**AINS - 23 (All Important Terminologies and Definitions) :-**

**Risk management**

The process of identifying and analyzing loss exposures, evaluating the feasibility of risk management techniques to address the loss exposures, selecting and implementing the best techniques, and monitoring results.



**Risk Management Techniques -** Avoidance, Protection, Retention, Seperation, Duplication and Diversification. (Easy way to remember by using short form **APRSDD)**

**Commercial insurance**

Insurance that covers for-profit businesses or nonprofit organizations against the adverse financial effects of property and liability losses.

**Loss exposure**

Any condition or situation that presents a possibility of loss, whether or not loss actually occurs

**Property loss exposure**

The possibility that a person or an organization will sustain a financial loss as the result of the damaging, destruction, taking, or loss of use of property in which that person or organization has a financial interest.

**Liability loss exposure**

The possibility that a person or an organization will sustain a financial loss as the result of a claim being made against that person or organization by someone seeking monetary damages or some other legal remedy.

**Avoidance**

A risk management technique by which an organization avoids a loss exposure by choosing not to own a particular item or property or not to engage in a particular activity

**Loss control**

A risk management technique that prevents losses from occurring or reduces the size of losses that do occur.

**Retention**

A risk management technique by which an organization pays all or part of its own losses due to its loss exposures.

**Noninsurance transfer**

A risk management technique by which an organization obtains the promise of a second organization (other than an insurer) to pay for certain losses that would otherwise be the financial responsibility of the first organization.

**Line of business**

A general classification of insurance, such as commercial property, commercial general liability, commercial crime, or commercial auto

**Six steps of the risk management process**:

1. Identifying loss exposures

2. Analyzing loss exposures

3. Evaluating the various techniques for treating the loss exposures

4. Selecting the most effective technique or techniques

5. Implementing the selected techniques

6. Monitoring the program and making needed corrections or adjustments

**Step one of the risk management process**

Identifying loss exposures

Step two of the risk management process

Analyzing loss exposures

Step three of the risk management process

Evaluating the various techniques for treating the loss exposures

Step four of the risk management process

Selecting the most effective technique or techniques

Step five of the risk management process:

Implementing the selected techniques

Step six of the risk management process:

Monitoring the program and making needed corrections or adjustments

**Monoline policy**

Policy that covers only one line of business

**Package policy**

Policy that covers two or more lines of business

**Commercial package policy (CPP)**

Policy that covers two or more lines of business by combining ISO's commercial lines coverage parts.

**CPP**

Commercial Package Policy - a policy that covers two or more lines of business by combining ISO's commercial lines coverage parts

**Common Policy Declarations**

A required CPP component that provides basic information about the insurer, the policyholder, and the insurance provided (this is usually called just a "Dec")

**Commercial policy decs include what elements?**

Policy number; names of the insurance company and the producer; name, address, and business description of the named insured; effective date and expiration date of the policy; premium for each coverage part included int he policy; total premium

**Components of the ISO CPP (Commercial Package Policy):**

- Commercial Property (Dec, Coverage Form(s), Causes of Loss Form(s), Conditions Form)

- CGL (Dec, Coverage Form)

- Crime (Dec, Coverage Form)

- Equipment Breakdown Protection (Dec, Coverage Form)

- Inland Marine (Dec, Coverage Form(s), Conditions Form)

- Auto (Dec, Coverage Form)

- Farm (Dec, Coverage Form(s), Provisions Form)

**Common Policy Conditions**

A required CPP component that contains six conditions applicable to all coverage parts unless a coverage part states otherwise.

- Cancellation

- Changes

- Examination of your books and records

- Inspections and surveys

- Premiums

- Transfer of your rights and duties under this policy

**What are the 6 common policy conditions?**

1. Cancellation

2. Changes

3. Examination of your books and records

4. Inspections and surveys

5. Premiums

6. Transfer of your rights and duties under this policy

**Coverage part**

A CPP component in a line of insurance (such as commercial property or commercial general liability) that comprises the coverage part's declarations page, one or more coverage forms, applicable endorsements, and in some cases a general provisions form.

**CPP coverage parts**

(same as components)

- Commercial Property (including business income)

- Commercial Crime

- Equipment breakdown (boiler and machinery)

- Commercial Inland Marine

- Commercial General Liability

- Commercial Auto

- Farm

**Package Modification Factor**

A factor (such as 0.75) that is multiplied by the regular policy premium of any CPP that includes both property and liability coverages, resulting in a premium discount.

**What justifies the discount offered by an insurer's package modification factor?**

The greater efficiency of issuing a single package policy instead of several monoline policies for an insured.

**Commercial Property Insurance**

Insurance that covers loss to commercial property; more narrowly, a line of insurance that covers buildings and business personal property against loss caused by a wide range of perils.

**Commercial property insurance can be provided under any of the following 4 types of policies:**

- A businessowners policy (BOP)

- A commercial property coverage part

- A policy designed for "highly protected risks" (HPRs)

- Inland marine coverages, including output policies

**True or false: BOP policies are intended for larger, complex businesses.**

FALSE. Smaller, less-complex businesses.

**What kinds of businesses/organizations are HPR policies designed for?**

Those w/ superior loss protection characteristics (for example, fire-resistent, sprinklered buildings).

**Real property**

Land and whatever is growing or erected on or affixed to the land. Sometimes referred to as "immovable property." Few insurance policies use the term "real property" in describing covered property; most policies cover specified types of real property, such as buildings and structures.

**Personal property**

All property other than real property. Sometimes referred to as "movable property." Insurance policies often use the phrase "personal property" in describing covered property, for example 'business personal property." Insurance practitioners commonly refer to personal property usually situated in a building as "contents."

**Tangible property**

All property that can be touched and that has physical existence. It can be either real or personal property. Most property insurance policies cover only tangible property.

**Intangible property**

Property that cannot be touched because it has no physical existence. Examples of intangible property are patents, copyrights and trademarks. Most property insurance policies do not cover intangible property.

**The five documents of the commercial property coverage part:**

1. Commercial property declarations

2. One or more commercial property coverage forms

3. One or more causes-of-loss forms

4. Commercial Property Conditions

5. Any applicable endorsements

**Commercial property coverage part**

A CPP coverage component that provides a broad range of coverages to "middle-market" or larger firms to insure buildings and business personal property.

**Commercial property declarations page**

A required commercial property coverage part component that provides basic information about the policyholder and the insurance provided.

**Commercial property coverage form**

A commercial property coverage part component that can be any of several commercial property forms containing an insuring agreement and related provisions.

**Causes-of-loss forms**

A required component of the commercial property coverage part that specifies perils covered; choices include basic, broad, or special form.

**Commercial Property Conditions**

A required component of the commercial property coverage part that contains conditions applicable to all commercial property coverage forms unless a coverage form contains a contradictory condition.

**Building and Personal Property Coverage Form (BPP)**

A commercial property coverage form that can be used to cover buildings, "your business personal property," and personal property of others.

**The most commonly used commercial property coverage form:**

BPP

**BPP**

Building and Personal Property Coverage Form - a commercial property coverage form that can be used to coverage buildings, "your business personal property," and personal property of others.

**What are the 9 sections of the BPP coverage form?**

1. covered property

2. property not covered

3. additional coverages

4. coverage extensions

5. limits of insurance

6. deductible

7. loss conditions

8. additional conditions

9. optional coverages

**Building (as defined in the BPP)**

The building described in the policy; the building's completed additions; fixtures, including outdoor fixtures; permanently installed machinery and equipment; personal property owned by the insured and used to maintain or service the building or its premises.

**Property that can be covered by the BPP:**

1. Buildings

2. Business personal property of the insured

3. Personal property of others in the custody of the insured

**Your business personal property (As defined in the BPP)**

Personal property owned by the named insured and, in some cases, personal property owned by others (such as leased property and improvements and betterments).

**Improvements and betterments**

Alterations or additions made to the building at the expense of a tenant who does not own the building and who cannot legally remove them.

**Personal property of others**

A category of property that the BPP can cover and that includes personal property of others (such as the named insured's customers) while the property is in the named insured's custody.

**Property not covered under BPP (answer part 1)**

a. accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;

b. Animals, unless owned by others and boarded by youn, only as "stock' while inside of buildings;

c. automobiles held for sale;

d. bridges, roadways, walks, patios or other paved surfaces;

e. contraband, or property in the course of illegal transportation or trade;

f. the cost of excavations, grading, backfilling or filling;

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

**Property not covered under BPP (answer part 2)**

h. Land (including land on which the property is located), water, growing crops or lawns;

i. personal property while airborne or waterborne;

j. bulkheads, pilings, piers, wharves or docks;

k. property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;

l. retaining walls that are not part of a building

m. underground pipes, flues or drains;

n. the cost to research, replace or resotres the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Coverage Extensions;

**Property not covered under BPP (answer part 3)**

o. 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. This paragraph does not apply to (a) vehicles or self-propelled machines or autos you manufacture, process or warehouse; (b) vehicles or self-propelled machines, other than autos, you hold for sale; or (c) rowboats or canoes out of water at the described premises; (d) trailers, but only to the extent provided for in the Coverage Extension for Non-Owned Detached Trailers.

p. 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, signs (other than signs attached to buildings), trees, shrubs or plants (other than 'stock' of trees, shrubs or plants), all except as provided in the Coverage Extensions.

**The 5 additional BPP coverages:**

1. Debris removal

2. Preservation of property

3. Fire department service charge

4. Pollutant cleanup and removal

5. Increased cost of construction

**BPP debris removal expenses will be paid only if they are reported in writing within how many days?**

180 days

**Under the debris removal provision in the BPP, what is the most that will be paid for such debris removal?**

25 percen tof hte sum of the direct loss payment (this in addition to the deductible amount).

**An additional $10,000 limit per location is provided for the BPP debris removal coverage if:**

(1) the direct loss plus debris removal expense exceeds the limits of insurance or (2) the debris removal expense exceeds the 25 percent limitation of direct losses.

**T or F: You can increase the $10,000 additional limit for debris removal on the BPP by endorsement**.

TRUE. You CAN increase the $10,000 additional limit for debris removal on the BPP by endorsement.

**The fire department service charge (an additional coverage of the BPP) pays such charges up to how much if the charges are assumed by contract prior to loss or are required by local ordinance?**

Up to $1,000

**For examples of debris removal losses, see 2.14.**

**For examples of debris removal losses, see 2.14.**

**Pollutant cleanup and removal (a BPP additional coverage) requires that expenses be reported in writing within \_\_\_\_\_\_ days after the loss. An aggregate limit of \_\_\_\_\_\_\_\_ per location applies to all such expenses that occur during each separate twelve-month period.**

180 days; $10,000 per location.

**What is the amount of insurance for increased cost of construction (an additional coverage of the BPP)?**

5 percent of the amount of insurance or $10,000, whichever is less. This amount is paid in addition to the policy limit. (And, it applies only if the Replacement Cost option has been selected.)

**The protection provided by the coverage extensions section of the BPP coverage form applies only if \_\_\_\_\_\_\_\_\_ is shown in the declarations.**

at least 80 percent coinsurance or a value reporting period symbol

**T or F: BPP coverage extensions are paid in addition to policy limits.**

TRUE. They ARE paid in addition to policy limits.

**6 BPP coverage extensions**

1. Newly acquired or constructed property

2. Personal effects and property of others

3. Valuable papers and records - cost of research

4. Property off-premises

5. Outdoor property

6. Non-owned detached trailers

**Newly Acquired or Constructed Property coverage (a coverage extension of the BPP) terminates automatically at the earliest of the following three dates:**

1. On the expiration date of the policy

2. Thirty days after the acquisition of the new location or the start of construction of the new building

3. On the date the insured notifies the insurer of the new location or new building.

**Maximum limit for BPP's newly acquired or constructed property coverage extension: (separate limits for building and personal property)**

Building: $250,000 at each building

Personal Property: $100,000 at each building

**Maximum limit for BPP's personal effects and property of others coverage extension:**

$2,500 at each location

**Maximum limit for BPP's valuable papers and records - cost of research coverage extension**

$2,500 at each location (can be increased)

**Maximum limit for BPP's property off premises coverage extension**

$10,000

**Maximum limit for BPP's outdoor property coverage extension**

$1,000 per occurence but only $250 per tree, shrub or plant

**Maximum limit for BPP's non-owned detached trailers coverage extension**

$5,000 (can be increased)

**Abandonment condition**

A condition that prohibits the insured from abandoning damaged property to the insurer

**Appraisal condition**

A process that the insurer and the insured must follow for resolving disputes about the insured property's value or amount of loss. (Involves appraisers, possibly umpire (who is possibly appointed by a judge)).

**Proof of loss**

A statement of facts about a loss for which the insured is making a claim

**If the building where a loss occurs has been vacant for more than 60 consecutive days before the loss occurred, the insurer will not pay if the loss is caused by:**

(1) vandalism, (2) sprinkler leakage unless the sprinkler was protected against freezing, (3) breakage of building glass, (4) water damage, (5) theft, (6) attempted theft. iF any other covered peril causes the loss, loss payment will be reduced by 15 percent.

**If the BPP covers a building owner or general lessee, "building" means the entire building, and it is considered vacant unless at least \_\_\_\_ percent of its total square footage is (1) rented to a lessee or sub-lessee and used by that party to conduct its customary operations or (2) used by the building owner to conduct its customary operations. Buildings under construction or renovation are not considered to be vacant.**

31 percent.

**Actual cash value**

ACV. Cost to replace property w/ new property of like kind and quality minus depreciation.

**BPP valuation basis for property other than that specifically listed:**

ACV

**BPP valuation basis for building damage of $2,500 or less:**

Replacement cost except for awnings, floor coverings, appliances, and outdoor equipment or furniture

**BPP valuation basis for stock sold but not delivered**

Selling price less discounts nad unincurred costs

**BPP valuation basis for glass:**

Replacement cost for safety glazing if required by law

**BPP valuation basis for improvements and betterments replaced by the insured:**

ACV

**BPP valuation basis for improvements and betterments not replaced**

Percentage of cost based on remaining life of lease

**BPP valuation basis for valuable papers and records**

Cost of blank media plus cost of transaction or copying ($2,500 research cost as coverage extension)

**Coinsurance clause**

Clause that requires the insured to carry insurance equal to at least a specified percentage of the insured property's value

**Equation for coinsurance:**

Loss payment = ((Amount of insurance carried/amount of insurance required) x Loss) - Deductible

**In coinsurance, the amount of insurance required is:**

...the actual cash value of the property immediately before the loss occurred multiplied by the coinsurance percentage.

**BPP optional coverage: Agreed Value**

Coverage that suspends the coinsurance clause if the insured carries the amount of insurance that the insurer and insured agree to be the property's full value.

**Equation:**

Loss payment = ((Limit of insurance/agreed value) x loss) - Deductible

**BPP inflation guard optional coverage**

Coverage for the effects of inflation that automatically increases the limit of insurance by the percentage of annual increase shown in the declarations

**BPP optional coverage: Replacement cost**

Coverage for losses to most types of property on a replacement cost basis (with no deduction for depreciation or obsolescence) instead of on an actual cash value

**The BPP Replacement Cost option does not apply to:**

1) property of others, 2) contents of a residence, 3) manuscripts, or 4) works of art, antiques, or rare articles. (However, you can extend replacement cost to the personal property of others.)

**Functional replacement cost**

The cost of replacing damaged property w/ similar property that performs the same function but might not be identical to the damaged property

**Value reporting form**

Form that covers the fluctuating values of business personal property by providing insurance for the insured's maximum expected values and requiring the insured to periodically report property values to the insurer.

**With the value reporting form (BPP), what is the amount of the advance premium based on?**

**It is based on 75% of the limit of insurance.**

**Peak Season Limit of Insurance Endorsement**

Endorsement that covers the fluctuating value of business personal property by providing differing amounts of insurance for certain time periods during the policy period.

**Specific insurance**

Insurance that covers each building for a specific limit of insurance and perosnal property at each building for a specific limit of insurance. (as opposed to Blanket Insurance)

**Blanket insurance**

Insurance that covers either of the following with one limit of insurance: (1) two or more types of property (such as buildings and business personal property) or (2) one or more types of property at more than one location. (as opposed to Specific Insurance)

**T or F: Blanket insurance may involve an additional cost.**

TRUE. The minimum coinsurance clause for blanket insurance is 90%, but the rates are the same as for 80 percent coinsurance.

**The first insurance policies covering buildings in colonial American covered loss by \_\_\_\_\_\_ only.**

fire

**Causes of Loss - Basic Form**

Form that covers fire, lightning, explosion, windstorm, hail, smoke, aircraft, vehicles, riot, civil commotion, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action

**Causes of Loss - Basic Form consists of mainly two sections: A & B (describe)**

A, a listing of several covered causes of loss (also known as perils), which are subject to some definitions and limitations expressed within that listing.

B, a set of exclusions that furhter limit the application of the covered perils

**Causes of loss that both the Basic and Broad Form cover:**

Fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, volcanic action

**Causes of loss that the Basic Form does not cover but the Broad Form does:**

Falling objects; weight of snow, ice or sleet; water damage; collapse caused by certain perils (provided as an additional coverage)

**Covered smoke damage must be what?**

Sudden and accidental

**Explosion does not include:**

- The rupture of pressure relief valves

- The rupture of a building resulting from the expansion or swelling of its contents caused by water absorption

**Hostile fire**

Fire that is not in a place where fire is intended to be

**How many persons are needed for a riot?**

Three or more

**Exclusions to Commercial Property insurance:**

Ordinance or law; earth movement; governmental action; nuclear hazard; utility services; war and military action; water; other exclusions (artificially generated electric currents, rupture or bursting of water pipes unless caused by a covered cause of loss; leakage of water or steam from any part of an appliance or system containing water or steam; explosion of steam boilers, steam pipes, steam turbines, or steam engines owned by, leased to, or operated by the insured; mechanical breakdown; loss resulting from the neglect of the insured to use all reasonable means to save and preserve property at and after the time of loss.)

**Causes of Loss - Broad Form**

Form that covers basic form perils plus falling objects; weight of snow, ice, or sleet; water damage; and (as additional coverage) collapse caused by certain perils

**The water damage covered loss in commercial property insurance specifically excludes:**

1. The cost to repair anyd efect that caused the loss or damage.

2. Gradual damage that occurs over a period of fourteen days or more.

3. Discharge or leakage from an automatic sprinkler system. (The sprinkler leakage peril would cover such damage.)

4. Discharge or leakage from a sump, including overflow because of sump pump failure

5. Discharge or leakage from roof drains, gutters, downspouts, or similar fixtures or equipment

**Collapse**

An abrupt falling down or caving in of a building or part of a building that, as a result, can no longer be occupied for its intended purpose.

**Causes of Loss - Special Form**

Form that covers "risks of direct physical loss," suject to the form's exclusions and limitations. (Traditionally known as "all risks" coverage)

**Exclusions and limitations to the Causes of Loss - Special Form**

- Wear and tear

- Rust, corrosion, fungus, decay, or deterioration

- Smog

- Settling, cracking, shrinking, or expansion

- Infestations and waste products of insects, birds, rodents, or other animals

- Damage to personal property by dampness or dryness of atmosphere, changes or extremes in temperatures, or marring or scratching

- Weather conditions that contribute to other excluded causes of loss

- Acts or decisions, including the failure to act or decide, of any person, group, organization, or governmental body

- Faulty or inadequate planning, zoning, surveying, siting, design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction, materials or maintenance

**Loss to the following kinds of property is covered only if it is caused by "specified causes of loss"**

1. Valuable papers and records

2. Animals, and then only in the event of their death

3. Fragile articles if broken, such as glassware, statuary, marble, chinaware, and porcelain (but not including building glass, containers of property held for sale, and lenses)

4. Builders' machinery and equipment owned or held by the insured unless on or within 100 feet of the described premises

**Theft limits for Commercial Property Special Form Causes of Loss**

- $2,500 for furs and garments trimmed w/ fur

- $2,500 for jewelry, watches, and precious metals, but the limit does not apply to jewelry or watches valued at $100 or less per item

- $2,500 for patterns, dies, molds and forms

- $250 for stamps, tickets, and letters of credit

**Additional coverages for the Commercial Property form:**

- property in transit (up to $5,000)

- water damage, other liquids, powder or molten material damage coverage

**Builders Risk Coverage Form**

Form that covers buildings in the course of construction, including additions or alterations to existing buildings

**Property covered under the Builders Risk Coverage Form:**

- Foundations

- If not covered by other insurance, temporary structures built or assembled on site, such as scaffolding or concrete forms

- Property intended to become part of the building - such as lumber, uninstalled windows, doors, sinks, and furnaces - while located within 100 feet of the described premises

**Important info on causes of loss as they pertain to the Builders Risk form:**

Collapse During Construction (excluded by the Builders Risk form except by endorsement)

**Theft of Building Materials (can be added by endorsement)**

**Need for Adequate Insurance condition**

Essentially a 100 percent coinsurance clause for builders risk insurance; except that it requires 100 percent of ACV upon completion (as opposed to upon the date of loss)

**Formula for "Need for Adequate Insurance" condition:**

(builders risk policy)

**Loss Payment = ((Limit of insurance / ACV of building on completion) x loss) - deductible**

**Condominium Association Coverage Form**

Form that covers buildings and business personal property of condominium associations

**The Condominium Association Coverage From provides coverage for property in three categories:**

1. Building

2. Business personal property of the named insured (which is the association of unit owners)

3. Personal property of others

**The condominium building coverage applies to certain items - i.e., fixtures, improvements, alterations, appliances, including (but not limited to) those used for refrigerating, ventilating, cooking, dishwashing, laundering, or housekeeping) only if \_\_\_\_**

...only if the condo association agreement requires the association to insure them

**T or F: Business personal property of a condo unit owner is covered if the owner is the sole owner.**

FALSE. It is only covered if it is owned by the association or if it is indivisibly owned by all unit owners

**Condominium Commercial Unit-Owners Coverage Form**

Form that cover business personal property and building property exposures of commercial (nonresidential) condominium units.

**Loss assessment coverage**

Coverage for a commercial condominium unit-owner's share of any assessment made by the association against all unit-owners because of physical loss to condominium property caused by a covered cause of loss.

**Miscellaneous real property coverage**

Coverage for real property (such as a storage shed or garage building) that pertains only to the named insured's condominium unit or real property that the named insured has a duty to insure under the condominium association agreement

**Insurance for highly protected risks (HPR)**

Property insurance that covers large property risks with superior loss protection characteristics; has broader coverage than most commercial property policies and usually a lower premium rate.

**Ordinance or Law Coverage Endorsement**

Endorsement that covers three types of losses due to the enforcement of building ordinances or laws: (1) the value of undamaged property that must be demolished, (2) the cost to demolish the building's undamaged portion and remove its debris, and (3) the increased cost to rebuild the property

**Spoilage Coverage Endorsement**

Endorsement that covers damage to perishable stock due to power outages; on-premises breakdown; or contamination of the insured's refrigerating, cooling, or humidity control equipment (limit is $50,000)

**Manufacturers' Consequential Loss Assumption Endorsement**

Endorsement that covers reduction in value of undamaged property due to physical loss to other property

**Brands and Labels Endorsement**

Endorsement that permits the insured, when the insurer takes damaged merchandise as salvage, to stamp the word "salvage" on the merchandise or to remove its brands or labels before sale

**Maximum NFIP limit per building and per contents of a building:**

$500,000 each (per building; for contents of a building)

**Typical deductible for commercial flood coverage:**

$25,000 or more

**Commercial Lines Manual (CLM)**

An ISO publication that includes rules and rating procedures for nine major lines of commercial insurance.

**Loss costs**

The portion of the rate that covers projected claim payments and loss adjusting expenses.

**Other factors affecting commercial property premiums: (catchy little acronym)**

**COPE:**

Construction

Occupancy

Protection

Exposure

and,

Location

**Specific rating**

A rating approach that bases a building's property insurance rate on inspecting and evaluating that particular building

**Class rating**

A rating approach that uses rates reflecting the average probability of loss for businesses within large groups of similar risks; the predominant method used for rating commercial properties

**Business income insurance**

Insurance that covers the reduction in an organization's income when operations are interrupted by damage to property caused by a covered peril

**Net income**

Excess of revenues over expenses; revenues less expenses

**Profit**

Net income that results when revenues exceed expenses

**Net loss**

Net income that results when expenses exceed revenues

**Continuing expenses**

Expenses that continue to be incurred during a business interruption

**Noncontinuing expenses**

Expenses that cease during a business interruption

**Extra expenses**

Expenses that an organization only incurs if business is interrupted

**Business Income (and Extra Expense) Coverage form**

form that covers both business income and extra expense losses (even if the extra expenses do not reduce the business income loss).

**Business Income (without Extra Expense) Coverage form**

Form that covers business income loss but only covers extra expenses to the extent that they reduce the business income loss.

**Business income**

The sum of (1) net profit or loss that would have been earned or incurred if operations had not been suspended plus (2) normal operating expenses, including payroll, that continue during the suspension.

**Period of restoration**

The period during which business income loss is covered under the BIC forms; begins seventy-two hours after the physical loss occurs and ends when the property is (or should have been) restored to use with reasonable speed. (With regard to extra expense coverage, begins immediately after the physical loss occurs.)

**Extra expense coverage**

Coverage for extra expenses incurred by the named insured to avoid or minimize the suspension of operations; additional coverage of the business income and extra expenses coverage form.

**Expenses to reduce loss**

Coverage for necessary expenses incurred by the named insured to reduce business income loss; the expenses are covered only to the extent they actually reduce the business income loss

**Civil authority additional coverage**

Coverage for loss of business income that results when access to the insured's premises is prohibited by civil authority because of damage to property other than the insured's.

**Extended business income (EBI) additional coverage**

Coverage for business income losses that continue after the period of restoration ends; the coverage begins when the damaged property has been restored and ends when the insured's business returns to normal, subject to a maximum of thirty days

**Business income coverage on newly acquired locations is limited to:**

$100,000

**BIC**

Business Income insurance

**BIC exclusions in causes-of-loss forms**

**Business income insurance does not apply if loss is caused by:**

- Off-premises services interruption

- Finished stock

- Antennas

- Delay

- Loss of privilege

- Other consequential losses

**Additional condition imposed by the BIC:**

Resume operations, in whole or in part, as quickly as possible (if the insured intends to resume operations)

**Limitation - Electronic Media and Records (for BIC)**

Coverage for a BIC loss due solely to damage to or destruction of electronic media or records is limited to a maximum of sixty days from the initial date of loss. If other property is also damaged or destroyed, the covered loss is limited to a maximum of (1) sixty days or (2) the period required to restore the other property with reasonable speed and similar quality, whichever is longer.

**T or F: the coinsurance provision for BIC may be 50,60,70,80,90,100 or 125 percent.**

TRUE. However, the policy may also be written w/ no coinsurance.

**For BIC coinsurance purposes, the time covered is:**

the estimated net income and expense for one year starting with the policy inception or anniversary.

**Probable maximum loss (PML)**

The largest loss than an insurer is likely to sustain

**BIC Optional coverages:**

Maximum period of indemnity

Monthly limit of indemnity

Agreed value

Extended period of indemnity

**Maximum period of indemnity coverage option (for BIC)**

Option that deletes the coinsurance clause while limiting loss payment to the lesser of (1) the amount of loss sustained during the 120 days following the beginning of the period of restoration or (2) the policy limit.

**Monthly limit of indemnity coverage option (for BIC)**

Option that deletes the coinsurance clause while limiting the amount recoverable during any month of business interruption to a stipulated fraction (1/6, 1/4, or 1/3)

**Agreed value coverage option**

Option that suspends the coinsurance clause as long as the insured carries an amount of business income insurance that is equal to the value agreed on by the policyholder and the insurer.

**Extended period of indemnity coverage option (BIC)**

Option that extends the duration of EBI coverage for up to two years

**Extra expense coverage form**

Form that covers the same extra expenses incurred as does the Business Income (and Extra Expense) Coverage form, with the exception that this form limits maximum recovery based on the period of restoration.

**Dependent property exposures**

The possibility of incurring business income loss because of physical loss occurring on the premises of an organization that the insured depends on for materials, products, or sales.

**Contributing location**

furnishes materials or services to the insured

Recipient location

Purchases materials or services from the insured

Manufacturing location

Manufactures products for delivery to the insured's customers

**Leader location**

Attracts customers to the insured's location (a major dept. store at a shopping center, for example)

**Ordinary Payroll Limitation or Exclusion Endorsement**

Endorsement that limits coverage for ordinary payroll expenses to a specified number of days or excludes such expenses altogether; allows the insured to satisfy the coinsurance requirement with a lower amount of insurance, thus reducing the policy premium.

**Power, Heat, and Refrigeration Deduction Endorsement**

Endorsement that eliminates power, heat, and refrigeration expenses from coverage and from the coinsurance calculation; allows insured to satisfy the coinsurance requirement with a lower limit of insurance.

**Ordinance or Law - Increased Period of Restoration Endorsement**

Endorsement that covers business income loss during the additional time required to comply with building ordinances or laws.

**Business Income Premium Adjustment Endorsement**

allows the insured to carry a limit of insurance set high enough to cover the highest anticipated fluctuation in business income values while paying premium based on the amount of insurance actually required

**Business Income Changes - Educational Institutions Endorsement**

Adapts the BIC policy to meet the needs of schools

**Utility Services - Time Element Endorsement**

Extends the BIC policy to cover loss of earnings resulting from off-premises interruptions of utilities and communications services

**Commercial crime insurance**

Insurance that covers (1) money and securities against numerous perils (not limited to crime perils) and (2) property other than money and securities against crime perils, such as employee theft, robbery, theft by outsiders, and extortion

**Discovery form**

Form that covers losses discovered during the policy period even though they may have occurred before the policy period

**Loss sustained form**

Form that covers losses actually sustained during the policy period and discovered no later than one year after policy expiration.

**Basic crime insuring agreements:**

1. Employee Theft

2. Forgery or Alteration

3. Inside the Premises - Theft of Money and Securities

4. Inside the Premises - Robbery or Safe Burglary of Other Property

5. Outside the Premises

6. Computer Fraud

7. Money Orders and Counterfeit Paper Currency

**What is basic crime insuring agreement #1?**

Employee theft

**What is basic crime insuring agreement #2?**

Forgery or alteration

**What is basic crime insuring agreement #3?**

Inside the premises - theft of money and securities

**What is basic crime insuring agreement #4?**

Inside the premises - robbery or safe burglary of other property

**What is basic crime insuring agreement #5?**

Outside the premises

**What is basic crime insuring agreement #6?**

Computer fraud

**What is basic crime insuring agreement #7?**

Money orders and counterfeit paper currency

**Employee theft coverage**

Coverage for theft of money, securities, or other property committed by an insured's employee

**Theft**

The unlawful taking of money, securities, or other property to the insured's deprivation

**T or F: temps and leased employees are considered to be** "employees"

FALSE.

**Money**

Currency, coins, bank notes in current use and having a face value; travelers checks, register checks, and money orders held for sale to the public

**Securities**

Negotiable and nonnegotiable instruments or contracts representing either "money" or other property. Examples of securities include stocks, bonds, tokens, tickets, stamps in current use (including unused value in a postage meter), and evidences of debt issued in connection w/ charge or credit cards other than cards issued by the insured

**Other property**

Defined as all tangible property, other than money and securities, that has intrinsic value and that the coverage form or policy does not otherwise exclude.

**Cancellation as to Any Employee condition (commercial crime form)**

- provides automatic cancellation of coverage with respect to any employee who has previously committed a dishonest act known to the insured

- gives the insurer the right to cancel coverage w/ respect to any employee by providing thirty days' advance notice to the insured.

**Forgery**

Signing the name of another person w/ intent to deceive

**Alteration**

Something done to a written instrument that changes its meaning or terms w/o the consent of all parties to the instrument.

**T or F: Forgery or alteration coverage applies worldwide.**

TRUE. it does apply worldwide.

**Theft, disappearance and destruction**

A combination of covered causes of loss in some crime insuring agreements that provides an extremely broad scope of coverage.

**Robbery**

The unlawful taking of property from the care and custody of a person by one who has caused or threatened to cause that person bodily harm; includes situations in which the thief commits an obviously unlawful act that is witnessed by the custodian of the stolen property (such as an observed 'smash and grab' theft from a shop window)

**Custodian**

The named insured, any of the named insured's partners or members, or the named insured's employee while having care and custody of the property inside the premises; excludes any person while acting as a watchperson or janitor.

**Safe burglary**

The unlawful taking of property from within a locked safe or vault by a person who unlawfully and forcibly enters the safe or vault; includes the unlawful taking of the entire safe or vault from inside the premises

**Messenger**

The named insured, a relative of the named insured, any of the named insured's partners or members, or any of the named insured's employees while having care and custody of property outside the insured premises.

**Computer fraud coverage**

Coverage for loss of covered property due to using a computer to fraudulently transfer covered property to the wrongdoer

**A typical firm may choose to carry only which of the seven crime coverages?**

1 (employee theft), 2 (forgery or alteration, 3 (inside the premises - theft of money and securities), 5 (outside the premises), 6 (computer fraud), fund transfer fraud endorsement

**Why do many firms omit commercial crime insurance agreement 4?**

Because they have comparable coverage in their special-form commercial property coverage.

**Why do many firms omit commercial crime insurance agreement 7?**

Many prefer to retain their exposure to money orders and counterfeit paper currency.

**General exclusions to commercial crime insurance:**

- Acts committed by you, your partners or your members

- Acts of employees, managers, directors, trustees or representatives

- Government action

- Indirect loss

- Legal expenses

- Nuclear

- War and similar actions

**Exclusions applicable only to employee theft:**

- Employee canceled under prior insurance

- Inventory shortages

- Trading

- Warehouse receipts

**Exclusions applicable to Inside the Premises and Outside the premises (3,4,5)**

Accounting or Arithmetical errors or omissions

Exchanges or purchases

Fire

Money operated devices

Motor vehicles or equipment and accessories

Transfer or surrender of property

Vandalism

Voluntary parting with title to or possession of property

**Extended period to discover loss**

A specified period following policy expiration providing coverage for loss first discovered during this period if the loss occurred before policy expiration

**Retroactive date endorsement**

Endorsement that modifies the discovery form by limiting coverage to losses the insured incurs because of acts committed or events occurring after the policy's retroactive date.

**Employee Theft - Name or Position Schedule Endorsement**

Covers employee theft by only those employees who are specifically identified by name or by position. This coverage is obviously more restricted than insuring agreement 1. It is sometimes used by smaller firms or those that feel that only a few employees pose an employee theft risk.

**Inside the Premises - Theft of Other Property Endorsement**

Covers theft of property other than money and securities inside the premises. This endorsement provides broader coverage than insuring agreement 4, which provides only robbery and safe burglary coverage.

**Inside the Premises - Robbery or Safe Burglary of Money and Securities Endorsement**

Covers loss of money and securities by robbery or safe burglary. This is more restrictive coverage than the "theft, disappearance or destruction" coverage provided by insuring agreement 3.

**Inside the Premises - Robbery or Burglary of Other Property Endorsement**

Covers loss of property other than money and securities by robbery of a watchperson or by burglary of the premises.

**Burglary**

The taking of property from inside a building by unlawful entry into or exit form the building; signs of forcible entry or exit must be visible

**Clients' Property**

Covers theft, committed by the insured's employees, of clients' property within clients' premises. A useful coverage for cleaning services and other firmst hat have employees who work within clients' premises.

**Funds Transfer Fraud**

Covers loss of money and securities by fraudulent electronic, telephonic, telefacsimile, telegraphic, cable, or teletype instructions from the insured's account at a financial institution

**Extortion - Commercial Entitites**

Covers loss due to surrender of money, securities, or other property as a result of (1) a threat of bodily harm to an employee, director, trustee, partner, member, manager, or proprietor; or (2) a threat to do damage to the insured's premises. (Similar coverage is also available for governmental organizations.)

**Financial institution bond**

A policy that covers the crime loss exposures of financial institutions such as banks, savings and loan institutions, and insurance companies.

**Equipment breakdown insurance**

Insurance that covers loss due to the accidental breakdown of almost any type of equipment that operates under pressure or that controls, transmits, or uses mechanical or electrical power.

**Breakdown**

A direct physical loss to covered equipment that necessitates its repair or replacement due to failure of pressure equipment, mechanical failure, or electrical failure

**Covered equipment (as it pertains to equipment breakdown insurance)**

Includes pressurized equipment, electrical or mechanical equipment, communication and computer equipment, and other specified equipment

**Ten insuring agreements of the ISO Equipment Breakdown Form**

- Property damage

- Expediting expenses

- Business income and extra expense

- Spoilage damage

- Utility interruption

- Newly acquired premises

- Ordinance or law

- Errors and omissions

- Brands and labels

- Contingent business income and extra expense

**T or F: covered property is broader than covered equipment.**

TRUE. Breakdown to covered equipment triggers coverage for damage to covered property.

**Expediting expenses coverage**

Coverage for the reasonable extra cost to make temporary repairs in order to speed up (expedite) permanent repairs or replacement of covered property.

**Errors and omissions (E&O) coverage**

Coverage for loss that would otherwise not be covered because of certain unintentional errors or omissions made in arranging the insurance, such as incorrectly describing an insured building's location

**Contingent business income and extra expense coverage**

Coverage for business income and extra expense loss due to equipment breakdown occurring at a location, shown in the declarations, that the insured does not own or operate

**$25,000 is the most that insurer will pay for direct damage due to breakdown caused by what five categories?**

1. Ammonia contamination

2. Hazardous substance

3. Consequential loss

4. Water damage

5. Data and Media

**Suspension condition**

Condition that allows the insurer to immediately suspend equipment breakdown insurance on an item of equipment that the insurer determines to be in a dangerous condition.

**MDV**

Multiple of daily value - a type of deductible sometimes used instead of a time deductible. It is expressed as a number (i.e., 3) times what the insured's average daily business income for the location where the loss occurred would have been during the period of restoration had no loss occurred. (Mentioned w/ equip. breakdown ins.)

**Joint or disputed loss agreement**

Condition that addresses claim situations in which the insured's equipment breakdown insurer and the insured's commercial property insurer disagree on which insurer covers a loss; each insurer pays half the loss to quickly indemnify the insured; insurers then resolve their differences.

**Marine insurance**

Insurance that, in the U.S., includes both ocean and inland marine coverage and in the rest of the world is limited to insurance for vessels and cargo.

**Nationwide Marine Definition**

A statement used mainly to determine whether a particular coverage is marine insurance (inland on ocean)

**What qualifies as Marine?**

That which is under the Nationwide Marine Definition:

A. Imports

B. Exports

C. Domestic shipments

D. Instrumentalities of transportation and communication (bridges, tunnels, piers, wharves, docks, pipelines, power and telephone lines, radio and television towers and communication equipment, and outdoor cranes and loading equipment)

E. Various types of property owned or used by individuals, such as jewelry, furs, musical instruments, silverware, coin collections and stamp collections

F. Various types of property pertaining to a business, a profession, or an occupation. Examples of such property include mobile equipment, builders risks, property in the custody of bailees, live animals, property at exhibitions, and electronic data processing equipment

**Inland marine insurance**

Insurance that covers many different classes of property that typically involve an element of transportation

**Common carriers**

Airlines, railroads, trucking companies, and other entities that furnish transportation services to the public.

**Contract carriers**

Carriers that furnish transportation services to shippers with whom they have contracts

**Private carriers**

Organizations that transport their own goods.

**Bill of lading**

The contract between the shipper and the carrier, which may limit the shipper's recovery for cargo loss

**Common carriers are not liable for loss caused by:**

- Acts of God (meaning natural phenomena such as floods, hurricanes, tornadoes, or earthquakes)

- Acts of public enemies (meaning war risks)

- Acts of public authority

- Neglect or fault on the part of the shipper

- Inherent vice in the cargo itself

**Straight bill of lading**

Fixes no limit on the amount of recovery

**Released value bill of lading**

Limits recovery to a specified amount

**F.O.B.**

"Free on Board" - indicates that the shipper (seller) is responsible for arranging to have the cargo delivered on board the vessel; used more loosely to indicate the point at which ownership and exposure to loss shift from the seller to the buyer

**Bailment**

The temporary possession by one party (the bailee) of personal property owned by another party (the bailor) for a specific purpose, such as cleaning or repair

**Bailee**

The part temporarily possessing the personal property in a bailment

**Bailor**

The owner of the personal property in a bailment

**Examples of movable equipment and Unusual property (eligible for inland marine insurance)**

Agricultural equipment, such as tractors and cultivators; mobile equipment used by contractors, such as cranes and backhoes; physicians' and surgeons' equipment; computer equipment; farm animals; fine arts; buildings under construction (builders risks); patterns, molds and dies; partially completed products while at another location for processing; property on exhibition; sales samples while in the custody of sales representatives; valuable papers and records; records of accounts receivable; theatrical property; signs; cameras; musical instruments

**Filed class**

The classes of inland marine business for which policy forms and/or rates must be filed w/ the state insurance dept.

**Nonfiled class**

The classes of inland marine business for which neither policy forms nor rates must be filed with the state insurance dept.

**Some examples of nonfiled inland marine coverages:**

Contractors equipment, builders risk, transit, motor truck cargo liability, difference in conditions, electronic data processing equipment, bailees, instrumentalities of transportation and communication

**Contractors equipment floater**

Policy that covers mobile equipment or tools while anywhere in the coverage territory. (Nonfiled)

**Builders risk policy**

Policy that covers a building in the course of construction, including building materials and supplies while on or away from the building site. (Nonfiled)

**Soft costs coverage**

Coverage for various incidental expenses that might result from a physical loss to a building project, such as additional interest, advertising expenses, or real estate taxes; can be added to a builders risk policy (Nonfiled)

**Installation floater**

Policy that covers a contractor's interest in building supplies or fixtures that the contractor has been hired to install. (Nonfiled)

**Trip transit policy**

Policy that covers a particular shipment of goods specified in the policy. (Nonfiled)

**Annual transit policy**

Policy that covers all shipments made or received by the insured throughout a one-year policy period. (Nonfiled)

**Motor truck cargo liability policy**

Policy that covers a trucker's liability for damage to cargo of others being transported by the trucker. (Nonfiled)

**Difference in conditions (DIC) policy**

Policy that covers on an "all-risks" basis to fill gaps in the insured's commercial property coverage, especially gaps in flood and earthquake coverage. (Nonfiled)

**Electronic data processing (EDP) equipment floater**

Policy that covers computer equipment, software, and electronic data

**Warehouse operators legal liability policy**

Policy that covers warehouse operators against liability for damage to the property of others being stored in operators' warehouses. (Nonfiled)

**Bailees' customers policy**

Policy that covers damage to customers' goods while in the possession of the insured, regardless of whether the insured is legally liable for the damage. (Nonfiled)

**Commercial Articles Coverage Form**

Form that covers photographic equipment and musical instruments used commercially by photographers, motion picture producers, professional musicians and others. (Filed)

**Camera and Musical Instrument Dealers Coverage Form**

Form that covers the stock in trade (inventory) of camera dealers or musical instrument dealers; also covers similar property of others in the insured's care, custody or control. (Filed)

**Equipment Dealers Coverage Form**

Form that covers the stock in trade of dealers that sell agricultural or construction equipment; also covers customers' equipment in the insured's care, custody, or control. (Filed)

**Physicians and Surgeons Equipment Coverage Form**

Form that covers the professional equipment, materials, supplies, and books of physicians, surgeons, and dentists; also covers the insured's office equipment and (if the insured is a tenant) improvements and betterments that the insured has made to the building. (Filed)

**Signs Coverage Form**

Form that covers neon, flourescent, automatic, or mechanical signs. (Filed)

**Theatrical Property Coverage Form**

Form that covers stage scenery, costumes, and similar property used in theatrical productions. (Filed)

**Film coverage form**

Form that covers exposed motion picture film and magnetic tapes or videotapes, including related soundtracks or sound records. (Filed)

**Floor Plan Coverage Form**

Form that covers merchandise being held for sale and that the dealer has financed under a floor plan. (Filed)

**Jewelers Block Coverage Form**

Form that covers the merchandise of retail jewelers, including similar property of others in the insured's care, custody, or control. (Filed)

**Mail Coverage Form**

Form that covers a financial institution against loss of securities and other negotiable instruments while in transit through specified types of mail. (Filed)

**Accounts Receivable Coverage Form**

Form that covers losses (including uncollectible accounts) due to destruction of the insured's records of accounts receivable. (Filed)

**Nonfiled jewerlers block policies are used to insure:**

1) Retailers w/ average inventories exceeding $250,000; 2) jewelery wholesalers; 3) jewelry manufacturers

**Valuable papers and records coverage form**

Form that covers valuable papers and records, such as an architect's blueprints and plans (Filed)

**Judgment rating**

Rating used by underwriters to rate one-of-a-kind risks

**Freight**

The compensation a carrier receives for transporting cargo

**Ocean marine insurance**

Insurance that covers vessels and their cargos, including various vessel-related liability exposures

**Voyage policy (cargo)**

Policy that covers cargo for a single trip specified in the policy; comparable to an inland marine trip transit policy.

**Open cargo policy**

Policy (ocean marine) that covers all goods shipped or received by the insured during the policy's term; comparable to an inland marine annual trip transit policy

**Typical valuation of an ocean shipment:**

Amount of invoice + Freight + 10%

**Warehouse to warehouse clause**

Clause in open cargo policies that covers the insured cargo during the ordinary course of transit (including land transit) from the time the cargo leaves the point of shipment until it is delivered to its final destination

**Sue and labor clause**

Clause that covers the cost of reasonable measures that the insured is required to take to protect property from damage at the time of loss.

**General average**

Partial loss that must, according to maritime law, be shared by all parties to a voyage (cargo owners and vessel owner).

**Particular average**

Partial loss that is borne by only one party to a voyage (such as a cargo owner)

**Hull insurance**

Insurance that covers physical damage to vessels, including their machinery and fuel but not their cargo

**Salvage (ocean marine)**

Refers to situations in which owners of cargo aboard a ship that falls in distress become liable to pay awards to those who put themselves at risk to rescue the ship

**Covered causes of loss for hull insurance:**

Perils of the seas, fire, lightning, earthquake, barratry, all other like perils.

**Perils of the seas**

Accidental causes of loss that are peculiar to the sea and other bodies of water

**Barratry**

Serious misconduct by the vessel's master or crew that is contrary to the owner's interest, such as fraudulent or criminal act that causes damage to the vessel.

**Collision liability clause**

Clause that covers the insured's liability for collision damage to other ships and their cargoes

**Time policy (ocean marine)**

Covers the insured vessel(s) for a specified period of time (usually a year)

Protection and indemnity (P&I) insurance

Insurance that covers shipowners against various liability claims due to operating the insured vessel.

i.e., - damage to bridges, piers, wharves, and other structures along waterways; injury to passengers, crew, and other persons on the ship; injury to persons on other ships; damage to cargo of others aboard the insured vessel

**Commercial general liability insurance**

Insurance that covers many of the common liability loss exposures faced by an organization, including its premises, operations, and products.

**Liability loss**

All costs to a person or an organization due to a legal claim or suit against that person or organization

**Legal liability**

A legally enforceable obligation of a person or an organization to pay a sum of money (called damages) to another person or organization.

**Civil law**

The branch of the law that provides a means to settle disputes between parties

**Criminal law**

The branch of the law that imposes penalties for wrongs against society

**Tort**

A civil wrong, other than a breach of contract, against another person

**Negligence**

A tort that occurs when a person exposes others to an unreasonable risk of harm because of failure to exercise the required degree of care.

**Strict liability**

Liability that is imposed even though the defendant acted neither negligently nor with intent to cause harm; for example, liability for injury caused by wild animals or dangerously defective products.

**Contract**

A legally enforceable agreement between two or more parties in which each party makes some promise to the other.

**Breach of contract**

Failure to fulfill one's contractual promise.

**Hold harmless agreement**

A contractual provision that obligates one of the parties to assume the legal liability of another party

**Contractual liability**

Liability assumed through a hold harmless agreement

**Statute**

A law passed by a state or federal legislative body

**Premises liability exposure**

Exposure to liability for injury or damage due to the ownership, occupancy, or use of premises.

**Operations liability exposure**

Exposure to liability for injury or damage due to activities in addition to the ownership, occupancy, or use of premises; for example, a building contractor's liability exposure while constructing a house

**Products liability exposure**

Exposure to liability for injury or damage due to products sold or distributed by the exposed party

**Completed operations liability exposure**

Exposure to liability for injury or damage due to work completed by the exposed party

**CGL Coverage A**

Bodily Injury and Property Damage Liability

**CGL Coverage B**

Personal and Advertising Injury Liability

**CGL Coverage C**

Medical Payments

**Bodily injury (as defined in the CGL)**

Bodily injury, sickness, or disease sustained by a person, including death resulting form any of these at any time

**Property damage**

Physical injury to tangible property, including resulting loss of use of that property and loss of use of tangible property that is not physical injured.

**Occurrence**

An accident, including continuous or repeated exposure to substantially the same general harmful conditions

**Occurrence coverage trigger**

Bodily injury or property damage that occurs during the policy period; what triggers coverage under the "occurrence" version of the CGL coverage form.

**Insured contract**

A contract under which liability assumed by the insured is covered in the CGL; includes a lease of premises, a sidetrack agreement, an easement or license agreement, an obligation (as required by ordinance) to indemnify a municipality, an elevator maintenance agreement, or that part of any other contract pertaining to the insured's business under which the insured assumes the tort liability of another party. (Is excluded for coverage by Coverage A)

CGL Coverage A (Bodily Injury & Property Damage Coverage) Exclusions

Contractual liability (i.e., insured contract)

Expected or intended injury

Liquor liability

Workers Compensation and Employers Liability

Pollution

Aircraft, Auto, and Watercraft

Mobile Equipment

War

Damage to Property

Insureds Products and Work (Damage to Your Product; Damage to Your Work; Damage to Impaired property or property not physically injured; recall of products, works, or impaired property)

Personal and Advertising Injury

Fire Legal Liability Coverage

**Auto**

A land motor vehicle, trailer, or semitrailer designed for travel on public roads, including attached machinery or equipment, but excluding mobile equipment

**Loading or unloading**

The handling of property (1) after it is moved from the place where it is accepted for movement onto an aircraft, watercraft or auto; (2) while on any such vehicle; or (3) while being moved from such vehicle to the place wher eit is finally delivered. Does not include movement by means of a mechanical device (other than a hand truck) that is not attached to the vehicle

**Mobile equipment**

Various types of vehicles designed for use principally off public roads, such as bulldozers and cranes

**Fire legal liability coverage**

Coverage for fire damage to premises rented to or temporarily occupied by the named insured

**Personal and advertising injury (CGL Coverage B)**

Injury that is covered by Coverage B of the CGL. Includes injury resulting from numerous offenses such as false detention, malicious prosecution, wrongful eviction, slander, libel, use of another's advertising idea, and copyright infringement

**Trade dress**

The overall appearance and image of a product

**CGL Coverage C (Medical payments) does not apply to bodily injury to the following persons:**

- Any insured (other than a volunteer worker of the named insured)

- Anyone hired to do work for an insured or for a tenant of an insured

- A person injured on that part of the named insured's premises which the person normally occupies

- A person entitled to workers compensation benefits for the injury

- A person injured while taking part in athletics

**CGL: who is an insured?**

1. Named insured

2. Employees of the named insured

3. Other persons and organizations

**LLC**

limited liability company

**T or F: In a partnership, the spouses of members are also insureds (but only for liability claims arising out of the conduct of the business of the partnership or joint venture)**

TRUE.

**CGL: Who is an insured - other persons and organizations includes who?**

1. Real estate managers

2. Legal representatives

3. Mobile equipment operators

4. Newly acquired organizations

**CGL Limit flow chart:**

General Aggregate limit --> Personal & Advertising Injury OR Each Occurrence -->Damage to Premises Rented to You OR Medical Expense

Products-Completed Operations Aggregate Limit --> Each Occurrence

**General aggregate limit**

The most the insurer will pay during the policy period for the sum of (1) damages under Coverage A, except damages because of injury or damage included in the products-completed hazard, (2) damages under Coverage B, and (3) medical expenses under Coverage C

**Products-completed operations hazard**

All bodily injury and property damage occurring away from the named insured's premises and arising out of the named insured's product or work. The hazard does not include (1) products still in the named insured's physical possession or (2) work that has not been completed or abandoned

**Personal and advertising injury limit**

The most the insurer will pay for all personal and advertising injury to one person or organization

**Each occurrence limit**

The most the insurer will pay for all of the following arising out of a single occurrence: (1) damages for bodily injury and property damage under Coverage A and (2) medical expenses under Coverage C

**Damage to premises rented to you limit**

The most the insurer will pay for either (1) damage by a cause other than fire to any one premises rented to the named insured or (2) damage by fire to any one premises rented to the named insured or temporarily occupied by the named insured with the owner's permission

**Medical expense limit**

The most the insurer will pay for Coverage C medical expenses due to bodily injury to one person

**Contribution by equal shares**

Method of sharing loss when two or more policies apply; each insurer pays an equal amount until the claim is fully paid or until one insurer exhausts its limit; if so, the other insurer pays the remainder of the claim (up to its limit).

**Contribution by limits**

Method of sharing loss when two or more policies apply; each insurer pays that proportion of the claim that the insurer's limit bears to the total of all applicable insurance.

**T or F: The representations condition (CGL) places a heavy burden on the insurer to read the policy declarations and to be sure that the representations madein the negotiation of the policy are accurate**

FALSE. It is the named insured's burden

**Claims-made coverage trigger**

The event that triggers coverage under the claims-made CGL coverage form: the first making of a claim against the insured during the policy period

**Retroactive date**

The date on or after which bodily injury or property damage must occur (or a personal and advertising injury offense must be committed) in order to be covered.

**Extended reporting period (often referred to as a "tail")**

An additional period (also called a "tail") following the expiration of a claims-made policy. During this period the expired policy covers claims first made against the insured, provided the injury occurred after the retroactive date (if any) and before policy expiration.

**CGL Exclusion Endorsement:**

Exclusion - Personal and Advertising Injury Endorsement

Excludes Coverage B - Personal and Advertising Injury Liability

**CGL Exclusion Endorsement:**

Exclusion - Employees and Volunteer Workers as Insureds

modifies the WHo Is an Insured section of the policy to eliminate insured status for the named insured's employees and volunteer workers

**CGL Exclusion Endorsement:**

Exclusion - Total Pollution Exclusion Endorsement

eliminates coverage for any injury, damage, or cleanup costs resulting from the actual, alleged, or threatened discharge of pollutants

**CGL Exclusion Endorsement:**

Exclusion - Designated Product Endorsement

excludes liability arising out of specified products of the insured

**CGL - Boats Endorsement**

extends CGL coverage to any watercraft described in the endorsement and owned or used by or rented to the insured

**CGL - Deductible Liability Insurance Endorsement**

Enables the insured to apply deductibles to the bodily injury and property damage liability coverages, either separately or combined. The deductibles may be on eithe ra per-claim or a per-occurrence basis.

**CGL - Additional Insured-Vendors Endorsement**

Includes as an insured any person or organization (the vendor) specified in the endorsement

**Rate formula for CGL**

Rate x rate exposure = premium

**Premium base**

The unit in which the rate exposure is measured, such as gross sales or payroll

**Class code**

A numeric code representing the description int he rating classification table that best fits a particular organization's operations

**Certificate of insurance**

A brief description of insurance coverage prepared by an insurer or its agent, commonly used by policyholders to provide evidence of insurance

**Liquor liability coverage form**

Form that covers liquor liability of insureds in the business of manufacturing, distributing, selling , serving or furnishing alcoholic beverages

**Products/Completed Operations Liability Coverage Form**

Form that covers products and completed operations liability separately from the CGL coverage form

**Owners and Contractors Protective Liability COverage Form**

Form purchased by a contractor to protect a property owner against liability for bodily injury or property damage arising out of (1) the contractor's operations at the specified location or (2) acts or omissions of the property owner in connection with the general supervision of such operations.

**Railroad Protective Liability Coverage Form**

Form that covers a railroad against claims arising out of a contractor's work on or adjacent to a railroad property and that is purchased by the contractor.

**Doctrine of "respondeat superior"**

"Let the employer answer"

**Employers nonownership liability**

An employer's liability for its employees' operation of their autos int he employer's business

**Auto no-fault law**

State statutes that require motorists to purchase (or require insurers to make available) insurance that provides minimum first-party benefits to injured persons regardless of fault

**Uninsured motorists law**

State statutes that require auto insurers to offer uninsured motorists coverage to all insured motorists who are their policyholders

**Business Auto Coverage Form**

Form that covers automobile loss exposures for all types of organizations other than auto dealers and motor carriers

**Coverage symbol**

Numeric symbols used in a commercial auto policy to indicate which autos are covered for particular coverages

**Business Auto Coverage Form: Symbol 1**

Any Auto

**Business Auto Coverage Form: Symbol 2**

Owned Autos Only

**Business Auto Coverage Form: Symbol 3**

Owned Private Passenger Autos Only

**Business Auto Coverage Form: Symbol 4**

Owned Autos Other Than Private Passenger Autos

**Business Auto Coverage Form: Symbol 5**

Owned Autos Subject to No-Fault

**Business Auto Coverage Form: Symbol 6**

Owned Autos SUbject to a Compulsory Uninsured Motorists Law

**Business Auto Coverage Form: Symbol 7**

Specifically Described Autos

**Business Auto Coverage Form: Symbol 8**

Hired Autos Only

**Business Auto Coverage Form: Symbol 9**

Nonowned Autos Only

**Business Auto Coverage Form: Symbols 1 - 9 (all)**

1. Any Auto

2. Owned Autos Only

3. Owned Private Passenger Autos Only

4. Owned Autos Other Than Private Passenger Autos Only

5. Owned Autos Subject to No-Fault

6. Owned Autos Subject to a Compulsory Uninsured Motorists Law

7. Specifically Described Autos

8. Hired Autos Only

9. Nonowned Autos Only

**Commercial Auto Coverage Agreement - the insurer expresses three distinct duties:**

1. A duty to pay damages

2. A duty to pay "covered pollution cost or expense"

3. A duty to defend the insured

**Commercial Auto - who is an insured?**

The named insured is an insured for any covered auto. Anyone other than the named insured is an insured whiel using w/ the named insured's permission a covered auto owned, hired or borrowed by the named insured. (some restrictions)

**Business Auto Liability Coverage Exclusions**

Expected or intended injury

Contractual liability

Workers compensation

Employee indemnification and employers liability

Fellow employee

Care, custody or control

Handling of property

Movement of property by mechanical device

Operations

Completed operations

Pollution

War

Racing

**Severability of interests clause**

w/ business auto, the coverage afforded applies separately to each insured who is seeking coverage or against whom a claim or 'suit' is brought.

**Business auto limit**

The single limit is a maximum amount the insurer will pay for all claims arising form a single accident regardless of the number of vehicles, the number of drivers, or the number of claimants involved

**Collision coverage**

Coverage for direct and accidental loss or damage to a covered auto caused by collision w/ another object or by overturn

**Comprehensive coverage**

Coverage for direct and accidental loss or damage to a covered auto by any peril except collision or a peril specifically excluded

**Specified causes of loss coverage (comm. auto)**

coverage for several named perils instead of all perils except those specifically excluded. Includes fire, lightning, explosion, theft, windstorm, hail, earthquake, flood, mischief, or vandalism. It also insures loss resulting from the sinking, burning, collision or derailment of a conveyance transporting the insured vehicle

**Towing and labor coverage**

Coverage for necessary towing and labor costs due to the disablement of a covered private passenger auto; coverage requires that the labor must be performed at the place of disablement.

**Transportation expenses**

Coverage extension for substitute transportation costs incurred when a private passenger type auto has been stolen; applies only if the auto is insured for comprehensive or specified causes of loss.

**Loss of use expenses**

Coverage extension that pays loss of use of a rental auto when an insured becomes contractually obligated to make such payments (up to $20 a day to a max of $600)

**Comm. auto exclusions**

The insurer will not pay for loss to the following:

1. Tapes, records, discs, or similar devices

2. Radar detectors and similar devices

3. Any equipment, whether permanently installed or not, that receives or transmits audio, visual, or data signals and that is not designed solely for the reproduction of sound

4. Any accessories used w/ the equipment described in item 3 above

or for the following causes:

wear and tear

freezing

mechanical or electrical failure

road damage to tires

unless they result from covered causes

**Limit of insurance for comm. auto**

Smaller of:

1. ACV of property at time of loss

2. The cost of repairing or replacing the property w/ other property of like kind or quality

**T or F: Deductible for comm. auto applies to each covered auto involved in an incident**

TRUE. If two covered autos collide, both deductibles apply.

**Auto medical payments coverage**

Coverage for medical expenses incurred by occupants of a covered auto, regardless of whether the auto's driver was at fault in the accident

**Personal injury protection (PIP) coverage**

Coverage for medical expense, income loss, and other benefits stipulated in an auto no-fault plan

**Benefits provided by a typical PIP endorsement:**

1. Medical and rehabilition expenses

2. Income loss benefit

3. Substitute services benefit

4. Death benefits to survivors

**Garage Coverage Form**

Form that covers the automobile and general liability loss exposures of auto dealers

**Garage Coverage symbols**

21-29 correspond to business auto 1-9

30 is used for providing garagekeepers coverage on customers' autos left w/ the named insured for service, repair, storage or safekeeping

31 covers dealers' autos and autos held for sale by nondealers or trailer dealers

**T or F: Garage liability coverage is NOT restricted to liability arising out of "garage operations."**

FALSE. It does carry this restriction.

**Garage Coverage - Broad Form Products Coverage eliminates the exclusion of property damage to the named insured's products. What deductible is it subject to?**

$250

**Garage liability coverage provides completed operations insurance subject to a \_\_\_\_\_ deductible**

$100

**Garagekeepers insurance**

Insurance that covers the insured's liability for damage by a covered cause of loss to autos left in the insured's care whiel the insured is attending, servicing, repairing, parking, or storing the autos

**Garagekeepers direct excess option**

Option that modifies garagekeepers coverage to include coverage in situations when the insured is not legally liable for loss to a customer's auto; this additional coverage applies in excess of what customers can collect under their own insurance.

**Garagekeepers direct primary option**

Option that modifies garagekeepers coverage so that it will pay all covered losses on a primary basis, regardless of whether the insured is legally liable and regardless of whether customers can recover under their own insurance.

**Motor Carrier Coverage Form**

Form that covers businesses that use autos to transport property of others or, in some cases, their own property.

**Owner-operators**

Individuals who lease themselves and their trucks to motor carriers to transport property for the motor carrier

**Bobtail and deadhead coverage**

Coverage for an owner-operator's use of his or her truck while not under lease to a motor carrier (and therefore not covered under the motor carrier's auto policy)

**Trailer interchange agreement**

A contract under which two motor carriers agree to swap trailers

**Trailer interchange coverage**

Coverage for a motor carrier's liability for damage to trailers in its possession under a written trailer interchange agreement.

**Zone rated vehicles**

Trucks in the medium and larger size class that are operated beyond a 200-mile radius of the principal garaging location and that are subject to zone rating, which considers the territories in which insured vehicles operate.

**Businessowners policy (BOP)**

A package policy that combines, in a simplified manner, most of the property and liability coverages needed by small and medium-sized businesses such as stores, offices, and apartment buildings

**General eligibility for BOPs**

Usually an eligible building must be occupied principally for retail, wholesale, service, or processing purposes and contain not more than a certain maximum total floor area, such as 15,000 or 25,000 square feet; sometimes, as with contractors, there is a payroll limit (i.e., not exceeding $300,000). General contractors are usually not eligible.

i.e., mainstreet businesses, apartment buildings, office buildings, contractors, restaurants

**Ineligible for BOP programs:**

-auto businesses

- bars, grills, and large restaurants

- manufacturing firms

- one or two-family dwellings other than multiple-unit garden apt. complexes

- places of amusement

- financial institutions

**Business Pursuits Endorsement**

Extends HO liability coverage to cover bodily injury and property damage liability arising out of the insured's business activities. However, coverage does not apply to a business owned or controlled by the insured

**Home Business Insurance Coverage Endorsement**

Includes Property & liability coverages normally found in a commercial insurance policy. In general, the home-based businesses insured w/ this endorsement are smaller than those usually insured under a BOP.

**T or F: Most insurers only offer 2 versions of the BOP form: named-perils and special form**

TRUE.

**T or F: ACV is the standard valuation provision w/ BOPs**

FALSE. Replacement cost is.

**T or F: BOPs are characteristically written w/o coinsurance provisions**

TRUE. in 1995, however, ISO introduced an insurance-to-value provision (use of which is becoming more widespread)

**Seasonal increase provision**

A provision commonly included in BOPs to address fluctuating personal property values (if insured carries insurance equal to 100% of its avg. monthly personal property value for 12 months preceding the loss, business personal property limit will automatically increase by 25 percent

**T or F: Business Income and Extra Expense Coverage are automatically included in the BOP**

TRUE.

**Farmowners policy**

A package policy designed to cover residential property (such as a farm family's house and belongings); property used in farming (such as mobile equipment, livestock, and barns); and personal and farm liability exposures.

**ISO Farm form coverages**

A - Dwellings

B - Other Private Structures Appurtenant to Dwellings

C - Household Personal Property

D - Loss of Use

E - Scheduled Farm Personal Property

F - Unscheduled Farm Personal Property

**T or F: Unscheduled Farm Personal Property is not subject to 80 percent coinsurance**

FALSE. It IS subject to 80% coinsurance

**Basic farm causes of loss**

Theft, collision, earhtquake, flood

**Broad causes of loss**

all basic causes plus death of livestock (from electrocution, drowning, accidental shooting, attacks by dogs or wild animals, and accidents in loading or unloading)

**Crop hail insurance**

Insurance offered by private insurers that covers crops against loss caused by hail and often other perils

**Multiple Peril Crop Insurance (MPCI)**

Insurance offered by the federal government that covers unexpected crop production losses due to natural causes such as drought, excessive moisture, hail, windstorm, and flood

**Farm inland marine coverage forms:**

- Mobile agricultural machinery and equipment coverage form

- livestock coverage form

**Animal mortality insurance**

Insurance that covers loss of valuable animals by (1) death resulting from accident, injury, sickness, or disease or (2) theft, subject to exclusions

**Workers compensation and employers liability insurance**

Insurance that provides (1) coverage for benefits an employer is obligated to pay under workers compensation laws and (2) coverage for employee injury claims made against the employer that are not covered by workers compensation laws

**T or F: to be eligible for workers comp, an injury or disease must (in most states) arise out of and in the course of employment.**

TRUE.

**4 workers compensation benefits:**

- Medical benefits

- Disability income benefits

- Rehabilitation benefits

- Death benefits

**Temporary partial disability**

A disability that prevents an injured worker from performing some job duties for a definite time period.

**Temporary total disability**

A disability that prevents an injured worker from performing any job duties for a specific period but that ultimately allows the worker to resume all job duties.

**Permanent partial disability**

A disability due to an irreversible injury that allows an injured worker to resume some job duties

**Permanent total disability**

A disability that prevents an injured worker from ever being able to perform any job duties

**second-injury fund**

should additional injury occur to an already impaired worker that results in a total or near total impairment, the applicable fund will pay a portion of the claim.

**Employee**

A person hired to perform services for another under the direction and control of the other party, called the employer

**Independent contractor**

A person (or organization) hired to perform services without being subject to the hirer's direction and control regarding work details

**PEO**

Professional employer organization (leases employees)

**Determination of application of workers compensation laws depends on a few typical considerations:**

1. Place and nature of employment

2. The place where the employee was hired

3. The employee's place of residence

4. The state in which the employer is domiciled

**United States Longshore and Harbor Workers' Compensation Act (LHWCA)**

A federal statue that eliminates the right of maritime workers (other than crew members of vessels) to sue their employers; requires such employers to provide injured or ill workers w/ benefits like those provided by state workers compensation statutes for work-related injury or illness

**Jones Act**

A federal statue that permits injured members of a vessel's crew (or survivors of a deceased crew member) to sue their employer for damages due to the employer's negligence

**Competitive state fund**

A facility, owned and operated by a state government, that provides workers compensation insurance and that also permits private insurers to sell workers compensation insurance (i.e., to compete w/ the state fund) in that state

**Monopolistic state fund, or exclusive state fund**

A facility, owned and operated by a state government, that provides workers compensation insurance and that does not permit any other insurers to sell workers compensation insurance in that state

**Employers' mutual insurance company**

A mutual insurer established by a state's legislature to write workers compensation insurance for any qualified employer in the state

**Aggregate excess insurance**

Insurance that covers losses only after the insured has retained a stated amount of aggregate loss during the policy period

**Specific excess insurance**

Insurance that covers loss due to a single occurrence only for the amount that exceeds the policy retention

**Workers Compensation and Employers Liability Insurance Policy (WC & EL policy)**

Policy used in most states to provide workers compensation and employers liability insurance

**WC & EL policy: Item 3A**

states where WC applies

**WC & EL policy: Item 3B**

**Employers liability w/ split limits:**

- bodily injury by accident (each accident)

- Bodily injury by disease (policy limit)

- bodily injury by disease (each employee)

**WC & EL policy: Item 3C**

all states part 3 applies to

**trigger for EL bodily injury by accident:**

policy in effect when the injury occurs is the policy that applies

**trigger for bodily injury by disease in EL:**

the policy that is in effect on the employee's last day of last exposure to the conditions causing or aggravating the injury is the policy that applies

**Other states insurance**

Insurance that automatically extends coverage to the insured's operations in any state listed in Item 3C of the WC & EL info page

**Stopgap coverage**

Coverage for employers liability that private insurers provide to employers operating in a monopolistic fund state that does not include such insurance in its workers compensation policies

**Voluntary Compensation and Employers Liability Endorsement**

Endorsement that amends the WC & EL policy to cover employees who are not subject to a workers compensation statute

**United States Longshore and Harbor Workers' Compensation Act Endorsement**

Endorsement that amends the WC & EL policy to cover the insured's obligations under the LHWCA.

**WC premium base:**

based on the manual rate for the applicable classification per $100 of payroll for the year

**Experience rating plan**

Rating plan that increases or reduces the premium for a future period based on the insured's own loss experience for a period in the recent past

**Experience modification**

A rate multiplier derived from the experience rating computation.

**Retrospective rating**

A rating plan that increases or reduces an insured's premium for a policy period based on the insured's own losses during the same period.

**Expense constant**

A flat charge to cover administrative expenses, such as policy issuance and record keeping, that are common to WC & EL

**Large deductible plan**

A plan that allows insureds to self-insure most of their workers compensation claims w/o establishing a qualifying self-insurance plan; WC & EL policy w/ deductibles in the $50,000 to $250,000 range

**Maximum possible loss (MPL)**

The largest loss that could be sustained in a particular occurrence or by a particular property

**Excess liability policy**

Policy that covers liability claims in excess of the limits of an underlying policy or a stated retention amount

**Umbrella liability policy**

Policy that provides excess coverage over several primary policies (typically CGL, auto, and employers liability) and that may also provide drop-down coverage

**Drop-down coverage**

Coverage provided by many umbrella liability policies for (1) claims not covered at all by the underlying policies and (2) claims that are not covered by an underlying policy only because the underlying policy's aggregate limits have been depleted.

**Self-insured retention (SIR)**

An amount that is deducted from claims that are payable under an umbrella liability policy and that are not covered at all by any primary policy

**Maintenance of underlying insurance condition**

A condition that obligate sthe insured of an umbrella liability policy to maintain all required underlying coverages in full force and effect during the policy period

**Professional liability insurance**

Insurance that covers persons engaged in various occupations against liability due to their rendering or failing to render professional services, exclusive of the exposures covered under their CGL policies; describes various other types of insurance such as directors and officers liability, employment practices liability, and fiduciary liability

**Directors and officers (D&O) liability insurance**

Insurance that covers a corporation's directors and officers against liability for their "wrongful acts" that would not be covered under a CGL or auto policy; also covers the sums that the insured corporation is required or permitted by law to pay to the directors and officers as indemnification.

**D&O deductibles**

often flat deductible amount & specified percentage of participation (i.e., $10,000 + 5% of remaining)

**Entity coverage**

Coverage extension of D&O liability policies for claims made directly against a corporation (the "entity") for wrongful acts

**Employment practices liability (EPL) insurance**

Insurance that covers an organization, its directors and officers, and its employees against claims alleging damages because of wrongful employment practices such as sexual harassment, wrongful termination, and unlawful discrimination

**Employee benefits liability insurance**

Insurance that covers an employer against liability claims alleging improper advice or other errors or omissions committed while administering the employer's employee benefit plans.

**Fiduciary liability insurance**

Insurance that covers the fiduciaries of an employee benefit plan against liability claims alleging breach of their fiduciary duties involving discretionary judgment.

**Aircraft insurance**

Insurance that covers liability due to the insured's ownership, maintenance, or use of aircraft; physical damage to aircraft owned or used by the insured; and other aircraft loss exposures

**Airline**

Int'l, national and regional air carriers

**Business and pleasure aircraft**

Individually owned aircraft used for owner's personal purposes w/ no charge made or direct profit derived from the aircraft's use

**Industrial aid aircraft**

corporate-owned aircraft that are (1) used for transporting employees, associates, and executives and (2) flown by full-time professional pilots

**Commercial use aircraft**

Charter operators, air taxi operators, and other profit-seeking operators

**Special use aircraft**

Crop dusting, banner towing, law enforcement, pipeline patrol, hunting, etc.

**Aircraft liability limits**

- Bodily injury excluding passengers

(each person)

(each occurrence)

- Passenger bodily injury

(each person)

(each occurrence)

- Property damage (each occurrence)

**Resource Conservation and Recovery Act (RCRA, or Superfund) of 1976**

required that owners and operators of hazardous and waste materials/businesses demonstrate financial responsibility to clean up environmental damage and compensate victims for bodily injury and property damage resulting from release of contaminants.

**First party onsite cleanup coverage**

Covers the expense to clean up pollution on the insured's own premises

**Third-party environmental liability coverage**

Covers claims for bodily injury and property damage occurring both onsite or offsite caused by pollution origination fromt he insured's premises, the release of contaminants during transportation, or pollution emanating from nonowned disposal sites.

**Cleanup cost cap coverage (also called remediation stop-loss)**

protects the insured against cost overruns in performing remediation of a contaminated site.

**Contractors pollution liability coverage**

Insures contractors against liability for bodily injury and property damage arising out of remediation operations, environmental cleanup, and transportation of hazardous materials

**Environmental professional liability coverage**

Provides professional liability insurance for engineers, lawyers, consultants, laboratories, and others providing advice or services involving pollution.

**Surety bond**

A written contract that expresses one party's promise to answer for another party's failure to do something as promised

**Surety**

The party (usually an insurer) to a surety bond that guarantees to the obligee that the principal will fulfill an obligation or perform as promised

**Obligee**

The party to a surety bond that receives the surety's guarantee that the principal will fulfill an obligation or perform as promised

**Principal**

The part to a surety bond whose obligation or performance the surety guarantees.

**Contract bond**

A surety bond guaranteeing the fulfillment of obligations under construction contracts or other types of contracts

**Bid bond**

A contract bond guaranteeing that a contractor bidding on a construction or supply contract will actually enter into the contract at the price bid

**Performance bond**

A contract bond guaranteeing that a contractor's work will be completed according to the contract

Payment bond

A contract bond guaranteeing that a contractor will pay when due all of the labor and material bills arising out of the work that the contractor is obligated to perform.

**Maintenance bond**

A contract bond guaranteeing a contractor will correct defects in workmanship or replace defective materials for a specified period after project completion.

**License bond**

A commercial surety bond guaranteeing that a licensee (such as a licensed plumber) will pay damages resulting form the licensee's violations of the udties and obligations imposed on the licensee

**Permit bond**

A commercial surety bond guaranteeing that a permit holder (such as a liquor store) will pay damages resulting form the permit holder's violations of the duties and obligations imposed onthe license holder

**Public official bond**

A commercial surety bond guaranteeing that a public official will perform his or her duties faithfully and honestly.