

Agency Coverage Standards!



Putting the pieces together!

Allen Messer, CIC, CPCU
AllenMesser24@gmail.com
830-481-7997

**AKA LONG TERM CARE for you
and your clients!**

Agency Coverage Standards Introduction

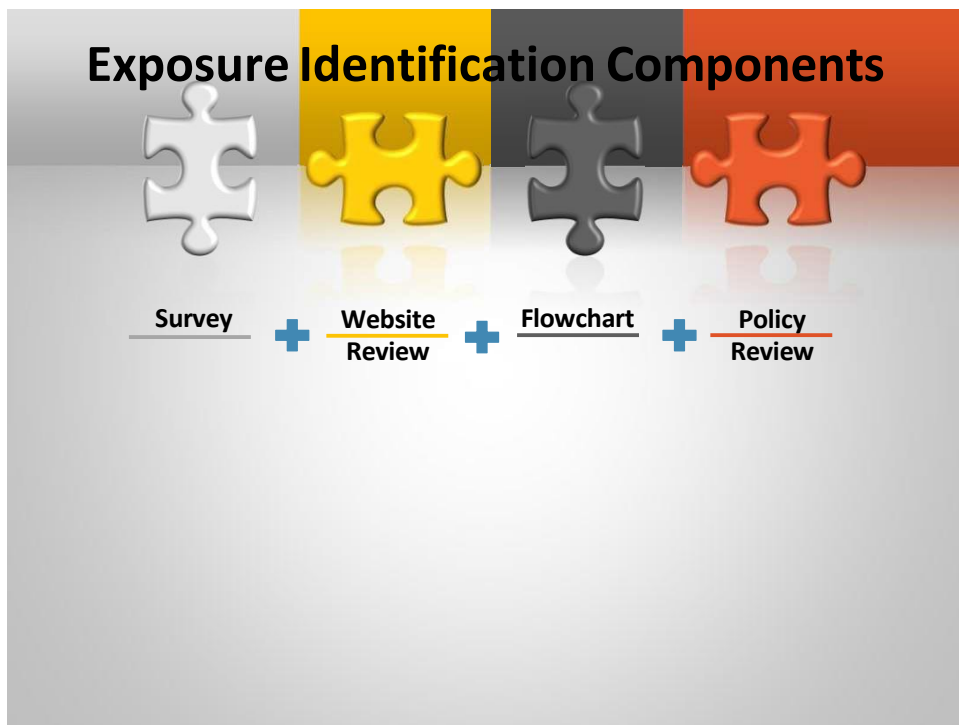
Every agency needs a formal method for exposure identification.	Point 1
Every agency should <u>establish coverage standards</u> . May need to be modified as exposures/forms change!	Point 2
Coverage standards include needed coverages/endorsements and avoided endorsements.	Point 3
Every agency should establish procedures that apply to coverages as well, including permitted " <u>language</u> ".	Point 4

Agency Procedures Standards Examples

All Certificates of Insurance must follow ACORD Forms Instruction Guide as well as any applicable statutes and/or regulations	Example 1
First named insured ... letter of authorization	Example 2
Verification of insurable interest	Example 3
Annual Statement of Values	Example 4
Earthquake is a three-endorsement process	Example 5
Copies of vehicle registrations	Example 6
Letter upon delivery of policies that policies supersede all prior quotations, binders, etc.	Example 7

Formal Method for Exposure Identification

Let's take a look at a checklist of potential components for a formal exposure identification process!



Exposure Identification Components



Physical
Inspections



Compliance
Review



Policies
Procedures
Review



Contract
Review

Exposure Identification Components



Financial
Statement
Analysis



Loss Data
Analysis



Experts

Agency Coverage Standards



Every
Policy
Provides



Certain
Restrictions
Avoided



Benefits
Insured
Benefits
Agency

Today's discussion entails all risks, regardless of class, in my opinion!

Your input is much appreciated!!!
❖ Agency Input
❖ Insurer Input

Various Policies

Certain endorsements are needed on many different types of policies.

Point 1

But need to be tailored to specific policy.

Point 2

Various Policies

Common Policy Conditions



Extended Notice Of Cancellation Or Nonrenewal

Section A., Cancellation, of the Common Policy Conditions is deleted and replaced by the following:

A. CANCELLATION OR NONRENEWAL

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
 - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - b. 90 days before the effective date of cancellation if we cancel for any other reason.
3. If we decide not to renew this policy, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 90 days before the expiration date. If we do not give such notice of our intent not to renew prior to expiration, the policy period will be extended for 90 days from the date of notice and existing policy terms, conditions and rates, where not prohibited by law, will remain in effect for that period.
4. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
5. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
6. Notice of nonrenewal will state the effective date of nonrenewal.
7. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund will be less than pro rata and will not be less than the minimum premium stated in the declarations. The cancellation will be effective even if we have not made or offered a refund.
8. If notice is mailed, proof of mailing will be sufficient proof of notice.

Various Policies



Knowledge Of Occurrence

Knowledge of an "occurrence," claim, or "suit" by an agent, servant, or **"employee"** of any named insured; and receipt of any demand, notice, summons, or other legal paper in connection with a claim or "suit" by any agent, servant, or **"employee"** of any named insured shall not in itself constitute knowledge of the named insured or receipt by the named insured unless an individual in one of the positions listed below shall have such knowledge or shall have received such demand, notice, summons, or legal paper from the agent, servant, or employee.

Scheduled Positions:

Various Policies



Unintentional Failure To Disclose Hazards

It is agreed that failure of the named insured to disclose all hazards existing as of the inception date of the policy shall not prejudice the insured with respect to the coverage afforded by this policy provided such failure or omission was not intentional.

Commercial General Liability Policy

Every business needs a CGL Policy.

Point 1

#1 Commercial Policy for E&O

Point 2

Commercial General Liability Policy



Who Is An Insured Endorsement

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

Bodily Injury To Co-employee Endorsement

It is agreed that Paragraph **2.a.(1)(a)** of **SECTION II - WHO IS AN INSURED** does not apply to the persons or positions shown in the Schedule with respect to "bodily injury" to a co-"employee" while in the course of his or her employment or performing duties related to the conduct of your business, or to your other "volunteer workers" while performing duties related to the conduct of your business.

SCHEDULE

(List Individuals or Positions)

Commercial General Liability Policy



Additional Insured Endorsements

- **CG 20 01 - Primary And Noncontributory – Other Insurance Condition**

☐ **BUT...**This insurance is primary to and will not seek contribution from any other insurance available to an additional insured under your policy provided that: (1) The additional insured is a Named Insured under such other insurance; and

- **CG 20 34 - Additional Insured—Lessor Of Leased Equipment—Automatic Status When Required In Lease Agreement With You**

Commercial General Liability Policy



CG 04 37 – Electronic Data Liability

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART
SCHEDULE**

Loss Of Electronic Data Limit: \$ Usually a Sublimit

Modifies definition of property damage as well as Exclusion p. Access Or Disclosure Of Confidential Or Personal Information And Data-related Liability so that damage to data resulting from physical injury to tangible property is provided coverage.

Commercial General Liability Policy



CG 22 74 - Limited Contractual Liability Coverage For Personal And Advertising Injury

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART
SCHEDULE**

Designated Contract Or Agreement: ALL

Commercial General Liability Policy



CG 24 53 - Waiver Of Transfer Of Rights Of Recovery Against Others To Us (Waiver Of Subrogation)—Automatic

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

(requires written contract or agreement – prior to loss)

Commercial General Liability Policy



CG 24 54 - Automatic Insured Status For Newly Acquired Or Formed Limited Liability Companies

Commercial General Liability Policy



CG 25 04 - Designated Location(s) General Aggregate Limit

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART
SCHEDULE**

Designated Location(s): ALL

Commercial General Liability Policy



CG 25 46 - Designated Location(s) Products-Completed Operations Aggregate Limit

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART
SCHEDULE**

Designated Location(s): ALL

Commercial General Liability Policy



Contractual Liability Endorsements

- **CG 21 39 – Contractual Liability Limitation**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

The definition of "insured contract" in the Definitions section is replaced by the following:

"Insured contract" means:

- **CG 24 26 – Amendment of Insured Contract Definition**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

The definition of "insured contract" in the Definitions section is replaced by the following:

"Insured contract" means:

Commercial General Liability Policy



CG 21 44 - Limitation Of Coverage To Designated Premises, Project Or Operation – 2017 edition

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Premises:

Project Or Operation:

Commercial General Liability Policy



CG 21 49 – Total Pollution Exclusion Endorsement

- **CG 21 65 - Total Pollution Exclusion With A Building Heating, Cooling And Dehumidifying Equipment Exception And A Hostile Fire Exception**
- **CG 21 55 - Total Pollution Exclusion With A Hostile Fire Exception**

Commercial General Liability Policy



CG 21 50 – Amendment Of Liquor Liability Exclusion

- **CG 40 09 – Amendment Of Liquor Liability Exclusion – Limited Exception For Bring Your Own Alcohol**

Commercial General Liability Policy

Every CGL Policy!

Point 1

Agency Coverage Standards
Should also apply per class of business!

Point 2

Endorsements may be needed to further tailor
coverages to exposures.

Point 3

Business Auto Policy

Every business needs a BAP
even if there are no owned autos.

Point 1

Hired/non-owned auto coverage should never
be written by attachment of an endorsement
to a CGL Policy or a BOP.

Point 2

Business Auto Policy



Symbols

- **Symbol 1 for Covered Autos Liability**
 - **If Symbol 2 for Covered Autos Liability - add Symbols 8, 9, 10**
 - Symbols 2+8+9 DO NOT EQUAL Symbol 1
 - **If Symbol 7 for Covered Autos Liability - add Symbols 8, 9, 10, 19**
- CA 99 54 – Covered Auto Designation Symbol

Symbol	Description Of Covered Auto Designation Symbols
10	=

For use with the Business Auto Coverage Form

Business Auto Policy



Additional Insured Endorsements

- **CA 04 49 – Primary and Noncontributory – Other Insurance Condition**
- **CA 04 39 – Volunteer Hired Autos**
- **CA 20 54 – Employee Hired Autos**
- **CA 99 33 – Employee As Insureds**
- **CA 05 24 – Non-ownership Liability Coverage For Volunteers**

Business Auto Policy



CA 04 43 - Waiver of Transfer of Rights of Recovery Against Others to Us (Waiver of Subrogation) - Automatic When Required by Written Contract or Agreement

Business Auto Policy



CG 20 56 -Fellow Employee Coverage for Designated Employees/Positions

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Named Insured:

Endorsement Effective Date:

SCHEDULE

Name Of Person(s), Job Title(s) Or Position(s):

The Fellow Employee Exclusion contained under the Covered Autos Liability Coverage does not apply to the "employee(s)", job title(s) or position(s) named or listed in the Schedule

Business Auto Policy



Physical Damage – Aggregate Deductible

2. Regardless of the number of covered “autos” damaged or stolen, the maximum deductible applicable for all “loss” in any one event caused by:
 - a. Theft or mischief or vandalism; or
 - b. All perils.will be equal to **five times the highest deductible applicable to any one covered “auto”** on the Policy for Comprehensive or Specified Causes of Loss Coverage. The application of the highest deductible use to calculate the maximum deductible will be made regardless of which covered “autos” were damaged or stolen in the “loss”.

Business Auto Policy

Every BAP!

Point 1

Agency Coverage Standards
Should also apply per class of business!

Point 2

Endorsements may be needed to further tailor
coverages to exposures.

Point 3

Workers Compensation And Employers Liability Insurance Policy

Almost every business needs this Policy.

Point 1

Incorporates state law into Policy provisions.

Point 2

Workers Compensation And Employers Liability Insurance Policy



Information Page

3. A. Workers Compensation Insurance: Part One of the policy applies to the Workers' Compensation Law of the states listed here:
- B. Employers Liability insurance: **Part Two of the policy applies to work in each state listed in Item 3.A.** The limits of our liability under Part Two are:
- Bodily Injury by Accident \$ _____ each accident
- Bodily Injury by Disease \$ _____ policy limit
- Bodily Injury by Disease \$ _____ each employee
- C. Other States insurance: Part Three of the policy applies to the states, if any, listed here:
- D. This policy includes these endorsements and schedules:

Workers Compensation And Employers Liability Insurance Policy



WC 00 03 01 A – Alternate Employer Endorsement

Schedule

- 1. Alternate Employer:** As required by written contract or written agreement.
- 2. State of Special or Temporary Employment:** All states except North Dakota, Ohio, Washington, and Wyoming.
- 3. Contract or Project:** All written contracts and written agreements.

Workers Compensation And Employers Liability Insurance Policy



WC 00 03 11 A - Voluntary Compensation And Employers Liability Coverage Endorsement

Schedule

Employees: all employees not subject to the workers compensation or occupational disease law of any state

State of Employment: all states where legally permissible

Designated Workers

Compensation Law: state of operations or state of hire or state where the injury occurs

Workers Compensation And Employers Liability Insurance Policy



WC 00 03 13 - Waiver Of Our Right To Recover From Others Endorsement

We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against the person or organization named in the Schedule. ~~(This agreement applies only to the extent that you perform work under a written contract that requires you to obtain this agreement from us.)~~

This agreement shall not operate directly or indirectly to benefit anyone not named in the Schedule.

Schedule

As required by written contract or written agreement.

Workers Compensation And Employers Liability Insurance Policy

Every Policy every time.

Point 1

Additional endorsements may be required to
tailor coverage to exposures.

Point 2

Commercial Umbrella/Excess Liability Policy

Every business needs this Policy.

Point 1

Debunk “myth” of “follow form”!

Point 2

Commercial Umbrella/Excess Liability Policy



Follow Form??

- Do you show follow form on Certificate of Insurance?
- Are you verifying all terms and conditions modified in the underlying insurance also apply to this coverage as well?
- Are you verifying all endorsements you avoided in the underlying are not being inserted in this coverage?

Commercial Umbrella/Excess Liability Policy



Concurrency of Underlying Policies

- **Common inception and expiration dates of CU/Excess Policy with Underlying Policies with aggregates**
 - E.g., CGL Policy, Workers Compensation And Employers Liability Insurance Policy, Liquor Liability Policy, etc.
 - Commercial Umbrella/Excess Policy *could* include verbiage that permits non-concurrency

Commercial Umbrella/Excess Liability Policy



Additional Insureds

- **CU 24 78 – Noncontributory – Other Insurance Condition**
 - **Does not adequately address order of coverage – may need to modify**
 - ❖ However, if you specifically agree in a written contract or agreement that the insurance provided to any person or organization that qualifies as an insured under this insurance must apply ... on a primary and non-contributory basis....
 - This insurance will apply *before* any "other insurance" that is available to such additional insured which covers that person or organization as a named insured, and *we will not share* with that other insurance

Commercial Umbrella/Excess Liability Policy



Additional Insureds

- **Limits Of Insurance**

With respect to the insurance afforded to these additional insureds, the following is added to Limits Of Insurance:

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

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

This shall not increase the applicable limits of insurance.

Commercial Umbrella/Excess Liability Policy



Aggregate Limits Of Insurance

- **Aggregates follow form**

Limits Of Insurance

1. The Limit of Insurance shown in the Declarations as EACH OCCURRENCE is the most we will pay for damages arising out of any one occurrence or offense.
2. The Limit of Insurance shown in the Declarations as AGGREGATE WHERE APPLICABLE shall apply in the same manner as the aggregate limits shown in the SCHEDULE OF UNDERLYING INSURANCE.

Commercial Umbrella Liability Policy



Pollution Exclusion

- Pollution exclusion “follows form”
 - E.g., CGL Policy, BAP, Employers Liability Insurance

Commercial Umbrella Liability Policy

Every Policy every time.

Point 1

Additional endorsements may be required to tailor coverage to exposures.

Point 2

Commercial Property Policy

Every business needs a CP Policy.	Point 1
Whether it be for property at a fixed location, at a temporary storage location, or in transit.	Point 2

Building And Personal Property Coverage Form



CP 14 60 – Leased Property

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

SCHEDULE

Premises No.	Bldg. No.	Description of Property	Agreed Value (Optional)
		All leased property	As required by written lease

Building And Personal Property Coverage Form



CP 04 15 – Debris Removal Additional Insurance

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

SCHEDULE

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

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

Building And Personal Property Coverage Form



Optional Coverage - Agreed Value

G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item:

1. Agreed Value

Building And Personal Property Coverage Form



Optional Coverage – Replacement Cost

G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item:

3. Replacement Cost

Building And Personal Property Coverage Form



CP 04 09 - Increase In Rebuilding Expenses Following Disaster (Additional Expense Coverage On Annual Aggregate Basis)

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Schedule

Premises Number	Building Number	Additional Expense Coverage Percentage
		%
		%

Building And Personal Property Coverage Form



CP 04 11 – Protective Safeguards

B. The following is added to the Exclusions section of:

Causes Of Loss – Basic Form

Causes Of Loss – Broad Form

Causes Of Loss – Special Form

We will not pay for loss or damage caused by or resulting from fire if, prior to the fire, you failed to comply with any condition set forth in Paragraph **A**.

Types of Protective Safeguards



- “P-1” Automatic Sprinkler System
- “P-2” Automatic Fire Alarm
- “P-3” Security Service
- “P-4” Service Contract
- “P-5” Automated Commercial Cooking Exhaust And Extinguishing System
- “P-9” the protective system described in the Schedule

Building And Personal Property Coverage Form



CP 12 11 - Burglary And Robbery Protective Safeguards

B. The following is added to the **Exclusions** section of the **Causes Of Loss – Special Form**:

Burglary And Robbery Protective Safeguards

We will not pay for loss or damage caused by or resulting from theft if, prior to the theft, you failed to comply with any condition set forth in Paragraph **A**.

Types of Protective Safeguards



- “BR-1” Automatic Burglary Alarm
- “BR-2” Automatic Burglary Alarm
- “BR-3” Security Service
- “BR-4” the protective safeguard described in the Schedule

Causes Of Loss – Special Form



CP 04 05 – Ordinance Or Law Coverage

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Schedule

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

Post Loss Ordinance Or Law Option: Yes No

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

Causes Of Loss - Special Form



CP 10 38 - Discharge From Sewer, Drain Or Sump (Not Flood-Related)

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Premises Number	Building Number	Discharge Limit (Property Damage)	Discharge Limit (Business Interruption)	Annual Aggregate Limitation Applies
		\$	\$	[]

C. There is no coverage under this endorsement if:

1. The discharge results from an insured's failure to perform routine maintenance or repair necessary to keep a sewer or drain or a sump, sump pump or related equipment free from obstruction and in proper working condition. This limitation does not apply to sudden mechanical breakdown of a sump pump or its related equipment, provided the breakdown is not the result of an insured's negligence; or
2. Sump pump failure is caused by or results from failure of power, unless this policy is endorsed to cover power failure affecting the described premises.

Causes Of Loss – Special Form



CP 04 17 - Utility Services – Direct Damage

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM Schedule

Enter "X" for each applicable property.

Premises Number	Building Number	Utility Services Limit Of Insurance	Water Supply Property	Communication Supply Property (including overhead transmission lines)	Communication Supply Property (NOT including overhead transmission lines)	Power Supply Property (including overhead transmission lines)	Power Supply Property (NOT including overhead transmission lines)
		\$					
Covered Property:							
Covered Causes Of Loss Applicable:							

Causes Of Loss – Special Form



CP 10 36 – Equipment Breakdown Coverage

This endorsement modifies insurance provided under the following:

Causes Of Loss – Special Form Schedule

Premises Number	Building Number	Higher Sub-limit*	
		Ammonia Contamination	Hazardous Substance Other Than Ammonia
		\$	\$
		\$	\$

*Leave blank if sub-limit of up to \$25,000 applies. If higher sub-limit is shown in the Schedule, the higher sub-limit applies instead.

Causes Of Loss – Special Form



CP 10 65 – Flood Coverage Endorsement

This endorsement modifies insurance provided under the following:

Commercial Property Coverage Part

- Need to attach CP DS 65 - **Flood Coverage Schedule**
 - **Separate deductible** applies
 - Provides a **no-coinsurance option**
 - Provides the **capability** of an **underlying insurance waiver**
 - Provides an **annual aggregate limit**
 - May be written on a **blanket basis** or a **separate limits** basis

Causes Of Loss – Special Form



CP 10 36 - Limitations On Coverage For Roof Surfacing

This endorsement modifies insurance provided under the following:

Building And Personal Property Coverage Form Schedule

Premises Number	Building Number	Indicate Applicability (Paragraph A. and/or Paragraph B.)

Business Income (And Extra Expense) Coverage Form



Optional Coverage - Agreed Value

G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item:

3. Business Income Agreed Value

Business Income (And Extra Expense) Coverage Form



Optional Coverage - Extended Period Of Indemnity

G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item:

4. Extended Period Of Indemnity

Business Income (And Extra Expense) Coverage Form



CP 15 04 – Discretionary Payroll Expenses

This endorsement modifies insurance provided under the following:

Business Income (And Extra Expense) Coverage Form Schedule

Job Classifications Or Employees	Maximum Number Of Days For Discretionary Payroll Expense

Business Income (And Extra Expense) Coverage Form



CP 15 31 - Ordinance Or Law – Increased Period Of Restoration

This endorsement modifies insurance provided under the following:

Business Income (And Extra Expense) Coverage Form Schedule

Described Premises:

Post-Loss Ordinance Or Law Option: Yes No

Business Income (And Extra Expense) Coverage Form



CP 15 32 – Civil Authority Changes

This endorsement modifies insurance provided under the following:

Business Income (And Extra Expense) Coverage Form Schedule

Premises Number	Building Number	Schedule Part A Coverage Period (Number Of Days)	Schedule Part B Radius (Number Of Miles)

Business Income (And Extra Expense) Coverage Form



CP 15 45 – Utility Services – Time Element

This endorsement modifies insurance provided under the following:

Business Income (And Extra Expense) Coverage Form

Schedule

Enter "X" for each applicable property.

Premises Number	Building Number	Utility Services Limit Of Insurance	Water Supply Property	Communication Supply Property (including overhead transmission lines)	Communication Supply Property (NOT including overhead transmission lines)	Power Supply Property (including overhead transmission lines)	Power Supply Property (NOT including overhead transmission lines)
		\$					

Covered Property:

Covered Causes Of Loss Applicable:

Business Income Waiting Period: _____ Hours

Business Income (And Extra Expense) Coverage Form



CP 15 50 – Radio Or Television Antennas – Business Income Or Extra Expense

This endorsement modifies insurance provided under the following:
Causes Of Loss – Special Form

The radio or television antennas **Special Exclusion** does not apply.

Commercial Property Policy

Every Policy!

Point 1

Agency Coverage Standards
Should also apply per class of business!

Point 2

Endorsements may be needed to further tailor coverages to exposures.

Point 3

Agency Coverage Standards Conclusion

Every agency needs a formal method for exposure identification.

Point 1

Every agency should establish coverage standards.

Point 2

Coverage standards include needed coverages/endorsements and avoided endorsements.

Point 3