



# Property & Casualty Pre-Licensing Course

Al Bing

# Basics Of Insurance



- **Property Insurance** – Items that are tangible:

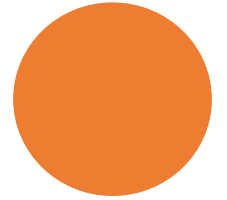
## A. Structures

1. Houses
2. Office Buildings

## B. Personal Property for a:

1. House
2. Commercial Building

- **Casualty** – Liability Coverage



# Basics Of Insurance

Two Divisions of Property & Casualty Insurance:

1. **Personal Lines** – Policies that cover losses pertaining to personal activities: Homeowners, Personal Automobile and Personal Liability.
2. **Commercial Lines** – Policies that cover losses pertaining to non-personal activities: Commercial Property, Commercial Auto, Commercial General Liability and Workers Compensation.

# Basics of Insurance

- The individual that takes out the policy is called the Named insured. The Named Insured is the highest-ranking insured.

A policy will cover losses for:

1. **The Named Insured**
2. **Spouse**
3. **Family members of the Named Insured household.**

The highest- ranking insured for a commercial policy is the **1<sup>st</sup> Named Insured.**

The organization that creates the policy is called the Insurance Company sometimes referred to as the Insurer.



# An Insurance Contract

**Party #1 – Insured**

**Party #2 – Insurance Company**



# Basics of Insurance

**Insurance – Transfer of Risk**

**1. Insured – Buys Policy**

**2. Insurance Company – Creates Policy**

**Risk - Uncertainty, Chance of Loss  
between 0-100**

**Types of Risk:**

**1. Speculative**

**2. Pure**



# Basics of Insurance

- **Manage Risk:**
  - Avoidance
  - Reduction
  - Retention
    - Partial
    - Full



# Basics of Insurance

Loss – Reduction in Value

Two Types of Losses:

1. Direct Loss – Physical Destruction

2. Indirect Loss – Consequence of a Direct Loss

Peril – Cause of Loss

1. Named Perils

2. Open Perils (All Risk)





# Basics of Insurance

- **Types of Insurers:**
  1. Mutual
  2. Stock
  3. Reciprocal
  4. Lloyds of London
  5. Fraternal
  6. Government

LLOYD'S



# Basics of Insurance

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- **States Regulate Insurance**
  1. Domestic
  2. Foreign
  3. Alien
- **Congress created a law allowing states to regulate:**
- **“McCarran Ferguson Act”**
  - **Authorized (Admitted)**
  - **Unauthorized (Non- Admitted)**



**Authorized Insurance Company**



**Insurance Agent**

**Application Rejected by 3  
Authorized Insurance Companies**

**Unauthorized Insurance Company**



**Surplus Lines Broker**



# Basics of Insurance

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## Hazards

1. Moral
2. Morale
3. Physical
4. Legal

## Indemnity

1. To Make Whole
2. Insurable Interest



# Basics of Insurance

- **Insurance is a Contract based on Utmost Good Faith**
- **Essentials of Contract Law**
  1. Offer & Acceptance = Agreement
  2. Consideration
  3. Legal Purpose
  4. Competent Parties



# Basics of Insurance

- Material Facts
  1. Misrepresentation
  2. Concealment
  3. Representations
  4. Warranties
- Parol Evidence Rule
- Adhesion
- Unilateral
- Aleatory



# Basics of Insurance

- Personal Contract
- Conditions
- Waiver & Estoppel
- Binder



# Basics of Insurance

## Format Of An Insurance Policy

1. Declarations Page
2. Insuring Agreement
  - a. Named Perils
  - b. Open Perils (All Risk)
3. Conditions
4. Exclusions
5. Endorsements
6. Definitions





# Basics of Insurance

- **A Producer Sells Policies**
  - A. Insurance Agent
    1. Independent
    2. Captive
  - B. Duties of an Agent
    1. Sells Policies
    2. Submit Applications
    3. Collect Premiums

“ Commingling Not Allowed”
- **Broker**



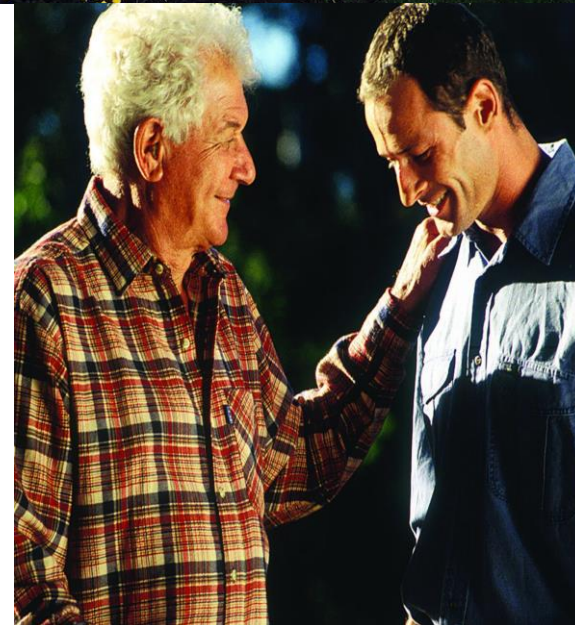
# Basics of Insurance

- **Reinsurance**  
Insurance for catastrophic losses
- **Insurable Interest**
  1. You have a financial stake
  2. A loss will impact you financially
  3. A policy pays that based on Insurable Interest

\$100.000



Horatio - 50%



Fred - 50%



- **We insure the house for Replacement Value. That's the cost of construction including Labor and Materials.**
- **After a cost evaluation on replacement is done, that cost is \$700,000.**
- **That's the amount that we insure for and it's enough to cover the loan.**
- **We do not insure houses for market value. We insure instead for the cost of rebuilding after a loss and that's replacement value.**

- **Sale Price of the house is \$500,000 (Market Value)**
- **Buyer makes a down payment of \$80,000**
- **Buyer gets a mortgage of \$420,000 to purchase the home**
- **Mortgage Company's Insurable interest is \$420,000 (Loan Amt)**
- **Insurance on the house must at least cover the loan.**

# Basics of Insurance

## How to Pay Losses

1. Replacement Cost
2. Actual Cash Value
3. Agreed Value
4. Valued Policy
5. Proximate Cause
6. Apportionment
7. Subrogation



# Fine Arts

## PAF Policy - (Personal Articles Floater)

1. DaVinci - "Savior of The World"



# Proximate Cause "Efficient Reason for Loss"

## Policy

## Named Perils

1. Fire
2. Lightning



# Apportionment



1. Safeco: \$50,000,000
2. Hartford: \$25,000,000
3. Travelers: \$25,000,000

Loss: \$10,000,000

Safeco: \$5,000,000

Hartford: \$2,500,000

Travelers: \$2,500,000

\$100,000,000

# Basics of Insurance

8. Partial Loss
9. Total Loss
10. Limit of Coverage
11. Abandonment
12. Salvage
13. Appraisal
14. Vacant
15. Unoccupied





# Abandonment

- Value of vehicle: \$ 28,000
- Loss: \$ 3500
- This loss is not a total
- The insured must keep the vehicle and insurance company will repair.
- To try to give the car to the Insurance Company as salvage, is a total.



# Basics of Insurance

## Key Elements of an Insurable Risk:

1. Law of Large Numbers
2. Rates must be adequate
3. For a Catastrophic loss to be covered, there must be ability to predict
4. Loss must be from an accident
5. Loss must be definite.



Looking at Numbers To  
Predict Outcome

# Basics of Insurance

- Cancellation
- Non-Renewal
- Burglary
- Robbery
- Theft
- Mysterious Disappearance



# Rules and Regulations

## Role of Insurance Commissioner

1. Elected – 1 term equals 4 years
2. No term limitations
3. In charge of the Insurance Department and Fire Jurisdictions
4. Appoint Deputy Commissioners
  - a. Insurance Commissioner will select Chief Deputy Insurance Commissioner, must be bonded in the amount of \$15000
  - b. Chief Deputy takes over if Insurance Commissioner resigns



# Rules and Regulations

## Regulation of Companies

1. Domestic (Same State)
2. Foreign (Different State)
3. Alien (Different Country)

## Must be financially stable

1. Financial Rating must be **A** or better
2. If less than **A** rating:
  - a. Will be placed on Financial Rehab
  - b. If continues, Certificate of Authority can be revoked
3. Domestic Insurer's Financial Status must be examined a minimum every 5 years



# Rules and Regulations

- **The State of Georgia will classify an Insurance Company as Authorized vs Unauthorized**
  1. Authorized company will handle policies for agents
  2. Unauthorized Company will handle surplus risks for Surplus Lines Brokers
  3. Surplus Risk – Application rejected by 3 authorized insurers.



# Rules and Regulations

## **Insurance Department manages complaints**

1. Agent or Adjuster must be notified that they are under investigation.
2. Can request a Public Hearing
3. If found guilty, can Request an Appeal
4. The Superior Court of Fulton County handles appeals





## Rules and Regulations

### Penalties

1. If found guilty of fraud, licensed revoked for 5 years.
2. If found guilty of Willful Violation of Insurance Code
  - Probation for 1 year and \$1000 fine.
3. If found guilty of Un-Willful Violation of Insurance Code
  - Probation for 1 year and \$5000 fine.



# Rules and Regulations

EXAM

## Requirements to be a Licensed Producer:

1. Minimum 18 years of age
2. Take 40 hrs. Pre-Licensing Course
3. Pass the exam with a minimum score of 70%
4. Apply for a license and pass a background check

# Rules and Regulations

**To have an Active Agents License, an Agent Must Represent at least 1 Insurance Company:**

1. Sell Policies
2. Collect Premiums
3. Earn New Commissions
4. Earn Renewal Commissions

**License becomes Inactive when you do not represent a Company:**

1. Cannot Sell Policies
2. Cannot Collect Premiums
3. Cannot Earn New Commissions
4. Can Earn Renewal Commissions



# Rules and Regulations

- **Renewal of Agent and Adjuster Licenses Every 2 Years:**
  1. **If licensed less than 20 years, must acquired 24 hours of Insurance Continued Education Course Credits, including 3 hours of Ethics.**
  2. **If licensed 20 or more years, must acquire 20 hours of Insurance Continued Education Course Credits, including 3 hours of Ethics.**



# Rules and Regulations

## Insurance Licenses

1. Agent – Sells Policies
2. Adjuster – Evaluates and Investigates Losses
3. Temporary License – 6 to 15 Months
  - a. Staff Unlicensed and Agent/Owner Dies
4. Counselors License – Consultant charging fees



# Rules and Regulations

## Unethical Activities

1. **Rebating** – When Selling Policies, an Agent cannot offer a person Money or a Gift
2. **Twisting** – An Agent Must be Truthful in presenting what A Policy Can and Cannot do
3. **Commingling** – An Agent Cannot Deposit Insurance Premiums in their Personal Account



# Rules and Regulations

## Unethical Activities

1. **Binder** – Cannot be issued for more than 90 days
2. **Controlled Business** – Of the Insurance Premiums, an individual controls and have access to. It cannot exceed 25%
3. **Sharing Commissions** – An Agent can only share commissions with other P&C Agents

**commissions?**

# Rules and Regulations

4. Employees of the Insurance Dept cannot have a financial interest in an insurance company or insurance agency. They can be an insured or claimant.
5. It is unethical to discriminate based on race, religion, gender preference, gender, religion.
6. No one can engage in false advertising.



# Rules and Regulations

## State Insurance Programs:

- Assigned Risk (Auto)
- Assigned Risk (WC)
- Fair Plan (Property)

## Auto Discounts:

- Defensive Driver (10%)
- Honor Student (10%)





# Liability Coverage

- Liability is a form of casualty Insurance
- Liability is third party coverage because it pays to the other person.
- To pay a claim of Liability, the insured must be negligent.
- When negligent, it means you are legally responsible for the outcome of another person's injury or property damage.



# Liability

**There are 3 areas of Liability:**

1. Bodily Injury – bodily harm
2. Property Damage – Physical Destruction
3. Personal Injury

**Tort – A civil wrong is based on negligence**

**Tort Feasor**



**Don't Let Medical Malpractice Cases Go Easy!**  
[www.legalaidman.com](http://www.legalaidman.com)



# Liability

- Accident
- Occurrence
- Types of Damages
  1. Special (Specific)
  2. General
  3. Compensatory
  4. Punitive



# Liability

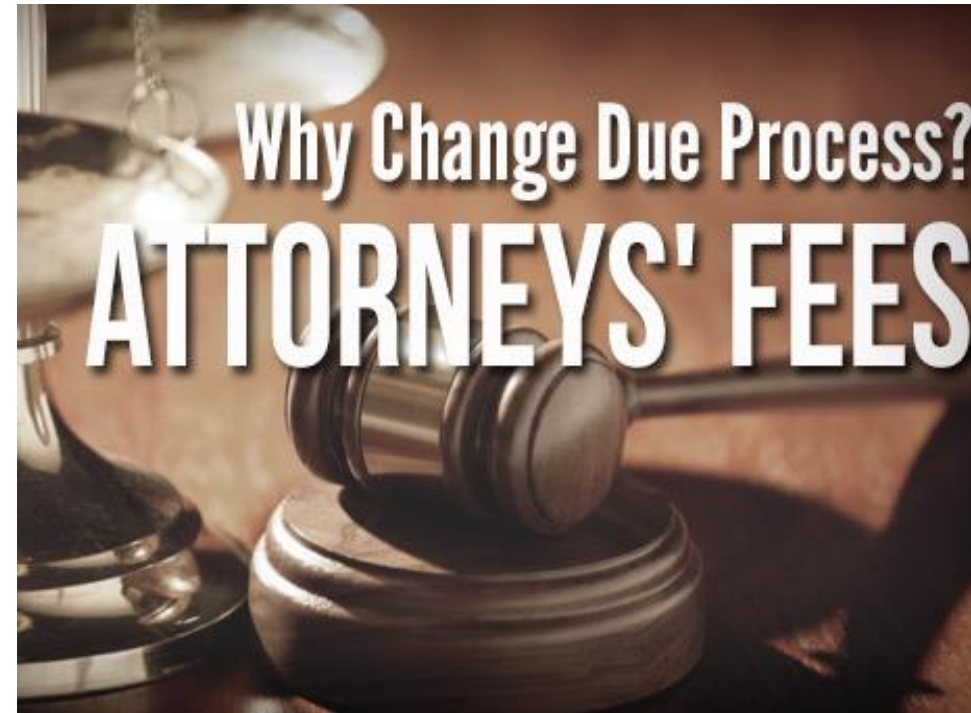
**The following are defenses concerning negligence:**

1. Comparative Negligence
2. Assumption of Risk
3. Intervening Cause



# Liability

- Liability Coverage includes
- Supplementary Payments for the purpose of covering cost of insured's defense.
- Supplementary Payments are made in addition to coverage limits.



# 3rd Party Sues Insured

Liability Coverage Limits: \$1,000,000

Supplementary Payments  
Defense Costs: \$300,000

Attorney

Total Payment: \$1,000,000  
300,000  
\$ 1,300,000

# Liability

- **Vicarious Liability**
- **Strict Liability**
- **Absolute Liability**
- **Care, Custody, Control Exclusion**



# Liability

**Property Damage Liability covers damage to property of someone else where the insured did not control the other person's property.**

**Exclusion: Care, Custody & Control – if the insured has control of the other person's property when damaged, liability will not pay.**

**Bailee Coverage will cover damage to property of others where the insured controlled that person's property.**

1. Drycleaners
2. TV Repair Shops
3. Computer Repair Shops
4. Lawnmower Repair Shops



# Personal Lines Property

## Standard Fire Policy

1. Introduced in 1918
2. Laid Foundation for insuring Structures and Contents
3. This policy insured:
  - a. Houses and Contents
  - b. Office Buildings and contents
  - c. Factories and contents
  - d. Barns and contents

The Standard Fire Policy is now obsolete



# Standard Fire Policy

## Standard Fire Policy – Universal Conditions

- Subrogation
- Abandonment
- Salvage
- Appraisal
- Vacant
- Unoccupied
- Time Coverage Begins
- Contents will not include valuable papers
- Liberalization
- Loss to Contents – ACV
- Named Insured & Legal Representative
- Void a policy if Fraud
- Civil Authority Loss
- Mortgage Company filing proof of loss

# Standard Fire Policy

**Definition of Fire – Combustion sufficient to produce a Spark, Flame or Glow, and is Hostile vs. Friendly**

- **Standard Fire Policy with No Attachments:**
  1. Fire
  2. Lightning

- **Attachment: EC (Extended Coverage) Perils**
  - **W**indstorm
  - **C**ivil Commotion
  - **S**moke
  - **H**ail
  - **A**ircraft Damage
  - **V**ehicle Damage
  - **E**xplosion
  - **R**iot

# Standard Fire Policy

## Coinsurance Criteria

1. Concerns partial losses only.
2. To pay a partial loss as replacement, the house must be insured for 80% of property value.

**Value: \$ 100,000**



**Loss: \$5000**

**Policy Limit: \$ 80,000**

# Standard Fire Policy

- If house is insured for less than 80%, we cannot pay replacement.
- There's a coinsurance formula that will determine our payment:

Did

Should X Loss = Payment

60,000

80,000 X \$5000 = 3750

**Value: \$ 100,000**



**Loss: \$ 5000**

**Policy Limit: \$ 60,000**

# Dwelling Fire Policy & Homeowners

**We have two policies that have replaced the Standard Fire Policy for insuring a personal residence:**

1. Dwelling Fire Policy
  2. Homeowners
- The Best policy is homeowners

The Dwelling Fire Policy insures those houses that cannot qualify for homeowners because they are:

1. Low Valued
2. Old House w/o renovations
3. Undesirable Locations
4. Rental Houses



# Dwelling Fire Policy

## Declarations Page

### Attach a Dwelling Form:

1. DP1 Basic
2. DP2 Broad
3. DP3 Special

### A Dwelling Form Insures a Personal Residence:

- 1 Family
- 2 Family
- 3 Family
- 4 Family



# Dwelling Fire Policy

- A residence can also be a mobile home
- A house on a farm cannot qualify
- All 3 Dwelling Forms have the following major coverages:

**Coverage A Dwelling**

**Coverage B Other Structures**

**Coverage C Personal Property**

**Coverage D Fair Rental Value**

**Coverage E Additional Living Expenses**





# Dwelling Fire Policy

- A Dwelling Form includes losses to be covered:

Dp1 Basic – 3 named perils:

1. Fire
2. Lightning
3. Internal Explosion

\*A 2nd Endorsement  
Vandalism & Malicious Mischief

- Attach Endorsement: EC Form
  - W**in**dstorm
  - C**iv**il Commotion
  - S**mo**ke
  - H**ai**l
  - A**ir**craft Damage
  - V**eh**icle Damage
  - E**x**plosion
  - R**io**t

# Dwelling Fire Policy

- Dp2 – Broad Form- More named Perils:
  1. Fire
  2. lightning
  3. EC
  4. Vandalism and Malicious Mischief
  5. Falling Objects
  6. Burglar Damage
  7. Weight of ice, snow or sleet
  8. Sudden and accidental discharge of water
  9. Freeze Damage
  10. Artificially Generated Electrical Current
  11. Tearing Apart
  12. Volcanic Eruption

# Dwelling Fire Policy

- DP3 –Special Form

Coverage A Dwelling – All Risk (Theft is not a Named Exclusion)

Coverage B Other Structures – All Risk (Theft is not a Named Exclusion)

Coverage C Personal Property –Named Perils (Theft is not a Named Peril)

- 2 Key Endorsements:

1. Theft of contents
2. Liability



# Dwelling Fire Policy

**All 3 Dwelling Forms include a section called Other Coverages:**

1. Removal
2. Debris Removal Expenses
3. Worldwide personal property coverage
4. Cost for reasonable repairs
5. Fire Department Service
6. Tree Coverage
7. Collapse



# Dwelling Fire Policy

- Loss Settlement:

Basic –Dp1

Dwelling

ACV

Contents

ACV

Broad (Dp2)

Dwelling

Repl

Contents

ACV

Special (Dp3)

Dwelling

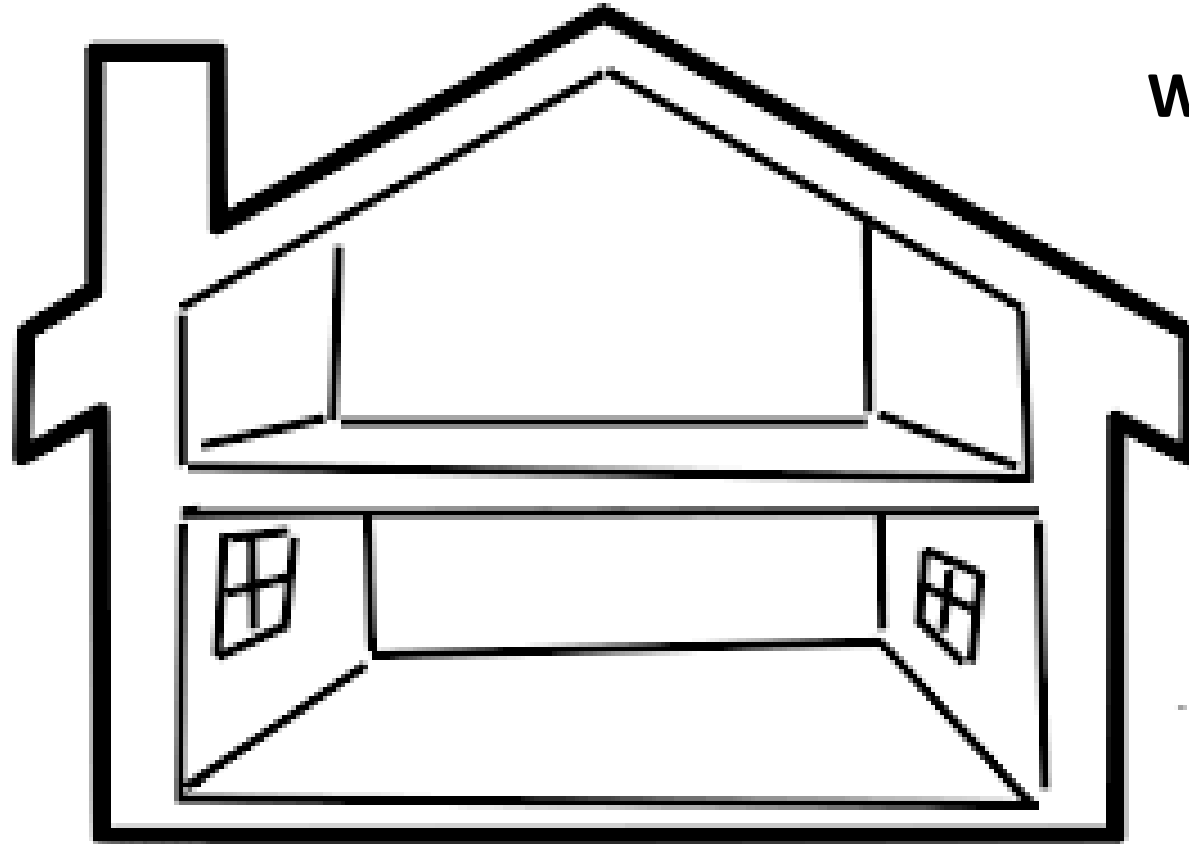
Repl

Contents

ACV

**Replacement Value: \$100,000**

**Wind Damage  
\$5000**



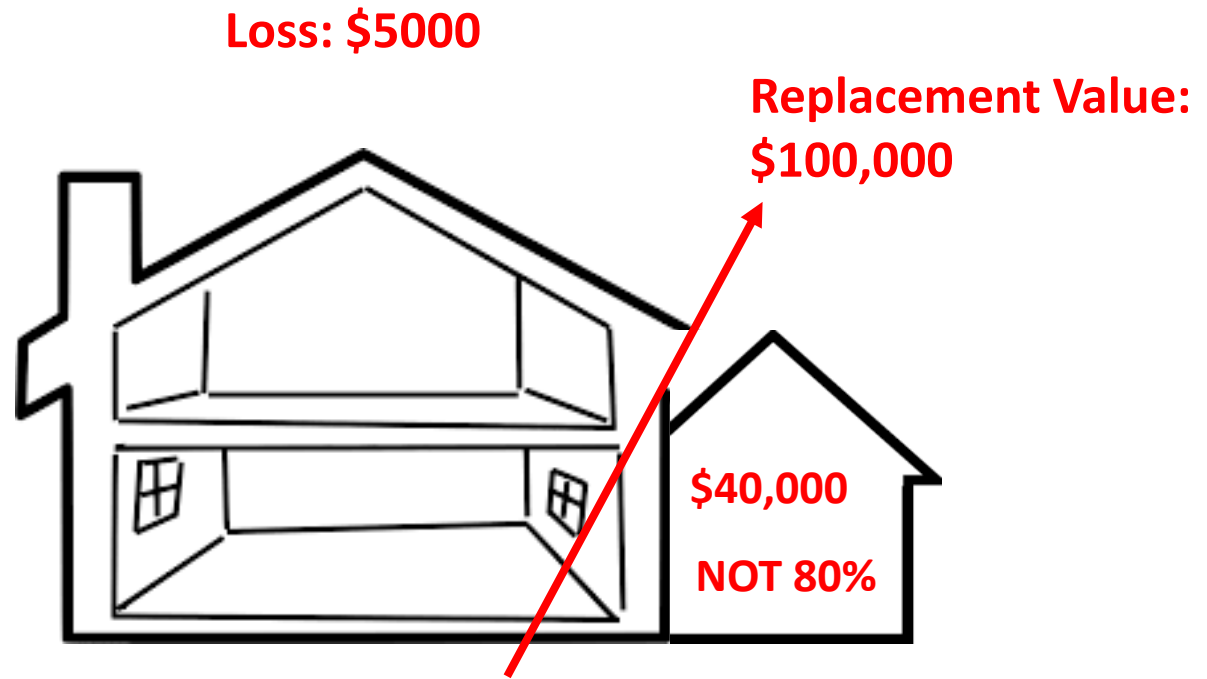
**DP2 or DP3  
Pay Replacement**

**Replacement Must  
be Validated at  
80% - Value**

**House Insured for: \$80,000**

**Policy Limit**  
 ↓  
**Coinsurance: Did X Loss**  
**Should**  
 ↗  
**80% - Value**

$\frac{\$60,000}{\$80,000} \times \$5000$   
 $\frac{3}{4} \times \$5000 = \$3750$



**House Insured For: \$60,000**

**Depreciation of Roof: \$2000**

$$\text{ACV} = \text{RC} - \text{Depreciation}$$

$$\$5000 - \$2000 = \$3000$$

# Homeowners Policy

- **This Policy is a Package Policy**
- **It combines 2 Coverages, Property and Liability**
- **To qualify, the house must be Owner-Occupied**
- **A Secondary Home can qualify**
- **It must be a Residential Structure**
- **A Mobile Home can qualify, if not on wheels**





# Homeowners Policy

- The Homeowners Policy consists of a Declarations Page
- The Available Homeowners Forms are:
  - HO8 (HO1) - Basic (Modified): Older Homes
  - HO2 - Broad
  - HO3 - Special
  - HO4 - Tenant or Content
  - HO5 - Comprehensive: High Valued Homes
  - HO6 - Condo Broad: Condo Unit Owners
  - HO7 - Mobile Home

# Homeowners Policy

	H08 (HO1)	H02	H03	H04	H05	H06	H07
<b>Section I Property</b>							
<b>Cov A Dwelling</b>	ACV	Repl	Repl	NA	Repl	\$1000	Repl
<b>Cov B Other Struc</b>	10% ( A )	10% ( A )	10% ( A )	NA	10% ( A )	NA	10% (A)
<b>Cov C Personal Prop</b>	50% (A)	50% (A)	50% (A)	Stated Amt	50% (A)	Stated Amt	40% (A)
<b>Cov D Loss of Use</b>	10% (A)	30% (A)	30% (A)	30%(C)	30% (A)	50%(C)	30% (A)

## Section II Liability


<b>Coverage E Personal Liability</b>	\$ 100,000 per occurrence
<b>Coverage F Medical Payments</b>	\$ 1,000 per person, per occurrence

Exhibit

# Homeowners Policy

- The 4 Forms that cover a personal dwelling (HO8, HO2, HO3 & HO5 have the same major coverages under Section I Property:
  - Coverage A Dwelling
  - Coverage B Other Structures
  - Coverage C Personal Property
  - Coverage D Loss of Use

## Special Limitations



1. Money	\$200
2. Valuable Papers	\$1500
3. Watercraft	\$1500
4. Trailers	\$1500
5. Theft of Jewelry	\$1500
6. Theft of Silverware	\$2500
7. Theft of guns	\$2500
8. Business Property on Premise	\$2500
9. Business Property off Premise	\$500

# PAF Policy

## Personal Articles Floater

1. 500 Buffalo Nickels, Edition: 1933  
Value: \$100,000
2. Manuscript – Harry Potter Series  
Value: \$1,000,000

# Homeowners Policy

- Scheduled Personal Property Endorsement

14kt Gold Earrings	\$2500
Pearl Necklace	\$5000
Presidential Rolex Watch	\$13,500
Cartier Bracelet	\$20,000

“ All Risk Coverage”



# Homeowners Policy

- **HO8 Basic** – Older Houses  
Basic Named Perils – Dwelling, Other Structures, Contents
- **HO2 Broad** – Broad Form Named Perils – Dwelling,  
Other Structures and Personal Property
- **HO3 Special** – **All Risk Coverage - Dwelling & Other Structures**, Broad Named Perils for  
Personal Property
- **HO5 Comprehensive** – High Valued Homes  
**All Risk Coverage – Dwelling,  
Other Structures & Personal Property**



# Homeowners Policy

- HO4 - Tenant Broad Form covers contents for people who are renting
- There is no Coverage A or Coverage B
- The Major Coverage is Coverage C that covers the insured's contents. The limit shown is a Stated Amount Limit
- The HO4 includes Coverage D - Loss of Use



# Homeowners Policy

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- HO6 Condo Broad Form covers losses pertaining to a Condo Unit
- The major coverage is Coverage C Personal Property
- Coverage A for the HO6 does not cover a dwelling. It is a Special Coverage: Improvements, Betterments, Additions & Alterations.
- It covers losses to upgrades made by the insured to the interior of their condo:
  1. Upgraded carpet
  2. Upgraded Wall Covering
  3. Upgraded Fixtures





# Property Endorsements

- Earthquake
- Replacement Cost Contents



# Homeowners Policy

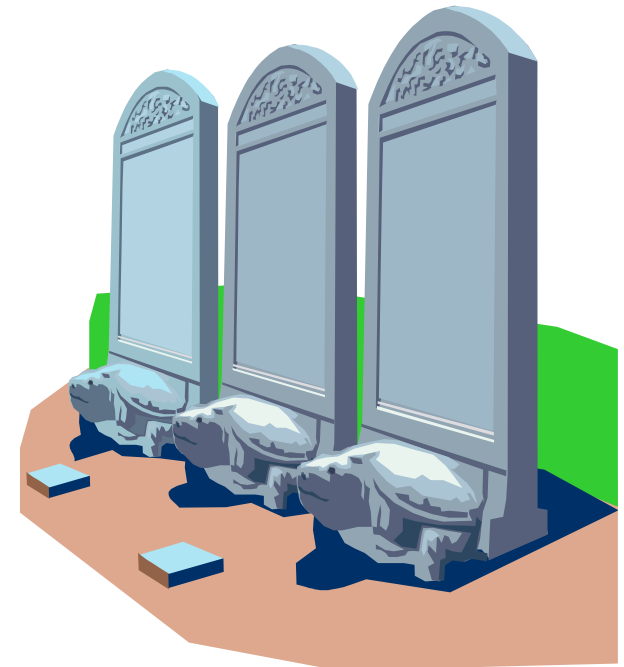
- **Section II Liability**
  1. **Coverage E Personal Liability**
    - **Bodily Injury**
    - **Property Damage**
  2. **Coverage F Medical Payments to Others**



# Homeowners Policy

## Section II Liability Definitions

- **Bodily Injury**
- **Residence Premises**
- **Insured Location**
  1. **Residence Premises**
  2. **Secondary Home**
  3. **Premises used in connection with the residence**
  4. **Non-Owned Premises where the insured temporarily resides**
  5. **Vacant Land**
  6. **Home Construction Activity**
  7. **Cemetery Location**
  8. **Premises occasionally rented by insured (Non-Business)**



# Homeowners Policy

- **Additional Coverage**
  1. **Claim Expenses**
    - Defense
    - Loss of Earnings (\$250 per day)
    - Reasonable Expenses
  2. **First Aid Expenses**
  3. **Damage to the property of Others (\$1000)**
  4. **Loss Assessment Coverage**



# Homeowners Policy

- **Liability Exclusions**

1. **War Action**
2. **Intentional Acts**
3. **Rendering or failure to render Professional Services**
4. **Business liability**
5. **Ownership and use of automobile, aircraft, watercraft**
6. **Transmission of Communicable Disease**
7. **Sexual Molestation, Physical Abuse, Mental Abuse**



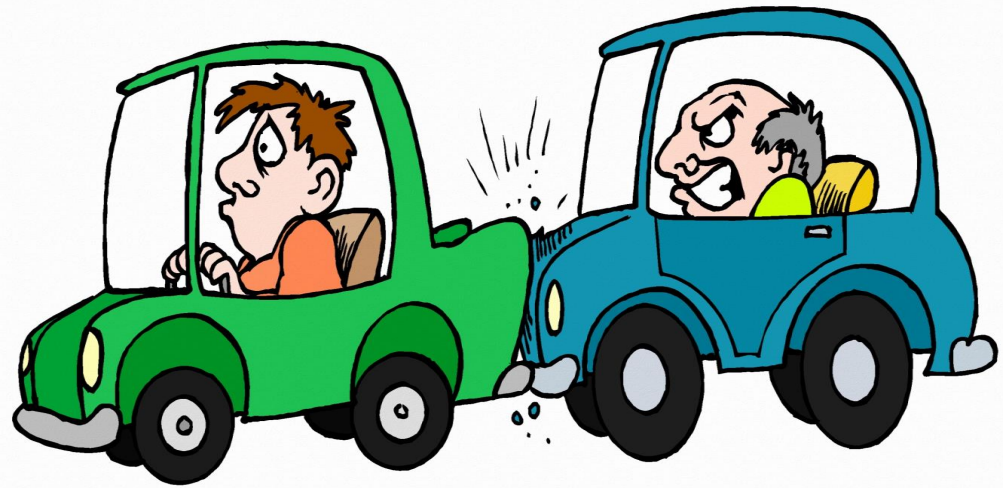
# Personal Auto

- Personal Vehicle that's owned by the individual.
- Car is driven for Personal Activities
- Georgia State requirement that a vehicle must be insured to drive on the roads of Georgia.
- The name of the Ga Law requiring that vehicles must be insured is called The Georgia Financial Responsibility Law.



# Automobile Insurance

- The GA Law says that a person must demonstrate that they are driving a vehicle responsibly.
- To be able to drive a car in Georgia, there are other options to do so other than having an automobile policy.
- The 3 options to drive a vehicle in Georgia are:
  1. An Automobile Policy
  2. A Bond
  3. Making a cash deposit of \$ 25,000



# Personal Auto

- When a person has an automobile policy, they must carry Liability coverage in the policy.
- There must be minimum limits carried for Liability: 25/50/25
- The 3 amounts shown represent split limits of liability.
- Another option for liability limits will be a single limit of Liability.
- If carrying a single limit for Liability, the minimum limit is \$75,000.





# Personal Auto

25/50/25



Exhibit

# Personal Auto

25/50/25



Exhibit

# Personal Auto

**25/50/25**



Exhibit

# Personal Umbrella

Limits: \$5,000,000

Personal Auto  
Limits: \$300,000

Homeowners  
Limits: \$500,000

Claim: \$1,000,000

Claim: \$1,000,000

Auto Policy pays: \$ 300,000

Homeowners Pays: \$500,000

\$ 700,000

\$500,000

Umbrella Pays: \$700,000

Umbrella Pays: \$500,000

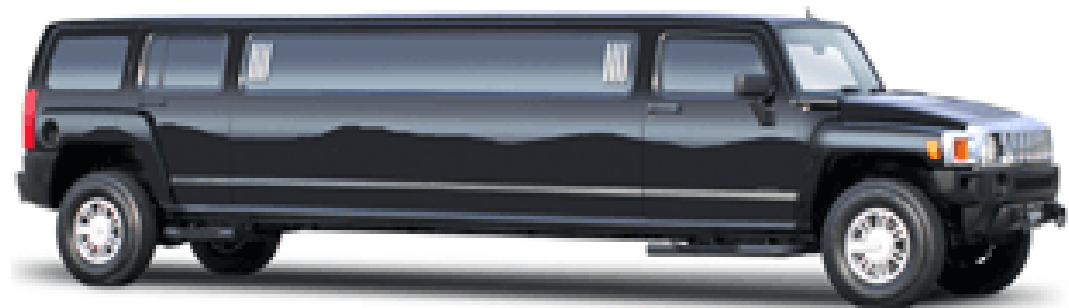
# Personal Auto

- Assigned Risk Program – State Program that will insure Autos that cannot qualify for coverage.
- An Automobile Policy has a declarations page.
  - A. Show Eligible Vehicles on that page
    1. Private Passenger Vehicles:
      - a. Sedans
      - b. SUVs
    2. Trucks < 10,000 lbs.
    3. Vans < 10,000 lbs.
- Owned and Lease Vehicles qualify



# Personal Auto

- **Ineligible Vehicles:**
  1. **Company owned vehicles**
  2. **Taxis**
  3. **Limousines**
  4. **Motorcycles**
  5. **Vehicles > 10,000 lbs.**



# Personal Auto

- **Coverage Territory**
  1. **United States**
  2. **Canada**
  3. **United States Territories**
    - a. **Puerto Rico**
    - b. **Guam**
    - c. **Samoa**
    - d. **US Virgin Islands**



# Personal Auto

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- **Attach a Personal Auto Form to the Declarations Page**
- **Personal Auto Form will identify who is covered for Losses:**
  1. **Named Insured**
  2. **Spouse**
  3. **Family members of Household**
  4. **Child away at college**
  5. **Anyone driving with your permission**





# Personal Auto

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- **Personal Auto Form will also include key definitions:**
  - A. Covered Automobiles:**
    - 1. Vehicles on Declarations Page**
    - 2. Newly Acquired Vehicles**
      - a. Newly acquired Additional Vehicles**
      - b. Newly Acquired Replacement Vehicles**



# Personal Auto

---

- **Coverage A Liability**
  1. Bodily Injury
  2. Property Damage Liability
- **Coverage A Liability when driving in other states**
- **Coverage A Liability includes Supplementary Payments:**
  1. Defense Costs
  2. Loss of Earnings - \$200 per day
  3. Bail Bond- \$250
  4. Costs of an Appeals Bond



# Personal Auto

- **Choice of Liability Limits:**
  1. **Split Limits: 25/50/25**
  2. **Single Limit: \$75000**
- **A Single Limit pays per person for Bodily Injuries and per accident for all injuries, including damage to another persons property.**



# Personal Auto

- **Coverage B Medical Payments (Optional)**
  - Necessary Medical Payments within 3 years of accident
  - Payment Regardless of Fault
  - Insured
    - Named insured
    - Spouse
    - Family members
    - Passengers
  - Medical Payments will apply for accidents occurring while occupying the vehicle
  - Medical Payment limits are per person, per accident



# Personal Auto

- **Coverage C Uninsured Motorists (Optional)**
- **Must offer, insured can reject signing rejection form**
- **Insured:**
  - **Named Insured**
  - **Family members**
  - **Passengers**
- **Minimum Limits – 25/50/25**
- **Hit & Run qualifies as uninsured motorists**
- **Underinsured Motorists Coverage is automatic**
- **Arbitration**



# Personal Automobile

Liability  
25/50/25



Underinsured  
Motorists  
50/100/50

Injuries:  
\$30,000

50,000 Underinsured Motorist  
-25,000 Liability  
-25,000 (Difference)

\$5000  
Available

Exhibit

# Personal Auto

---

- **Coverage D Physical Damage**
  1. Comprehensive
  2. Collision
- **Comprehensive Covers: Fire, Wind, Damage by Falling Object, Theft, Riot, Vandalism, Hail, Glass Breakage, Earthquake, Flood and Animal Damage to your vehicle.**
- **Collision Covers: When Insured Vehicle collides with another vehicle, an Object, or when it flips over.**



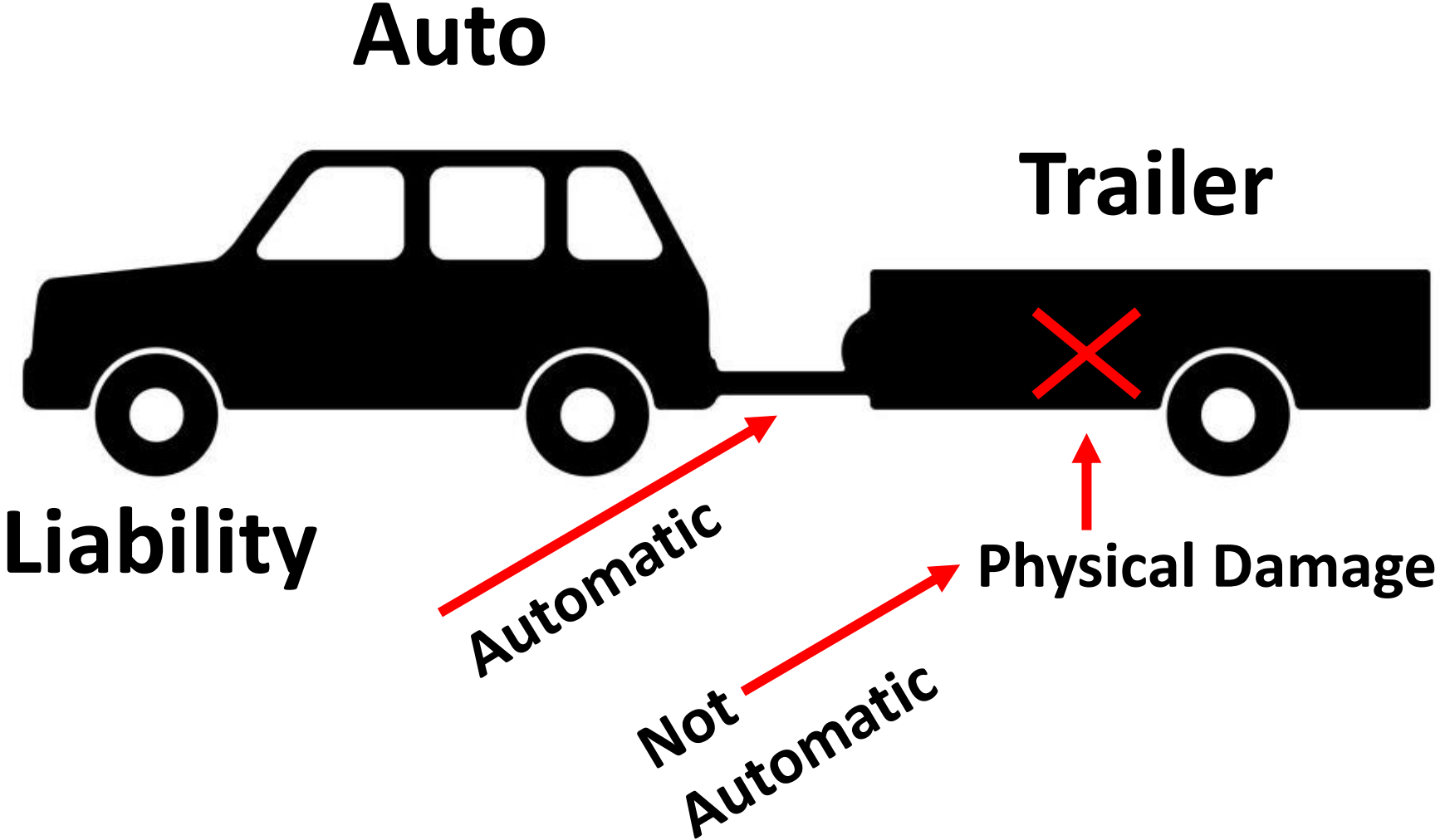
# Personal Auto

---

- **Transportation Expenses**
- **Part of your Physical Damage Coverage**
- **Covers cost of Transportation when your car is damaged in a Loss**
- **Pays \$20 a Day after waiting period:**
  - 48 hrs. When Car is Stolen
  - 24 hrs. For the Other Losses.
- **The Maximum Payment for Transportation Costs cannot exceed \$600**







# Personal Automobile

- Non-Owned Auto

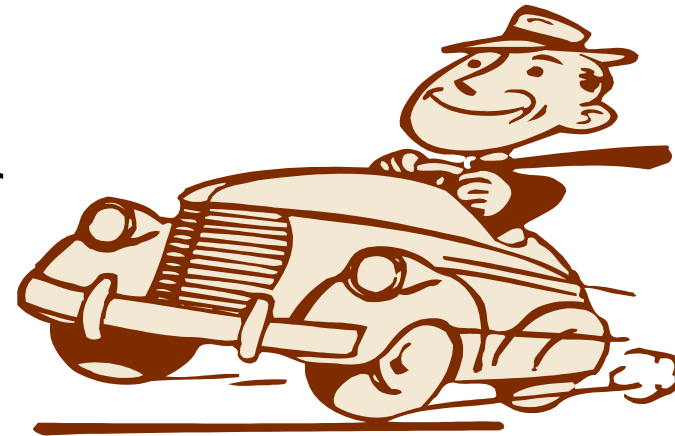
Horatio borrows Fred's car and causes an accident by running a stop sign. BI's \$150,000

Fred:

Automobile Liability Limits

50/100/50

Fred's car



Horatio:

Automobile Liability Limits

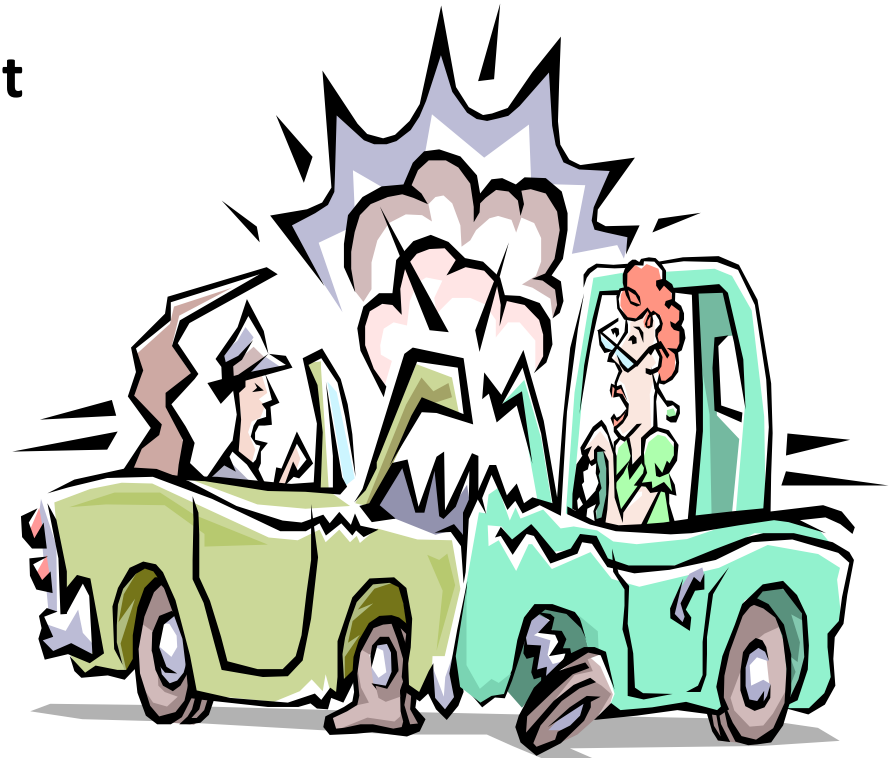
100/300/100

Exhibit

# Personal Automobile

## Coverage E Duties in the Event of an Accident

1. File police report for uninsured motorists claim or stolen vehicle
2. Names and addresses of witnesses
3. Report loss as soon as possible
4. Cooperate with insurance company



# Personal Automobile

- Part F - General Provisions
  - **Termination**
    - An Insurance Company can cancel for any reason in 1<sup>st</sup> 60 days
    - After the 1<sup>st</sup> 60 days, can only cancel for three reasons
      - Non-Payment of premium
      - Misrepresentation
      - Suspension of Driver's License
  - When canceling in the 1<sup>st</sup> 60 days, the Insurance Company must give 10 days notice regardless of the reason
  - After 1<sup>st</sup> 60 days, 10 days notice for Non-Payment; 30 days notice for a reason other than Non-Payment

# Commercial Property

---

- Building's Housing other than Personal Lines Activities are classified as Commercial Lines Properties
- The Structure of the Commercial Lines Policy:
  1. Declarations
  2. Conditions
  3. Cause of loss form
  4. Coverage form
  5. Endorsements



# Commercial Property

- **Building & Personal Property Form**

- **Coverage A - Building(s)**

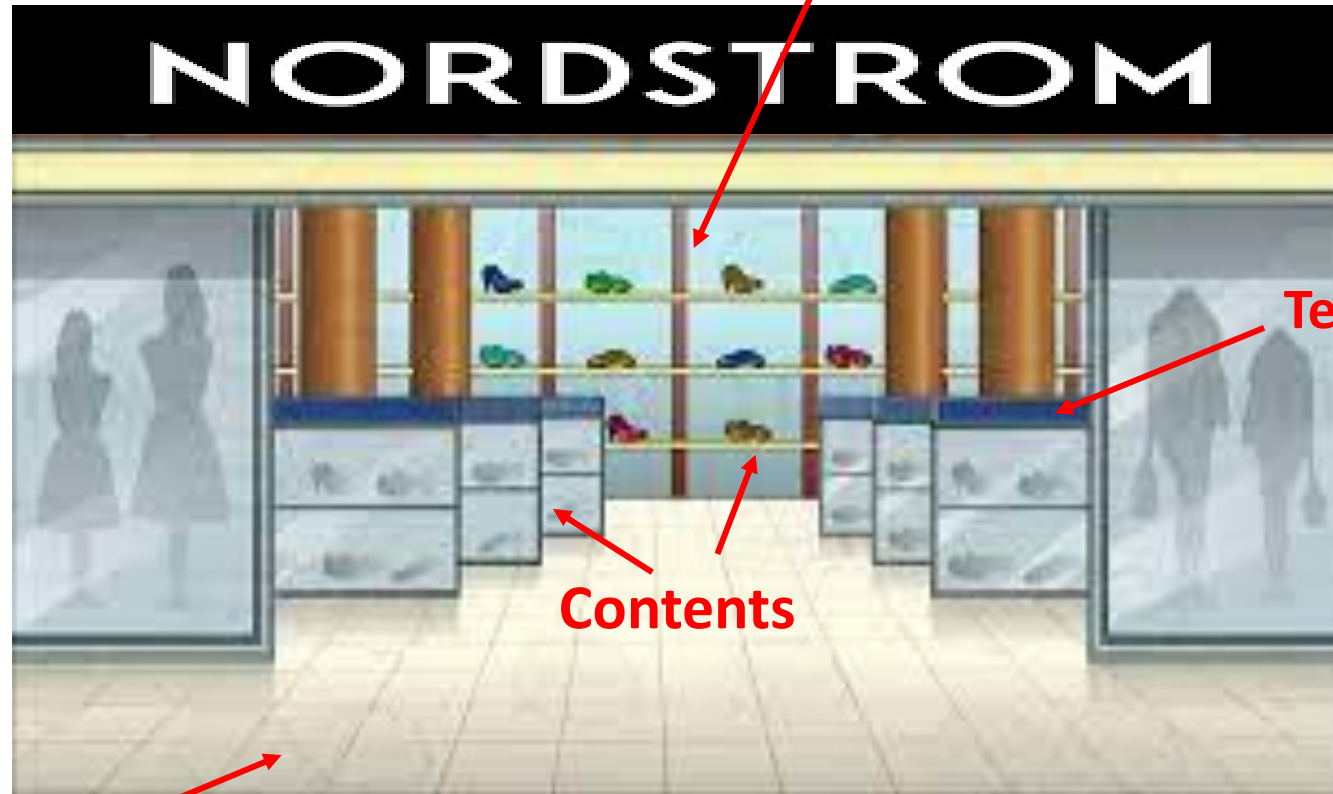
- Attached Fixtures
- Floor Coverings
- Machinery & Equipment Servicing Building
- Outdoor Fixtures
- Outdoor Patio Furniture

- **Coverage B - Business Personal Property**

- Contents of Insured
- Business Inventory
- Leased Equipment
- Tenant's Improvements



## Coverage C - Personal Property Belonging to Others



**Business Inventory**

**Tenants Improvements  
Leased Equipment**

**Contents**

**Tenants Improvements  
Flooring**

**Commercial Property Policy**

Coverage B - \$150,000,000

Coverage C - \$500,000



**PHIPPS PLAZA**  
A SIMON CENTER



**Commercial Property Policy**  
Coverage A - \$300,000,000

Owner:



**SIMON**<sup>SM</sup>  
SIMON PROPERTY GROUP, L.P.

Exhibit

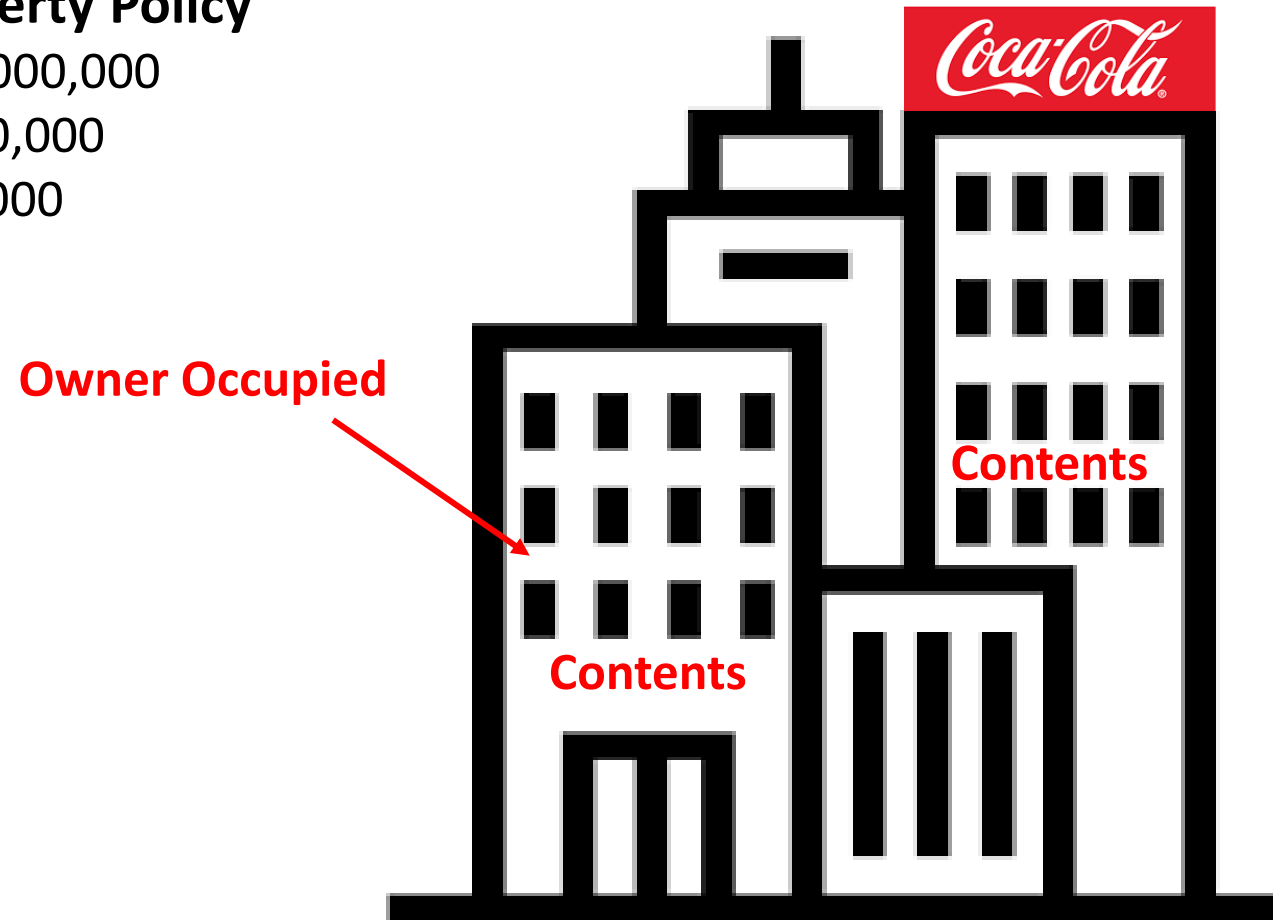


## Commercial Property Policy

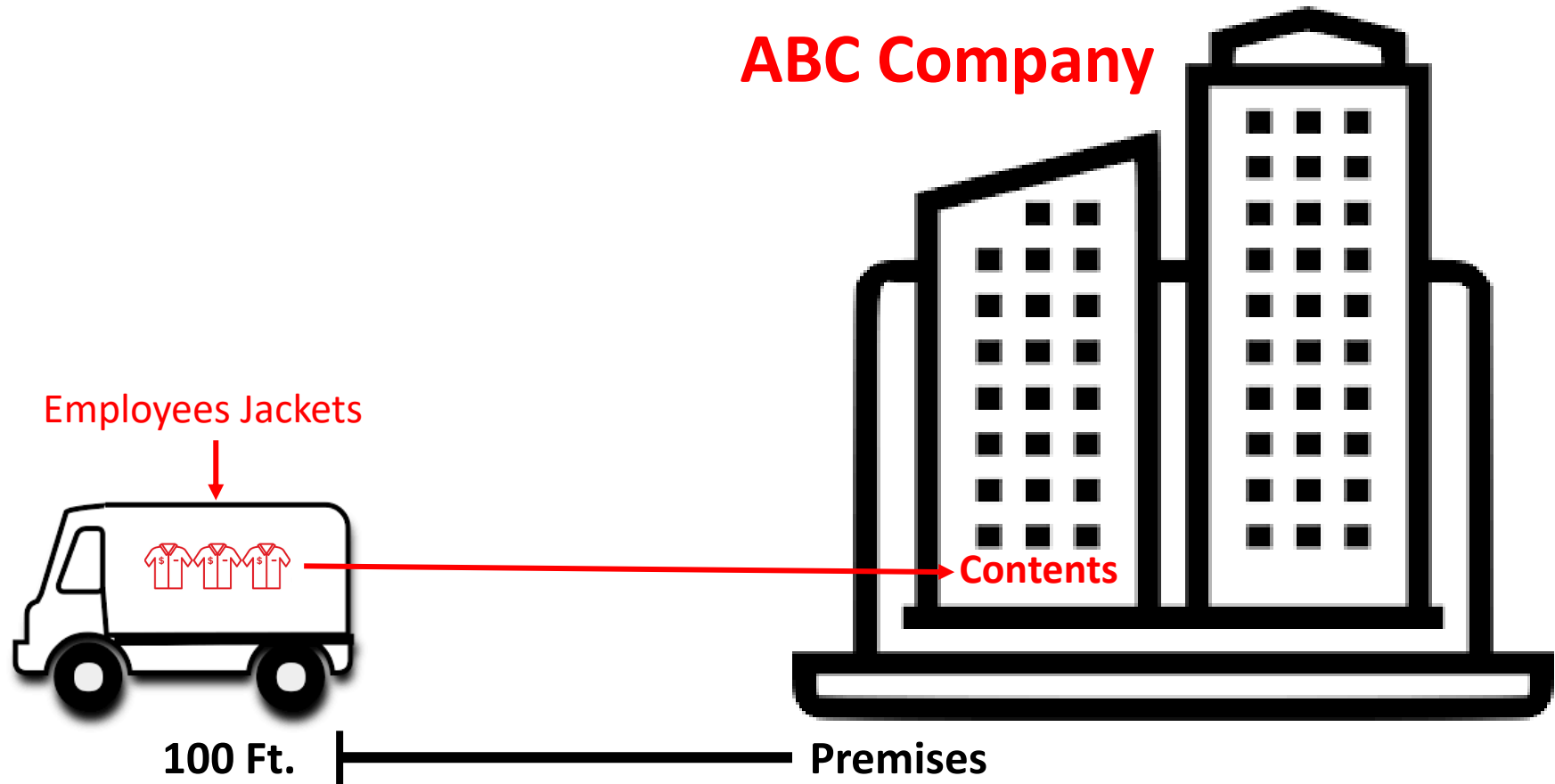
Coverage A - \$200,000,000

Coverage B - \$5,000,000

Coverage C - \$500,000



Exhibit



- When the Truck is moving, the Property on the truck is in transit.
- If Loss Occurs while in transit, Cargo Coverage pays the loss.
  - Cargo Coverage is under the category of Commercial Inland Marine.

# Commercial Insurance

- **Commercial Inland Marine Insurance can be used to insure specialty property. We have the following forms:**

- 1. Cargo – Property in Transit**
- 2. Fixed Property – Communication equipment:**
  - a. Radio Towers**
  - b. Cell Towers**

## **3. Fixed Property – Transportation**

- a. Bridges**
- b. Tunnels**
- c. Docks-piers**

## **4. Equipment Floater for mobile equipment:**

- a. Bulldozers**
- b. Cranes**
- c. Caterpillars**
- d. Forklifts**

# Commercial Property

- **Losses to a Commercial Building will be paid as ACV**
  - Losses to Contents is also paid as ACV.
- **A Commercial Policy must include a Cause of Loss Form to know what losses the policy will cover:**
  - A. Commercial Basic**
  - B. Commercial Broad**
  - C. Commercial Special**



# Commercial Property

## Basic Form

- Fire
- Lightning
- Windstorm
- Civil Commotion
- Smoke Damage
- Hail
- Aircraft Damage
- Vehicle Damage
- Explosion
- Riot
- Vandalism
- Sprinkler Leakage
- Sinkhole Collapse
- Volcanic Action



# Commercial Property

## • Broad Form

1. Fire
2. Lightning
3. Windstorm
4. Civil Commotion
5. Smoke Damage
6. Hail
7. Aircraft Damage
8. Vehicle Damage
9. Explosion
10. Riot
11. Vandalism
12. Sprinkler Leakage
13. Sinkhole Collapse
14. Volcanic Action

**PLUS**

Damage Caused by Falling Objects  
Damage Caused by the Weight of Ice or snow  
Sudden & Accidental Discharge of Water



# Commercial Property

Special Form – “All Risk”

Special Form Covers a Theft Loss because it is not a Named Exclusion.

It is the only Commercial Cause of Loss Form that will cover Theft Losses.



# Commercial Property

---

## How to Show Coverage Limits in a Commercial Policy

How to show Coverage limits in a Commercial Policy

### Limits Shown As Specific:

- Coverage A: \$ 25,000,000
- Coverage B: \$ 5,000,000
- Coverage C: \$ 500,000



100 Main Street



# How to Show Coverage Limits in a Commercial Policy



**100 Main Street**

**Coverage A: \$ 5,000,000**  
**Coverage B: \$ 500,000**  
**Coverage C: \$ 100,000**



**70 1<sup>st</sup> Ave**

**Coverage A: \$ 50,000,000**  
**Coverage B: \$ 10,000,000**  
**Coverage C: \$ 1,000,000**



**1000 Amsterdam Street**

**Coverage A: \$ 100,000,000**  
**Coverage B: \$ 20,000,000**  
**Coverage C: \$ 2,000,000**

**The ABC Company has 3 locations**

**Scheduling allows the policy to cover more than one location**

Exhibit



## How to Show Coverage Limits in a Commercial Policy

Blanket Limits:  
Coverage A: \$ 200,000,000  
Coverage B: Included  
Coverage C: Included



Exhibit

# Commercial Property

---

- **Builders Risk:**
  - **Covers Building Materials under Construction or Renovation**
  - **Typically, Construction Contractors carry this coverage**
  - **Start construction and values grow to completed value basis**



# Commercial Property

- **Consequential Losses**
  - Forms that serve the purpose of covering losses that result from physical destruction.
    - **Business Income form**
      1. **Loss of business income**
      2. **Extra expense**
      3. **Civil Authority**



# Business Income From Dependent Properties

---

- Contributing – Location the insured depends on for materials or services
- Recipient – Location which accepts the insured's products and services
- Manufacturing – Location which manufactures products for delivery to the insured's customers under a sales contract
- Leader- Location that attracts customers to the insured's business.

# Commercial Package Policy

Inland Marine

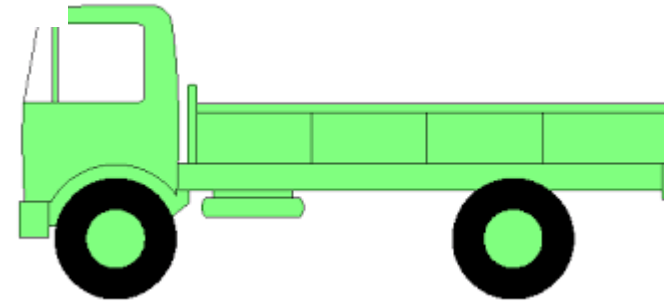


Commercial Package Policy

↓  
Common Declarations Page



Boiler



Commercial Auto



Liability

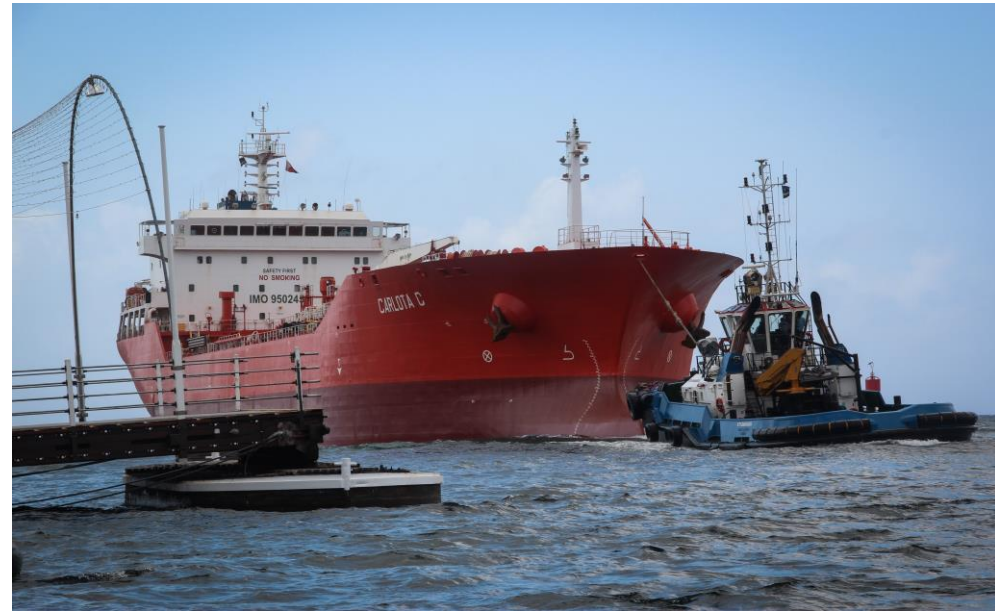
Building & Personal Property

# Commercial Package Policy

- Most Popular Forms that are packaged:
  1. Commercial Property
  2. Commercial General Liability
  3. Crime Coverage
  4. Commercial Auto
  5. Commercial Inland Marine
  6. Equipment Breakdown Coverage
  7. Farm Coverage
- The following Forms cannot be packaged:
  1. Workers Compensation
  2. Ocean Marine
  3. Aviation Coverage
  4. Medical Malpractice

# Ocean Marine Insurance

- **Protection & Indemnity**
- **Hull Coverage**
- **Cargo Coverage**
- **Freight Insurance**
- **Jettison**
- **Implied Warranties:**
  1. **Seaworthiness**
  2. **Condition of Cargo**
  3. **Legality**
  4. **No Deviation in Voyage**



**Average means loss or damage**

**General Average – Shared Partial Loss**

**Particular Average – Partial Loss Not Shared**



# Businessowners Policy

- Small, Low Risk Commercial Insured
- A Package Policy that includes 3 coverages
  1. Property
  2. Liability
  3. Loss of Income
- The following risk can qualify:
  1. Small Commercial Tenant
  2. Small Insured owns a building they do not occupy
  3. Small Insured owns and occupies a building



# Businessowners Policy

- **BOP Is Available For:**
  1. Apartment Building – Cannot exceed 25,000 sq ft
  2. Office Building – Cannot exceed 6 stories and,  
Cannot exceed 100,000 sq ft
  3. Service Risk – Space cannot exceed 25,000 sq ft  
Annual Revenue cannot exceed \$3,000,000
  4. Restaurant – Cannot have a full kitchen  
Revenue cannot exceed \$3,000,000
  5. Trade Contractor – Revenue cannot exceed \$3,000,000



# Businessowners Policy

- **Declarations Page**
  1. Standard Form
  2. Special Form
- **Minimum Deductible - \$500**
- **Maximum Deductible - \$2500**
- **Pays replacement for losses to Building and Contents**
- **Coverage must be 80%**



**The UPS Store** 

# Businessowners Policy

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## The Following Risk Categories Cannot Qualify:

1. Auto Dealerships
2. Auto Repair Centers
3. Bars/Taverns
4. Movie Theaters
5. Bowling Alleys
6. Amusement Parks
7. Banks



# Personal Articles Floater

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- Jewelry
- Furs
- Silverware
- Fine Arts
- Stamp & Coin Collection
- Guns
- Cameras
- Musical Instruments

## Exclusions:

- Wear & Tear
- Inherent vice



## Loss to a Pair or Set

If you have a loss to 1 earring the insurance company can repair or replace any part of the pair or set or pay the difference between the ACV of the property before and after a loss.

If total value of the pair is \$1000 and the loss of 1 earring decreases the value of the remaining earring, the insured can be compensated for the pre loss value.

# Commercial General Liability

## The Following Insured(s) Will Need This Coverage

- Business owners
- Non-Profits
- Churches
- Owners of Buildings
- Tenants of Buildings
- Manufacturers
- Contractors

**If you are negligent in causing another person's loss, there could be a substantial claim against you**



# Commercial General Liability

- **The Commercial General Liability Policy consists of two major sub-lines:**
  - Premises & Operations
  - Products & Completed Operations

Landlords

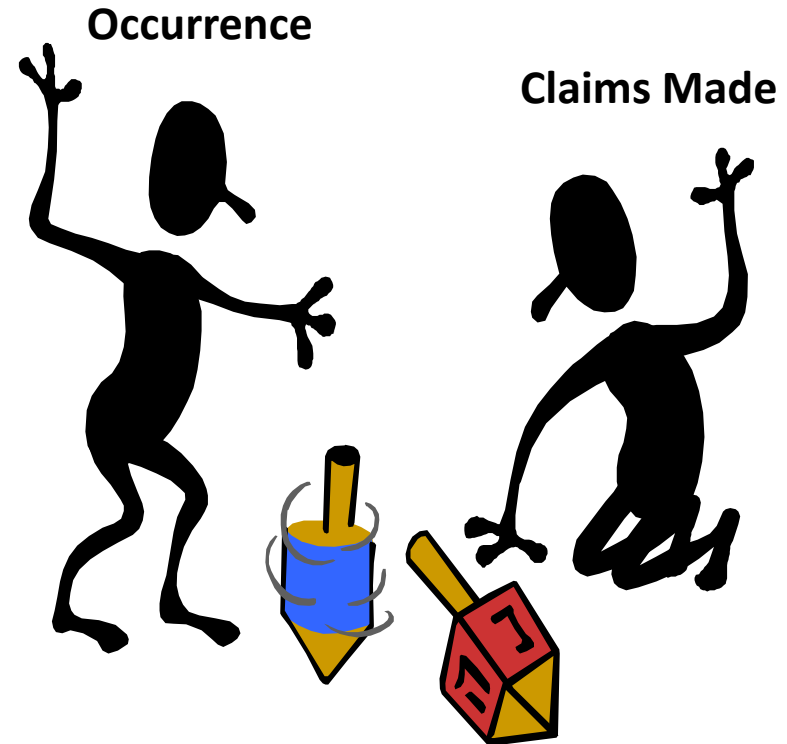
Owners

Tenants



# Commercial General Liability

- Attach CGL Form to Declarations Page
- There are 2 Forms:
  1. Occurrence
  2. Claims Made
- The two forms differ in the trigger for payment of a claim.





# Commercial General Liability

**The Occurrence Trigger: The policy in place when the injury first occurs is the policy that pays, regardless of when the claim is first reported.**



# Commercial General Liability

**Claims Made Trigger:** The policy in place when the claim is first reported, is the policy that pays. If the injury occurred on or after the policy's retroactive date.



**Retroactive Date: 01/01/19**

**The Retroactive Date defines when coverage begins in the claims made policy**

**PAYS**



Safeco – Occurrence

**\$100,000**

01/01/2020-----01/01/2021

No Claim Acc 03/06/2020

**Policy Canceled**

Travelers – Claims Made

**\$500,000**

01/01/2021-----01/01/2022

Retro Date 01/01/2021

Claim: 02/01/2021

## Safeco

## Travelers

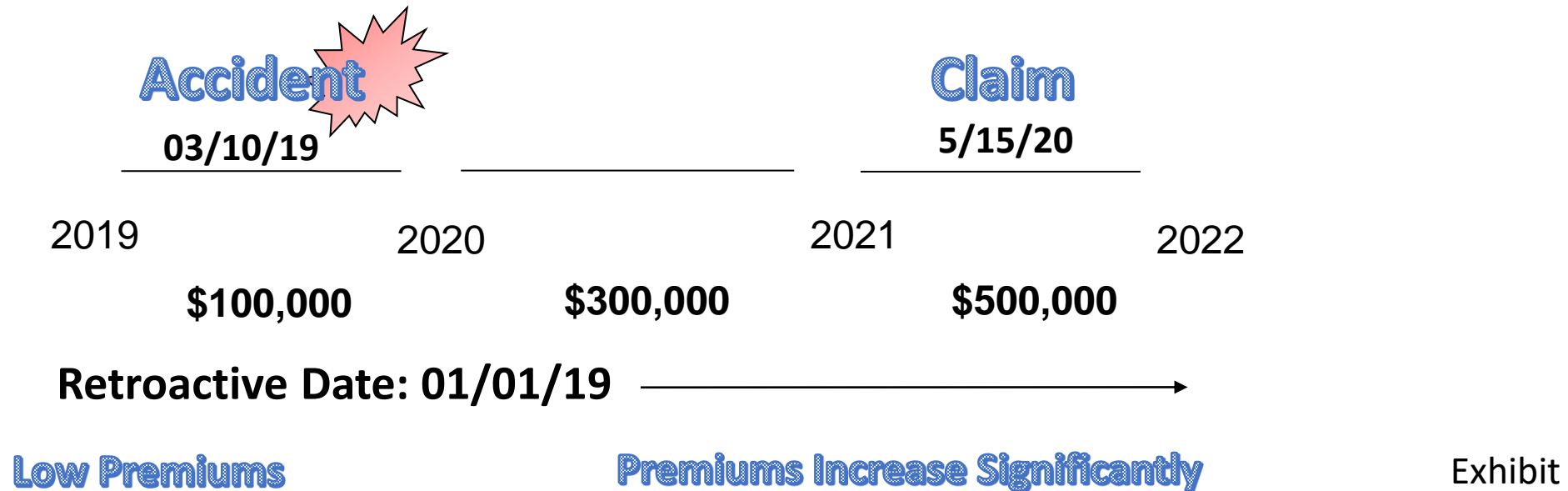
19 \$100,000 20 \$500,000 21  
acc: 03/06/2019 **No Retroactive Date**

**Claim 02/01/20: \$500,000**

**Safeco Pays 1<sup>st</sup>: \$100,000**  
**Travelers Pays Excess: \$ 400,000**

# Commercial General Liability

**Retroactive Date Rule: A Retroactive Date can only be Advanced with the Written Consent of the First Named Insured.**



# Commercial General Liability

## **Basic Tail Coverage:**

**Basic Tail Coverage is an extended reporting period for reporting claims for when the Claims Made Policy is canceled, non renewed, or followed by an Occurrence Form.**

**Travelers – Claims Made**



- **Mini Tail:** If Insured does not report accident during policy term, when policy cancels, the insured has 60 days
- **Midi Tail:** If reported within 60 days, can file claim within 5 years
- **Full Tail:** When purchased, it allows reporting accidents after 60 days and filing claims within 5 years

# Commercial General Liability

## Claims Made Only

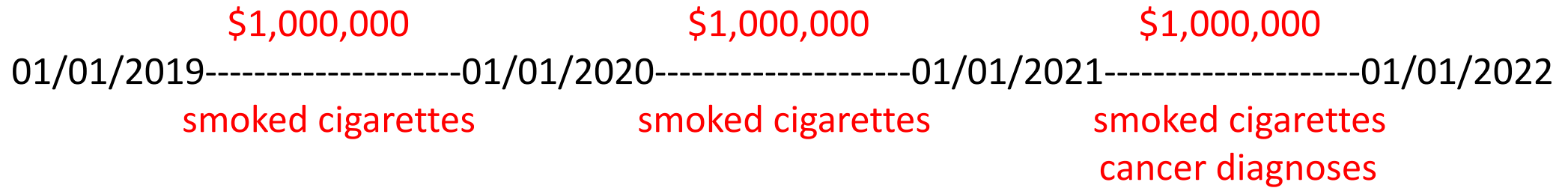
1. Medical Malpractice
2. Errors and Omissions
3. Directors and Officers Liability
4. Employment Practices Liability
5. Environmental Liability
6. Manufacturers
  - a. Drug manufacturers
  - b. Tobacco Manufacturers
  - c. Aircraft Manufacturers





## Tobacco Manufacturer – Should Not Have Occurrence

### Safeco – Occurrence



### Stacking - All 3 Policy Terms Must Pay Policy Limits

2021 - \$1,000,000  
2020 - \$1,000,000  
2019 - \$1,000,000  
\$3,000,000

# Commercial General Liability



**The CGL Policy Form consists of the following major coverage:**

- Coverage A - Bodily Injury & Property Damage Liability**
- Coverage B – Advertising Injury & Personal Injury**
- Coverage C – Medical Payments**

# Commercial General Liability

- **Coverage A - Bodily Injury & Property Damage Exclusions**
  1. Intended BI or Expected PD
  2. Liquor Liability
  3. Workplace Accidents to Employees
  4. Pollution Liability
  5. Acts of War
  6. Ownership & Operation of Aircraft, Watercraft, Vehicles
  7. Mobile Equipment in Transit



# Commercial General Liability

## Coverage B

- Advertising Liability
  1. Copyright Infringement
  2. Use of an individual's likeness without permission
- Personal Injury
  1. Wrongful Accusation
  2. Invasion of Privacy



# Commercial General Liability

## Coverage C – Medical Payments



**Necessary Medical Expenses  
Incurred Within One Year Of  
The Accident**

**Regardless of Fault  
Regardless of Fault  
Regardless of Fault**

# Declarations Page

01/01/2020-----01/01/2021

**1<sup>st</sup> Claim 01/10/2020**

**Explosion Bodily Injury - \$500,000**

**Per Occurrence Limit - \$ 1,000,000**

**Aggregate Limit - \$ 2,000,000**

**-\$ 500,000 - 1<sup>st</sup> Claim**

**2<sup>nd</sup> Claim 07/16/2020**

**Collapse Bodily Injury - \$1,000,000**

**\$ 1,500,000**

**-\$ 1,000,000 - 2<sup>nd</sup> Claim**

**3<sup>rd</sup> Claim 10/02/2020**

**Cave – In Bodily Injury - \$1,000,000**

**\$ 500,000**

# Commercial General Liability



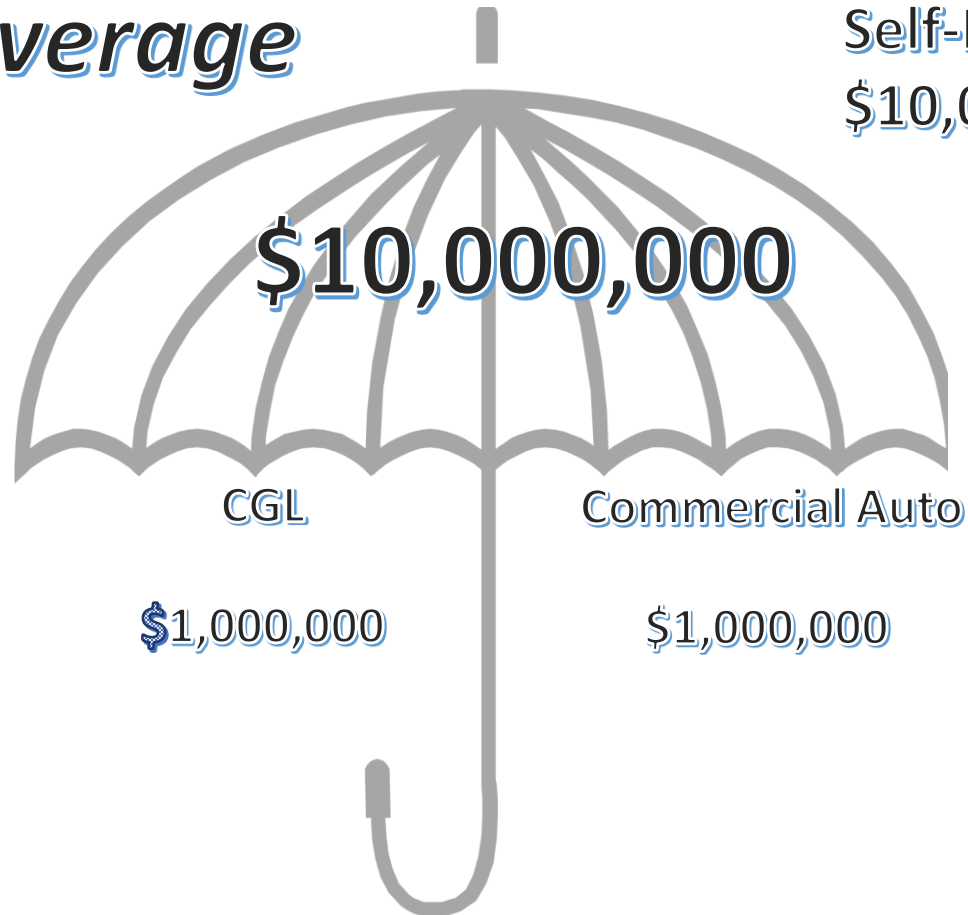
*Conditions*

*Definitions*

# Commercial General Liability

*Worldwide Coverage*

Self-Insured Retention  
\$10,000





# Commercial Auto

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- **Company Owned Automobiles**
- **Automobiles > 10,000 lbs. in gross wt.**
- **Major Coverages:**
  1. **Liability**
  2. **Physical Damage**
  3. **Medical Payments coverage and uninsured motorists coverage must be endorsed.**



# Garage Policy

---

- **Policy for Garages, Valet Parking and Car Wash**
- **Two Major Coverages:**
  - 1. Garage Liability**
    - Premises and operations
    - Products and Completed
    - Auto accidents
  - 2. Garage Keepers**



# Workers Compensation

## Workers Compensation Statute

- Employers with Three or More Employees
- Coverage for Workplace Accidents
- Injuries or Occupational Disease
- Employees Qualify for Benefits
- No Need for the Employer to be at Fault



# Workers Compensation



- **Exempt Occupations**
  - Less than 3 Employees
  - Agricultural Workers
  - Domestics
  - Casual (part-time)

# Workers Compensation



- **Work-Related Losses Only**

- Injuries
- Occupational Disease
- Not Covered:
  1. Intentional Injuries are Excluded
  2. Injuries Resulting from Intoxication are Excluded
  3. Non-Work-Related Injuries are Excluded
  4. Failure to use Equipment Trained to use

# Workers Compensation

## Types of Benefits

- Medical Benefits
- Income benefits
  - 7 days
  - 21 days (Retro)
- Death Benefits
- Rehabilitation Benefits



# Workers Compensation

## *Second Injury Fund*

**“An Incentive to hire the handicapped”**



## **Format of the Policy**

- **Information Page**
- **Part I Workers Compensation**
- **Part II Employers Liability**

# Workers Compensation

## *Employers Liability*

### Employers Can Be Sued By:

- Exempt employees
- Spouses & Children of Injured Workers
- Negligence must be proven



**Spouses Sue for Loss of Consortium**



# Workers Compensation



- **Miscellaneous Provisions**

- Duties if Injuries Occur
- Premiums
- Inspection
- Cancellation (75 days)

# Workers Compensation

*Assigned Risk Pool* → Employers with difficulty finding coverage:

*Higher Rate*

- New with no prior experience
- Prior experience but too many claims
- High risk occupations

# Cyber Liability

## A Typical Cyber Crime Can Include:

1. Ransom Ware - Holding Data Hostage until money is paid.
2. Malware - Malicious Software designed to steal data.
3. Phishing - Use of Fake Emails that appear legitimate to obtain sensitive information.
4. Intellectual Property Theft - Where someone gets into your system to steal proprietary, confidential, or sensitive information.



# Cyber Liability

## Types of Data Exposed:

1. Social Security Numbers
2. Credit Card Numbers
3. Date of Birth
4. Health Data
5. Utility and Power Grid Information
6. Drivers License Number



# Cyber Liability Threat

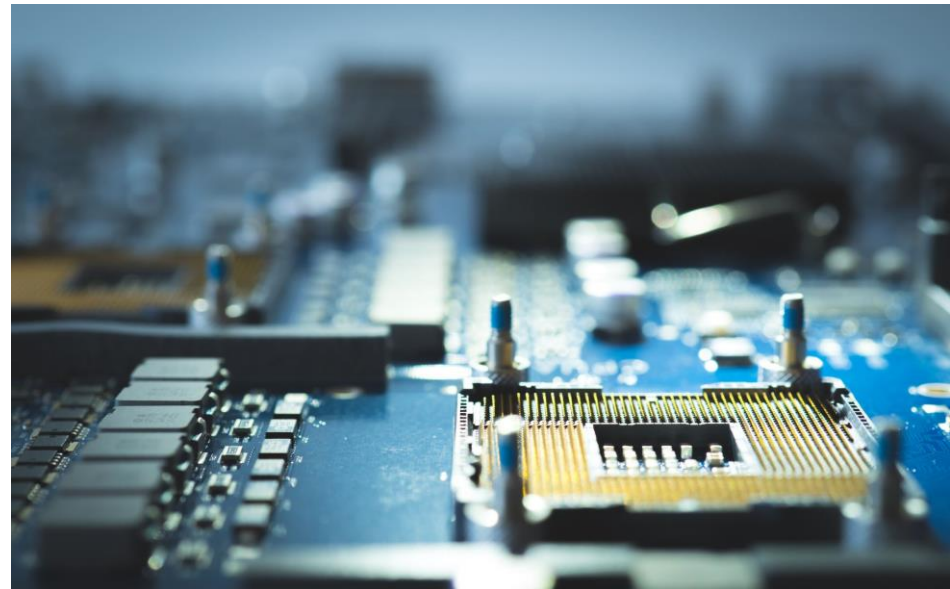
- All Types of companies can be subject to Data Breaches and other types of Security Breaches.
- It's not a question of if your company will have a security breach but when.
- Insurance Companies can offer insureds the ability to access tools and resources to manage and mitigate Cyber Risk.
- Cyber Liability Insurance can offer Pre-Breach Services such as:
  1. Risk Assessment Tools
  2. Consultation with a Cyber Security Expert.
  3. Training Tools and Videos to protect your team of employees.



# Cyber Liability

**Cyber Liability Insurance can offer insurance solutions to address:**

1. Forensic Investigations
2. Litigation Expenses
3. Regulatory Defense Expenses/Fines
4. Crisis Management Expenses
5. Business Interruption
6. Cyber Extortion



# Surety Bonds

## Surety Bonds

- A Type Of Contract that guarantees the fulfillment of an obligation such as:

**A Guarantee Of Performance**





# Surety Bonds

## 3 Categories

- Construction
- Judicial
- Fiduciary



# Surety Bonds

## There are Three Parties:

1. Principal - The party taking out the bond
2. Obligee - The party requiring the bond
3. Guarantor(Surety) - The company issuing the bond



# Surety Bonds

## If the Principal Experiences a loss, it means:

- The Contract is in Default
- The Guarantor will pay a Penalty to the Oblige
- The Guarantor will Subrogate against the Principal



# Surety Bonds

**We Do Not Expect To Have  
Losses With Surety Bonds**



**Because of Careful Underwriting**

**Character**

**Capacity**

**Capability**

# Fidelity Bonds

## Cover Losses Resulting from Dishonest Acts of Employees

Those that benefit from this protection are:

1. Businesses
2. Non-Profits
3. Churches

