobile home, or manufactured building.
- Perils subject to valued policy law: All perils covered by the policy.
- Other comments/special provisions: Insured may waive valued coverage on mobile home by signing disclosure form accepting ACV or replacement coverage instead. Law applies to multiple policies only if disclosed to insurer; does not apply to completed value builders risk, blanket insurance, or insurance on appurtenant structures with no dollar amount specifically applicable. Insurer may replace property in lieu of payment (except on valued policies on mobile homes) but must return premium on the insurance in excess of the amount paid to replace.

Valued Policy Laws

Example - Texas (Ins. Code 862.053)

- Property subject to valued policy law: All except personal property.
- Perils subject to valued policy law: Fire.
- Other comments/special provisions: A property insurance policy on a totaled building is a “liquidated demand” against the insurer for the full amount of the policy.

What do we pay for?



“But if we just replace the damaged siding, the building won’t look right” says your insured.

What Does the Policy Say?

Building and Personal Property Coverage Form (CP 00 10 10 12)

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

What Does the Policy Say?

Building and Personal Property Coverage Form (CP 00 10 10 12)

4. Loss Payment

a. *In the event of loss or damage covered by this Coverage Form, at our option, we will either:*

- (1)** *Pay the value of lost or damaged property;*
- (2)** *Pay the cost of repairing or replacing the lost or damaged property, subject to **b.** below;*
- (3)** *Take all or any part of the property at an agreed or appraised value; or*
- (4)** *Repair, rebuild or replace the property with other property of like kind and quality, subject to **b.** below.*

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or supersedes the Valuation Condition.

Note: **b.** below address Ordinance or Law

What Does the Policy Say?

Building and Personal Property Coverage Form (CP 00 10 10 12)

Replacement Cost Optional Coverage

e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:

(1) The Limit of Insurance applicable to the lost or damaged property;

(2) The cost to replace the lost or damaged property with other property:

(a) Of comparable material and quality; and

(b) Used for the same purpose; or

(3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in e.(2) above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

Note: f. below addresses Ordinance or Law

NAIC - UNFAIR PROPERTY/CASUALTY CLAIMS SETTLEMENT PRACTICES MODEL REGULATION

Section 9. Standards for Prompt, Fair and Equitable Settlements Applicable to Fire and Extended Coverage Type Policies with Replacement Cost Coverage

A. When the policy provides for the adjustment and settlement of first party losses based on replacement cost, the following shall apply:

(1) When a loss requires repair or replacement of an item or part, any consequential physical damage incurred in making such repair or replacement not otherwise excluded by the policy, shall be included in the loss. The insured shall not have to pay for betterment nor any other cost except for the applicable deductible.

(2) When a loss requires replacement of items and the replaced items do not match in quality, color or size, the insurer shall replace all items in the area so as to conform to a reasonably uniform appearance. This applies to interior and exterior losses. The insured shall not bear any cost over the applicable deductible, if any.

The Matching Issue

Fla. Stat. Ann. § 626.9744

626.9744 Claim settlement practices relating to property insurance.— Unless otherwise provided by the policy, when a homeowner’s insurance policy provides for the adjustment and settlement of first-party losses based on repair or replacement cost, the following requirements apply:

.....

(2) When a loss requires replacement of items and the replaced items do not match in quality, color, or size, the insurer shall make reasonable repairs or replacement of items in adjoining areas. In determining the extent of the repairs or replacement of items in adjoining areas, the insurer may consider the cost of repairing or replacing the undamaged portions of the property, the degree of uniformity that can be achieved without such cost, the remaining useful life of the undamaged portion, and other relevant factors.

.....

The Matching Issue

Wisconsin

Farmers Auto. Ins. Ass’n v. Union Pac. Ry. Co., 768 N.W.2d 596 (Wis. 2009)

“Of like kind and quality” does not mean identical match. If a policy calls for “like kind and quality,” this means something that is reasonably comparable

The Matching Issue

Iowa

Iowa Admin. Code § 191-15.44 (507B)- Standards for determining replacement cost and actual cost values

When a loss requires replacement of items and the replaced items do not match in quality, color or size, the insurer shall replace as much of the item as is necessary to result in a reasonably uniform appearance within the same line of sight. This subrule applies to interior and exterior losses. Exceptions may be made on a case-by-case basis...

The Matching Issue

Watch for insurer language restricting coverage

The Following is Added to E. Property Loss Conditions:

9. Undamaged material We will not pay to repair or replace undamaged material due to mismatch between undamaged material and new material used to repair or replace damaged material. We do not cover the loss in value to any property due to mismatch between undamaged material and new material used to repair or replace damaged material.

Selling Price

Building and Personal Property Coverage Form (CP 00 10 10 12)

7. Valuation

"Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.

"Stock" means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.

COMMERCIAL PROPERTY
CP 99 30 06 95

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MANUFACTURER'S SELLING PRICE FINISHED "STOCK" ONLY

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

The following is added to the VALUATION Loss Condition:

We will determine the value of finished "stock" you manufacture, in the event of loss or damage, at:

- A.** The selling price, as if no loss or damage occurred;
- B.** Less discounts and expenses you otherwise would have had.



Functional Valuation



Functional Valuation

Functional Building Valuation – CP 04 38 09 17

- Provides means to insure a building to reflect use and not construction
- For use when an insured wouldn't or couldn't replace the building as it is
- Allows the insured to carry a lower limit of coverage if the intention is to replace the building with a less costly structure that is functionally equivalent to the existing one
- Coinsurance does not apply.

Functional Valuation

Functional Building Valuation – CP 04 38 09 17

Total loss – Payment will be for the cost to replace the damaged building with a less costly building that is functionally equivalent to the damaged building.

Partial loss – Payment will be for the cost to repair or replace the damaged portion of the building with less costly material, if available, in the architectural style that existed before the loss or damage occurred.

Functional Valuation

Functional Building Valuation – CP 04 38 09 17

If property isn't replaced, the policy pays the lesser of

- 1) Limit of insurance
- 2) Market value, exclusive of land, at the time of the loss (BEWARE!!)
- 3) Cost to repair or replace, with less costly material in the same architectural style that existed before the loss, less an allowance for depreciation

Functional Valuation

Functional Building Valuation – CP 04 38 09 17

- Ordinance or Law coverage is automatically built into this endorsement.
- Ordinance or Law issues must be considered when setting limits as no additional limits for Ordinance or Law are included.
- Post-Loss Ordinance or Law Option available.
- ISO rate factor of 1.30 applies to Functional Building Valuation.

Functional Valuation

Functional Building Valuation – CP 04 38 09 17 – from ISO CLM

a. Assume the following:

- (1)** The building to be insured is an old, fully equipped factory building, with a replacement cost of \$2,000,000, which the insured uses as a warehouse.
- (2)** The insured could build a new building to be used for the same purpose for \$1,000,000.
- (3)** Substantial damage to the building (50% destruction) will trigger a local ordinance and the entire building will have to be destroyed.
- (4)** Estimated cost of demolition of 50% of the building (undamaged portion) is \$30,000.
- (5)** Additional cost to install sprinklers to comply with a local ordinance is \$200,000.

Functional Valuation

Functional Building Valuation – CP 04 38 09 17 – from ISO CLM

b. For purposes of illustration, the following is a possible way to develop the Functional Building Valuation Limit of Insurance.

To provide coverage for

- (1)** The cost to replace the existing building with a building that is functionally equivalent ... \$1,000,000
- (2)** Cost to demolish the undamaged part of the existing building after loss occurs ... \$30,000
- (3)** Additional cost to comply with ordinance ... \$200,000.

Functional Building Valuation Limit of Insurance would be \$1,230,000 (\$1,000,000 + \$30,000 + \$200,000).

Debris Removal/Pollutant Cleanup and Removal

Building and Personal Property Coverage Form
Debris Removal – Additional Coverage
CP 00 10 10 12

- *We will pay your expense to remove debris of Covered Property and other debris that is on the described premises, which such debris is caused by or results from a Covered Cause of Loss that occurs during the policy period.*
- Expenses must be reported within 180 days of the loss.
- Does not apply to costs to extract pollutants or remediate polluted land or water

Debris Removal – doesn't apply to

- Insured's property or PPO in insured's possession if not covered under the policy
- Landlord's property unless insured is covering the property as required in a contract
- Debris of "Property Not Covered"
- Property of others of type that wouldn't be Covered Property (e.g. trees)
- Deposits of mud or earth

Building And Personal Property Coverage Form
CP 00 10 10 12

2. Property Not Covered

Covered Property does not include: (partial list)

- d. Bridges, roadways, walks, patios or other paved surfaces;*
- g. Foundations of buildings, structures, machinery or boilers if their foundations are below:
 - (1) The lowest basement floor; or*
 - (2) The surface of the ground, if there is no basement;**
- j. Bulkheads, pilings, piers, wharves or docks;*
- l. Retaining walls that are not part of a building;*
- m. Underground pipes, flues or drains;*
- p. Vehicles or self-propelled machines (including aircraft or watercraft) that:
 - (1) Are licensed for use on public roads; or*
 - (2) Are operated principally away from the described premises.**

Note: Exceptions apply

CP 00 10 10 12

©Insurance Services Office, Inc., 2011 Page 2&3 of 16

Building And Personal Property Coverage Form
CP 00 10 10 12

2. Property Not Covered

Covered Property does not include: (partial list)

- q. The following property while outside of buildings:
 - (1) Grain, hay, straw or other crops;*
 - (2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than trees, shrubs or plants which are "stock" or are part of a vegetated roof), all except as provided in the Coverage Extensions.**

CP 00 10 10 12

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Debris Removal Sublimit

CP 00 10 10 12

- 25% x (amount paid for direct damage + deductible)
- An additional \$25,000 is available if needed.
- \$5,000 limit applies to remove the debris of others if no Covered Property has been damaged.

Claim #1 – Risk and Policy Information

The premises of a local tire distributor was severely damaged in a hurricane. The business was insured on a Commercial Property Policy as follows. There are no additional endorsements that would impact coverage. Debris removal costs were very high because the building has an asbestos roof.

RC of Building	\$1,000,000
RC of Business Personal Property	\$ 500,000
Building limit	\$ 900,000 at 80% coins.
Business Personal Property limit	\$ 450,000 at 80% coins.
Deductible	\$ 1,000
Special Form Coverage	

Claim #1 – Loss Information

Building damage	\$ 400,000
BPP damage	\$ 100,000
Debris Removal costs – Building	\$ 300,000
Debris Removal costs – BPP	\$ 10,000

Debris Removal Claim #1

Has Coinsurance been satisfied? YES

Direct Damage Paid \$499,000

Debris Removal Sublimit $25\% (\$499,000 + \$1,000) = \$125,000$

$\$499,000 + \$125,000 + \$25,000 = \$649,000$

Remaining \$160,000 of debris removal is not paid.

POLICY NUMBER:

COMMERCIAL PROPERTY
CP 04 15 10 12

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DEBRIS REMOVAL ADDITIONAL INSURANCE

This endorsement modifies insurance provided under the following:

BUILDERS RISK COVERAGE FORM
BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY
TOBACCO SALES WAREHOUSES COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Debris Removal Amount	Additional Premium
		\$	\$
		\$	\$
		\$	\$

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

The additional amount of \$25,000 for debris removal in the **Debris Removal** Additional Coverages section is replaced by the higher amount shown in the Schedule.

Watch out for carrier specific exclusions!

ASBESTOS EXCLUSION

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE PART
BUSINESSOWNERS COVERAGE PART
CAUSES OF LOSS — BASIC FORM
CAUSES OF LOSS — BROAD FORM
CAUSES OF LOSS — SPECIAL FORM
COMMERCIAL GENERAL LIABILITY COVERAGE PART
AUTO DEALERS COVERAGE PART
MOTOR CARRIER COVERAGE PART
OWNERS AND CONTRACTORS PROTECTIVE LIABILITY COVERAGE PART
PRODUCT/COMPLETED OPERATIONS LIABILITY COVERAGE PART

- It is agreed that this insurance does not apply to any loss or damage relating to the actual, alleged, or threatened presence of, or exposure to, "asbestos," including inhalation, ingestion, irritation, absorption or other similar physical exposure to "asbestos." Such presence of, or exposure to, "asbestos" includes, but is not limited to:
 - structures or manufacturing processes containing "asbestos";
 - the disposal of "asbestos" or goods, products or materials containing "asbestos";
 - the storing or presence of "asbestos" or goods, products or materials containing "asbestos"; or
 - the removal of "asbestos" from any goods, products, materials, structures or manufacturing processes, whether or not such "asbestos" is airborne.
- We shall have no obligation under this coverage part:
 - to investigate, settle or defend any claim or "suit" against any "insured" alleging actual or threatened injury or damage of any nature or kind to persons or property which arises out of or would not have occurred but for the presence of, or exposure to, "asbestos"; or
 - to pay any damages, judgments, settlements, losses, costs or expenses of any kind or nature that may be awarded or incurred by reason of any such claim or suit or any such actual or threatened injury or damage from "asbestos"; or
 - for any losses, costs or expenses arising out of any obligation, order, direction or request of or upon any insured or others, including, but not limited to, any governmental obligation, order, direction or request, to test for, monitor, clean up, remove, contain, treat, neutralize, in any way respond to, or assess the effects of "asbestos."
- "Asbestos" includes asbestos, asbestos fibers, asbestos materials, and asbestos products, or any goods or products containing asbestos or asbestos fibers, materials, or products.

Debris Removal - Claim #2

Coinsurance Problem

RC of Building	\$ 1,000,000
Building limit	\$ 600,000 at 80% coins.
Deductible	\$ 1,000
Building damage	\$ 400,000
Debris Removal costs	\$ 150,000

Debris Removal - Claim #2

Coinsurance Problem

Has Coinsurance been satisfied? NO

Direct Damage Paid $\$600k/\$800k \times \$400k - \$1,000 = \$299,000$

Debris Removal Sublimit $25\% (\$299,000 + \$1,000) = \$75,000$

$\$299,000 + \$75,000 + \$25,000 = \$399,000$

The remaining \$50k in debris removal is not paid.

Does a Blanket Limit Help?

Scenario #1 – assume coinsurance is satisfied

4 scheduled buildings - \$250,000 limit on each, \$1,000 ded.

\$250,000 damage to the first building + \$100,000 debris removal costs

How much is paid?

What is the sublimit? $25\% \text{ of } (\$249,000 + \$1,000) = \$62,500$

$\$249,000 \text{ direct damage} + \$1,000 + \$25,000 \text{ extra} = \$275,000$

Does a Blanket Limit Help?

Scenario #2 – assume coinsurance is satisfied

4 buildings - \$1,000,000 blanket limit, \$1,000 ded.

\$250,000 damage to the first building + \$100,000 debris removal costs

How much is paid?

What is the sublimit? $25\% \text{ of } (\$249,000 + \$1,000) = \$62,500$

$\$249,000 \text{ direct damage} + \$62,500 + \$25,000 \text{ extra} = \$336,500$

Builders Risk Debris Removal - AAIS

- “Debris removal means the costs for the demolition, clearing and removal of debris of covered property if such debris results from a covered peril.”
- Does not cover costs to extract pollutants or remove or restore polluted land or water
- Expenses must be reported within 180 days of the direct physical loss.
- Sublimit (25% of amount paid for direct physical loss) + an additional \$5,000 if needed

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Tropicana Casino and Resort
Atlantic City, NJ
October 30, 2003



88

Debris Removal (Tropicana Claim - Policy Language)

Debris Removal

.....in the event of direct physical loss or damage insured hereunder and occurring during the policy period, the Company will pay the following necessary and reasonable costs:

- (1) costs to remove debris being an insured part of the property from the project location of the insured; and/or*
- (2) costs of cleanup, at the project location of the insured, made necessary as a result of such direct physical loss or damage.*

The sublimit was 25% of the amount of insured physical loss or damage.

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Zurich Am. Ins. Co. v. Keating Bldg. Corp 513 F. Supp. 2d 55 (2007)

Court Ruled:

Debris removal costs were limited to the costs of removing debris from the property and transporting it away from the project site. Demolition costs and other costs related to the demolition were not subject to the sublimit.

Debris removal costs did not include forensic debris removal costs associated with the investigation into the cause of the collapse.

Result: Change in Debris Removal language in AAIS and many other carrier forms. The older language is still in some forms.

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Pollutant Cleanup and Removal

Additional Coverage

CP 00 01 10 12

- Covers expense to extract pollutants from land or water at the premises
- Pollution must be caused by a Covered Cause of Loss occurring during the policy period.
- Expenses must be reported in writing within 180 days.
- Does not cover testing, monitoring, assessments except for testing in connection with extracting pollutants
- \$10,000 is an annual aggregate limit.

Pollutant Cleanup and Removal

POLLUTANT CLEAN UP AND REMOVAL ADDITIONAL
AGGREGATE LIMIT OF INSURANCE CP 04 07 10 91

- \$10,000 annual aggregate is increased by the amount shown in the schedule.
- Endorsement includes its own deductible. (\$1,000 minimum)
- Some company enhancement forms provide additional limits.
- A pollution policy is a better solution.

CP 04 07 10 91

Example:

Pollutant Cleanup and Removal Additional Aggregate Limit of Insurance Endorsement with a limit of \$100,000 and a 5,000 deductible.

▪ Cost to clean up the pollutant	\$75,000
▪ Basic policy limit for pollutant cleanup paid by insurer	<u>\$10,000</u>
▪ Cleanup costs remaining	\$65,000
▪ Endorsement deductible (paid by insured)	<u>\$ 5,000</u>
▪ Costs paid under endorsement	\$60,000

Claim #3 –Policy Information

Fire broke out in a home decorating center. There was damage to the building and to the BPP in the building. The insured carried large quantities of paint removers and other toxic substances. Because of the type of stock involved, special disposal methods were needed. Unfortunately, some of the toxic substances were released into the ground, polluting the insured's site as well as the site of a neighboring business.

Coverage is written on a Commercial Property Policy, with limits sufficient to satisfy coinsurance. No endorsements that would impact coverage in this situation are included.

Building Limit	\$500,000
BPP Limit	\$200,000
Deductible	\$ 1,000
Coinsurance is satisfied.	

Claim #3 – Loss Information

Loss	Amount of Loss	Amount Paid
Building Damage	\$100,000	\$99,000
BPP Damage	\$100,000	\$100,000
Debris Removal	\$300,000	\$75,000
Cost to clean up ground pollution at insured's premises	\$200,000	\$10,000
Cost of pollution monitoring equipment at insured's premises	\$50,000	0
Cost to clean up ground pollution at neighboring premises	\$100,000	0
Cost of pollution monitoring equipment at neighboring premises	\$50,000	0
		Total \$284,000

Ordinance or Law

Sources of Today's Building Codes

- Model codes developed by various associations
 - International Code Council (International Building Codes IBC)
 - National Fire Protection Association – NFPA
- Codes may be developed by the federal government.
 - Flood plain management
 - Americans with Disabilities Act
- Historical societies
- States may amend a model code.
- Local jurisdictions may amend a model code.

Building and Personal Property Coverage Form CP 00 10 10 12 - Replacement Cost

e. We will not pay more for loss or damage on a replacement cost basis than the least of **(1)**, **(2)** or **(3)**, subject to **f.** below:

(1) The Limit of Insurance applicable to the lost or damaged property;

(2) The cost to replace the lost or damaged property with other property:

(a) Of comparable material and quality; and

(b) Used for the same purpose; or

(3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in **e.(2)** above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

f. The cost of repair or replacement does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.

Special Form Causes of Loss CP 10 30 09 17

B. Exclusions

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

a. Ordinance Or Law

The enforcement of or compliance with any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance Or Law, applies whether the loss results from:

- (a) An ordinance or law that is enforced even if the property has not been damaged; or
- (b) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

The Time Element Side

Which is the worst case scenario?

- Building burns to the ground
- Building sustains “major damage”

- How long will it take the authority to decide whether the threshold to take down the building (major damage) has been met?
- How long will it take to arrange for demolition of the standing building?
- How long will it take to demolish the standing building and clear the debris?
- How long will it take to draw up plans for a new building?
- How long will it take to rebuild from the ground up?

Business Income and Extra Expense Form
CP 00 30 10 12

"Period of restoration" does not include any increased period required due to the enforcement of or compliance with any ordinance or law that:

(1) Regulates the construction, use or repair, or requires the tearing down, of any property; or

(2) Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

Building and Personal Property Coverage Form CP 00 10 10 12 -
Increased Cost of Construction
Additional Coverage

- Applies only to buildings insured on a replacement cost basis
- Applies to the repair, rebuilding, or replacement of damaged parts of the building
- Covers increased costs incurred to comply with the minimum standards of ordinances or laws
- Limit of \$10,000 or 5% of the building limit (whichever is less)

Ordinance or Law CP 04 05 09 17

Coverage A – Coverage For Loss To The Undamaged Portion Of The Building

Coverage B – Demolition Cost Coverage

Coverage C – Increased Cost of Construction Coverage

Post-Loss Ordinance or Law Option

Major Damage

When must the entire structure be updated after a loss?

When do we need to tear down a partially damaged building and start over?

Jurisdictional Authority Rule: The authority having jurisdiction decides when a damaged building must be brought into compliance with current building codes.

Percentage Rule: A building damaged beyond a certain percentage of its value must be brought, in its entirety, into compliance with local building codes.

Post-Loss Ordinance or Law Option

Example - Hurricane Andrew – Florida – 8/24/1992

After the hurricane, codes were change to require, among other things:

- Metal bracing to anchor roofs to walls
- More reinforcement of roof trusses
- In high wind zones, exterior windows that were made of impact glass, protected with storm shutters, or engineered to withstand internal pressure

POLICY NUMBER:

COMMERCIAL PROPERTY
CP 04 05 09 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW COVERAGE

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE

Building Number/ Premises Number	Coverage A	Coverage B Limit Of Insurance	Coverage C Limit Of Insurance	Coverages B And C Combined Limit Of Insurance
/	<input type="checkbox"/>	\$	\$	\$ *
/	<input type="checkbox"/>	\$	\$	\$ *
/	<input type="checkbox"/>	\$	\$	\$ *

Post-Loss Ordinance Or Law Option: Yes No

*Do not enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages B and C, or if one of these Coverages is not applicable.

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

Ordinance or Law

CP 04 05 09 17

Coverage A – Coverage for Loss to the Undamaged Portion of the Building

- *With respect to the building that has sustained covered direct physical damage, we will pay under Coverage A for the loss in value of the undamaged portion of the building as a consequence of a requirement to comply with an ordinance or law that requires demolition of undamaged parts of the same building.*
- Coverage A is included within the limit of insurance on the building.

Ordinance or Law

CP 04 05 09 17

Coverage B – Demolition Cost Coverage

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building as a consequence of a requirement to comply with an ordinance or law that requires demolition of such undamaged property.

Ordinance or Law

CP 04 05 09 17

Coverage C – Increased Cost of Construction Coverage

With respect to the building that has sustained covered direct physical damage, we will pay the increased cost to:

(1) *Repair or reconstruct damaged portions of that building; and/or*

(2) *Reconstruct or remodel undamaged portions of that building, whether or not demolition is required;*

when the increased cost is a consequence of a requirement to comply with the minimum standards of the ordinance or law.

Ordinance or Law

CP 04 05 09 17

Coverage C – Increased Cost of Construction Coverage

(1) *This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.*

(2) *We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.*

Ordinance or Law

CP 04 05 09 17

Coverage C – Increased Cost of Construction Coverage

...coverage for the increased cost of construction also applies to repair or reconstruction of the following...

- (1) The cost of excavations, grading, backfilling and filling;*
- (2) Foundation of the building;*
- (3) Pilings; and*
- (4) Underground pipes, flues and drains.*

Ordinance or Law

CP 04 05 09 17

We will not pay under this endorsement for:

- a. Enforcement of or compliance with any ordinance or law which requires the demolition, repair.....due to contamination by "pollutants" or due to "fungus", wet or dry rot or bacteria;*
- b.compliance with any ordinance or law which requires.... [one] to test for, monitor, clean up..... "pollutants", "fungus", wet or dry rot or bacteria.*

We will not pay under this endorsement for any loss in value or any cost incurred due to an ordinance or law that you were required to comply with before the time of the current loss, even in the absence of building damage, if you failed to comply.

POLICY NUMBER:

COMMERCIAL PROPERTY
CP 15 31 09 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW – INCREASED PERIOD OF RESTORATION

This endorsement modifies insurance provided under the following:

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

SCHEDULE

Described Premises:
Post-Loss Ordinance Or Law Option: Yes <input type="checkbox"/> No <input type="checkbox"/>
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

Cathy's Restaurant

The Building

- Built in 1890
- Frame construction
- Sprinklers only in kitchen
- Outdated electrical system
- Not handicapped accessible (but should be)

Cathy's Restaurant

Values and Coverages

- Building RCV \$1,000,000
- Building Coverage \$ 900,000
 - 90% coins, Special Form, AV
- BPP RCV \$ 400,000
- BPP Coverage \$ 360,000
 - 90% coins, Special Form, AV
- Business Income \$1,400,000
 - Special Form, AV
- Disregard Deductible

Cathy's Restaurant

The Building Code

- Tear down building if the loss is 50% or more of the market value of the building
- Masonry non-combustible construction
- Sprinklers throughout
- Updated electrical system
- Handicapped accessible

Cathy's Restaurant



Cathy's Restaurant

Loss	Amount of Loss	Amount Paid
Building Damage	\$500,000	\$500,000
Damage to BPP in the Building	\$200,000	\$200,000
Debris Removal of Damaged Property	\$25,000	\$25,000
Business Income loss for 6-month period of restoration	\$600,000	\$600,000
Value of the Undamaged Structure	\$500,000	0
Cost to demolish and remove the undamaged structure	\$20,000	0
Additional costs to rebuild as non-combustible and sprinklered	\$400,000	\$10,000

Cathy's Restaurant

Loss	Amount of Loss	Amount Paid
Additional costs to upgrade the electrical	\$50,000	0
Additional costs to make the premises accessible	\$20,000	0
Business Income loss for the additional 2 months needed to comply with building codes	\$200,000	0
TOTAL		\$1,335,000

Cathy's Restaurant

Policy with Endorsements

Ordinance or Law Coverage (CP 04 05 09 17)

- Coverage A – included
- Coverage B - \$100,000
- Coverage C - \$500,000

Note: B&C limits can be blanketed, but were not here.

Ordinance or Law – Increased Period of Restoration (CP 15 31 09 17)

Cathy's Restaurant

Loss	Amount of Loss	Amount Paid
Building Damage	\$500,000	\$500,000
Damage to BPP in the Building	\$200,000	\$200,000
Debris Removal of Damaged Property	\$25,000	\$25,000
Business Income loss for 6-month period of restoration	\$600,000	\$600,000
Value of the Undamaged Structure	\$500,000	\$400,000
Cost to demolish and remove the undamaged structure	\$20,000	\$20,000
Additional costs to rebuild as non-combustible and sprinklered	\$400,000	\$400,000

Cathy's Restaurant

Loss	Amount of Loss	Amount Paid
Additional costs to upgrade the electrical	\$50,000	\$50,000
Additional costs to make the premises accessible	\$20,000	0
Business Income los for the additional 2 months needed to comply with building codes	\$200,000	\$200,000
TOTAL		\$2,395,000

What Does this Cost?

ISO Rates

(carrier rates may vary)

- Coverage A – 1.15 x 80% coinsurance building rate
(1.85 for Earthquake coverage)
- Coverage B – 80% coinsurance building rate
- Coverage C – 80% coinsurance building rate

- Ordinance or Law Time Element
 - increases BI/EE rate by 20%
 - for Earthquake, double BI/EE rate

- Post Loss Option – add an extra 2%

How much coverage do we need?

- Coverage A – no limit applies
- Coverage B – ??
- Coverage C – ??
- Blanketing the B&C limits increases the chances that the chosen limit will be adequate.

- Ordinance or Law Time Element
 - No separate limit applies.
 - No specified time limit is shown.
 - Need to increase BI/EE limit to cover the extended time period

Down Zoning

Down-Zoning - sample language

In the event the enforcement of an applicable Ordinance or Law results in the requirement to demolish and not replace the damaged Building(s), the Companies agree to pay the greater of:

- *the Actual Cash Value; or*
- *the outstanding loan balance including accrued fees, if applicable, as determined at the time of loss for the Building(s) not permitted to be rebuilt.*

Down Zoning

Down-Zoning - sample language (continued):

In the event the damaged Building(s) is permitted to be repaired or rebuilt, but only to a more limited extent as a consequence of the enforcement of any applicable Ordinance or Law, the Companies agree to pay:

- *Replacement Cost for the repair of or construction of the permitted structure(s); and*
- *Actual Cash Value for the incremental portion of the original building that is not permitted to be repaired or replaced.*

Down Zoning

Down-Zoning – sample language (continued):

Loss of Rents (if covered) shall include rents for those units that are unable to be rebuilt due to an Ordinance or Law Down-Zoning. Loss of Rents for those units not rebuilt due to Down-Zoning shall cease no later than the number of days as granted by the Extended Period of Indemnity

Vacancy

Vacancy Defined CP 00 10 10 12

For a tenant:

The unit or suite rented or leased to the tenant does not contain enough business personal property to conduct customary operations.

For a building owner (or general lessee)

31% of the entire building must be rented and used by a tenant to conduct its customary operations and/or it must be used by the building owner to conduct customary operations.

Buildings under construction or renovation are not considered vacant.

Effect of Vacancy on Coverage

Vacancy Clause applies when the premises has been vacant for more than 60 consecutive days.

No coverage for:

- Vandalism
- Sprinkler leakage (unless system is protected against freezing)
- Building glass breakage
- Water damage
- Theft or
- Attempted theft

Payment for damage by all other covered causes of loss is reduced by 15%.




Example:

Your insured owns a flea market/auction. In addition to the numerous tables set up on the site, there is a large building which is used by many seasonal businesses between April and September. Each year, the insured takes bids for space in the building and rents stalls to the highest bidders for the period between April 1st and September 30th. There is a luncheonette on the side of the building facing the main road that is open year-round and occupies 20% of the building. The luncheonette is also your insured. Each customer is insured on CP 00 10 10 12 with Special Form Cause of Loss and no endorsements.

Claim #1



On November 20th, a fire begins in one of the stalls and spreads to other parts of the building, damaging 25% of the building. Is there coverage for damage to the building under the building owner's policy?

Luncheonette	
--------------	--

Yes. Because the building has not been vacant for more than sixty consecutive days, the vacancy provisions do not apply.

Claim #2



In January, a fire begins in the luncheonette and spreads to the stalls, damaging 50% of the building. Is there coverage for damage to the building under the building owner's policy?

Luncheonette 	
	

Yes, The claim would be paid with a 15% reduction because the building was vacant for more than sixty consecutive days.

Claim #3

In March, vandals break the windows of the luncheonette, damaging the interior walls and fixtures and destroying much of the luncheonette's stock. Is there coverage?

Luncheonette  	Building Owner's Policy There is no coverage for the building items as the building has been vacant for more than 60 consecutive days. The building owner is not insuring the stock. Luncheonette's Policy There is coverage for the stock as the luncheonette is not vacant. There is no coverage for damage to the building items as the luncheonette is not insuring those items.
--	---

1/1/2021 to 1/1/2022 Policy
1/1/2021 occupancy information

Tenant	Description	Square Footage	Annual Rents	Annual expenses paid by tenant (e.g. CAM)
Harry's HVAC	HVAC contractor	10,000	Some number	Some number
Ollie's Office Depot	Office supplies distributor	20,000	Some number	Some number
Patty's Produce	Produce Wholesaler	8,000	Some number	Some number
Marty's Medical Goods	Medical Supplies distributor	40,000	Some number	Some number
Tiny Tumblers	Children's Gymnastics Studio	10,000	Some number	Some number
TOTAL		88,000		

1/1/2021 to 1/1/2022 Policy
7/1/2021 occupancy information

Tenant	Description	Square Footage	Annual Rents	Annual expenses paid by tenant
Vacant	Vacant	10,000	Some number	Some number
Ollie's Office Depot	Office supplies distributor	20,000	Some number	Some number
Patty's Produce	Produce Wholesaler	8,000	Some number	Some number
Vacant	Vacant	40,000	Some number	Some number
Vacant	Vacant	10,000	Some number	Some number
TOTAL		88,000		

Is the building vacant?

We forgot something. Total Building area is 100,000 sf. There is 12,000 sf of common area. Is the building vacant?

Tommy's Trattoria

It is July 2020. Tommy's Trattoria in Wall Township, NJ has not been allowed to open for indoor dining since mid-March 2020 due to NJ's Executive Order concerning coronavirus.

Tommy rents a stand-alone building in Wall Township and is the only tenant. Tommy's is a fine dining restaurant, and Tommy determined that it did not make sense to open and offer take-out and delivery only.

Tommy removed the food from the restaurant so that it wouldn't spoil and donated it to a local food bank. He closed the restaurant, leaving in place all appliances, furnishings, kitchen items etc.

- Is Tommy's Trattoria vacant?
- You also insure the building owner. Is the building vacant?

Tommy's Trattoria

It is October 2020. Tommy's Trattoria in Wall Township, NJ could no longer pay its rent and moved out of the building it had been occupying. The space is now completely empty and has been for over 60 days.

Vandals damage the building on Mischief Night. In addition to the normal throwing of eggs and toilet-papering of trees, vandals break windows with rocks, enter the building and spray paint the interior walls. They also start a fire that causes significant damage.

- Is the vandalism damage covered?
- Is the fire damage covered?

Vandals start a Fire in a Vacant Building

Fire Damage is Covered

Nationwide Mut. Fire Ins. Co. v. Nationwide Furniture Co. 932 F. Supp. 655 (E.D. Pa. 1996)

The term vandalism is ambiguous. The insurer could have defined vandalism to include non-accidental fire to clarify, but did not.

Fire Damage isn't Covered

Botee v. Southern Fid. Ins. Co., 162 So. 3d 183 (Fla. Dist. Ct. App. 5th Dist. 2015)

Webster's defines vandalism as "willful or malicious destruction or defacement of public or private property." Arson is similarly defined. Vandalism unambiguously encompasses arson.

VACANCY PERMIT ENDORSEMENT (CP 04 50 07 88)

- Suspends the vacancy condition for specified locations for a stated period of time
- Allows coverage to continue at full value when a building is vacant beyond 60 days
- Can be written to specifically exclude vandalism and/or sprinkler leakage

VACANCY CHANGES ENDORSEMENT (CP 04 60 10 12)

- Used to redefine the minimum percentage that must be rented or used to avoid a vacancy condition
- Allows the 31% rented criteria to be reduced to as low as 10%

VACANT BUILDING POLICIES

Things to watch for:

- Non-admitted carriers
- Valuation – ACV instead of RC
- Causes of Loss – Basic or Broad instead of Special
- Exclusions for Sprinkler Leakage, Water Damage, Vandalism, Theft
- Warranties – e.g.
 - ✓ Maintenance of heat
 - ✓ Locked/secured building
 - ✓ Central station alarms
 - ✓ Security
 - ✓ Others

Tenant Property Issues

What If?

- The Tenant has made improvements and betterments to the space
- The Tenant is responsible for insuring portions of the building
- The Tenant is responsible for damage he does to the rented space
- The Tenant will suffer financially if the lease is cancelled because he has invested in the lease or the space or has favorable lease terms

Building And Personal Property Coverage Form (CP 00 10 10 12)

Your Business Personal Property includes:

Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:

(a) Made a part of the building or structure you occupy but do not own; and

(b) You acquired or made at your expense but cannot legally remove

Which are (probably) TIB?



Payment of a TIB claim

Damage to Tenant Improvements and Betterments	What is paid under Tenant's CPP
Tenant repairs promptly	ACV (RC if option is activated)
Landlord repairs	Nothing paid
Can not/does not repair or rebuild promptly	Unamortized portion of original cost

Payment of TIB claim

Tenant added \$100,000 of TIB at the beginning of a 10-year lease.

5 years into the lease, the building is destroyed, and the tenant permanently closes his business.

\$100,000 - \$50,000 (amortized portion of the original cost 50%) = \$50,000 paid

Your Business Personal Property – Separation of Coverage – CP 19 10 06 95

- Specify a limit of insurance for any of the seven categories of Your Business Personal Property
- The Your Business Personal Property Limit of Insurance on the declarations does not apply to property scheduled in this endorsement.
- Can be used for tenant's improvements & betterments to get a building rate rather than a business personal property rate

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**YOUR BUSINESS PERSONAL PROPERTY –
SEPARATION OF COVERAGE**

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

A. The following Limits of Insurance and Covered Causes of Loss apply to the types of property included under YOUR BUSINESS PERSONAL PROPERTY:

Prem. No.	Bldg. No.	Type of Property	SCHEDULE		Coinsurance
			Limit of Insurance	Causes Of Loss Form Applicable	
1	1	TIB	\$250,000	Special	90%

B. If a Limit of Insurance is shown for Your Business Personal Property in the Declarations, without further indication of the Type of Property, that Limit of Insurance will not apply to any property described in this endorsement.

Ordinance or Law Coverage for Tenants
Improvements and Betterments
CP 04 26 09 17

Coverages A, B and C can be chosen.

Post-Loss Ordinance or Law Option is available.

Improvements and betterments are fixtures, alterations, installations or additions made a part of the building you occupy but do not own and which you acquired or made at your expense but cannot legally remove.

POLICY NUMBER:

COMMERCIAL PROPERTY
CP 04 26 09 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ORDINANCE OR LAW COVERAGE FOR TENANT'S
INTEREST IN IMPROVEMENTS AND BETTERMENTS
(TENANT'S POLICY)**

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE

Building Number/ Premises Number	Coverage A	Coverage B Limit Of Insurance	Coverage C Limit Of Insurance	Coverages B And C Combined Limit Of Insurance
/	<input type="checkbox"/>	\$	\$	\$ -
/	<input type="checkbox"/>	\$	\$	\$ -
/	<input type="checkbox"/>	\$	\$	\$ -

Description Of Tenant's Improvements And Betterments

At Building Number/Premises Number :

At Building Number/Premises Number :

At Building Number/Premises Number :

Post-Loss Ordinance Or Law Option: Yes No

*Do not enter a Combined Limit of Insurance if Individual Limits of Insurance are selected for Coverages B and C, or if one of these Coverages is not applicable.

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

What do you think?

Your insured owns and insures his building. His tenant has added \$1,000,000 in TIB, and the lease makes the tenant responsible for insuring the TIB. Your insured is not responsible for any damage to the TIB.

- RC with TIB = \$5,000,000
- RC exclusive of TIB = \$4,000,000

Your insured wants to insure the building for \$4,000,000 at 100% coinsurance because that is all he is responsible for according to the lease.

What do you think?

CP 00 10 10 12

Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies:

a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

CP 14 30 07 88 - Additional Property Not Covered

Lease requires that the tenant
insure the building

Good Idea?

Bad Idea?

Tenant Insures the Building Might the Landlord Want This?

POLICY NUMBER: COMMERCIAL PROPERTY
CP 12 19 06 07

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – BUILDING OWNER

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY

SCHEDULE

Premises Number:		Building Number:	
Building Description:			
Building Owner Name:			
Building Owner Address:			

The building owner identified in this endorsement is a Named Insured, but only with respect to the coverage provided under this Coverage Part or Policy for direct physical loss or damage to the building(s) described in the Schedule.

Tenant Insures the Building Might the Landlord Want This?

POLICY NUMBER:	COMMERCIAL PROPERTY CP 12 18 10 12
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.	
LOSS PAYABLE PROVISIONS	
This endorsement modifies insurance provided under the following:	
BUILDERS' RISK COVERAGE FORM BUILDING AND PERSONAL PROPERTY COVERAGE FORM CONDOMINIUM ASSOCIATION COVERAGE FORM CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM STANDARD PROPERTY POLICY	
SCHEDULE	
Location Number:	Building Number: Applicable Clause (Enter C.1, C.2, C.3, or C.4.):
Description Of Property:	
Loss Payee Name:	
Loss Payee Address:	

4. Building Owner Loss Payable Clause

- a. The Loss Payee shown in the Schedule or in the Declarations is the owner of the described building in which you are a tenant.
- b. We will adjust losses to the described building with the Loss Payee. Any loss payment made to the Loss Payee will satisfy your claims against us for the owner's property.
- c. We will adjust losses to tenants' improvements and betterments with you, unless the lease provides otherwise.

Tenant Insures the Building Might the Landlord Want This?

POLICY NUMBER:	COMMERCIAL PROPERTY CP 15 03 06 07		
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.			
BUSINESS INCOME – LANDLORD AS ADDITIONAL INSURED (RENTAL VALUE)			
This endorsement modifies insurance provided under the following:			
BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM			
SCHEDULE			
Description Of Rented Premises:			
Name Of Additional Insured:			
Mailing Address Of Additional Insured:			
Causes Of Loss Form	Applicable Business Income Coverage Form (Enter Form Number)	Limit Of Insurance	Coinsurance Percentage
		\$	%
Endorsements, If Any, Supplementing Or Restricting The Covered Causes Of Loss With Respect To The Coverage Provided Under This Endorsement:			
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

Business Income – Landlord as Additional Insured (Rental Value) CP 15 03 06 07

- A.** The person or entity identified in the Schedule is insured for loss of "Rental Value", up to the Limit of Insurance shown in the Schedule. Such coverage applies in accordance with all terms of Business Income – "Rental Value" Coverage under the applicable Business Income Coverage Form, and all conditions in the Common Policy Conditions and Commercial Property Conditions, except as otherwise provided in this endorsement or other applicable endorsement.
- B.** The Causes Of Loss Form shown in the Schedule applies to the coverage provided under this endorsement. Unless shown in the Schedule, endorsements which modify the Causes Of Loss Form do not apply to the coverage provided under this endorsement.
- C.** With respect to the coverage provided under this endorsement, the definition of "Rental Value" is replaced by the following:
"Rental Value" means the:
1. Net income that would have been earned as rental income from tenant occupancy of the premises described in the Schedule, as furnished and equipped by the Additional Insured; and
 2. Amount of continuing normal operating expenses which are the legal obligation of the tenant and which would otherwise be the Additional Insured's obligations.
- In Paragraphs C.1. and C.2. above, the terms tenant and tenant occupancy refer to the Named Insured under this policy, who is a tenant of the Additional Insured.

Business Income – Landlord as Additional
Insured (Rental Value)
CP 15 03 06 07

- D. If this endorsement provides coverage in excess of the coverage or benefits required under the terms of the lease between the Named Insured and the Additional Insured, the most we will pay is the amount determined in accordance with the terms of the lease, but not more than the Limit of Insurance shown in the Schedule.
- E. The following applies if this policy includes Business Income coverage for the interest of the Named Insured:
The amount of any payment made to the Additional Insured under the terms of this endorsement will be deducted from the Named Insured's Business Income loss and therefore will not be payable to the Named Insured as a continuing normal operating expense.
- F. If we cancel this policy, we will provide advance notice in writing to the Additional Insured. The notice will be mailed to the Additional Insured at the last mailing address known to us, in the applicable timeframe specified in the policy's Cancellation Condition or any amendment to that Condition.
- G. The following do not apply to the coverage provided under this endorsement:
1. Extra Expense Coverage or Additional Coverage – Expenses To Reduce Loss;
 2. Additional Coverage – Alterations And New Buildings;
 3. Coverage Extension – Newly Acquired Locations; and
 4. Optional Coverages.

Business Income – Landlord as Additional
Insured (Rental Value)
CP 15 03 06 07

When might an agent recommend this?

Facts:

- Tenant Inc. – owned 100% by Son
- Building Owner Inc. – owned 100% by Mom
- Son is concerned with Mom's financial well-being.

Tenant Inc. is required by its lease with Building Owner Inc. to insure the building. Ownership is not common so your underwriter will not include both entities as Named Insured. Building Owner Inc. does not want to insure its own building on its own policy (despite your repeated suggestions.) Tenant Inc.'s policy includes Building, Business Personal Property and Business Income coverages.

The building burns to the ground, and it takes over a year to rebuild. How will Building Owner Inc. be made whole for the loss of rents?

Business Income – Landlord as Additional
Insured (Rental Value)
CP 15 03 06 07

What about Tenant Inc.'s Business Income coverage? (CP 00 30 10 12)

Business Income means the:

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

Is the rent a continuing normal operating expense for Tenant Inc.?

- Language in the lease may state that the lease terminates if the premises are untenable following damage or destruction.
- The law may state that the lease cancels if the premises is totally destroyed.
- Case law in a jurisdiction may address this issue.

Business Income – Landlord as Additional
Insured (Rental Value)
CP 15 03 06 07

Example
California Civil Code

1925. Hiring is a contract by which one gives to another the temporary possession and use of property, other than money, for reward, and the latter agrees to return the same to the former at a future time.

1933.

The hiring of a thing terminates:

1. At the end of the term agreed upon;
2. By the mutual consent of the parties;
3. By the hirer acquiring a title to the thing hired superior to that of the letter; or,
- 4. By the destruction of the thing hired.**

(Enacted 1872.)

Insuring Part of the Building

POLICY NUMBER:	COMMERCIAL PROPERTY CP 14 01 09 17
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.	
SCHEDULED BUILDING PROPERTY TENANT'S POLICY	
This endorsement modifies insurance provided under the following:	
BUILDING AND PERSONAL PROPERTY COVERAGE FORM STANDARD PROPERTY POLICY	
SCHEDULE	
Location Of Building:	
Causes Of Loss Form (and related endorsements, if any):	
Valuation Condition: Actual Cash Value <input type="checkbox"/> Or Replacement Cost <input type="checkbox"/>	
Coinsurance (if applicable): %	
Deductible On Building Glass (if any): \$	
Deductible On Building Property Other Than Glass: \$	
Description Of Building Glass	Limit Of Insurance
	\$
Description Of Other Building Property	Limit Of Insurance
	\$
	\$
	\$
	\$
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

Insuring Part of the Building

POLICY NUMBER:	COMMERCIAL PROPERTY CP 14 02 09 17
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.	
UNSCHEDULED BUILDING PROPERTY TENANT'S POLICY	
This endorsement modifies insurance provided under the following:	
BUILDING AND PERSONAL PROPERTY COVERAGE FORM STANDARD PROPERTY POLICY	
SCHEDULE	
Location Of Building:	
Causes Of Loss Form (and related endorsements, if any):	
Valuation Condition: Actual Cash Value <input type="checkbox"/> Or Replacement Cost <input type="checkbox"/>	
Coinsurance (if applicable): %	
Deductible On Building Glass (if any): \$	
Limit Of Insurance On Building Glass: \$	
Deductible On Building Property Other Than Glass: \$	
Limit Of Insurance On Building Property Other Than Glass: \$	
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	



What if the
Tenant
Damages the
Building?

Can the Tenant Be Held Responsible for Damage Done to Rented Space?

1. What does the lease say?
 - Who is responsible for insuring the building?
 - Has landlord waived rights of recovery?
 - Is there waiver of subrogation language?
2. What if the lease is silent or unclear?
 - Can the landlord's carrier subrogate against the tenant?

State Positions Vary

1. The tenant is an implied coinsured – The Sutton Rule/Doctrine

Sutton v. Jondahl, 532 P.2d 478 (Okla. 1975)

.....subrogation should not be available to the insurance carrier because the law considers the tenant as a co-insured of the landlord absent an express agreement between them to the contrary....

Basic equity and fundamental justice upon which the equitable doctrine of subrogation is established requires that when fire insurance is provided for a dwelling it protects the insurable interests of all joint owners including the possessory interests of a tenant absent an express agreement by the latter to the contrary.

State Positions Vary

2. Subrogation is permitted – Anti-Sutton

- Tenant should be responsible for its negligence.
- Tenant is not a coinsured unless – e.g.
 - The lease requires that the landlord maintain insurance for the benefit of the tenant.
 - OR
 - The lease exculpates the tenant from loss caused by the tenant's wrongdoing.

3. Case-by-case

- What does the lease say?
- What are the reasonable expectations of the parties?
- Other factors

Business Auto Coverage Form
CA 00 01 11 20

Liability Exclusion

This insurance does not apply to any of the following:

6. Care, Custody Or Control

"Property damage" to or "covered pollution cost or expense" involving property owned or transported by the "insured" or in the "insured's" care, custody or control. But this exclusion does not apply to liability assumed under a sidetrack agreement.

Business Auto Coverage Form
CA 00 01 11 20

1. Who Is An Insured

The following are "insureds":

- a. You for any covered "auto".*
- b. Anyone else while using with your permission a covered "auto" you own, hire or borrow except:*

...

Section V - Definitions

G. "Insured" means any person or organization qualifying as an insured in the Who Is An Insured provision of the applicable coverage. Except with respect to the Limit of Insurance, the coverage afforded applies separately to each insured who is seeking coverage or against whom a claim or "suit" is brought.

Commercial General Liability Form
CG 00 01 04 13

Coverage A Exclusion

This insurance does not apply to:

j. Damage To Property

"Property damage" to:

(1) *Property you own, rent, or occupy, including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property;*

Possible Solutions

- Damage to Premises Rented to You
- Carrier-specific enhancements
- Legal Liability Coverage Form

Damage to Premises Rented to You
CG 00 01 04 13

- Insured must be legally liable for fire damage to the property he rents (other than simply contractually liable.)
- The limit is part of the Each Occurrence CGL limit.
- Erodes the General Aggregate limit

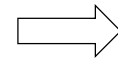
Damage to Premises Rented to You
CG 00 01 04 13

CGL is written with a \$1,000,000 Each Occurrence limit and \$300,000 Damage to Premises Rented to You limit.

Damages during a fire loss caused by the tenant:

- \$ 500,000 damage to rented space (policy will pay only \$300,000)
- \$ 600,000 damage to neighboring premises
- \$ 100,000 medical payments to 10 injured occupants of the building
- \$1,000,000 paid for this loss

Who will defend the Named Insured when the injured people begin to file lawsuits?



Damage to Premises Rented to You
CG 00 01 04 13

Surely, the Umbrella will help. Won't it?

- Umbrella likely will not drop down over a sublimit.
- Umbrella likely excludes damage to rented real or personal property.

And what if the Umbrella says this?

*Retained Limit is the sum stated in the Declarations as such. If the policies of underlying insurance do not apply to the occurrence or offense covered by this insurance, the insured shall retain the amount stated as a Self-Insured Retention.....**These retained limits shall only be reduced or exhausted by payment of claims that would be insured by this policy.** The Named Insured shall bear all legal costs and expenses incurred until such time as the retained amounts are exhausted by payment of claims **that would be insured by this policy.***

Damage to Premises Rented to You

Insurers may:

- Increase limits in enhancement endorsements
- Increase perils to include causes of loss other than fire
- Enhance coverage in other ways using proprietary endorsements

Legal Liability Coverage Form – CP 00 40 10 12

We will pay those sums that you become legally obligated to pay as damages because of direct physical loss or damage, including loss of use, to Covered Property caused by accident and arising out of any Covered Cause of Loss.

- Insured must be legally liable for damage to the property it rents (other than simply contractually liable.)
 - For building damage from burglary or robbery, contractual liability triggers coverage.
- Basic, Broad or Special Form Cause of Loss is chosen.
- Insurer has the right and duty to defend.

Legal Liability Coverage Form – CP 00 40 10 12

- No deductible applies.
- No coinsurance applies.
- ISO rate - Multiply the 80% coinsurance building rate by .25

Note: Can also be used to coverage damage to leased personal property (.50 rate)

- Form is a cross between property and liability coverage. As such, it includes features common to liability coverage.
 - Supplementary payments (including defense)
 - Coverage for certain automatic insureds if NI is partnership, LLC or corporation (partners, LLC members, executive officers, trustees, directors, stockholders, LLC managers)

CP 10 30 09 17 (Special Form) and the Legal Liability Coverage Form

Certain special form exclusions do not apply

- Paragraph B.1.a. Ordinance or Law;
- Paragraph B.1.c. Governmental Action;
- Paragraph B.1.d. Nuclear Hazard;
- Paragraph B.1.e. Utility Services; and
- Paragraph B.1.f. War and Military Action

Two additional exclusions are added

- Contractual liability
- Nuclear hazard (replaces the nuclear exclusion that applies to other coverage forms)

CP 10 30 09 17 (Special Form) and the Legal Liability Coverage Form

Contractual Liability Exclusion

We will not defend any claim or "suit", or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement. But this exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

- (i) *Your assumption of liability was executed prior to the accident; and*
- (ii) *The building is Covered Property under this Coverage Form.*

Leasehold Interest Coverage Form
CP 00 60 06 95

Provides coverage when:

- An insured is a tenant and has a favorable lease and/or invested in his lease or improvements to his space;
- The lease is cancelled by the landlord as a result of direct physical loss of or damage to property from a covered cause of loss; and
- The insured suffers a financial loss as a result.

Leasehold Interest Coverage

Artie's Art Gallery signed a 10-year lease to rent one of nine stores in a building that extends a full block on Main Street. Artie made \$50,000 in improvements to his space and pays rent that is less than the going rate in the area. He got such favorable terms by paying a non-refundable amount of \$100,000 when the lease was initially signed. The lease includes the following clause.

If by fire or other casualty the Premises are totally damaged or destroyed, or the Building containing the Premises is partially damaged or destroyed to the extent of 20% or more of the replacement cost thereof, or the damage to the Building otherwise exceeds the amount of \$25,000 (even though the Premises may not be damaged), Landlord will have the option of terminating this Lease or any renewal thereof by serving written notice upon Tenant within 180 days from the date of the casualty and any prepaid Rent or Additional Rent will be prorated as of the date of destruction and the unearned portion of such Rent will be refunded to Tenant without interest.

Leasehold Interest Coverage

Five years into the lease, the space three stores down from Artie's is severely damaged by fire. Because rents in the area have increased dramatically, the landlord exercises the abatement clause and terminates Artie's lease.

Artie is insured under a Commercial Property Policy with the following limits:

- Business Personal Property \$250,000 limit, Special Form
- Business Income \$500,000 limit, ¼ monthly indemnity

Leasehold Interest Coverage Form CP 00 60 06 95

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

1. Tenants' Lease Interest
2. Bonus Payments
3. Improvements and Betterments
4. Prepaid Rent

Leasehold Interest Coverage Form
CP 00 60 06 95

100 Main Street, Anytown, USA

Unit 1	Unit 2	Artie's Unit 3	Unit 4	Unit 5	Unit 6	Unit 7	Unit 8	Unit 9
--------	--------	-------------------	--------	--------	--------	--------	--------	--------

How should the premises be described on Artie's Leasehold Interest Coverage?

Leasehold Interest Coverage Form
CP 00 60 06 95

- a. **Tenants' Lease Interest**, meaning the difference between the:
- (1) Rent you pay at the described premises; and
 - (2) Rental value of the described premises that you lease.

CP 00 60 06 95 Copyright, ISO Commercial Risk Services, Inc., 1994

Leasehold Interest Coverage
Form (CP 00 60 06 95)

In order to understand net leasehold interest, we must first understand gross leasehold interest.

F. DEFINITIONS

1. **"Gross Leasehold Interest"** means the difference between the:
 - a. Monthly rental value of the premises you lease; and
 - b. Actual monthly rent you pay including taxes, insurance, janitorial or other service that you pay for as part of the rent.

This amount is not changed:

- (1) Whether you occupy all or part of the premises; or
- (2) If you sublet the premises.

CP 00 60 06 95

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Page 4 of 4

Leasehold Interest Coverage
Form (CP 00 60 06 95)

F. DEFINITIONS

3. **"Net Leasehold Interest":**

- a. Applicable to Tenants' Lease Interest.

"Net Leasehold Interest" means the present value of your "gross leasehold interest" for each remaining month of the term of the lease at the rate of interest shown in the Leasehold Interest Coverage Schedule.

The "net leasehold interest" is the amount that, placed at the rate of interest shown in the Leasehold Interest Coverage Schedule, would be equivalent to your receiving the "Gross Leasehold Interest" for each separate month of the unexpired term of the lease.

To find your "net leasehold interest" at any time, multiply your "gross leasehold interest" by the leasehold interest factor found in the table of leasehold interest factors attached to this form.

CP 00 60 06 95

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Page 4 of 4

Leasehold Interest Example Tenant's Lease Interest

- \$10,000 monthly rent paid
- \$12,000 monthly rent for equivalent space
- Gross leasehold interest is \$2,000 per month
- 60 months left on the lease as of policy inception
- Maximum exposure of \$120,000 (60 x \$2,000)
- Net Leasehold Interest is the sum that equals what the insured would have at the end of 60 months if he invested the amount paid at a specified rate of interest.
- Using a rate of return of 6%, the leasehold interest factor is 51.9238. (this number is found on the endorsement)
- $\$2,000 \times 42.7127 = \$103,847.60$ net leasehold interest

Endorsements are available for interest rates between 5% and 15% and cover periods up to 400 months.

e.g. CP 60 06 11 85

COMMERCIAL PROPERTY

LEASEHOLD INTEREST FACTORS FOR 6.0%

This endorsement provides supplementary information to be used with the following:
LEASEHOLD INTEREST COVERAGE FORM

MONTH	FACTOR	MONTH	FACTOR	MONTH	FACTOR	MONTH	FACTOR
1	0.9952	52	45.8429	103	80.8528	154	108.1829
2	1.9855	53	46.6160	104	81.4563	155	108.6540
3	2.9710	54	47.3854	105	82.0569	156	109.1229
4	3.9518	55	48.1510	106	82.6546	157	109.5894
5	4.9278	56	48.9129	107	83.2494	158	110.0537
6	5.8991	57	49.6711	108	83.8413	159	110.5158
7	6.8657	58	50.4257	109	84.4303	160	110.9756
8	7.8276	59	51.1766	110	85.0165	161	111.4332
9	8.7848	60	51.9238	111	85.5998	162	111.8886
10	9.7374	61	52.6675	112	86.1803	163	112.3417
11	10.6854	62	53.4075	113	86.7580	164	112.7927
12	11.6288	63	54.1439	114	87.3329	165	113.2415
13	12.5676	64	54.8768	115	87.9050	166	113.6881
14	13.5019	65	55.6062	116	88.4744	167	114.1326
15	14.4317	66	56.3320	117	89.0410	168	114.5749

CP 60 05 11 85 - LEASEHOLD INTEREST FACTORS FOR 5.0%
CP 60 06 11 85 - LEASEHOLD INTEREST FACTORS FOR 6.0%
CP 60 07 11 85 - LEASEHOLD INTEREST FACTORS FOR 7.0%
CP 60 08 11 85 - LEASEHOLD INTEREST FACTORS FOR 8.0%
CP 60 09 11 85 - LEASEHOLD INTEREST FACTORS FOR 9.0%
CP 60 10 11 85 - LEASEHOLD INTEREST FACTORS FOR 10.0%
CP 60 11 11 85 - LEASEHOLD INTEREST FACTORS FOR 11.0%
CP 60 12 11 85 - LEASEHOLD INTEREST FACTORS FOR 12.0%
CP 60 13 11 85 - LEASEHOLD INTEREST FACTORS FOR 13.0%
CP 60 14 11 85 - LEASEHOLD INTEREST FACTORS FOR 14.0%
CP 60 15 11 85 - LEASEHOLD INTEREST FACTORS FOR 15.0%

Leasehold Interest Coverage Form
CP 00 60 06 95

- b. Bonus Payments**, meaning the unamortized portion of a cash bonus that will not be refunded to you. A cash bonus is money you paid to acquire your lease. It does not include:
- (1)** Rent, whether or not prepaid; or
 - (2)** Security

CP 00 60 06 95 Copyright, ISO Commercial Risk Services, Inc., 1994

Leasehold Interest Coverage Form
CP 00 60 06 95

- d. Prepaid Rent**, meaning the unamortized portion of any amount of advance rent you paid that will not be refunded to you. This does not include the customary rent due at:
- (1)** The beginning of each month; or
 - (2)** Any other rental period

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Payment of a Bonus Payments/Pre-paid Rent claim

Example:

- 10-year lease
- \$100,000 non-refundable bonus payment (or pre-paid rent) made at the beginning of the lease period

$\$100,000 \times 1825 \text{ (days left in lease)} = \$182,500,000$

$\frac{\$182,500,000}{3650 \text{ (days in lease)}} = \$50,000 \text{ (less deductible)}$

Leasehold Interest Coverage Form
CP 00 60 06 95

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

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

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

CP 00 60 06 95 Copyright, ISO Commercial Risk Services, Inc., 1994

Remember: Payment of a TIB claim when damage is not repaired

Example:

- 10-year lease
- \$50,000 Improvements and Betterments made at the beginning of the lease period
- Fire destroys Improvements and Betterments exactly five years after the lease began.
- Tenant closes business.

$$\$50,000 \times 1825 \text{ (days left in lease)} = \$91,250,000$$

$$\frac{\$91,250,000}{3650 \text{ (days in lease)}} = \$25,000 \text{ (less deductible)}$$

Payment of a TIB claim under Leasehold Interest

Example:

- 10-year lease
- \$50,000 Improvements and Betterments made at the beginning of the lease period
- No damage to Improvements and Betterments, but NI must leave them behind.

$$\$50,000 \times 1825 \text{ (days left in lease)} = \$91,250,000$$

$$\frac{\$91,250,000}{3650 \text{ (days in lease)}} = \$25,000 \text{ (less deductible)}$$

CP DS 07 10 00 - LEASEHOLD INTEREST COVERAGE SCHEDULE

This endorsement provides supplementary information to be used with the following:

LEASEHOLD INTEREST COVERAGE FORM

Inception Date of Lease _____ Months Remaining at Inception _____
 Expiration Date of Lease _____ % Interest _____

The Leasehold Interest Coverage Form applies to the items described below for which an amount of "Net Leasehold Interest" At Inception is shown:

	"Gross Leasehold Interest"	"Monthly Leasehold Interest"	"Net Leasehold Interest" At Inception	Premium
Tenants Lease Interest	\$ _____ per month	xxxxx	\$ _____	\$ _____
Bonus Payments	xxxx	\$ _____	\$ _____	\$ _____
Improvements And Betterments	xxxx	\$ _____	\$ _____	\$ _____
Prepaid Rent	xxxx	\$ _____	\$ _____	\$ _____
Total Covered Leasehold Interest			\$ _____	\$ _____

Calculating the Limit of Insurance
(TIB, Bonus Payments, Prepaid Rent)

- Calculated by dividing the original costs by the number of months in the lease at the time of the expenditure (monthly leasehold interest)
- Does not consider any options to renew for an additional period of time
- Net leasehold interest is the “monthly leasehold interest” times the number of months remaining in the insured’s lease.

F. DEFINITIONS

2. **"Monthly Leasehold Interest"** means the monthly portion of covered Bonus Payments, Improvements and Betterments and Prepaid Rent. To find your "monthly leasehold interest", divide your original costs of Bonus Payments, Improvements and Betterments or Prepaid Rent by the number of months left in your lease at the time of the expenditure.

CP 00 60 06 95

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Page 4 of 4

Calculating the Limit of Insurance
(TIB, Bonus Payments, Prepaid Rent)

Monthly leasehold interest is used in defining net leasehold interest.

3. "Net Leasehold Interest":

- b. Applicable to Bonus Payments, Improvements and Betterments or Prepaid Rent.

"Net Leasehold Interest" means the unamortized amount shown in the Schedule. Your "net leasehold interest" at any time is your "monthly leasehold interest" times the number of months left in your lease.

CP 00 60 06 95

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Page 4 of 4

Calculating the Limit of Insurance
(TIB, Bonus Payments, Prepaid Rent)

Insured has a brand new 10 year lease (120 months)
Insured put in \$120,000 TIB at the beginning of the lease.

\$ 1,000 Monthly Leasehold Interest Per Month
X 120 months left on lease at inception
\$120,000 Net Leasehold Interest at Inception

Fast Forward – 5 years later

\$ 1,000 Monthly Leasehold Interest Per Month
X 60 months left on lease at inception
\$60,000 Net Leasehold Interest at Inception

Thank You For Being Here

Catherine Trischan, CPCU, CIC, CRM, ARM, AU, AAI, CRIS, MLIS, TRIP
E&K Insurance Group
Eatontown, NJ
catherine.trischan@gmail.com



James K. Ruble Seminar

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

Section 2

Certificates of Insurance and Additional Insureds: Navigating The Maze

Certificates of Insurance and Additional Insureds: Navigating the Maze

Catherine Trischan, CPCU, CRM, CIC, ARM, AU, AAI, CRIS, MLIS, TRIP

catherine.trischan@gmail.com

E&K Insurance Group

Eatontown, NJ

The Role of the Certificate

- Informational
- Does it change the policy?
- Disclaimer language

Disclaimers ACORD 25 (2016/03)



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:		
	PHONE (A/C, No, Ext):	FAX (A/C, No):	
INSURED	E-MAIL ADDRESS:		
		INSURER(S) AFFORDING COVERAGE	NAIC #
	INSURER A:		
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		
	INSURER F:		

COVERAGES: CERTIFICATE NUMBER: REVISION NUMBER:
 THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

Disclaimers ACORD 25 (2016/03)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

Disclaimers ACORD 25 (2016/03)

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

Disclaimers ACORD 25 (2016/03)

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

Certificate Holder Expectations

I will get an accurate representation of coverage

7

- Certificate may include incorrect information
- Certificate may be issued on a cancelled policy
- Certificate may include language inconsistent with the policy
- Aggregate limits may be impaired

Any important restrictions or exclusions will be disclosed to me

- Policy exclusions are rarely listed on a certificate
- Exclusions may be added after the certificate is issued

Certificate Holder Expectations

If the certificate says I'm additional insured, I am

8

- A "Y" in the AI box gives little information
- Has an endorsement been issued?
- Has the proper endorsement been issued?
- Have the terms of the additional insured coverage been made clear?

I will be notified if the policy cancels

Insured Misconceptions

If my broker issues a certificate, I'm in compliance with the requirements of the certificate holder

Policies rarely conform exactly to contracts

- Outdated contract language
- Unrealistic requirements
- Required coverage is more than the insured carries

If the certificate holder accepts the certificate, I don't have to worry about the contract requirements

Common Contract Language:

Contractor shall not be obligated to review the Certificate of Insurance or other evidence of insurance, or to advise the Subcontractor of any deficiencies in such documents, and receipt thereof shall not relieve the Subcontractor from, nor be deemed a waiver of Contractor's right to enforce the terms of the Subcontractor's obligations hereunder.

Producer Misconceptions

- It's better to issue the certificate the way it's requested than to challenge the request
- It doesn't matter what I put on the certificate; it's informational only
- If I describe an entity as additional insured on the COI, it is an additional insured
- If the certificate holder accepts the certificate, my insured doesn't have to worry about contract requirements

Acord 25 – Liability

- Issue forms in compliance with Acord's Forms Instruction Guide
- Do not use for auto/equipment lessors/finance companies

To provide information to the owner of a leased motor vehicle or equipment, or the lender about both liability and physical damage or property coverages applying to a vehicle or equipment, use ACORD 23, Vehicle or Equipment Certificate of Insurance.

Acord 25 – Liability

- **Insurer information**

The insurer’s full legal company name(s) as found in the file copy of the policy...This is not the insurer’s group name or trade name.

- **Insured information**

The named insured(s) as it/they will appear on the policy declarations page.

Acord 25 – Liability

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:					EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY					COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED \$ RETENTION \$					EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A				<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)						

Acord 25 – Liability

- Additional Insured - Y or N

*Enter Y for a “Yes” response. Input N for “No” response.
Indicates if the certificate holder has been named as an
additional insured on the general liability policy.*

- Waiver of Subrogation- Y or N

*Enter Y for a “Yes” response. Input N for “No” response.
Indicates if subrogation has been waived on the general
liability policy.*

“Blanket” Additional Insured

Commonly Used Language

***XYZ is included as additional insured if required by
written contract.***

What do you think?

“Blanket” Additional Insured

The NYDFS provides the following sample language to address “blanket” or “automatic” additional insured situations:

"Named Entity is an additional insured to the extent covered by the CG 20 33 ADDITIONAL INSURED—OWNERS, LESSEES OR CONTRACTORS—AUTOMATIC STATUS WHEN REQUIRED IN CONSTRUCTION AGREEMENT WITH YOU endorsement"

"ABC Company is an additional insured if required by written contract, per endorsement number XX XX XX (copy attached)" or

"ABC Company would be covered as an additional insured per endorsement X, to the extent provided therein."

NOTE: This language may not be acceptable in all states. Know the COI law!

Acord 25 – Liability

- Policy Number
- Effective Dates

The date on which the terms and conditions of the policy commence/ will expire.

Acord 25 – Liability

Policy Limits

e.g. The general liability, each occurrence limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.

Acord 25 – Liability

CGL

- Claims Made/Occurrence
- Open options
 - Indicates other coverage not found on the form exists for the general liability policy.*
- How does the aggregate apply?
 - Is there an overall policy aggregate?

Acord 25 – Liability

INSR LTR	TYPE OF INSURANCE	ADDL SUBR (INSR, WVR)	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER: _____					EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COM/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS ONLY <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY					COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE					EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A				<input type="checkbox"/> PER-STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)						

Acord 25 – Liability

Auto

- Which box(es) to check
- Leased/Financed Autos (use Acord 23)

Excess Liability

- Umbrella or Excess Liability
- Claims Made or Occurrence
- Deductible or Retention

Acord 25 – Liability

INSR LTR	TYPE OF INSURANCE	ADDITIONAL INSURED	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR					EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (EA occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMPIOP AGG \$
	GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:					
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY					COMBINED SINGLE LIMIT (EA accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$					EACH OCCURRENCE \$ AGGREGATE \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y / N <input type="checkbox"/> N / A				PER STATUTE OTHER \$ E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)						

Acord 25 – Liability

WC

- Per Statute or Other?
- Employers' Liability Limits
- Is anyone excluded?
- Is subrogation waived?

Other Liability Policies

Acord 25 – Liability

- Description of Operations/Locations/
Vehicles

The Certificate of Liability Insurance general remarks. The additional comments or special conditions that may exist upon the policy. Acord 101, Additional Remarks Schedule, may be attached if more space is required. As used here, records information necessary to identify the operations, locations and vehicles for which the certificate was issued.

- Authorized Representative

DOO – Let's Practice

Contractual Liability is included.

- Is this better? CGL contractual liability is per the terms of the CG 00 01 04 13 as modified by the CG 24 26 04 13.

The CGL policy covers residential work.

- Is this better? No endorsements that exclude coverage for residential work have been added to the CGL policy.

Umbrella/Excess is follow form.

- Is this better? The CGL, Business Auto and Employers Liability coverages above are included on the Umbrella/Excess schedule of underlying insurance.
- Is this better? (If the form calls itself follow form) Umbrella/Excess is follow form per the terms of coverage form XS 00 00 00 00.

30 days notice of cancellation will be provided.

- Is this better? Notice of cancellation will be provided per the terms of endorsement NC 00 00 00 00 (copy attached)

Acord 24 – Property

- Provides evidence of property insurance to those with no direct interest in the policy
- Acord recommends not using this form for a mortgagee or lienholder

Evidence of Property Insurance

- **Acord 27**
Provides a coverage statement for mortgagees and loss payees who provide mortgages or loans on residential property, personal property or small commercial properties, and are named in the policy.
- **Acord 28**
Provides information to mortgagees and loss payees who provide mortgages or loans on real property or personal property insured under a Commercial Lines policy and more detail is required by the mortgagee or loss payee.

For all COIs/EPIs

Watch the Edition Dates!
The most current forms are:

- Acord 23 (2016/03)
- Acord 24 (2016/03)
- Acord 25 (2016/03)
- Acord 27 (2016/03)
- Acord 28 (2016/03)

State COI Laws

What may be addressed:

- What can and can't be done
- Which COI forms can be used
- To whom the law applies
- What the penalties are

Additional Insured Endorsements

Pre 07/04

Arising Out Of

WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of "your work" for that insured by or for you.

CG 20 10 11 85

07/04 change

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

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

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

CG 20 10 07 04

04/13 Additional Insured Changes

- The insurance afforded the AI applies only to the extent permitted by law.
- If coverage is required by contract, the insurance afforded the AI will be no broader than the contract requires.
- If coverage is required by contract, the limits available to the AI will be no higher than the contract requires.

04/13 Additional Insured Changes

The professional liability exclusion in the additional insured endorsement applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured if the loss involved professional architectural, engineering or surveying services. Note: This language appears only in some AI forms.

12/19 Additional Insured Changes

- New endorsements added to the ISO library
- Various changes to existing AI endorsements
- Recognition of the fact that policy endorsements may change the limits on the declarations

e.g. Available under the applicable Limits of Insurance shown in the declarations

**Additional Insured – Vendors – Automatic
Status When Required in Agreement**

CG 20 44 12 19

Section II - Who Is An Insured is amended to include as an additional insured any “vendor”, but only with respect to liability for “bodily injury” or “property damage” arising out of “your product” which is distributed or sold in the regular course of the “vendor’s” business.

**Additional Insured – Vendors – Automatic
Status When Required in Agreement**

CG 20 44 12 19

Vendor defined

- *Any person or organization who distributes or sells “your product” in the regular course of its business when you have agreed in writing in a contract or agreement that such person or organization be added as an additional insured on your policy*

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 15 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – VENDORS

This endorsement modifies insurance provided under the following:

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

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

Additional Insured - Vendors**CG 20 15 12 19**

- Scheduled vendors
- Scheduled products
- Products must be distributed or sold in the regular course of the vendor's business

Additional Insured – Vendors

CG 20 44/CG 20 15 12 19 (additional exclusions)

- Vendor's contractual liability
- Unauthorized express warranties
- Vendor's intentional physical or chemical change to the product
- Repackaging
- Vendor's failure to make inspections, adjustments, tests or servicing
- Demonstration, installation, servicing or repair except on the vendor's premises in connection with sale of the product
- Labeling, re-labeling or use as part of something else
- Sole negligence of the vendor

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 11 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – MANAGERS OR LESSORS OF PREMISES

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

Additional Insured - Managers or Lessors of Premises

43

CG 20 11 12 19

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

Additional Insured - Managers or Lessors of Premises

44

CG 20 11 12 19

This insurance does not apply to:

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

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 24 12 19**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****ADDITIONAL INSURED – OWNERS OR OTHER
INTERESTS FROM WHOM LAND HAS BEEN LEASED**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Person(s) Or Organization(s)	Designation Of Land (Part Leased To You)
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

**Additional Insured - Owners or Other Interests
from Whom Land Has Been Leased****CG 20 24 12 19**

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

**Additional Insured - Owners or Other Interests
from Whom Land Has Been Leased**

CG 20 24 12 19

This insurance does not apply to:

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

**Additional Insured – Lessor of
Leased Equipment**

Additional Insured - Lessor of Leased
Equipment

- CG 20 28 12 19

Additional Insured - Lessor of Leased
Equipment – Automatic Status When
Required in Lease Agreement With You

- CG 20 34 12 19

Additional Insured - Lessor of Leased Equipment

- *...only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person(s) or organization(s).*
- *...This insurance does not apply to any "occurrence" which takes place after the equipment lease expires.*

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 18 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – MORTGAGEE, ASSIGNEE OR RECEIVER

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

Additional Insured - Mortgagee, Assignee or Receiver

CG 20 18 12 19

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to their liability as mortgagee, assignee or receiver and arising out of the ownership, maintenance or use of the premises by you and shown in the Schedule.

B. This insurance does not apply to structural alterations, new construction and demolition operations performed by or for that person or organization.

CG 20 10 11 85

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – (FORM B)

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART.

SCHEDULE

Name of Person or Organization:

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

WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of "your work" for that insured by or for you.

Carrier Specific Form

- b. Only as described in Paragraph (1), (2) or (3) below, whichever applies:
- (1) If the written contract or agreement specifically requires you to provide additional insured coverage to that person or organization by the use of:
- (a) The Additional Insured – Owners, Lessees or Contractors – (Form B) endorsement CG 20 10 11 85; or
- (b) Either or both of the following: the Additional Insured – Owners, Lessees or Contractors – Scheduled Person Or Organization endorsement CG 20 10 10 01, or the Additional Insured – Owners, Lessees or Contractors – Completed Operations endorsement CG 20 37 10 01;
- the person or organization is an additional insured only if the injury or damage arises out of "your work" to which the written contract or agreement applies;

Another Carrier Specific Form

1. BLANKET ADDITIONAL INSUREDS

a. Ongoing Operations

SECTION II — WHO IS AN INSURED is amended to include as an additional insured:

1. Any person or organization for whom you are performing operations when you and such person or organization have agreed in a written contract, written agreement or written permit that such person or organization be added as an additional insured on your commercial general liability policy; and
2. Any other person or organization, including any architects, engineers or surveyors not engaged by you, whom you are required to add as an additional insured under your policy in the contract or agreement in Paragraph 1. above;

Such person or organization is an additional insured only with respect to liability arising out of your ongoing operations performed under that contract, agreement, or permit when that contract, agreement, or permit requires the additional insured be added with respect to liability arising out of your ongoing operations.

If the written contract, written agreement, or written permit does not require that the additional insured be added with respect to liability arising out of your ongoing operations, then such person or organization is an additional insured only with respect to "bodily injury", "property damage" or "personal and advertising injury" caused in whole or in part by your ongoing operations performed under that contract, agreement, or permit.

CG 20 10 12 19

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 10 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

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

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

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

Additional Insured - Owners, Lessees or Contractors – Scheduled Person or Organization

CG 20 10 12 19

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

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

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

04/13 language is added.

**Additional Insured - Owners, Lessees or Contractors
– Scheduled Person or Organization**

CG 20 10 12 19

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

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

**Additional Insured - Owners, Lessees or Contractors –
Automatic Status When Required in a Written Construction
Agreement With You**

CG 20 33 12 19

Section II – Who Is An Insured is amended to include as an additional insured any person or organization for whom you are performing operations when you and such person or organization have agreed in writing in a contract or agreement that such person or organization be added as an additional insured on your policy.

**Additional Insured - Owners, Lessees or Contractors –
Automatic Status When Required in a Written Construction
Agreement With You**

CG 20 33 12 19

- Named Insured must be performing operations for the Additional Insured
- Contract must be between Named Insured and Additional Insured (privity of contract issue)
 - Note: This has been interpreted differently in different jurisdictions
- Ongoing operations coverage only
- Professional Liability exclusion applies

**Additional Insured - Owners, Lessees or Contractors –
Automatic Status When Required in a Written Construction
Agreement With You**

CG 20 33 12 19

This insurance does not apply to:

1. *"Bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:*
 - a. *The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or*
 - b. *Supervisory, inspection, architectural or engineering activities.*

**Additional Insured - Owners, Lessees or Contractors –
Automatic Status When Required in a Written Construction
Agreement With You**

CG 20 33 12 19

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

CG 20 38 12 19 – a better choice

**Additional Insured - Owners, Lessees or Contractors-
Automatic Status For Other Parties When Required in a
Written Construction Agreement**

(paragraph 1) CG 20 33 12 19 +

(paragraph 2) Any other person or organization you are required to add as an additional insured under the contract or agreement described in Paragraph 1. above....

In the performance of your ongoing operations for the additional insured described in Paragraph 1. or 2.

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**Additional Insured - Owners, Lessees or Contractors- Automatic
Status For Other Parties When Required in a Written Construction
Agreement – CG 20 38 04 13**

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

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

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

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

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

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**Additional Insured - Owners, Lessees or Contractors- Automatic
Status For Other Parties When Required in a Written Construction
Agreement – CG 20 38 12 19**

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

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

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

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

in the performance of your ongoing operations for the additional insured described in Paragraph 1. or 2. above.

Additional Insured - Owners, Lessees or Contractors- Automatic Status For Other Parties When Required in a Written Construction Agreement

CG 20 38 12 19

- Ongoing operations coverage only
- Professional Liability exclusion applies
- ISO says (Circular GL-2018-OFR18)

“ to reinforce that the additional insured status provided by this endorsement extends to the person or organization described in Paragraph A.2. even when the named insured’s ongoing operations are only performed for the person or organization described in Paragraph A.1.”

“There is no impact on coverage.”

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 37 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – COMPLETED OPERATIONS

This endorsement modifies insurance provided under the following:

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

SCHEDULE

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

Additional Insured - Owners, Lessees or Contractors – Completed Operations

CG 20 37 12 19

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

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 41 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – COMPLETED OPERATIONS SUBJECT TO THE GENERAL AGGREGATE

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)	Location And Description

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

**Additional Insured - Owners, Lessees or Contractors
– Completed Operations Subject to the General
Aggregate (CG 20 41 12 19)**

A. **Section II – Who Is An Insured** is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule of this endorsement, but only with respect to liability for:

1. "Bodily injury", "property damage", or "personal and advertising injury" caused, in whole or in part, by:
 - a. Your acts or omissions; or
 - b. The acts or omissions of those acting on your behalf;
 in the performance of your ongoing operations for the additional insured(s) at the location(s) shown and described in the Schedule of this endorsement; or

2. "Bodily injury" or "property damage" caused, in whole or in part, by "your work", other than that described in A.1., at the location(s) shown and described in the Schedule of this endorsement performed for the additional insured(s).

...

**Additional Insured - Owners, Lessees or Contractors 70
– Automatic Status When Required in Written
Construction Agreement With You (Completed
Operations)**

CG 20 39 12 19

Section II – Who Is An Insured is amended to include as an additional insured any person or organization for whom you have performed operations when you and such person or organization have agreed in writing in a contract or agreement that such person or organization be added as an additional insured on your policy.

Completed Operations version of the CG 20 33 12 19

**Additional Insured - Owners, Lessees or Contractors – 71
Automatic Status When Required in Written
Construction Agreement With You (Completed
Operations)**

CG 20 39 12 19

- Named Insured must have performed operations for the Additional Insured
- Contract must be between Named Insured and Additional Insured (privity of contract issue)
- Completed operations coverage only
- Professional Liability exclusion applies

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CG 20 40 12 19 – a better choice

**Additional Insured - Owners, Lessees or Contractors-
Automatic Status For Other Parties When Required in Written
Construction Agreement (Completed Operations)**

(paragraph 1) CG 20 39 12 19 +

(paragraph 2) Any other person or organization you are required to add as an additional insured under the contract or agreement described in Paragraph 1. above....

....caused in whole or in part by "your work" performed for the additional insured described in Paragraph 1. or 2. above and included in the "products-completed operations hazard".

Completed Operations version of the CG 20 38 12 19

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**Additional Insured - Owners, Lessees or Contractors- Automatic
Status For Other Parties When Required in a Written Construction
Agreement (Completed Operations) – CG 20 40 12 19**

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

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

Such person(s) or organization(s) is an additional insured only with respect to liability for "bodily injury" or "property damage" caused, in whole or in part, by "your work" performed for the additional insured described in Paragraph 1. or 2. above and included in the "products-completed operations hazard".

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POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 42 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – AUTOMATIC STATUS FOR
DESIGNATED OPERATIONS**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Description Of Operation(s):

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

Additional Insured – Automatic Status for Designated Operations

CG 20 42 12 19

Section II – Who Is An Insured is amended to include as an additional insured any person(s) or organization(s) for whom you have agreed to add under any contract or agreement, but only with respect to liability for:

1. *"Bodily injury" or "property damage" not included in the "products-completed operations hazard"; or*
2. *"Personal and advertising injury";*
caused by, in whole or in part, your acts or omissions or the acts or omissions of those acting on your behalf in the performance of your operations as described in the Schedule above.

Note: Professional exclusion applies

Additional Insured – Automatic Status When Required in Written Contract Or Agreement - CG 20 43 12 19

A. Section II – Who Is An Insured is amended to include as an additional insured any person(s) or organization(s) for whom you have agreed in writing in a contract or agreement that such person(s) or organization(s) be added as an additional insured on your policy. Such person(s) or organization(s) is an additional insured only with respect to liability for:

1. "Bodily injury" or "property damage" not included in the "products-completed operations hazard"; or
2. "Personal and advertising injury";
caused by, in whole or in part, your acts or omissions or the acts or omissions of those acting on your behalf in the performance of your operations.

Note: Professional exclusion applies

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 12 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – STATE OR GOVERNMENTAL
AGENCY OR SUBDIVISION OR POLITICAL
SUBDIVISION – PERMITS OR AUTHORIZATIONS**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

State Or Governmental Agency Or Subdivision Or Political Subdivision:

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

**Additional Insured – State or Governmental Agency
or Subdivision or Political Subdivision – Permits or
Authorizations****CG 20 12 12 19***Section II – Who Is An Insured is amended to
include as an additional insured any state or
governmental agency or subdivision or political
subdivision shown in the Schedule, subject to the
following provisions:*

- 1. This insurance applies only with respect to operations performed by you or on your behalf for which the state or governmental agency or subdivision or political subdivision has issued a permit or authorization.*

Additional Insured – State or Governmental Agency or Subdivision or Political Subdivision – Permits or Authorizations

CG 20 12 12 19

- 2. *This insurance does not apply to:*
 - a. *"Bodily injury", "property damage" or "personal and advertising injury" arising out of operations performed for the federal government, state or municipality; or*
 - b. *"Bodily injury" or "property damage" included within the "products-completed operations hazard".*

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 13 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – STATE
OR GOVERNMENTAL AGENCY OR SUBDIVISION
OR POLITICAL SUBDIVISION – PERMITS
OR AUTHORIZATIONS RELATING TO PREMISES**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

State Or Governmental Agency Or Subdivision Or Political Subdivision:

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

Additional Insured – State or Governmental Agency or Subdivision or Political Subdivision – Permits or Authorizations Relating to Premises

CG 20 13 12 19

Section II – Who Is An Insured is amended to include as an additional insured any state or governmental agency or subdivision or political subdivision shown in the Schedule, subject to the following provisions:

This insurance applies only with respect to the following hazards for which the state or governmental agency or subdivision or political subdivision has issued a permit or authorization in connection with premises you own, rent or control and to which this insurance applies:

Additional Insured – State or Governmental Agency or Subdivision or Political Subdivision – Permits or Authorizations Relating to Premises

CG 20 13 12 19

1. *The existence, maintenance, repair, construction, erection or removal of advertising signs, awnings, canopies, cellar entrances, coal holes, driveways, manholes, marquees, hoist away openings, sidewalk vaults, street banners or decorations and similar exposures; or*
2. *The construction, erection or removal of elevators; or*
3. *The ownership, maintenance or use of any elevators covered by this insurance.*

Additional Insured – Engineers, Architects or Surveyors

CG 20 07 12 19

Section II – Who Is An Insured is amended to include as an additional insured any architect, engineer, or surveyor engaged by you, but only with respect to liability for “bodily injury”, “property damage” or “personal and advertising injury” caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

1. *In connection with your premises; or*
2. *In the performance of your ongoing operations.*

Note:

- No contract is required to trigger coverage
- Professional liability exclusion applies

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 32 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – ENGINEERS, ARCHITECTS OR SURVEYORS NOT ENGAGED BY THE NAMED INSURED

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name(s) Of Additional Insured Engineer(s), Architect(s) Or Surveyor(s) Not Engaged By The Named Insured:

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

Additional Insured – Engineers, Architects or Surveyors Not Engaged by the Named Insured

CG 20 32 12 19

Section II – Who Is An Insured is amended to include as an additional insured the architects, engineers or surveyors shown in the Schedule, but only with respect to liability for “bodily injury”, “property damage”, or “personal and advertising injury” caused, in whole or in part, by:

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

In the performance of your ongoing operations performed by you or on your behalf.

Such architects, engineers or surveyors, while not engaged by you, are contractually required to be added as an additional insured to your policy.

Note: Professional liability exclusion applies

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 26 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – DESIGNATED
PERSON OR ORGANIZATION**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

--

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

Additional Insured – Designated Person or Organization - CG 20 26 12 19

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

1. In the performance of your ongoing operations; or
2. In connection with your premises owned by or rented to you.

However:

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

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

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

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

This endorsement shall not increase the applicable limits of insurance.

Automatic Additional Insured Endorsements

Potential Dangers

- Manuscript language
- Is there a written contract? With whom?
- Nature of interest
- Assumptions

Automatic Additional Insured Endorsements

Potential Advantages

- Less chance of forgetting to add the additional insured
- Administrative Ease
- Cost

Automatic AI - Considerations

Who is covered? Possibilities:

- Only the entity that signed the contract with the Named Insured, if the Named Insured is performing operations for that entity
- Parties for which the Named Insured is performing operations if the contract requires that they be covered
- Other parties that the Named Insured is required to include as Additional Insured if the contract requires that they be covered
- Something else

Automatic AI - Considerations

What is the breadth of coverage? Possibilities:

- Must the liability arise in whole or in part from the Named Insured's acts or omissions?
- Is an Additional Insured covered only for its vicarious liability?
- Is negligence of the Named Insured required?
- Is the breadth of coverage limited to what the contract requires?

Automatic AI - Considerations

Is coverage primary? Possibilities:

- Does the endorsement include primary wording?
- Is coverage excess, unless the contract requires that it be primary?
- Is coverage primary if the contract requires that it be primary?
- Is coverage excess over coverage the Additional Insured has under another's policy?
- Is coverage always excess?

Automatic AI - Considerations

What triggers coverage? Possibilities:

- Written contract
- Written agreement
- Permit
- Oral agreement
- Executed contract
- Something else

Automatic AI - Considerations

What triggers coverage?

Something else example

WHO IS AN INSURED is amended to include as an additional insured any of your vendors located in the United States of America (including its territories and possessions), Puerto Rico and Canada with whom you have agreed in writing in a contract or agreement or received a written request or written insurance specifications, including email or fax, to add them as an additional insured on your policy.

Automatic AI - Considerations

- Ongoing and/or completed operations?
- Is a certificate required?
- Are limits available to the AI limited to what the contract requires?
- Does the AI have additional duties? e.g.
 - Notify the carrier
 - Tender the claim and defense
 - Notify its own carrier
- Do additional exclusions apply to the AI?

Reviewing Contracts

Should agents review contracts?

- Have a clear position and be consistent
- Should you decide to offer the service:
 - ✓ Know what you're doing
 - ✓ Make sure you have the entire contract
 - ✓ Limit the review to insurance issues and be clear about that
 - ✓ What if the insured wants a COI with the coverage he has?

!!! BE CLEAR !!!

- State which portions were reviewed
- Make it clear you are reviewing only to determine if the insurance program meets the requirements of the contract
- Summarize changes needed to comply
- Note the items that cannot be part of the insurance program
- Be clear that you are not offering a legal opinion
- Refer the insured to an attorney
- Know that even if you refer the insured to an attorney, you can still be responsible for any misrepresentation

Communicate with Insured (even if not reviewing a contract)

- State that the certificate represents coverage in force which doesn't necessarily comply with the requirements of the contract
- Let the insured know that you'll only issue accurate certificates in accordance with company and state guidelines
- Do not warrant coverage!

Issuing the Certificate

Considerations:

- Who is requesting the certificate?
 - Document the request
- Who is issuing the certificate?
- What if the account is in cancellation?

Issuing the Certificate

- Always confirm coverage before issuing
- Always represent coverage accurately
- If an endorsement is needed, be sure it will be approved – be sure the insured agrees to pay for it - then request it!
- Check state or carrier directives
- Don't consider certificates "nuisance" paperwork

Issuing the Certificate

- Never issue a non-standard or modified certificate without carrier approval. This assumes the non-standard COI is allowed under the state COI law.
- Have agency procedures and be consistent

Primary and Noncontributory

CG 00 01 04 13 Other Insurance Clause

- a. *Primary Insurance. This insurance is primary except when Paragraph b. below applies.....*
- b. *Excess Insurance - This insurance is excess over:.....(2) Any other primary insurance available to you covering liability for damages arising out of the premises or operations, or the products and completed operations, for which you have been added as an additional insured*

CG 20 01 12 19 - Endorsement

Primary and Noncontributory Insurance

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

- (1) The additional insured is a Named Insured under such other insurance; and*
- (2) You have agreed in writing in a contract or agreement that this insurance would be primary and would not seek contribution from any other insurance available to the additional insured.*

Primary – What About the Excess/Umbrella?

ISO CGL Other Insurance Clause

- a. Primary Insurance. This insurance is primary except when Paragraph b. below applies.....*
- b. Excess Insurance - This insurance is excess over:....(2) Any other primary insurance available to you covering liability for damages arising out of the premises or operations, or the products and completed operations, for which you have been added as an additional insured.*

Primary – What About the Excess/Umbrella?

ISO Excess/Umbrella Other Insurance Clause

This insurance is excess over, and shall not contribute with any of the other insurance, whether primary, excess, contingent or on any other basis. This condition will not apply to insurance specifically written as excess over this Coverage Part.

There is no provision for sharing of limits with another policy

Excess/Umbrella

Sample Non-Standard Language

With respect to Insuring Agreement A only, if you have agreed in a written contract with another...that this policy shall be primary and non-contributory with such other person or entity's coverage...other insurance of that person or organization will apply as excess and non-contributory to the insurance afforded by this policy.

Waiver of Subrogation

CG 00 01 04 13

Transfer Of Rights Of Recovery Against Others To Us

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

Waiver of Subrogation CG 24 04 05 09

The following is added to Paragraph 8. **Transfer Of Rights Of Recovery Against Others To Us** of Section IV – Conditions:

We waive any right of recovery we may have against the person or organization shown in the Schedule above because of payments we make for injury or damage arising out of your ongoing operations or "your work" done under a contract with that person or organization and included in the "products-completed operations hazard". This waiver applies only to the person or organization shown in the Schedule above.

**Waiver of Subrogation
CG 24 04 12 19
(Specific)**

The following is added to Paragraph 8. **Transfer Of Rights Of Recovery Against Others To Us** of Section IV – Conditions:

We waive any right of recovery against the person(s) or organization(s) shown in the Schedule above because of payments we make under this Coverage Part. Such waiver by us applies only to the extent that the insured has waived its right of recovery against such person(s) or organization(s) prior to loss. This endorsement applies only to the person(s) or organization(s) shown in the Schedule above.

**Waiver of Subrogation
CG 24 53 12 19
Automatic**

The following is added to Paragraph 8. **Transfer Of Rights Of Recovery Against Others To Us** of Section IV – Conditions:

We waive any right of recovery against any person or organization, because of any payment we make under this Coverage Part, to whom the insured has waived its right of recovery in a written contract or agreement. Such waiver by us applies only to the extent that the insured has waived its right of recovery against such person or organization prior to loss.

Contractual Liability Exclusion CG 00 01 04 13 (Coverage A)

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement.

This exclusion does not apply to liability for damages:

- 1) That the insured would have in the absence of the contract or agreement; or*
- 2) Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement.....*

Insured Contract – CG 00 01 04 13

"Insured Contract"

- a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner is not an "insured contract";*
- b. A sidetrack agreement;*
- c. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;*
- d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;*
- e. An elevator maintenance agreement;*

Insured Contract

LEASE

Lease

Easement

Agreement to Indemnify a
Municipality

Sidetrack

Elevator Maintenance
Agreement

Insured Contract

That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for “bodily injury” or “property damage” to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

Insured Contract

Exceptions:

1. Indemnification of a railroad for operations within 50 feet of railroad property
2. Indemnification regarding an architect, engineer or surveyor's professional liability

Railroads

- **CG 24 17 10 01** Contractual Liability – Railroads
- **CG 24 27 04 13** Limited Contractual Liability – Railroads
- **CA 20 70 10 13** Coverage for Certain Operations in Connection with Railroads

Endorsements Affecting Contractual Liability

COMMERCIAL GENERAL LIABILITY
CG 21 39 10 93

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CONTRACTUAL LIABILITY LIMITATION

This endorsement modifies insurance provided under the following:

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

The definition of "insured contract" in the DEFINITIONS Section is replaced by the following:

"Insured contract" means:

- a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner is not an "insured contract";
- b. A sidetrack agreement;
- c. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
- d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
- e. An elevator maintenance agreement.

Amendment of Insured Contract Definition

CG 24 26 04 13

- f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization, **provided the "bodily injury" or "property damage" is caused, in whole or in part, by you or by those acting on your behalf. However, such part of a contract or agreement shall only be considered an "insured contract" to the extent your assumption of the tort liability is permitted by law.** Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.*

Old COI Cancellation Clause

Should any of the above described policies be cancelled before the expiration date thereof, the issuing insurer will endeavor to mail _____ days written notice to the certificate holder named to the left, but failure to do so shall impose no obligation or liability of any kind upon the insurer, its agents or representatives.

Current COI Cancellation Clause

Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions.

Cancellation Notice

- Will the carrier add a NOC endorsement?
- Will it apply if insured initiates cancellation?
- Will it apply to non-pay cancellation?

**Thank You for
Being Here!**

ACORD 25 (2016/03) - Certificate of Liability Insurance

ACORD 25, Certificate of Liability Insurance, is issued as a matter of information only and confers no rights upon the certificate holder. The certificate does not affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed on the certificate.

The purpose of the certificate is to provide information to an interested third party regarding insurance that is in force at the time of certificate issuance. Although many companies provide notice of cancellation to certificate holders, they are not obligated to do so unless such requirement is set forth in the policy itself directly or by endorsement to the policy.

If the receiver of the certificate has no direct interest in the policy but wants to verify that liability coverage exists on a policy at the time of certificate issuance, use ACORD 25. If the receiver of the certificate does have a verifiable interest in the policy, such as an additional insured, the liability policy must name the receiver of the certificate as an additional insured directly or by endorsement to provide the appropriate coverage for the interested party prior to issuing a certificate of insurance.

ACORD 25 was designed to collect policy information based on commercial lines programs. It addresses both Claims Made and Occurrence policies and can be used for large and small contracting or manufacturing risks, lessor/lessee agreements, or other areas of liability certification.

To provide information to the owner of a leased motor vehicle or equipment, or the lender about both liability and physical damage or property coverages applying to a vehicle or equipment, use ACORD 23, Vehicle or Equipment Certificate of Insurance.

The ACORD Certificate should be issued only in compliance with company instructions.

IMPORTANT:

ACORD is required to file certificates, on behalf of form users, in a number of states. Please access the Forms Filing Requirements page on the ACORD website for details. ACORD certificates of insurance contain statements that are reflective of what is generally required by state laws and regulations.

Form Page 1

Section Name	Field Name	Description
IDENTIFICATION SECTION	Date	Enter date: The date on which the form is completed. (MM/DD/YYYY)
IDENTIFICATION SECTION	Producer	Enter text: The full name of the producer / agency.
IDENTIFICATION SECTION		Enter text: The mailing address line one of the producer / agency.
IDENTIFICATION SECTION		Enter text: The mailing address line two of the producer / agency.
IDENTIFICATION SECTION		Enter text: The mailing address city name of the producer / agency.
IDENTIFICATION SECTION		Enter code: The mailing address state or province code of the producer / agency.
IDENTIFICATION SECTION		Enter code: The mailing address postal code of the producer / agency.

IDENTIFICATION SECTION	Contact Name	Enter text: The name of the individual at the producer's establishment that is the primary contact.
IDENTIFICATION SECTION	Phone (A/C, No, Ext)	Enter number: The producer's contact person's phone number. If applicable, include the area code and extension.
IDENTIFICATION SECTION	Fax No. (A/C, No, Ext)	Enter number: The fax number of the producer / agency.
IDENTIFICATION SECTION	E-Mail Address	Enter text: The producer's contact person's e-mail address.
IDENTIFICATION SECTION	Insured	Enter text: The named insured(s) as it / they will appear on the policy declarations page.
IDENTIFICATION SECTION		Enter text: The named insured's mailing address line one.
IDENTIFICATION SECTION		Enter text: The named insured's mailing address line two.
IDENTIFICATION SECTION		Enter text: The named insured's mailing address city name.
IDENTIFICATION SECTION		Enter code: The named insured's mailing address state or province code.
IDENTIFICATION SECTION		Enter code: The named insured's mailing address postal code.
INSURERS AFFORDING COVERAGE	Insurer A	Enter text: The insurer's full legal company name(s) as found in the file copy of the policy. Use the actual name of the company within the group to which the policy has been issued. This is not the insurer's group name or trade name. As used here, this is Insurer A.
INSURERS AFFORDING COVERAGE	NAIC #	Enter code: The identification code assigned to the insurer by the National Association of Insurance Commissioners (NAIC). As used here, this is Insurer A.
INSURERS AFFORDING COVERAGE	Insurer B	Enter text: The insurer's full legal company name(s) as found in the file copy of the policy. Use the actual name of the company within the group to which the policy has been issued. This is not the insurer's group name or trade name. As used here, this is Insurer B.
INSURERS AFFORDING COVERAGE	NAIC #	Enter code: The identification code assigned to the insurer by the National Association of Insurance Commissioners (NAIC). As used here, this is Insurer B.
INSURERS AFFORDING COVERAGE	Insurer C	Enter text: The insurer's full legal company name(s) as found in the file copy of the policy. Use the actual name of the company within the group to which the policy has been issued. This is not the insurer's group name or trade name. As used here, this is Insurer C.
INSURERS AFFORDING COVERAGE	NAIC #	Enter code: The identification code assigned to the insurer by the National Association of Insurance Commissioners (NAIC). As used here, this is Insurer C.
INSURERS AFFORDING COVERAGE	Insurer D	Enter text: The insurer's full legal company name(s) as found in the file copy of the policy. Use the actual name of the company within the group to which the policy has been issued. This is not the insurer's group name or trade name. As used here, this is Insurer D.
INSURERS AFFORDING COVERAGE	NAIC #	Enter code: The identification code assigned to the insurer by the National Association of Insurance Commissioners (NAIC). As used here, this is Insurer D.

INSURERS AFFORDING COVERAGE	Insurer E	Enter text: The insurer's full legal company name(s) as found in the file copy of the policy. Use the actual name of the company within the group to which the policy has been issued. This is not the insurer's group name or trade name. As used here, this is Insurer E.
INSURERS AFFORDING COVERAGE	NAIC #	Enter code: The identification code assigned to the insurer by the National Association of Insurance Commissioners (NAIC). As used here, this is Insurer E.
INSURERS AFFORDING COVERAGE	Insurer F	Enter text: The insurer's full legal company name(s) as found in the file copy of the policy. Use the actual name of the company within the group to which the policy has been issued. This is not the insurer's group name or trade name. As used here, this is Insurer F.
INSURERS AFFORDING COVERAGE	NAIC #	Enter code: The identification code assigned to the insurer by the National Association of Insurance Commissioners (NAIC). As used here, this is Insurer F.
COVERAGE INFORMATION	Certificate Number	Enter identifier: The producer assigned number for the certificate.
COVERAGES	Revision Number	Enter number: The producer assigned revision number for the certificate.
COVERAGE INFORMATION	Insr Ltr	Enter code: The Company Letter of the insurer, as identified in the "Insurer(s) Affording Coverage" form section, associated with the general liability policy.
COVERAGE INFORMATION	Commercial General Liability	Check the box (if applicable): Indicates the claims made or occurrence option applies for the general liability policy.
COVERAGE INFORMATION	Other General Liability Coverages - Claims-Made	Check the box (if applicable): Indicates the "claims made" option applies on the general liability policy.
COVERAGE INFORMATION	Occur	Check the box (if applicable): Indicates the general liability policy, occurrence basis applies.
COVERAGE INFORMATION	Check Box	Check the box (if applicable): Indicates other coverage not found on the form exists for the general liability policy.
COVERAGE INFORMATION	Field Box	Enter text: The description of other coverage (not the limit) on the general liability policy. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	Check Box	Check the box (if applicable): Indicates other coverage not found on the form exists for the general liability policy.
COVERAGE INFORMATION	Field Box	Enter text: The description of other coverage (not the limit) on the general liability policy. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	General Aggregate Limit Applies Per: - Policy	Check the box (if applicable): Indicates the general liability policy, general aggregate limit applies per policy.
COVERAGE INFORMATION	Project	Check the box (if applicable): Indicates the general liability policy, general aggregate limit applies per project.

COVERAGE INFORMATION	Loc	Check the box (if applicable): Indicates the general liability policy, general aggregate limit applies per location.
COVERAGE INFORMATION	Other checkbox	Check the box (if applicable): Indicates the general liability policy, general aggregate limit applies to option is other than those listed on the form.
COVERAGE INFORMATION	Other Description	Enter text: The description of the other option to which the general liability policy, general aggregate limit applies.
COVERAGE INFORMATION	Addl Insd	Enter Y for a "Yes" response. Input N for "No" response. Indicates if the certificate holder has been named as an additional insured on the general liability policy.
COVERAGE INFORMATION	Subr Wvd	Enter Y for a "Yes" response. Input N for "No" response. Indicates if subrogation has been waived on the general liability policy.
COVERAGE INFORMATION	Policy Number	Enter identifier: The identifier assigned by the insurer to the general liability policy, or submission, being referenced exactly as it appears on the policy, including prefix and suffix symbols. If required for self-insurance, the self-insured license or contract number.
COVERAGE INFORMATION	Policy Eff (MM/DD/YYYY)	Enter date: The effective date of the general liability policy. The date that the terms and conditions of the policy commence.
COVERAGE INFORMATION	Policy Exp (MM/DD/YYYY)	Enter date: The date on which the terms and conditions of the general liability policy will expire.
COVERAGE INFORMATION	Limits - Each Occurrence \$	Enter limit: The general liability, each occurrence limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Damage to Rented Premises \$	Enter limit: The general liability, damage to rented premises each occurrence limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Med Exp \$	Enter limit: The general liability, medical expense each person limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Personal & Adv Injury	Enter limit: The general liability, personal and advertising injury limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	General Aggregate \$	Enter limit: The general liability, general aggregate limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.

COVERAGE INFORMATION	Products- Comp/Op Agg \$	Enter limit: The general liability, products and completed operations aggregate limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Other Limits	Enter text: The description of other coverage (not the limit) on the general liability policy. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	Other Occurrence \$	Enter limit: The general liability, other coverage limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	Insr Ltr	Enter code: The Company Letter of the insurer, as identified in the "Insurer(s) Affording Coverage" form section, associated with the policy.
COVERAGE INFORMATION	Automobile Liability - Any Auto	Check the box (if applicable): Indicates the commercial vehicle policy covers any auto. As used here, complete this section only if you are certifying automobile liability. Check all appropriate boxes to correspond with the covered auto symbols found on the policy declarations page. If the certificate is being issued to the owner of a leased vehicle, DO NOT USE THIS FORM. Use ACORD 23, Vehicle or Equipment Certificate of Insurance.
COVERAGE INFORMATION	All Owned Autos	Check the box (if applicable): Indicates the commercial vehicle policy covers owned autos only.
COVERAGE INFORMATION	Hired Autos	Check the box (if applicable): Indicates the vehicle policy covers hired autos only.
COVERAGE INFORMATION	Other Covered Auto	Check the box (if applicable): Indicates the vehicle policy covers autos other than those listed.
COVERAGE INFORMATION	Other Covered Auto Description	Enter text: The description of the other covered autos.
COVERAGE INFORMATION	Scheduled Autos	Check the box (if applicable): Indicates the vehicle policy covers scheduled autos.
COVERAGE INFORMATION	Non- Owned Autos	Check the box (if applicable): Indicates the vehicle policy covers non-owned autos only.
COVERAGE INFORMATION	Other Covered Auto	Check the box (if applicable): Indicates the vehicle policy covers autos other than those listed.
COVERAGE INFORMATION	Other Covered Auto Description	Enter text: The description of the other covered autos.
COVERAGE INFORMATION	Addl Insd	Enter Y for a "Yes" response. Input N for "No" response. Indicates if the certificate holder has been named as an additional insured on the automobile liability policy.
COVERAGE INFORMATION	Subr Wvvd	Enter Y for a "Yes" response. Input N for "No" response. Indicates if subrogation has been waived on the automobile policy.
COVERAGE INFORMATION	Policy Number	Enter identifier: The identifier assigned by the insurer to the automobile liability policy, or submission, being referenced exactly as it appears on the policy, including prefix and suffix symbols. If required for self-insurance, the self-insured license or contract number.
COVERAGE INFORMATION	Policy Eff (MM/DD/YYYY)	Enter date: The effective date of the automobile liability policy. The date that the terms and conditions of the policy commence.

COVERAGE INFORMATION	Policy Exp (MM/DD/YYYY)	Enter date: The date on which the terms and conditions of the automobile liability policy will expire.
COVERAGE INFORMATION	Combined Single Limit \$	Enter limit: The vehicle combined single limit liability each accident amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Bodily Injury (Per Person) \$	Enter limit: The vehicle policy, bodily injury per person limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Bodily Injury (Per Accident) \$	Enter limit: The vehicle policy, bodily injury per accident limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	Property Damage	Enter limit: The vehicle policy, property damage per accident limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Other Description	Enter text: The description of the coverage.
COVERAGE INFORMATION	Other Limit	Enter limit: The limit amount of the other coverage.
COVERAGE INFORMATION	Insr Ltr	Enter code: The Company Letter of the insurer, as identified in the "Insurer(s) Affording Coverage" form section, associated with the commercial excess or umbrella liability policy.
COVERAGE INFORMATION	Umbrella Liab	Check the box (if applicable): Indicates the type of policy is umbrella. As used here, if evidencing an umbrella coverage, underlying policy number(s), term(s) and line(s) of business may be listed on an ACORD 101.
COVERAGE INFORMATION	Excess Liab	Check the box (if applicable): Indicates the type of policy is excess. As used here, if evidencing an excess coverage, underlying policy number(s), term(s) and line(s) of business may be listed on an ACORD 101.
COVERAGE INFORMATION	Type of Insurance - Excess/Umbrella Liability - Occur	Check the box (if applicable): Indicates "coverage trigger" is on an occurrence basis on an excess or umbrella liability policy.
COVERAGE INFORMATION	Claims-Made	Check the box (if applicable): Indicates the "coverage trigger" is on a claims-made basis on an excess or umbrella liability policy.
COVERAGE INFORMATION	Deductible	Check the box (if applicable): Indicates a deductible amount applies to the excess or umbrella liability policy.
COVERAGE INFORMATION	Retention	Check the box (if applicable): Indicates a retention amount applies to the excess or umbrella liability policy.
COVERAGE INFORMATION	\$ Field Box	Enter deductible: The excess or umbrella liability deductible or retention amount.

COVERAGE INFORMATION	Addl Insd	Enter Y for a "Yes" response. Input N for "No" response. Indicates if the certificate holder has been named as an additional insured on the umbrella/excess liability policy. Place a "Y" next to each coverage where an additional insured endorsement has been issued or for umbrella / excess where there is an additional insured on the underlying primary policy and this umbrella / excess is follow form.
COVERAGE INFORMATION	Subr Wvd	Enter Y for a "Yes" response. Input N for "No" response. Indicates if subrogation has been waived on the excess policy. For umbrella / excess, place a "Y" next to each coverage where subrogation has been waived on the underlying primary policy and this umbrella / excess is follow form.
COVERAGE INFORMATION	Policy Number	Enter identifier: The identifier assigned by the insurer to the excess liability policy, or submission, being referenced exactly as it appears on the policy, including prefix and suffix symbols. If required for self-insurance, the self-insured license or contract number.
COVERAGE INFORMATION	Policy Eff (MM/DD/YYYY)	Enter date: The effective date of the excess liability policy. The date that the terms and conditions of the policy commence.
COVERAGE INFORMATION	Policy Exp (MM/DD/YYYY)	Enter date: The date on which the terms and conditions of the excess liability policy will expire.
COVERAGE INFORMATION	Limits - Each Occurrence \$	Enter limit: The excess or umbrella liability each occurrence limit. As used here, the limit should be listed as a whole dollar amount, as governed by the policy. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	Aggregate \$	Enter limit: The excess or umbrella liability aggregate limit should be listed as whole dollar amount, as governed by the policy. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	Field Box	Enter text: The description of other coverage (not the limit) on the excess or umbrella liability policy. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	\$ Field Box	Enter limit: The excess or umbrella liability other coverage limit should be listed as a whole dollar amount, as governed by the policy. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	Insr Ltr	Enter code: The Company Letter of the insurer, as identified in the "Insurer(s) Affording Coverage" form section, associated with the commercial workers compensation and employers liability policy.
COVERAGE INFORMATION	Type of Insurance - Workers Compensation and Employers' Liability - Any Proprietor/Partner/Executive/Officer/Member/Officer/Member/Officer/Member Excluded?	Enter Y for a "Yes" response. Input N for "No" response. Indicates whether the workers compensation and employers liability policy excludes any proprietor, partner, executive officer, or member. As used here, the DESCRIPTION OF OPERATIONS section is available, if needed, provide corresponding details in the DESCRIPTION OF OPERATIONS section.
COVERAGE INFORMATION	Subr Wvd	Enter Y for a "Yes" response. Input N for "No" response. Indicates if subrogation has been waived on the workers compensation policy.

COVERAGE INFORMATION	Policy Number	Enter identifier: The identifier assigned by the insurer to the workers' compensation and employers liability policy, or submission, being referenced exactly as it appears on the policy, including prefix and suffix symbols. If required for self-insurance, the self-insured license or contract number.
COVERAGE INFORMATION	Policy Eff (MM/DD/YYYY)	Enter date: The effective date of the workers' compensation and employers liability policy. The date that the terms and conditions of the policy commence. .
COVERAGE INFORMATION	Policy Exp (MM/DD/YYYY)	Enter date: The date on which the terms and conditions of the workers' compensation and employers liability policy will expire.
COVERAGE INFORMATION	Limits - Per Statute	Check the box (if applicable): Indicates that workers compensation coverage is per statute.
COVERAGE INFORMATION	Limits - Other	Check the box (if applicable): Indicates that additional coverage above the workers compensation statutory limits applies (permitted in some states).
COVERAGE INFORMATION	Field Box	Enter text: The description of other coverage (not the limit) on the workers compensation and employers liability policy. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the DESCRIPTION OF OPERATIONS section is available if more space is required.
COVERAGE INFORMATION	E.L. Each Accident \$	Enter limit: The workers compensation and employers liability policy, employers liability each accident limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	E.L. Disease- EA Employee \$	Enter limit: The workers compensation and employers liability policy, employers liability disease each employee limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	E.L. Disease- Policy Limit \$	Enter limit: The workers compensation and employers liability policy, employers liability disease policy limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s).
COVERAGE INFORMATION	Insr Ltr	Enter code: The Company Letter of the insurer, as identified in the "Insurer(s) Affording Coverage" form section, associated with the other policy.
COVERAGE INFORMATION	Type of Insurance - Other	Enter text: The description of the other policy not listed on the form.
COVERAGE INFORMATION	Addl Insd	Enter Y for a "Yes" response. Input N for "No" response. Indicates if the certificate holder has been named as an additional insured on the other policy.
COVERAGE INFORMATION	Subr Wvvd	Enter Y for a "Yes" response. Input N for "No" response. Indicates subrogation has been waived on the other policy.
COVERAGE INFORMATION	Policy Number	Enter identifier: The other policy number exactly as it appears on the policy, including prefix and suffix symbols.
COVERAGE INFORMATION	Policy Eff (MM/DD/YYYY)	Enter date: The date on which the terms and conditions of the other policy commence.

COVERAGE INFORMATION	Policy Exp (MM/DD/YYYY)	Enter date: The date on which the terms and conditions of the other policy expires.
COVERAGE INFORMATION	Coverage Code	Enter code: The coverage code for the other policy.
COVERAGE INFORMATION	Limits	Enter limit: The other policy, coverage limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Coverage Code	Enter code: The coverage code for the other policy.
COVERAGE INFORMATION	Limits	Enter limit: The other policy, coverage limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Coverage Code	Enter code: The coverage code for the other policy.
COVERAGE INFORMATION	Limits	Enter limit: The other policy, coverage limit amount. Any questions about appropriate limits or applicable policy coverage(s) should be answered by the issuing insurer(s). As used here, the limit should be listed as a whole dollar amount, as governed by the policy.
COVERAGE INFORMATION	Description of Operations / Locations / Vehicles	Enter text: The Certificate Of Liability Insurance general remarks. The additional comments or special conditions that may exist upon the policy. ACORD 101, Additional Remarks Schedule, may be attached if more space is required. As used here, records information necessary to identify the operations, locations and vehicles for which the certificate was issued.
CERTIFICATE HOLDER	Certificate Holder Name & Address	Enter text: The certificate holder's full name.
CERTIFICATE HOLDER		Enter text: The certificate holder's mailing address line one.
CERTIFICATE HOLDER		Enter text: The certificate holder's mailing address line two.
CERTIFICATE HOLDER		Enter text: The certificate holder's mailing address city name.
CERTIFICATE HOLDER		Enter code: The certificate holder's mailing address state or province code.
CERTIFICATE HOLDER		Enter code: The certificate holder's mailing address postal code.
SIGNATURE	Authorized Representative	Sign here: Accommodates the signature of the authorized representative (e.g., producer, agent, broker, etc.) of the company(ies) listed on the document. This is required in most states.



VEHICLE OR EQUIPMENT CERTIFICATE OF INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

This form is used to report coverages provided to a single specific vehicle or equipment. Do not use this form to report liability coverage provided to multiple vehicles under a single policy. Use ACORD 25 for that purpose.

PRODUCER	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
INSURED	E-MAIL ADDRESS:	
	PRODUCER CUSTOMER ID #:	
	INSURER(S) AFFORDING COVERAGE	
	NAIC #	
	INSURER A :	
	INSURER B :	
	INSURER C :	
	INSURER D :	
	INSURER E :	

DESCRIPTION OF VEHICLE OR EQUIPMENT

YEAR	MAKE / MANUFACTURER	MODEL	BODY TYPE	VEHICLE IDENTIFICATION NUMBER
DESCRIPTION			VEHICLE / EQUIPMENT VALUE \$	SERIAL NUMBER

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICY(IES) OF INSURANCE LISTED BELOW HAS/HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD(S) INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICY(IES) DESCRIBED HEREIN IS/ARE SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICY(IES).

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
		VEHICLE LIABILITY				COMBINED SINGLE LIMIT \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE \$
		GENERAL LIABILITY				EACH OCCURRENCE \$ GENERAL AGGREGATE \$ \$
INSR LTR	LOSS PAYEE	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS / DEDUCTIBLE
		VEH COLLISION LOSS				<input type="checkbox"/> ACV <input type="checkbox"/> AGREED AMT \$ LIMIT <input type="checkbox"/> <input type="checkbox"/> STATED AMT \$ DED
		VEH COMP <input type="checkbox"/> VEH OTC				<input type="checkbox"/> ACV <input type="checkbox"/> AGREED AMT \$ LIMIT <input type="checkbox"/> <input type="checkbox"/> STATED AMT \$ DED
		EQUIPMENT				<input type="checkbox"/> ACV <input type="checkbox"/> AGREED AMT \$ LIMIT <input type="checkbox"/> RC <input type="checkbox"/> STATED AMT \$ DED <input type="checkbox"/>
		BASIC <input type="checkbox"/> BROAD SPECIAL <input type="checkbox"/>				

REMARKS (INCLUDING SPECIAL CONDITIONS / OTHER COVERAGES) (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

ADDITIONAL INTEREST**CANCELLATION**

Select one of the following: <input type="checkbox"/> The additional interest described below has been added to the policy(ies) listed herein by policy number(s). <input type="checkbox"/> A request has been submitted to add the additional interest described below to the policy(ies) listed herein by policy number(s).		SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.	
VEHICLE / EQUIPMENT INTEREST: <input type="checkbox"/> LEASED <input type="checkbox"/> FINANCED		DESCRIPTION OF THE ADDITIONAL INTEREST	
NAME AND ADDRESS OF ADDITIONAL INTEREST		<input type="checkbox"/> ADDITIONAL INSURED <input type="checkbox"/> LOSS PAYEE <input type="checkbox"/> LENDER'S LOSS PAYABLE <input type="checkbox"/>	
		LOAN / LEASE NUMBER	
		AUTHORIZED REPRESENTATIVE	

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CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

PRODUCER	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
INSURED	E-MAIL ADDRESS:	
	PRODUCER CUSTOMER ID:	
	INSURER(S) AFFORDING COVERAGE	
	NAIC #	
	INSURER A :	
	INSURER B :	
INSURER C :		
INSURER D :		
INSURER E :		
INSURER F :		

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	<input type="checkbox"/>	PROPERTY				BUILDING	\$
	<input type="checkbox"/>	CAUSES OF LOSS				PERSONAL PROPERTY	\$
	<input type="checkbox"/>	BASIC				BUSINESS INCOME	\$
	<input type="checkbox"/>	BROAD				EXTRA EXPENSE	\$
	<input type="checkbox"/>	SPECIAL				RENTAL VALUE	\$
	<input type="checkbox"/>	EARTHQUAKE				BLANKET BUILDING	\$
	<input type="checkbox"/>	WIND				BLANKET PERS PROP	\$
	<input type="checkbox"/>	FLOOD				BLANKET BLDG & PP	\$
	<input type="checkbox"/>						\$
	<input type="checkbox"/>						\$
	<input type="checkbox"/>	INLAND MARINE	TYPE OF POLICY				\$
	<input type="checkbox"/>	CAUSES OF LOSS					\$
	<input type="checkbox"/>	NAMED PERILS	POLICY NUMBER				\$
	<input type="checkbox"/>						\$
	<input type="checkbox"/>	CRIME					\$
	<input type="checkbox"/>	TYPE OF POLICY					\$
	<input type="checkbox"/>						\$
	<input type="checkbox"/>	BOILER & MACHINERY / EQUIPMENT BREAKDOWN					\$
	<input type="checkbox"/>						\$
	<input type="checkbox"/>						\$

SPECIAL CONDITIONS / OTHER COVERAGES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:		
	PHONE (A/C. No. Ext):	FAX (A/C. No):	
	E-MAIL ADDRESS:		
	INSURER(S) AFFORDING COVERAGE	NAIC #	
INSURED	INSURER A :		
	INSURER B :		
	INSURER C :		
	INSURER D :		
	INSURER E :		
	INSURER F :		

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A				PER STATUTE OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

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EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY		PHONE (A/C, No, Ext):	COMPANY	
FAX (A/C, No):		E-MAIL ADDRESS:		
CODE:		SUB CODE:		
AGENCY CUSTOMER ID #:		LOAN NUMBER		POLICY NUMBER
INSURED		EFFECTIVE DATE	EXPIRATION DATE	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

PROPERTY INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION

PERILS INSURED	BASIC	BROAD	SPECIAL
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COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE

REMARKS (Including Special Conditions)

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

NAME AND ADDRESS	<input type="checkbox"/> ADDITIONAL INSURED	<input type="checkbox"/> LENDER'S LOSS PAYABLE	<input type="checkbox"/> LOSS PAYEE
	<input type="checkbox"/> MORTGAGEE		
	LOAN #		
AUTHORIZED REPRESENTATIVE			



EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)

THIS EVIDENCE OF COMMERCIAL PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

PRODUCER NAME, CONTACT PERSON AND ADDRESS		PHONE (A/C, No, Ext):	COMPANY NAME AND ADDRESS		NAIC NO:
FAX (A/C, No):		E-MAIL ADDRESS:	IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH		
CODE:	SUB CODE:		POLICY TYPE		
AGENCY CUSTOMER ID #:		LOAN NUMBER		POLICY NUMBER	
NAMED INSURED AND ADDRESS		EFFECTIVE DATE	EXPIRATION DATE	CONTINUED UNTIL TERMINATED IF CHECKED	
ADDITIONAL NAMED INSURED(S)		THIS REPLACES PRIOR EVIDENCE DATED:			

PROPERTY INFORMATION (ACORD 101 may be attached if more space is required)
 BUILDING OR BUSINESS PERSONAL PROPERTY

LOCATION / DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION	PERILS INSURED	BASIC	BROAD	SPECIAL	DED:
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$					DED:
<input type="checkbox"/> BUSINESS INCOME	<input type="checkbox"/> RENTAL VALUE	YES	NO	N/A	If YES, LIMIT: Actual Loss Sustained; # of months:
BLANKET COVERAGE					If YES, indicate value(s) reported on property identified above: \$
TERRORISM COVERAGE					Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?					
IS DOMESTIC TERRORISM EXCLUDED?					
LIMITED FUNGUS COVERAGE					If YES, LIMIT: DED:
FUNGUS EXCLUSION (If "YES", specify organization's form used)					
REPLACEMENT COST					
AGREED VALUE					
COINSURANCE					If YES, %
EQUIPMENT BREAKDOWN (If Applicable)					If YES, LIMIT: DED:
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg					If YES, LIMIT: DED:
- Demolition Costs					If YES, LIMIT: DED:
- Incr. Cost of Construction					If YES, LIMIT: DED:
EARTH MOVEMENT (If Applicable)					If YES, LIMIT: DED:
FLOOD (If Applicable)					If YES, LIMIT: DED:
WIND / HAIL INCL <input type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:					If YES, LIMIT: DED:
NAMED STORM INCL <input type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:					If YES, LIMIT: DED:
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS					

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

<input type="checkbox"/> CONTRACT OF SALE	<input type="checkbox"/> LENDER'S LOSS PAYABLE	<input type="checkbox"/> LOSS PAYEE	LENDER SERVICING AGENT NAME AND ADDRESS
<input type="checkbox"/> MORTGAGEE			
NAME AND ADDRESS			AUTHORIZED REPRESENTATIVE

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – ENGINEERS, ARCHITECTS OR SURVEYORS

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. Section II – Who Is An Insured is amended to include as an additional insured any architect, engineer or surveyor engaged by you, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

1. In connection with your premises; or
2. In the performance of your ongoing operations.

However:

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

B. With respect to the insurance afforded to these additional insureds, the following additional exclusion applies:

This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of or the failure to render any professional services by or for you, including:

1. The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or

2. Supervisory, inspection, architectural or engineering activities.

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

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

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

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

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

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

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

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

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

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

However:

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

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

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

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

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

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

1. Required by the contract or agreement; or

2. Available under the applicable limits of insurance;
whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – MANAGERS OR LESSORS OF PREMISES

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

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

This insurance does not apply to:

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

However:

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

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

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

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

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

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – STATE
OR GOVERNMENTAL AGENCY OR SUBDIVISION
OR POLITICAL SUBDIVISION – PERMITS
OR AUTHORIZATIONS RELATING TO PREMISES**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

State Or Governmental Agency Or Subdivision Or Political Subdivision:

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

A. Section II – Who Is An Insured is amended to include as an additional insured any state or governmental agency or subdivision or political subdivision shown in the Schedule, subject to the following additional provision:

This insurance applies only with respect to the following hazards for which the state or governmental agency or subdivision or political subdivision has issued a permit or authorization in connection with premises you own, rent or control and to which this insurance applies:

1. The existence, maintenance, repair, construction, erection or removal of advertising signs, awnings, canopies, cellar entrances, coal holes, driveways, manholes, marquees, hoist away openings, sidewalk vaults, street banners or decorations and similar exposures; or
2. The construction, erection or removal of elevators; or
3. The ownership, maintenance or use of any elevators covered by this insurance.

However:

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

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

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

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

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – VENDORS

This endorsement modifies insurance provided under the following:

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

SCHEDULE

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

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

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

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

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

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

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

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

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – MORTGAGEE, ASSIGNEE OR RECEIVER

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to their liability as mortgagee, assignee or receiver and arising out of the ownership, maintenance or use of the premises by you and shown in the Schedule.

However:

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

B. This insurance does not apply to structural alterations, new construction and demolition operations performed by or for that person or organization.

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

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

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

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – OWNERS OR OTHER INTERESTS FROM WHOM LAND HAS BEEN LEASED

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Person(s) Or Organization(s)	Designation Of Land (Part Leased To You)
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

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

However:

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

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

This insurance does not apply to:

1. Any "occurrence" which takes place after you cease to lease that land;

2. Structural alterations, new construction or demolition operations performed by or on behalf of the person(s) or organization(s) shown in the Schedule.

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

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

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

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – DESIGNATED
PERSON OR ORGANIZATION**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

<p>Name Of Additional Insured Person(s) Or Organization(s):</p> <div style="text-align: center; font-size: 48px; opacity: 0.2; transform: rotate(-30deg); pointer-events: none;">SAMPLE</div>
<p>Information required to complete this Schedule, if not shown above, will be shown in the Declarations.</p>

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

1. In the performance of your ongoing operations; or
2. In connection with your premises owned by or rented to you.

However:

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

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

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

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

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – LESSOR OF LEASED EQUIPMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

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

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

However:

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

B. With respect to the insurance afforded to these additional insureds, this insurance does not apply to any "occurrence" which takes place after the equipment lease expires.

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

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

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

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – ENGINEERS, ARCHITECTS OR SURVEYORS NOT ENGAGED BY THE NAMED INSURED

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name(s) Of Additional Insured Engineer(s), Architect(s) Or Surveyor(s) Not Engaged By The Named Insured:

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

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

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

in the performance of your ongoing operations performed by you or on your behalf.

Such architects, engineers or surveyors, while not engaged by you, are contractually required to be added as an additional insured to your policy.

However, the insurance afforded to such additional insured:

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

B. With respect to the insurance afforded to these additional insureds, the following additional exclusion applies:

This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of or the failure to render any professional services, including:

1. The preparing, approving, or failing to prepare or approve, maps, drawings, opinions, reports, surveys, change orders, designs or specifications; or
2. Supervisory, inspection or engineering services.

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

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

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

1. Required by the contract or agreement; or

2. Available under the applicable limits of insurance;
whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

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

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

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

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

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

However, the insurance afforded to such additional insured:

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

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

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

This insurance does not apply to:

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

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

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

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

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

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

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

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

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – LESSOR OF LEASED EQUIPMENT – AUTOMATIC STATUS WHEN REQUIRED IN LEASE AGREEMENT WITH YOU

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. Section II – Who Is An Insured is amended to include as an additional insured any person(s) or organization(s) from whom you lease equipment when you and such person(s) or organization(s) have agreed in writing in a contract or agreement that such person(s) or organization(s) be added as an additional insured on your policy. Such person(s) or organization(s) is an insured only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person(s) or organization(s).

However, the insurance afforded to such additional insured:

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

A person's or organization's status as an additional insured under this endorsement ends when their contract or agreement with you for such leased equipment ends.

B. With respect to the insurance afforded to these additional insureds, this insurance does not apply to any "occurrence" which takes place after the equipment lease expires.

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

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

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

whichever is less.

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – COMPLETED OPERATIONS

This endorsement modifies insurance provided under the following:

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

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)	Location And Description Of Completed Operations

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

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

However:

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

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

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

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

This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

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

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

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

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

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

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

in the performance of your ongoing operations for the additional insured described in Paragraph 1. or 2. above.

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

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

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

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

This insurance does not apply to:

1. "Bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:
 - a. The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
 - b. Supervisory, inspection, architectural or engineering activities.

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

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

b. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

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

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

1. Required by the contract or agreement described in Paragraph **A.1.**; or

2. Available under the applicable limits of insurance;
whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – OWNERS, LESSEES OR
CONTRACTORS – AUTOMATIC STATUS WHEN
REQUIRED IN WRITTEN CONSTRUCTION AGREEMENT
WITH YOU (COMPLETED OPERATIONS)**

This endorsement modifies insurance provided under the following:

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

- A.** Section II – Who Is An Insured is amended to include as an additional insured any person or organization for whom you have performed operations when you and such person or organization have agreed in writing in a contract or agreement that such person or organization be added as an additional insured on your policy. Such person or organization is an additional insured only with respect to liability for "bodily injury" or "property damage" caused, in whole or in part, by "your work" performed for that additional insured and included in the "products-completed operations hazard".
- However, the insurance afforded to such additional insured:
1. Only applies to the extent permitted by law; and
 2. Will not be broader than that which you are required by the contract or agreement to provide for such additional insured.
- B.** With respect to the insurance afforded to these additional insureds, the following additional exclusion applies:
- This insurance does not apply to:
- "Bodily injury" or "property damage" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:
1. The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
 2. Supervisory, inspection, architectural or engineering activities.
- This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage" involved the rendering of or the failure to render any professional architectural, engineering or surveying services.
- C.** With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance:**
- The most we will pay on behalf of the additional insured is the amount of insurance:
1. Required by the contract or agreement you have entered into with the additional insured; or
 2. Available under the applicable limits of insurance;
- whichever is less.
- This endorsement shall not increase the applicable limits of insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

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

This endorsement modifies insurance provided under the following:

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

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

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

Such person(s) or organization(s) is an additional insured only with respect to liability for "bodily injury" or "property damage" caused, in whole or in part, by "your work" performed for the additional insured described in Paragraph 1. or 2. above and included in the "products-completed operations hazard".

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

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

B. With respect to the insurance afforded to these additional insureds, the following additional exclusion applies:

This insurance does not apply to:

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

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

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

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

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

1. Required by the contract or agreement described in Paragraph **A.1.**; or

2. Available under the applicable limits of insurance;
whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – COMPLETED OPERATIONS SUBJECT TO THE GENERAL AGGREGATE

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule of this endorsement, but only with respect to liability for:

1. "Bodily injury", "property damage", or "personal and advertising injury" caused, in whole or in part, by:

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

in the performance of your ongoing operations for the additional insured(s) at the location(s) shown and described in the Schedule of this endorsement; or

2. "Bodily injury" or "property damage" caused, in whole or in part, by "your work", other than that described in **A.1.**, at the location(s) shown and described in the Schedule of this endorsement performed for the additional insured(s).

However:

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

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

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

1. Required by the contract or agreement; or

2. Available under the applicable limits of insurance;
whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – AUTOMATIC STATUS FOR DESIGNATED OPERATIONS

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

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

- A. Section II – Who Is An Insured** is amended to include as an additional insured any person(s) or organization(s) for whom you have agreed to add under any contract or agreement, but only with respect to liability for:
1. "Bodily injury" or "property damage" not included in the "products-completed operations hazard"; or
 2. "Personal and advertising injury"; caused by, in whole or in part, your acts or omissions or the acts or omissions of those acting on your behalf in the performance of your operations as described in the Schedule above.
- B.** The insurance afforded to such additional insured described in Paragraph **A.** above:
1. Only applies to the extent permitted by law; and
 2. Will not be broader than any coverage requirement in a contract or agreement to provide for such additional insured.
- C.** With respect to insurance afforded to these additional insureds, the following additional exclusion applies:
- This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" due to rendering of or failure to render any professional service. This includes but is not limited to:
1. Legal, accounting or advertising services;
 2. Preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings or specifications;
 3. Inspection, supervision, quality control, architectural or engineering activities done by or for you on a project on which you serve as construction manager;
 4. Engineering services, including related supervisory or inspection services;
 5. Medical, surgical, dental, X-ray or nursing services treatment, advice or instruction;
 6. Any health or therapeutic service treatment, advice or instruction;
 7. Any service, treatment, advice or instruction for the purpose of appearance or skin enhancement, hair removal or replacement, or personal grooming or therapy;
 8. Any service, treatment, advice or instruction relating to physical fitness, including service, treatment, advice or instruction in connection with diet, cardiovascular fitness, bodybuilding or physical training programs;
 9. Optometry or optical or hearing aid services including the prescribing, preparation, fitting, demonstration or distribution of ophthalmic lenses and similar products or hearing aid devices;
 10. Body piercing services;
 11. Services in the practice of pharmacy;
 12. Law enforcement or firefighting services; and
 13. Handling, embalming, disposal, burial, cremation or disinterment of dead bodies.

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

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

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

1. Required by the contract or agreement described in Paragraph **A.** above; or

2. Available under the applicable limits of insurance;
whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – AUTOMATIC STATUS WHEN REQUIRED IN WRITTEN CONTRACT OR AGREEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

- A. Section II – Who Is An Insured** is amended to include as an additional insured any person(s) or organization(s) for whom you have agreed in writing in a contract or agreement that such person(s) or organization(s) be added as an additional insured on your policy. Such person(s) or organization(s) is an additional insured only with respect to liability for:
1. "Bodily injury" or "property damage" not included in the "products-completed operations hazard"; or
 2. "Personal and advertising injury";
caused by, in whole or in part, your acts or omissions or the acts or omissions of those acting on your behalf in the performance of your operations.
- B.** The insurance afforded to such additional insured described in Paragraph **A.** of this endorsement:
1. Only applies to the extent permitted by law; and
 2. Will not be broader than that which you are required by the contract or agreement to provide for such additional insured.
- C.** With respect to insurance afforded to these additional insureds, the following additional exclusion applies:
- This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" due to rendering of or failure to render any professional service. This includes but is not limited to:
1. Legal, accounting or advertising services;
 2. Preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings or specifications;
 3. Inspection, supervision, quality control, architectural or engineering activities done by or for you on a project on which you serve as construction manager;
 4. Engineering services, including related supervisory or inspection services;
 5. Medical, surgical, dental, X-ray or nursing services treatment, advice or instruction;
 6. Any health or therapeutic service treatment, advice or instruction;
 7. Any service, treatment, advice or instruction for the purpose of appearance or skin enhancement, hair removal or replacement, or personal grooming or therapy;
 8. Any service, treatment, advice or instruction relating to physical fitness, including service, treatment, advice or instruction in connection with diet, cardiovascular fitness, bodybuilding or physical training programs;
 9. Optometry or optical or hearing aid services including the prescribing, preparation, fitting, demonstration or distribution of ophthalmic lenses and similar products or hearing aid devices;
 10. Body piercing services;
 11. Services in the practice of pharmacy;
 12. Law enforcement or firefighting services; and
 13. Handling, embalming, disposal, burial, cremation or disinterment of dead bodies.
- This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage", or the offense which caused the "personal and advertising injury", involved the rendering of or failure to render any professional service.

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

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

1. Required by the contract or agreement described in Paragraph **A.**; or

2. Available under the applicable limits of insurance;
whichever is less.

This endorsement shall not increase the applicable limits of insurance.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – VENDORS – AUTOMATIC STATUS WHEN REQUIRED IN AGREEMENT

This endorsement modifies insurance provided under the following:

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

- A.** Section II – Who Is An Insured is amended to include as an additional insured any "vendor", but only with respect to liability for "bodily injury" or "property damage" arising out of "your product" which is distributed or sold in the regular course of the "vendor's" business.
- However, the insurance afforded to such "vendor":
1. Only applies to the extent permitted by law; and
 2. Will not be broader than that which you are required by the contract or agreement to provide for such "vendor".
- B.** With respect to the insurance afforded to any "vendor", the following additional exclusions apply:
1. The insurance afforded the "vendor" does not apply to:
 - a. "Bodily injury" or "property damage" for which the "vendor" is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the "vendor" would have in the absence of the contract or agreement;
 - b. Any express warranty unauthorized by you;
 - c. Any physical or chemical change in the product made intentionally by the "vendor";
 - d. Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;
 - e. Any failure to make such inspections, adjustments, tests or servicing as the "vendor" has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;
 2. This insurance does not apply to any insured person or organization, from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.
- C.** With respect to the insurance afforded to these "vendors", the following is added to **Section III – Limits Of Insurance:**
- The most we will pay on behalf of the "vendor" is the amount of insurance:
1. Required by the contract or agreement; or
 2. Available under the applicable limits of insurance;
- whichever is less.
- f.** Demonstration, installation, servicing or repair operations, except such operations performed at the "vendor's" premises in connection with the sale of the product;
- g.** Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the "vendor"; or
- h.** "Bodily injury" or "property damage" arising out of the sole negligence of the "vendor" for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:
- (1) The exceptions contained in Subparagraphs **d.** or **f.**; or
 - (2) Such inspections, adjustments, tests or servicing as the "vendor" has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

This endorsement shall not increase the applicable limits of insurance.

D. The following definition is added to the **Definitions** section:

"Vendor" means any person or organization who distributes or sells "your product" in the regular course of its business when you have agreed in writing in a contract or agreement that such person or organization be added as an additional insured on your policy.

SAMPLE



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Section 3

Planning for Retirement

PLANNING FOR RETIREMENT

WHAT DO I DO NOW?

By

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

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

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

Introduction: By the time you go to bed tonight, some 10,000 Baby Boomers will have turned age 65 today.

How prepared for the financial pressures of post-work life – a period that may extend for decades – are these retirees? How prepared are you?

Relying solely on Social Security and traditional pension seems increasingly tricky.

Most folks have no choice but to dip into their personal assets.

September, 2008 – For many a “Month of Infamy”

Many 401(k)s became 201(k)s

For the first time in almost two generations folks understood what “Recession” really means.

Our whole attitude for “Planning for Retirement” changed.

The three legged stool:

1. Government Plans – (Social Security)

On August 14, 1935 President Roosevelt signed the Social Security Act into law.

This piece of legislation was intended to help Americans supplement their retirement savings, not replace it. Most legislatures recognized that American workers were not saving enough and might need government support to ensure they had the basic living necessities during their retirement years. It was never the government’s intention to return our income dollars so we could retire comfortably at Uncle Sam’s expense. In fact, government leaders have struggled with this issue for a long time.

“The national budget must be balanced. Public debt must be reduced. The arrogance of authorities must be moderated. Payments to foreign governments must be reduced if this nation doesn't want to go bankrupt. People must learn to work instead of living on public assistance.”

Marcus Tullius Cicero, 55 B.C.

To insure that the money would be available for its intended purpose, President Roosevelt promised that as long as he lived, Americans would pay no income tax on their Social Security benefits. In 1983, Congress broke that promise and today if you have an income of \$25,000 and are single, or a combined income of \$32,000 and are married, you will pay income tax on 50% of your Social Security benefit. It gets worse: if you have an income of \$34,000 and are single, or an income of \$44,000 and are married, you pay income tax on 85% of your social security benefit.

(What vehicles are not counted toward social security being taxed?)

Working Americans pay into the Social Security system with after tax dollars, and those receiving benefits and continue to have income over the thresholds are also paying income tax on their Social Security benefits. Uncle Sam gets to double-dip, while Senior citizens struggle to make ends meet and are left without the safety net, the federal legislatures intended.

2. **Employer Plans – (Pension Plans, Corporate Retirement Plans) Good Old Days vs. Now – Defined Benefits vs. Defined Contributions**

In 1974 Congress passed The Employee Retirement Income Securities Act (ERISA). This marked the birth of the modern retirement plans many of us have been making contributions for 30 years or more. Out of this landmark legislation grew IRAs, 401(k)s and other company sponsored plans, SEPs, 403(b) plans used by educators, and most other qualified retirement plans. ERISA was designed to encourage Americans to prepare for retirement and be less dependent on Uncle Sam.

The government gave Americans four attractive incentives to save:

- 1) Participants were allowed to tax deduct their contributions.
- 2) Their gains were tax deferred.
- 3) These retirement accounts were exempt from creditors.
- 4) And let's not forget Payroll Deduction. For company employees, payroll deduction was the best thing since sliced bread. If you never saw or touched the money, it was easier to save for retirement.

With all these enticements, saving for retirement was practically irresistible, and Americans put away millions in these retirement accounts. But there was a catch! These retirement accounts ultimately became a TAX PRISON!

For these SAVERS that made systematic tax deductible contributions during most of their working lives, and after turning age 72 they must take systematic, fully taxable, withdrawals. It is not uncommon for the balance in a retirement account to be two or three times the amount deposited over the working years. The miracle of compound interest can grow tax-deductible contributions into sizable – and taxable – Retirement Nest Eggs. With all the great tax incentives to save for retirement, Uncle Sam accomplished his goal. “You saved the TAX on the SEED, but now you must pay the TAX on the CROP.”

Two legs are broken.

Who was the first to Climb Mt. Everest?

Have you heard this before?

1. The market will come back (like it always has).
2. It's only a paper loss.
3. If you get out now you'll lock in the losses.
4. If you get out at the bottom you will not have a chance for any recovery.
5. Hey, now is the time to invest more because the market is at a discount.

Just move your money into Money Markets or Cash!

What's your number?

Retirement Challenges:

- | | | |
|---------------------------------------|---|----------------------------|
| ➤ Inflation | > | Lifestyle Risk |
| ➤ Taxes | > | Rising Cost of Health Care |
| ➤ Longevity | > | Incapacity Risk |
| ➤ Retirement Portfolio
Uncertainty | > | Entitlement Risk |

3. Personal Plans (?)

- A. Two Stages – Accumulation and Distribution
- B. Two Types of Resources – Income Oriented Assets and
Accumulation Oriented Assets
- C. Start Early
 - 1) www.ssa.gov/planners/calculators.htm
 - 2) Monitor your retirement plan

THE SMART MONEY INVESTMENT ORDER

1. FREE MONEY
2. TAX-FREE MONEY
3. TAX-DEFERRED MONEY
4. TAXABLE MONEY

SOLUTIONS THAT CAN BE DONE RIGHT NOW CORPORATE PLANS

1. Fund the Match.
 - a. This is free money
 - b. Should I fund more than the match
2. Move your contribution to the Roth 401(k).
 - a. It is the employer's decision whether the company will provide access to the Roth 401(k) in addition to the traditional 401(k).
 - b. If offered employees can contribute funds on post-tax elective basis in addition, or instead of pre-tax elective deferrals under traditional 401(k) plans.
 - c. An employee's combined elective deferrals are the same as for the traditional 401(k) plan.
 - d. Employers are permitted contributions to a designated Roth account, but the matching funds must be on a pre-tax basis, and cannot receive Roth tax treatment.
 - e. Earnings in the Roth 401(k) accumulate (compound) tax-deferred.
 - f. Typically, the earnings on Roth contributions and the interest they earn, will be tax free as long as the distribution is made at least 5 years after the first Roth contribution and the participant is age 59 ½.
 - g. Roth 401(k) contributions are irrevocable and cannot be moved into a regular 401(k) account.

- h. Employees are able to roll 401(k) contributions over to an individual Roth IRA account upon termination of employment (sometimes you don't have to wait until termination.)
3. Transfer Traditional 401(k) Funds to Roth 401(k) Funds.
- a. You pay taxes on the money for the year you transfer the money.
- b. Disbursement paid after age 59 1/1 are made tax-free.

Roth 401(k) Salary Deferral Option

	Traditional 401(k) Salary Deferral Option	Roth 401(k) Salary Option	Roth IRA
Contribution	Funded with pre-tax \$	Funded with after-tax \$	Funded with after-tax \$
2022 Contribution Limits	\$20,500 \$27,000 if age 50 or older.	\$20,500 \$27,000 if age 50 or older	\$6,000 (\$7,000 if age 50 or older) {Must have income of that amount}
Income Limits	N/A	N/A	Contributions are not available for those with income over certain limits
Matching Contributions	Allowed	Allowed. The Employer Match is pre-tax	N/A
Subject to ADP Testing	Yes, unless plan is Safe Harbor 401(k)	Yes, unless plan is Safe Harbor 401(k)	N/A
Taxation on Earnings	Tax-Deferred	Tax-Free if qualified distribution	Tax-Free if qualified distribution
Tax Implications	Contributions are deductible. Distributions are included as income	Contributions are included in income. Qualified Distributions are not included as income.	Contributions are included in income. Qualified Distributions are not included as income
"Qualified Distributions"	N/A	Two Conditions: 1) Payments after age 59½ , death or disability AND 2) Payments after 5 years	Two: 1) Payments after age 59 ½ , death, disability or as 1 st time home buyer AND 2) Payments after 5 years
Access to Money	<ul style="list-style-type: none"> • Terminate Employment • Disabled • Death • Age 59 ½ (if plan provides) 	<ul style="list-style-type: none"> • Terminate Employment • Disabled • Death • Age 59 ½ (if plan provides) 	You always have access to your Roth contributions
Required Minimum Distribution	Age 72	N/A	N/A
Rollover Availability	Can be rolled into most into most qualified plans or a Traditional IRA. (Can be rolled over to Roth 401(k) or Roth IRA but taxes are due.)	Can be rolled over into another Roth 401(k) or an individual Roth IRA.	Can be rolled into another Roth IRA

4. Take control of your 401(k)
 - a. Rollover to IRA
 - 1) Why choose a Rollover IRA?
 - a) You don't know what to do with your old 401(k).
 - b) You have multiple 401(k)s from previous jobs.
 - c) Your previous and/or current 401(k) isn't performing to its potential. (might provide growth potential despite market volatility.
 - d) Your previous and/or current 401(k) is overly dependent on one investment company.
 - i. Your current plan must allow for rollovers. 90% do, but typically you have to be at least age 59 ½.
 - ii. You want to make sure you get professional help.
 - e) Your current plan does not allow for a loan, but you need access to cash immediately and don't want all your retirement savings. A Rollover IRA allows you to take a full or partial IRA distribution at any time. (Remember the pre 59 ½ penalty.)
 - f) Protection of principal
 - g) Guarantee and income for life for you and spouse
 - 2) Rollover to Roth IRA
 - a) Would like to have access to some funds that will grow tax deferred and not be taxed when you start taking distributions. (more to follow)
 - b) Now can roll most qualified retirement money to a Roth IRA without first having to use a Traditional IRA as a conduit.
 - 3) Convert Non-Deductible Traditional IRA to a Roth IRA.
(Be careful if participant has other deductible IRAs.)

PERSONAL PLANS

1. ANNUITIES

An annuity is a long-term savings plan that can be used to accumulate assets on a tax-deferred basis for retirement and/or to convert retirement assets into an income stream. While Life Insurance provides financial protection against the risk of dying prematurely and Annuity provides financial protection against the risk of living too. Both use rates based on mortality.

(ONLY INVESTMENT THAT CAN GUARANTEE TO PAY YOU AN INCOME FOR THE REST OF YOUR LIFE.)

- a. Three kinds of Annuities based on how the premiums are invested.
 - 1) Fixed Annuities (Fixed Interest Annuities) – pays a fixed rate of interest on the premiums invested in the contract, less any applicable charges. The insurance guarantees (based on the claims paying ability of the company) that it will pay a minimum interest rate for the life of the annuity contract. A company may also pay an “excess” or bonus interest rate, which is guaranteed for a shorter period, such as one year.
 - a) Trust Me – Annuities
 - b) CD like Annuities
 - 2) Variable Annuities – during the accumulation phase premiums less and applicable charges are place in a separate account (mutual fund like) of the insurance company, where the annuity owner can invest them in one or more stock or bond subaccounts. The premiums in these accounts are variable, changing with the value of the investments in the separate account.
 - a) B-Share Annuities (7 to 8 year surrender charge)
 - b) L-Share Annuities (4 year surrender charge)

- 3) Indexed Annuities (Fixed Indexed Annuities) have the characteristics of both a fixed interest annuity and a variable annuity. Similar to a variable annuity, the insurance company pays a rate of return on annuity premiums that is tied to a stock market index, the most common being ten Standard & Poor's 500 Composite Stock Price Index (S&P 500). Similar to fixed annuities, indexed annuities also provide a guarantee for your annuity to not lose any value in the stock market index is negative for the allotted time for crediting the value of the premiums invested.

(They do this by putting a cap on the amount you can earn. Either with an interest rate cap or a participation rate.) *(It's always 1st down.)*

b. Suitability

1) Fixed

- Prefer a fixed rate of return
- Focus on preservation of assets
- Want protection from market volatility
- Prefer to delegate investment decisions and risks to the insurance company
- Understand that a fixed rate of return may not provide a good hedge against inflation

2) Variable

- Prefer to invest in equities
- Want to make their own investment decisions
- Understand that assets can decline in value
- Are willing to assume the risk of loss of principal in exchange for the possibility of greater asset growth and a stronger hedge against inflation.

3) Indexed

- Are adverse to risk
- Understand that a rate of return linked to stock market performance provides the potential for higher returns than fixed interest investments, but not as high as variable investments.
- Prefer to delegate investment decisions to others.
- Want less market risk than with a variable annuity.

(Indexed Annuities are creating a marketplace for products that offer safety, lifetime income, and potential for attractive returns in a low interest-rate environment.)

2. The New Look Annuities

The key characteristic of an annuity is that it can guarantee you an income for life (maybe even you and your spouse's life). For years that meant you had to annuitize the contract. You and the insurance company agreed to a payout which could never be changed. Annuitization options include:

- Lifetime
- Joint life
- Life with period certain (10 years, 20 year)
- Others

When the selected option was over any unused money was kept by the insurance company. Over the last few years some insurance companies have started offering other withdrawal methods that guarantee an income for life without annuitizing the contract. (This means if any assets remain when the annuitant deceases they will go to the beneficiary/ies. (Rider costs .75% to 1.50 %.)

- a. Guaranteed Minimum Withdrawal Benefit (GMWB) – (goes by various name with different companies) – This rider was started by variable annuity (VA) companies and is now available with some fixed index companies as well.

The GMWB provides both protection and flexibility. It allows you to maintain control over your money while also providing the opportunity to create predictable and sustainable withdrawals for life, even if your portfolio suffers market losses, as long as you stay within the specified withdrawal limits of the rider.

- 1) Income for Life – Annual 4% lifetime withdrawals for income are guaranteed beginning at age 59 ½. If you elect the dual life the option guarantees 3.75% for the lives of both spouses.

Some companies stair-step the guarantee:

Age	Guaranteed Withdrawal
< 65	4%
65-70	5%
71-75	5.5%
76-80	6%
>80	6.5%

Some companies keep you at the chosen interest rate for life. Others allow you to step up to the next level when you attain the next age bracket.

- 2) Withdrawal Delay Increase Benefit Base – A deferral credit will increase your benefit base by 6% in any contract year you do not take a withdrawal. You are initially eligible for ten deferral credits, and you will receive ten additional credit opportunities anytime your base steps up until a given age e.g. 95.

The Illustration below is based on \$500,000 initial investment. Withdrawal percentages are not cumulative from year to year. Benefit base is only use to determine the withdrawal amount and rider fee, and may not be withdrawn as a lump sum.

Get credit – higher income for waiting



After 10 years benefit base become \$1 Million with lifetime guaranteed withdrawals of \$50,000 a year for life (even if market performance causes your account value to decrease).

Based on a \$500,000 initial investment for illustration only. Benefit Base is only used to determine the withdrawal and rider fee, and may not be withdrawn as a lump sum.

- 3) Higher income when markets perform well – on your annual contract anniversary, the contract will be reviewed. If the account value of your contract has increased your benefit base can step up to equal this anniversary value, adjusted for additional payments and withdrawals. Step-ups are automatic and are available until age 95. Following a step-up, your Lifetime Income Account will increase to 5% of your highest benefit base amount. Step-ups also increase the value of any future credits (May also increase the rider fee) lock in your highest gain, re-load credit opportunities.

Scenario One Delay Taking Income

(\$500,000 Investment)	Account Value	Withdrawal Delay Benefit Base	5% Lifetime Monthly Withdrawal
Year 0	\$500,000	\$500,000	\$2083.33
Year 1 – market gains 12%	\$560,000	\$560,000	\$2333.33
Year 2 – market loses 12%	\$492,800	\$583,600	\$2431.60
Year 3 – market gains 8%	\$532,224	\$618,616	\$2577.56
Year 4 – market loses 8%	\$489,646	\$655,732	\$2732.22
Year 5 – market gains 2%	\$499,438	\$695,075	\$2896.15

Scenario Two Immediate Withdrawal

(\$500,000 Investment)	Account Value	Immediate Withdrawal Benefit Base	5% Lifetime Monthly Withdrawal
Year 0	\$500,000	\$500,000	\$2083.33
Year 1 – market gains 12%	\$560,000		
	- <u>\$ 25,000</u>		
	\$535,000	(7%) \$535,000	\$2229.16
Year 2 – market loses 12%	\$470,800		
	- <u>\$ 26,750</u>		
	\$444,050	\$535,000	\$2229.16
Year 3 – market gains 8%	\$479,574		
	- <u>\$ 26,750</u>		
	\$450.224	(3%) \$551,050	\$2296.04
Year 4 – market loses 8%	\$414,206		
	- <u>\$ 27,552</u>		
	\$386,654	\$551,050	\$2296.94
Year 5 – market gains 2%	\$394,387		
	\$ 27,552		
	\$369,835	\$551,050	\$2296.95

For illustrative only – Actual performance will vary and fees will apply.

What's Your Retirement Number? (The GMWB in the Real World)

Bob Hill: 60 years old: Total Income Need: \$80,000 Annually
 Social Security & Pension Benefits: \$40,000 (combined)
 Other Available Assets: \$1.5 Million

Guaranteed Money		Non-Guaranteed Money
Yearly Income John will receive for the rest of his life – regardless of how markets perform.		Assets that fluctuate in value, depending on market performance. While they can provide income, the amount will likely vary from year to year.
Pensions: \$18,000		401 (k), 403(b) SIMPLE, IRA, other qualified Retirement plans (\$ value can fluctuate)
Variable Annuity with A GMWB: \$40,000		Mutual funds, stocks, bonds, CDs, managed money, real estate (\$ value can fluctuate)
Social Security: \$21,500		

LEAVE ON

LIVE ON

(Account Value)

(income)

The Rest of the Story

Variable annuity (VA) guarantees are designed to lower the market risk of owning a variable annuity. As attractive as they are, they must be used within the individual annuity contract specifications in order to realize their full value if market conditions make reliance on them necessary. The following are some of the caveats and constraints that are found within the guarantee provisions.

- VAs offer guarantees with the opportunity to participate in the market. VAs are subject to risk, including loss of principal. Guarantees do not apply to the performance of the VA subaccounts, which vary with market conditions.
- The guarantor of the guarantees is the insurance company alone. Money going into VAs is not a bank deposit, nor is FDIC insured, or insured by any federal government agency, or any bank or savings association. The account values may go down in value. The more important the guarantee is to the contract owner, the more costly it is to the insurance company. It is only the claims paying ability of the individual insurance company that can make good on the guarantees when they are called upon.

ARE THEY COVERED BY YOUR STATE GUARANTY FUND?

- Insurance companies are confident in their ability to handle “the long run” and are convinced that retirees need a diversified portfolio of equities to address a long retirement period and the effect of inflation. Therefore, consumers can expect the guarantees to have some constraints on where the assets may be invested in order for the guarantee to be effective. Some contracts will allow free contract owner choice, except accounts that merely earn interest and are not likely to keep up with the applicable guarantee. Some will offer a higher guarantee, such as 6 percent for amounts invested in money market or low interest/low volatility bond subaccounts. Others may be more restrictive on the allowable investments or may require investment in specified asset allocations.
- The benefit base used to define the guarantees is not cash or an actual account value. It is used to calculate the amount available under the various guarantees. For example, the initial benefit base is the amount invested in the annuity contract. Thereafter, the base is adjusted downward for withdrawals and upward by interest roll-ups and/or market value step-ups to the level used to determine death benefits or income benefits. The calculated benefit base level may also be used to determine its cost, such as 60 basis points times the benefit base, as opposed to being calculated upon actual account value.

- The choice of one guarantee may make another type of guarantee unavailable.
- These riders normally must be applied for with the initial application and the cost of them may not be eliminated in the future.
- When a contract provides an increasing benefit base, it can be used to increase the future income base or to make dollar-for-dollar withdrawals up to the permissible amount of the annual increase, but avoid making withdrawals exceeding the permissible amount without knowing what guarantees may be lost. Such excess withdrawals can cause the elimination of other guarantees in the contract without eliminating the ongoing cost of the lost guarantees. Carefully consider the implication of any excess withdrawals.
- If the benefit base, as opposed to the account value, is applied to purchase the guaranteed minimum lifetime income, the annuity factors used may include what are age setbacks. For example, a 75 year old annuitant may have the benefit base applied to an annuity age factor of a 70 year old, resulting in a lower lifetime income amount.
- The lifetime minimum income when exercised, involve Annuitization thereby losing access to the lump sum.
- Ratchets that step-up the benefit base are likely to be limited in number and frequency of use (such as every five years), and may be capped at some multiple of premium paid.

3. Strategies

a. QLAC – Qualified Longevity Annuity Contracts (July 1, 2014)

1. Purpose
 - a. Hedge against longevity risk by creating pension like income for later retirement years.
 - b. Better manage tax liabilities by delaying RMDs from a portion of retirement assets.
 - c. Cover unexpected expenses, such as healthcare costs during retirement.
 - d. Supplement possible reductions in income due to the death of a spouse
(for example, [pension or Social Security]).

2. Procedure
 - a. Assets from a Qualified Plan (Roth IRAs and Defined Benefit Plan excluded) may be used to purchase fixed annuity (not variable or indexed).
 - b. Single Premium or Flexible Premium may be used.
 - c. Premium limit is the lesser of \$135,000 (adjusted for inflation in future years) or 25% of the qualified plan money.
 - d. The QLAC value will be excluded from RMD calculation.
 - e. QLAC distribution cannot be later than the first day of the month following age 85.

b. Special Charitable Contributions for IRAs (2006)

1. IRA owner must be 70 ½ or older.
2. The money must be directly transferred to an eligible organization
3. The maximum amount is \$100,000.
4. Available whether or not deductions are itemized.
5. Only IRAs.
6. Amounts transferred are not taxable and no deduction is available.
7. Not all charities are not taxable. (not donor-advised funds and supporting organizations)

4. Arbitrage

- a. Definition – the simultaneous buying and selling of the same negotiable financial instruments or commodities in different markets in order to make an immediate profit without risk.

An attempt to profit by exploiting price differences of identical or similar financial instruments, on different markets or in different forms. The ideal version is riskless arbitrage.

- b. Why – because 60% of all IRA's are never touched except for Required Minimum Distributions (RMD).
 - 1) The only way out of an IRA is through the IRS.

- 2) The moment a person contributes to an IRA, Uncle Sam becomes their partner. The unfortunate reality is their new partner, AKA Uncle Sam will determine what percentage of their IRA savings is owed to the IRS

It was a simple proposition at the time they were making tax deductible contributions. They saved the tax on the seed, but when it comes time to harvest that hard earned savings, they must pay the tax on the crop. Not a pretty picture when your IRS partner can raise the Tax Rates anytime they want. (DO YOU THINK TAXES ARE GOING UP IN THE FUTURE?)

- c. IRA Arbitrage is one way to sever the unwanted partner at the fewest dollars possible. (The alternative is to let the IRS become their senior partner in their retirement plans.)
- d. Use the after tax value of their IRA to purchase life insurance that will endow their beneficiaries with more INCOME TAX FREE MONEY.
- e. 6 Strategies for IRA – Arbitrage
 - 1) Cash out the IRA and purchase Single Premium Life Insurance. (MEC)
 - 2) Use the after Tax RMDs to purchase Life Insurance.
 - 3) Use IRA Annuity 10% Free Withdrawal to purchase Life Insurance.
 - 4) Use the IRA Value to purchase a 7 Pay Life Insurance Policy. (Avoids MEC)
 - 5) Use Life Insurance to pay the Roth IRA Conversion Tax.
 - 6) Buy Annuity with Guaranteed Death Benefit.

All approaches will increase Inheritance and Eliminate Taxes for the Heirs.
(What about estate taxes?)

5. Stretch IRA

Time Out: For TAX-FREE MONEY (A SECOND LOOK)

1. FREE MONEY
2. **TAX-FREE MONEY**
3. TAX-DEFERRED MONEY
4. TAXABLE MONEY

Most of the time when we hear the word “qualified” we think that is a good thing, especially versus the term “non-qualified.” However, the word “qualified” takes on a less favorable connotation when we realize we must prepare and conform to all the conditions that make something “qualified.”

When comparing qualified plans to alternatives for retirement planning we would do well to consider the IRA has applied a bevy of conditions on the retirement plans to which it has granted certain tax advantages. We must be also be aware that many time a “non-qualified” solution might prove more beneficial in meeting our needs.

Whether or not a person verbalizes it, everyone’s goal is to accumulate an amount of money at some predictable age that allows them to quit work and still continue to live the lifestyle to which they are accustomed. Also if they would leave behind survivors who are dependent on them for retirement security, it makes sense to add a self-completing element to their goals.

A possible solution is to use an over-funded participating life insurance (WL, UL, IUL, VUL) so the cash reserves can serve as a source of retirement benefits and the death benefit will assure that survivors have enough money in the event of an untimely demise. Plus and increasingly more important may be the ability to access the money on a non-taxable basis.

Comparison of Qualified Plans and Over-Funded Universal Life Policy		
	“Qualified Plans”	Universal Life Insurance
Unrestrictive Contributions	No Determined by IRA	Yes Determined by Death Benefit
Pre-Tax Contributions	Yes	No
Tax Deferred Growth	Yes	Yes
Nontaxable Cost of Insurance (COI)	No Must report economic benefit for coverage in the plan	Yes COI internally with untaxed return on cash value
Uninterrupted Accumulation After Age 72	No	Yes
Non-Taxable Withdrawal	No	Yes FIFO withdrawals and loans
Non-Penalty Early Withdrawals	No	Yes FIFO withdrawals and leans

6. Life Insurance

A. Six Ways to Use Life Insurance

- 1) Maximize a pension plan.
- 2) Secure a line of credit.
- 3) Serve as source of funds.
- 4) Save money on a tax-favored basis.
- 5) Help fund and grow a business.
- 6) Help in succession planning.

B. TAX-FREE RETIREMENT

- 1) A typically income-tax free death benefit.
- 2) The potential to accumulate policy cash value based on:
 - a) Fixed Investments (Whole Life)
 - b) Market Performance Investments (Variable Life)
 - c) Adverse to Risk Investment (Indexed Universal Life)
 - All can be written with a guaranteed death benefit regardless on cash value performance.
- 3) Access to accumulated policy cash value on a tax-advantaged basis.
 - a) If the policy is not a Modified Endowment Contract (MEC)
 - (1) Federal income tax-free withdrawals up to you cost basis in the policy (Do you have to be age 59 ½?)
 - (2) Federal tax-free loans
 - (3) Tax-deferred accumulation potential
 - (4) Typically income-tax free death benefit
 - If a life insurance policy lapses with an outstanding loan, amounts in excess of the cost basis are subject to federal income taxes.
 - b) If the policy is a Modified Endowment Contract (MEC) which occurs when premium paid in relation to the death benefit exceeds federal guidelines
 - (1) Gain is distributed first
 - (2) Distributions prior to age 59 ½ are subject to 10% tax penalty
 - (3) "Once a MEC, always a MEC."
 - (4) Tax-deferred accumulation potential
 - (5) Typically income-tax free death benefit.
 - If the MEC lapses, any gains in excess of loans amounts in excess of cost basis are subject to federal income taxes.

LET'S BE CLEAR:

Life insurance is NOT a stock;

Life Insurance is NOT a bond;

Life Insurance is NOT a CD;

Life Insurance is NOT real estate;

Life Insurance is **INSURANCE**.

Life Insurance has insurance charges and other fees.

Life Insurance requires medical underwriting.

Access to account value may be on tax-advantage basis but there may be charges and may offer limited liquidity.

Life Insurance is a product that protects against the risk of dying too soon by delivering money a family needs when they need it.

Life Insurance is a product that protects against the risk of living too long because the access to cash value buildup of a tax-advantaged basis over the lifetime of the insured and the policy.

C. Life Insurance – Loans & Surrenders

John Hill age 35: Money to invest: \$5,500 annually (same as IRA)

Age 50 – increase to \$6,500

Pay through age 65

Start distributions at age 66: Withdrawals until total premium returned, then policy loans.

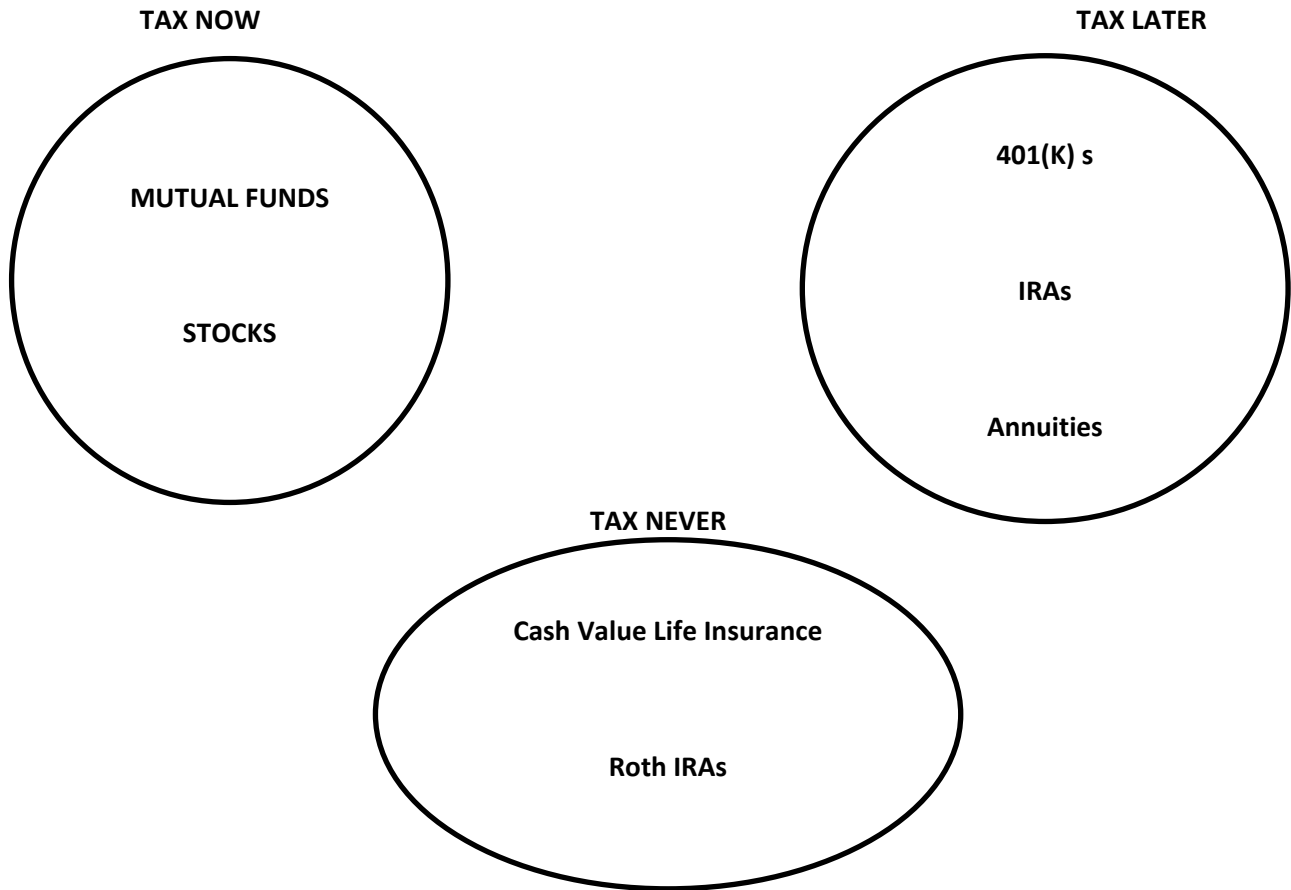
Flexible Premium Universal Life Insurance Policy

Jon Hill	Initial Annual Premium:	\$5,500.00
Male Age 35 Select Plus	Initial Specified Amount:	<u>\$ 200,000</u>
Initial Death Benefit Option: Increasing		

		Guaranteed				Current		
Age	Year	Premium Outlay	Policy Value	Cash Value	Death Benefit	Policy Value	Cash Value	Death Benefit
26	1	5,500	5,005	215	205,005	5,220	430	205,220
27	2	5,500	10,150	5,647	210,150	10,658	6,155	210,658
38	3	5,500	15,435	11,219	215,435	16,323	12,108	216,323
39	4	5,500	20,860	16,932	220,860	22,223	18,295	222,223
40	5	5,500	26,432	22,792	226,432	28,367	24,727	228,367
41	6	5,500	32,149	28,700	232,149	34,766	31,317	234,766
42	7	5,500	38,011	34,754	238,011	41,247	38,170	241,247
43	8	5,500	44,016	40,951	244,015	48,360	45,295	248,360
44	9	5,500	50,163	47,289	250,163	55,575	52,710	255,396
45	10	5,500	56,452	53,818	256,452	63,081	60,446	263,081
46	11	5,500	62,883	60,488	262,883	71,117	68,722	271,117
47	12	5,500	69,461	67,305	269,461	79,478	77,322	279,478
48	13	5,500	76,197	74,281	276,197	88,176	86,260	288,176
49	14	5,500	83,105	81,429	283,105	97,234	95,557	297,234
50	15	6,500	91,138	89,701	291,138	107,676	106,239	307,676
51	16	6,500	99,362	98,164	299,362	118,546	117,349	318,546
52	17	6,500	107,767	106,809	307,767	129,855	128,897	329,855
53	18	6,500	116,346	115,627	316,346	141,613	140,895	341,613
54	19	6,500	125,091	124,612	325,091	153,835	153,356	353,835
55	20	6,500	133,982	133,982	333,982	166,530	166,530	366,350
56	21	6,500	141,010	143,010	341,010	179,709	179,709	379,709
57	22	6,500	152,175	152,175	352,175	193,409	193,409	393,409
58	23	6,500	161,483	161,483	361,483	207,651	207,651	407,651
59	24	6,500	170,941	170,941	370,942	222,471	222,471	422,471
60	25	6,500	180,530	180,530	380,530	237,889	237,889	437,889
61	26	6,500	190,220	190,220	390,220	253,922	253,922	453,922
62	27	6,500	199,974	199,974	399,974	270,548	270,548	470,548
63	28	6,500	209,757	209,757	409,757	287,771	287,771	487,771
64	29	6,500	219,544	219,544	419,544	305,600	305,600	505,600
65	30	6,500	229,324	229,234	429,324	324,049	324,049	424,049
Total		<u>181,000</u>						
Premium								

Age	Year	Premium Outlay	Partial Withdrawal	Loan Amount	Loan Balance	Cash Value	Death Benefit
66	31	0	10,500	0	0	325,081	525,587
67	32	0	10,500	0	0	327,081	527,081
68	33	0	10,500	0	0	328,532	528,532
69	34	0	10,500	0	0	329,930	529,930
70	35	0	10,500	0	0	331,274	531,274
71	36	0	10,500	0	0	332,537	532,537
72	37	0	10,500	0	0	333,537	533,537
73	38	0	10,500	0	0	334,488	534,488
74	39	0	10,500	0	0	335,062	535,062
75	40	0	10,500	0	0	335,321	535,321
76	41	0	10,500	0	0	335,203	535,203
77	42	0	10,500	0	0	334,711	534,711
78	43	0	10,500	0	0	333,765	533,765
79	44	0	10,500	0	0	332,270	532,270
80	45	0	10,500	0	0	330,120	530,120
81	46	0	10,500	0	0	327,228	527,228
82	47	0	10,500	0	0	323,470	523,470
83	48	0	2,500	8,000	8,000	319,018	519,018
84	49	0	0	10,500	18,500	313,880	513,880
85	50	0	0	10,500	29,000	307,903	507,903
86	51	0	0	10,500	39,500	300,930	500,930
87	52	0	0	10,500	50,000	292,748	492,748
88	53	0	0	10,500	60,500	283,179	483,179
89	54	0	0	10,500	71,000	272,050	472,050
90	55	0	0	10,500	81,500	259,191	459,191
91	56	0	0	10,500	92,000	244,440	444,440
92	57	0	0	10,500	102,500	227,370	427,370
93	58	0	0	10,500	113,000	207,712	407,712
94	59	0	0	10,500	123,500	185,154	385,154
95	60	0	0	10,500	134,000	159,347	359,347
96	61	0	0	10,500	144,500	129,907	329,907
97	62	0	0	10,500	155,000	97,912	297,912
98	63	0	0	10,500	165,500	63,165	263,165
99	64	0	0	10,500	175,500	25,474	225,454
100	65	0	0	10,500	0	0	0
Totals		181,000	178,500		175,500		
(354,000 Tax Free Money)							

Investment Opportunities



Some events and distributions could result in tax liability, including a liability under Alternative Minimum Tax rules. Below is a general summary of the taxation of different types of assets, but does not reflect state specific tax law.

Life Strategies – Taxing facts

	Purchase	Hold	Reallocation	Distribution	At Death Estate Tax	At Death Income Tax
Stocks	After-tax \$	Taxable Dividends	Taxed on Capital Gains	Taxed on Capital Gains	Yes	No/stepped-up basis
Mutual Funds	After-tax \$	Taxable Dividends/ Capital Gains	Taxed on Capital Gains	Taxed on Capital Gains	Yes	No/stepped-up basis
Qualified Plans	Before-tax \$	Tax-Deferred	Tax-Free	Fully taxable	Yes	Yes
Annuities	After-tax \$	Tax-Deferred	Tax-Free	Gain taxed as Ordinary income	Yes	Yes
Life Insurance	After-tax \$	Tax-Deferred	Tax-Free	Tax-Free Loans	Yes	Yes

D. Protecting Retirement

1. Long-Term Care Insurance

2. Linked Benefit Long-Term Care

a. Life Insurance

1) A linked policy provides combining life insurance with LTC benefits. If the insured needs LTC, the policy helps pay those benefits. If the insured does not need LTC the policy provides a death benefit (both are almost always paid income tax-free).

2) Most are written on a single-premium basis (can be flexible premium) which leverages the premium into a higher benefit.

I.E – \$50,000 single premium purchases \$125,000 of benefit that can be used for LTC or passed to heirs at death. (If no LTC benefit is used full amount is passed on to beneficiaries. If LTC benefit is used, unused amount is passed on to beneficiaries.

3) Optional riders may increase LTC benefits.

4) One company offers a 2nd to die (Survivorship) life policy that provides both insureds with LTC benefits and a death benefit on the unused amount.

b. Annuities

1) A linked benefit annuity works much the same as a linked benefit life insurance policy and might be a choice if the applicant cannot qualify for life insurance. (Annuity premium will not leverage as much as the life premium)

2) Most are written on a single-deposit basis with a percentage of the annuity value available for LTC. If applicant does not need LTC, the annuity death benefit value passes to the named beneficiary.

(LTC benefit not taxed, death benefit – gain is taxed.)

E. Incompetency Planning

There is a comedian who likes to inform his audience that his goal is to live forever. Looking out into the crowd he adds, “so far, so good!” But the fact is that death is the one contingency everyone can be sure will occur at some point. Consequently, there is a tendency in the retirement planning process to focus on the matters of final arrangements, like wills and life insurance, and not give proper attention to the possibility of incapacity prior to death. Just a few points:

1. Different types of incapacity – The inability to handle affairs may be caused by something other than mental incapacity. Conducting business or carrying out activities may be impractical because of the onset of temporary or permanent physical infirmities, or geographic absence due to travel or distant residence. Give thought to delegation of authority in circumstances other than those involving mental incapacity.
2. Financial concerns – The document for delegating authority in financial matters is a **power-of attorney**. It can be as narrow or as broad as needed. It can be in force until revoked, or it can take effect under particular circumstances and can remain valid even into a period of mental incompetency. **Revocable living trusts**, often used to keep assets out of the probate court, can also give authority over property in the trust to a co-trustee or contingent trustee. *Beware of joint ownership as a solution!* The responsibilities of joint owners is undefined and transactions with certain assets, such as real estate, may not be possible without agreement of owners. Also, creation of joint ownership may create gifting concerns.
3. Medical concerns – Planning documentation will go under various forms and names in different states (**e.g. health-care directive, living wills, health proxies, medical power of attorney**), but if properly drafted should address three items:
 - a) Direct who will make health care decisions when needed for the principal.
 - b) Indicate who will make any life-sustaining or life-ending decisions necessary.
 - c) Grant HIPAA authorization for decision maker to receive all medical information without consent of the principal.
 - d) The process should also include proper risk management planning giving consideration to the advisability and feasibility of **long-term care** and **disability insurance** options available.

4. Whom do you trust? – All the documentation is fine, but it is only as good as the qualifications and reliability of the attorney-in-fact, trustee, or other fiduciary chosen to carry out the terms. Good starting points for candidates include:
 - a) Their geographic location – will they be on-site when needed?
 - b) The intensity of their lifestyle – will they have time to attend their responsibilities?
 - c) Experience – do they have the background and skills to handle the affairs they oversee?

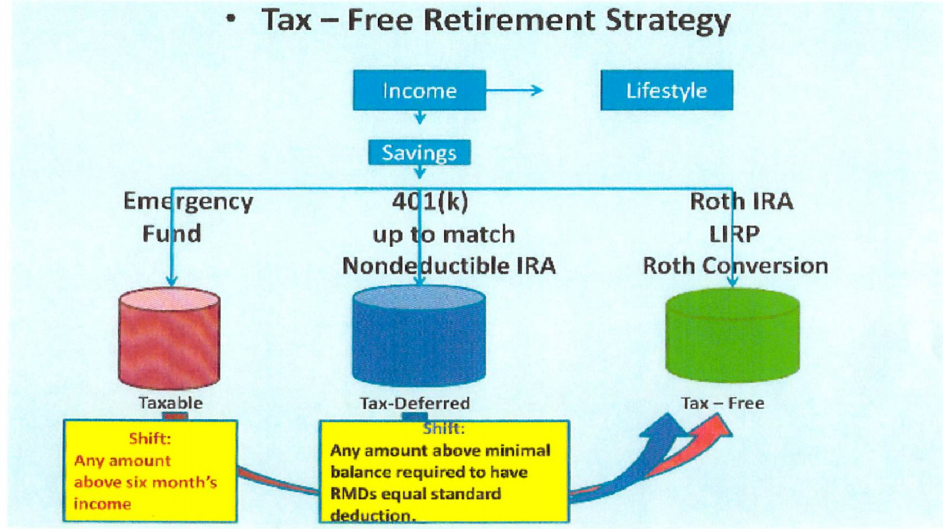
Remember if the principal does not address incompetence planning the State will address it for them. Though tedious, drawn-out and expensive guardianship or conservatorship hearings, a court of law will set a course that may or may not achieve what the person might desire and it may or may not be administered by people they may or may not have preferred.

Top Income Tax Rates for 2022

Income Type	2022 Top Tax Rate
Taxable IRA Distributions (Ordinary Income)	37.0%
Short-Term Capital Gains	37.0%
Long-Term Capital Gains	20.0%
Interest Income	37.0%
Qualified Dividend Income	20.0%
(if income greater than \$250, 000, add 3.8% net investment tax)	
Roth IRA Distributions	0%
Life Insurance Policy Loans & Distributions of Premiums Paid	0%

A B C Retirement Plan

• Tax – Free Retirement Strategy





James K. Ruble Seminar

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

Section 4

The Impaired and the Shared Economy and Insurance Implications

The Impaired and the Shared Economy: Insurance Implications

AN INSURANCE CONTINUING EDUCATION SEMINAR

Richard S. Pitts



Vice-President and General
Counsel, Arlington/Roe & Co., Inc.

General Counsel, Independent
Insurance Agents of Indiana, Inc.

Part One – The “Shared” Agenda

1. Introduction: The Sharing Economy
2. Home Based Businesses Generally
3. The ISO Forms: A Refresher on Structure and Endorsements
4. Case law on Insurance Coverage for Home Based Businesses
5. Home Sharing and the Homeowner’s Forms: Where We Are Now

Agenda

6. The ISO Personal Auto Policy Form:
 - What It Said, Says, and Will Say
 - A Survey of the Coverage Cases
7. Legislation and Regulation
 - The NCOIL Model Act
 - The NAIC White Paper
8. From the Commercial Side: The “Gig” Economy
9. A Few Concluding Thoughts

Introduction To The Sharing Economy

STARTING THE DISCUSSION...

Definition of “Sharing Economy”

It’s in the OED for the first time:

“An economic system in which assets or services are shared between private individuals, either free or for a fee, typically by means of the Internet:

‘Thanks to the sharing economy you can easily rent out your car, your apartment, your bike, even your Wi-Fi network when you don’t need it.’

But, *FC Technology* Says...

“Many terms are being used to describe a broad swath of startups and models that in some way use digital technologies to directly match service and goods providers with customers, bypassing traditional middlemen.”

“The terms ‘sharing economy,’ ‘peer economy,’ ‘collaborative economy,’ ‘on-demand economy,’ ‘collaborative consumption’ are often being used interchangeably, though they mean very different things, as are the ideas they go hand-in-hand with, like ‘crowdfunding,’ ‘crowdsourcing,’ and ‘co-creation.’”

Rachel Botsman, May 27, 2015

The Obligatory Uber Stats....

According to “The Business of Apps,” the Uber app

- Is available in 60 countries and over 300 cities
- Is used to fulfill 1,000,000 rides per day
- Has more than 8,000,000 users
- Gives access to over 160,000 drivers

The Obligatory Uber Stats....

According to "The Business of Apps," the stats about Uber drivers show:

- 14% are female (as compared to 1% of taxis)
- 71% have dependents at home
- 25% are over age 50; 19% are under age 30
- 87% want to be their own boss
- 85% want better work-life balance

What we're asking today: do any of them have the right insurance?

This Isn't Just about Uber...

www.doordash.com

"DoorDash is an on-demand delivery service that connects customers with local businesses."

"Through the DoorDash marketplace, people can purchase goods from local merchants and have them delivered in less than 45 minutes - thanks to our revolutionary logistics technology."

According to the Insurance Information Institute and Dr. Robert Hartwig: The "On-Demand" World is Exploding



Need something done around the house...Click on Handy



Hate doing laundry? Washio will do it for you...



Hate doing just about everything? Taskrabbit will take on virtually all your "tasks" ...

III and Dr. Hartwig: Some Players in the On-Demand Economy Have Become Household Names



Rent a place...



...Need a Lyft?



UBER

...This ride has taken Wall Street to the stratosphere

Home Based Businesses Generally

WE'VE BEEN TURNING HOUSES INTO BUSINESSES
FOR SOME TIME NOW...

IN HOME BUSINESS STATISTICS

Who works at home?

According to the Bureau of Labor Statistics, in 2001

19.8 million people worked at home

50% were wage earners who were unpaid for the
home work, BUT

17% were formally paid for at home work AND

30% were self-employed

IN HOME BUSINESS STATISTICS

Who works at home?

BLS reports:

14.4 million people (10.5 percent of the workforce) were self-employed in 2002.

In 2002, workers 45 years old and up were 38% of the workforce, but 54% of the self-employed.

IN HOME BUSINESS STATISTICS

Why do they start?

Joanne H. Pratt Associates says the shift is to a primary income basis, not a secondary or supplemental income

The entry barriers are low: 40-44% report costs are less than \$5,000

In fact, legal barriers are quite low.

IN HOME BUSINESS STATISTICS

How do they do?

According to Pratt Associates:

- They stay at home – less than 5% eventually move out
- They stay there awhile – over half survive 5 years.
- They succeed by using internet, e-mail and related resources

IN HOME BUSINESS STATISTICS

According to the Small Business Admin.:

1. Home-based businesses are:
2. Half of all U.S. businesses
3. Incubators for business development and
4. Sensitive to regulatory burdens

IN HOME BUSINESS STATISTICS

This is Significant to the Insurance Industry because...an RLI Insurance Company study showed that:

Only 1 in 4 home-based business owners have coverage for business equipment

Two-thirds have no business interruption coverage

Many policyholders thought their home-based business was covered by their homeowners.

IN HOME BUSINESS STATISTICS

This is Significant to the Insurance Industry because...

An IIABA study showed that:

58% of home-based businesses do not have business insurance

(87% of those folks didn't even understand why they needed it)

Which is a decrease of only 2% in seven years (despite the explosive growth of home-based businesses)

IN HOME BUSINESS STATISTICS

This is Significant to the Insurance Industry because...

Of the folks without insurance for their home-based business:

39% said they thought they didn't need any specific coverage or had some other coverage

29% said their business was too small or not really risky

19% just didn't have a good reason.

IN HOME BUSINESS STATISTICS

This is Significant to the Insurance Industry because...

Those without insurance and their revenues:

<u>Revenues</u>	<u>% Owners W/O Ins.</u>
Less than \$25,000	77
\$25,000 to \$49,000	62
\$50,000 to \$74,900	57
Above \$75,000	41

IN HOME BUSINESS STATISTICS

This is Significant to the Insurance Industry
because...

Home-based business owners assume it's
expensive, but

*As IIABA's Madelyn Flannagan says, small
premium dollars can leverage big (relatively)
limits*

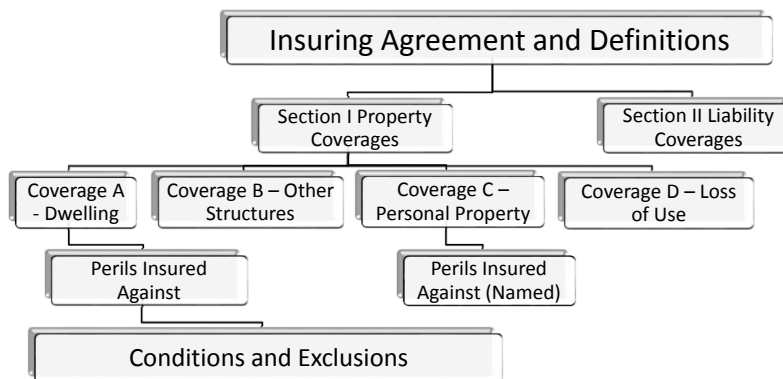
THE STRUCTURE OF ISO FORMS

A REFRESHER, MAYBE...

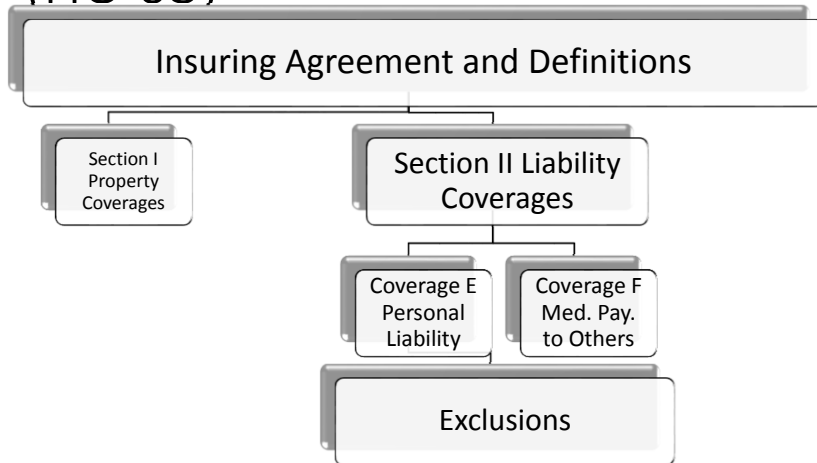
HOMEOWNERS FORMS

Number	Description
HO 00 02	Named perils policy
HO 00 03	Special Form (open perils as to buildings)
HO 00 04	Contents Broad Form
HO 00 05	Comprehensive Form (covers both personal property and buildings on an open perils basis)
HO 00 06	Condo or Coop Form
HO 00 08	Non-replacement cost coverage with limited personal property coverage

Homeowners policy structure (HO 03)



Homeowners policy structure (HO 03)



FOUR KEY "OVERARCHING" DEFINITIONS

TERM	MEANING
Bodily Injury	"[B]odily harm, sickness or disease, including required care, loss of services and death that results"
Business	"A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or any other activity engaged in for money or other compensation, except the following" ...no more than \$2,000 compensation; volunteer activities; home day care or relative home care

FOUR KEY "OVERARCHING" DEFINITIONS

TERM	MEANING
Insured	"You and residents of your household who are: (1) Your relatives; or (2) Other persons under the age of 21 and in your care...or a student enrolled in school full-time, as defined by the school, who was a resident of your household before moving out..."
Property Damage	"[A]n accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in 'Bodily injury' or 'Property damage'."

Some Section I (property) exclusions

Ordinance or Law	War
Earth Movement	Nuclear Hazard
Water	Intentional Loss
Power Failure	Governmental Action
Neglect	

Some Section II (Liability) Exclusions

Motor Vehicle Liability	Business
Watercraft Liability	Professional
Aircraft Liability	Services
Hovercraft Liability	Sexual
War	Molestation
Communicable Disease	Controlled
	Substances

THE ISO FORMS

ISO Takes a Standard, Broad Approach to Defining a "Business." It Means:

A trade, profession or occupation
engaged in on a full-time, part-time or
occasional basis; OR

*Any other activity engaged in for money or
other compensation...*

THE ISO FORMS

And carves out these exceptions:

- One or more activities, not described in (2) through (4) below, for which no "insured" receives more than **\$2,000 in total compensation** *for the 12 months before* ... the policy period;
- (2) Volunteer activities for which no money is received...;

THE ISO FORMS

And carves out these exceptions:

- (3) Providing home day care services for which no compensation is received...; or
- (4) ...home day care services to a relative of an "insured".

THE ISO FORMS

On the LIABILITY side, all major HO forms have this exclusion (E.2):

[We do not cover]

"Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or

engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

THE ISO FORMS

And have an exception to the exclusion:

[The business exclusion does not apply to:]

(1) The rental or holding for rental of an "insured location";

- On an occasional, residential basis; or
- "In part, as an office, school, studio or private garage;"

THE ISO FORMS

And have an exception to the exclusion (cont'd):

[The business exclusion does not apply to:]

(2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;

THE ISO FORMS

HO2 and HO3 and HO5: All contain the following limitation on real PROPERTY coverage

[We do not cover]

- a. Land, including land on which the other structures are located;
- b. Other structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage; ...

THE ISO FORMS

HO2 and HO3 and HO5: All contain the following limitation on real property coverage

[We do not cover] Other structures from which any "business" is conducted; or

Other structures used to store "business" property. However, we do cover a structure that contains "business" property solely owned by an "insured" or a tenant of the dwelling provided that "business" property does not include gaseous or liquid fuel...

THE ISO FORMS

HO2, HO3, and HO5 all restrict Coverage C on personal property to:

\$2,500 on property, on the "residence premises", used primarily for "business" purposes

\$500 on property, away from the "residence premises", used primarily for "business" purposes. However, this limit does not apply to loss to electronic apparatus...

THE ISO FORMS

BP 03 07 (Businessowners Policy):

Much like the CGL, with a simplified format

Major additional coverage:

- "We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your "operations" during the "period of restoration". The suspension must be caused by direct physical loss of or damage to property at the described premises."

THE ISO ENDORSEMENTS

HO 24 71 (Home Based Business):

Changes the exclusion on liability side coverages

Applies liability and med pay coverages to the business listed in the endorsement

Typically used for sales, clerical, and instructional occupations.

THE ISO ENDORSEMENTS

HO 24 71 (Home Based Business):

Does not provide coverage for ownership or control of a business

... by itself. Needs to have homeowner involvement.

Does not cover liability arising out of professional services, except teaching

THE ISO ENDORSEMENTS

HO 07 01:

Used to be known as the HO 05 90

Provides both property and liability coverage

Named insured must have an ownership interest in business.

THE ISO ENDORSEMENTS

HO 07 01 (Business Pursuits):

Includes coverage for accounts receivable and valuable papers and records

Time element coverages include business income

Much broader coverage than 24 71 endorsement

THE ISO ENDORSEMENTS

HO 07 01 (Business Pursuits):

Liability coverage is on an aggregate basis

Still no coverage for professional services

CASE LAW ON WHAT IS A BUSINESS

CASE LAW

Some general observations:

States, and dates, matter a great deal

The 2000 changes to the definition of "business" are designed to

- Eliminate ambiguities
- Cut down on inconsistent results

CASE LAW

Some general observations:

Most courts require

- Continuity – a customary engagement and
- Profit motive – a living, a profit, commercial transactions

To be a "business"

CASE LAW

Some general observations:

The recurring issues are babysitting, lawncare, and hobbies

The problem is not just one of scope of coverage – there's also the issue of whether a new home business is a material change in the risk.

But that's not all...

CASE LAW

Riverside Insurance Co. v. Kolonich (Mich.App. 1982):

Insured does ceramics firing and teaching in home;
visitor trips and falls

Court finds that there was a "business" (gain
sought and continuity) even with no sales license

No insurance coverage

CASE LAW

Salzi v. Virginia Farm Bureau (Va. 2002):

Marston's hay was stored in the Salzis' barn at no
charge, when barn collapsed

Loss of between 1,500 and 3,000 bales not covered

Business exclusions were clear – no coverage.

Hay was from a business, despite "no charge."

CASE LAW

Bowman v. Allstate (2d Cir. 2001):

Bowman building a separate structure on their residence property (for a business)

Construction worker injured; sues Bowman

Business exclusions applied...

Even though the loss did not arise from the operation of the business

CASE LAW

Dome Corp v. Kennard (10th Cir. 1999):

Investor sued for libel and slander of other investors

Investor sought homeowner's coverage

Auto-owner's policy excluded injuries re: "any business, occupation, trade or profession."

Phrase held ambiguous on these facts

CASE LAW

Farmers Ins. Exch. v. Smith, 757 N.E.2d 145
(Ind.Ct.App. 2001)

"The Wilsons have confused the breadth of the exclusion for ambiguity. By its broad language, the exclusion was written to avoid the risks attendant to providing home care services to any child, including a child who is injured or injures another."

CASE LAW

Safeco Ins. Co. v. Hilderbrand (10th Cir. April 2010)

Lost Creek Animal Sanctuary

Exotic animals, including Siberian tiger

High School senior photo

Insured homeowner believed was a nonprofit organization

Homesharing and the Homeowner's Policy

WHERE WE ARE NOW

What is AirBnB?

AirBnB is a “community marketplace [that] provides access to millions of unique accommodations from apartments and villas to castles and treehouses in more than 65,000 cities and 191 countries.”

“...Airbnb is people powered and the easiest way to earn a little extra income from extra space in a home or from sharing passions, interests and cities.”

What is VRBO?

“VRBO stands for Vacation Rentals by Owner.”

“It's a website where you can book a stay at a property that the owner or manager is not personally using at the moment, and has instead made available for rent.”

“If you have a property like that, then you can also use VRBO to advertise it and let other VRBO users rent it.”

www.techboomers.com/t/what-is-vrbo

Homesharing and according to ISO:

Portland, Oregon: Portland recently amended its law to allow an individual or family that resides in a dwelling unit to rent bedrooms to overnight guests for fewer than 30 days. A resident must occupy the dwelling unit for at least 270 days during each calendar year.

Homesharing Arrangements: Potential Host Exposure Concerns (Receives Rental Income)

Property

- Loss of host's property / furnishings
- Loss of use

Liability

- Damage to traveler's property
- Damage to landlord's property
- Bodily injury

*Dr. Robert Hartwig, Insurance
Information Institute
"Insurance, the 'Sharing
Economy,' Millennials & More*

Homesharing Arrangements: Potential Traveler Exposure Concerns

Property

- Loss to traveler's property

Liability

- Damage to property of host or landlord
- Bodily Injury
- *Yelp-itis* (personal injury from poor review)

*Dr. Robert Hartwig, Insurance
Information Institute
"Insurance, the 'Sharing Economy,'
Millennials & More*

ISO HAS DEVELOPED:

An Advisory Notice to Policyholders:

- Notice for use with a base homeowners policy...to advise their policyholders of the extent of coverage....

A Home Sharing Exclusion:

- An optional endorsement that would exclude certain property and liability coverages under a homeowners policy [but] preserv[ing] existing coverages for occasional rentals....

ISO HAS DEVELOPED:

Homeowners Enhanced Home-Sharing Coverage Option:

- Corresponding Host and Guest Enhancements: ISO believes that homeowners policyholders who act as hosts for a home-sharing service in their own home may be more prone to use similar home-sharing services as guests when traveling.
- Other Insurance and Sources of Recovery
- Theft

The New ISO Form Definitions

1. "Home-sharing host activities" means:
 - a. The:
 - (1) Rental or holding for rental; or
 - (2) Mutual exchange of services;
of the "residence premises", in whole or in part,
by an "insured" to a "home-sharing occupant"
through the use of a "home-sharing network
platform" and

The New ISO Form Definitions

- b. Any other related property or services
made available by an "insured" for use during
such:
 - (1) Rental; or
 - (2) Mutual exchange of services;

except those property or services provided by
another party.

The New ISO Form Definitions

2. "Home-sharing network platform" means an online-enabled application, web site or digital network that:
 - a. Is used for the purpose of facilitating, for money, mutual exchange of services or other compensation, the rental of a dwelling or other structure, in whole or in part; and
 - b. Allows for the agreement and compensation with respect to such rental to be transacted through such online-enabled application, web site or digital network.

The New ISO Form Definitions

3. "Home-sharing occupant" means a person, other than an "insured", who:
 - a. Has entered into an agreement or arranged compensation with an "insured" through the use of a "home-sharing network platform" for "home-sharing host activities" or
 - b. Is accompanying or staying with a person described in Paragraph 3.a. of this provision under such "home-sharing host activities".

ISO's Personal Auto Policy Treatment Of Ridesharing

STARTING ANOTHER INSURANCE DISCUSSION...

The Baseline: the ISO PAP

"Private passenger auto insurers likewise confront a host of issues as they strive to formulate a response to the coverage needs of their insureds who drive for a ridesharing service. Traditional [private passenger auto] policies **exclude coverage for livery service**. In fact, if an insurer discovers that a driver has been using his or her vehicle for ride sharing, it may cancel the policy."

Boone, "Ridesharing: Coverage Challenges And Solutions," *Rough Notes Magazine*, 8/1/15

The ISO PAP – What it Said and Says

Personal Auto Policy form (PP 00 01 01 05)

Liability Exclusion A.5:

"We do not provide liability coverage for any 'insured' for that 'insured's' liability arising out of the ownership or operation of a vehicle while it is being used as a public livery or conveyance."

The ISO PAP – What It Said and Says

The language of the exclusion for a "public livery or conveyance" is a little bit of



Back to the Future!

It's the former and the current standard language for ISO policies.

In between then and now? ISO tried out "while being used to carry persons or property for a fee" as an alternative.

The ISO PAP – Why Have it?

The insurance industry just doesn't price private auto insurance for that risk. As FC&S notes

"Rates for private passenger automobile insurance do not anticipate the hazards inherent in operating an automobile for hire to the general public, such as a taxicab or a van..."

The ISO PAP – Why Have it?

The insurance industry just doesn't price private auto insurance for that risk. As FC&S notes

"The exclusion is intended to be applied in those situations where it is obvious that the insured is holding the vehicle out for hire to the general public; for example, using a vehicle in a limousine service or using it as a taxicab..."

The ISO PAP – Why Have it?

According to the NAIC, that's all the more compelling in the TNC situation, due to TNC drivers:

- Heading typically toward more "urban, congested" areas with higher loss frequency
- Driving more miles
- Driving distracted to check the app
- Bearing the risk of loss to passengers

The ISO PAP – What it Says

ISO has a form to extend coverage...or at least "undo" the exclusion

Category 13 endorsements, in the "Named Driver" family

Endorsement 13 05 01 05 is titled "Extended Non-Owned Coverage – Vehicles Furnished or Available for Use as Public or Livery Conveyances." The endorsement works quite as is advertised, because in pertinent part it states quite simply...

The ISO PAP – What it Says

"Exclusion A.5. does not apply to the coverages provided by this endorsement. We will provide Liability Coverage arising out of the operation of a vehicle which is furnished or available for use of the named individual as a public or livery conveyance."

Notice, though, this only "reinstates" the liability cover...and it doesn't really address comp, collision, UM, UIM...and arguably is appropriate for, let's say, deliveries?

The ISO PAP – "Will" Say

In 2013, ISO came out with a broader exclusion aimed directly at ride sharing. It's in the miscellaneous exclusions as PP 23 16 10 13.

This specifically carves out Liability Coverage (Part A), Medical Payments Coverage (Part B), Uninsured Motorists (Part C) and Damage to Your Auto (Part D) for...

The ISO PAP – "Will" Say

"Your covered auto" while:

- a. Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
- b. Being used in connection with such personal vehicle sharing program by anyone other than you or any "family member."

The ISO PAP – "Will" Say

The October, 2015, ISO endorsement exclusion is the "*state of the art*" on this.

PP 23 40 10 15 does two things:

- Defines "transportation network platform" and
- Does the same carve-outs from coverage as does the 23 16 10 13
- As for the latter, the exclusion is for liability, med pay and damage to "your covered auto" (comp / collision)

The ISO PAP – "Will" Say

The difference between older and newer? The newer:

1. Defines a "transportation network platform" (essentially, a network connecting drivers and rides for compensation) AND
2. Strengthens the "public livery or conveyance" exclusion to include when a driver is "logged into a 'transportation network platform' as a driver, whether or not a passenger is 'occupying' the vehicle."

The ISO PAP – "Will" Say

The 23 40 exclusion is conceptually tied to the 23 41, which is a similarly constructed endorsement that includes an exception to the exclusion for a "transportation network platform."

It "grants" (*not really...carves back in*) coverage for a vehicle that is logged in to a TNP if the vehicle is scheduled and a premium is charged as indicated.

Ridesharing Coverage Cases – how the industry has done so far

CONTINUING THE INSURANCE DISCUSSION...

Coverage Cases

CSC Insurance Services v. Graves (N.J. 1996)

New Jersey personal injury protection (PIP) case; policy carved out med pay for auto “being used to carry persons or property for a fee.”

Court quotes Couch to say, “The words [public conveyance] imply the holding out of the vehicle to the general public for carrying passengers for hire. The words ‘livery conveyance’ mean about the same thing.”

Minor’s injuries covered by private auto carrier.

Coverage Cases

Matter of New York Cent. Mut. Fire Ins. Co. v Byfield
(N.Y. March, 2015)

Minivan driver was being paid to transport a passenger “for hire” at the time of the accident

Carrier denied coverage; court disagrees

Primary motivation is the concept that, “a single use of a vehicle for hire has been held not to make out use as a public livery or conveyance,” which was the case here.

Coverage Cases

Johnson v. Allstate Insurance Co. (Ala. 1987)

A van used for “Kiddie Kollege” Day Care center is insured on the individual’s policy

Daily pick-up service is \$1.00 each way

The fee “was a definite amount unrelated to his actual expenses, paid as consideration for transporting students...there is no question that any claims arising out of this accident are excluded under the liability and collision coverages of the policy.”

Coverage Cases (Side note)

What about deliveries and the “for a fee” or “for hire” or “public livery and conveyance”?

Pizza delivery? **Probably** covered, according to *U.S. Auto Ass’n v. Couch*, a 1982 Tennessee decision

Paid mail delivery in a private vehicle? **Probably not** covered, according to *U.S. v. Milwaukee Guardian*, a 1992 Eighth Circuit decision

Where Legislation is taking us

NEW DEVELOPMENTS...

Legislative Developments

National Conference of Insurance Legislators (NCOIL) has a model bill

“Proposed Model Act to Regulate Insurance Requirements for Transportation Network Companies and Transportation Network Drivers”

Adopted in July of last year

Legislative Developments

According to NCOIL:

“[T]he language is an effective, balanced response to debate that’s heating up state legislatures and “will help states overcome the divisiveness that has made it difficult to pass legislation. The model,” Rep. Michael Stinziano (OH) said, “will allow TNCs to continue offering consumers a product they enjoy while updating state laws to eliminate gaps.”

Legislative Developments

The Property
Casualty Insurers
Association of
America reports the
states with TNC
legislation – not
necessarily the
NCOIL model – are:

Arizona, Arkansas, California,
Colorado, District of
Columbia, Georgia, Idaho,
Illinois, Indiana, Kentucky,
Louisiana, Maine, Maryland,
Minnesota, Montana,
Nebraska, Nevada, New
Mexico, North Dakota,
Oklahoma, South Carolina,
Tennessee, Texas, Utah,
Virginia, Wisconsin and
Washington.

Legislative Developments

The NCOIL Model defines a “transportation network company” (TNC) as
a company networking and connecting

- "TNC drivers" to
- "TNC riders" for
- "Prearranged rides“

*This sort of classification system is
consistent within the insurance industry
and anticipates the Uber, Lyft, Sidecar, and
others*

Legislative Developments

A "TNC driver" is someone who pays for access to the TNC network

A "TNC rider" is someone who selects the beginning and ending points of the drive

"Prearranged rides" don't include vans, carpools, taxis, limousines or the like...

Legislative Developments

TNCs MUST:

Be "permitted" by the appropriate regulatory entity in the state (e.g., in Indiana, the Dept. of Revenue), but not as a common or contract carrier

Meet driver qualifications, fare guidelines, a privacy policy, and

Meet insurance requirements, alone or with the TNC driver

Legislative Developments

NCOIL Model Says

While a TNC driver is "on" or "available," but **without** a passenger in the vehicle, limits of \$50,000 per person, \$100,000 per incident, and \$25,000 for property damage are required.

In many states, this is **double** the typical financial responsibility law requirement of \$25,000 per person, \$50,000 per incident, and \$10,000 for property damage (in place in >20 states).

Legislative Developments

NCOIL Model Says

While a TNC driver is en route to a TNC rider or has a TNC rider in the car, there must be a minimum of **\$1 million** liability coverage.

This is comparable to, but not the same as, common carrier limits.

Legislative Developments

NCOIL Model Says

The coverage requirements of [the Act] may be satisfied by any of the following:

- i. automobile insurance maintained by the Transportation Network Company Driver; or
- ii. automobile insurance maintained by the Transportation Network Company; or
- iii. any combination of subparagraphs (i) and (ii).

Legislative Developments

NCOIL Model Says

If the driver's policy lapses or doesn't provide coverage, the TNC's coverage "shall provide the coverage...beginning with the first dollar of a claim and have the duty to defend such claim."

The coverage is NOT dependent upon denial of coverage by a personal automobile policy

Legislative Developments

NCOIL Model Says

The insurer must be admitted or eligible and have a rating of no less than “A-“ from A.M. Best or “A” from Demotech.

A Transportation Network Company Driver shall carry proof of coverage satisfying [the Act] with him or her at all times during his or her use of a vehicle in connection with a Transportation Network Company’s Digital Network.

Regulatory developments

Regulatory Developments

- The National Association of Insurance Commissioners issued a White Paper
- In 2015
- Titled “Transportation Network Company Insurance Principles for Legislators and Regulators”
- Addresses coverage issues – uses tripartite model as NCOIL does
- Surprising depth on defense vs. indemnity

Regulatory Developments

To NAIC, the biggest issue is consumer awareness. NAIC recommends the following communications to TNC drivers:

Transporting for a fee often isn't covered.

Read your insurance policy.

Talk to your agent.

Regulatory Developments

To NAIC, the biggest issue is consumer awareness. NAIC recommends the following communications to TNC drivers:

- Be prepared to be canceled or non-renewed.
- Don't drive without insurance.
- Research the TNC with which you're doing business.

Regulatory Developments

*NAIC recommends the following communications **to** TNC drivers:*

1. Ask for a copy of the TNC's insurance policy.
2. Ask about the TNC's position on available limits, med pay, PIP in no-fault states, comp and collision and UM/UIM.
3. Ask who's going to pay for the defense.
4. Buy additional coverage as necessary.

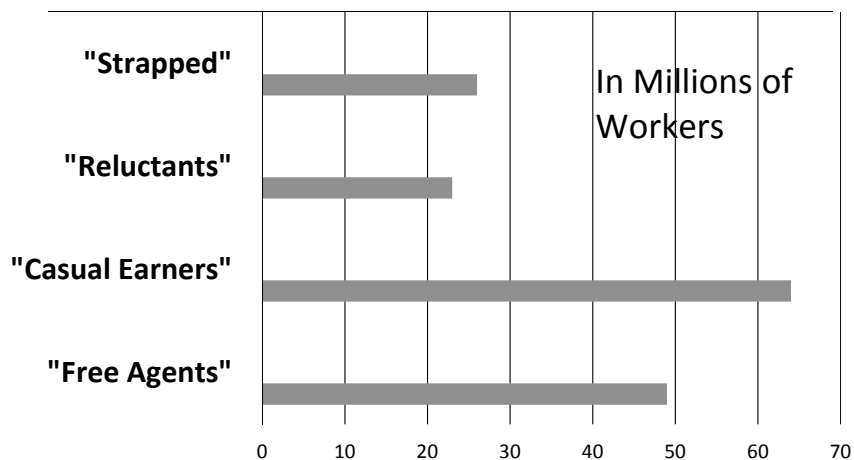
From the Commercial Side: The “Gig” Economy

What is the Gig Economy?

According to Insurance Business America, the “gig economy” is:

- ❖ “Characterized by workers who engage in short-term contracts and free-lance work rather than full-time employment...”
- ❖ “Forecast to comprise 40% of the US labor force by 2020.”

Who Works in the Gig Economy?



Who Works in the Gig Economy?

1. **"Free Agents"** – people whose preferred choice is to earn their primary income from gigs (49M)
2. **"Casual Earners"** – preferred choice to earn supplemental income (64M)
3. **"Reluctants"** – have no other option than to earn primary income from gigs (23M)
4. **"Strapped"** – have no other option but to supplement income from gigs (26M)

Do the Gig Workers Have Coverage?

- 18% of gig workers have insurance
- 89% of gig workers who are uninsured have no idea what kinds of insurance they might need
- 22% of the workers not seeking it thought it was provided by personal insurance
- 70% would buy it direct from the carrier.

Insurance Business America / Cake & Arrow

LOVGREN: Workers Compensation and Platform Companies

- Platform companies argue that they are merely technology companies connecting users with desired providers' goods or services
- The trend has been for platform companies to treat service providers as independent contractors rather than employees
- If service providers are treated as independent contractors, platform companies would not provide benefits such as health insurance, 401(k) plans, overtime or paid days off, or pay for state unemployment or workers compensation insurance

Lori Lovgren, JD, CPCU, Division Executive – State Relations, NCCI

LOVGREN: Workers Compensation and Platform Companies

“Misclassification has significant financial consequences in terms of back wages and overtime, legal fees, penalties, taxes, etc. If a worker had a work-related injury and would normally have been able to rely on workers compensation insurance, the worker may be able to sue the employer in tort.”

Finally, a Few Words

Why should the insurance industry care so much? Because of what's next...

For insurance purposes, how often do I have to rent for a home become a place of business?

For insurance purposes, is a paid “permissive use” of my vehicle still a “permissive use” from the carrier’s perspective?

For insurance purposes, when is a virtual business just like its real world counterpart?

Part Two – The “Impaired” Economy

INSURING RECREATIONAL AND MEDICAL CANNABIS

Part Two – The “Impaired” Agenda

1. Where Are We Now?
2. The Current Legal Climate
3. Where is the Marketplace?
4. “Traditional” Insurance Issues
 - Professional
 - EPLI
 - Worker’s Compensation
 - Products and Products Recall

WHERE ARE WE NOW?

STATISTICALLY SPEAKING, THAT IS...

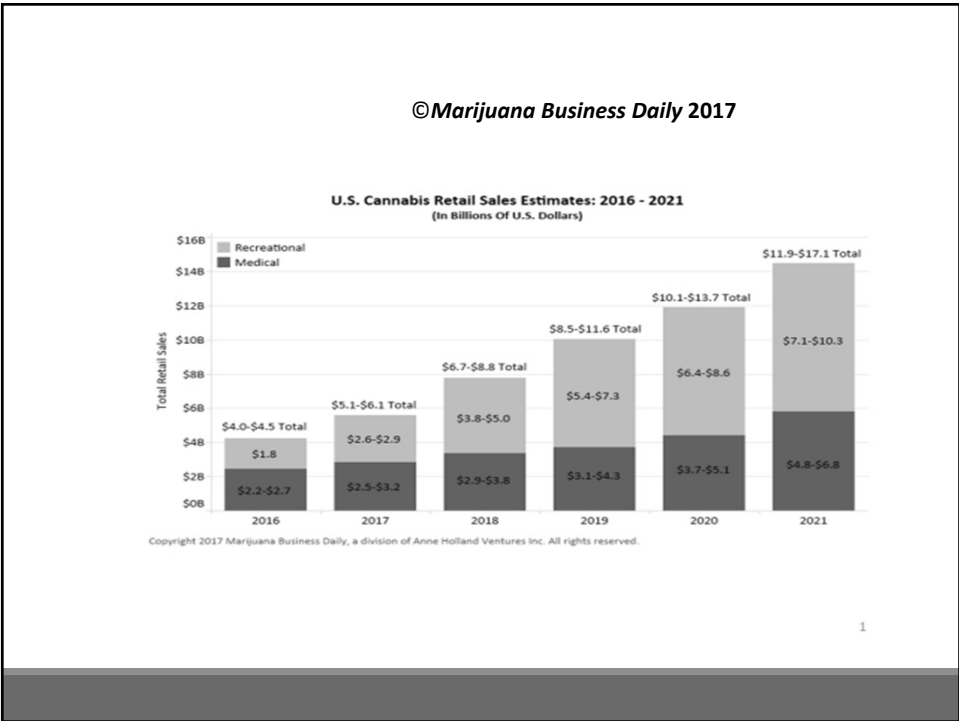
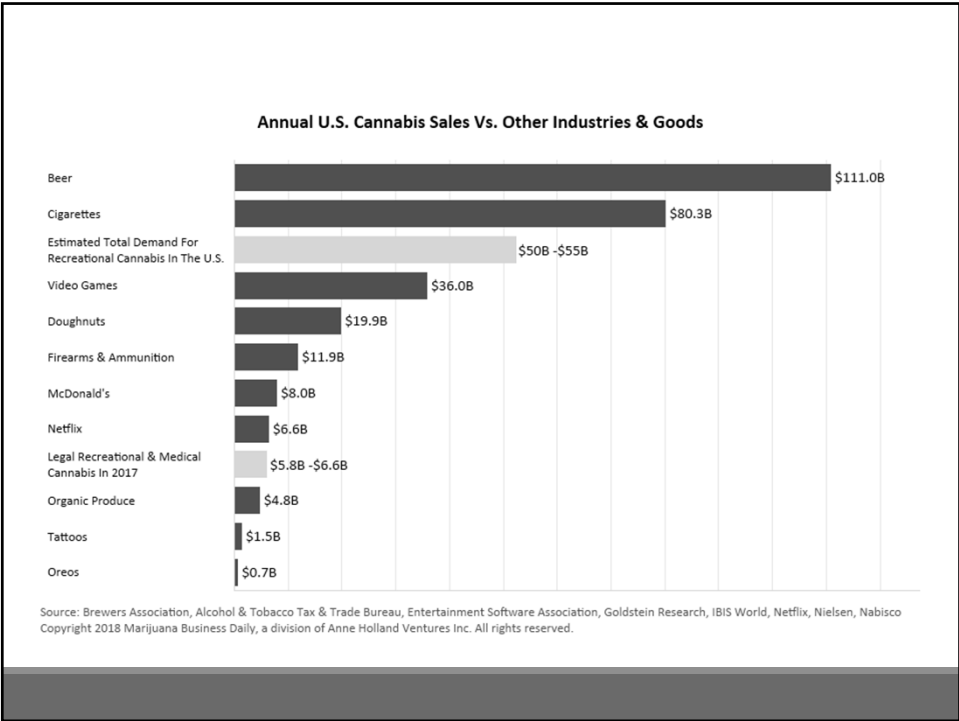




The Size of the Market: Grandview Research

1. "The U.S. legal marijuana market size was estimated at USD 7.06 billion in 2016 and is expected to grow at a CAGR of 24.9% from 2017 to 2025"
2. "Medical marijuana emerged as the largest marijuana type segment in 2016 and is estimated to be valued at USD 100.03 billion by 2025"
3. "By product type, marijuana buds segment was estimated to be dominant in 2016 with revenue share of 62.9% and is estimated to be valued at USD 82.9 billion by end of 2025"

<https://www.grandviewresearch.com/press-release/global-legal-marijuana-market>



...and a few words about the marketplace in general

"Cannabis Cultivation Will Be A Race To The Bottom," Kris Krane, Forbes, April 25, 2018

Cultivation licenses are highly valuable.

Licenses have sold for \$26 million in New York and \$40 million in Florida – before revenues were earned.

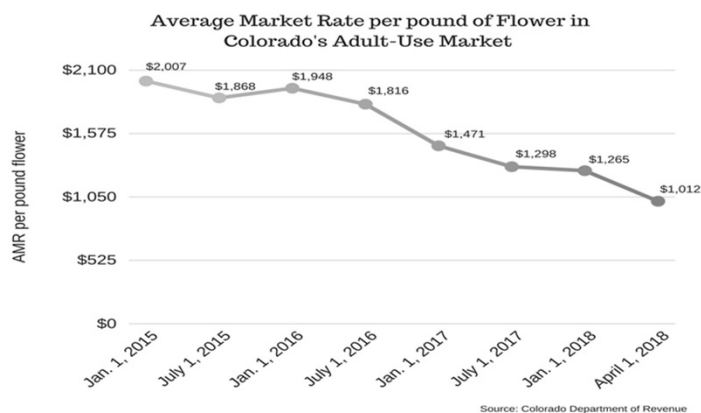
Why?

Pennsylvania granted 13 licenses with a population of 13 million

Florida 7 licenses; over 20 million in population.

"Colorado has roughly 1,400 licensed cultivators for a population of just 5.5 million people."

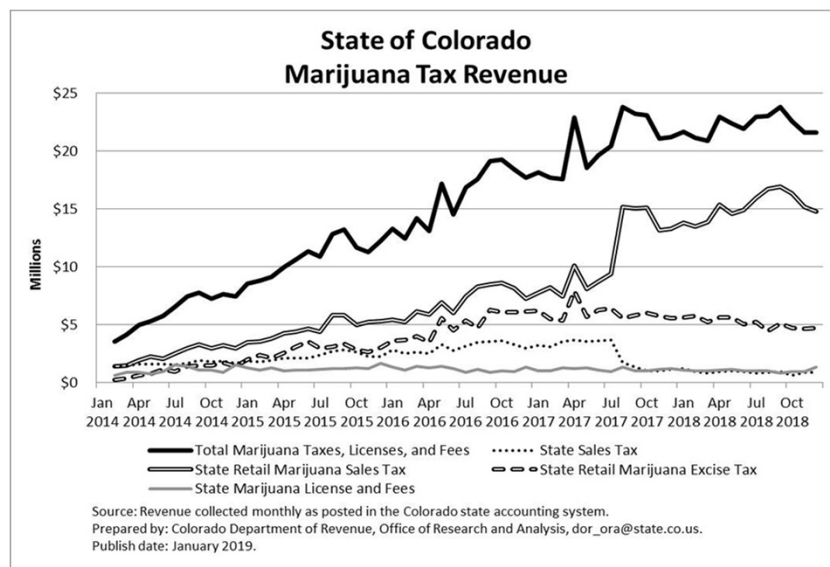
...and a few words about the marketplace in general



...and a few words about the marketplace in general

Investing in large-scale cannabis cultivation today is like playing the end of alcohol prohibition by buying a hop farm. *What investors should be more focused on is controlling brands and the distribution points for those brands.*

Simply put, in the long term it will be simply untenable for large-scale indoor cannabis producers in the United States and Canada to survive.



The Current Legal Climate

The 2018 Farm Bill

Sandy and Schiller

"The Farm Bill removes hemp from the Controlled Substances Act and allows farmers to pursue federal hemp cultivation permits, while individual states can regulate the industry within their borders as they see fit. Already, 40 states have established hemp cultivation 'pilot programs' for industrial and commercial purposes, although the plant has been strictly regulated."

The 2018 Farm Bill

The Farm Bill, hemp legalization and the status of
CBD: An explainer

John Hudak of the

Brookings Institute, Friday, December 14, 2018

"It's true that hemp policy in the United States has been drastically transformed by this new legislation. However, there remain some misconceptions about what, exactly, this policy change does."

The 2018 Farm Bill

Hudak:

- "First...hemp cannot contain more than 0.3 percent THC, per section 10113 of the Farm Bill."
- "Second, there will be significant, shared state-federal regulatory power over hemp cultivation and production." This means...

The 2018 Farm Bill

Hudak:

"[S]tate departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of USDA."

- "Third, the law outlines actions that are considered violations of federal hemp law (including such activities as cultivating without a license or producing cannabis with more than 0.3 percent THC).

The 2018 Farm Bill

Hudak:

"One big myth that exists about the Farm Bill is that cannabidiol (CBD)—a non-intoxicating compound found in cannabis—is legalized. It is true that section 12619 of the Farm Bill removes hemp-derived products from its Schedule I status under the Controlled Substances Act, **but the legislation does not legalize CBD generally.**"

A side note – THC v. CBD

<http://nationalpainreport.com/thc-vs-cbd-for-pain-the-differences-and-interactions-by-winston-peki-8837164.html>

1. “THC is the primary psychotropic component in marijuana, that is the component responsible for an altered state of mood and perception. This effect makes THC attractive to recreational users.”
2. “But THC also contains strong anti-inflammatory and analgesic properties, so it has shown some success in the treatment of pain caused by inflammation, such as arthritis, and cancer.”
3. “THC relaxes the nervous system, which helps in spasm-related pain, such as multiple sclerosis. The altered mental state caused by THC can contribute to relieving severe pain in some cases in the same way medicine uses opiates to treat pain.”

THC v. CBD:

<http://nationalpainreport.com/thc-vs-cbd-for-pain-the-differences-and-interactions-by-winston-peki-8837164.html>

1. “CBD has received recognition for its anti-carcinogenic qualities. *Alongside the lack of feeling “high...”*”
2. “CBD has shown positive anti-inflammatory and pain relief effects. Clinical trials have proven links to suppressing pain receptors from some of the chemical reactions caused by CBD.”
3. “CBD has powerful anti-oxidant properties, which also help to support the immune system.”
4. “Although not considered psychoactive, it can help with the depression, and anxiety sometimes a side-effect of chronic pain.”

So, there is STILL Federal Law to Consider...

"[C]annabis is classified as a Schedule I substance under the CSA of 1970 (see Title 21-Food and Drugs, Chapter II-Drug Enforcement Administration, Part 1308)...

"Schedule I drugs are defined as '...substances that have a high potential for abuse, have no currently accepted medical use in treatment in the United States, and there is a lack of accepted safety for use of the drug or other substance under medical supervision."

"Other Schedule I substances include heroin, peyote, and lysergic acid diethylamide (LSD)."

Dr. Brenda Wells, *Legalizing Marijuana: Risk Management And Insurance Implications*, The Risk Report (Jan. 2018)

The Eight Priorities of Cole Memo One

Preventing

1. Sales to Minors
2. Revenue to Cartels and Gangs
3. State-to-state transport
4. Marijuana as a "pretext or cover" for other trafficking

Preventing

5. Violence and firearms use
6. Drugged driving and other health issues
7. Growing marijuana on public lands
8. Marijuana possession or use on federal property

Cole Memo Two (2/14/2014)

[I]f a financial institution or individual provides banking services to a marijuana-related business knowing that the business is diverting marijuana from a state where marijuana sales are regulated to ones where such sales are illegal under state law, or is being used by a criminal organization to conduct financial transactions for its criminal goals...

Cole Memo Two (2/14/2014)

...such as the concealment of funds derived from other illegal activity or the use of marijuana proceeds to support other illegal activity, prosecution for violations of 18 U.S.C. §§ 1956, 1957, 1960 or the BSA might be appropriate....

The Specter of BSA Enforcement

"The state-legal marijuana sector operates in a largely cash-based economy—only about 400 banks and credit unions in the U.S. actively provide financial services to this sector—because marijuana remains illegal under federal law, despite the increasing number of states acting to legalize medical and/or recreational use. **There is no carveout for state-legal activity and no safe harbor for financial institutions to serve customers engaged in such activity.**"

Elizabeth A. Khalil of Dykema Gossett PLLC

Atty. Gen. Sessions 1/4/18:

In deciding which marijuana activities to prosecute under these laws with the Department's finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions.... Given the Department's well-established general principles, **previous nationwide guidance specific to marijuana enforcement is unnecessary and is rescinded, effective immediately.**

WHERE IS THE MARKETPLACE?

MIXED SIGNALS – MIXED APPETITES

Widmer, "High Times," *Rough Notes Magazine*,
February 1, 2016

Big carriers aren't moving in to the market quickly

- Most still want to follow federal law.
- Most are afraid of losing Medicare and Medicaid contracts

Some insurers are declining renewals when the dispensaries come to the insured's area

Small insurers are having trouble meeting financial requirements.

- Oregon is seen as most lenient on this

Widmer, "High Times," *Rough Notes Magazine*,
February 1, 2016

Financing is an underwriting problem.

- Banks are as shy as the major carriers.
- Credit unions aren't so much so.
- Dispensaries may have to use state-chartered banks.

Widmer, "High Times," *Rough Notes Magazine*,
February 1, 2016

"For agents trying to open up a new sales channel, the marijuana industry represents a *yin-yang style of opposing forces*. [Pamela Adams, Chair and CEO of ISU Insurance Services of Colorado] says agents wanting to take on the marijuana insurance business have their work cut out for them."

"You're going to have to go to the specialty market,' she says. 'It's causing more work. It may take you a while to find the right E&S market that will provide that coverage. When you do, the premium is likely higher.'"

'With higher premiums come higher commissions, she points out. However, she adds, 'Once you get to the excess and surplus lines carriers, they're paying less commission.'"

One Major Insurer's Appetite for those in the Industry:

Will consider growers, processors, and dispensaries both medical and recreational in any state with legal use.

Does not include physicians on staff/on-site patient services.

Industrial hemp CBD [Cannabidiol] will also be considered in all 50 states, claims made form only

One Major Insurer's Appetite for those in the Industry:

Occurrence form subject to a \$12,500 minimum premium and \$10 audit rate (Recreational only)

Claims Made form subject to an \$8,000 minimum premium and \$7 audit rate (Medical, recreational)

Defense inside limits

Health Hazard form mandatory

One Major Insurer's Appetite for those in the Industry:

All product types acceptable except transdermal patches; ingredients lists required and subject to review (energy drink, etc. ingredients may also result in an exclusion)

Animals, A&B, Med Pay, and AI/PI excluded

AI status for licensure and landlord possible; primary and noncontributory available

Does not offer AI vendor coverage on marijuana accounts

Growers required to provide information regarding pesticides and fertilizers

Another Major Carrier will offer

Primary Limits up to \$1,000,000 Occurrence/\$2,000,000 Aggregate

Broadened Coverage—Extension to the CGL Coverage Form providing bodily injury or property damage arising out of the rendering of or failure to render professional health care services

Sexual and/or Physical Abuse Coverage—\$25,000 Each Claim/\$50,000 Aggregate Limits—Included

\$5,000 Medical Payments Coverage—Included

Excess or Umbrella Limits up to \$25,000,000

A Third Major Insurer's Application Questions for Dispensaries

Revenues (actual and estimated)

In compliance with local and state law? (Federal obviously not...)

Foreign operations? Foreign products imported?

Mail order or internet services?

Identification confirmation in place?

Physicians present on site?

Does applicant sell "peripheral" items (pipes, vaporizers)?

Is inventory not on display locked?

A Third Major Insurer's Application Questions for Dispensaries

Security guards?

- Contracted?

- Armed?

Worker's Compensation in place?

Is there a non-marijuana pharmacy operation?

Hours of operation?

Entire building occupied?

Another Major Insurer's Application Questions for Dispensaries

1. Highest level of THC product sold?
2. Background checks on employees?
3. On-site consumption permitted?
4. Delivery service provided?
5. On-site growing facilities?

A Fourth Carrier's View of Key Risk Management Topics

Products

- Labeling
- Packaging
- Shelf Life

Cash Management

- Safe
- Transportation

Auto Risk management – hired and nonowned?

A Fourth Carrier's View of Key Risk Management Topics

Regulatory Compliance

Business Interruption Issues

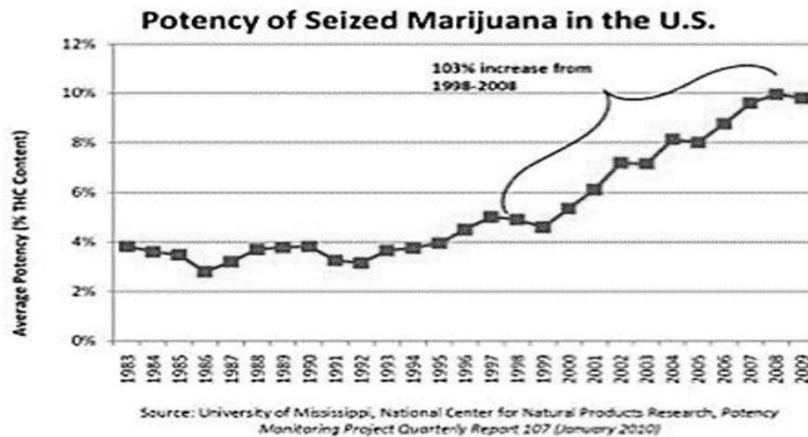
"Farm" or "Crop" Issues

- Growth cycles
- Supplier interruption?

"TRADITIONAL" INSURANCE ISSUES

A Preliminary Note...

2015 PLUS Medical
PL Symposium



Professional Liability: Oregon Board of Accountancy -Guidance for Licensees Providing Services to the Marijuana Industry

After careful consideration, the Board has determined that Oregon licensees and firms that elect to provide services to the marijuana industry legalized in any state in which the licensee practices, will not face action by the Board for violation of the State of Oregon Board of Accountancy's Code of Professional Conduct, based solely on the fact that the licensee or firm is providing such services. However, ***all licensees should be reminded that any and all services provided are subject to the same professional standards, laws and rules applicable to all other services provided by the licensee.***

March, 2015

EPLI: How are Insurance Carriers Dealing with the Legalization of Marijuana?

- “Presently, there is no impact on coverage for General Liability, Workers Compensation, or Employer Liability insurance.”
- “Coverage is dependent upon the employer’s policy and procedure.”
- “An employer with a zero tolerance drug policy needs to ensure that it complies with the law in their respective jurisdictions.”

How will the Legalization of Marijuana Affect Your Employment Policies?, RIMS 2014 Annual Conference

EPLI: Americans with Disabilities Act Issues Involving Marijuana

- “ADA does not require employers to accommodate the use of marijuana.
 - “However, if an employee enters a substance abuse program, employers have to accommodate the employee’s participation.
 - “ADA does not consider drug testing to be a medical examination.

How will the Legalization of Marijuana Affect Your Employment Policies?, RIMS 2014 Annual Conference

Worker's Comp: Do we have to cover medical marijuana?

There is no clear trend in the case law

Proponents argue: 1) It is a safer and effective treatment for pain; 2) A physician authorization makes it a reasonable and necessary treatment option

Opponents argue: 1) It is illegal at the federal level; 2) It is not an FDA approved treatment option; 3) There is no proof of efficacy beyond anecdotal evidence; 4) There are no evidence-based guidelines for use; 5) It has a negative impact on performance

PLUS CONFERENCE 2015, Growing Insurance Issues with the Rise of Medical and Recreational Marijuana

Products Liability and Products Recall:

According to FC&S

[D]ispensaries will indicate a level of potency of the marijuana they have for sale; if the potency is not what the dispensary claims it is, a claim could be filed.

Also, some dispensaries are getting into baked goods such as brownies, so there are product liability issues for baked goods as well.

Maintaining quality control is extremely important, especially since the customers are often medically fragile.



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Section 5

The Greatest Insurance Product Ever Invented: Life Insurance

THE GREATEST INSURANCE PRODUCT EVER INVENTED: LIFE INSURANCE

By

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

For any matter of legal and/or tax issues, one should consult with competent counselor advisors for the matter in question and in the jurisdiction in question.

Any organization for which this seminar is conducted shall have neither liability nor responsibility to any person or entity with respect to any loss or damage alleged to be caused directly or indirectly as a result of the information in this outlines.

I am a *Life insurance policy*

I am a piece of paper, a drop of ink, and a few pennies of premium.

I am a promise to pay.

I help people see visions, dream dreams, and achieve economic immortality.

I am savings.

I am property that increases in value from year to year.

I lend money when you need it most with no questions asked.

I pay off mortgages so that the family can remain together in their own home.

I assure people the daring to live and the moral right to die.

I create money where none existed before.

I am the great emancipator from want.

I guarantee the continuity of business.

I conserve the employer's investment.

I am tangible evidence that a man is a good husband and father, that a woman is a good wife and mother.

I am a declaration of financial independence and economic freedom.

I am the difference between an old man or woman and an elderly gentleman or lady.

I provide cash if illness, injury, old age, or death cuts off the breadwinner's income.

I am the only thing that you can buy on the installment plan that your family doesn't have to finish paying for.

I am protected by laws that prevent creditors from accessing the money I give to your loved ones.

I bring dignity, peace of mind, and security to your family.

I supply investment capital that makes the wheels turn and motors hum.

I guarantee the financial ability to have happy holidays and the laughter of children, even though a father or mother is not there.

I am the guardian angel of the home.

I am life insurance.

Author Unknown

WHAT IS LIFE INSURANCE ANYWAY?

Life Insurance:

- Is the ultimate expression of love.
- Provides the completions of a pension plan.
- Allows a business time to adjust and survive when the owner is gone.
- College for children when a breadwinner dies prematurely.
- A home without debt for survivors.
- Beneficiaries do not care whether the death benefit is term, whole life or universal life. Woe to the agent who sells a family whole life for \$15,000 when they need \$200,000 of term insurance.
- Loans help when temporary tragedy strikes.
- Food on the table.
- Provides huge charitable benefits. (Why would anyone leave \$1 M of their cash to charity when they can rent the \$1 M from an insurance company for pennies on the dollar and the premium is tax-deductible).
- Helps colleges and universities survive.
- Allows executives and business owners to survive if they become disabled before normal retirement through deferred compensation plans. If they die before retirement, the face amount keeps their family economically healthy.
- Allows partner A to keep the business going if partner B dies before their time.
- Provides an equivalent benefit for Child B when Child A is clearly the one who should be left a business by a parent who wished the business to survive. Life insurance is a great equalizer!
- Is a wonderful way to pay estate taxes.
- Is a way to repay banks and other creditors when an individual dies before completing their loan.
- Benefits, absent fraud, are always paid. Society, through state protection practices, makes sure the money is there, even when an insurance company goes belly-up.
- Companies – thanks in part to conservative financial management and the fact that when one company gets sick, healthy ones rush to its aid, under the auspices of state insurance commissioners – enjoy a reputation for honoring promises surpassing that of even the federal government (and most any other industry).
- The people who work in the life insurance industry are often disliked or mocked by the general public, but never after a claim has been paid or help has been rendered. Agents routinely score poorly in polls of the general public. However, when pollsters get more personal and are asked about their own agent, agents usually score within the top three professions.
- Agents are often the first people to offer help when a tragedy strikes – for families with death claims, they are Johnny-on-the-spot. Everyone else needs things, but agents bring help very quickly.

HOW TO START THE LIFE INSURANCE DISCUSSION

What is your transition phrase for discussing an insurance product or concept with a client/prospect? _____

Mine is: _____!!

Probing Questions:

- “ _____ when was the last time you reviewed your life insurance coverage?”
- “ _____ do we handle your life insurance here, or do you have it with another agency?”
- “ _____ who handles your life insurance?”
- “ _____ do you know when your life insurance expires?”
- “ _____ I want to be sure we take the time to discuss the most important policy my agency offers – it is the policy that will help ensure your family’s future!”
- “ _____ have you thought about what kind of legacy you want to leave for your children, grandchildren, or your favorite charity?”
- “ _____ do you have the old kind of life insurance or do you have the new kind?”

What is your close?

Mine is: “ _____?”

If they say “YES” I shut up and we start.

If they say “NO” I ask, “Why not?”

I then answer the objection and then ask “ _____?”

2013 was the 100th year anniversary of the Internal Revenue Service.

In 1913 there were 88 documents in IRS Code. Today there are 88,000!

In 1913 the lowest tax bracket was _____ % for those people making between _____ and _____. The highest tax bracket was _____ % for those people making over _____ .

What was the highest tax bracket nine years later (1922)? _____ %

100 YEARS OF TAX-FREE BENEFITS

In 1913, the 16th Amendment to the United States Constitution allowed Congress to levy taxes on income. It is highly unlikely that Americans will pause to celebrate this notable anniversary. But there is one tax anniversary that is worthy of all insurance agents and advisors – the 100–year anniversary of tax-free death benefits and tax-deferred cash value in permanent life insurance products. The exclusion that was made for life insurance and annuity products was secured through efforts from the National Association of Life Underwriters (now known as NALU). These benefits still stand today, although amended much over the years. The basic premise is that you can accumulate dollars inside of life insurance and annuities with income tax deferral until the cash is withdrawn for use or paid out as a life insurance death benefit. Some accumulations are distributed income tax free.

From 1913 till today life insurance has provided tax-advantaged growth found only in a few other financial products available today.

THE INCOME-TAX TREATMENT OF LIFE INSURANCE

Historically, life insurance has been considered beneficial to the public good because it contributes to the financial well-being of families. Congress recognized that taxing life insurance policy dividends would threaten Americans' ability to withstand the death of breadwinners in their families. They realized that making life insurance more affordable through tax savings on life insurance death proceeds would allow Americans to invest and protect their families and businesses. (100 YEARS LATER THE NEEDS OF AMERICAN FAMILIES HAVE NOT CHANGED. LIFE INSURANCE IS THE MAINSTAY OF THE U.S. ECONOMY, PROVIDING FINANCIAL SECURITY TO 75 MILLION AMERICAN FAMILIES AND ACCOUNTING FOR 20 PERCENT OF ALL LONG-TERM SAVINGS.)

As a result, there are certain tax benefits for life insurance products.

Premiums: Policy premiums are considered a personal expense and are not deductible for income-tax purposes. Exceptions to this include premiums that a person paid for life insurance in an alimony agreement or for a policy that is owned by and paid to a charity. In business situations, employers may deduct premiums as a business expense if they are paid in the form of a bonus to the employee. If life insurance is part of a pension plan, employer-paid premiums are deductible.

Death benefits: Death proceeds are generally considered exempt from taxation when they are paid in a lump sum.

Accelerated death benefits: For an insured that is terminally ill, the amounts he receives are excludable from income because they are considered as payable by reason of the death of an insured. A physician must certify the terminal illness, which must be expected to result in death within 24 months (Some policies say 12 months)

Transfer for value: When a policy is transferred for valuable consideration (according to the IRS, any absolute transfer for value of a right to receive all or a part of the proceeds of a life insurance policy) to another owner, part of the death benefit becomes taxable. The taxable amount is the death benefit reduced by the amount paid to transfer the policy and the premiums made by the new owner. Transactions exempt from this rule include situations in which the policy is sold to the insured.

Matured life contracts: When a policy reaches the maturity date, the proceeds are not considered a death benefit, and any gains in the policy are considered ordinary income for the tax year in which they are distributed. Gains are amounts received in excess of the cost basis, the amount paid with after-tax money.

Dividends: The cash dividend is taxable only when it exceeds the cost basis. Dividends are generally taxed on a first-in first-out, or FIFO, basis; withdrawals are treated as a nontaxable return if capital (refund of premium) to the extent of the premiums paid. If dividends are withdrawn or the policy is surrendered, proceeds received in excess of premiums paid are considered ordinary income. If dividends accumulate at interest, the interest earned is taxable.

Loans: Policy loans are normally not taxable. If a policy is surrendered with a loan outstanding, and if that loan, with other cash value, is greater than the cost basis, there is a taxable gain.

Cash surrenders: Upon surrender, it must be determined if the amount received exceeds the net premium paid. Net premiums paid mean the gross premium less any dividends received and outstanding loans. The difference is reportable as ordinary income in the year it is received.

Estate Taxes: If the insured held any incident of ownership in the policy, the death benefit is included in the insured's estate for federal estate purposes.

Modified endowment contract (MEC): The MEC came into being with the 1986 amendment to the tax code (TAMRA, IRC Sec. 72 and Sec. 7702A). People were putting large sums of money into policies to accumulate funds on a tax-deferred basis. TAMRA provided that if the policy was over-funded (whether at issue or a later date), it would be classified as a MEC and any distribution would be taxed.

The seven-pay test establishes limits to the amount of premiums that can be paid when a seven-year period "material changes" that occur to an in-force policy can cause a policy to be retested as if the change existed since the beginning of the policy.

If a policy becomes a MEC, distributions will be taxed on a last-in, first-out, or LIFO (just like an annuity), basis to the extent of the gain, subject to a 10 percent penalty, unless the distribution is made after age 59 ½, or if death, disability or Annuitization occurs. Distributions include policy loans, cash dividends, withdrawals and surrenders.

If a policy becomes a MEC, it is "tainted" for as long as it exists and carries over to any policy that is issued in exchange for the MEC. A Sec. 1035 exchange (see below) is a material change for MEC purposes and is retested. Cash values that are transferred from the existing policy will not count as premium. If the policy fails the material change test, it will be classified as a MEC.

Sec.1035 policy exchanges: When a policyowner exchanges an existing life insurance in accordance with IRC Sec. 1035, no gain is attributed on the exchange. The adjusted basis of the old policy is carried over to the new one. Only the new added premium will be measured for MEC status. A Sec. 1035 exchange is allowed only when transferring cash values from an annuity to an annuity, life insurance to life insurance, or life insurance to an annuity contract.

Glenn Stevick, Jr.

IRC Sec. 101 (a) (1)	Death proceeds are received income tax free by the beneficiary
Rev, Rul 74-500	The inside buildup of cash value is generally not taxed.
IRC Sec 72(e) (s)	Policy loans are included in income on non-MEC policies.
IRC Sec 72(w)	There is no penalty for "early" distributions prior to age 59 ½.
IRC Sec 1035 (a)	Life insurance may be exchanged income tax free for an annuity.

BRIEF HISTORY OF CASH VALUE LIFE INSURANCE

In the beginning and for 250 years thereafter, there was WHOLE LIFE, and it was good. As inflation pushed interest rates to unfathomable levels, Whole Life begat, UNIVERSAL LIFE, and it, too, was good. Universal Life made the promise (but not reality) that its initial high interest crediting rates would sustain such policies well past the typical person's life expectancy with "premiums" far less than those for Whole Life, while simultaneously building substantial cash value for possible withdrawal at retirement. As an additional benefit, Universal Life was proclaimed to be transparent, whereby all charges, credits and activity could be seen and understood. However, regulators would insist that payments into Universal Life be termed "premiums" (wanting to avoid "investment" or "deposit" as potentially misleading), even though the term premium generally inspired an expectation of guarantees, which are inherent in Whole Life but not Universal Life.

As interest rates declined through the 1980s, expectations were not being met as to low premiums driven by high crediting rates, and the blooms began to fade on the Universal Life rose. So it came to pass that Universal Life begat VARIABLE UNIVERSAL LIFE (VUL), and it was good. Variable was given an immediate boost amidst a booming bull market that in turn inspired VUL's market share "grab" in the 90's, mimicking UL, a decade earlier. One important reason was that VUL had the ability to recapture some of those glamorous crediting rates of a decade earlier, illustrating extremely favorable answers to "What's it gonna cost?" due to VUL's allowable maximum illustratable average crediting rate of a (gross) annual 12 percent. In those boom years of the stock market, the success of equity sub-accounts propelled VUL to more than a 40 percent share for permanent life insurance by the end of the 90's. Another factor aiding VUL's success was that the National Association of Insurance Commissioner's Model Regulations largely exempted VUL illustrations from requirements otherwise imposed on general account current assumption universal life illustrations.

And the begats continued: In the latter stages of the bull market, UL and VUL begat NO-LAPSE GUARANTEED UNIVERSAL LIFE and NO-LAPSE GUARANTEED VARIABLE UNIVERSAL LIFE also referred to as Guaranteed Death Benefit - UL or VUL and it, as well, was good. At least until the Great Recession inspired historically low and persistent interest rates, in turn causing re-pricing of No-Lapse Guaranteed products and possibly less attention in the market place.

So the final begat produced INDEXED UNIVERSAL LIFE (IUL), and it too was very, very good. Already accelerating to comparable peaks in popularity as its UL predecessors, it has survived a fight to make IUL a security, and now available to sell by anyone with a general account insurance license, and is very attractive for its claim to "participate in the upside if the market while guaranteeing owners won't suffer the losses". However, a guarantee of no negative returns is not the same as a policy that cannot lapse, and that may well be the "rub" as history continues to turn back on itself with most lessons of the past, unfortunately, left unlearned.

Richard Weber

The Value of Cash Value Life Insurance

This truly is the greatest time to sell cash value life insurance. It provides amazing value for these uncertain times. This because cash value life insurance uses the financial miracle of leveraging. Pennies purchase dollars. More importantly one dollar can do the job of many dollars.

Look at this list of things cash value life insurance can do for individuals, families and businesses. Do not assume your prospects and clients know these fabulous benefits are available.

- It will take care of your family or business if you die too soon. If you prospect says they cannot afford the premium, ask how their family will afford them not being there.
- It will take care of you if you live too long. It can provide a guaranteed lifetime income that cannot be outlived using the accumulated cash values. Even better, this income can be paid income tax-free. Taxable income would require 20 percent to 40 percent higher payouts to provide the same “net” income.
- When waiver of premium is added, these plans are self-completing if you become disabled.
- Many plans provide catastrophic illness benefits. This means if you have a catastrophic illness like a heart attack, stroke or cancer, you can access some of the benefits while you are still alive. Some plans are designed to provide long-term care benefits in addition to death benefits.
- Many plans provide terminal illness benefits. That allows for financial plans to be in place before the primary breadwinner dies, and helps the stress that loved ones endure during those terrible times.
- The benefit is paid to the named beneficiary income-tax free and does not go through probate. This allows for quick access to funds, and it also provides privacy.
- It is a great savings vehicle. Many cash value policies have provided 4 percent to 5 percent tax-free long-term growth.
- Substantial access to the money is available via loans or withdrawals.

Remember, life insurance does not benefit dead people. Life Insurance benefits the living.

Van Mueller

Retirement savings: It's not about the Account Balance

What have we done? Maybe the financial services industry isn't entirely to blame, but someone has done some serious mental damage to people. For some reason, many prospects and clients are conditioned to believe that the key to retirement is building as big a pot of money as possible and taking risks doing it. Why else would millions of people – from chemical engineers to IT professionals to sous chefs – check the stock market every day? They have their retirement hopes pinned to those arrows going up and to the right.

But more and more people are finding out that *having money* in retirement and being able to *use* that money are two very different things. Amassing money sounds great, but what clients should do is create *income* they'll need in retirement. To do that we need to understand how income streams work and how they can work together. And Whole Life insurance plays a big part.

People need to be reconditioned to keep a running tab on their projected *income* and to start making immediate adjustments to impact the amount of money they'll be able to *use* (not have) in retirement. If they do that they will reap a far more rewarding retirement – one that isn't plagued by the fear of running out of money or dying without leaving a legacy behind.

The default method of retirement preparation is the Monte Carol model. This is where you look back at historical, rolling periods of 20 and 30 years to try to determine what a safe withdrawal rate might be for a retirement nest egg. For years that rate was 5%. Ten to 12 years ago we saw that drop to 4%. Today that rate is determined to be about 3 to 3.5%. So, if you had \$1 million saved up, you could live off \$35,000 a year (indexed to the CPI) to be safe.

Preparing for retirement today has become about being safe. And even if you have a nest egg that is considered large, you could end up living frugally and worse, yet, fearfully. Unfortunately, the amount of capital it takes for most people to continue the lifestyle they've known and maintain safety and security in their assets using the traditional method is absurd. People need to understand that a massive pile of money is meaningless until they know how their money will deliver them income.

There are other tools, that for years, have been designed to provide income, but they are not promoted in the marketplace. What is not presented is life insurance, and that's a shame. With Participating Life Insurance (specifically Whole Life), it's not always a matter of saving more money. Many times, times it's simply a matter of deploying money already being used set aside more effectively.

In the Monte Carol scenario, if a person had built up \$2 million in retirement assets and withdrew a safe 3%, they would live off \$60,000 annually in retirement. But if that person attempted to balance between two correlated asset types – meaning he decides earlier in life to invest so that he ends up with just \$1 million in retirement accounts and purchases a whole life policy for the same amount of death benefit – then at retirement, he could trade the first \$ 1 million for an income annuity.

The objective would be a 1:1 relationship between assets and death benefit. The closer the person can get to a 1:1 relationship, the better off they'll be. If they can receive this balance (or as close as possible), it provides a mechanism for treating their traditional accounts differently. It's the relationship of these two asset types to each other that makes them work together in unison, allowing them to enjoy more money in retirement while still preserving their financial security and legacy. Even though the traditional accounts may contain fewer assets, actuarial science can be used to achieve a higher distribution rate because they are covered with a death benefit guaranteed to be there. The income annuity in most cases stops at death, but the death benefit is still there to cover any outstanding expenses and debts and leave a legacy to heirs.

It's an educational process – learning how retirement streams work so folks know how to allocate savings today. The mistake being made today is to believe the tools and strategies used to accumulate money are the same ones we should use in retirement. Again, most people have been conditioned to think that it's all about gathering assets and spinning off income. Using whole life insurance into retirement planning can break the cycle.

So a powerful question to consider is, "When you get to retirement, do you really want all your money in an environment where you could literally run out?"

Jeffrey Smith

Life Insurance: An Overlooked Asset Class

According to modern portfolio theory, recognizing the relationship among asset classes is essential for constructing efficient portfolios. Fundamental to the theory is the idea of combining diverse asset classes, each possessing unique characteristics and attributes relative to other assets. In other words, "Don't put all your eggs in one basket!"

In the years since the 2008 financial crises, many people, many wealthy investors recognized their portfolios had excessive risk exposures that need to be mitigated. That risk reduction can include greater diversification within a portfolio and, when done properly, can provide security and stability of assets – and sometimes even a guarantee. Life insurance meets the broad definition, and some policies are recognized and useful as a separate and distinct asset class.

Life insurance has evolved and comes in many different forms. It is sophisticated and multi-faceted. Taking it a step further, some carriers have blended different components of other insurance solutions to create combinations that meet a range of specific needs, including a guaranteed death benefit. That benefit has been the traditional, stand-alone use of life insurance, but it has never been truly viewed as an asset class.

Many traditional asset classes used in developing a financial portfolio are predominantly focused on accumulation. However, none are typically known for providing protection or guarantees the asset's value, regardless of the portfolio's duration. In today's environment, not paying attention to that particular risk can have enormous impact on retirement distribution and the way wealth is transferred to heirs and beneficiaries.

Advisors need to recognize the unique risk and return characteristics of life insurance that makes it a legitimate, separate and distinct asset class with many non-conventional uses, such as the construction of an optimal portfolio. Structured with the right combinations, life insurance can offer predictable value and assure a predictable retirement income, but most importantly a sure way to transfer financial legacies via a guaranteed death benefit, both with tax-efficiencies and market-driven potential.

According to a study of the Dow Jones Industrial Average by American Fund Distributors bear markets resulting in a decline of 20percent or more occur every 3.5 years. That's a good reason for folks to prepare for that risk with a portion of their assets. Doing so can address longevity issues and protect lifestyles while insuring the financial plan can continue to benefit survivors after a person's death.

Whatever one's stage in life, life insurance can offer special advantages to meet specific goals.

Considerations in the Purchase of Life Insurance

- Who Will be the Owner of the Policy? – Life insurance proceeds are included in the estate of a deceased if they have any incidents of ownership in the policy. Ownership by adult children or an irrevocable life insurance trust should be considered if there may be an estate tax problem.
- How Much Life Insurance? – This will depend on the need it is fulfilling.
- What Type of Policy Should Be Purchased? – This is where the use of an agent is most valuable. They can assist in selecting and explaining the many different policies that are available.
- How Should the Premium Be Paid? – Sometimes from current income, while other times it may be prudent to reposition other assets to acquire sufficient insurance protection. If the insured is a business owner or executive, the business may assist in paying the premiums.

Types of Life Insurance

Term Insurance (Mortality)

Term life insurance as the name suggests, provides life insurance only for a limited period of time. Term insurance might be compared to an automobile policy. While the auto policy is in force, the insured enjoys protection against loss from an auto accident. If no accident happens, no benefits are paid under the policy. At the end of the policy period, there is no refund of premiums paid. Term life insurance works the same way.

Term insurance thus provides only pure insurance protection and does not have the cash value typically found in most permanent life insurance policies. Unlike most permanent policies, in which premiums usually remain level over the life of the policy, the periodic cost of term life insurance increases as insured becomes older. In later years, the premiums for a typical term life policy will far exceed those of an earlier purchased typical permanent policy.

- Provides temporary protection for the term of the policy.
- If the insured dies within the term period, the insurance company pays the death benefit.
- If the insured survives the term period, the coverage terminates.

Types of Term Insurance

1. Annual Renewable Term
 - Level death benefit
 - Increasing premiums, if renewed
 - No cash values
 - Best suited for level temporary needs
2. Long-Term Level Premium Term
 - Level death benefit
 - Premiums remain fixed for a specific period of time, typically 5, 10, 15, 20, or 30 years.
 - No cash values
 - Best suited for level needs for short or intermediate period

3. Level Term with Return of Premium

- If you outlive the term period, the insurance company will return all of the premiums paid for the term insurance protection.
 - Enables you to “hedge your bets” ... if something happens to you, you’ve provided for your loved ones. If you outlive the policy, the premiums you’ve paid will be returned to you.
 - Costs more than level term so it is important for client to understand the conditions under which premiums will be returned to them.
 - If policy is cancelled prior to the end of term period, client may receive back none or only a percentage of the premiums paid.

4. Decreasing Term

- Decreasing death benefit
- Level premiums
- No cash values
- Best suitable for financial obligations that reduce with time, e.g. mortgages or loans.

Optional Policy Provisions

Some are actually part of the policy and some are optional riders added with a premium.

- **Renewable:** Allows the policy to be renewed at the end of the term without the insured having to show that they are insurable.
- **Convertible:** Provides the insured the option to convert a term policy to a permanent policy, usually without having to prove good health.
- **Accidental Death:** Pays the beneficiary double (sometimes more, sometimes less) the face amount if the insured dies in an accident.
- **Waiver of Premium:** Waives the policy premiums if the insured becomes disabled and unable to work.
- **Accelerated Death Benefits:** Allows for payment of part of the policy’s death benefit while the insured is still alive. Typically payable when the insured develops a medical condition expected to be terminal in a short period of time.

Common Uses For Term Insurance

- **Family Protection:** To provide the funds to support a surviving spouse and/or minor children or to provide the cash for a child's education or pay for other capital needs to pay final bills such as medical or other estate expenses.
- **Declining Needs:** In some instances, a debt, such as a mortgage or other obligation with a time limit.
- **Business Planning:** For a business to insure a key employee, or to recruit or retain key employees through continuation plan. Term insurance is also useful as a way to fund a cross-purchase buy-sell agreement, particularly when one owner is significantly younger than another.
- **Charitable Gifts:** To provide funds for a gift to charity.

Term Insurance Advantages	Term Insurance Disadvantages
<ul style="list-style-type: none">• Low initial premium.	<ul style="list-style-type: none">• Premium in future years may become prohibitively expensive
<ul style="list-style-type: none">• Well suited to short-term, temporary needs.	<ul style="list-style-type: none">• Insurance protection may cease before death.
<ul style="list-style-type: none">• Most plans can be renewed.	<ul style="list-style-type: none">• Does not build any cash values.

Cash Value Life Insurance (Permanent Insurance)

In addition to providing a death benefit, “cash value” life insurance also provides for the tax-deferred accumulation of money inside the policy. These funds can be used by the policyowner while the insured is alive to provide the resources for needs such as college funding, home remodeling, starting a business or supplementing retirement. When the policy owner uses the cash value to meet such a need, they are said to have used the “living benefits” of a cash value life insurance policy.

- Provides lifetime protection, so long as the policy is kept in force.
- The insurance company pays the death benefit regardless of when death occurs as long as the policy is in force.
- The policy accumulates cash values that can be used during the insured’s lifetime (withdrawals and loans will reduce the policy’s death benefit and cash value accumulation).
- Best suited to satisfy longer needs of policyowners who desire guarantees.

Types of Cash Value Life Insurance

1. Whole Life Insurance (Guarantees)

The policyowner pays a fixed, level premium and cash values accumulate at a guaranteed rate of return. The insurance company promises to pay a guaranteed death benefit. Unlike term insurance, where premiums generally increase as the insured gets older, premiums for most whole life policies remain level. A portion of each premium payment is set aside to earn interest. Over time a whole life policy will develop cash values. The accumulated cash values form a reserve which enables the insurer to pay a policy’s full death benefit, while keeping the premium level.

During life, many whole life policies have provisions to borrow a portion of the accumulated cash value. If a policy is terminated without the insured dying, there are various surrender options for the available cash value to the policyowner.

There are two primary types of whole life insurance based on the period over which the premiums are paid.

- Ordinary Life – Premiums are paid for the entire life to the assumed age of death (typically age 100)

- Limited Pay Life – Premiums are paid for a specified, limited time typically ranging from one to 30 years. The premiums are generally higher than for an Ordinary Life policy.

Additional Policy Elements

- Policy Loans: The policyowner may borrow a portion of the accumulated cash value, with insurance company charging an interest on the loan. This rate is often lower than the current open market. A policy loan will reduce the death benefit if the insured dies before the loan and interest is repaid. It will also reduce the cash surrender value if the policy is terminated.
- Policy Dividends: Whole life contracts classified as “participating” offer the possibility of policy “dividends”. They are not guaranteed and represent a return of part of the premium paid. A dividend may be taken as cash or a number of other ways:
 - Reduce current premiums.
 - *Buy additional, completely paid-up insurance (known as paid-up additions).
 - Retained by the insurer, earning interest for the policyholder.
 - Purchase one-year term insurance.
 - Added to the policy’s cash value.
 - “Pay up” the policy earlier than originally scheduled.

(All may not be available on every Whole Life Policy – Read your policy)

- * Using dividends to purchase paid-up additions can, over time have a significant, positive impact on both the death benefit and cash value of the whole life policy. WHY?
-
-

Optional Policy Provisions

Generally the same as term insurance with addition of:

- Additional Term Rider: Allows a term insurance policy on the insured. (More death benefit at a lower premium or a higher death benefit if needed for a shorter period of time.)
- Spousal, Children or Family Term Rider: Allows a policyowner to purchase term insurance on spouse and/or children.

Common Uses of Whole Life Insurance

- Family Protection: Support a surviving spouse and/or minor children.
- Business Planning: Insuring key persons, funding buy-sell agreements, nonqualified deferred compensation plans, section 162 bonus or double bonus plans.
- Charitable Gifts
- Accumulation Needs: Funding college education or supplementing retirement.

Whole Life Insurance Advantages	Whole Life Disadvantages
<ul style="list-style-type: none"> • “Guaranteed” lifetime protection 	<ul style="list-style-type: none"> • No premium flexibility
<ul style="list-style-type: none"> • Can help create the “savings habit” 	<ul style="list-style-type: none"> • Guaranteed* cash value growth may be less than could be achieved through other types of cash value life insurance.
<ul style="list-style-type: none"> • Cash values are guaranteed* 	<ul style="list-style-type: none"> • Death benefit may not keep pace with Inflation
<ul style="list-style-type: none"> • May have policy dividends that can be used to reduce premiums or increase cash values or death benefits 	

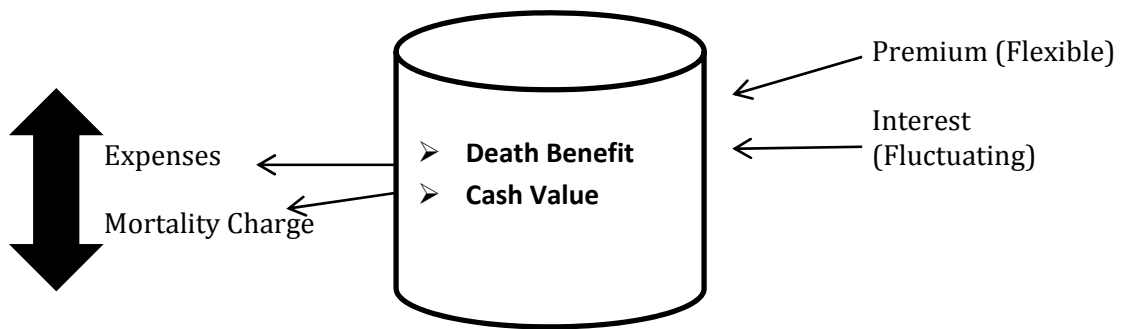
* Guarantees are subject to the claims-paying ability of the issuing insurance company.

2. Universal Life (UL) Insurance (Flexibility)

Universal Life differs from whole life by specifically separating and identifying the mortality expense and cash value parts of the policy. This allowed the insurance company to build a greater degree of flexibility into the contract. This flexibility allows (within certain limits) the policyowner to modify the policy face amount or premium, in response to changing needs and circumstances.

A monthly charge for both the mortality element and the expense element is deducted from a policy’s account balance. The remainder of the premium is allocated to the cash value element, where the funds earn interest. Unlike a Whole Life policy, these charges are made known to the policy owner in the form of an annual statement.

Many Universal Life policies have several different provisions by which the cash value can be made available to the policyowner during the insured’s life without causing the policy to lapse. If the policy is terminated without the insured dying, there are various surrender options for the cash value.



Policy Variations – There are two primary types of UL, based on the level of death benefits.

1. Type I UL (Option A) – pay a fixed, level death benefit (just like Whole Life), generally the face amount of the policy.
[DB - \$100,000, CV - \$10,000 – Payable = _____]
2. Type II UL (Option B) – pay the face amount plus the accumulated cash values. As the cash values grow, so does the potential death benefit.
[DB - \$100,000, CV - \$10,000 – Payable = _____]

Additional Policy Elements

- Surrender Charges: (Back-End Load) – Usually seven to 15 years and generally higher in the early years, declining over the surrender charge period.
- Policy Loans: Permit the policyowner to borrow at interest a portion of the accumulated cash value. The rate charge is often lower than current market rates. A policy loan will reduce the death benefit if the insured dies before the loan is repaid and will also reduce the cash surrender value if a policy is terminated.

NOTE: Most UL policies allow for the borrowed money to be credited as if still a part of accumulated cash value was. I. E. – Crediting Interest Rate – 5%, Loan Interest 3.5% = 1.5% net interest rate of loan.

- Partial Withdrawals: Allow a policyowner to withdraw a portion of the cash value, without terminating the policy. Such withdrawals reduce the death benefit payable, and may be subject to current income tax.
- **NO-LAPSE GUARANTEE:** An “innovative” rider developed since the turn of the century that keeps the policy in force regardless of what happens to the interest rate being credited to the policy as long as an agreed premium is paid.

Optional Policy Provisions

- Generally the same as whole life insurance.

Common Uses of Universal Life Insurance

- Generally the same as whole life insurance.

Universal Life Insurance Advantages	Universal Life Disadvantages
<ul style="list-style-type: none">• Lifetime insurance protection	<ul style="list-style-type: none">• Required premiums may increase as the insured gets older in order to maintain needed insurance protection
<ul style="list-style-type: none">• Premium and death benefit Flexibility	<ul style="list-style-type: none">• If current interest rates are low, cash value growth may be disappointing
<ul style="list-style-type: none">• Cash value growth reflect current interest rates, with a minimum guarantee*	

* Guarantees are subject to the claims-paying ability of the issuing insurance company.

3. Variable Life Insurance (VL) (In the Market)

Similar to whole life in that the premium payments are level, and there is in general a minimum guaranteed death benefit. Unlike whole life policies, variable life insurance permits the policyowner to allocate a portion of each premium payment to one or more investment options in separate accounts after the deduction for expense and mortality charges. The death benefit and cash value will increase or decrease based on the performance of the investment options chosen. The death benefit will not drop below the initial guaranteed amount, unless premiums are not paid or if loans or other withdrawals are taken from the policy.

The ultimate death benefit is subject to the claims paying ability of the insurer.

Because the investment options available usually involve securities (e.g. stocks and bonds), the Securities and Exchange Commission (SEC) requires this type of policy to be accompanied by a prospectus. The SEC also requires the person selling variable life policies to be licensed to sell securities.

4. Variable Universal Life Insurance (VUL) (In the Market & Flexible)

Combines features found in both universal life policies and variable life policies. As with a VL, a VUL contract permits a policyowner to allocate a portion of each premium to one or more investment options, in separate accounts, after a deduction for expense and mortality charges. An annual statement detailing the expense charges and credits allows a policyowner to track performance over time.

Following UL policies, a VUL contract permits the owner of the policy, within certain guidelines, to modify the policy death benefit, and change the amount and timing of premium payments to meet changing circumstances.

As with VL, the SEC requires a prospectus to accompany the policy and a securities license for individuals selling the policy.

Policy Variations – Same as UL – Death benefit can be Option A or Option B.

Additional Policy Elements

- Investment Options: A wide range of investment options including basic stock, bond, and money markets are offered to the policyowner. Also, possibly index fund, real estate funds, foreign stock funds and a fixed account option (insurer guarantees a fixed rate of return).
- Surrender Charges: Same as UL policies.
- Policy Loans: Same as UL policies.
- Partial Withdrawals: Same as UL policies.
- Various surrender options for the available cash value.

- NO LAPSE GUARANTEE: Same as UL

Optional Policy Provisions

- Generally the same as whole life and universal life.

Common Uses of Variable Universal Life

- Generally the same as UL with addition of

- VUL are useful for policyowners who expect their needs to change over time. Within certain guidelines, the policy can be modified by changing the death benefit or premium payments. They are also well suited for use by policyholders who are comfortable with the risks and rewards of investments or who need life insurance with the potential to provide an increasing death benefit.

Variable Universal Life Insurance Advantages	Variable Universal Life Insurance Disadvantages
<ul style="list-style-type: none"> • Premium flexibility 	<ul style="list-style-type: none"> • Required premiums may increase significantly as the insured get older in order to maintain needed insurance protection
<ul style="list-style-type: none"> • Policyowner can select from a variety of investment options 	<ul style="list-style-type: none"> • Cash values can decrease during times of poor market performance, possibly resulting in a loss of principal.
<ul style="list-style-type: none"> • Investment flexibility may result in higher premiums, which can accumulate and increase death benefits, depending on actual investment performance 	<ul style="list-style-type: none"> • Policyowner assumes the investment risk.
<ul style="list-style-type: none"> • Positive investment performances may result in the death benefit keeping pace with inflation 	

5. Indexed Universal Life Insurance (IUL) (Zero is Hero)

Differs from a traditional UL contract in the mechanism used to credit the cash value portion of the policy. IUL provides the same flexibility as traditional UL in separating and identifying mortality, expense and cash value elements of the contract. Also provides the same flexibility to modify the policy face amount or premium in response to changing needs and circumstances.

Index Feature: In a standard UL policy interest is credited to the cash value portion of the policy by a method determined by the life insurance company, with most policies having a guaranteed minimum interest rate.

With an IUL policy, cash value is generally credited with a return that is the greater of the minimum rate or the return based on a formula related to a specific market index, such as the Standard and Poor's 500 Index (S&P 500). If the underlying index rises sufficiently during a specific period, a greater return is credited to the cash value portion of the contract for that period. If the underlying index does not rise sufficiently or even declines, the lower minimum rate is generally credited. IUL policies thus provide a way to share in gains in the underlying index, while being sheltered from index declines.

How an Index Works – Although all IUL policies share the same objective, contracts can vary in their specifics.

- Participation Rate: Also known as the “Index Rate,” specifies the percentage increase in the index by which a contract will grow. I. E. – “75% of the S&P 500’s increase for the calendar year” means that if the S&P 500 index increase 10% for the year, the contract would be credited 7.5%.
- Cap Rate: The annual maximum increase allowed. I. E. – If the chosen market index increase 15%, a contract with a 9.0% cap rate will limit the client’s increase to 9.0%.

Measuring The Index Change:

- Daily Averaging – Typically done over a one-year term, this approach compares the index value at the beginning of the term, with the daily average over the entire term period.
- Monthly Averaging – Again, typically measured over a one-year period, the monthly averaging formula compares the index value at the beginning of the term, with the index value measured on the same day each month.
- Point-to-Point – Compares the index value on the first day of the term (often one year) with the value on the last day of the term, any market changes in between are ignored.

Policy Variations – Same as UL – Death benefit can be Option A or Option B

Additional Policy Elements

- Surrender Charges : Same as UL policies.
- Policy Loans: Same as UL policies.
- Partial Withdrawals: Same as UL policies.
- Various surrender options available for cash value.

- NO LAPSE GUARANTEE: Same as UL.

Optional Policy Provisions

- Generally the same as UL.

Common Uses of Indexed Universal Life

- Generally the same as UL

Indexed Universal Life Insurance Advantages	Indexed Universal Life Insurance Disadvantages
<ul style="list-style-type: none"> • Lifetime inflation protection 	<ul style="list-style-type: none"> • Required premiums may increase as the insured gets older in order to maintain needed insurance protection
<ul style="list-style-type: none"> • Premium and death benefit flexibility 	<ul style="list-style-type: none"> • Cash value growth may be disappointing during a downturn in the equity markets.
<ul style="list-style-type: none"> • Cash value growth has the potential to earn higher interest rates when the equity markets are strong, while still earning a guaranteed* minimum interest rate during downturns in the equity markets. 	

* Guarantees are subject to the claims paying ability of the issuing insurance company.

LIFE INSURANCE IN THE BUSINESS WORLD

Who is the most important person in a business? _____

Who makes the most money in a business? _____

When a business owner is asked to purchase life insurance, what are the three most common questions they ask about the proposed policy?

1. _____ ?

2. _____ ?

3. _____ ?

Income Taxation of Five Types of Business Organizations

Sole Proprietorship	Partnership	S-Corporation	Limited Liability Company (LLC)	C-Corporation
Taxed to the sole proprietor on their individual tax return	Taxed proportionately to the partners on their individual tax returns	Income & expenses are passed through on a proportional basis to the shareholders	Taxed proportionately to the members on their individual tax returns	Corporation pays taxes as a separate tax entity; reported on a corporate tax return

So how does the IRS look at the taxation of an owner of a C-Corporation?

_____ !

Life Insurance plays a number of important roles in the business world, benefiting business owners, employees and family members.

“Take away my factories, my plants: take away my railroads, my ships, my transportation take away my money; strip me of all of these things, but leave me my men and in two or three years, I will have them all again.”

Andrew Carnegie

“The business that insures its buildings and machinery and automobiles, from every possible hazard can hardly be expected to exercise less care in protecting itself against the loss of two of its most vital assets – managerial skills and experience.”

U.S. Court of Appeals, Third Circuit
The Emeloid Company, Inc. v. Commissioner\
189 Fed. 2nd. 230, 1951

Using Business Dollars to Satisfy Personal Financial Security Needs

Most business owners devote much of their time and energy to building and maintaining a profitable business ... a business that produces a stream of income upon which their lifestyle and their family depends. But as an independent business owner, they cannot depend on others to assist them in achieving their personal financial goals.

Because they devote so much time to managing their business, most have considered how they can use their business to satisfy their personal financial security needs including:

- Protecting their income in the event of their death or disability.
- Providing funds to pay the mortgage on the family home in the event of their death.
- Meeting education and investment goals.
- Planning for enough retirement income.
- Providing sufficient estate liquidity.

When using business dollars to satisfy personal financial needs one should consider:

- If you died or became disabled tomorrow, would there be an adequate income to maintain your family's lifestyle?
- If something happened to you, would your family be able to stay in the family home?
- What concern you most about providing for your children's education. Have you started a college savings plan?
- Do you have a savings and investment plan? Are you satisfied with its performance?
- Do you plan to retire in the future? Do you have a retirement plan?

- Will your estate have sufficient liquidity to pay estate taxes and other settlement costs?
- Do you know how much of the value of your estate is represented by your business?
- Do you have personal life or disability income insurance premiums that can be legally paid by your business?
- Do you feel that you are currently taking full advantage to meet your personal financial goals?

Concepts for using Life Insurance in the business world

BUSINESS CONTINUATION – The loss of a business owner or key employee can seriously damage a small business or even result in the business closing its doors. Advance planning can help cushion the impact of such events.

- **Death of a business owner:** If a business owner dies. A buy-sell agreement can provide a smooth transition of total ownership and control to those who will keep the business going. Life insurance is frequently (best method I know) to fund these types of agreements.
- **Key-employee insurance:** Life insurance on the life of a key employee helps to cover the costs of finding and training a replacement, as well as meeting any monetary obligations to the deceased employee's family.

RETIREMENT PLANNING

- **Fully-insured defined benefit retirement plan:** IRC sec. 412 (c),(3) 2 allows for the use of annuities and/or life insurance policies to fund retirement. This is a tax-qualified benefit, so any amount that the owner contributes to the plan becomes immediately a tax deduction to the company. The plan must be funded solely by guaranteed by an insurance company and it provides the largest tax-deduction possible. These plans tend to benefit small businesses that are established and quite profitable.

Any established business entity such as Corporations, Sole Proprietors, or Partnerships seeking to maximize tax deductions and provide substantial retirement benefit for owners and other long-term quality employees. It is most advantageous for small stable business owners who are age 45 and over with few employees. Even if the business (sponsor) has another retirement in place they can usually establish a 412 plan.

How does it work? The plan trustee(s) purchase Annuity and/or life insurance policies with underlying guaranteed returns. These policies (contracts) will provide the retirement benefits promised in the plan. (Guaranteed contracts remove all investment risk for the employee and employer because minimum returns are guaranteed and

contributions are known. The deductible contribution goes to fund these contracts each year. Benefits are funded over the working lifetime of each employee.

At retirement, the monies accumulated can be rolled to one's IRA account without taxation (until withdrawn from the IRA), taken in cash (a taxable event), or taken as a monthly income for life (taxed as ordinary income as received).

Each 412 plan needs to be filed (usually by third-party accountant, specialty firm or insurance company may offer turn-key administration), along with other required documents, with the Internal Revenue Service. A favorable determination letter is issued directly to the plan sponsor by the Internal Revenue Service.

There are set-up and annual administration fees payable by the sponsoring business entity (deductible to the business). If life insurance is used to fund the plan, the participants recognize the cost of the "current economic" benefit provided by the life insurance. Commonly referred to as a PS-58 cost.

These plans are safe. They were introduced with ERISA(Employee Retirement Income Security (Act) in 1974 and are a well-established established part of the pension plan code. They provide an additional layer of safety from investment risk.

Premiums are Tax-Deductible: All plan contributions, including the portion allocated to life insurance premiums, are tax-deductible.

Example: Assume the client (business owner) is in a combined federal/state tax bracket of 42% and their life insurance premium is \$100,000.

Owning the life insurance outside the pension plan:

To cover the cost of the life insurance they must earn		\$172,413
Pay tax at 42%	-	72,413
Amount Remaining to Pay Premium		<u>\$100,000</u>

Owning the policy inside the pension plan:

Premium payment		\$100,000
Tax Savings (Deduction)	-	42,000
Net Cost		<u>\$ 58,000</u>

In other words, it costs one-third the amount to buy the policy INSIDE the pension plan or \$114,413 less than the cost outside the plan when you take into consideration the tax aspects!

Do you think your client probably has better things to do with \$114,413?

Comparison of Qualified Plans

Plan Type	Owner's Maximum Deduction
Profit Sharing Plan	\$44,000
Money Purchase Plan	\$44,000
Comparability Plan	\$44,000
Traditional Defined Benefit Plan	\$145,201
412 (i) Plan	\$339,857

Note: *With all the steps involved in establishing and maintaining you should seek both legal and administrative advice when considering the 412 (i) plan.*

- Life insurance inside qualified plans: Federal income tax laws allow defined benefit retirement plans and certain types of defined contribution retirement plans to allocate a portion of the funds contributed each year to life insurance as a retirement funding vehicle. (WITH THE NUMBER OF PENSION PLANS DISAPPEARING EACH YEAR WE WILL NOT CONSIDER THIS CONCEPT IN THIS TOPIC PRESENTATION!)

The benefits from or contributions to each type of qualified retirement plan are limited or "capped." Eligible compensation that can be consider in applying these benefit or contribution limitations is capped at \$225,000 in2013 (as adjusted for inflation).

There is, however, an answer to the inadequacy of qualified retirement benefits.

- **Nonqualified Deferred Compensation:** These arrangements allow selected employees (the employer can pick and choose) to defer receipt of a portion of their compensation until a later date. I.E. The executive may select to defer all or a portion of future salary or bonuses. These plans do not meet federal income tax requirements to be considered “qualified” plans. Life insurance can be used to informally fund such arrangements.

In deferring current compensation, selected key executives also defer income taxes until benefits are actually received in the future. This allows highly compensated executives to defer salary and taxes from their peak earning years until retirement, when benefits can supplement other retirement sources of retirement income.

Finally, because the receipt of deferred compensation benefits depends on the executive’s continued employment with the corporation, this type of plan can serve as a long-term incentive plan (“Golden Handcuffs”) designed to encourage the loyalty of your most valued key employees.

A deferred compensation plan can offer custom-tailored benefits to those key executives selected by the corporation. The corporation has complete flexibility not only in regard to who can participate in the plan, but also in regard to benefit amount and durations. In fact, different benefits and benefit formulas can be provided to different key executives.

**Retirement
Benefits**

The primary purpose of all deferred compensation plans is to provide a retirement benefit to those key executives who remain with the corporation until retirement. The corporation, however, can determine how large the benefit will be, when benefits can begin and for how long they will be payable.

In addition to retirement benefits, a deferred compensation plan can include:

**Pre-Retirement
Death Benefits**

If the executive dies prior to retirement, a survivor benefit is paid to the executive’s family.

**Pre-Retirement
Disability Benefits**

If the executive becomes disabled prior to retirement, the executive is promised a disability benefit for a stated number of years.

The availability of both retirement and pre-retirement benefits from a deferred compensation plan free salary dollars that key executives would otherwise have to spend on their personal financial security needs, meaning that they must take a substantial sacrifice should they terminate employment.

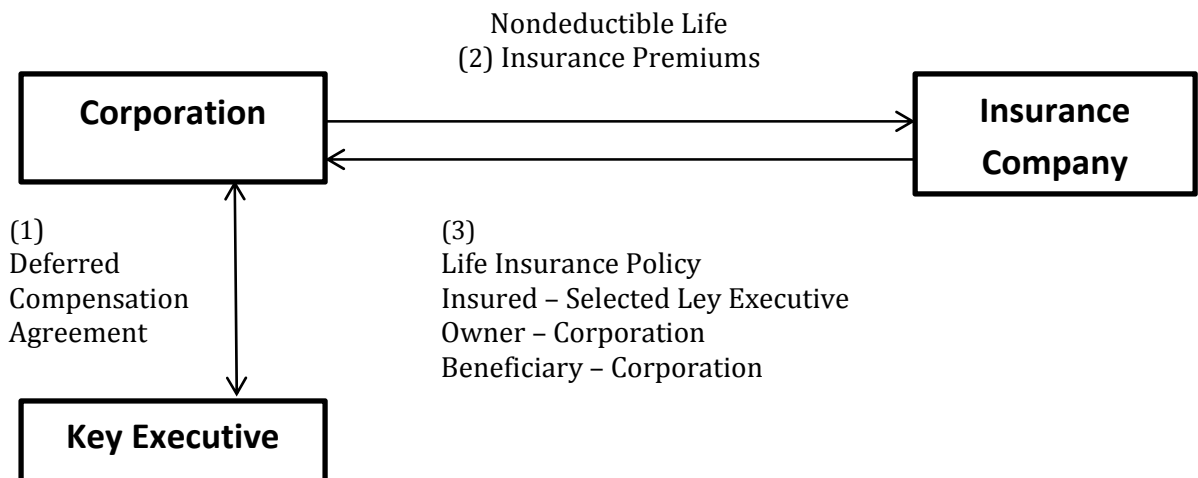
In order to defer taxation of current salary until benefits are actually received by the selected key executives, a deferred compensation plan must be an unfunded, unsecured promise by the corporation to pay the promised benefits from general business assets. This does not mean, however, that a corporation cannot purchase assets to meet its future obligations created by the deferred compensation.

On implementing a deferred compensation plan, a corporation creates a future liability for the promised benefits. An ideal way for the corporation to acquire the funds it will need to meet plan obligations as they become due is to purchase life insurance on each participant.

When owned by and payable to the corporation, the tax advantages of life insurance work together with deferred compensation plan taxation to produce favorable tax leverage because:

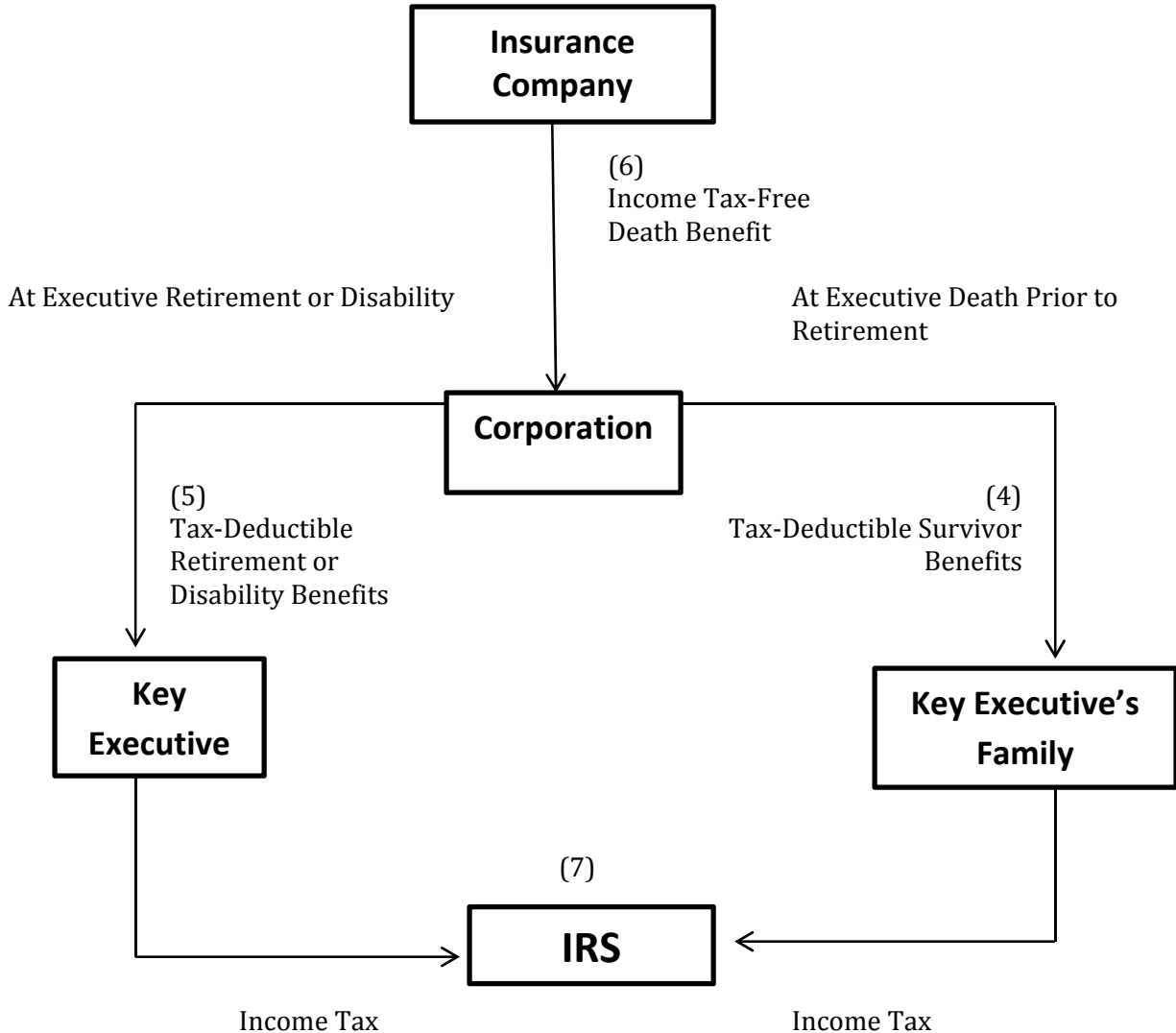
1. Deferred compensation benefits are tax deductible by the corporation as paid; and
2. Assuming employer-owned life insurance requirements are met, life insurance proceeds generally received income tax free by the corporation at the key executive's death. (In fact, the use of corporate-owned life insurance may enable a corporation to fully recover its cost to provide deferred compensation plan benefits, including the cost of the life insurance.

How a deferred compensation plan works



- (1) The corporation enters into a deferred compensation agreement with each selected key executive. The agreement stipulates the benefits to be provided if the executive fulfills certain conditions, such as remaining with the corporation until retirement.
- (2) After satisfying the notice and consent requirements for employer-owned life insurance contracts, the corporation purchase sufficient insurance on the key executive's life to fund the after-tax cost of the promise benefits and, if desired, to recover its nondeductible premium costs.
- (3) The life insurance policy is owned by the corporation, which pays the premium and is name beneficiary.

How the promised benefits could be paid from a deferred compensation plan.



4. If the key executive dies prior to retirement, the death benefit is received income tax free by the corporation (assuming requirements satisfied). The corporation can then use the income tax-free death benefit to pay the promised tax-deductible benefits to the key executive's family
5. If the key executive becomes disabled prior to retirement or remains active employed until retirement, the corporation pays the promised tax-deductible disability or retirement benefit from current cash flow, from loans or withdrawals from the policy's cash value, or from a combination of the two (withdrawals and loans will reduce the policy's death benefit and cash value available for use).
6. By maintaining the policy until the key executive's death, the corporation ultimately receives the income tax-free death benefit to recover its costs.
7. Benefits received by the executive or the executive's family are taxable as received.

NOTE: Employer-owned life insurance proceeds received by the business at the death of the key employee generally are not subject to the regular corporate income tax, assuming the following requirements are met for contracts entered into or after August 17, 2006:

- Before the employer-owned life insurance contract is issued, the employee who is to be insured must be notified in writing that the employer intend to insure the employee's life. The notice must include maximum face amount for which the employee's life could be insured, as well as state the policyowner (the employer) will be the beneficiary of the death proceeds. In addition, the employee who is to be insured must give his/her written consent to be insured by the contract and to the insurance coverage continuing after the insured employee terminates employment:
and
- The insured must have been an employee of the employer at any time during the 12-month period to the date of death or have been a director or highly compensated employee at the time the contract was issued.

SURVIVOR FINANCIAL NEEDS PLANNING

Tax Bracket Impact on the Selection of Insurance Solutions

When funding insurance solutions to the needs of closely-held corporations, and their executives it makes sense to evaluate any difference in the individual's marginal tax bracket and that of the corporation. Benefits provided to executives on a selective basis generally or either tax-deductible by the corporation or are not currently taxable to the employee, but not both.

Remember the three questions an owner asked when proposed life insurance.

1. _____
2. _____
3. _____

Executive Bonus Plan (Section 162 Plan): An employer can help fund "employee-owned" life insurance policies for selected executives (employees) through a "bonus" plan.

Section 162 of the IRC Code is the section that states an employer may deduct certain expenses including salary and other compensation that are ordinary and necessary expenses. It is in reference to this code that certain nonqualified plans, are sometimes referred to as Section 162 Plans. In its simplest form, and executive bonus plan is one which an employer pays the premium on a life insurance policy owned by an employee.

Employers often seek additional incentives to motivate their executives, and this concept provides that facility. In addition to providing death benefits, the cash value in the policy may provide supplemental income at retirement.

The employer's bonus in an executive bonus plan is accounted as salary to the executive. As such it is deductible to the employer (within the limits of reasonable compensation) and taxable to the executive. It is important to keep in mind that the premium payment made by the employer is deductible only because it is compensation, not because it is a nonqualified plan contribution.

Note: Adjustments to management compensation are major expenditures. For that reason, establishing an executive bonus plan should be preceded by a resolution for the board of directors authorizing it. To do so the board should pass a written authorization that will:

- Identify the plan participants by name.
- Clearly state the bonus is additional compensation that will purchase individual permanent life insurance
- Identify the reason(s) for awarding the bonus.

The attorney for the employer should draft the board resolution.

Revenue Ruling 58-90, 1958-2 C.B. 88
This IRS ruling discusses IRC Section 162 related to executive bonus plan and permits a tax deduction for employer-paid premiums or bonuses if the :
1. Payment of the premiums or bonus is in the form of additional compensation.
2. Total amount of compensation to the executive is not unreasonable.
3. Employer is neither a direct or indirect beneficiary of the life insurance policy.*
* The last requirement is particularly significant since it appears to prohibit an employer from any form of cost recovery in an executive bonus plan.

A life insurance policy is not the only financial vehicle that can fund an executive bonus plan. However, life insurance offers several benefits that make it especially attractive.

Executive Bonus Plan Advantages:

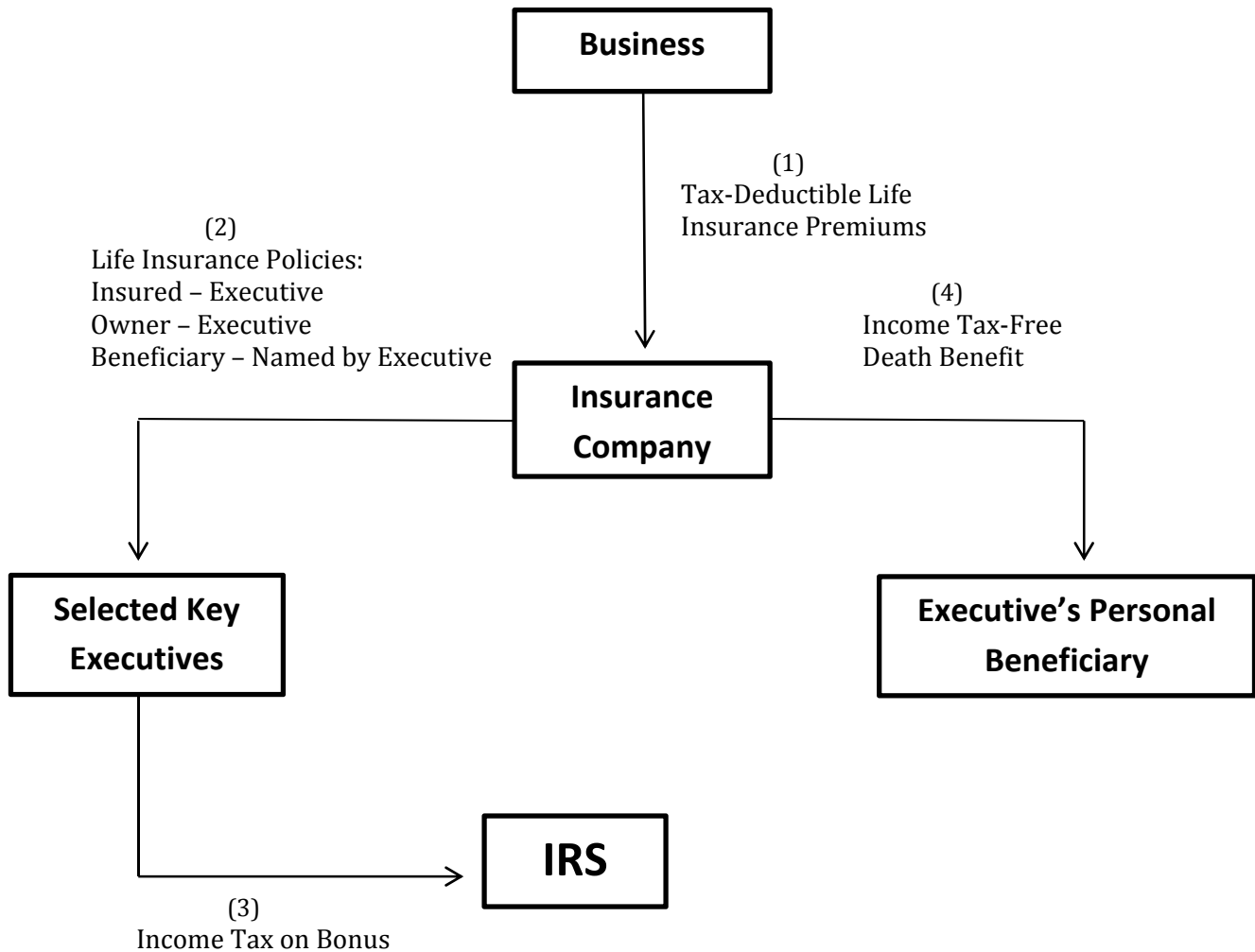
- **Post-Retirement Benefits:** Unlike many employer-provided benefits, the benefits derived from the bonus plan don't end when the executive's service with the employer ends. It provides additional life insurance benefits after their retirement. Although the bonuses end at the executive's retirement, death benefits may remain in force. In addition, the executive may continue to pay premiums if they choose, thereby increasing the cash values and, possibly the death benefit.
- **Portable and Flexible:** An executive bonus plan moves with the executive. Although the employer would cease bonuses premium payments, the cash value and death benefits would continue subject to the terms of the policy. The flexibility that is typical of a life insurance policy enables the policyowner to assign the policy and remove the death benefit from their estate. In addition the executive make gift the policy to their children or assign it to an irrevocable life insurance trust to exclude it from their federal gross estate.

- Corporate Dollars Used to Meet Personal Needs: Executive bonus plans use employer funds to meet personal life insurance needs. Additionally, the policy's cash value is available for the executive to take loans or withdrawals to meet any personal need. FIFO income tax treatment enables the executive to get the funds tax-free to basis. Basis is equal to the aggregate employer premiums of which the executive paid taxes increase by any premium payments made by the executive.
- Limited Cost: The executive's modest cost is a distinct advantage and is limited to the tax liability on the bonused premiums. An executive in a 28% marginal income tax bracket, whose \$10,000 annual premium is bonused by the employer, would pay \$2,800 in federal income taxes. In time, the executive cash value may increase by a sum greater than the amount of federal income taxes paid and would represent considerable value. Often, however, the executive has no cost at all because the employer not only bonuses the life insurance premium cost, but also the taxes due on the bonused premium which makes the plan a DOUBLE BONUS EXECUTIVE PLAN.

What if the executive is uninsurable?

A deferred annuity may also be used as a funding alternative for an executive bonus plan. Despite their lack of a substantial death benefit and FIFO tax treatment, annuities can be issued to any executive, regardless of health and may produce larger cash values than permanent life insurance.

How an Executive Bonus Plan Works



- (1) The business agrees to pay the tax-deductible premiums for life insurance for selected executives.
- (2) Each selected executive owns the policy on their life and names a personal beneficiary for the death benefit. (While alive, the executive controls the policy's cash value and is entitled to any dividends paid.)
- (3) The cost to executive is the income tax due on the premiums paid by the business as a bonus.
- (4) At the executive's death, their beneficiary receives the death benefit free of income tax.

LIFE INSURANCE IN THE PERSONAL WORLD

In the first 10 minutes of this class we mentioned literally dozens of ways life insurance can help meet financial needs for our clients, prospects, and ourselves. And they are all worthy of study and clarification. But for this class I would like to emphasize one of the most overlooked, misunderstood and under emphasized concepts of how life insurance can be used in a personal way.

Supplemented Retirement Using Life Insurance.

Sources of Retirement Income

When you retire and your earning power ceases, you will have to depend on three primary sources for your retirement income:

Social Security

According to the Social Security Administration, the average retired worker in 2013 receives an estimated \$1,261 monthly benefit, about 40% of average pre-retirement income. As pre-retirement income increases however, the percentage replaced by Social Security declines.

Employer Provided Plans

You may be eligible to participate in a retirement plan established by your employer and receive income at your retirement.

Personal Retirement Savings

For many people, there is a gap between the retirement income they can expect from Social Security and employer-provided plans and their retirement objectives. Personal retirement savings represent the only way to bridge that gap!

The Smart Money Investment Order

1. Free Money
2. Tax-Free Money
3. Tax-Deferred Money
4. Taxable Money

Where does Cash Value Life Insurance Fit in the Smart Money Investment Order? _____

A Potential Solution for a Lifetime ... Cash Value Life Insurance

Cash value life insurance is the only financial product with the flexibility to provide benefits:

If You Die ...

Should you die prematurely, the death benefit is available to help replace your earning power for your family. This means funds are available to provide them an income, enable them to remain in their homes, help pay for an education for your children... whatever the financial needs that arise at your death, funds will be available to help meet those needs.

If You Become Disabled...

With the waiver of premium benefit, your plan can become self-completing in the event of your disability. This means if you are sick or hurt and unable to work, policy benefits will remain available just as though you were paying the premium.

If You Live to Retirement...

Most of us can expect to live to retirement age, at which time cash value life insurance can serve as a source of retirement income, while still maintaining needed life insurance protection. This means that the same life insurance that protected your family's financial security during your working years can continue to play an important role in helping to provide retirement security.

Cash Value Life Insurance and Retirement Planning

Cash value life insurance brightens your financial picture with flexibility, accessibility to cash values, tax-deferred growth and an immediate death benefit. In addition, there are a number of roles that it can play in your retirement planning:

At retirement, the cash value available in the policy can be:

- Taken in a lump sum by surrendering the policy;
- Converted into a guaranteed lifetime income; or
- Periodically withdrawn and/or borrowed to supplement your retirement income.

Pension Maximization

At retirement you can elect the maximum life annuity pension option plan and use life insurance death benefits to help replace your retirement plan income for your spouse, if you should die first. You and your spouse enjoy a higher retirement income while both of you are alive, with the knowledge that if something should happen to you, your spouse will have a continuing source of income.

Accelerated Death Benefits

Many life insurance policies make it possible for policyholders to collect a portion of the policy's death benefit early if the insured is terminally ill, stricken with a catastrophic illness or requires long-term care in a nursing home.

FEATURES OF CASHVALUE LIFE INSURANCE

Immediate Death Benefit: During your working years, your family is protected by the life insurance. In the event of your death, income tax-free benefits are paid to your family.

Tax-Deferred Growth: Under current law, the annual growth of the cash value in a cash value life insurance contract is not subject to current income tax.

Flexibility: Certain types of cash value life insurance allow you to increase or decrease your premium, or make large, single premium payments.

Access to Cash Values: You can borrow or withdraw life insurance cash values prior to age 59 ½ without tax penalty.

Ownership: Since in most cases you own the policy, benefits are not affected by changes in employment or by changes in Social Security or employer-provided retirement plans.

Disability Protection: If you become disabled, the waiver of premium benefit can take over your premium payments for you.

Tax-Advantaged Retirement Income: The cash value in your policy can be converted to retirement income that is partially or fully free from federal income tax.

TAX-FREE vs. TAX-DEFERRED

Most of the time when we hear the word "qualified" we think that is a good thing, especially versus the term "nonqualified". However, the word "Qualified" takes on a less favorable connotation when we realize we must prepare and conform to all the conditions that make something "qualified".

When comparing qualified plans to alternatives for retirement planning we would do well to consider the IRS has a bevy of conditions on the retirement plans to which it has granted certain tax advantages. We must be aware that many times a "nonqualified" solution might prove more beneficial in meeting our needs.

Whether or not a person verbalizes it, everyone's goal is to accumulate an amount of money at some predictable age that allows them to quit work and still live the lifestyle to which they are accustomed. Also if they would leave behind survivors who are dependent on them for security, it makes sense to add a self-completing element to their goals.

A possible solution is to use an over-funded participating (Cash Value) life insurance (WL, UL, IUL, VUL) so the cash reserves can serve as a source of retirement benefits and the death benefit will assure the survivors have enough money in the event of an untimely demise. Plus and increasingly more important may be the ability to access the money on a non-taxable basis.

Comparison of Qualified Plans and an Over-Funded Universal Policy
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	“Qualified Plan”	Universal Life Insurance
Unrestrictive Contributions	No Determined by IRA	Yes Determined by Death Benefit
Pre-Tax Contributions	Yes	No
Tax Deferred Growth	Yes	Yes
Nontaxable Cost of Insurance (COI)	No Must report economic benefit for coverage in the plan	Yes COI internally with untaxed return on cash value
Uninterrupted Accumulation after age 70 ½	No	Yes
Non-Taxable Withdrawal	No	Yes FIFO withdrawals & loans
Non-Penalty Early Withdrawals	No	Yes FIFO withdrawals & loans

TOP INCOME TAX RATES FOR 2016

INCOME TYPE	2016 TOP TAX RATE
Tax able IRA Distributions and Roth Conversions (Ordinary Income)	39.6%
Short-Term Capital Gains	43.4%
Long-Term Capital Gains	23.8%
Interest Income	43.4%
Qualified Dividend Income	23.8%
Qualified Roth IRA Distributions	0%
Life Insurance Policy Loans and Distributions To Premiums Paid	0%

*In 2016 the top federal tax rate includes income taxes and the 3.8% surtax on investment income.

Flexible Premium Universal Life Insurance Policy

Jon Hill	Initial Annual Premium:	\$5,500.00
Male Age 35 Select Plus	Initial Specific Amount:	<u>\$200,000</u>
Initial Death Benefit Option: Increasing (B)		

Age	Year	Premium Outlay	Guaranteed			Current		
			Policy Value	Cash Value	Death Benefit	Policy Value	Cash Value	Death Benefit
36	1	5,500	5,005	215	205,005	5,220	430	205,220
37	2	5,500	10,150	5,647	210,150	10,658	6,155	210,658
38	3	5,500	15,425	11,219	215,435	16,323	12,108	216,323
39	4	5,500	20,860	16,932	220,860	22,223	18,295	222,223
40	5	5,500	26,432	22,792	226,432	28,367	24,727	228,367
41	6	5,500	32,149	28,700	232,149	34,766	31,317	234,766
42	7	5,500	38,011	34,754	238,011	41,247	38,170	241,247
43	8	5,500	44,016	40,951	244,015	48,360	45,295	248,360
44	9	5,500	50,163	47,289	250,163	55,575	52,710	255,396
45	10	5,500	56,452	53,818	256,452	63,081	60,446	263,081
46	11	5,500	62,883	60,488	262,452	71,117	68,722	271,117
47	12	5,500	69,461	67,305	269,461	79,478	77,322	279,478
48	13	5,500	76,197	74,281	276,197	88,176	86,260	288,176
49	14	5,500	83,105	81,429	283,105	97,234	95,557	297,234
50	15	6,500	91,138	89,701	291,138	107,676	106,239	307,676
51	16	6,500	99,362	98,164	299,982	118,546	117,349	318,546
52	17	6,500	107,767	106,809	307,767	129,855	128,897	329,855
53	18	6,500	116,346	115,627	316,346	141,613	140,895	341,613
54	19	6,500	125,091	124,612	325,091	153,835	153,356	353,835
55	20	6,500	<u>133,982</u>	<u>133,982</u>	<u>333,982</u>	<u>166,350</u>	<u>166,530</u>	<u>366,350</u>
56	21	6,500	141,010	143,010	341,010	179,709	179,709	379,709
57	22	6,500	152,175	152,175	352,175	193,409	193,409	393,409
58	23	6,500	161,483	161,483	361,483	207,651	207,651	407,651
59	24	6,500	170,941	170,941	370,942	222,471	222,471	422,471
60	25	6,500	180,530	180,530	380,530	237,889	237,889	437,889
61	26	6,500	190,220	190,220	390,220	253,922	253,922	453,922
62	27	6,500	199,974	199,874	399,974	270,548	270,548	470,548
63	28	6,500	209,757	209,757	409,757	287,771	287,771	487,771
64	29	6,500	219,544	291,544	419,544	305,600	305,600	505,600
65	30	6,500	229,324	229,234	429,324	324,049	324,049	524,049

Total Premium 181,000

Age	Year	Premium Outlay	Partial Withdrawal	Loan Amount	Loan Balance	Cash Value	Death Benefit_
66	31	0	10,500	0	0	325,081	525,587
67	32	0	10,500	0	0	327,081	527,081
68	33	0	10,500	0	0	328,532	528,532
69	34	0	10,500	0	0	329,930	529,930
70	35	0	10,500	0	0	331,274	531,274
71	36	0	10,500	0	0	332,537	532,537
72	37	0	10,500	0	0	333,537	533,537
73	38	0	10,500	0	0	334,488	534,488
74	39	0	10,500	0	0	335,062	535,062
75	40	0	10,500	0	0	335,321	535,321
76	41	0	10,500	0	0	335,203	535,203
77	42	0	10,500	0	0	334,711	534,711
78	43	0	10,500	0	0	333,765	533,765
79	44	0	10,500	0	0	332,120	532,270
80	45	0	10,500	0	0	330,120	530,120
81	46	0	10,500	0	0	327,728	527,228
82	47	0	10,500	0	0	323,470	523,470
83	48	0	2,500	8,000	8,000	319,018	519,018
84	49	0	0	10,500	18,500	313,880	513,880
85	50	0	0	10,500	29,000	307,903	507,903
86	51	0	0	10,500	39,500	300,930	500,930
87	52	0	0	10,500	50,000	292,748	492,748
88	53	0	0	10,500	60,500	283,179	483,179
89	54	0	0	10,500	71,000	272,050	472,050
90	55	0	0	10,500	81,500	259,191	459,191
91	56	0	0	10,500	92,000	244,440	444,440
92	57	0	0	10,500	102,500	227,370	427,370
93	58	0	0	10,500	113,000	207,712	407,712
94	59	0	0	10,500	123,500	185,154	385,154
95	60	0	0	10,500	134,000	159,347	359,347
96	61	0	0	10,500	144,500	129,907	329,907
97	62	0	0	10,500	155,000	97,912	297,907
98	63	0	0	10,500	165,500	63,165	263,165
99	64	0	0	10,500	175,500	25,474	225,454
100	65	0	0	10,500	186,000	0	0
Totals		181,000	178,500		186,000		

(TAX-FREE MONEY - \$364,500)

COLLEGE FUNDING

TAX-ADVANTAGED STRATEGIES (Under federal income tax law (state or local income tax law may differ), there are a number of tax-advantaged strategies available to accumulate funds for college expenses. The rules surrounding these strategies can be complicated and they should only be used after careful review with a tax or other financial professional:

- **IRC Sec 529 qualified tuition program:** These plans allow an individual to either prepay a student's tuition, or contribute to a savings account to pay the student's "qualified high education expense." Contributions are not tax deductible, but growth in an account is tax-deferred. If certain requirements are met, distributions to pay qualified higher expenses are excluded from income. 529 plans involve investment risk, including possible loss of funds, and there is no guarantee a college funding goal will be met. The fees, expenses and features of 529 plans vary from state to state.
- **Coverdell education savings account:** Up to \$2,000 per year may be contributed to a Coverdell ESA for an individual. Contributions are not tax-deductible, but growth is tax-deferred. Distributions are excluded from income if used for qualifying educational expenses. Other restrictions apply.
- **U.S. savings bonds:** Interest on series EE savings bonds issued after 1989, or Series I savings bonds, may (certain limits apply) be excluded from income if qualifying education expenses are paid in the year the bonds are redeemed. The exclusion also applies to savings bond interest contributed to an IRA Sec 529 qualified tuition program or a Coverdell ESA.
- **CASH VALUE LIFE INSURANCE:** Cash value life insurance can be an attractive, tax-favored means of accumulating college funds. If an insured dies before the student starts school, the policy proceeds can be used to pay college expenses.

If using cash value life insurance to fund for college who should be the insured? _____

Life Insurance: Glossary of Terms

Accumulation Value: Term Used in Universal Life policies to describe the total of all premiums and earnings credited to the account before deductions for any expenses, loans and surrenders.

Adjustable Life: Form of life insurance allowing the owner to change the face amount, premium amount, period of protection or length of the premium payment period.

Attained Age: The age of the insured on a given date.

Automatic Premium Loan: Provision in a life insurance policy authorizing the insurer to use the loan value to pay any premiums still due at the end of the grace period.

Beneficiary: Individual or entity (e.g., trust, corporation) dedicated to receive the proceeds of a life insurance policy upon the death of the insured.

Cash Value: Generally, the amount of cash due an owner upon surrendering a policy.

Contingent Beneficiary: Individual or legal entity designated to receive the proceeds of a life insurance policy if the primary beneficiary is deceased at the time the benefits become payable.

Contributory: Term used to describe a plan of employee coverage in which the employee pays at least part of the premium.

Cost-of-Living Rider: Designed to adjust benefits in relation to changes in the cost of living. The majority of such riders are tied to changes in the Consumer Price Index (CPI). Generally, the amount of insurance is automatically increased, without evidence of insurability, at predetermined periods for a maximum amount.

Credit Life Insurance: Group insurance contract whereby a creditor is protected in the event of death of the insured prior to the indebtedness being paid in full.

Death Benefit: Amount stated in a policy contract as payable upon the death of the person whose life is being insured.

Decreasing Term: For of life insurance that provides a death benefit which declines throughout the term of the contract, reaching zero at the end of the term.

Dependent Coverage: Coverage on the head of a family which is extended to his or her dependents including only the lawful spouse and unmarried children who are not yet employed on a full-time basis. "Children" may be step, foster, adopted, or natural.

Dependent Life Insurance: Benefit that is part of a group life insurance contract, providing death protection to the eligible dependents of a covered employee.

Dividend Accumulation: Option in a life insurance policy allowing the policyholder to leave any premium dividends with the insured to accumulate at compound interest.

Dividend Additions: Option whereby the owner can leave policy dividends with the insurer and each dividend is used to buy a single premium life insurance policy for whatever amount it will purchase. Also called “paid-up additions”.

Dividend Option: Alternative ways in which an insured under a participating life insurance policy may elect to receive policy dividends.

Extended Term Insurance: Provision found in most participating life insurance policies which provide the option of continuing the existing amount of insurance as term insurance for as long a period of time as the contract’s cash value will purchase. This is one of the nonforfeiture options available to the insured in case a premium is not paid within the grace period.

Face Amount: Amount that will be paid in the case of death or maturity of a policy.

Family Income Policy: Policy that’s pays an income up to a future date designated in the policy to the beneficiary after the death of the insured. The period of payment is measured from the date of the inception of the contract, and at the end of the income period the face amount of the policy is paid to the beneficiary. If the insured lives beyond the income period only the face amount is payable in the event of the insured’s death.

Flexible Premium: Policy allowing the owner to vary the amount or timing of premiums.

Free Look: Period of time, usually 10, 20 or 30 days) during which a policyholder may examine a newly issued individual policy and surrender it in exchange for a full refund of premium is not satisfied for any reason.

Grace Period: Prescribed period, usually 30 to 31 days after the premium due date, during which an insurance contract remains in force and the premium may be paid.

Group Life Insurance: Life insurance provided for members of a group. It is most often issued to a group of employees but may be issued to any group provided it is not formed for the purpose of buying insurance. The cost is typically lower than for individual policies because administrative expenses per life are decreased, there are certain tax advantages and measures taken against adverse selection are effective.;

Guaranteed Renewable: Contract in which the insured has the right to keep a policy in force by the timely payment of premiums for a period of time set forth in the contract. During that period of time, the insurer has no right to make any change in any provision of the contract other than a change in the premium rate for all insured in the same class.

Incidents of Ownership: Various rights which may be exercised under the policy contract by the policyowner. These include: (1) the right to cash in the policy; (2) to receive a loan on the cash value of the policy; and (3) to change the beneficiary.

Incontestable Clause: Clause in a policy providing that after a policy has been in effect for a given length of time (generally two years), the insurer shall not be able to contest the statements contained in the application.

Irrevocable Beneficiary: Beneficiary that cannot be changed without his or her consent.

Loan Value: The amount of money a policyowner can borrow using the cash value of the life insurance policy as security.

Maturity Date: Date which the face amount of a life insurance policy becomes payable by reason of endowment.

Net Surrender Value: Amount of cash due an owner upon surrendering a policy.

Noncontributory: Plan or program of insurance, usually a group program, for which the employer or sponsor pays the entire premium.

Nonforfeiture Values: Values in a participating life insurance policy that by law the policyowner cannot forfeit, even if ceasing to pay the premiums. Depending on state law, these benefits may include the cash surrender value, the loan value, the paid-up insurance value and the extended term insurance value.

Ordinary Life Policy: Life insurance policy for which premiums are paid continuously as long as the insured lives.

Permanent Life Insurance: One of three basic types of life insurance (whole life, universal life and endowment) that remains in force until the policy matures, unless the owner fails to pay the premium and the cash value is sufficient to cover policy charges and expenses. The policy cannot be cancelled by the insurer for any reason except fraud in the application; that cancellation must occur within a period of time defined by law (usually two years). Over time, permanent insurance builds cash values which the owner can borrow against.

Policy Loan: Loan made by an insurer to a policyowner of part or all of the cash value of the policy assigned as security for the loan.

Policy Proceeds: Amount paid on a life insurance policy at death or when the owner receives payment at surrender or maturity. This includes any dividends left on deposit and the value of any additional insurance purchased with dividends; it excludes any loans not repaid, plus unpaid interest on those loans.

Primary Beneficiary: First to receive proceeds or benefits from a policy when due.

Proceeds: (See Policy Proceeds)

Rated: Policies issued at a higher rate than standard due to an impairment of the insured.

Ratings: Refers to the financial strength of an insurance company. AM Best, Standard and Poor's and Moody's are three well-known rating services.

Renewable Term: Term insurance that may be renewed for another term without evidence of insurability.

Return of Cash Value: Provision in a life insurance policy that states that if death occurs during a certain period of years (often 20), the policy will pay an amount, in addition to the face amount, equal to the cash value of the policy as of the date of death.

Return of Premium: Rider on a life insurance policy providing that, in the event of the insured within a specific period of time, the policy will, pay in addition to the face amount and amount equal to the sum of all premiums paid.

Revocable Beneficiary: Beneficiary in a life insurance policy in which the owner reserves the right to revoke or change the beneficiary.

Secondary Beneficiary: Individual or legal entity designated to receive the proceeds of a life insurance policy if the primary beneficiary is deceased at the time the benefits become payable. (See Contingent Beneficiary)

Settlement Options: Various methods for payment of the proceeds of a life insurance policy that may be selected in lieu of a lump sum.

Surrender: Termination of a policy.

Term Insurance: Provides life insurance coverage for a specific term of years for a specific premium. Term policies do not accumulate cash value.

Universal Life: Combination flexible premium and adjustable policy in which the owner may modify premium payments in response to changing needs and circumstances.

Variable Life: Policy featuring level premiums allowing the owner to allocate the cash value of the policy to a wide variety of investment accounts.

Variable Universal Life: Policy combining the features of variable life insurance and universal life insurance under the same contract. Benefits are variable based upon the value of variable sub accounts; premiums and benefits are adjustable by the owner.

Waiver of Premium: Provision of a life insurance policy that continues coverage without further premium payments due to the total disability of the insured.

War Clause: Provisions excluding liability of an insurer if a loss is cause by war.



James K. Ruble Seminar

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Section 6

Had I Been On That Jury... Personal Liability Edition

If I Had Been on THAT Jury....

Professional Liability
Edition!

*A Continuing Education
Program*



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What Do Jurors Do?



- Your first duty is to decide the facts from the evidence in the case. This is your job, and yours alone.
- Your second duty is to apply the law that [the Judge gives] you to the facts. You must follow the instructions, even if you disagree with them.

1. Be Impartial



- Do not allow sympathy or prejudice or fear or public opinion to influence you.
- In determining whether any fact has been proved, you should consider all of the evidence bearing on the question regardless of who introduced it.

2. Use Common Sense



- You should use common sense in weighing the evidence and consider the evidence in light of your own observations in life. In our lives, we often look at one fact and conclude from it that another fact exists. In law we call this “inference.”
- A jury is allowed to make reasonable inferences. Any inference you make must be reasonable and must be based on the evidence in the case.

2. Use Common Sense



- You may have heard the phrases “direct evidence” and “circumstantial evidence.”
- Direct evidence is proof that does not require an inference, such as the testimony of someone who claims to have personal knowledge of a fact.

2. Use Common Sense



- Circumstantial evidence is proof of a fact, or a series of facts, that tends to show that some other fact is true. As an example, direct evidence that it is raining is testimony from a the witness who says, “I was outside a minute ago and I saw it raining.”

2. Use Common Sense



- Circumstantial evidence that it is raining is the observation of someone entering a room carrying a wet umbrella.
- *The law makes no distinction between the weight to be given to either direct or circumstantial evidence.*
- When the time comes to deliberate on your verdict, you should consider all the evidence in the case, including the circumstantial evidence.

3. Judge The Witnesses



- You must decide whether the testimony of each of the witnesses is truthful and accurate, in part, in whole, or not at all. You also must decide what weight, if any, you give to the testimony of each witness. In evaluating the testimony of any witness, including any party to the case, you may consider, among other things:

3. Judge The Witnesses



- the ability and opportunity the witness had to see, hear, or know the things that the witness testified about;
- the witness's memory;
- any interest, bias, or prejudice the witness may have;
- the witness's intelligence;

3. Judge The Witnesses



- the manner of the witness while testifying;
- the witness's age;
- and the reasonableness of the witness's testimony in light of all the evidence in the case.

4. Evaluate the Experts



- You have heard witnesses give opinions about matters requiring special knowledge or skill. You should judge this testimony in the same way that you judge the testimony of any other witness.
- The fact that such person has given an opinion does not mean that you are required to accept it.

4. Evaluate the Experts



- Give the testimony whatever weight you think it deserves, considering the reasons given for the opinion, the witness's qualifications, and all of the other evidence in the case.

5. Decide if the Burden of Proof Was Met



- When I say a particular party must prove something by “a preponderance of the evidence,” or when I use the expression “if you find,” or “if you decide,” this is what I mean:
When you have considered all the evidence in the case, you must be persuaded that it is more probably true than not true.

6. Decide the Case



- The verdict must represent the considered judgment of each juror. Your verdict, whether for or against the parties, must be unanimous.
- You should make every reasonable effort to reach a verdict. In doing so, you should consult with one another, express your own views, and listen to the opinions of your fellow jurors.

6. Decide the Case



- Discuss your differences with an open mind.
- Do not hesitate to reexamine your own views and change your opinion if you come to believe it is wrong.
- But you should not surrender your honest beliefs about the weight or effect of evidence solely...

6. Decide the Case



- ...because of the opinions of other jurors or for the purpose of returning a unanimous verdict.
- All of you should give fair and equal consideration to all the evidence and deliberate with the goal of reaching an agreement that is consistent with the individual judgment of each juror.

*HAD I BEEN ON **THAT** JURY...*
(PROFESSIONAL LIABILITY EDITION!)

Dormitory Authority v. Continental Casualty

In September 1995, the Dormitory Authority of the State of New York (DASNY) contracted with an architectural firm (Architects) to design and oversee the construction of a new building for Baruch College of the City University of New York. Construction, begun in 1997, was beset by delays from the outset. Plans drawn by the architects and its subcontractor erred in their estimate of the steel requirement and in the specifications of the structural steel girts and exterior facade. To recover losses from the resulting delay and expense, DASNY sent a demand letter to the Architects detailing the steel girt tolerance Issue in May 2002.

After the Project was finished in 2001, it was discovered that excessive accumulations of snow and ice were sliding off the building onto sidewalks a considerable distance away. In the winter of 2003–04, the Architects commissioned a subcontractor to study this ice control issue. The study concluded that the design of the facade failed to account for temperature variations appropriate for a building in New York, and that the problem could not be solved by adding canopies, as had been hoped. Study of the problem continued into 2005.

The Architects' professional liability policies were claims-made policies: coverage was triggered by a claim made against the Architects during the policy period. Two policies were thereby implicated: 2000–02 and 2003–04. The contracts provided, however, that “[a]ll related claims shall be considered a single claim first made and reported within the Policy year in which the earliest of the related claims was first made and reported[.]”

“Related claims” were defined as “all claims made against [the Architects] and reported to [Continental] during any policy year arising out of a single wrongful act or related wrongful acts[.]”

Continental argues that the steel girt issue and the ice control issues are “related claims” as that phrase is defined in the insurance policies. The Architects argue that the two issues arise from two unrelated wrongful acts. One has to do with the structural integrity of the building; the other, with its aesthetic design. The issues inhere in different systems, each with its own distinct engineering considerations, the Architects say.

Are both policies involved? Or just one?

NCMIC Insurance v. Balfour

A.A. filed a lawsuit alleging that Gregory A. Saul, the ex-husband of Dr. Deborah Balfour, a chiropractor, sexually assaulted her. A.A. was one of Dr. Balfour's chiropractic patients. She alleged some of the assaults occurred in the office building where Balfour's clinic is located. Dr. Balfour is alleged to have committed medical malpractice by failing to warn her patient of Saul's "history and propensity to sexually molest underage females," and allowing Saul to have unfettered access to the clinic building.

NCMIC issued a professional liability policy to Dr. Balfour. NCMIC contends that there is no duty to defend and no duty to indemnify because the insurance policy it issued Balfour indisputably excludes the acts she is accused of committing.

The NCMIC policy obligates the insurer to "defend any claim or suit brought seeking damages against the insured for an injury covered by" the policy. The policy provides indemnification for "all sums to which this insurance applies and for which an insured becomes legally obligated to pay as damages because of an injury. The injury must be caused by an accident arising from an incident during the policy period. The injury must also be caused by an insured under this policy."

Injury is defined as "bodily injury, sickness, disease or death sustained by any one person." Incident is defined as "any negligent omission, act or error in the providing of professional services by an insured or any person for whose omissions, acts or errors an insured is legally responsible." Professional services consist of "services which are within the scope of practice of a chiropractor in the state or states in which the chiropractor is licensed."

The policy excludes from coverage "claims arising out of, based upon, or attributable to ... [a]n act or omission violating any federal or state statute, or any county or municipal ordinance governing the commission of a crime," "[s]exual impropriety, sexual intimacy, sexual assault, sexual harassment or any other similarly defined act," or "[t]he intentional infliction of injury."

Balfour's position is simple: A.A.'s lawsuit alleges Dr. Balfour committed "medical malpractice" and that's what the NCMIC policy insured against.

Is there a duty to defend? A duty to indemnify? If so, why and if not, why not?

Nova Casualty Company v. Santa Lucia & Thomas

Deborah Shackelford got hurt while being shown a unit at the Bayfront Tower Condominiums. She sued Bayfront, and she also sued the Beachside Real Estate Agency and its individual broker, Meritza Fernandez.

Beachside (and Fernandez) had their general liability policy with Nova Casualty Company. Nova hired Santa Lucia & Thomas, a law firm, to defend both Beachside and Fernandez.

Shackelford's case went to mediation and the parties agreed on a settlement. The agreed settlement was a "high/low agreement." The parties agreed that, depending on what the jury's verdict was, Beachside and Fernandez together would pay a minimum of \$200,000 and a maximum of \$750,000. The agreement also contained the following provision:

After the execution of this agreement, Shackelford agrees to release and discharge FERNANDEZ and BEACHSIDE at any time prior to the entry of the final judgment in this matter if any party to this cause agrees to pay her the additional Five Hundred Fifty Thousand and No/100 (\$550,000) Dollars for a total sum of \$750,000.

Nova went ahead and paid the \$200,000 low under the agreement. Beachside was dismissed from the litigation, but Fernandez was not. Then, shortly before trial, Shackelford settled with Bayfront for \$4,000,000.

Nova's position was that Bayfront's settlement triggered the release of Fernandez, and thus Nova, from liability beyond the \$200,000 already paid. Shackelford's attorney disagreed. Eventually, the court invalidated the settlement agreement and Nova was forced to pay the balance of its policy limit -- \$1,000,000.

Nova sued Santa Lucia, claiming malpractice in the handling of the case. Santa Lucia moved to dismiss the suit, claiming that an insurance carrier has no standing to bring a legal malpractice action against an attorney hired to defend its insured.

Who wins? Why?

Westernbank of Puerto Rico v. AIG Insurance Company – Puerto Rico

Westernbank's run as one of Puerto Rico's leading banks came to an end in the late 2000s when local regulators ordered it closed and appointed a federal regulator—the FDIC—receiver. Jumping in with gusto, the FDIC investigated what had gone on there. And it did not like what it found. Certain bank directors and officers had breached their “fiduciary duty” by jeopardizing the bank's financial soundness, the FDIC claimed in a letter sent to (among others) the directors and officers and their insurer, Chartis. Concluding that these breaches had caused more than \$367 million in losses to the bank, the FDIC demanded that the directors and officers pay that amount.

Without missing a beat, the directors and officers notified Chartis of the FDIC's multimillion-dollar claim. And, naturally, they asked Chartis to confirm coverage...

Chartis denied coverage five months later, relying (most pertinently) on the policy's “insured versus insured” exclusion. A standard proviso in D & O policies, this exclusion says that Chartis:

Shall not be liable to make any payment for Loss in connection with any Claim made against an Insured which is brought by, on behalf of or in the right of, an Organization or any Insured Person other than an Employee of an Organization, in any respect and whether or not collusive.

“Claim,” the policy adds, includes “a written demand” for money. “Insured” means “Insured Person” or “Organization.” And, again, the directors and officers come within the policy's definition of “Insured Person[s],” while [the holding company] and Westernbank fall within the policy's definition of “Organization.” Also, the policy neither mentions the FDIC nor bars coverage for suits by FDIC-type regulators like some policies do.

Convinced that the FDIC, “[a]s receiver,” had stepped squarely into Westernbank's “shoes,” Chartis also wrote that any claims that the FDIC had “against the directors and officers of Westernbank are ‘on behalf of’ or ‘in the right of’ Westernbank.” That triggered the insured-versus-insured exclusion ... which meant no coverage. The directors and officers opposed this, arguing (at the risk of oversimplification) that a clear “majority of courts” refuse to stretch the insured-versus-insured exclusion “to include the FDIC.”

Who's right?

Farmers Automobile Insurance Association
v. St. Paul Mercury Insurance Company

The Farmers Insurance Company bought what is called “Employment Practices Liability” coverage from St. Paul Insurance Company. The coverage is for “Employment Wrongful Acts,” broadly defined to include any error, misstatement, neglect, breach of duty, etc., in connection with an alleged wrongful dismissal, sexual harassment, retaliation, or other unlawful treatment of an employee.

Coverage was triggered, Farmers alleges, when a class action was filed in an Illinois state court against Farmers on behalf of its claims adjusters, seeking overtime pay pursuant to the Illinois Minimum Wage Law, the state's counterpart to the Fair Labor Standards Act, 29 U.S.C. §§ 201-219.

St. Paul refused coverage, pointing to exclusionary language in the insurance policy for

any actual or alleged violation of the Fair Labor Standards Act (except the Equal Pay Act), the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Reconciliation Act of 1983, the Occupational Safety and Health Act, any workers' compensation, unemployment insurance, social security, or disability benefits law, other similar provisions of any federal state or local statutory or common law or any rules or regulations promulgated under any of the foregoing.

The Fair Labor Standards Act is of course the federal minimum wage and overtime pay law, and so the question is whether Illinois's statutory overtime pay provision is “similar.” Farmers argues that the word “similar” partakes of the vagueness of other verbal signifiers of matters of degree, such as “substantial,” “significant,” and “probable.” St. Paul argues that the context makes it clear and the state and federal statutes are “similar” enough to trigger the exclusion.

Who’s right?

Warren Hospital v. American Casualty Co.

Warren Hospital layered its insurance coverage. The first \$1 million per incident was a self-insured retention, which functioned similarly to a deductible. From \$1 million to \$5 million was covered by excess insurance from Lexington Insurance. Additional excess insurance, from One Beacon Insurance, covered claims above \$5 million. Warren's policy with Lexington identified employees as "Insureds."

Tracy Lee is a nurse at Warren Hospital. Lee had her own malpractice insurance with American Casualty Company of Reading, Pennsylvania, for up to \$1 million per claim, for which she paid an annual premium of \$89.29. The ACC policy contained the following:

If there is any other insurance policy or risk transfer instrument, including but not limited to, self insured retentions, deductibles, or other alternative arrangements ("other insurance"), that applies to any amount payable under this Policy, such other insurance must pay first. It is the intent of this policy to apply only to the amounts covered under this Policy which exceed the available limit of all deductibles, limits of liability or self-insured amounts of the other insurance, whether primary, contributory, excess, contingent, or otherwise. This insurance will not contribute with any other insurance.

While providing care to a patient, Lee irrigated the patient's abdominal cavity with an excess amount of fluid, causing him to require a temporary colostomy. In a separate action, the patient sued the Hospital and Lee for negligence. The Hospital was sued under a theory of vicarious liability. The Hospital assumed its own defense and that of Lee. Unable to find an expert to support its position, the Hospital settled with the patient for \$425,000.

ACC took the position that its insurance was excess to the Hospital's self-insured retention ("SIR"). The Hospital argued in response that the ACC Policy was primary insurance and that it expected to be indemnified by ACC for its defense of Lee.

According to the Hospital, its own self-insured retention, for the first \$1 million of a claim against it, does not apply to "any amount payable" under Lee's policy with ACC. Warren further emphasizes that its claims against ACC involve indemnity and equitable subrogation and not the patient's underlying malpractice claims. Accordingly, it argues that its own SIR cannot now apply to bar its claim against ACC, particularly as equitable subrogation allows it to step into Lee's shoes and receive the benefits of her coverage.

Who's right?

Regency Title Company, LLC v. Westchester Fire Insurance Company

Regency Title Company, LLC, sued its professional liability carrier, Westchester Fire Insurance Company. Westchester insured Regency from September 1, 2009 to September 1, 2010, for “claims made and reported” during the policy period.

Regency was sued for some of its title company activities in a lawsuit titled, “Tower Custom Homes v. Regency Title Company, LLC.” The suit was filed on July 29, 2010, during the policy period. Regency notified Westchester of the *Tower v. Regency* lawsuit on a timely basis.

Westchester declined, saying that while the *Tower v. Regency* lawsuit was filed during policy period, the “claim” was first made against Regency prior to the inception of the policy and is consequently not covered by the policy.

The *Tower* plaintiff had filed a complaint with the Texas Department of Insurance on September 30, 2008 (approximately one year before the inception of the insurance policy). Regency and Westchester dispute whether this complaint filed with Texas Department of Insurance constitutes a ‘claim’ within the meaning of the insurance contract.

The complaint filed with Texas Department of Insurance wanted about \$100,000 in damages. The Department of Insurance complaint refers to the same basic set of facts as the lawsuit of *Tower v. Regency*. Regency knew about the Texas Department of Insurance complaint and responded to the allegations. Shortly thereafter, the Texas Department of Insurance found no legal violation; it told Tower that it was not capable of resolving disputes of fact and said private remedies should be sought if Tower was unsatisfied.

The Westchester policy says that “Claim means: (1) a written demand against any Insured for monetary or non-monetary damages ... [or] (4) a civil, administrative, or regulatory investigation against any Insured commenced by the filing of a notice of charges, investigative order, or similar document.”

Westchester says the policy definition is clear and unambiguous; Regency says it’s not clear and shouldn’t apply in this situation.

When did the “claim” happen?

Care Risk Retention Group v. Martin

In the summer of 2005, Derrick Martin, M.D., performed gastric surgery on Floyd Burnett, who developed a postoperative leak, which was immediately repaired. After being discharged to the care of a home nurse, Floyd Burnett was readmitted to the hospital and died of a massive coronary, less than one month after surgery. At the time, Dr. Martin was insured against medical malpractice liability by Pro Assurance.

In October and November of 2005, Dr. Martin received letters from attorney Dwight Brannon, who stated that he represented “Floyd C. Burnett, deceased.”

Dr. Martin was aware of Brannon’s records request and carefully scrutinized the letters from Brannon, because he already had a bona fide insurance company in place (Pro Assurance). Dr. Martin did not notify Pro Assurance of the claim, because he did not think the claim had any merit, and did not think the letter was a litigation letter. He indicated that his office may have notified Pro Assurance orally, but was not sure, as there was no record of a call.

Dr. Martin also believed that Brannon’s letter accompanied other documents indicating that the request was in connection with probating Burnett’s will.

In November of 2005, Dr. Martin spoke to an insurance agency about obtaining bariatric malpractice coverage. Ultimately, Dr. Martin selected CARE Risk as his insurer.

Dr. Martin read the CARE Risk application before completing it in February 2006. His then-existing malpractice insurance was set to expire in July 2006. On his application for professional-liability insurance with CARE Risk, Dr. Martin answered the following question in the negative: “Are you aware of any acts, errors, omissions or circumstances which may result in a malpractice claim or suit being made or brought against you?”

The application further states:

WARRANTY: It is warranted to the insurer that the information contained herein is true and that it shall be the basis of the policy of insurance and deemed incorporated herein. Should the Company evidence its acceptance of the application by the issuance of a policy, I/We hereby authorize the release of claim information from any prior insurer to the insurer and to the Underwriting Manager for the Insurer.

Dr. Martin also signed a “no known loss statement” and an application for prior-acts coverage. Dr. Martin responded negatively to the following question: “Do you have knowledge or information of any potential or actual claim or suit that may be

brought against you or of any incidents?” The prior-acts application contained a statement by the applicant of “I declare that I know of no potential or actual claims, suits or incidents presently pending which have not been reported to my previous carrier(s).” The applicant acknowledged, “That if prior acts coverage is obtained by fraud, material misrepresentation or omission, it is void.”

Before the policy was issued, the insurance agent, Patton, informed CARE Risk that two malpractice claims had been asserted against Dr. Martin. Both were closed, and no payment was made. CARE Risk did further investigation and determined that there were no other actions against Dr. Martin.

Dr. Martin testified that when he signed the application, he had not received any information defining the meaning of a “medical incident” that could reasonably result in a claim. He stated that many medical incidents occur, such as high glucose, low potassium, renal failure, leaks, and wound infections, and that Burnett’s death was not related to his surgery. Dr. Martin also testified that when he signed the application, he was not aware of any request for medical records that might result in a claim.

In April of 2006, CARE Risk issued a policy of insurance to Dr. Martin as the named insured. The term was from April 11, 2006, to April 11, 2007. The policy is a claims-made policy that covers claims for professional services rendered after the retroactive date for coverage in the declarations, July 11, 2003, that were first made against the insured and reported to CARE Risk during the policy period, April 11, 2006, to April 11, 2007.

In July of 2006, the Burnetts commenced an action against Dr. Martin and Martin Surgical Associates, L.L.C., which is an additional insured on the policy, alleging that Dr. Martin committed negligence and medical malpractice in connection with gastric surgery performed on Lloyd Burnett in August of 2005, during the retroactive coverage period.

CARE Risk canceled Dr. Martin’s insurance policy in December of 2006, claiming material misstatements were made by Dr. Martin concerning prior claims, relying on the letters to Dr. Martin from Attorney Brannon. In May of 2007, CARE Risk filed a declaratory judgment action against Dr. Martin, arguing that Dr. Martin’s material misrepresentations rendered the policy of insurance void.

Who wins?

Medical Protective Company v. Bubenik, D.M.D.

Dr. Bubenik was a dentist specializing in conscious sedation dentistry and MPC provided his medical malpractice insurance. A patient named Marlon Jaudon died in July 2004 during a procedure at Dr. Bubenik's office. Six months later Dr. Bubenik performed the same type of procedure on Henry Johnston. Johnston did not regain consciousness and died four days later.

Malpractice actions were filed against Dr. Bubenik by the Jaudon family and subsequently by the Johnstons. During the course of the Jaudon litigation, Dr. Bubenik invoked his Fifth Amendment privilege against self incrimination and refused to offer any testimony. In March 2006 MPC told Dr. Bubenik that his refusal to testify might jeopardize his insurance coverage. MPC's counsel sent Dr. Bubenik a letter on April 3, 2006 stating that his continued refusal to testify might be a material breach of the cooperation clause in his policy. That clause provided that "[t]he Insured shall at all times fully cooperate with the Company in any claim hereunder and shall attend and assist in the preparation and trial of any such claim."

On the morning of the Jaudon trial, the presiding judge disqualified Dr. Bubenik's expert witness for that case because her opinion was based on information which had been given her by the doctor but was not in the record. MPC settled the Jaudon case the same day, but it was unable to contest coverage at that point because it had not sent Dr. Bubenik a reservation of rights letter.

During the course of the Johnston litigation, Dr. Bubenik again asserted his Fifth Amendment privilege. He refused to answer interrogatories, submit to a deposition, or testify at trial. When asked about the merits of his defense, Dr. Bubenik told MPC that the Johnston case was defensible but that he was unwilling to discuss how it could be defended. He also refused to release to MPC a state dental board report completed six days after Johnston's death. That report related what had occurred on Johnston's visit and contained Dr. Bubenik's opinion as to the cause of his death, information that was not contained in the dental records released to MPC.

MPC sent Dr. Bubenik's personal attorney a letter in August 2006 which stated:

Pursuant to the policy terms, including the provisions pertaining to his duty to cooperate, Dr. Bubenik is required to "fully cooperate" and "assist in the preparation and trial" of claims against him. Specifically, this duty to cooperate requires Dr. Bubenik to answer interrogatory requests, provide testimony in his defense at deposition and at trial, and assist MPC in the defense of this matter, all of which he has refused to do.

The letter from the insurer further advised that “Dr. Bubenik’s failure to cooperate or testify creates a complete obstacle to the ability of MPC to defend the claims” against him and that “[a]bsent his full cooperation ... MPC will be forced to choose between electing to deny coverage or providing a continued defense only under a full reservation of rights.”

Neither Dr. Bubenik nor his counsel responded to the August letter. A similar letter was sent in October 2006. Again MPC received no response. Finally at mediation in the Johnston case, MPC hand delivered to Dr. Bubenik a letter stating that he had breached the cooperation clause and that MPC was reserving its rights under the policy.

Is Dr. Bubenik in breach of the cooperation clause? Did MPC waive its rights to enforce the clause?

