

MIKE RUSS

FINANCIAL TRAINING CENTERS, INC.

PC Review

CAR INSURANCE



Liability & Physical Damage

LIABILITY (Pays Others)	PHYSICAL DAMAGE (The Car)
California Minimum Limits: 30/60/15	OTC (Other than collision): \$100 deductible
\$30,000 BI per person	-Theft of vehicle or anything attached
\$60,000 BI per occurrence	-Hitting an animal
\$15,000 PD per occurrence	-Vandalism
	-Earthquake & Flood
Medical Payments: \$1000/person (per occurrence)	Collision: \$500 deductible
Uninsured Motorist (UM): BI	-Hitting an object
Underinsured Motorist	-Upset or rollover of vehicle

Who Is an Insured Under a PAP

- Named Insured (registered owner)
- Resident spouse, family members
- Anyone driving the car with **permission**
 - **Note:** in A PAP, the owner's insurance is the primary policy (policy that covers the vehicle), secondary policy is policy that covers the driver (if not the owner) EXCEPT when you leave your car in the **care/custody/control** of a business (ex: auto dealer, repair shop) then their policy is primary

Eligibility for a PAP

- Vehicle must have no less than 4 wheels
 - Miscellaneous Vehicle Endorsement must be added to cover vehicles with less than 4 wheels
- Vehicle must not weigh more than 10,000 LBS
- Vehicle must not be used for commercial use (except farming)

Coverage Territory: Generally, the policy territory is limited to the United States, its territories and possessions (ex: Puerto Rico), and Canada

Mexico Coverage Endorsement: Provides excess liability coverage for accidents in Mexico within 25 miles of the US border for trips less than 10 days in duration (only applies when insured collides with American citizen)

Liability: Protects the insured and will pay a third party if insured is found liable for any bodily injury (BI) or property damage (PD) to a third party

- Written as “split limits” (BI Per person, BI per occurrence, PD per occurrence) POO! – BI-BI-PD 😊
- **CA Minimum Liability Requirements: 30/60/15**

Medical Payments: pays reasonable medical expenses incurred by insured, family, and passengers in the car (\$1000 per person)

- Payment is immediate, and regardless of who was at fault
- Includes pedestrians

Uninsured Motorist: protects the insured for BI if injuries are caused by an uninsured or hit and run driver

Underinsured Motorist: protects the insured if another driver who causes an accident is insured, but does **not have** enough insurance to cover the damages

Good Driver Discount: 20% below rate insured would otherwise be charged

- at fault accident involving BI will exclude insured from eligibility for good driver discount

Cancellation of an Auto Policy Notification Requirements

- **10 days:** non-payment
- **20 days:** cancellation for any reason besides non-payment
- **30 days:** non-renewal

Physical Damage: covers the insured for damage to their own vehicle they are found liable for (covers damage to insured's vehicle in an at fault accident, liability will cover damage to other vehicles if the insured is at fault)

Collision: covers direct or accidental loss to damage to insured's vehicle as a result of upset or collision with another vehicle or object (hitting a parked car)

Other Than Collision: covers damage to insured's vehicle due to any reason except collision (theft, collision with an animal)

Transportation Expense: part of physical damage, covers expenses if insured's vehicle is inoperable because of a covered collision or OTC loss (\$20 per day, \$600 max, begins 48 hours after a theft)

Towing & Labor: pays for towing & labor at the place of disablement

Optional Physical Damage: coverage for upgrades, audio, visual, data electronic equipment, tapes, records, discs and other media. For example: If you added new rims and tires on your car they are **NOT** covered unless you endorse it on the policy and pay for it!

Duties after a loss: Part of the conditions of a policy, tells insured what they must do after suffering a loss to avoid penalization

- Notify the insurer
- Submit proof of loss
- Cooperate with insurer in investigation
- Submit to medical exam if requested
- Notify police for theft or hit and run
- Allow company to inspect vehicle & appraise damages
- Protect property from further damage after a loss (Insurer will cover these costs)₈

CAARP: can provide auto insurance liability to those who are unable to procure such insurance through ordinary methods (uninsurable because of driving record), used as a last resort

- Applicant must have been denied coverage in voluntary market
- Applicants who failed to pay auto premiums in year before applying to CAARP are not eligible
- Coverages: Liability (BI & PD), Medical Payments, Uninsured Motorist
- Does not cover physical damage

Low Cost Auto Insurance: available for drivers in a household with low income (no more than 250% of federal poverty level), **minimum liability limits: 10/20/3**



Boat Owners Policy

- **Coverages:** Physical Damage, Liability, Medical payments, Uninsured Boater
 - Does not include Protection & Indemnity
- Boat Owner's Coverages most similar to an **auto** policy (not yacht)
- Covers non commercial use of boat (ex: unofficial race or contest)
- Does not cover carrying passengers or cargo for a fee

Yacht Policy

- **Coverages:** Hull (physical damage), Trailer, Protection & Indemnity (Liability & Workers Comp)
- **Sue and Labor Clause:** Requires that insured take all reasonable steps to protect property from further damage. Insurer will cover expenses the insured incurred by doing so

Homeowners Policy Limitations for watercraft (horsepower and length)

	Owned by the Insured
Outboard Engine	25 HP or less
Inboard Engine	50 HP or less
Sailboat	26 feet or less



Form	HO-1 Basic	HO-2 Broad	HO-3 Special	HO-4 Tenant Broad	HO-5 Comprehensive	HO-6 Condo Broad
Sec. I Property						
A. Dwelling	\$15,000 min	\$15,000 min	\$20,000 min		\$30,000 min	\$1,000 flat
B. Other Structures	10% of A	10% of A	10% of A		10% of A	
C. Personal Property	50% of A	50% of A	50% of A	\$6,000 min	50% of A	\$6,000 min
D. Loss of Use	10% of A	20% of A	30% of A	20% of C	30% of A	40% of C
Additional Coverage	Removal for 30 days; Cost for reas. repairs; Fire dept. service fees; Lawns, plants, shrubs & trees; Debris removal fees; Credit card fund transfer card, forgery, & counterfeit money cov.; Breakage of glass; Landlord furnishing	Same as HO-1 plus Collapse of building	Same as HO-1 plus Collapse of building	Same as HO-1 plus Collapse of building Building additions & alterations	Same as HO-1 plus Collapse of building	Same as HO-1 plus Collapse of building
Including Removal for..	30 days	30 days	30 days	30 days	30 days	30 days
Perils:	Fire, Lightening, EC, VMM, Theft, Volcano	Same as HO-1 plus Falling objects; Weight of ice, snow or sleet; Accidental discharge of water; Sudden tearing apart of heat, A/C, hot water system; Freezing; Artificially generated electrical current	All Risk for Dwelling and Structures Broad Form Perils for Personal Property	Broad Form Perils for Personal Property	All Risk for Dwelling and Structures All Risks for Personal Property	Broad Form perils for Dwelling (condo fixtures) Broad Form for Personal Property
Recovery						
Replacement cost A & B	✓	✓	✓		✓	(ACV Cov. A)
All other prop. ACV	✓	✓	✓	✓	✓	✓

Cause of Loss Forms

Basic

HO 1

HO 8

DP 1

Broad

HO 2

HO 4(Renters)

HO 6 (Condo)

Mobile Home

DP 2

Special (All Risk)

HO 3

HO 5

DP 3

Section 1: Property Coverage

- **Coverage A: Dwelling**
 - Covers Dwelling and anything attached to the dwelling
- **Coverage B: Other Structures (10% of A)**
 - Covers any real property that is detached from the dwelling
- **Coverage C: Personal Property (50% of A)**
 - Covers everything movable in your life except your auto
- **Coverage D: Loss of Use**
 - Covers expenses incurred if home is uninhabitable due to a covered peril

Section 2: Liability

- **Coverage E:** Personal Liability (Min. \$100,000)
- **Coverage F:** Medical Payments (Min. \$1,000)

Who is an Insured: Insured, spouse, residents of the household

- Insureds are protected by the policy and liability policy will pay a third party if insured is found responsible for BI or PD
- Coverage applies if pet is responsible for BI or PD to third party

Note: Coverage applies to personal property & liability only. Business related losses not covered unless specifically added by insurer

Section II: Liability	(all forms are identical)	
Primary Coverages	Coverage E: Personal Liability Coverage F: Medical Payments to others	\$100,000 (personal liability) per occurrence \$1000 guest on premises
Additional Coverages:	Insurance-related Claim Expenses First Aid to Others Damage to Property of Others- \$500 per occurrence Loss Assessment Coverage: \$1000 per occurrence	

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B. Other Structures	10% of A	10% of A	10% of A		10% of A	
C. Personal Property	50% of A	50% of A	50% of A	\$6,000 min	50% of A	\$6,000 min
D. Loss of Use	10% of A	20% of A	30% of A	20% of C	30% of A	40% of C
Additional Coverage	Removal for 30 days; Cost for reas. repairs; Fire dept. service fees; Lawns, plants, shrubs & trees; Debris removal fees; Credit card fund transfer card, forgery, & counterfeit money cov.; Breakage of glass; Landlord furnishing	Same as HO-1 plus Collapse of building	Same as HO-1 plus Collapse of building	Same as HO-1 plus Collapse of building Building additions & alterations	Same as HO-1 plus Collapse of building	Same as HO-1 plus Collapse of building
Including Removal for..	30 days	30 days	30 days	30 days	30 days	30 days
Perils:	Fire, Lightening, EC, VMM, Theft, Volcano	Same as HO-1 plus Falling objects; Weight of ice, snow or sleet; Accidental discharge of water; Sudden tearing apart of heat, A/C, hot water system; Freezing; Artificially generated electrical current	All Risk for Dwelling and Structures Broad Form Perils for Personal Property	Broad Form Perils for Personal Property	All Risk for Dwelling and Structures All Risks for Personal Property	Broad Form perils for Dwelling (condo fixtures) Broad Form for Personal Property
Recovery						
Replacement cost A & B	✓	✓	✓		✓	(ACV Cov. A)
All other prop. ACV	✓	✓	✓	✓	✓	✓

Cause of Loss Forms

Basic

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HO 8

DP 1

Broad

HO 2

HO 4(Renters)

HO 6 (Condo)

Mobile Home

DP 2

Special (All Risk)

HO 3

HO 5

DP 3

Mortgage Clause: if insured loses their right to recovery, mortgage holder can still collect

Scheduled Personal Property Endorsement: covers specialty items such as jewelry, furs, firearms, cameras, etc. (each item individually listed on policy with value assigned to each item, usually covered on open peril basis)

Inflation Guard: increases the dwelling coverage automatically each year

Personal Injury Endorsement. This coverage is added by endorsement and amends the definition of bodily injury to include loss due to personal injury. Personal injury includes the following: false arrest, libel, slander, defamation of character, and invasion of privacy.

Water Damage Exclusion: excludes any damage from tidal waves, flood, sewage backup

Subsidence: sinking, earth movement (not covered)

Additional Coverages

Lawns, Plants, Shrubs & Trees: up to 5 percent of the amount of dwelling coverage—though no more than \$500 can be spent on any single tree, shrub or bush

Landlord's Furnishings: \$2500

Debris Removal: covers cost of debris removal (if caused by a covered peril)

Fire Department Service Charge

Grave Markers: \$5000

Loss Assessment: charges from insured's HOA for claims involving common/shared areas

Ordinance and Law Coverage: Covers expenses incurred if the insured needs to rebuild up to code after a loss (usually 10% of A)

Dwelling Insurance (DPs) Review

for LANDLORDS

Section 1: Property

- **Coverage A:** Dwelling (covers dwelling and any real property attached to the dwelling)
- **Coverage B:** Other structures (covers any real property detached from the dwelling)
- **Coverage C:** Personal property (covers everything movable in your life except your auto)
- **Coverage D:** Rental Income
- **Coverage E:** Loss of Use (covers expenses incurred if dwelling is uninhabitable due to a covered peril)

Dwelling Coverage: Does **not** include theft or liability unless added by endorsement

COMPARISON OF DWELLING FORMS



BASIC FORM	Basic DP-1	Broad DP-2	Special DP-3
Coverages Included (direct) loss A- Dwelling B- Other Structure C- Personal Property (indirect loss) D- Rental Value (extra expenses) E- Additional Living Expenses	X X X X	X X X X X	X X X X X
Other Coverages Number of extensions Including Removal for... Collapse	8 5 days not covered	11 30 days covered	11 30 days covered
Perils:	Fire Lightening Internal Explosion	Fire Lightening EC VMM Burglars Falling Objects Weight of ice, snow, & sleet Discharge/ overflow of water/steam Tearing apart, cracking, burning bulging of, steam/water system Freezing of plumbing, heating, air conditioning/ sprinkler systems Artificially generated electric current	All Risk for Dwelling & Structures Broad Form perils for Personal Property
Recovery	ACV	Building Only--- Replacement cost if at least 80% insurance-to-value All Other- ACV	Building Only- Replacement cost if at least 80% insurance -to- value All Other- ACV
<ul style="list-style-type: none"> • Coverage E (Additional Living Expense) may be added to Basic Form by Endorsement EC and VMM • Perils are optional on the Basic Form, and apply only if a premium for them is shown on the policy. 			



**California
FAIR
Plan** **PROPERTY
INSURANCE**

FAIR Plan: Provides insurance to homeowners who are unable to obtain insurance in the voluntary market (property is in an area considered to be too hazardous for insurer to write profitably)

Requirements:

- Must be in a designated area
- Must have already been turned down for coverage
- Must be an insurable risk



CEA: California Earthquake Authority, falls under the jurisdiction of the commissioner, provides property coverage for losses due to earthquake (excluded by homeowner's and dwelling policies)

CA Requirement: Must be **offered** by companies selling Homeowner's/Dwelling in CA (insurers not required to include coverage, homeowner's not required to purchase coverage)



Umbrella Policy: provides excess liability protection beyond the underlying home & auto policies, or after the retention is paid Retention(deductible) ranges from \$250 up to \$1,000)

Excess Liability Policy: provides excess home & auto liability only

Required Primary Limits: policy will specify what limits insured is required to maintain for home and auto liability, if insured does not maintain required primary limits, primary limits will act as the deductible, and insured must pay up to those limits before insurer will pay 250/500/250 is the most common.

Retention: payment (deductible) that must be paid before an umbrella policy will cover claims if the claim is not covered by the underlying liability policy, but is covered by the umbrella policy

Commercial Property Forms

(Buildings are valued under ACV unless otherwise indicated)

- **Builders Risk** – The Builders Risk form provides commercial property **coverage for buildings or building alterations during the course of** their construction. The coinsurance requirement on Builders Risk is 100%. Uses a Value Reporting Form.
- **Business Income** – If it is necessary to suspend operations because of direct physical loss caused by a covered cause of loss, the insurance company will pay for loss of business income during a period of restoration.
- **Glass coverage**
- **Building and Personal Property** – This form describes the **types of property coverage** that apply, and establishes the conditions for coverage.

Building and Personal Property Coverage Form (BPP Form)

- **Coverage A – Building (valued using ACV unless otherwise indicated)**
 - More than one building or structure may be described in the commercial property declarations.
 - Notice that coverage applies to more than just the building itself—building additions, permanently installed fixtures and equipment, and property used to service the building or premises (such as fire extinguishing equipment, laundering equipment and ventilating systems) are covered as part of building coverage.
 - **Note:** Dwellings are not eligible.

BPP Form (cont.)

- **Coverage B – Business personal property of the Insured**
 - Business personal property includes most types of commercial property owned or used by businesses which are not considered part of the building.
 - This coverage applies to **furniture, machinery, equipment, stock or merchandise held for sale, office supplies**, and other such items.
 - **If you are a tenant, this coverage also applies to your interest in improvements and betterments made at your expense. (All Business personal property is valued at ACV unless otherwise indicated by the insurer).**
- **Coverage C – Business personal property of others**
 - This coverage applies to personal property of others in your **care, custody or control**.
 - Any payment for loss will be made only for the account of the owner, which means the coverage is designed to reimburse the owner for the loss.
 - Payment will not be made to the named insured under any circumstances.

Additional Coverages

Additional coverages are **limited amounts** of coverage for specific types of losses or expenses which are provided in addition to the major property coverages. Additional Coverages Include:

- Debris Removal (expenses must be reported within 180 days of loss)
- Preservation of property
- Fire department charges
- Pollution (coverage for cost of extracting pollutants from land or water; cause of pollution must be a covered peril for this coverage to apply)

Extensions of Coverage

- newly acquired or constructed property
- personal effects and property of others
- valuable papers and records
- property off-premises, and
- outdoor property

Commercial Causes of Loss Forms

BASIC FORM	BROAD FORM	SPECIAL FORM
Covers...	Covers...	Covers...
Fire Lightening Extended Coverages Vandalism Sinkhole Collapse Sprinkler Leakage Volcanic Action Windstorm	All perils listed in the Basic Form, plus... Glass Breakage Weight of Ice, Snow, Sleet Water Damage Falling Objects Collapse Coverage	All perils listed in the Basic Form & Broad Form, plus... Risk of Direct Physical Loss Theft

Common Exclusions:

- Earth movement
- Government action
- Ordinance or law (cost necessary to make a restroom ADA compliant)

BPP Form (cont.)

Vacancy Clause – A vacancy condition applies to loss or damage of a building which has been **vacant for more than 60 days at the time of loss**. A building is considered to be vacant when it does not contain enough business personal property for conducting customary business operations and/or **70% of the total square footage is not rented or used to conduct customary operations**.

If loss occurs when the building has been vacant for more than 60 consecutive days, losses are not covered if caused by:

- Vandalism
- Theft
- Water damage
- Building glass breakage
- Sprinkler leakage

(payment for all other covered causes of loss occurring after 60 days of vacancy will be reduced by 15 percent)

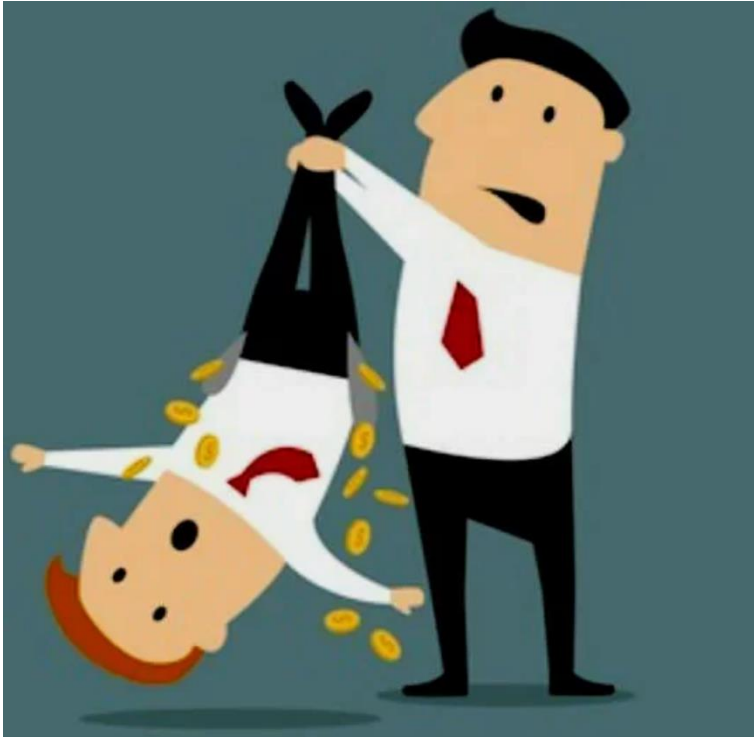
Boiler and Machinery Equipment Breakdown Insurance



Boiler & Machinery (Equipment Breakdown)

- Boiler and machinery insurance includes property and liability coverage, but its **so highly specialized that many carriers do not write it** because it requires **specialized underwriters, loss control engineers, and claim adjusters.**
- A substantial portion of each premium dollar is used for the **inspection and loss control services.**

Crime Insurance



Crime Insurance

Commercial crime coverage may be written as a **monoline** or as **part of a commercial package policy**. One of the **unique things about the commercial crime program is that jurisdiction is jointly shared by ISO and the Surety Association of America (SAA)**

•Coverage Forms

- Form A – Employee Dishonesty (blanket or schedule options)
- Form C – Theft, disappearance and destruction

Form A – Employee Dishonesty

- This coverage form is **one of four forms** in the commercial crime program that falls under the jurisdiction of the Surety Association of America. In effect, the coverage is a fidelity bond. **It provides coverage for losses resulting from employee dishonesty.**
- **Parties to a Fidelity Bond:**
 - Principal** - Employee
 - Obligee** - Employer
 - Guarantor/Surety** - The bonding company or Insurance company

Form C – Theft , Disappearance and Destruction Coverage

- This form provides **theft insurance**, which is broader than burglary or robbery coverage because “theft” **includes all acts of stealing**. It also provides more than crime coverage. Since it covers disappearance or destruction of covered property, it will cover some losses that do not result from theft or attempted theft.

Crime Insurance Key Provisions

- **Loss Sustained form** – Covers losses that occur during the policy period and losses that are discovered and reported during the policy period for up to (1) one year after the policy expires.
- **Discovery form** – Covers losses that occur either prior to the policy inception or during the policy period and losses are discovered and reported during the policy period or up to 60 days after the policy expires.

Crime Insurance Definitions

- **Burglary** –taking of property from inside the premises by a person unlawfully entering or leaving the premises as evidenced by marks of forcible entry or exit.
- **Robbery** –taking property from the care and custody of a person by someone who has caused or threatened to cause bodily harm.
- **Theft** –any act of stealing. Theft is a broad category. It includes all of the more narrowly defined acts of stealing, such as burglary and robbery, and goes beyond them in scope.
- **Assault and battery** - the crime of threatening a person together with the act of making physical contact with them.

Small Businesses usually purchase a BOP policy...



Business Owner Policy (BOP)

['biz-nəs 'ō-nər 'pä-lə-sē]

The bundling of essential insurance products required by businesses into one convenient package.

Business Owner's Policy

A **Business Owner's Policy (BOP)** provides a broad **package** of coverages for small and medium sized apartment buildings, offices, and retail stores. Each policy includes mandatory **property and liability coverages** and offers optional coverages. Many standard conditions and exclusions apply. A BOP is a self contained, **complete package policy**.

BOP Size Requirements:

Rules limit eligibility to firms with no more **than \$6 million in annual gross sales** and **no locations that exceed 35,000 in square footage** (excluding basements that are not open to the public).

BOP Requirements:

Not covered by BOPs: automobile related (sales/repair), bars, financial institutions, manufacturing companies.

General Liability
**BUSINESS
INSURANCE**



Commercial General Liability

- **General Liability Insurance** – Protects an insured person or company from a wide variety of exposures. This insurance usually covers legal obligation arising out of injuries or damages suffered by members of the public, customers, tenants and others.
- **There are two major sub-lines**
 - premises/ operations
 - products and completed operations.
- **Aggregate limit** – An aggregate limit is the maximum the insurer would pay for all claims during a policy period on behalf of the insured. In a CGL policy there are two major aggregate limits.
 - General Aggregate limit
 - Products completed operations aggregate limit (separate aggregate limit).

General & Products Completed Operations Aggregate limit are separate limits- a claim applying to one does not affect the other

Occurrence vs Claims Made Forms

- **Occurrence form** - protects you from any covered incident that “occurs” during the policy period, regardless of when a claim is filed. An occurrence policy will respond to claims that come in – even after the policy has been canceled – so long as the incident occurred during the period in which coverage was in force.
- **Claims Made form** provides coverage for claims only when BOTH the alleged incident AND the resulting claim happen during the period the policy is in force. Claims made policies provide coverage so long as the insured continues to pay premiums for the initial policy and any subsequent renewals. Each succeeding year the policy is continuously renewed, the “coverage period” is extended. Once premiums stop the coverage stops. Claims made to the insurance company after the coverage period ends will not be covered, even if the alleged incident occurred while the policy was in force.

Basic Extended Reporting Periods (BERP)

- The 60-day (**MINI TAIL**) and 5-year (**MIDI TAIL**) extended reporting periods (ERPs) are automatically provided to the insured by the 1986 ISO claims-made commercial general liability (CGL) policy when a claims-made policy is canceled, not renewed, renewed with a later exclusion, **renewed on a basis other than claims-made**, or renewed with an advanced retroactive date, meaning there may be a gap in coverage. BERPs are also included in some claims-made professional liability policies. The Basic ERP includes 2 parts
 - **Mini Tail:** provides 60 days after policy expiration date for reporting a claim
 - **Midi Tail:** provides 5 years after policy expiration date to report an “occurrence” (**as long as original loss was reported during policy period or mini tail**)

Supplemental Extended Reporting Period

- The optional extended reporting period (ERP) of **unlimited duration** under the standard claims-made commercial general liability (CGL) policy. The insured must request and pay for this coverage to activate it.

Commercial General Liability Coverages

Coverage A – Bodily Injury & Property Damage

Coverage B – Personal & Advertising Injury

Coverage C – Medical Payments (reasonable medical expenses without regard to fault/legal responsibility). One year to report claim.

Auto vs. Mobile Equipment

- **Auto is for public road use (commercial auto)**

- ex: Taxis, Buses, Limos

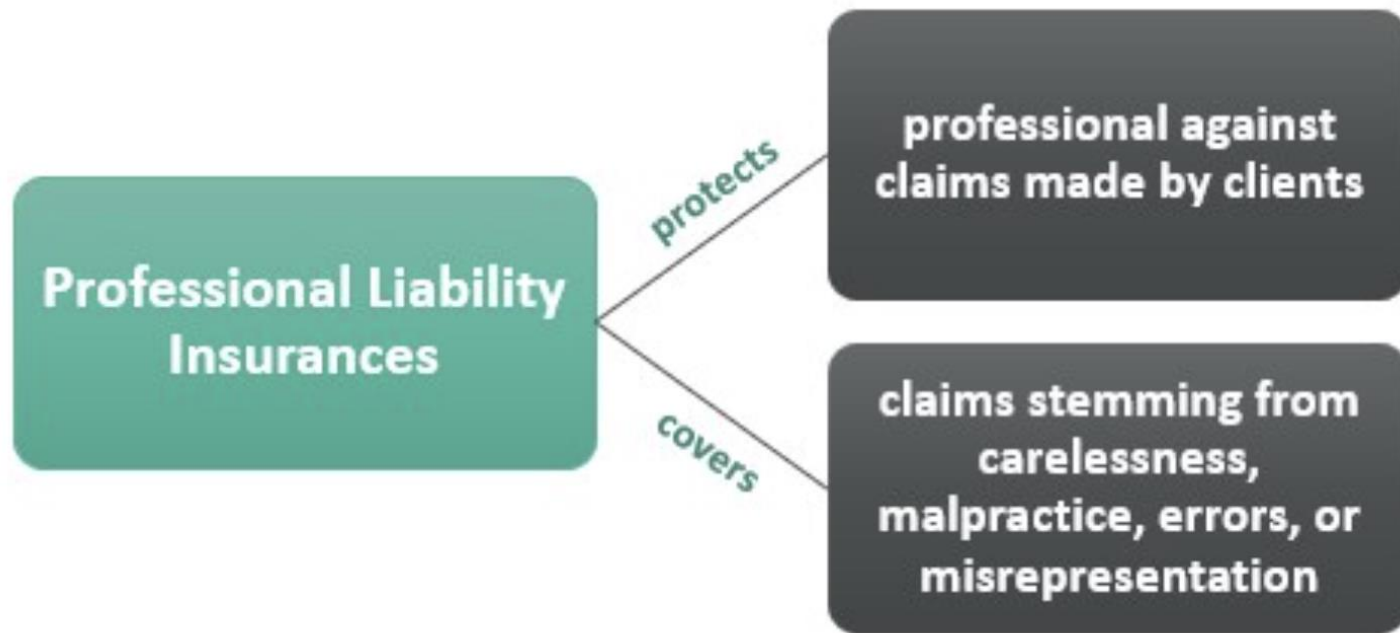
- **Mobile Equipment not for public road use (commercial general liability)**

- ex: Forklift, crane, bulldozer

Liquor Liability Coverage

- Any establishment that **sells, serves, or assists in the purchase or use of liquor (i.e. dram shop)** opens its doors for a liability claim as a consequence of someone getting drunk to the extent that injuries or property damages are the result.
 - includes restaurants, bars, nightclubs, and taverns.
- While it's logical that the inebriated person should be the one to pay, in reality the business that served the alcohol could be liable for injuries, damages, or both that occurred as a result of actions, behaviors, or conduct of a patron who drank too much, creating a need for liquor liability coverage
- Liability arising from situations of “host liquor” would be covered by CGL (ex: company party where alcohol is served)

Professional Liability Insurance



Professional Liability Insurance

Medical Malpractice: In the medical field, malpractice insurance applies to bodily injuries arising out of the rendering or failure to render professional services. Bodily injuries are covered because medical, surgical, dental and nursing treatments, medicine, and services have physical consequences for patients. Medical Malpractice is needed for the following occupations/providers:

- Hospitals
- Physicians & Surgeons
- Nurses
- Chiropractors
- Optometrists
- Veterinarians

Professional Liability Insurance (cont.)

Many non-medical practitioners have liability exposure arising out of the knowledge, skill or advice they sell, and the professional activities they engage in. Professional liability policies are available for:

- Insurance agents and brokers
- Accountants
- Attorneys
- Directors and officers of corporations

Professional Liability for Insurance Agents:
Errors & Omissions Insurance

Commercial Auto



Commercial Auto

Commercial auto is very similar to personal auto coverage and can also be purchased as part of a commercial package policy

Commercial Auto coverage forms

- Different coverage forms have been designated for different types of commercial automobile exposure
 - Business autos
 - Garage coverage – Auto dealers, car washes, Auto repair shops (needed when a car is left in the care/custody/control of a business)
 - Truckers coverage

Symbols

- Symbols: The policy uses “Symbols” to tailor coverage and designate what kind of cars are covered under the various parts of the policy.
- **Important Symbols**
 - **Symbol 1**- “any” auto
 - **Symbol 4** – Owned Auto other than private passenger “autos” only
 - **Symbol 7** – Specifically Described auto
 - **Symbol 8**: Hired “autos” only
 - **Symbol 9** – Non-owned “auto”

FARM INSURANCE



Farm Insurance Review

- Farm insurance forms were developed because owning a farm calls for a combination of both **personal lines** and **commercial lines**.
- Farm insurance provides coverage for both **property** and **liability**
- Does **not** include auto coverage

Ocean Marine Insurance



Ocean Marine

Ocean Marine Insurance covers the transportation of goods and/or merchandise by vessels crossing both foreign and domestic waters including any inland or aviation transit associated with the shipment. This type of marine insurance also encompasses coverage for damage to the vessels involved in shipments and any legal liability arising in the course of shipment.

(note: coverage will be denied for deviation in the route)

Ocean Marine is a “self contained package” that includes:

- Hull Coverage– provides physical damage to the ship and engine
- Open Cargo – Covers Merchandise being shipped
- Protection and Indemnity Insurance (P&I) – A combination of workers comp and Liability insurance
- Freight Coverage – covers the cost of the second shipment

Cabotage: Transportation of goods or persons between two US ports (two ports in same country)

Jettison: The voluntary throwing overboard of property in order to save the ship

Jones Act: Made ship owners liable for bodily injury to a seaman (required Worker's Comp)

US Longshoremen & Harborworker's Act: Required Worker's Compensation for maritime workers other than crew members (dock workers, ship builders, etc.) who get injured while working

Inland Marine Insurance



Inland Marine

- Coverage includes property insurance for property in transit over land, certain types of moveable property, instrumentalities of transportation (such as bridges, roads, and piers), instrumentalities of communication (such as television and radio towers), and legal liability exposures of **bailees**.
- Many inland marine coverage forms provide coverage without regard to the location of the covered property; these are sometimes called "floater" policies.
- As a group, inland marine coverage forms are generally broader than property coverage forms.

Important Coverage Forms

- **Valuable Papers and Records:** used to protect against loss/damage of essential documents (maps, mortgages, deeds, books, etc.)
- **Equipment dealers:** used to cover the interests of a dealer of mobile agricultural/construction equipment
- **Motor Truck Cargo:** covers property while in transit (must have motor truck cargo to cover stock in a vehicle more than 100ft from premises)

Notes regarding Inland Marine Coverages:

- Inland marine policies on an annual transit basis will be on a named peril coverage. If not on an annual transit basis the coverage would be open peril
- Coverage is usually provided on a open peril basis
- Inland marine is similar to a personal article floater

Commercial Package Policies

CREATE THE PERFECT PICTURE



Putting together the pieces of a business insurance policy is easier than you think!

OWN A SMALL BUSINESS?

A Businessowners Policy (BOP) is ideal for small businesses and combines different coverages, such as property, liability, crime and more, creating a customized package for your specific needs.

FORCED TO CLOSE?

Business Income Insurance or Business Interruption Insurance can help compensate for lost income and pay for bills if your business must close temporarily due to external forces or circumstances.

ACCIDENT OR DAMAGE?

General Liability Insurance can help protect your business by covering non-work-related accidents and injury claims that happen at your business, which includes bodily injury, property damage and personal injury.

NEED MORE COVERAGE?

Commercial Umbrella Insurance extends the coverage on other liability coverages in the event claims exceed the policy limits by increasing the coverage of your other liability policies.

OWN A HOME BUSINESS?

Home-Based Business Insurance provides property insurance for home-based businesses—covering equipment and inventory in the event of a problem. (Homeowner's policies do not cover home-based businesses.)

DRIVE FOR WORK?

Commercial Auto Insurance provides coverage related to vehicles owned by your business, including damage, driver injury, injury to someone else or damage to someone else's property.

OWN EQUIPMENT?

Boiler and Machinery Insurance or Equipment Breakdown Insurance can protect your business from damages and costs related to computers, electrical and mechanical equipment breakdowns.

DEALING WITH A CLAIM?

Professional Liability Insurance or Errors and Omissions (E&O) Insurance protects you against the costs of a claim made by a client against a consultant, financial advisor, insurance agent or lawyer.

FRAUD/THEFT WORRIES?

Crime Insurance or Financial Institution Bonds provides coverage for loss of money or other assets resulting from acts such as theft or fraud by employees or others.

EMPLOYEE LAWSUIT?

Employers' Liability Insurance often referred to as "part 2" of workers' compensation, covers your business if an employee sues your company for additional damages.

OWN A PROPERTY?

Commercial Property Insurance can help protect your company in case of circumstances like a fire, covering items such as your building, furniture, equipment and inventory.

MAKE PRODUCTS?

Product Liability Insurance is a tailored policy designed for businesses that manufacture products for sale by aiding in costs associated with legal culpability.

NEED A LAWYER?

Employment Practices Liability Insurance covers the cost of the business owners' legal defense when they are accused of employment-related wrongdoing.

CONCERNED WITH FLOOD?

Commercial Flood Insurance provides coverage for costs resulting from floodwater, protection includes coverage of your physical business, contents and assets.

HAVE EMPLOYEES?

Workers' Compensation Insurance can protect your employees in the instance of a work-related accident, covering medical expenses and lost wages.

HAVE A BOARD?

Directors' and Officers' Liability Insurance (D&O) covers legal defense costs if your directors or officers of your company are sued.

WORK WITH DATA?

Cyber Liability Insurance or Data Breach Insurance provides coverage for costs associated with data breaches and cyberattacks.



**COMMON
POLICY
DECLARATIONS**

**COMMON
POLICY
CONDITIONS**

**PLUS
(ANY TWO OR MORE)**

**COMMERCIAL
PROPERTY
COVERAGE
PART**

**COMMERCIAL
INLAND
MARINE
COVERAGE
PART**

**BOILER
AND
MACHINERY
COVERAGE
PART**

**FARM PROPERTY
AND
LIABILITY
COVERAGE
PART**

**COMMERCIAL
GENERAL
LIABILITY
COVERAGE
PART**

**COMMERCIAL
CRIME
COVERAGE
PART**

**COMMERCIAL
AUTOMOBILE
COVERAGE
PART**

EQUAL

**COMMERCIAL
PACKAGE
POLICY**

Commercial Package Policies

ISO developed a series of specialized forms, with each form fulfilling a specific policy function. The right combination of forms would create a complete, custom-made policy. Any of the available coverage forms could be issued as part of a **monoline** policy (only one major kind of coverage), or could be joined with other coverages to form a **modular** policy (package policy of two or more coverage parts).

There are advantages of having a package policy, as opposed to several monoline policies. Some of those advantages include:

- Package discounts are available
- Fewer gaps in coverage
- No duplication of coverage
- Convenience of having all the coverage in one policy

Common Conditions

- **Notice of Cancellation:** This condition states the “First-Named Insured” is entitled to cancel the policy. If the insurer cancels the policy, they are only required to give advance notice to the “First-Named Insured”.
- **Changes:** This condition states the “First-Named Insured” is authorized to request change to the commercial package policy; however, it is subject to the insurer’s consent.
- **Examination of Records:** This condition gives the insurer the right to audit the insured’s books and records anytime during the policy period, and for three years following the expiration of the policy. This condition is frequently related to claims and /or premium determination.
- **Inspections and Surveys:** This condition states the insurer has the right to inspect the risk and make loss control recommendations. These inspections are used to help determine the rate to be charged. It is important to note these are NOT considered safety inspections; they will not warrant the insured is compliant with the safety laws and regulations.

Workers Comp Insurance



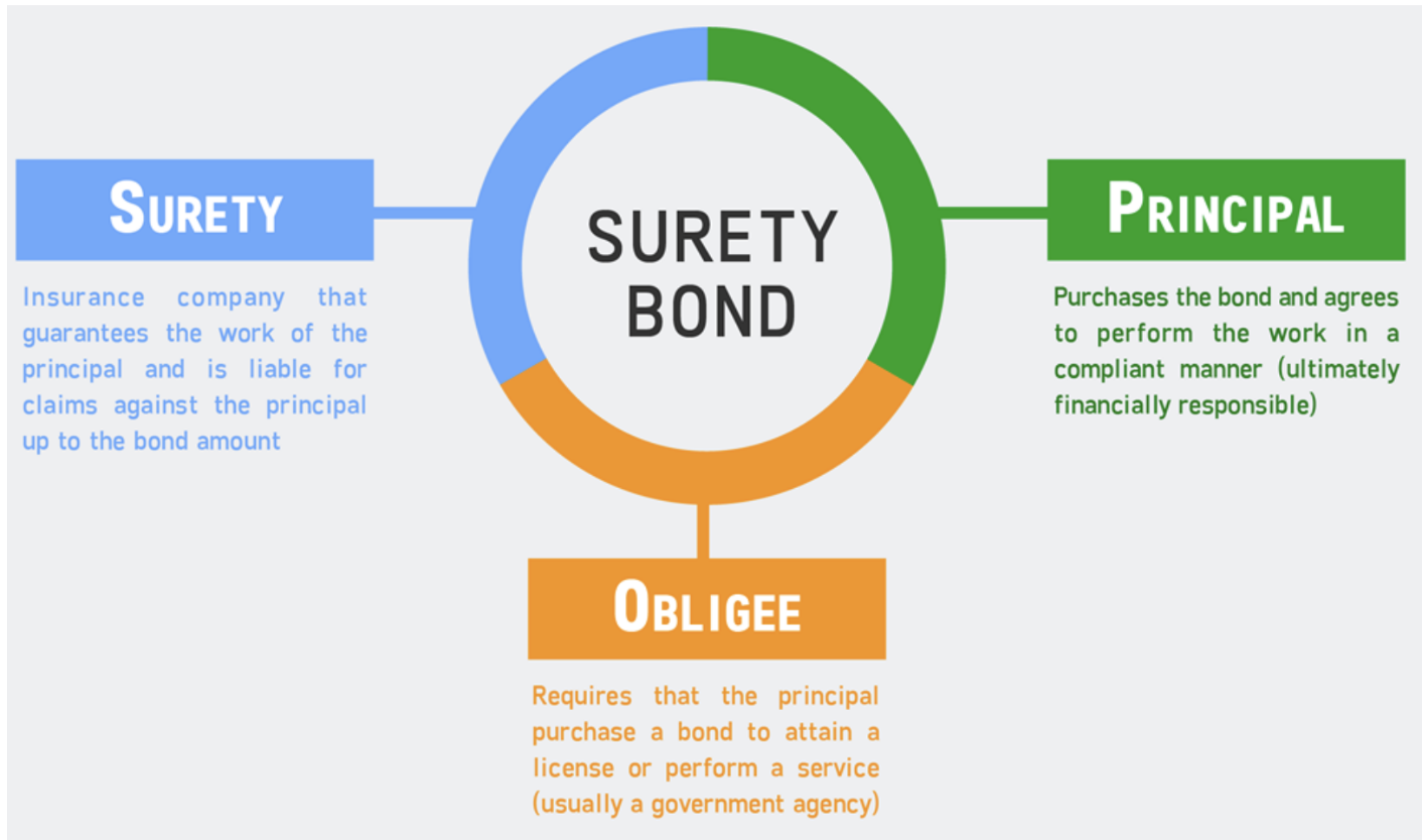
Workers Compensation

- **Workers' compensation** is a form of **insurance** providing wage replacement and medical benefits to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue his or her employer for the tort of negligence.
- **State program**
- **Compulsory** (REQUIRED by law)
- **Worker's Comp Part 1:** shows all the state compensation laws and insurers obligation to meet them
- **California is a competitive state**, which means that we have the choice of getting workers compensation from a private insurance company or the state fund
- States that can only buy workers compensation insurance from the state fund are referred to a **monopolistic** state (monoline = 1)

Workers Compensation (cont.)

- **Insuring Agreement**
 - **Medical benefits** – Medical benefits are provided without limit in every state.
 - **Income benefits** – Income benefits are paid to employees who suffer work-related disabilities. Workers Compensation will not replace your entire amount of earnings (WC will replace a maximum of 66 2/3 % of your income)
 - **Death benefits** – death benefits are provided by every state, and there are two types of payments: a modest burial allowance with a maximum of \$10k in addition to weekly income payments.
 - **Rehabilitation benefits** – Benefits are provided by all states. Some states have set up a special fund to provide these benefits, while others have not. Rehabilitation benefits may include therapy, vocational training , devices such as wheelchair and the cost of travel

Surety Bonds



Parties to a Surety Bond (3 Party Contract)

- **Principal:** party that promises to perform (Contractor)
- **Obligee:** party getting a guarantee & who will receive payment if principal defaults (Customer)
- **Surety/Guarantor:** party providing the financial backing (Bonding company)

Principal applies for and pays for surety bond