

# Property Casualty Class

## Kurt's Notes

<b>Voluntary market</b>	Licensed, admitted	Start here
<b>Residual market</b>	Assigned risk, Market of last resort	NY FAIR Plans, Gov't run or mandated
<b>Excess/Surplus lines</b>	Excess lines broker, Must have 3 rejections	Tax 3.8% ELANY

## Law of Contracts

### Insurance Broker

**A person, association, firm or corporation who acts or aids in soliciting, negotiating and procuring insurance on behalf of an insured.**

In the collection of the insurance premium the broker is deemed to be the agent of the company (only in that instance). The broker represents the insured in all other instances.

Note: a broker can write all forms of insurance except Life Insurance and annuities. (yes to accident and health. Agents: no.)

A broker must, as a public duty, give all necessary information to the company with which they do business regarding their clients even if such information is derogatory. (DWIs & speeding tickets for auto insurance)

[Residual markets (assigned risk) Excess/surplus lines]

Note: A broker's license is necessary when an agent places an insurance policy with a company other than the one they are under contract.

### Insurance agent

A person (only a person) who acts on behalf of that insurance company with whom they are engaged. (The agent represents the company) Agents represent the insurance company—when appointed by an insurance company. Agents without an appointment (job) have their license becomes inactive

### 2 types of agent

1. **Independent agent**—may represent more than 1 insurance company. Usually owns their own business.
2. **Exclusive/Captive agent**—represents only 1 insurance company (E.G., state Farm, Allstate, Nationwide). Usually does not own the business.

An agent has a contractual relationship with the company or companies who appoint them agents and is bound by the terms of the agreement. They may issue binders but subject to the authority regarding types of coverages and policy limits given to them in the contract.

Each contract is different. Different agents are appointed for different lines and limits. They also owe duties to the insured, particularly regarding premium money and correctly representing coverage. (Similar responsibilities to client but represents the insurance company.) They cannot place business with a company that did not appoint them unless they also have a brokers license.

An agent may also represent subsidiaries or affiliates of the company appointing them if they write the same kinds of insurance.

Note: in NY state an insurance broker and agent must be >=18Y.

### Insurance Consultant

Any person, firm, association, or corporation providing professional and skillful insurance advice. Without a broker or agent license the consultant may not solicit sell or negotiate insurance policies. A consultant develops a program of insurance.

A licensed insurance consultant may not be an executive in, or employee of, or own any shares which give him a substantial interest in any authorized issuer.

He may not recommend or encourage the purchase of insurance, annuities or securities from an authorized insurer in which any member of his immediate family holds an executive position or substantial interest.

## Insurance Contract/ Policy of Insurance

A contractual agreement whereby an insurance company for a consideration called a premium agrees to indemnify the insured if they shall suffer loss or damage to their own property or to protect them from the lawsuits of others, or both. (indemnify = make whole)

Monoline (fire or liability) Package (fire & liability)

Included in the term Consideration on the part of the insured is:

1. Payment of premium or
2. Promise to pay premium
3. To abide by the considerations of the insurance contract

Consideration on the part of the insurer is to pay covered losses. (Not all losses are covered.)

There are 2 parties to an insurance contract: the insured and the insurance company.

There are 2 classes of policy:

1. **Indemnity**—is coverage for reimbursement for loss or damage actually sustained to ones own property (referred to as first party coverage) such as fire, theft, auto collision, etc.
2. **Liability**—protection from lawsuits of others (referred to as 3<sup>rd</sup> party coverage) such as auto

liability, personal liability, product liability, professional liability, etc.

Authorized/Admitted company is an insurance company that is authorized to do business in NYS and they have received a Certificate of Authority from the Dept of Financial Services Superintendent of Insurance (insurance company license to operate in the state)

Unauthorized/Non Admitted companies are not permitted to write insurance in NYS subject to exceptions. [excess/surplus carriers]

Note: a producer (licensed agent, broker) who represents one or more insurance companies & who also represents members of the insurance buying public is classified as an independent agent and broker.

## Valid contract

To form a valid contract the law requires:

- **Consideration**—from 2 parties, \$money\$
- **Legal purpose**—no pot plantation insurance in NYS
- **Offer and Acceptance**
- **Competent** parties—mental capacity, >=18Y old

Contract conditions include rights, duties and responsibilities of the parties.

## Fiduciary

**Position of trust.** Agents and brokers are acting in a fiduciary capacity when handling premium money and providing information on insurance policies.

## Nonresident Insurance License

A license obtained by an agent or broker who lives in and is licensed as an agent or broker in another state.

## Types of Authority

1. **Express or Expressed Authority**—specific authority granted by the insurer to the agent in oral or written agreements. It lists the agent's duties & responsibilities & allows the agent to countersign, issue and deliver policies, & provide other customary services on all the contracts accepted by the insurer.
2. **Implied Authority**—authority given by the insurer to the agent that is not formally expressed or communicated. This implied authority allows the agent to perform all the usual and necessary tasks to sell and service insurance contracts, & to fully exercise the agent's express authority. [E.G., check included with application]
3. **Apparent Authority**—is a doctrine that holds that an agent may have whatever authority a **reasonable and prudent** person would assume he has. It is authority created when an action or inaction by the insurer gives the impression that the authority exists. (Insurance company removes all visible information when canning an agent)

## Representations

Statements made by the insured in the application for insurance which are considered true to the best of their knowledge, not absolute facts.

## Insurable Interest

**To have an insurable interest in property the insured must currently have a financial relationship to the property.**

To collect under a policy of indemnity, an **insured must have at the time of the loss or damage an insurable interest in the property** when he has a lawful, substantial economic interest in the preservation of the property.

## Classifications of insurable interest

1. Ownership or part ownership as partners
2. Creditor and debtor relationship such as mortgagor and mortgagee
3. Possession
  - a. **Life tenants** [sell the house but stay living there for the rest of your mother's life]
  - b. **Tenant** as to the improvements which belong to the tenant
  - c. **The value of the lease**
4. Bailee someone to whom a bailor entrusts their property for some specific purpose such as repair, alteration storage, transportation, etc. (Dry cleaner, shoe repair).
  - a. **Bailee is the custodian of the property.**
  - b. **Bailor the owner of the property**

## Binder

A contract for temporary insurance issued either in writing or orally that immediate coverage is in effect pending issuance of an insurance policy. An oral contract of insurance is valid and enforceable but if it is oral it is good for no longer than **30 days** and may be renewable once for **30 days**. [Free look provision, get a policy, look it over, collect if losses, but can return for a full refund in 30-day period.]

**Note: generally insurance binders are issued:**

1. **As proof of insurance when it is not possible to issue immediately a policy of insurance**
2. **To give the insurance company an opportunity to inspect the property before issuing a policy**
3. **At no additional premium charge to the insured because the effective date of the eventual policy is the effective date of the binder**

## Aleatory Contracts

An uneven exchange such as payment of a premium having no losses and receiving nothing in return except peace of mind.

On the other hand insureds who suffer loss may receive more from the insurer than they paid in premium.

## Personal Contracts

An insurance contract does not insure property. It insures the person who owns the property.

An insurance policy is for the person not the property.

## Unilateral Contract

Means a one-sided contract because only the insurance company is legally bound to perform its part of the agreement. If an insured pays a premium and a loss occurs, **the insurer is legally bound to pay for the loss under the terms of the policy.** However, the insured is not legally bound to pay the premium if they no longer want the policy. [An insurance company may deduct premium owed from a claim paid]

## Contract of Utmost Good Faith

The insurance company relies on the truthfulness and integrity of the applicant when issuing a policy. In return, the insured relies on the company's promise and ability to provide coverage and pay claims.

## Contract of Adhesion

One party has greater power over the other party in drafting the contract. The provisions of the contract are prepared by the insurer and therefore, if it is unclear or ambiguous a court or jury will find on behalf of the insured. If the contract is clear and unambiguous, a court will find for the insurer.

## Duties and Obligations of an Insurance Broker to the Insured

1. To advise insurance coverage best suited to the needs of the insured
2. To attempt to bind a line of insurance immediately upon receipt of an order (to protect the insured and get paid)
3. To check each policy to see that it is written correctly
4. Explain coverage provided under the policy (also explain what's **not** covered)
5. Secure adequate amounts of insurance
6. Keep the policy in force (record your efforts to reach people when cancellation notices sent)
7. **Serve the insured in the event of a loss (most people don't read the policies) (When they have a claim that is when they need you the most).** Assist in giving immediate notice to the company and provide the insured with loss report forms.
8. **Adapt policies to the special needs of the insured by special endorsements** (a ring: scheduled personal property endorsement or other policy depending on insurance company)

## Fair Credit Reporting Act

Included among the duties of a broker and agent is the duty to comply with the Fair Credit Reporting Act which is **Federal Law** which:

- ❖ Helps ensure confidential, fair and accurate reporting if information about consumers obtained from outside agencies
- ❖ **Prohibits insurance companies from obtaining such reports unless applicants are advised in advance reports may be drawn**
- ❖ Provides for signed disclosure statements to assure compliance with the act
- ❖ Within guidelines consumers may demand to know information the investigative agency has on file and **to whom reports are made**

## Duties of the Dept of Financial Services Insurance Dept and the Commissioner/Superintendent

1. Licenses insurers, agents, brokers, etc. However, **they do not issue the certificate of appointment to agents which is done by the insurance company**
2. Issues rules and regulations pertaining to insurance laws, **however they do not pass or write insurance laws which is the responsibility of the state legislature and or the governor**
3. Suggest laws to the appropriate legislative committee and or the governor
4. Approves policy forms and rates (in NYS the superintendent will approve rates on a **prior approval basis** where the insurer must obtain official approval before using new rates)
5. Examines insurers financial operations taking steps to help assure prudent risk management and asset investment (each state where the insurance company does business)

## Sources of Insurability Information

One of the principle sources of information for insurance companies is the **Insurance Services Office (ISO)**. This organization carries in depth information on the physical characteristics of buildings in many areas. The information deals with structural issues (such as masonry, frame, non-combustible, fire-resistive construction) water supply, plumbing and heating facilities, etc. Depending upon the insurance company's varying capabilities of gathering information in house, they will use the services of ISO to a greater or lesser degree. **Use of ISO is voluntary.**

## Reinsurance

The **transfer** of portions of risk by insurance companies to other insurance companies of the five of risk management, reinsurance is **risk transfer.**

## Warrantee

Can be described as a statement of fact that a condition does exist currently and will continue to exist into the future. (working fire alarm and sprinklers in a building)

# Law of Negligence

## Types of Insurance Companies

1. **Domestic**—organized under the rules and regulations of NYS
2. **Foreign**—organized in another state or jurisdiction within the US (State Farm in Illinois)
3. **Alien**—organized outside the US (Lloyds of London)
4. **Stock Insurance Company**—is one which is owned by its stockholders. Stockholders elect the board of directors who in turn elect the officers. Stockholders receive dividends, which are a distribution of profits but are not guaranteed. Able to issue more stock and raise more capital.
5. **Mutual Insurance Company**—is one which is owned by its policy holders. The policy holders elect the board of directors who in turn elect the officers. Profits are issued as nontaxable distributions, which is a return of unused premiums but not guaranteed.
6. **Reciprocal Insurers**—is a group-owned insurer which primarily deals with **risk sharing** of the owners in that they insure each other. Each member is known as a subscriber and a reciprocal is managed by a an Attorney in Fact (simple power of attorney, not necessarily a lawyer) (Common for medical malpractice)
7. **Lloyds of London**—consists of groups of underwriters known as syndicates, and each specializes in specific types of insurance. Syndicate members actually transact the business and are individually liable for each risk written. This type of underwriter is sometimes referred to as an assemblage or assessable company. Can pay claims without limit. Personally liable for losses.
8. **Fraternal Benefits Society**—are generally social organizations involved in charitable activities. Members are generally members of a given faith, order or society. They are usually nonprofits and typically provide life and health insurance for their members.
9. **Self Insurer**—generally used by large risks that are able to assume financial risks but may reinsure above certain limits

## Gross Premium

The total amount paid by the insured, shown on the original policy declarations page.

## Net Premium

Gross premium minus the producer's commission.

## Cancellation of Insurance Policies

**Every insurance policy can be cancelled by the insured at any time.** The company may also cancel the policy under certain conditions

1. **Pro Rata cancellation**—is a cancellation without a penalty and generally used when the insurance company cancels mid-term.
2. **Short Rate cancellation**—is a cancellation with a penalty. It is generally used when the insured cancels the policy mid-term. Calculated the same way then add a penalty on a sliding scale (say from 8% early to 4% at the end). [Most everyone uses pro rata these days]
3. **Flat**—means the policy was cancelled without premium charge by agreement of the insured and insurer such as nonrenewal.

## Daily

Is the copy of the original policy provided by the insurer when the policy is issued. Which the agent/broker retains in their file for review for when necessary.

## Negligence

Is the careless invasion by one party of the personal or property rights of another party.

## Inferred Negligence

A person can be held guilty of negligence even though they had nothing to do with the negligence, such as the owner of an automobile who lends it to someone else who was involved in an accident. This also refers to **vicarious liability/vicarious responsibility**.

## Elements of Negligence

All of the following must be present

1. An act of **carelessness**
2. A comparison of the negligence of any of the parties. This is known as the doctrine of comparative negligence.
3. **Money damages**
4. Legal **duty owed** to act in a reasonable and prudent way
5. **Breach** of that legal duty
6. **Proximate cause**—defined as that peril which can be traced back in an unbroken chain of events as the cause of the loss.)

**Note: a person is negligent if he fails to do what a reasonable and prudent person would do.**

**Note: in a pure CONTRIBUTORY NEGLIGENCE state when an individual is found to have contributed to their own loss in any way another party may not be held liable.**

**Note: Intentionally causing harm to another is not an element of negligence.**

## Subrogation

Means the substitution of the insurance company into the place of the insured with respect to any rights the insured may have as against other persons. For example,

the insured collects from their insurance company for damage caused by a third party.

## Tort

Civil wrong that violates the rights of another and part of civil law, not criminal law, concerned with the private relationships between people. Liability policies protect the insured from torts (if it is an accident, not intentional).

## Respondeat Superior

[Latin: Let the master answer] Employers and principals are responsible for the acts of their employees or agents who act within their real/express or apparent authority. This is similar to vicarious liability.

## Peril

**The cause of loss or probable cause of loss.** Insurance contracts provide coverage for those perils considered insurable such as fire, lightning, wind storm, burglary, etc.

## Hazard

A condition which increases the frequency or severity of a loss or the chance that a loss will occur. There are four types of hazard:

1. **Physical hazard**—a hazard that arises from the condition, occupancy, or use of the property itself
  - a. **Broken steps, a loose hand rail, defective equipment, wet leaves on a highway**
2. **Morale hazard**—means that an individual through acts of indifference, laziness, carelessness, or by irresponsible actions can increase the possibility of loss
  - a. Not wearing seatbelts, leaving doors unlocked
3. **Moral hazard**—means that a person might create a loss situation on purpose to collect under an insurance policy
  - a. Arsonist burning down his own Greek diner just before remodeling
4. **Legal hazard**—means acts or requirements of the government such as change in building code requirements or use or restriction of use of property
  - a. Upgrade from fuse box to circuit breaker following loss. (Insurance company does not pay upgrade)

**Note: Risk is defined as the chance that a peril will ripen into actuality causing a loss. It is also the uncertainty concerning loss.**

## Methods of Risk Management

- ❖ **Sharing**—investments of a large number of people may be pooled by use of a corporation or partnership
  - Reciprocal insurer

- ❖ **Transfer**—transferring the risk from one party to another, such as from consumers to insurers. Transfers the uncertainty of loss to an insurance company.
  - Buy insurance policy
- ❖ **Avoidance**—eliminates risk by avoiding an activity that could give rise to the chance of loss. However, it is generally impossible to avoid all risk.
  - Don't own property,
  - Don't drive
- ❖ **Reduction**—minimize the chance of loss but not preventing a loss
  - Installing a burglar alarm,
  - Pollution controls
- ❖ **Retention**—not buying an insurance policy and being personally responsible for loss
  - Self insurance entirely or in part
  - Use of deductibles

## Basic Categories of Risk

- ❖ **Pure risk**—a situation where there is only the possibility of loss. **Insurance policies are pure risk contracts.**
- ❖ **Speculative risk**—a situation where either gain or loss is possible
  - Horse racing
  - Real estate investment
  - Stock market

## Waiver

Voluntary surrender of a known right, such as not making a claim for a small loss even though it may exceed the deductible.

## Estoppel

Involuntary surrender of a known right, such as apparent authority

## Sections of an Insurance Policy (DICED)

- ❖ **Declarations**—section of the insurance contract which sets forth information that identifies the parties to the contract,
  - **Who:** the insured's name and address,
  - **What** is covered,
  - **Where,**
  - **When (policy period and time duration),** and
  - **How much insurance:** at what **limits**, as well as
  - **How much does it cost: rates and premiums**
- ❖ **Insurance/Insuring agreement**—statement which in broad terms sets forth
  - The **type of property/coverage provided** by an insurance contract.
  - The **perils** insured against
  - The **insurance company promises to pay for damage caused by a covered peril.**

- ❖ **Conditions/Provision/Clauses**—state the ground rules for the policy in that they **describe the responsibilities, duties, and rights of both the insurance company and the insured** such as the insured's duty to notify the company of a loss on a timely basis; to protect property from further damage and the insurer's duty to pay for covered losses on a timely basis.
  - **Note: conditions have the purpose of controlling the company's liability on covered losses by imposing obligations on themselves and the insured**
- ❖ **Exclusions**—describe losses for which the insured is **not** covered. Some policies have a separate exclusions section (commonly referred to as General Exclusions) but they can often be found throughout the contract and vary from policy to policy because of the difference in coverages
  - Note: exclusions are a necessary part of an insurance contract for all of the following reasons:
    - To manage physical hazards
    - To manage moral hazards
    - To eliminate uninsurable perils
  - **But not to eliminate coverage in undesirable geographic areas, which is known as REDLINING.**
- ❖ **Definitions**—describe terms used in the policy such as
  - Who is insured beside the named insured
  - "Named insured" and "you and your" in auto or home
  - **Accident—sudden, unintended and unexpected event**
- Loss of consortium (loss of companionship of a spouse, other). No documentation but deserving of compensation
- ❖ **Special Damages**—compensation for expenses actually incurred as a result of an accident such as
  - Medical bills and
  - Lost wages
- ❖ **Punitive or Exemplary Damages**—damages intended to reform or deter people from engaging in conduct so egregious or insidious that society wants to make an example of the type of activity so it won't be repeated.

## Concurrent policies

Written portions of all policies covering the same property read alike as to forms, interests, location, insuring agreement and **perils insured against**. Policies may vary in amount, rates, premium, policy period.

## Nonconcurrent Policies

Do not contain the same perils, etc.

## Primary Insurance

In cases where more than one policy provides coverage, this is the policy which pays first.

## Excess Insurance

When the primary insurance policy limit is exhausted, the excess policy will pay up to its limit.

## Compensatory Damages

- ❖ **General Damages**—damages that are not easily assigned a monetary value such as
  - Pain and suffering,
  - Emotional trauma, and

# New York State Law

No excuse for not knowing all NY laws. Law book is 4" thick, too much to fully cover here.

Note: a person who makes derogatory or untrue statements about an insurer is guilty of defamation.

## Section 2121

Gives broker authority to collect premiums

## Redlining

No insurer shall refuse to issue, renew, or shall cancel a policy of fire or automobile insurance based solely on the geographic location of the risk. It can refuse to write the policy if it would be against sound underwriting practices related to anticipated loss experience.

Complaints by individuals denied insurance shall be made directly to the Superintendent/Commissioner who may require a physical inspection of the risk and/or hold a hearing.

## FAIR (Fair Access to Insurance Requirements) Plan aka Pool, aka NY Property Insurance Underwriting Association

Only writes fire and property insurance. Is related to the Joint Underwriting Association (JUA a federal program) consisting of all insurers writing fire, homeowners, and commercial package policies; every such insurer is required to be a member of the association. Primary insurance.

**The object of the FAIR Plan is to provide economical fair and nondiscriminatory fire and extended coverage insurance to promote community development.**

It provides for assessments to defray losses and expenses and objective underwriting standards with overall dollar coverage which shall not be in excess of \$1.5 Million on any one risk.

Any person having an insurable interest in property located in NYS who has made an unsuccessful attempt to obtain fire is coverage in the **normal/private** insurance market and who no outstanding premium is entitled to apply to the association. (Insureds can go directly so no agent or broker gets a commission)

The insurance shall be for a term of 1Y and a ceiling on rates is governed by statute. Incentives are given to each member who voluntarily write, as of the expiration date, a fire policy currently written through the association. The Superintendent is empowered to examine the books and affairs of the association at any time.

## Section 109 Comingling funds

Every violation of the insurance law (such as comingling of money) is a **misdemeanor** punishable by a fine of up to **\$500** or **1Y in jail** or both plus possible loss of license. The maximum aggregate fine at any one hearing is **\$2500** also civil and criminal penalties may apply.

## Section 2117 Excess/Surplus

It is unlawful to place business with an unauthorized or unlicensed insurer or to aid such company in any manner in doing business in this state.

### Exceptions

- ❖ **Reinsurance contract**
- ❖ **Ocean marine insurance**—feds control that market
- ❖ **Fidelity bonds (employee dishonesty crime insurance) written on people working entirely outside NYS**
- ❖ **Licensed excess lines brokers** may write all forms of insurance except workers compensation and accident and health, may share commission with a regular broker who has participated in writing the policy.
  - The qualifications include a \$200 annual license fee and
  - A surety bond with a **limit/penalty** of \$15,000 but no special exam

## Section 2104(e) serve the public

The Superintendent may refuse to issue a license or a renewal if:

- ❖ Such applicant shall receive > **5%** of their total net annual commission from their own property or risks.
- ❖ Such applicant shall receive > **10%** of their total net annual commission from the property of their spouse or from the property and risks of a corporation in which the licensee or their spouse has controlling ownership or from a partnership and partnership members in which the licensee or their spouse is a member
  - Note: this type of business limited to 10% is referred to as **Controlled business**

## Section 2104(h) corporation sub licensee

The term **sub licensee** refers to the officer of a corporation or member of a partnership which is a licensed insurance broker who is authorized to solicit business and to act for and on behalf of such licensed corporation or partnership.

[So a person working for a company who sells insurance is a sub licensee.]

The sub licensee must be one who qualifies for and would be entitled to a broker's license in their personal name.

Note: if a sole sub licensee dies a temporary license will be issued to another officer or legal representative for **90 days**. Additional periods of 90 days for up to 15M may be issued at the discretion of the Superintendent.

## **2110(a) Revoke or suspend license**

The Superintendent may revoke or suspend any license if after a notice (**10 days advance written notice of hearing** to the licensee) and hearing he determines that the licensee:

- ❖ Has violated any provision of law in connection with acting as a licensee
- ❖ Misappropriated any funds
- ❖ Intentionally withheld material information in the license application
- ❖ Attempt to obtain a license by fraud
- ❖ Has demonstrated incompetency

## **2110(e) get license after revoked**

When a license is revoked the Superintendent may review the file only after > 1Y has passed, but he need not change his decision.

## **2121 broker collects premium**

Where an insurer delivers to a broker a policy issued at the request of a broker the insurer thereby authorizes the broker to collect the premium or any installment premium on its behalf.

## **2101(g) broker can adjust fire losses**

One must be licensed as a public adjuster in order to adjust fire losses for compensation on behalf of the insured in NYS.

Exception: a regular broker who is not a public adjuster may adjust fire losses in those cases where they are the broker of record on the policy.

**Public Adjuster: adjusts losses on behalf of the insured**

**Independent Adjuster: adjusts losses on behalf of the insurance company**

## **2120(a) premium account**

Every broker or agent acts as a **fiduciary** and must keep premium moneys separate and apart from their own money, unless they have special permission from the insurance company to comingle money. [direct billed basis to client]

The licensee must keep a special account and proper books of account (cash receipts and disbursements, accounts receivable and payable, and expiration book). Only 3 kinds of checks can be written on this account:

- ❖ To the company for earned premiums (they sweep the account automatically)
- ❖ To the client for returned premiums
- ❖ To the licensee for commissions earned

**Note: a broker or agent may deposit personal funds in their premium account to maintain an adequate balance**

## **2134 change of address 30 days**

A licensee under this section shall inform the superintendent by means acceptable to the superintendent of a change of address within **30 days of the change**.

## **2324 anti-rebating**

The purpose of this section is to eliminate price discrimination. No broker or agent shall pay or offer to allow a rebate to the insured or their employee. The following situations are permitted:

- ❖ Giving an article of merchandise costing no more than **\$25** with the licensee's name printed on it
  - Those little calendars
  - Note: giving stock or securities in return for purchasing a policy would be a rebate in violation of the law
- ❖ A licensed broker may receive commission on their own property or risks which do not exceed the limits of section 2104(e)
- ❖ A licensed broker may share commission with another licensed broker who has aided on placing the risk

Note: applicants for each of the following licenses are exempt from the state examination requirements:

- ❖ An applicant for a Property and Casualty license who has earned the **CPCU** (Chartered Property and Casualty Underwriter) designation
- ❖ An applicant seeking to represent a fraternal benefits society as its agent (part timers but looking to find insurance for the society)
- ❖ An applicant for a license to sell baggage and accident insurance in conjunction with ticket sales of a common carrier

## **Twisting like churning**

A form of misrepresentation where the producer convinces the client to cancel already existing insurance and buy another policy from the producer to the detriment of the insured/client

## **Inactive Agent License**

**Note: When all certificates of appointment for an agent have been terminated by the insurers the agent's license becomes inactive.**

## **Report Foreign Action**

Note: A licensee shall report to the superintendent any administrative action taken against the licensee in another jurisdiction within 30 days.

## **3Y record review**

**A domestic insurance company files for review of their records once every 3Y**

## **CE 15hr/2Y**



**Licensees subject to Continuing Education requirements must satisfy 15 credits for each biennial period.**

## **2Y License Period**

**Unless suspended or revoked an agent or broker license is valid for a period of 2Y (biennially) expiring on the licensee's birthday.**

## **\$5k Cease and Desist**

**A fine of up to \$5000 per violation may be assessed in the event of willful violation of a cease and desist order**

## **Cust Svc Rep**

**While an agent, broker, and sub licensee is required to be licensed a customer service representative who's salary is not directly dependent on the sale of insurance is not required to be licensed.**

## **Reciprocal states**

**If a nonresident licensee state is reciprocal with NYS then NYS is reciprocal with the other state for licensing purposes**

## **Illegal Marketing**

**Replacing a client's all risk policy with a named perils policy is an example of an illegal marketing practice**

## **Excess/Surplus Lines Insurance**

Underwritten by insurance carriers that do not have a certificate of authority and are not admitted or authorized to write insurance in NYS except under certain conditions. Surplus lines coverages are those risks generally not available from authorized carriers (such as aviation, ocean marine, railroads). While surplus lines are generally an unregulated area of insurance they are subject to the surplus lines insurance law of the state.

## **Affidavit or signed statement**

Completed on each surplus lines placement summarizing the efforts made to find coverage on the risk from admitted insurers. Information about the transaction to be shown on the affidavit include

- ❖ The name and addresses of the parties involved in the transaction:
  - Insured,
  - Surplus lines licensee,
  - Retail agent/broker, and
  - Insurer

as well as statements regarding the following:

- ❖ Extent of the diligent search used in the placement process
  - Minimum of 3 unsuccessful attempts
- ❖ Reasons for using a non admitted insurer for the coverage
- ❖ Written notification to the policy holder about

- The lack of the guarantee fund protection and
- Other limitations of using a non admitted carrier

Affidavits are filed with state insurance dept in many states within a certain specific number of days after placement. Some states allow the affidavits to be filed quarterly in conjunction with premium tax remittance by the surplus lines broker

## **Total Cost Form**

Provides the total cost of the Excess Lines Policy including:

- ❖ The premium,
- ❖ Excess line tax,
- ❖ Stamping fee, and
- ❖ Other authorized fees which the insured pays

## **2119 fees**

Broker (not agent) may charge a separate fee for services over and above normal services after getting approval in writing, signed by the insured. Fee limit is capped at the premium. (Charge for assigned risk, next door to the motor vehicle dept., transient biz)

## **Export List**

A group of coverages or risks that can be exported to non admitted insurers without completing the due diligence search requirements. This list is made up of coverages not usually available from admitted carriers, simplifying the process when necessary. This export list is periodically reviewed by state regulators and updated to reflect changes in market conditions.

# Fire Insurance Basics

Charlotte NC man insured box of cigars against fire. Never paid premium. He smoked them and filed. He won \$15,000 because the insurance company did not define fire exclusion. After he cashed the check the insurance company filed 24 counts of arson. He was convicted and sentenced to 24 consecutive 1Y sentences.

In NYS fire insurance policies are based on the original **standard fire policy** aka 165 line contract. It is the oldest fire insurance form. Fire is a combustion sufficient to produce a spark, flame, or glow. It is one which burns outside its intended place of confinement known as a **Hostile fire**. A **Friendly fire** burns within its intended place of confinement. The following coverages are included in the peril of fire:

- ❖ Water
- ❖ Chemical and
- ❖ Other damage

Caused by the attempt to extinguish the fire.

Smoke damage is covered but from hostile fires only. From the fire peril, smoke is only covered from the hostile fire.

Fireman caused damage covered by principle of proximate cause.

## Basic Ways Property is Rated

- ❖ **Class rates**—used when the insured property is one of a numerous, normal, nonhazardous class such as:
  - **1 to 4 family private dwellings**
  - No re inspection is required for these risks.
- ❖ **Specific or Scheduled rates**—used to rate property and liability risks using credits and charges to modify class rates in accordance with the nature of the particular risk, such as
  - Mercantiles
  - Manufacturing and
  - Apartment buildings
- ❖ **Individual rates**—used when there are insufficient similar insureds to use class rates. It is commonly used relative to commercial risks due to the number of variables.
- ❖ **Judgment rating**—rates determined in accordance with the underwriters experience and judgment, such as Ocean Marine insurance. They write up on a yellow pad and sign it.
- ❖ **Manual rates**—rates published by the insurer or a rating organization in which the insurer is a member. ISO.

Two types of losses, direct and indirect losses. Fire insurance can cover both direct and indirect losses.

## Direct Loss

**Loss to property sustained directly by a covered peril** (example: restaurant burns in a hostile fire)  
Always included.

## Indirect Loss **Consequential, Time Element**

Aka Consequential loss aka Time Element loss is a loss resulting from a covered peril (such as loss of income by the restaurant while closed for repairs due to the fire).  
Optional

## Types of Perils Coverage

- ❖ **Named Peril**—provides coverage for loss only from perils named in the policy, such as
  - **Fire**
  - **Lightning**
  - **Wind storm**
  - **Hail**
- ❖ **Open aka Special aka All Risk**—provides coverage from All Perils except Excluded Perils. Examples of Excluded Perils are:
  - **War**
  - **Nuclear Hazard**
  - **Intentional**
  - **Flood**

[Language started as All Risk but courts found for insured covering everything even excluded items so ISO recommended changing language to Open or Special Perils.]

[9/11 was not an act of war, which is one sovereign nation attacks another sovereign nation. 9/11 was covered under aircraft coverage.]

## Loss Valuation Methods/ Claim Settlement Options

**Note: if a loss exceeds a policy limit deduct the deductible from the total loss and the policy pays up to the limit.**

[Limit: \$5k, Loss: \$8k, Deductible: \$1k, Insurance company pays: \$5k full limit]

- ❖ **Actual cash value (ACV) means the cost of repairing or replacing damaged property with material of a like kind and quality less an allowance for depreciation.**
  - Replacement Cost (@ time of loss) - Depreciation = ACV
  - RC (@ time of loss) - D = ACV
- ❖ **Replacement Cost (RC) this option waves depreciation.**
  - **The insured is required to carry insurance equal to 80% of the full Replacement Cost as a minimum.** If the insured fails to carry the proper limit, recovery will be on an ACV basis only. Review valuation.
  - May want to start with ACV then switch to RC as Depreciation builds up.
- ❖ **Functional Replacement Cost** allows replacement with less costly property that functions similarly when identical property is not available due to technological or environmental changes

- Not 3-coat plaster any more, dry wall
- ❖ **Stated Amount** commonly used when insuring a valuable or unusual piece of property that establishes a maximum amount of insurance for loss purposes. The amount is established at the time of insuring the property, such as classic cars. [Watch valuations and increase limits.]
  - Antique, collectable, s
- ❖ **Agreed Value** for property policies relative to types of property that is difficult to determine the ACV or RC. An agreement between the insured and insurer on the settlement limit to be paid in the event of loss in done at the time of insuring the property such as fine arts.

## Some Policy Conditions:

### What voids a Fire Policy:

- ❖ **Fraud**
- ❖ **Concealment**
- ❖ **Misrepresentation**

### Coverage suspensions under Fire Insurance:

- ❖ Any **unreported increase in hazard** within the insured's knowledge or control that increases the possibility of loss
  - Storing full gas cans in the basement
- ❖ Any unpermitted vacancy or unoccupancy beyond **60 days**
  - **Vacant**—no people or property in the premises
  - **Unoccupied**—no people but property remains in the premises
    - Get a seasonal policy for a vacation home
- ❖ Mortgagee (bank) interest in a fire property
  - Advance written notice of cancellation
  - Pay any premium if the insured fails to do so
    - Escrow account for T&I
  - File a proof of loss form if the insured fails to do so
  - The mortgagee is protected against acts of the policy holder and therefore has coverage during periods of suspension

**A suspended policy pays no loss to the insured,** however a mortgagee will collect if one is named in the policy and the insurance company is reimbursed by the insured

### Insured's requirements at time of loss

- ❖ **Give immediate written notice to the company**
  - An agent in the state
- ❖ **Protect property from further damage**
  - Additional damage may not be covered
- ❖ **Separate damaged from undamaged property**
  - Never discard property before the insurance company sees the damage
  - Unless it is a health issue

- ❖ **Prepare an inventory of destroyed, damaged, and undamaged property listing in detail quantities, cost and the amount claimed**
- ❖ **Proof of loss form**
  - Must be **signed and sworn to** by the insured
  - Must be **submitted to the company within 60 Days after the company requests it**
  - And at least provides a blank form
  - This time may be extended by the company in writing
  - The following information must be contained on the proof of loss form:
    - The interest of all parties in the property as to establish insurable interest
    - The date, time and origin of loss
    - List all other insurance policies whether collectible or not, which could be called upon to contribute to the loss
    - The ACV (not RC in standard form) of each item depending upon the settlement option and the amount of loss on each
    - Any changed that have taken place at the location since the policy was issued.
  - Note: the insured may be required to submit to an examination under oath and produce all records relative to the claim

### Appraisal Provision

When the **insured and insurer fail to agree on the value or the amount of loss**, either party may request in writing the use of this provision.

After the request has been made, each party has 20 days to select a competent, disinterested appraiser.

The **appraisers** in turn have **15 days** to agree upon an **umpire** (if they fail to agree in 15 days, a local court of jurisdiction will appoint one).

Each party pays their own appraiser and they share the cost equally of the umpire and court costs, if any.

### Abandonment Clause

The insured cannot abandon property to the insurance company in return for settlement. The insured has no options. (E.G., a set of furniture where only one piece is damaged.)

### Company Options at Time of Loss

The company can take all or part of the damaged property for its agreed or appraised value or it can repair rebuild or replace the damaged property with material of a like kind and quality.

### Liberalization Clause

States that any **broadening of coverage** that is granted **without** an increase in premium will apply automatically to all outstanding policies (subject to exception) of the **same form and edition dates**.

## Inflation Guard

This endorsement increases the amount of insurance to counteract the effect of inflation on building costs. To qualify for this endorsement the insured **must carry 100%** of the full **replacement cost**.

## Suits Against the Company

The insured can sue the company provided all steps outlined in the policy have been complied with.

**Suit must be brought within 2Y after the date of loss.**

## Other Insurance Clause aka Pro Rata Liability

**Where more than one policy covers a loss each company establishes its liability for payment in proportion that its policy bears to the total amount of insurance whether collectable or not.**

Verbal formula for other insurance clause =  $(\text{Limit Company A}) / (\text{Total limits all companies}) \times \text{Loss} = \text{settlement}$

[Use formula for Concurrent and Non concurrent policies. So someone can get screwed if nonconcurrent.]

## Coinsurance Clause

The insured must carry insurance equal to a given percentage of the ACV or RC of the insured property at the time of loss. If the insured fails to carry the proper amount of insurance they will become a coinsurer of the percentage of their deficiency.

**The standard coinsurance percentage is 80%.** (If the insured agrees to amend the coinsurance percentage on the policy declarations they will receive a 5% rate reduction; from 80% to 100% the rate reduction is 10%)

This clause applies to all losses but in a partial loss the insured will be penalized; in a total loss the insured will be paid to the policy limit.

Verbal Coinsurance Formula:  $(\text{Insurance carried}) / (\text{Insurance required (ACV or RC} \times \text{CoIns\%)} \times \text{Loss} = \text{Settlement}$

If you carry  $\frac{1}{2}$  of the required coverage, the ACV or RC, you get  $\frac{1}{2}$  the Loss value in the Settlement

## Pro Rata Distribution Clause

This clause is used to distribute the total amount of insurance in force over each location covered in proportion that the value of each location bears to the total value of all locations.

**Note: the effect of this clause is to convert a blanket insurance limit into a specific insurance limit.**

## Specific vs Blanket Insurance

**Specific insurance** is insurance written to cover one property on one policy for a specific amount of insurance.

**Blanket insurance** is insurance written to cover more than one property on one policy with a single amount of insurance applying to all covered properties under the policy. [E.G., warehouse and retail store with large chunks of moving inventory.]

## Assignment Clause

The insured cannot transfer rights of ownership or interests in an insurance policy to another person without the written consent of the insurer.

## Pair or Set Clause

A loss settlement condition contained in many property policies. It says in the event of partial loss to a pair or set the company will pay the fair and reasonable portion of loss as the partial loss compares to the total value of the pair or set, giving consideration to the importance of the damaged article to the set.

The insurer is not obligated to pay for the whole pair or set if only a part is lost or damaged, however they may have to pay more than the apparent proportion of the actual loss. (Lose 1 earring of a \$1k pair, get \$500.) (Six \$1k pens make a full set worth \$12k. Lose one, get \$7k:  $\$12k - \$5k = \$7k$ .)

## End of Conditions

## Types of Insureds Insured

The one who the insurer agrees to indemnify for losses, provide benefits, and serve. It may also include others resident in the household who are not named in the declarations such as a spouse, children and others under age 21 in the other's care, custody and control. (E.g., foster child, ward of the court.)

## Named Insured

Any person, organization or firm specifically named on the policy declarations page of a policy.

## First Named Insured

When several names are listed on the policy declarations this is the person, organization or firm listed first; also referred to as the key or primary insured.

**The first named insured has certain rights and duties:**

- The right to request policy changes,
- The right to cancel the policy as well as
- Pay premiums, and
- Receive premium refunds

## Additional Insured

Another person, firm or organization commonly added to a policy by endorsement, granting coverage and protection such as a bank or lender.

# DP Dwelling Property Policy

The Dwelling Program is designed to cover 1 to 4 familiar private dwellings with up to 5 roomers or boarders in total.

Also permanently located mobile homes would be eligible but only on the basic form. Included businesses of the service type are eligible with no retail sales or manufacturing (such as a beauty salon or professional service office with no more than 2 persons at work at any one time).

**Dwellings that are on a farm are not eligible; they are insured on a farm coverage form.**

There are 3 forms available

- DP1, basic form
- DP2, broad form
- DP3, special form

## Insuring Agreements in Standard DP forms Coverage A Dwelling

Insures the **residential building** and any structures attached to it such as

- ❖ an **attached garage** [detached garage not covered here]
- ❖ **materials and supplies** on or next to the location which is used for construction, alterations or repair of any structure at the location.

Building and **outdoor equipment** used for service of and located on the location are considered dwelling unless otherwise covered in the policy. [A riding lawn mower in a detached garage is covered.]

**No coverage for land** including the land on which the dwelling is built. [sinkhole collapse will cover the dwelling but not fill in the missing land.]

## Coverage B Other Structures

Coverage applies to other structures on the described location, not attached to the dwelling and are at least separated by a clear space.

There is no coverage for land as indicated under coverage A and it is not permissible to use a structure for commercial, manufacturing, or farming purposes. **It is permissible to rent a private garage for use as a garage.**

Note: under coverages A & B there is no coverage for radio and TV antennas and aerials including their masts, towers, or lead in wiring from wind, hail, ice, snow and sleet.

## Coverage C Personal Property/Contents

Covers **personal property** owned or used by the insured and **resident family members** when the property is located on the premises.

Coverage C can also cover property of a **servant or guest if requested** by the insured and on the premises. [You can request this **after** the loss, but it does not increase limits. Usually no coinsurance on personal property.]

Note: while this coverage is an on premises limit it does provide for a **world wide limit of 10%** of coverage C except for rowboats and canoes.

There is **no coverage for personal property of a tenant or border.**

There is **30 days coverage**, or the end of the policy period whichever occurs first, when the insured is **moving** to a new principle residence. [30 days covering two locations during a move.]

No	Yes
Border Tenant	Resident family members Servant Guest Moving 30 days

## Coverage D Fair Rental Value

### Indirect loss coverage

It pays the insured the fair rental value of that portion of the premises rented to others or held for rental at the time of loss if there is a covered direct peril loss to property covered under coverages A, B, or C

[If direct is covered then indirect is covered. The indirect follows the direct. Open perils or named perils]

## Coverage E Additional Living Expense

### Indirect loss coverage

**Only available in the DP2 and DP3 forms.** [Not DP1] Provides compensation to the insured for the increased living expenses when the insured is forced to live elsewhere.

**Note: under coverages D and E civil authority loss is limited to 2 weeks.**

## DP1 Basic Form

### Named perils:

- ❖ Fire
- ❖ Lightning
- ❖ ~~Removal (not a peril, an other coverage)~~
- ❖ Internal Explosion
- ❖ Extended Covered Perils (EC Perils)
- ❖ Vandalism and Malicious Mischief (V&MM) Must have EC perils
  - Willfully, maliciously, intentionally

## DP2 Broad Form

- ❖ All DP1
- ❖ Broad form perils

## DP3 Special Form

- ❖ All DP1
- ❖ Dwelling and other structures Open Perils (better than DP2)
- ❖ All perils except excluded
- ❖ Personal property for named perils same as DP2

## EC Perils

### WCSHAVVER

- ❖ **Windstorm**—high wind, cyclone, tornado, hurricane
  - For any interior damages there must first be damage to roof or exterior
- ❖ **Civil Commotion**—1,000 or so where riot leaves off
- ❖ **Smoke**—includes **Any** damage from smoke, hostile or other
- ❖ **Hail**—exterior or roof damage before interior
- ❖ **Aircraft**—used for 9/11 (Mr. Icy froze and fell out of plane wheel well onto house while landing at JFK)
- ❖ **Volcanic Eruption**—1 eruption considered 72 hour period, single deductible. Coverage cannot be deleted
- ❖ **Vehicles**—drives into home
- ❖ **Explosion**—car on street
- ❖ **Riot**—3 or more

## Broad Form Perils

### BIGAFFECT

- ❖ **Burglary Damage**—everything except what is missing
- ❖ **Ice, Snow and Sleet**—weight of
- ❖ **Glass**—storm windows and doors, glass walls, and resulting damage (proximate cause)
- ❖ **Accidental Discharge**—plumbing, heating, AC, washer, dish washer (Damage but not repair of pipe/system)
- ❖ **Falling Objects**—trees and chickens some include removal, some cover the tree
- ❖ **Freezing Pipes**—heating, plumbing, AC, washer, dishwasher (pays for repair of system)
- ❖ **Electrical Damage**—not transistors, tubes, but yes to arcing
- ❖ **Collapse**—covered following a covered peril; hidden decay, insects and vermin, (not visible termites, etc.)
- ❖ **Tearing Asunder (apart)**—hot water heater bursts

Glass and Collapse are not 'covered perils' but result from covered perils

**Note: DP3 is the only form that covers theft of building property when the dwelling is unoccupied, such as copper plumbing from a basement heating system and built in appliances, so long as the dwelling or other structures are not under construction or have not been vacant for more than 30 days immediately before the loss.**

## Other Coverages

Included automatically in DPs

**Note: other coverages are included in the DP forms at no additional premium cost.**

**Pick and choose:**

- ❖ **A**—Dwelling
- ❖ **B**—Other structures
- ❖ **C**—Personal property
- ❖ **D**—Rental value
- ❖ **E**—Additional living expenses

If ever there is uncertainty about a claim, submit it as a **fire**.

	DP1	DP2	DP3
<b>A</b> —Dwelling	Yes	Yes	Yes
<b>B</b> —Other structures	Yes	Yes	Yes
<b>C</b> —Personal property	Yes	Yes	Yes
<b>D</b> —Rental value	Yes	Yes	Yes
<b>E</b> —Additional living expenses	No	Yes	Yes

## Other Structures

The insured may use up to **10%** of the coverage A limit if a covered peril loss damages an **other structure** described in coverage B. However:

- ❖ In **DP1** this limit is **included in** the coverage A **limit**. (Comes out of limit)
- ❖ In **DP2 & 3** it is **additional insurance** (Does not come out of limit)

## Debris Removal

**States that the company will pay the reasonable expense of removing the debris of covered property after a covered peril loss subject to the policy limit.**

These expenses are included within the limit of coverage.

## Improvements, Alterations and Additions

The insured may use **up to 10% of the coverage C limit** if, as a tenant, they suffer a covered peril loss to improvements, alterations and additions which they made or acquired at their own expense to that part of the described location used only by the insured.

**This coverage is additional insurance.**

## World-Wide Coverage

Says the insured can use **up to 10% of the coverage C limit** if for loss by a covered peril to covered property under coverage C except rowboats and canoes, anywhere in the world.

**The coverage C limit of liability (not your liability) is reduced by use of this other coverage for the same loss.**

## Rental Value and Additional Living Expense

**Additional living expense is not available under the DP1.**

The insured may use up to **20% of the coverage A limit** for both fair rental value and additional living expense.

This coverage is additional insurance under the DP2 & 3 forms.

However, under the DP1 form, use of the rental value limit will reduce the coverage A limit for the same loss.

## Reasonable Repairs

Covers the reasonable expense to protect covered property from further damage after covered property is damaged by a peril insured against in the policy.

This coverage does not increase the limit of insurance. [You must buy a blue tarp in a total loss to protect the property, and you pay]

## Preservation of Property aka Property Removed aka Removal Damage

**Under a DP1 this coverage is for 5 days after removal at each proper location.**

Under a DP2&3 this coverage is for 30 days after removal.

## Trees, Plants, Shrubs & Lawns

**Under DP1 no coverage.**

**Under DP2&3 coverage is provided on a named perils basis including**

- ❖ **Fire and lightning,**
- ❖ **Explosion,**
- ❖ **Riot or civil commotion,**
- ❖ **Aircraft,**
- ❖ **Vehicles not owned or operated by the insured**
- ❖ **Resident of the described location, or**
- ❖ **VMM (Vandalism and Malicious Mischief**
- ❖ **Including damage during a burglary or attempted burglary (not theft)**

Coverage is in the amount of **5% of the coverage A dwelling limit but not more than \$500/item.**

This is additional insurance.

**Note: lawns are not subject to the \$500/item limit, only the 5% aggregate limit.**

## Fire Dept Service Charge

Under all dwelling forms, if the insured is liable under a written contract or agreement for fire dept services when they are called to save or protect covered property from an insured peril the insurer will pay up to **\$500.**

The policy deductible does not apply and this is additional insurance.

## Collapse

Provided under DP2&3 forms (not DP1) covers direct physical loss to covered property involving collapse of a structure or any part of a structure caused by one or more of the following perils:

- ❖ A peril insured against in the policy
- ❖ **Hidden** decay
- ❖ **Hidden** insect or vermin damage (raccoons are not vermin so they don't have to be hidden)
- ❖ Weight of people, animals, contents or equipment
- ❖ Weight of rain which collects on a roof
- ❖ Use of defective materials or methods in construction, remodeling or renovation, if the collapse occurs during the construction, remodeling or renovation

**Not covered under collapse:**

- ❖ **Settling**
- ❖ **Shrinking**
- ❖ **Bulging**
- ❖ **Cracking**
- ❖ **Expansion**

This coverage does not increase the limit of insurance relative to the damaged covered property.

## Glass or Safety Glazing Material

(windshield)

Covered under DP2&3 forms (not DP1)

Covers breakage of glass or safety glazing material which is part of a covered structure, storm door or storm window also damage to covered property by glass or safety glazing material is covered.

**No coverage if the dwelling is vacant for more than 60 consecutive days immediately prior to the loss.**

If required by ordinance or law glass will be settled on the basis of safety glazing material. This coverage does not increase the limit of insurance applying to the damaged property.

## Ordinance or law

DP2&3 only (not DP1)

Covers the increased cost of construction, repair or demolition regulated by any ordinance or law.

An additional 10% of the insurance amount is available for these expenses.

## Done with other coverages

# Loss Settlement

DP1 on an ACV basis only

**DP2&3 buildings under coverage A & B are settled at Replacement Cost without deducting for depreciation** providing the insured is carrying a sufficient amount of insurance to meet the coinsurance rule.

Personal property under coverage C is settled at ACV.

## Claim Settlement Example

Insured DP2 broad form covering her rental property for \$300k. The building was totally destroyed by fire. Her detached garage suffered \$35k damage as well. The firemen and the fire trucks also damaged her sod lawn. Ignoring any deductible in the policy the policy will pay up to what amount for this loss?

A: \$345k = \$300 coverage + garage capped at \$30k additional. + \$15k lawn

+\$60k additional living expenses is technically right but got Bert all bothered

## Deductible Laws

The standard deductible for all DP forms is \$250 deducted separately from each loss.

Note: a deductible is an example of risk retention

# Endorsements to DP Forms

## Personal liability supplement

this monoline coverage may be added to the DP form by endorsement for additional premium. It covers bodily injury (BI) and property damage (PD) to third parties as a result of the insured's negligence. In addition the endorsement provides supplementary payments for claim expenses (such as legal fees), first aid, and physical damage to property of others.

## Broad Form Theft Coverage

Coverage for theft of personal property is excluded from all DP forms. This endorsement can be added to any of the DP forms. It covers personal property of an owner-occupied dwelling condo or coop as well as apartment renters. It covers robbery (held up), burglary (Break in), larceny (under cover of stealth) as part of the theft peril. Certain types of property are excluded and are subject to limitation.

## Inflation Guard Clause

Note: while the dwelling policy includes a number of standard provisions, such as

❖ Liberalization clause

❖ Nonrenewal provision

❖ Deductible clause

The **inflation guard clause** is not a standard provision.



# Home Owners (HO) Program

Making HO claims does not affect premiums, just risks nonrenewal!

## DP

- ❖ A—Dwelling
- ❖ B—Other structures
- ❖ C—Personal property
- ❖ D—Rental value
- ❖ E—Additional living expenses

## Homeowners

- ❖ A—Dwelling
- ❖ B—Other structures
- ❖ C—Personal property
- ❖ D—Loss of use

HO policy is a package policy consisting of 2 sections, section 1 property and section 2 liability, and includes various perils including:

- ❖ Fire
- ❖ Lightning
- ❖ Wind storm
- ❖ **Theft**

The following homeowner forms are available:

- ❖ H02
- ❖ H03
- ❖ H04
- ❖ H05
- ❖ H06
- ❖ H08

Eligibility requirements for a homeowners policy:

- ❖ The **owner occupied** 1 to 4 family private dwelling (OO not in DP)
- ❖ A tenant in a private dwelling or apartment house (apartment house can be 5 or more family units)
- ❖ The owner of a condo or coop
- ❖ **Note: a farm is not eligible for an HO policy**

## HO Policy Forms

Note: the **flood peril** is excluded from all HO policy forms

Note: the standard HO deductible is a flat \$250, **applied separately to each loss.**

	Name	Structure	Contents
H02	Broad	RC Named	ACV Named
H03	Special	RC <b>Open</b>	ACV Named
H04	Contents Broad Apt	RC Named	ACV Named
H05	Comprehensive	RC <b>Open</b>	ACV <b>Open</b>
H06	Unit Owners Form <b>Condo</b>	RC Named	ACV Named
H08	Modified Coverage	<b>ACV</b> Named	ACV Named

## HO2 Broad

Dwelling and other structures are insured on a broad form/**named perils basis**.

And losses are paid on a **Replacement Cost basis RC**, subject to meeting the coinsurance requirement.

Note: until the damages have been repaired or replaced the insurer will pay losses on an ACV basis unless the cost to repair or replace is less than \$2,500 and less than 5% of the limit of insurance. However, the insured will have 180 days from the date of loss to complete the repairs or replacement of the damages to file an additional claim for the replacement cost.

The contents/personal property are insured on a Broad Form/**Named Perils** basis but losses are paid on an **ACV basis**.

There is no coverage for fences, driveways or sidewalks damaged by a vehicle owned or operated by the insured.

**Under collapse, additional coverage, settling is not covered.**

## HO3 Special

The **Dwelling** and other structures are covered on a **Risk of Direct Physical Loss** aka **All Risk** aka **Open Perils** basis and losses are paid on a **Replacement Cost** basis.

**Contents/Personal property** is covered on a **Broad Form/Named Perils** basis with losses paid on an **ACV basis**

Like the H02 there is no coverage to fences, driveway or sidewalks by a vehicle owned or operated by the insured

**Note: this form would cover a loss caused by rainwater entering an open window causing damage to the building such as walls and floors** (Rain comes through the window, walls and floors covered [open perils] furniture not [named perils])

## HO4 Contents Broad Form

Designed for **tenants** or renters.

The policy insures contents/Personal Property on a **Broad Form/Named Perils** basis. Losses are paid at ACV.

Also the policy provides up to **10% of the coverage C limit** for improvements and betterments as additional insurance.

## HO5 Comprehensive Form

This policy provides **Open Perils** coverage on the **buildings and personal property**

Note: This policy would cover damage caused by a **deer jumping through a window** of the insured dwelling damaging walls, floors and personal property.

Losses to the **buildings** are covered on a **Replacement Cost** basis, but **Personal Property** is covered at **ACV**.

## HO6 Unit Owners Form

For Owner Occupants of condominium and cooperative units, this policy covers personal property on a **Broad Form Perils** basis and also provides a **minimum of \$1000 coverage for additions, alterations, fixtures and appliances.**

## HO8 Modified Coverage Form

This policy is used to insure older houses (such as early 1900s) and replaces the HO1 which was known as the basic form. This form is used where there is a significant difference between Replacement Cost and Market Value.

**The buildings and Personal Property are settled on an ACV basis.** (Only form not RC on the building.)

**This policy covers the buildings and Personal Property on a Named Perils basis.**

**Note: There is no coverage for accidental discharge such as the result of a washing machine hose wearing out.**

## HO2, 3, 5, & 8 Section 1 buildings

### Coverage A Dwelling

Primary limit chosen by the insured.

Same description for dwelling as the DP form

### Coverage B Other Structures

Additional Insurance

**10% of Coverage A (such as an unattached garage)**

**Note: HO2, 3, & 5 Buildings under coverages A&B are insured on a Replacement Cost basis, provided they are carrying at least 80% coinsurance at the time of loss.**

### Coverage C Personal Property/ Contents

Additional Insurance

**For a 1 and 2 family dwelling the limit is 50% of the coverage A limit.**

**Presume 50% of A unless told otherwise.**

For a 3 family dwelling the limit is 30% of the coverage A limit.

For a 4 family dwelling the limit is 25% of the coverage A limit.

Example: 1 or 2 family dwelling with a coverage A limit of \$360k. The personal property coverage C limit would be \$180k

Families	Coverage C limit
1	50%
2	50%
3	30%
4	25%

### Coverage D Loss of Use

Additional Insurance

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### 30% of the coverage A limit

Example: such as coverage A limit \$360k, coverage \$108k.

Includes additional living expense, fair rental value and **civil authority prohibits use which is limited to 2 weeks coverage.**

## HO4 Section 1

Note: Usually purchased by a tenant or renter.

### Coverage C Personal Property

Primary limit chosen by the insured

### Coverage D Loss of Use

30% of the coverage C limit is additional insurance

## HO6 Section 1

### Coverage A

**Additions, alterations, fixtures and appliances, \$1,000 minimum limit.**

### Coverage C – personal property

Primary limit chosen by the insured

### Coverage D – loss of use

50% of coverage C. additional insurance

### Coverage C – personal property

**covers personal property owned or used by the insured, worldwide for the full amount applying to Coverage C**

Exceptions to the **worldwide limit** is

- Property usually kept in a secondary residence premises of the insured and
- in a self-storage facility where the limit is 10% of the coverage C limit or \$1,000, **whichever is higher**

**(there is no coverage for antique autos in the insured garage. Also there is no coverage for animals, birds, or fish)**

### Limitation on certain classes of personal property:

- \$200 on money/bank-notes/bullion/coins etc.
- \$1,500 on securities accounts, manuscripts, passports etc
- \$1,500 on water craft and trailers
- \$1,500 on trailers, not used with water craft
- **\$1,500 for loss by theft of jewelry, furs, watches etc.**
- \$2,500 for loss by theft of fire arms
- \$2,500 for loss by theft of silverware, gold ware, pewter ware
- \$5,000 for grave markers
- Animals, birds and fish are excluded.

### Home owners claim settlement example

**An insured has a HO3 issued with coverage A limit of \$500,000. His tree is struck by lightning and falls on**

Property Casualty Class 2col.docx

the insured detached garage causing \$15,000 worth of damage to the garage. The tree is valued at \$1,250 with a standard deductible of \$250, how much will the company pay? Answer \$15,500

**Recovered property** – the insured has the option to retain recovered property or relinquish it to insurer. Should the insured chose to retain the covered property they need only return the amount received in settlement. All salvaged losses are that of the insurance company

## Additional Coverages:

Included in HO policies at no additional premium cost

### Debris removal

Same as DP forms except if the amount of direct physical loss and debris removal expenses are more than the limit of liability, an additional 5% of the limit of the liability of the covered property is available for those expenses;

### Reasonable repairs

Same as DP; tree's, shrubs, plants and lawns (5% of coverage A, but \$500 maximum on each tree, plant and shrub).

HO4 and HO6 the aggregate limit is 10% of coverage C but the same item limit.

HO8 limit is \$250/item; fire department service charge with the same \$500 limit as DP forms;

### Collapse

Same as DP;

### Property removed

aka removal damage is for 30 days;

### Glass or safety glazing material

Same as DP plus

### Credit card, Electronic Fund Transfer, forgery and counterfeit money

While the policy shows a limit of \$500 in NYS the limit is \$1,000 pursuant to NY Special provisions which is additional insurance and covers the following

- **The insured's legal obligation to pay because of theft or un-authorized use**
- **Theft; or unauthorized use of the insured's fund transfer card**
- **Forgery or alteration of the insured's check or negotiable instrument**
- **Loss of to the insured as a result of a good faith acceptance of counterfeit US or Canadian currency**

### Flood

All HO policy forms exclude flood

### Endorsements

The HO program contains endorsements for the following additional premium cost

1. **Earthquake**
2. **Home day care coverage**
3. **Personal property replacement cost**
4. **Scheduled personal property endorsement (HO-61 10)**
  - a. Covers the named insured and all family members resident in the same house hold
  - b. Perils insured against on an **all risk** of loss of damaged basis with a **worldwide coverage territory**
  - c. Losses are usually settled **on an ACV basis subject to exceptions**
  - d. **Property is covered on a scheduled/itemized basis subject to exceptions**

## Marine Insurance

The National Association of Insurance Commissionaires (NAIC) describes the kinds of risk classified as marine insurance

**Generally they are instruments of communication and transportation (radio, TV, cell phone towers, as well as bridges and tunnels) imports and exports, domestic shipments and personal and commercial floaters as defined by the nation wide marine definition**

**In land marine policies are commonly referred to as floaters because the property covered moves from location to location**

## General Exclusions – (WINWIG)

- **W**ar
- **I**nsects and vermin
- **N**uclear
- **W**ear and Tear
- **I**nherent Vice – something internal to the property that happens with out external cause. **The ability to self destruct.**
- **G**radual deterioration

## Pair or set clause

**(other than fine arts)** – the insurance company is liable for a fair and reasonable portion of loss that the lost or damaged property bares to the total value of the pair or set. **(example: \$10,000 pair of earrings. One earring is misplaced and the remaining earring is valued at \$4,000. The insured would receive in settlement \$6,000)**

## Pair or set clause (fine arts)

The insurance company agrees in the event of loss to allow the insured to surrender the remaining property and collect the full insured amount

## Standard 9 classes for scheduled personal property on endorsement

### 1 Jewelry

\$2.90 per \$1k but \$0.50 for in the bank vault

Insured on a scheduled basis with evidence of value (appraisal) usually required

Each item must be described in detail with a specific limit of insurance

For additional premium a “**valued form**”

Engagement rings should be insured under a separate policy, in the names of both parties not yet family members and usually not members of the same household. **This avoids questions as to insurable interest.**

### 2 Furs

Same as jewelry

### 3 Cameras

Insures photographic equipment on a scheduled basis

**Note: the insured may purchase a blanket amount of coverage on small items such as: a tripod, lens covers, and light meters, for up to 10% of the scheduled limit**

Note: different rates apply to amateurs and professionals. This is a personal policy. Endorsement attached to a personal policy. (This is not a pro with a studio. This is a guy who does part time photography on weekends, part time professional.)

### 4 Musical Instruments

Same two notes

### 5 Silverware

Insures silverware on a scheduled or blanket basis, but excludes pens and pencils, smoking implements, flasks, and jewelry.

### 6 Golfers Equipment

Since coverage is provided world wide, coverage would apply if golfers equipment was **stolen from the trunk of the insured's automobile to the extent of their ACV.**

### 7 Fine Arts

Covers items such as paintings, antique furniture, oriental carpets, etc.

**Note: fine arts are automatically insured on a valued basis, instead of ACV.**

**Note: the insured must agree that insured property will be packed and unpacked by competent packers.**

### 8 Stamps, 9 Coins collections

Insures stamps, coins and paper money of collectors on a scheduled or blanket basis depending on the insurer.

Note: there is no coverage for antique autos under class 8 and 9.

## Newly acquired Property Clause

As to jewelry, furs, cameras, and musical instruments, the insured is granted automatic coverage on newly acquired property but only of the kinds presently insured. Only if some

The limit is up to 25% of the scheduled amount for that class of property or \$10k whichever is less. This coverage is for 30 days after acquisition.

Similar provisions apply to fine arts but coverage is for 25% of the scheduled amount but no maximum dollar limit.

And the coverage is for 90 days following acquisition.

However, during this period losses are paid on the ACV basis.

## Section 2 of the HO Policy Liability

Note: all HO forms have identical section 2 coverages.

### Coverage E Personal Liability

Pays for damages related to bodily injury or property damage for personal activities up to the limit of liability.

**Note: Personal injury liability is not covered in the unendorsed HO policies. Add it by endorsement.**

### Coverage F Medical Payments to Others

Pays necessary medical expenses incurred or medically determined within 3Y from date of accident regardless of fault. Normally liability pays if negligent. Medical pays regardless of negligence. Payment from F reduces coverage from E limit.

Note: medical payments coverage applies to a person (guest who is on the insured's location with the permission of the insured).

**Note: an insured is an individual, spouse, their children, relatives of any age (such as a mother-in-law) and any other person under the age of 21 (such as a foster child) living in the same household but not the insured's father living down the block.**

Note: under section 2 of all HO policies and comprehensive personal liability monoline policies workers compensation is included automatically for incidental employees (usually under 40 hours/week)

## Personal Automobile Insurance Policy PAP

Sold primarily to cover individually owned private passenger automobiles. It can be issued for a term of 1Y or less (commonly 1Y or 6M).

The PAP has the following 8 parts:

1. **Declarations**
2. **Definitions**
3. **Part A BI and PD liability coverage**
4. **Part B Medical Payments Coverage**
5. **Part C Uninsured Motorist Coverage, and Under Insured Motorist Coverage**
6. **Part D Damage to your Auto Coverage**
7. **Part E Duties after an Accident or Loss (conditions)**
8. **Part F General Provisions (rights, duties and responsibilities of parties)**

## Definitions:

### You and Your aka Named Insured

The person named in item number 1 of the policy declarations including a spouse if a resident of the same household.

### We, Us and Our

The insurance company providing the coverage. (DP forms too)

### Your Covered Auto

1. Any vehicle shown in the Declarations
2. Any newly acquired auto, means any of the following types of vehicles you become the owner of during the policy period:
  - a. A private passenger auto (max 10k lb)
  - b. A pickup truck or van that is predominantly used for non business purposes

### Replacement vehicle

If a newly acquired auto replaces one shown in the declarations coverage is provided without your having to ask the insurance company to insure it for the rest of the policy period.

### Additional Acquired Vehicle

If a newly acquired auto is in addition to any shown in the Declarations it will have the broadest coverage not provided for any vehicle shown in the Declarations. The insured must ask the company to insure an additional acquired auto within 14 days after they become the owner.

If the insured asks the company to insure a newly acquired auto after 14 days coverage will begin on the date of the request.

### Coverage for Damage to Your Auto (Part D physical damage)

Physical Damage Coverage for a newly acquired auto begins on the date you become the owner if:

- ❖ The newly acquired auto replaces one shown in the Declarations and
- ❖ The company provided that coverage on the vehicle you replaced for at least 12 months prior to the date of replacement.
- ❖ You must ask the company to insure it within 3 days after you become the owner.

For each of the following which falls within the 3 day period, we will extend the period by 1 day:

- ❖ Saturday,
  - ❖ Sunday,
  - ❖ Legal holiday (NYS)
3. Any trailer owned by the insured means a vehicle designed to be pulled by a private passenger-type auto, pickup or van as well as a farm wagon or farm implement while towed by a private passenger-type auto, pickup, or van.
  4. Any non-owned auto or trailer while used as a temporary substitute for any other vehicle described in this definition which is out of normal use because of its breakdown, repair, servicing, loss, or destruction

### Family Member

Any person related to the named insured by blood, marriage, or adoption, including a ward and foster children who is a resident of the same household.

### Occupying

Means in, getting in, getting out, on, getting on, or getting off.

### Covered Persons

- ❖ **The named insured or any family member (including an unlicensed child) for the ownership, maintenance or use of any auto or trailer.**
- ❖ **Any person using the insured's covered auto with permission**
- ❖ For the covered auto any person or organization but only with respect to their legal responsibility for acts or omissions of a person for whom coverage is afforded. [exec assist. going to Post Office in her car. She's covered on her policy and her boss's policy (respondiate superior)]
- ❖ **Note: covered persons does not include a resident of the named insured's household, who is not a family member or does not have permission, such as a roomer or boarder.**

## Part A Liability Coverage Insuring Agreement

The insurance company will pay for damages for BI (such as injuries to a pedestrian) and or PD (such as damage to a street light) for which any insured becomes legally responsible because of an accident.

The company will settle or defend as they consider appropriate any claim or suit asking for these damages.

Their duty to settle or defend ends when the limits of liability have been exhausted. (Multi car accident, after limit is paid insurance company leaves you, even if there are more claims against you.) The company has no duty to defend any claim not covered under the policy, (Intentional running over is not covered)

## Part A Liability Coverage Supplementary Payments

In addition to their limits of liability the company will pay on behalf of an insured:

- ❖ All defense and court costs they incur until the limits of liability have been exhausted. [Limits 25/50/10 means BI 25/person, 50/accident, and PD 10/accident]
- ❖ **Up to \$250 for the premium cost of bail bonds required because of an accident**
- ❖ Premiums on appeal bonds and bonds to release attachments in any suit the company defends (no limit)
  - (Surety bonds: Court or judicial bonds—guarantee by one person of a second person to a third person)
  - **Note: The insurance company does not obtain the bonds noted above; it reimburses the premium cost to the limits**
- ❖ **Up to \$200 a day for loss of earnings but not other income due to attendance at hearings or trials, at the insurer's request.**
- ❖ Other reasonable expenses incurred at the insurer's request. (E.G., \$15 for copy of the police report.)
- ❖ **Note: Medical payments part B is not part of supplementary payments part A, it is a separate optional coverage.**

## Part A Liability Coverage Exclusions

The company does not provide liability coverage for any insured:

- ❖ Who intentionally causes or directs another person to cause BI or PD
- ❖ Bodily injury to an employee during the course of employment (Workers comp covers). However, this exclusion does not apply to a domestic employee unless workers comp benefits are required or available to the domestic employee
- ❖ Any vehicle used to carry persons or property for a fee (No commercial use). However, this exclusion does not apply to a share the expense carpool
- ❖ While the insured is engaged in the business of selling, repairing, servicing, storing, or parking automobiles (commercial)
- ❖ **Any vehicle having less than 4 wheels such as a motorcycle**

## Part A Liability Coverage Limits of Liability

The minimum split limits of liability in NYS are as follows:

- ❖ **\$25k BI per person/per accident**
- ❖ **\$50k BI total per accident**
- ❖ **\$10k PD**

Split (or dual limits) limits are split between BI and PD

The minimum Combined Single Limit (CSL) aka single limit (SL) is \$60k for all BI & PD in any 1 accident = \$50k BI + \$10k PD

At the lower limits Single Limit is preferable (for flexibility) but is more expensive

### Other state coverage

Limits will automatically increase while driving in other states to the legal minimum they have (but not decrease if limits are lower)

### Other insurance clause

If there is other liability insurance the insurer will pay only their proportion of loss that their limit of liability bears to the total applicable of total limits. **However, insurance provided for non owned vehicles is excess over other valid collectible insurance**

### Example of Other Insurance Clause

- ❖ Insured has part A liability limits of 50/100/25
- ❖ Neighbor has part A liability limits 100/300/50
- ❖ Insured borrows neighbor's auto and is involved in an at fault accident in which a 3<sup>rd</sup> party obtains a bodily injury judgment for \$125k.
- ❖ Q: How is judgment paid?
  - Neighbor's policy is primary and pays \$100k;
  - insured's policy is excess paying \$25k judgment

## Part B Medical Payments

Refer to handout

**Note: under medical payments part B family members are covered as pedestrians**

## Part C (UM) Uninsured Motorist Protection (Mandatory)

Part A: BI + PD 25/50/10

Part C: either equal to or less than part A limits (min 25/50) but not greater than

My part C becomes the other person's part A. My insurance company becomes my adversary.

The company will pay compensatory damages which an insured is legally entitled to recover from the owner or operator of an uninsured motor vehicle because of bodily injury only in NYS sustained by an insured and caused by an accident.

**Note: an insured injured by an automobile covered by a policy with limits of 25/50/10 is not an uninsured motorist.**

Statutory UM coverage limits: \$25k BI per person, \$50k BI per accident regardless of the number of persons involved in any given accident which occur in NYS only

Note: part C Uninsured Motorists may be equal to or less than part A BI limits but can not be greater than part A BI limits.

## Part C (UIM) Under Insured Motorist Supplemental Coverage (optional)

Available up to a limit of \$250/\$500 BI only in NYS. This endorsement extends the limits to accidents that occur outside NYS within the coverage territory for both UM and UIM. UIM can only be bought at UM levels.

## Part D Damage to Your Auto

This part covers payment for direct and accidental loss to the insured's covered auto or any non owned auto including equipment less any deductible (**the deductible is applied separately to each loss**) indicated in the policy. Loss caused by a collision or other than collision will only be paid if the declarations indicate that such coverage is provided.

If there is a charge in the declarations then you have coverage, if not you don't.

### Collision

This is the upset (such as flipping over on an icy road) or the striking with another vehicle or object (such as a bridge support or telephone pole) of the covered automobile or non owned automobile.

### Other Than Collision aka Comprehensive Fire and Theft (Comp)

The following types of losses are considered to be Other Than Collision:

- ❖ Missiles or falling objects
- ❖ Fire
- ❖ Theft or larceny
- ❖ Explosion or earthquake
- ❖ Windstorm
- ❖ Hail, water or flood
- ❖ VMM
- ❖ Riot and civil commotion
- ❖ Contact with animals or birds
- ❖ Breakage of glass if caused by a collision the insured may elect to have it considered part of the collision loss

### Transportation expenses

In addition the company will pay \$20 a day subject to a maximum of \$600 for transportation expenses incurred by the insured in the event of a covered loss to your covered auto or non owned auto.

**If the loss is caused by a total theft of the auto coverage begins 48 hours after the theft and ends when the auto is returned to service or the company has paid for its loss.**

For losses other than theft the company will pay transportation expenses beginning when the auto is withdrawn from use for more than 24 hours.

Examples of transportation expenses:

- ❖ 5/1-5/12 = 12 days total theft – 2 day waiting = 10 days \* 20 = \$200 reimbursement
- ❖ 6/1-6/22 = 22 days total theft – 2 day waiting = 20 days \* 20 = \$400 reimbursement

Note: the insurance carrier does not furnish a rental vehicle, it reimburses the cost incurred up to the limit.

## Part D Exclusions

- ❖ Loss while the vehicle is being used to carry persons or property for a fee. (Also part A) (Except carpooling)
- ❖ Damage due and confined to wear and tear, freezing, mechanical or electrical breakdown or failure or road damage to tires unless the damage is the result of the total theft of the auto.
- ❖ Loss to equipment designed for the reproduction of **sound**, unless the equipment is permanently installed in the auto. Also, there is no coverage for loss to tapes, records, or other devices intended for use with such sound equipment.
- ❖ Loss to custom **furnishings** or **equipment** in or upon any **pickup truck or van**.
- ❖ Loss to citizens band **radio**, two way mobile radio, telephone or scanning monitor/receiver or their accessories unless the equipment is permanently installed in the opening of the dashboard or console as designed by the manufacturer. [Even if Lincoln sub contracted a phone installation out it's not covered]

## Part D Limit of Liability

The company's limit for liability for loss will be the lesser of:

- ❖ The ACV of the stolen or damaged property or
- ❖ The amount necessary to repair or replace the property with other property of a like kind and quality (indemnity)
- ❖ However the most the company will pay for loss to:
  - Any non owned auto which is a trailer is \$500
  - **Equipment designed solely for the reproduction of sound including any accessories for use with such sound equipment, which is installed in locations not used by the auto manufacturer for installation of such equipment is \$1k.** (12 CD player in trunk)
- ❖ **State amount**—the insurance company uses a rate which is applied on a per \$100 basis to the amount stated in the endorsement. In the event of a total loss the company will pay the stated amount. (Antiques, special interest, collectible cars) (Chubb has a stated amount that is modified with slow depreciation)

## Part D Deductibles

Deductibles apply (separately to each loss) to both collision and other than collision.

**Full glass** coverage means the deductible does not apply to glass losses.

# Personal Injury Protection (PIP) aka No-Fault

## Comprehensive Motor Vehicle Insurance Reparations Act Basic PIP

Mandatory package of first party benefits with a \$50k per person aggregate limit for the following benefits:

- ❖ **Medical benefits**—including all reasonable and necessary medical expenses
- ❖ **Loss of wages**—limited to 80% of the average weekly wage to a maximum of \$2k/Mo for a maximum of 3Y.
- ❖ **Substitute services**—up to \$25 a day for up to 1Y for services such as cleaning, cooking, etc.
- ❖ **Note: in addition to the above there is a \$2k death benefit. This is mandatory coverage.**

### Optional coverage

Optional Basic Economic Loss (OBEL) four option choice (see handout)

- ❖ **Basic Economic Loss** (Medical expenses, etc)
- ❖ **Loss of Wages**
- ❖ **Psychiatric, physical or occupational therapy and rehab, or**
- ❖ **Combination of 2 & 3**

By endorsement for additional premium, provides an additional \$25k of first party benefits, but **this benefit can be self directed by the insured**. [Incur the expenses, submit them to the insurance company, they pay]

### Additional PIP (APIP)

For an additional premium by endorsement the insured can purchase up to an additional \$100k of PIP coverage; on the same basis as basic PIP. (In the assigned risk, additional PIP is limited to \$50k)

	Voluntary market	Assigned risk (Auto Insurance Plan)
Basic PIP	\$50k	\$50k
OBEL	\$25k	\$25k
Add'l PIP	\$50k \$50k	\$50k
<b>Total</b>	<b>\$175k</b>	<b>\$125k</b>

Assigned risk ACV limit = \$50k

## Part E Duties After a Loss & Part F General Provisions

Refer to handout: ISO PAP & ISO Amendment of Policy Provisions NY. Get the forms from the companies you write. Read them too.

## NY Automobile Inspection Law aka

### Regulation 79

Refer to handout: Pohn handout. Regulation passed to avoid fraud. Pictures and a report required within 5 calendar days at CarCo, open 7 days a week. No claims paid until inspection. Both voluntary or assigned risk markets. Exceptions for new cars from authorized dealers, send window sticker. (Progressive waves **NO** inspections)

## Rental Vehicle Coverage Endorsement

Refer to handout. This provision is on every personal auto policy written in NY for no additional premium charged.

## Supplemental Spousal Liability

Refer to handouts for state exam.

## NY Automobile Plan

Refer to handout.

## National Flood Insurance Program

Established by the National Flood Insurance Act of 1968.

Administered by the Federal Insurance Administrator through the Fed Emergency Management Agency (FEMA) which is under Department Homeland Security (DHS) post Katrina.

Coverage is available for buildings and contents against loss by flood.

**Flood means a general and temporary condition of inundation of 2 or more acres of normally dry land areas or of 2 or more properties at least one of which is the insured's property from the following:**

- ❖ The overflow of inland or tidal waters
- ❖ The unusual and rapid accumulation or runoff of surface waters
- ❖ Mudflow
- ❖ Collapse of shoreline land due to erosion by waves or currents exceeding the anticipated levels that result in flood as defined above

Refer to handout.

2 Programs

### Emergency program

First, goes into effect when the community

- ❖ Applies for membership,
- ❖ Meets requirements (records, elevation maps)
  - Adopt land use and control measures

Building limit \$35k, contents \$10k

### Regular program

Building \$250k, contents \$100



# Personal Umbrella/Catastrophe Liability Policy

[Personal or commercial, excess covers all personal liability policies]

[Primary is like a deductible for the umbrella. ]

When insureds require higher limits of liability than can be provided by personal lines policies, the personal umbrella can meet the higher limit's need.

A Personal Umbrella Policy has the following 2 important purposes:

- ❖ Provide Additional/Excess liability insurance over and above the basic coverage of the underlying liability insurance
- ❖ Cover some losses not covered by the underlying liability insurance

## Coverage for excluded losses

A Personal Umbrella Policy may cover losses not covered by the underlying liability. However, in that event, the umbrella would begin to provide coverage after a **Retention Limit aka Retained Limit aka Self Retention Limit** which works like a deductible because it represents the amount of loss the insured must cover out of pocket. They vary from \$500 to \$10k or higher. They do not apply to losses that are covered under the underlying liability coverage.

**The end of personal lines.**