

CHAPTER 6 COMMERCIAL PACKAGE POLICY

The Insurance Services Office (ISO) drafted all of the policies discussed in the previous chapters. Many insurance companies use those policies in whole or in part. The term “ISO form” is a common expression when referring to these policies. ISO forms fall within the definition of “simplified language” policies. Below we will discuss commercial type policies in general as well as specific coverages applicable to the business being insured.

The commercial package policy program of Insurance Services Office prescribes that the combination of any two or more of the ISO “simplified language” commercial lines coverage parts constitutes a commercial package policy. Property eligible for the homeowner’s program is not eligible for the commercial package policies.

6.0 COMPONENTS OF A COMMERCIAL PACKAGE POLICY

6.0a COMMON POLICY DECLARATIONS

The declarations of a commercial policy provide essentially the same basic information as the HO or DP policies. Some of the differences come in the actual coverages associated with commercial policies. The property being insured being insured may require a coverage specific to the building or business being operated. These coverages would be listed on the Declarations Page with separate premiums listed for each coverage.

6.0b COMMON POLICY CONDITIONS – CP 00 90

Commercial Property Conditions Form CP 00 90 is prescribed for use as an essential part of all policies issued under the ISO commercial property program. Form CP 00 90 becomes part of a complete policy when added to a Declarations Page, a common policy conditions form, a coverage form, such as the building and personal property form, and causes of loss form. Six conditions are included in the form. Most are either substantially identical to or are revised versions of conditions contained in the standard fire policy or in earlier editions of commercial property forms. As with the DP and HO policies, the Commercial Package Policy (CPP) includes a form that contains conditions that are common to all packages. They are as follows:

1. **Cancellation** – requires the insurance company to give adequate written notice
2. **Charges** – the first named insured is granted the right to make policy changes without the permission of the other named insured(s)
3. **Examination of Books** – grants the insurance company the right to do periodic inspections of the property to recommend adjustment in value or risk management
4. **Premiums** – a condition requiring the payment or return of premiums
5. **Transfer of Rights** – states that the insured cannot transfer their rights under the policy without the insurer’s permission

6.0c INTERLINE ENDORSEMENTS

Interline Endorsement are endorsements common to several coverage parts. One example would be the Pennsylvania Cancellation and Non-Renewal provisions.

6.0d TWO OR MORE COVERAGE PARTS

The Commercial Package Policy (CPP) allows the insured to choose from seven coverage parts. The following are the seven coverage parts, which may be included in the CPP. The Auto Coverage Part will not be discussed.

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6.0d TWO OR MORE COVERAGE PARTS

1. Commercial Property Coverage Part
2. Inland Marine Coverage Part
3. Boiler and Machinery Coverage Part
4. Farm Coverage Part
5. Crime Coverage Part
6. General Liability Coverage Part
7. Auto Coverage Part

6.1 COMMERCIAL PROPERTY COVERAGE PART

The commercial property part provides coverage for various business property exposures. It consist of the following five (5) elements:

1. Commercial Property Declarations Page
2. Commercial Property Conditions Forms
3. One or More Coverage Forms
4. One or More Cause of Loss Forms
5. Endorsements

6.1a DECLARATIONS PAGE – lists standard information inherent to the Declarations Page

6.1b COMMERCIAL PROPERTY CONDITONS FORM

1. **Concealment, Misrepresentation, Fraud** – this condition is similar to the concealment or fraud condition of the standard fire policy but with slightly different language that, when read alone, could prove to be more limiting of coverage. It voids coverage should the named insured commit a fraudulent act or if the named insured or any other insured intentionally conceals or misrepresents a material fact about the coverage, the covered property, a claim or the named insured's interest in the property
2. **Control of Property** – this condition provides that:
 - a. the acts of others beyond the direction or control of the named insured will not affect coverage
 - b. when more than one location is insured under the policy, the breach of any policy condition will affect coverage only with respect to the location where the breach occurred
3. **Insurance under Two or More Coverages** –this condition prevents more than one coverage under a single policy from making available double recovery in the event of a loss. It stipulates that in such a case the actual amount of loss or damage will be the maximum the policy will pay.
4. **Legal Action Against Us** – suit the insurer is predicated upon the insured's full compliance with the terms of the policy. Furthermore, action by the insured must be brought within **two** years following the loss or damage. Note: this is not two years after formal denial of the claim. Earlier policies that incorporated standard fire policy language gave the insured one year in which to bring suit
5. **Liberalization** – any liberalization of coverage produced by a revision of the commercial property coverage part that is introduced during the policy period or in the 45 days preceding its inception will immediately apply to the insured's unrevised policy, as long as the revision does not entail any extra premium.

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6.1b COMMERCIAL PROPERTY CONDITIONS FORM (cont'd)

6. **No Benefit to Bailee** – insurance provided under the commercial property policy will not operate to the benefit of any person or organization other than the named insured. In other words, the policy will not cover the liability of a bailee for property in the possession of the bailee.
7. **Other Insurance** – this “other insurance” condition reduces all situations in which the other insurance might apply to:
 - a. the existence of other insurance written with the same plan, terms, conditions and provisions as the commercial property policy, in which case the policy responds pro rata by limits
 - b. the existence of other insurance written on any other basis, in which case the policy responds as excess insurance, even if the insured is unable to collect under the other policy
8. **Policy Period and Coverage Territory** – to be covered under the commercial property policy, loss or damage must commence during the policy period shown in the Declarations Page. Loss must also commence within the coverage territory, which includes the United States, including its territories and possessions, Canada and Puerto Rico.
9. **Transfer of Rights of Recovery** – this condition defines the insurer’s subrogation rights under the policy which arise when the insurer makes a payment to or for “any person or organization”, the named insured or any other. The quoted language preserves the insurer’s subrogation rights with respect to third parties who might recover for a loss under the policy—a mortgage or Bailors. It clarifies that the insurer takes over the subrogation rights of not only the named insured, but also that of any third party claimant. This will be only to the extent of any payment made to that third party. The insured’s right to waive possible recovery against third parties is retained if the waiver is made before a loss or after a loss when the third party is another insured, a business owned or controlled by the insured, owning or controlling the insured or a tenant of the insured.

6.1c ONE OR MORE COVERAGE FORMS

One or more coverage forms can be chosen to meet the insured’s needs. This section will describe the nine coverage forms, which the insured can choose.

1. **Building and Personal Property**
 - a. **Coverage A – Building**
 - b. **Coverage B – Business Personal Property**
 - c. **Coverage C- Personal Property of Others**
2. **Building and Personal Property –Property Covered** – the buildings and personal property coverage form insures buildings, business personal property and personal property of other located on the insured’s premises against “direct physical loss” due to a covered peril. The designation of the covered perils is the function of a separate “cause of loss” form. Building coverage includes any buildings or structures and their completed additions shown on the Declarations Page with a limit of insurance. It does not matter whether the additions are in place when the policy is written or if they are added later.
 - a. Any **additions, alterations and repairs** in progress, including applicable materials, supplies and temporary structures on or within 100 feet of the

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6.1c ONE OR MORE COVERAGE FORMS (cont'd)

describe premises are covered only if no other insurance exists for the project. The other insurance condition applying to the building and personal property coverages generally permits a pro rata or excess payment of loss of if other insurance also exists. Additionally, all permanently installed fixtures, machinery and equipment that are owned by the insured are insured as part of the building. Fixtures are things that are permanently attached to the building that cannot be removed without affecting either the value or the aesthetics of the structure and can include everything from intercoms and public address systems to permanently installed blinds, drapery fittings or hardware, etc.

b. **Outdoor fixtures** are also specified as being building property. These are items such as light and flagpoles, parking stops, mailboxes and in-ground sprinkler systems (underground pipes are excluded unless added by endorsement). Attached signs are insured as building fixtures but payment is limited to \$1000 per sign.

c. **Furniture and Fixtures, machinery and equipment, stock and any other personal property** owned by and used in the insured's business is considered business personal property. Coverage applies when the property is located on, in or within 100 feet of the premises.

d. **"Stock"** is defined in the form as merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in packing or shipping them. The 1991 edition clarifies, under property not covered, that stocked of outdoor trees, shrubs and plants are treated as any other stock and is not subject to coverage limitations imposed by the outdoor property coverage extension.

e. **Business Personal Property** also contemplates coverage of the "labor, materials or services furnished or arranged" by the insured on personal property of others. If, for example, an insured repairs a television set at a cost of \$50 in labor, \$75 in materials and \$10 for a special trip to acquire a necessary part, \$135 is recoverable under this coverage, less any deductible, if the television set is damaged by an insured peril before it can be returned to the customer.

f. A tenant's use interest in **improvements and betterments** is protected as a facet of the business personal property coverage of the building and personal property coverage form. Improvements and betterments consist of fixtures, alterations, installations or additions of a permanent type that have been acquired at some expense by the tenant. They are items of real property such as storefronts, decorations, partitions or elevators and are not legally removable by a tenant.

g. The final type of property that can be covered under the building and personal property coverage form is property of others in the **insured's care, custody and control**. The same conditions as the location of such property apply here as they do to any business personal property of the insured, that is, on in or within 100 feet of the premises.

3. **Building and Personal Property –Property Not Covered** – the following items are excluded:

- a. **Accounts, bills, currency, deeds, evidences of debt, money, notes or securities**—revisions effective October 1 1981 clarify that lottery tickets held for sale are
- b. not "securities", i.e., they are covered property, but food stamps are not covered since they are evidences of debt
- c. **Animals** –the building and personal property coverage form clarifies that animals that are "stock" located inside of buildings and those animals that are boarded by the insured are not excluded.
- d. **Automobiles** held for sale

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6.1c ONE OR MORE COVERAGE FORMS (cont'd)

- e. **Contraband or property in the course of illegal transportation or trade** –in earlier property forms, this exclusion was located within the war and government activity general exclusion.
- f. **Land, growing crops and lawns** – in conjunction with revisions to the debris removing clause in 1986, debris below, an exclusion for water was added to this list. As a consequence, the ability of insured's to look to their commercial property insurers for recovery for bills from a utility for water loss after a plumbing rupture, is removed.
- g. **Personal property while airborne or waterborne.**
- h. **Property more specifically covered elsewhere** –except for excess coverage. There is no coverage on a primary basis for any item that might qualify for coverage under the form if that same item is also the subject of other, more specific insurance. For example, an expensive piece of specialized machinery is insured with the building if permanently installed. If the insured has purchased other insurance identifying that machine and insuring it separately, then that machine is “more specifically covered” by the other contract.
- i. **Cost to research, replace or restored information or valuable papers and records** –this exclusion includes the cost of researching, replacing or restoring information on electronic or magnetic media. There is limited coverage afforded through a coverage extension that will be discussed later.
- j. **Vehicles or self-propelled machines, including watercraft and aircraft** –this exclusion states that these items are not covered if they are licensed for use on public roads or are usually operated away from the insured premises. While this language supports coverage for equipment such as forklifts, it also opens the door to coverage for an unlicensed auto if its operation is restricted to the insured's premises and for a boat principally operated on a lake that is located on the insured's premises.

Certain types of property are listed as exempt from this exclusion:

1. vehicles, including autos, or self-propelled machines manufactured, processed or warehoused by the insured
2. vehicles or self-propelled machines, other than autos, held for sale by the insured
3. rowboats or canoes out of the water and kept at the insured premises

The following property is excluded while it is located outside the insured's building(s):

1. **Grain, hay straw or other crops**
2. **Outdoor fences, radio and television antennas, including lead-in wiring, masts or towers, detached signs, trees, shrubs and plants.**

There is limited coverage for these items under the coverage extensions described later. It should be noted that satellite dishes come within the meaning of “television antennas”.

1. **Bridges, roadways, walks, patios or other paved surfaces**
2. **Cost of excavations, grading, back-filling or filling**
3. **Foundation of buildings, structures, machinery or boilers if their foundation are below:**
 - a. the lowest basement floor
 - b. the surface of the ground if there is no basement

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6.1c ONE OR MORE COVERAGE FORMS (cont'd)

- 4. Pilings, piers, wharves or docks, underground pipes, flues or drains and retaining walls not part of the building**
- 4. Building and Personal Property –Additional Coverages**
- a. **Debris Removal** –this coverage provides restitution for expenses incurred in clearing up covered property after a covered cause of loss. In 1986 it was revised to limit the amount of payment to 25% of the amount paid for direct property damage plus the amount of the deductible applying to that damage. An additional \$5000 is available per occurrence for debris removal if: the sum of direct physical loss and debris removal exceeds the applicable limit of insurance or debris removal expense exceed the 25% limitation
 - b. **Preservation of Property** –covered property that is moved from the insured location for protection from loss or damage by a covered peril is insured against any physical loss or damage for 10 days while it is being moved or stored.
 - c. **Fire department service charge** –the insured’s liability for service charges assessed by a fire department (assumed by contract before a loss or required by the provisions of a local ordinance) are paid up to \$1000. No deductible applies.
 - d. **Pollutant clean up and removal** – in conjunction with the revisions to the debris removal clause mentioned above, an additional coverage –with separate annual aggregate limit of \$100,000—was introduced in 1986 for the clean up and removal of pollutants from land or water if the “release, discharge or dispersal” of pollutants resulted from a covered cause of loss. The current edition provides that coverage applies if the “discharge, dispersal, seepage, migration, release or escape” of pollutants is caused by a covered cause of loss.
- 5. Building and Personal Property – Coverage Extensions**
- a. **Personal effects and property of others** – an additional \$2500 per occurrence is each described premises for loss or damage to personal effects, i.e., items usually worn or carried on the person, owned by the insured, insured’s officers, partners or employees and to any property of others in the insured’s care, custody or control. Property of others is a much broader category than personal effects. It need not be similar to the business personal property of the insured. The perils applying to business personal property extend to these items, except that personal effects are not covered by theft.
 - b. **Valuable papers and records** – when valuable papers and records are destroyed at a described location, there are separate items to be considered in restoring such property. First, there is the cost of blank paper, film, discs, etc. Second, there is the cost of actually transcribing or copying such papers and records from available duplicates. If there are no duplicates the cost of research and other expenses in reconstructing the records will be a third item. This item, the expense of research involved in recompiling data, is the subject of the valuable papers and records extension. The insured may apply up to \$1000 to such costs following destruction of valuable papers and records by an insured peril.
 - c. **Newly acquired or constructed property** – buildings are covered for a maximum of 30 days for 25% of the buildings limit, not to exceed \$25,000 at each building. It is possible to increase this limit by endorsement. Protection applies to new buildings under construction on the insured’s premises and to any buildings the insured acquires within the policy territory. The policy territory includes the United States, Puerto Rico and Canada. As to the latter, the new acquisition must be for usage similar to insured buildings or for use as a warehouse. Any personal property at acquired location is insured for maximum of 30 days for 10% of the business personal property limit, not exceeding \$100,000 at each building. The extension

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6.1c ONE OR MORE COVERAGE FORMS (cont'd)

does not encompass personal property at fairs or exhibits. There is no restriction that new buildings constructed on the premises or personal property be “intended for similar occupancies or purposes”. Additional premium is charged for values reported from the date construction begins or the property is acquired.

- d. **Property Off-premises**—except for stock, any covered property temporarily at a location not owned, leased or operated by the insured is insured up to \$10,000.

This extension specifically excludes:

- (i) property in or on a vehicle
- (ii) property in the care, custody or control of salespersons
- (iii) property located at fairs and exhibitions (all inland marine exposures)

But coverage does extend to property off-premises for repairs, property the insured lends to others and tools and equipment at a job site. The meaning of “operating” a location without owning or leasing it is unclear. For example, if a contractor sets up his office in a trailer at a job site and has employees and subcontractors working there on a regular basis for many months without direct control by the owner over the day-by-day events on the site; does the contractor “operate” the location during the construction period? If so, the \$10,000 extension would not apply to his tools and equipment at the job site.

e. **Outdoor Property** – if any of the named perils of fire, lightning, explosion, riot, civil commotion or aircraft cause damage to outdoor fences, radio antennas television antennas, including satellite dishes, detached signs, trees, shrubs and plants up to \$1000 applies to the loss including debris removal expense. No other debris removal coverage is available for these items. As regards to trees, shrubs and plants, payment is restricted to \$150 per item up to \$1000 under the 1991 edition. It is clear that these limitations do not apply to “stock” of outdoor trees and that such “stock” is treated as “covered property”. Indoor trees, shrubs and plants used for decoration are eligible for the full coverage of the forms both as to covered perils and as to insured values. These limits may be increased by endorsement.

6. **Builder’s Risk Form** – this coverage is primarily for protection of a structure, which is real property, but also extends to various items of personal property. The Builder’s Risk Policy applies while the building is under construction. Vandalism, theft, fire and windstorm are common perils to the building under construction and the construction material on the job site. The policy may be written in the name of the owner or the contractor. It also allows sub-contractors to be named as additional insured’s, which is important because, otherwise, the personal property of others coverage would be severely limited.

7. **Business Income Form** – unlike previous earnings and business interruption forms that describe coverage in terms of reduction of “earnings” or “gross earnings,” the simplified Business Income Forms covers actual loss of “business income” sustained due to the necessary suspension of the named insured’s operations during the period of restoration. The suspension must be caused by direct physical loss of or damage to property at the premises described in the Declarations, caused by or resulting from any covered cause of loss. Reference to real property, common to older forms, is simplified to property in forms CP 00 30 and CP 00 32. This exclusion of loss caused by damaged of

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6.1c ONE OR MORE COVERAGE FORMS (cont'd)

Finished stock found in earlier manufacturing forms, does not appear in the new forms. Instead it appears in the causes of loss from that is also needed to complete the policy. Added under the current form is coverage for loss of business income caused by loss or damaged to personal property in the open or in a vehicle within 100 feet of the described premise.

“Business Income” means:

- a. Net income (net profit or loss before income taxes) that would have been earned or incurred.
- b. Continuing normal operating expenses including payroll incurred .

8. **Extra Expense** – additional coverage 3.a of form CP 00 30 provides coverage for the categories of extra expense defined as necessary expenses incurred during the period of restoration that would not have been incurred if the property loss that necessitated them had not occurred:

- a. There is coverage for extra expense to avoid or minimize the suspension of business and to continue operations at the insured’s premises or at replacement premises or a temporary location
- b. There is coverage for extra expense incurred to minimize suspension of business if operations cannot be continued
- c. There is coverage for extra expense to repair or replace any property, research, replace or restore the lost information or damaged valuable papers and records

Items 1 and 2 are covered without limitation other than the limit of insurance provided for the entire business income. Payment under item 3 is limited to the amount by which these expenses reduce the amount of loss that would otherwise be payable

9. **Legal Liability Coverage Form** – provides for the protection against legal liability due to the damaged to property of others in the care, custody or control of the insured.

10. **Glass Coverage Form** – the Glass Coverage Form covers glass, frames holding the glass and lettering on glass for the perils of breakage of glass and chemicals applied to glass. Glass is paid for on a replacement cost basis. The insured must schedule the glass by giving sizes, location and types(s) of glass. This coverage also applies to the debris removal, access and dismantling of obstructions to access the glass. Vacancy of 60 days or more excludes this coverage unless endorsed for an additional premium.

11. **Condominium Association Coverage Form** – provides coverage for the building and personal property and is similar to the Commercial Building and Personal Property Form. Depending upon the association’s agreement, coverage may include fixtures, improvements and alterations and appliances used for cooking, refrigeration, heating and security.

12. **Condominium Commercial Unit Owner’s Form** – provides coverage to the Unit Owner for commercial condos. No building coverage is provided. This coverage is used in conjunction with the Condominium Association Coverage Form mentioned in number 11 above. Insurance companies are given a “free hand” when writing condominium policies. There are no specific requirements to which all companies must adhere except the basic forms all policies follow.

6.1d CAUSES OF LOSS

1. **Basic Form** – the Basic Form provides coverage for the perils of:

- a. **Fire or Lighting**
- b. **Explosion**

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6.1d CAUSES OF LOSS (cont')

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|-------------------------------|-----------------------------|
| c. Windstorm or Hail | d. Smoke |
| e. Aircraft or Vehicle | f. Vandalism |
| g. Sprinkler Leakage | h. Sinkhole Collapse |
| i. Volcanic Eruption | |

2. Broad Form – in addition to the perils listed in the Basic Form, the Broad Form includes the following:

- j. Breakage of Glass (\$100 for each plate and up to \$500 per occurrence)**
- k. Falling Objects**
- l. Weight of Snow, Ice or Sleet**
- m. Water Damage**
- n. Collapse**

3. Special Form – as discussed in previous chapters, the Special Form provides coverage for direct physical loss **unless specifically excluded in the policy.**

4. Common Exclusions – exclusions which are common to the Basic, Broad and Special Forms include:

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|---|----------------------------------|
| a. Ordinance of law (building upgrades) | b. Earth movement |
| c. Flood | d. Surface and underground water |
| e. War and Military Actions | f. Nuclear Hazard |
| g. Off Premises Power Failure | h. Governmental Hazard |

5. Earthquake Form – a Basic, Broad or Special Form must be used in conjunction with the Earthquake Form. Earthquake coverage provides for earthquake and volcanic eruption. Add on exclusions include loss or damage resulting from artificially generated current, fire, explosion, landslide and mudflow.

6.1e SELECTED ENDORSEMENTS

1. Ordinance or Law Endorsement – provides for increases in costs associated with bringing the insured's building up to code as required by the municipality.

2. Peak Season Endorsement – this endorsement increases the coverage on business property during specific periods of the policy coverage.

3. Spoilage Coverage Endorsement – this coverage applies to spoilage of refrigerated or frozen products caused by a power failure either on or off the premises or for equipment or mechanical failure.

4. Value Reporting Endorsement – this coverage address the various reporting valuation methods. The insured can choose from five period options of either:

- | | |
|----------------------|------------------------|
| a. Daily Reporting | b. Weekly Reporting |
| c. Monthly Reporting | d. Quarterly Reporting |
| d. Yearly Reporting | |

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6.2 COMMERCIAL INLAND MARINE COVERAGE PART

Inland Marine Insurance grew out of Ocean Marine Cargo Insurance to meet new coverage needs that emerged in the early twentieth century. Today the category covers a wide range of loss exposures whose initial common link was an element of transportation or communication. Examples of Inland Marine exposures are property in domestic transit, property in the custody of a bailee, mobile equipment, building in the course of construction, electronic data processing equipment and cable TV systems.

Although Insurance Services Office (ISO) files a limited number of Commercial Inland Marine forms, the great majority of Commercial Inland Marine Insurance is “non-filed”, meaning that many states do not require insurers to file their forms or rates with regulatory authorities. This freedom filing requirements allows inland marine underwriters to tailor forms and rates to fit particular exposures.

6.2a NATIONWIDE MARINE DEFINITION

To help identify the kinds of risks, which are eligible for either Ocean or Inland Marine insurance, the industry developed the Nationwide Definition. The Nationwide Definition lists six categories of eligible Marine risks:

1. Imports
2. Exports
3. Domestic Shipments
4. Instrumentalities of Transportation of Communication
5. Personal Property Floater Risks
6. Commercial Property Floater Risks

Imports and Exports are subject to Ocean Marine Insurance and will be discussed in Chapter 8, Other Insurance. Personal Property Floater Risk category is provided by the Personal Inland Marine Policies.

The three remaining categories of the Definition represent risks eligible for Commercial Inland Marine forms. A wide variety of seemingly unrelated risks fall into these categories. Usually, the characteristic which makes them eligible for Inland Marine coverage, is element of portability, although there are exceptions. As a **general** rule, Inland Marine forms do not cover such stationary property as real estate, furniture, fixtures or merchandise in the course of manufacture.

The distinction is not a sharp one and there is overlapping, but, the function of Inland Marine is generally considered to be covering property intransit, land mobile equipment (but not licensed highway equipment), and “instrumentalities” of transportation and communication” (bridges, tunnels, radio and TV towers, aerial navigation beacons, dams, piers and docks, pipelines and power transmission lines).

Inland Marine coverages may be categorized as ‘controlled’ or ‘uncontrolled’. A “controlled” line is one wherein a standard provisions form is promulgated by a bureau and filled for uniform use. An “uncontrolled” Inland Marine line is one wherein the individual company may use its own form and vary it for the individual risk.

Controlled Forms

Since Commercial Inland Marine insurance can cover such a wide variety of mobile property, there is no one standard policy, comparable, for instance, to the Homeowners Policy. Instead, each type of property requires

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6.2a NATIONWIDE MARINE DEFINITION – Controlled Forms (cont'd)

a unique policy form. Certain controlled classes of Inland Marine can be written under the Commercial Inland marine Coverage part of the Commercial Package Policy.

When written as part of the Commercial Package Policy, the Commercial Inland Marine Coverage Part requires three things in addition to the Common Policy Declarations and the Common Policy Conditions.

1. Commercial Inland Marine Declarations Form (when Inland Marine coverage is issued on a monoline basis, this Dec sheet may be combined with the Common Policy Declarations to form a single Declaration).
2. Commercial Inland Marine General Conditions Form.
3. One or more of the following controlled coverage forms:

(All of these controlled forms provide the very broad all risk coverage that is typical of Inland Marine coverages.)

- a. **Accounts Receivable Form** – provides coverage for money due the insured from clients, which due to loss, damage or destruction of accounts receivable records, become uncollectible. **80% Co-Insurance applies.**
- b. **Camera and Musical Instrument Dealers**
- c. **Commercial Articles Form** – this form covers property such as cameras, video equipment, musical instruments, etc. used in the commercial environment. Some examples are concerts, making of movies and television programs.
- d. **Equipment Dealers Form** – this coverage applies to a Dealer's stock of construction, farming or other mobile equipment. Also, there is coverage for property in the care, custody and control of the dealer. **80% Co-Insurance applies.**
- e. **Film**
- f. **Floor Plan**
- g. **Jeweler's Block Form** – this coverage applies to the jewelry owner's stock of jewelry, precious metals, precious stones and semi-precious stones.
- h. **Mail Coverage**
- i. **Physicians' and Surgeones' Equipment**
- j. **Signs Form** – this coverage applies to automatic or mechanical signs and neon type signs. **100% Co-Insurance applies.**
- k. **Theatrical Property**
- l. **Valuable Papers and Records Form** – this coverage applies to the costs associated with the reconstruction of blueprints, deeds or historical records that were destroyed due to a covered cause of loss.

Uncontrolled Forms

There are almost an endless variety of uncontrolled Commercial Inland Marine forms. Some of the more widely used include:

- a. **Annual Transit** – this form is used to cover incoming and outgoing goods on an annual basis
- b. **Trip Transit** – this form is used to cover merchandise that is transported in one specific trip
- c. **Transportation Coverage/Motor Truck Cargo Forms** – the following forms provides coverage for specific ways that merchandise is transported.

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6.2a NATIONWIDE MARINE DEFINITION – Uncontrolled Forms (cont'd)

- (i) Common Carrier Cargo Liability Coverage – common carriers that offer their services to the public at large are legally liable for the property they transport
 - (ii) Bills of Lading – a Bills of Lading is a contract between the common carrier and the shipper. Common carriers can limit their liability by indicating a maximum dollar amount they responsible for in the event of a loss
 - (iii) Trucker's Form – provides liability coverage to cover cargo owned by others while being transported for hire by a common carrier
 - (iv) Shipper's Form – this coverage is useful when a shipper owns and transports his/her own property
 - (v) Owner's Form – this coverage is used to cover the truck owner's cargo while being transported in their own truck
- d. **Instrumentalities of Transportation or Communication** – bridges, tunnels, dams, piers and docks, radio/TV towers
- e. **Bailee Customer Form** – (cleaners, dyers and laundries, furriers and warehouses) as you may recall from policies such as the DPs and HOs, there is the No Benefit to Bailee exclusion that specifically excludes coverage for items that are under the business care, custody or control for such activities as cleaning, repairing or servicing. This coverage protects the business owner for damages arising from providing these types of services.
- f. **Furriers Customers**
- g. **Contractors Equipment Floater** – this coverage applies to equipment used by contractors that include cranes, bulldozers, cherry pickers, road milling machinery, steam rollers, etc.
- h. **Installation Floater Form** – this coverage applies to air conditioning and/or heating units, transformers in the process of transit or installation at the construction or installation site. Other coverage options include the form written on a named peril or open peril basis.
- i. **Installation Sales**
- j. **Electronic Data Processing Form** – this coverage pertains to electronic data processing equipment including the Extra Expenses and Business Interruption associated with the loss of media.
- k. **Dealers** – furriers block, art, coin and stamp
- Uncontrolled lines of Inland Marine may be written on an all risk or named peril basis.

6.2b COMMERCIAL INLAND MARINE CONDITIONS FORM – as discussed in previous chapters, conditions under which payment will be made are standard to all policies. However, the types of conditions change depending upon the type of policy written. Under this coverage, the conditions form includes:

1. Duties in the event of loss
2. Loss valuation
3. How much the insurer pays
4. Loss payment
5. Appraisal
6. Other insurance
7. Pair or set clause
8. Loss to parts clause
9. Salvage

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.2b COMMERCIAL INLAND MARINE CONDITIONS FORM (cont'd)

10. Subrogation
11. Suit against us the insurer
12. Territorial rights

6.2c PERSONAL INLAND MARINE POLICIES

The principal Inland Marine Personal Coverages are:

Specific property floaters:

1. Cameras
2. Fine Arts
3. Golfer's Equipment
4. Jewelry and Furs
5. Musical Instruments
6. Stamp and Coin Collections
7. Silverware

General property floaters:

1. Personal Effects
2. Personal Property

The majority of Inland Marine insurance covering specific forms of personal property is written in the Homeowners program, under the scheduled property endorsement. The coverage is generally the same, however, whether issued as an Inland Marine policy or a Homeowners endorsement.

The above are all **Controlled lines**. **Uncontrolled lines** which forms are offered by many companies include, for example, outboard motor/boat equipment floaters, gun floaters, sporting equipment floaters and wedding present floaters.

6.2d PERSONAL ARTICLES FLOATER

Each of the specific property floaters may be issued on separate forms, but the more common method is to combine all into a single policy form, the personal Articles Floater (PAF).

The PAF contains a Declarations Page wherein any of the listed types of property may be covered by inserting an amount of insurance and applicable premium, plus a schedule for listing specific articles with a separate amount of insurance on each.

Policy Provisions – for all classes of property covered under a PAF, an “all-risks” insuring clause applies, with exclusions for wear and tear, deterioration, inherent vice and loss caused by insects or vermin. “Inherent vice” is a quality within an object that results in the object’s tending to damage or destroy itself.

Except as otherwise noted, the PAF policy territory is “world-wide” and coverage is for the lesser of: ACV, cost to repair or replace or the limit specified for coverage. A special condition, however, applies to “pairs, sets and parts” – if there is loss to a pair or set, company may elect to repair or replace in a way to restore to original value, or to pay the difference between ACV

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.2d PERSONAL ARTICLES FLOATER (cont'd)

before and after the loss. For loss of a part of covered property made up of parts, responsibility is only for the value of the part lost or damaged.

Under standard rules, no deductible applies to losses under a PAF.

Jewelry – this is the first class of property listed for PAF coverage. Rules require that property to be covered be individually scheduled with a specific limit on each item. Eligible property includes articles or personal adornment containing precious metals, whether or not containing jewels, pearls or semi-precious stones. Other articles such as pens, flasks, smoking equipment, trophies and similar items may be insured as jewelry. Automatic coverage is included for newly acquired property. When property of the same class is acquired, up to 25% of the coverage limit, but not over \$10,000 applies for 30 days after acquisition .

Furs – this is the next PAF class of property, which includes garments that are wholly genuine or imitation fur or trimmed in fur and fur rugs. Each item to be covered must be individually scheduled, except as ensemble such as a coat, muff and hat which may be combined subject to a single amount of coverage. The same automatic coverage feature applies as for jewelry.

Cameras – this is the third PAF class, which may include virtually all types of personal photographic equipment and property such as a binoculars, telescopes and microscopes. While individual scheduling of items is required, it is permissible to include a blanket item which is often used to include coverage for miscellaneous items that do not warrant individual scheduling, such as film, carrying cases and the like. Coverage includes the same 30-day automatic coverage as for jewelry and furs for newly acquired property.

Musical Instruments – these are the next PAF class, including related equipment and sheet music. Handling is much the same as for cameras – scheduling required, but a blanket item is permissible, and the same automatic coverage for newly acquired property applies. Professional use is excluded in the basic form, but an endorsement is available for coverage while the insured uses the instruments to perform for pay.

When coverage applies to organs, which are not mobile, additional exclusions apply: mechanical or electrical breakdown or failure and loss caused by repairing, adjusting, servicing or maintenance, except for resultant damage from a fire or explosion.

Silverware – this is the next PAF property class. Eligible in this category are silverware, silver-plated ware, goldware, gold-plated ware pewterware. Scheduling of individual items or sets is optional for this class, but it is permissible to cover all property on blanket basis.

Golfer's Equipment – the next PAF class, means clubs, equipment and clothing (including street clothing contained in a locker while the insured is playing golf). Golf balls are covered only for loss by fire or burglary by forcible entry into a building, room or locker. There is no scheduling, a simple amount applies to all covered property.

Fine Art – the next class of property which may be covered under a PAF, means private (not commercial auction, etc.) collections of paintings, etchings, pictures, tapestries, art glass,

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.2d PERSONAL ARTICLES FLOATER (cont'd)

windows and other bona fide works of art such as valuable rugs, statuary, marbles, bronzed antique furniture, rare books, antique silver, manuscripts, porcelains, rare glass and bric-a-brac. Scheduling of individual items is required, but a blanket item is permitted.

The principal coverage difference, which distinguishes fine arts from the other classes of property, is that “valued” covered applies: i.e., the company agrees that scheduled limits are the value of the property and will be paid if the property is lost.

Automatic coverage is included for newly acquired fine arts – in this case, for 90-days and for 25% of the total limit of for scheduled items, and for actual cash value only.

The policy territory is the United States and Canada, and coverage does not apply to property on exhibition away from the insured premises. The insured agrees that competent packers must handle the property. Damage caused by repairing, restoring or retouching is excluded. Breakage of fragile articles, except from certain limited specified perils is also excluded, but it is optional to include breakage coverage on individual items. The basic policy conditions for “pairs, sets and parts” do not apply. For Fine Arts, the agreement is for the company to pay for the full scheduled amount on the pair or set and for the insured to surrender the remaining articles of the set to the company.

Stamps and Coin Collections – these are the final two classes of property eligible for coverage under a PAF. By policy definition, these terms mean the following property owned by or in the custody or control of the insured:

1. Postage stamps – due, envelope, official, revenue, match and medical stamps; covers, locals, reprints, essays, proofs and other philatelic property; books, pages and mountings of such items.
2. Rare and current coins – medals, paper money, bank notes; tokens of money and other numismatic property; coin albums, containers, frames, cards, display cabinets in use with the collection.

Scheduled or blanket coverage is permitted. If coverage is blanket, however, the policy limits recovery to \$1,000 for any unscheduled coin collection and \$250 for any one stamp, coin or individual article or any one pair, strip, block, series sheet, cover, or card.

Several additional exclusions apply for stamps and coins:

1. Fading, creasing, denting, scratching, tearing or thinking.
2. Transfer of colors, inherent defect, dampness, and extremes of temperature, depreciation.
3. Damage from being handled or worked on.
4. Disappearance of individual items, unless specifically scheduled or mounted in a volume with the page to which attached also lost.
5. Property in custody of transportation companies or in the mail (except registered mail).
6. Theft from unattended autos (but it is optional to delete this exclusion).
7. Loss to property which is not part of a collection.

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6.2e DOMESTIC SHIPMENTS

You'll recall that the Nationwide Definition defines the categories of risk eligible for Inland Marine insurance. We'll look at each of these categories and the controlled and uncontrolled forms designed to provide coverage for each category of risk. Domestic Shipments is the first category of risks eligible for Inland Marine insurance. A wide variety of Inland Marine transportation forms are designed to provide coverage for domestic shipments, whether they travel by truck, train, air or even mail.

Business that ship or receive merchandise need coverage against loss to their cargoes while they are in transit. Although common carriers (those who hold themselves out to the public to ship goods) must accept a certain amount of liability for losses to cargo, there are many losses for which a carrier is not responsible. Even when the carrier is liable for loss to cargo in its custody, reimbursement of the loss may be uncertain because of "red tape". So various Inland Marine transportation forms have been developed to cover this exposure.

The Annual Transit Policy – this is an uncontrolled form that protects the shipper or receiver of goods against loss to goods in transit. Coverage is available on a named peril basis, protecting against such losses as fire, windstorm, collision and theft or on an all risk basis. The policy covers all insured's incoming or outgoing shipments during the year.

The Trip Transit Policy – this is an uncontrolled form very similar to the Annual Transit Policy. However, it is used to insure single shipments of goods for companies that have only occasional shipments to insure. Coverage extends from the time and point of origination to the time and point of destination.

The Motor Truck Cargo Policy – this is an uncontrolled form designed to protect the carrier, instead of the shipper, for loss to domestic shipments in transit. The carrier has responsibility to deliver goods entrusted to it unharmed. There are only a few things, such as an Act of God (flood, tornado, etc.) or the shipper's own neglect (poor packing, etc.) for which the carrier is not liable. Motor Truck Cargo insurance provides protection for the carrier's broad liability, insuring against loss to the cargo belonging to others (the shipper) for which the carrier is liable.

The Mail Coverage Form – this is a controlled form and is also a type of transportation form. It provides all risk coverage against loss to property sent by registered mail, first class mail, certified mail or express mail. A separate uncontrolled Parcel Post Policy covers mail sent by parcel post. Coverage is issued in a reporting basis wherein the insured reports values of shipments, with separate limits for first class and certified mail, U.S. postal express mail and registered mail.

6.2f INSTRUMENTALITIES OF TRANSPORTATION AND COMMUNICATION

The next category of the Nationwide Definition is Instrumentalities of Transportation and Communication.

Bridges, tunnels, oil pipeline, dams, piers, docks, radio/TV towers can be covered under uncontrolled forms. While this property itself is not portable, it does have a direct connection with transportation and is subject to many of the same perils as property in transit. Coverage is for both direct damage and loss of revenues caused by damage.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.2g COMMERCIAL PROPERTY FLOATER RISKS – BAILEES

The final category of Inland Marine insurance is the Commercial Property Floater Risks. One group of Commercial Property Floater Risks consists of Bailees Policies.

A bailment is the delivery of property by the owner to someone else, to be held by the latter for some special purpose and then returned to the owner. An example of a bailment would be leaving your clothing at a dry cleaners to have them cleaned and pressed. The bailee is the one who receives the property. The one who owns the property is called the bailor.

Just as carriers have responsibility for the safety of property in their custody, bailees also have a responsibility for property in their custody. If the property is damaged through the bailee's own fault, the bailee will be liable to the customer for damage. But even when the property is damaged in a fire or some other disaster which is not the bailee's fault, the customer will expect to get the property back unharmed or be compensated for the loss. In order to retain the goodwill of the customer, the bailee will probably want to reimburse the customer.

All the liability policies that we have discussed specifically exclude coverage for property in the insured care, custody or control. A bailee, however, may purchase a Bailees Customers Policy, which reimburses the insured for damage to customers property in his or her care, whether or not the insured is liable for the damaged, provided damaged resulted from a peril insured against.

Cleaners, Dryers and Laundries is one type of Bailee Customer Policy. A unique peril covered by this form is confusion of goods, which covers the loss that can occur when the resulting damage from another loss has made it impossible to identify the garment with the correct customer.

A Furriers Policy provides coverage to fur storage facilities.

A Warehouse Policy protects a warehouse for damages to customer's property in the warehouse's custody.

6.2h COMMERCIAL PROPERTY FLOATER RISKS – EQUIPMENT FLOATERS

The Commercial Property Floater Risks category also includes various types of Equipment Floaters.

The Contractors Equipment Floater is an uncontrolled form that covers the heavy machinery, equipment and tools a contractor needs to conduct business. This investment must be protected from loss by fire, landslide, theft and other perils, while on the job site, on the way to and from a job site and while the equipment is temporarily stored. Neither commercial fire nor commercial auto policies provide the extensive coverage that can be obtained under this equipment floater.

The floater covers the contractor on an all risks or named perils basis, for loss to all types of tools, machinery and equipment owned, rented or borrowed by the insured.

Physicians and Surgeons Equipment is a controlled form that is "all risks" and designed for insured in the medical professions. It covers medical, surgical and dental instruments on and off

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.2h COMMERCIAL PROPERTY FLOATER RISKS – EQUIPMENT FLOATERS (cont'd)

the premises, as well as furniture and fixtures at the doctor's office. An alternate form covers these items only while carried by the insured.

Theatrical Property Coverage Form is a controlled form that provides "all risks" coverage for scenery, props and costumes used by a theater group in a specific production or for all productions. Rental companies, supply houses, circuses, carnivals and rodeos may not be covered under this form.

Film Coverage Form is a controlled form that provides "all risks" coverage for exposed motion picture film, including sound track and properly recorded tapes until production is complete and positive prints are made. Reporting and non-reporting forms are available.

The Commercial Articles Coverage Form is a controlled equipment floater that covers photographic equipment or musical instruments used commercially, such as by a newspaper or orchestra. It is an "all risks" form and may be issued with items specifically scheduled, or for a single blanket amount, or a combination of both.

6.2i COMMERCIAL PROPERTY FLOATER RISKS – BUSINESS FLOATER

Many of the property contracts we have studied exclude loss to accounts receivable records, manuscripts, deeds, blueprints, etc. But, coverage is available for these items under Inland Marine Policies.

The Accounts Receivable Coverage Form is a controlled, "all risks" form and reimburses the insured for amounts which can't be collected from customers due to damage to the company's accounts receivable records. It also covers extra collection expenses, costs to reestablish records and interest on any loans the insured must obtain to stay in business while collections are impaired.

Two forms are available: a non-reporting form, subject to a fixed limit, and a reporting form, wherein the insured makes periodic reports of receivables and is charged a premium based on such averages.

The Valuable Papers Coverage Form is a controlled form that reimburses the insured for the cost of replacing damaged manuscripts, films, maps, drawings, deeds, books or other printed, inscribed or written documents other than money or securities. This can include research as well as actual production costs. This "all risks" form may be issued on either a scheduled or blanket basis. Property that is specifically scheduled is covered on a "valued" basis.

A firm selling refrigeration systems, elevators or other pieces of large equipment may have a great deal of property on location, awaiting or in the process of installation. Such installations and final testing can take months, even years. The **Installation Coverage Form** is an uncontrolled Inland Marine Floater that insures against loss to machinery, equipment, building materials or supplies in transit to or being used with or during the course of installation, testing, building, renovating or repair. It can be issued to cover the interest of the owner, seller or the contractor.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.2i COMMERCIAL PROPERTY FLOATER RISKS – BUSINESS FLOATER (cont'd)

The Installment Sales Floater covers property sold on a installment basis. If written for the seller's interest only, the form pays off the unpaid balances following a loss. If written for both buyer and seller, the full value of the insured item(s) is paid.

The controlled **Signs** form provides "all risks" coverage for fluorescent, automatic or mechanical electrical signs. Each sign must be scheduled for a specific limit.

Electronic Data Processing Insurance, or EDP insurance, is an Inland Marine coverage of fairly recent origin. It provides a package of coverages, including:

1. Property insurance, which applies to equipment ("hardware"), data and media (recorded information and the software on which it is recorded). Coverage is also provided for extra expense to cover abnormal expenses of operating following covered damage, and business interruption to cover monetary loss resulting from having to shut down operations because of covered damage.
2. Liability insurance, which covers the insured's liability arising from handling and storing data for other firms, as in the case of data processing service firms.

The Floor Plan Form is a controlled, "all risks" form covering merchandise for sale that has been financed. It may be issued to cover only the interest of the lender, the interest of the dealer or both interests. It is available only on a reporting basis related to monthly values of outstanding merchandise values.

6.2j COMMERCIAL PROPERTY FLOATER RISKS – DEALERS POLICIES

The final group of commercial property floater risks we'll consider are the Dealers Policies. These policies represent an exception to the general rule of "mobile property". Although dealers do need occasional coverage for property away from the premises, their primary coverage need is for damage to merchandise while it is on the business premises.

There are numerous Inland Marine Floaters written for specific types of dealers including: jewelers, furriers, art, coin and stamp, camera, musical instrument and equipment (mobile agricultural or construction). The policies cover merchandise against all risks of loss, both on and off the premises, while in transit and in the custody of employees. They also cover property of others in the insured's custody. Coverage may be either reporting or non-reporting. The Inland Marine Policies that cover jewelry dealers and furriers are known as "Block" policies. The term Block Policy comes from the French phrase "en bloc", which means "all together".

6.3 BOILER AND MACHINERY COVERAGE PART

The field of Boiler and Machinery insurance embraces risks of direct loss and indirect loss arising from "accidents" (to be defined) to "objects" (the term used in this field for the subject of insurance, such as boilers, generators, engines, pumps, compressors, turbines, etc.) A completed Boiler and Machinery policy consist of the following:

1. Declarations
2. Common Policy Conditions
3. Coverage Form
4. Object Definitions Forms

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6.3 BOILER AND MACHINERY COVERAGE PART (cont'd)

5. Endorsements (possible to add)

The declarations state the name and address of insured, policy dates, limit, deductible, lender interest and the locations and descriptions of covered objects. Common Policy Conditions are the same as for several other lines.

There are three coverage forms:

1. Boiler and Machinery
2. Small Business Boiler and Machinery
3. Small Business Boiler and Machinery Broad Forms

There are four Object Definitions Forms, one or more of which is required only in connection with the Boiler and Machinery Coverage Form. The two small business forms contain the object descriptions as part of the coverage provisions.

6.3a POLICY FORMAT – the Boiler and Machinery Coverage Form is divided into the following sections:

- A – Coverage**
- B – Exclusive**
- C – Limits of Insurance**
- D – Deductible**
- E – Conditions**
- F- Definitions**

1. **Part A – Coverage – the coverage section states** the insurer will pay for direct damage to “covered property” from a “covered cause of loss”. Covered property includes property owned by the insured, or in the care, custody or control of the insured and for which the insured is legally liable. Note: this applies to all forms of property, not just a boiler or other object that is the subject of coverage. A covered cause of loss is an “accident” to an object shown in the Declarations, which is in use or connected, ready for use at the specified location. “Accident” is defined to mean a sudden and accidental breakdown of the object or a part of the object, which, at the time of the breakdown, manifests itself by physical damage to the object that necessitates replacement or repair. The following are specifically excluded from the accident definitions:

- a. depletion, deterioration, corrosion, erosion, wear and tear
- b. leakage at any valve, fitting, shaft, seal, gland packing, joint or connection
- c. breakdown of any vacuum tube, gas tube, brush, electronic computer or data processing equipment or any structure or foundation supporting the object or any of its parts
- d. the functioning of any safety or protective device

Explosions may produce the most spectacular losses, but other breakdowns included in the definition of “accident” occur more frequently. Examples of covered loss include damage from overheating, burning, cracking, bulging, rupture, collapse, and short circuit in machinery or burn out

2. **Extensions of Coverage** – Part A also contains the following “Coverage Extensions”

- a. expediting expenses – when there is damage to covered property, reimbursement will be provided for cost of temporary repairs and to expedite permanent repairs or replacement. Some examples of expediting include the cost of overtime labor, long distance

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.3a POLICY FORMAT (cont'd)

- telephone calls or airfreight then incurred to facilitate repairs or replacement.
This coverage is subject to a \$250 deductible.
- b. automatic Coverage – 90 days automatic coverage is provided for an accident to an object at a newly acquired location, subject to the highest limit and deductible as stated in the Declarations for the same type object.
- c. defense – the insurer will defend the insured against claims or suits arising out of covered occurrences. There is no dollar limit to the insured's defense coverage.
- d. supplementary payments – for liability claims, the insurer pays all litigation costs
- 3. **Exclusions** – Part B excludes the following:
 - a. any increase in a loss from enforcement of a law regulating repair, alterations, use, operation, construction or installation
 - b. war and nuclear hazards
 - c. fires and explosions, under varying circumstances designed to minimize overlap between the coverage provided by Commercial Property and Boiler and Machinery Forms. For example, Commercial Property excludes explosion of steam boilers, turbines and engines so the exclusions for explosion do not apply to those objects under Boiler and Machinery.
 - d. windstorm, hail or freezing
 - e. lightning, aircraft, vehicles, sinkhole collapse, smoke, sprinkler leakage or weight of ice, snow or sleet if coverage is otherwise provided
 - f. flood, except if an accident results from a flood, direct damage to covered property caused by the accident is covered
 - g. any accident to an object while it is being asked
 - h. lack of power, light, heat, steam or refrigeration
 - i. any indirect loss
- 4. **Limits** – Part C provides for a payment of no more than the limit shown in the Declarations for all direct loss from one accident. The minimum, basic limit is \$500,000. Higher limits are common; for example, rating manual tables provide for limits up to \$200,000,000 per accident. Cost of liability claim defense and Supplementary Payments are not subject to the limit. Within the stated limit, however, there are some limitations:
 - a. \$25,000 is the maximum amount available for expediting expenses
 - b. if damage is caused by a substance declared to be hazardous by a governmental agency (other than ammonia), \$25,000 is the limit of payment for the additional expenses of cleanup, repair, replacement or disposal of the property damaged
 - c. \$25,000 is the limit for damage caused by ammonia contamination
 - d. \$25,000 is the limit for damage by water from refrigerating or air conditioning vessels and piping
- 5. **Deductible** – Part D states that the deductible will be subtracted from the amount that would otherwise be paid for each accident. If more than one object is involved in a single accident, the highest deductible applies. The standard deductible is \$500; higher deductibles are optional.
- 6. **Conditions** – Part E contains usual policy conditions, but two are worthy of particular note. The Valuation Clause provides for replacement cost coverage on all

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.3a POLICY FORMAT (cont'd)

covered property except if repair or replacement is not made within 18 months of the date of accident. Actual cash value applies. The Suspension Condition contains an unusual provision. "Whatever an object is found to be in or exposed to a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an accident to that object. This can be done by delivering or mailing a writing notice of suspension to your last known address or to the address where the object is located." This provision might be invoked, for example, when the insurer's engineer is making an inspection and finds a boiler "ready to blow."

6.3b OBJECT DEFINITIONS FORM – these forms to define the objects covered are technical in detail as to what is included or not included within a specific object definition. For example, a "boiler" as an insured object includes piping, valves, fittings, traps and separators only if they are on or between parts of the premises and only if they contain steam or its condensate generated in an object; but does not include any part not containing steam or water or any boiler setting or insulating material or buried piping or any electrical apparatus, etc.

Except for the specialist, it is not important to know complete details of all object definitions, or which type of object is to be covered under which particular one of the four Objects Definitions forms. A brief listing of some of the types of objects that are insurable, however, may be helpful:

1. Boilers (steam, hot water, fired tube, water tube or cast iron types)
2. Refrigerating Equipment
3. Air Conditioner Equipment
4. Generators
5. Pumps
6. Engines
7. Machinery
8. Compressors
9. Transformers
10. Turbines

6.3c SELECTED ENDORSEMENTS

1. **Business Interruption** – this coverage provides Business Income and Extra Expense insurance in the event an insured object cause a business interruption.
2. **Consequential Damage** – this coverage provides for spoilage caused by the loss of power, heat light or refrigeration
3. **Extra Expense** – pays the business Extra Expenses incurred to continue operations in the event an insured object causes a loss
4. **Small Business Boiler and Machinery Forms (Basic and Broad)** – this form is appropriate for small businesses such as apartments, churches, hotels and rentals stores. This form includes business interruption and extra expenses coverage up to 25% of the limit of insurance written and expediting expenses up to \$5000. **This option can be added to the BOP with an appropriate coverage amount listed on the Declarations Page.**

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6.3d INDIRECT LOSS COVERAGE ENDORSEMENTS

Loss from interruption of the insured's operations, caused by an accident to an insured object, is available on either a "valued" or "actual loss sustained" form. The Valued Business Interruption endorsement pays an agreed dollar limit for each day of total interruption, or a proportionate part of that limit for partial interruption. As endorsement schedule states the daily limit and a total dollar limit which is based on 90, 100, 126, 153, 180, 216, 270, or 360 times the daily limit. A deductible is expressed in days (meaning, for example, a 2-day deductible would mean no recovery for the first two days of interruption). Alternately, the deductible may be stated as a dollar amount.

The Actual Loss Sustained Business Interruption endorsement covers, subject to a stated limit, actual lost profits and necessary continuing expenses through the interruption period. Coverage is subject to 100% coinsurance, wherein the amount of insurance is related to the annual net profits plus fixed expenses of the insured, as contained in annual reports, which are required. A deductible operates the same as under the Valued Form.

An Extra Expense form is also available. This coverage pays for extraordinary expenses incurred to maintain ongoing operations over and above normal expenses that would have been experienced had there been no accident to the covered object. An endorsement schedule applies limits to a selected total amount of coverage, depending upon whether the period of restoration is one month or less, 80% if two months and the full limit if over two months. A deductible applies, expressed in dollars.

6.3e MISCELLANEOUS OPTIONS

There are numerous Boiler and Machinery options to restrict or broaden the coverage provided in the basic coverage form. Following is a description of some of those more commonly used.

When the object covered is a boiler, fired vessel or electric steam generator, a "Limited Coverage" endorsement is available which redefines "accident" to cover only "sudden and accidental tearing asunder" of the object (as opposed to "sudden and accidental breakdown" in the coverage form).

An endorsement, "Actual Cash Value", is available to change loss settlement conditions from a replacement cost to an ACV basis.

Internal limits of coverage may be increased. "Additional Expediting Expense", "Water Damage" and "Ammonia Contamination" endorsement permit increasing the \$250,000 limit for each to any desired higher amount. These increases do not operate to increase the per accident limit; they only increase the amount available within such limit for those exposures.

A "Bodily Injury Liability" endorsement is available to provide excess coverage over any other liability insurance. Bodily Injury Liability is generated excluded under the basic contract because coverage for this exposure is generally provided under the insured's General Liability policy. "Consequential Damage" is an optional endorsement to cover loss due to spoilage from lack of power, light, heat, steam or refrigeration, caused by an accident to a covered object. The type of property to be covered for spoilage, must be stated in the endorsement. This is a form of **indirect loss**.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.3f SMALL BUSINESS FORMS

The two Small Business Boiler and Machinery policy forms are available, subject to some limitations as to types of business and insurable objects, to risks which have an 80% equipment replacement value of not over \$5,000,000. The required property damage limit is 80% of equipment replacement value.

Highlights of the Small Business Boiler and Machinery form are:

1. Coverage may apply to boilers and pressure vessels for property damage and business interruption, and to air conditioning and air compressing units for property damage only or both property damage and business interruption. Coverage is blanket for all objects, without specific identification in the Declarations.
2. Covered property and covered causes of loss are the same as the Boiler and Machinery policy.
3. Business Interruption includes extra expense and covers on an "actual loss sustained" basis, for 25% of the limit that applies to property damage losses as an additional amount of insurance.
4. Coverage exclusions, internal limits and conditions are the same as the Boiler and Machinery policy, except, there is no coinsurance clause; and there is no coverage for increased loss expense due to hazardous substances.
5. A standard deductible of \$500 per accident applies; higher and lower deductibles are optional.

The Small Business Boiler and Machinery Broad form includes the above, but differs in the following principle respects:

1. Both property damage and business interruption/extra expense applies blanket to all objects.
2. A spoilage coverage option may be included, subject to a limit of \$5,000, \$10,000 or \$25,000 and separate deductibles of \$500.
3. The internal limits for hazardous substances (other than ammonia) and ammonia contamination are each \$25,000 per accident.

6.4 FARM COVERAGE PART

In the previous chapters outlined in this Study Guide, we have shown the distinctions between residential and commercial policies. This coverage was developed to address the unique exposure that occurs when insuring farms. Often a farm is a combination of a business with a private dwelling on the property. This necessitated the combining of parts of the Homeowner's Policy with parts of the Commercial Policy.

6.4a FARM PROPERTY COVERAGE FORM – the coverage forms for farms are similar to the Homeowner's Policy with respect to Coverage A through D:

1. **Coverage A – Dwelling**
2. **Coverage B – Other Private Structures**
3. **Coverage C – Household Personal Property**
4. **Coverage D – Loss of Use**

In Addition to the coverages above, Farm Policies include Coverage E, F and G:

5. **Coverage E – Scheduled Farm Personal Property** – includes; grain, hay, poultry, computers related to farm management, miscellaneous tools, livestock, other animals, bees, worms, fish and portable structures. Under this coverage each class of property to be covered is indicated by an amount on the Declarations Page.

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6.4b LIVESTOCK COVERAGE FORM (cont'd)

6. **Coverage F – Unscheduled Farm Personal Property** – includes: equipment, supplies and products of farming operations. Specifically, feed, seed, fertilizer, grain, livestock, poultry, produce and agricultural machinery, vehicles and miscellaneous equipment.
7. **Coverage G – Other Farm Structures** – including farm buildings, barns and grain silos.

6.4b LIVESTOCK COVERAGE FORM – this coverage provides for livestock. Livestock includes:

1. **Cattle**
2. **Swine**
3. **Goats**
4. **Sheep**
5. **Horses, mules and donkeys**

Coverage can be provided as a limit per animal or limits per class of animal.

6.4c MOBILE AGRICULTURAL MACHINERY/EQUIPMENT COVERAGE FORM – this coverage provides open perils protection to mobile agricultural and mobile equipment.

6.4d CAUSES OF LOSS – FARM COVERAGE FORM

1. **Basis Form** – coverage is provided for the perils of:
 - a. fire
 - b. lighting
 - c. explosion
 - d. windstorm or hail
 - e. smoke
 - f. riot or civil commotion
 - g. aircraft
 - h. vandalism
 - i. theft
 - j. sinkholes
 - k. collapse
 - l. volcanic eruption

Livestock is also for loss due to earthquake and/or flooding.

2. **Broad Form** – in addition to the perils listed in the Basic Form, the Broad Form includes:
 - m. breakage of glass
 - n. weight of ice and snow
 - o. accidental discharge of water
 - p. freezing of a plumbing, heating or air conditioning system
 - q. artificially generated current
 - r. falling objects
 - s. accidental tearing apart of a hot water, air conditioning, automatic protective system or an appliance for heating waterUnique perils added to this coverage:
 - t. electrocution
 - u. drowning
 - v. accidental shooting of livestock
 - w. accidental death due to loading or unloading of livestock
3. **Special Form** – As you have already concluded, the Special Form covers any direct physical loss unless specifically excluded in the policy.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.4d CAUSES OF LOSS – FARM COVERAGE FORM (cont'd)

4. **Conditions** – the conditions under the Farm Coverage are the standard commercial conditions discussed earlier in this season. **One notable difference is, if the building or structure is vacant or unoccupied for a period of 120 consecutive days, the limit of insurance applicable to the building and contents are reduced by 50%.**
5. **Exclusions** – the exclusions applicable to the farm policy are the same as other policies. They include:
 - a. ordinance or law
 - b. nuclear hazard
 - c. off premises power failure
 - d. governmental actions
 - e. war and military action
 - f. earth movement
 - g. water damage; meaning flood, surface and underground waters.
6. **Additional Coverages** – additional coverages include:
 - a. debris removal
 - b. reasonable repairs
 - c. removal
 - d. fire department service charges
 - e. removal of trees
 - f. credit card and fund transfer cards up to \$500
 - g. costs of restoring farm records
 - h. extra expense
 - i. collapse

6.5 CRIME COVERAGE PART

Like Boiler and Machinery Insurance, Commercial Crime Insurance covers causes of loss that are not covered in commercial property forms. These causes of loss include, but are not limited to employee dishonesty, forgery, computer fraud and extortion, to list a few. Crime Insurance also covers two important types of property excluded in commercial property forms, money and securities. Crime insurance on money and securities covers destruction or disappearance in addition to theft. To cover the various combinations of property, perils and special situations, Commercial Crime Coverage Forms A through R and many endorsements are available under the insurance crime program under the joint jurisdiction of the Insurance Services Office and the Surety Association of America. Additional information is available in the CPCU Handbook and should be referred to for important information.

Selectively, parts of the Crime General Provisions form, which impact most on policy coverage, include:

1. **General Exclusions** – the policy excludes:
 - a. acts committed by named insured or a partner
 - b. indirect losses such as loss of future income, damages for legal liability (except compensatory damages arising directly from a covered loss) and costs to establish existence of or amount of claim
 - c. any legal expense
 - d. loss from governmental action, nuclear events or war
2. **Discovery Period** – for coverage to apply, losses, which occur during the policy period, must be discovered with one year of expiration.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5 CRIME COVERAGE PART (cont'd)

3. **Loss Sustained During Prior Insurance** – if a loss occurred prior to the policy's inception while another policy was in force, the loss is covered subject to certain conditions:
 - a. the discovery period under the prior policy must have expired
 - b. this policy becomes effective on the date the prior insurance was terminated
 - c. the loss would have been covered under the terms of this policy
 - d. the amount recoverable is the lesser of the limit of coverage under this policy at its inception and the limit for the prior insurance, had it remained in effect
4. **Other Insurance** – the policy is excess over any other recoverable insurance
5. **Property Covered** – the policy covers only property the named insured owns or holds or for which the insured is legally liable and only for the benefit of the insured.
6. **Valuation** – money is valued at its face value; securities at their value on the day loss is discovered; other property at actual cash value or, if less, cost to repair or replace.

Definitions – the following are standard definitions used in the Crime Coverage Part Forms.

1. **Burglary** – the taking of property from inside the premises by unlawful entering, as evidenced by marks of forcible entry or exit
2. **Extortion** – the surrendering of property away from the premises by means of threat communicated to the insured
3. **Safe Burglary** – the taking of:
 - a. property from within a locked safe or vault by a person unlawfully entering the safe or vault as evidenced by means of forcible entry upon its exterior
 - b. a safe or vault from inside the "premises"
4. **Robbery** – the taking of property from the care and custody of a person by one who has
 - a. caused or threatened to cause that person bodily harm
 - b. committed an obviously unlawful act witnessed by that person
5. **Employee** – means:
 - a. any natural person
 - (i) while in your service and for 30 days after termination of service
 - (ii) whom you compensate directly by salary, wages or commissions
 - (iii) whom you have the right to direct and control while performing services for you, or
 - b. any natural person who is furnished to you to
 - (i) substitute for a permanent "employee" on leave
 - (ii) meet seasonal or short term work load conditions; while that person is subject to your direction and control and performing services for you, excluding, however, any such person while having care and custody of property outside the "premises"
 - c. employee does not mean:
 - (i) agent, broker, person leased to you by a labor leasing firm, factor, commission merchant, consignee, independent contractor or representative of the same general character
 - (ii) director or trustee except while performing acts coming within the scope of the usual duties of an employee
6. **Money** – means:

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5 CRIME COVERAGE PART – Definitions (cont'd)

- a. currency, coins and bank notes in current use and having a face value
 - b. travelers checks, register check and money orders held for sale to the public
- 7. "Property other than Money and Securities"** – means: any tangible property other than "money" and "securities" that has intrinsic value but does not include any property listed in any Crime Coverage Form as Property Not Covered
- 8. "Securities"** – means negotiable and non-negotiable instruments or contracts representing either "money" or other property and includes:
- a. tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use
 - b. evidences of debt issued in connection with credit or charge cards, which cards are not issued by you but does not include money
- 9. "Occurrence"** – means:
- a. all loss caused by any person or in which that person is involved, whether the loss involves one or more instruments
 - b. act or series of related acts involving one or more persons
 - c. act or event, or a series of related acts or events not involving any person
- 10. "Banking Premises"** – means the interior of that portion of any building occupied by a banking institution or similar safe depository
- 11. "Messenger"** – means you, any of your partners or any "employee" while having care and custody of the property outside the "premises"
- 12. "Premises"** – means the interior of that portion of any building you occupy in conducting your business
- 13. "Theft"** – means any act of stealing
- 14. "Custodian"** – means you, any of your partners or any "employee" while having care and custody of the property inside the "premises" excluding any person while acting as a "watchperson" or janitor
- 15. "Watchperson"** – means any person you retain specifically to have care and custody of property inside the "premises" and who has no other duties
- 16. "Computer Fraud"** – means "theft" of property following and directly related to the use of any computer to fraudulently cause a transfer of that property from inside the "premises" or "banking premises" to a person (other than a "messenger") outside those "premises" or to a place outside those "premises"

Coverage and Plan – the following "Coverages" available:

- A – Employee Dishonesty**
- B – Forgery or Alteration**
- C – Theft, Disappearance or Destruction**
- D – Robbery and Safe Burglary – Property Other Than Money and Securities**
- E – Premises Burglary**
- F – Computer Fraud**
- G – Extortion**
- H – Premises Theft and Robbery Outside the Premises**
- I – Lessees of Safe Deposit Boxes**
- J – Securities Deposited With Others**
- K – Liability for Guests' Property – Safe Deposit Box**
- L – Liability for Guests' Property – Premises**

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5 CRIME COVERAGE PART – Coverage and Plans (cont'd)

M – Safe Depository Liability

N – Safe Depository Direct Loss

Q – Robbery and Safe Burglary – Money and Securities

Various “plans” utilize these coverage in different ways:

Plan 1 is Commercial Crime – Separate Limits Option and anticipates inclusion of any or all of Coverages A through J, at selected limits for each coverage

Plan 2 is Storekeepers Broad Form and includes Coverages A through E, subject to a uniform limit for each coverage. The only limits available are \$1,000, \$1,500, \$2,000 and \$2,500. This form is available only to insureds who have a single location and not over four (4) employees.

Plan 3 is Storekeepers Burglary and Robbery. It is available for the same four limits as a Storekeepers Broad Form, but includes only Coverages D, E and Q.

Plan 4 is Office Burglar and Robbery. Subject to a uniform limit for each, it includes Coverage D (with coverage limited to money and securities), H (with coverage limited to office equipment), and Coverage Q.

Plan 5 is Coverage K

Plan 6 is Coverage L

Plan 7 is coverage M and N.

Plan 8 is Excess Bank Burglary and Robbery Coverage and involves a special version of Coverage D.

Plan 9 is Bank Excess Securities and is Coverage C with variations.

Concentration in this section is on those coverages that are commonly utilized for broad classifications of risks: Coverages A through E. Coverages F through Q are briefly described at the end.

For the purposes of this Study Guide, the following Crime Coverage Parts listed below will be the only ones discussed at this time.

6.5a Employee Dishonesty Coverage Form – Form A

“Crime Insurance” embraces all kinds of losses from criminal activity except that which results from dishonesty of employees. “Employee Dishonesty Insurance,” also known as Fidelity Coverage, concerns itself solely with employee involvement in crime losses.

A completed policy consists of Declarations, Common Policy Conditions, Crime General Provision Form and one or more Coverage Forms.

The Declarations provide for the usual; identification and address of insured, policy date, forms attached and limits of coverage, etc. Common Policy Conditions are the same as for several other lines. Coverage forms are discussed in succeeding sections.

1. **Coverage** – we will pay for loss and loss from damage to covered property resulting directly from a covered Cause of Loss

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5a Employee Dishonesty Coverage Form – Form A (cont'd)

- a. **Covered Property** – “money”, “securities” and “property other than money and securities”
 - b. **Covered Cause of Loss** – “Employee Dishonesty”
 - c. **Covered Extension** – Employees Temporarily Outside Coverage Territory – we will pay for loss caused by any “employee” while temporarily outside the territory specified in the Territory General Condition for a period not more than 90 days
2. **Limit of Insurance** – the most we will pay for loss in any one “occurrence” is the applicable Limit of Insurance shown in the Declarations
3. **Deductible** –
- a. we will not pay for loss in any one “occurrence” unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Insurance
 - b. you must:
 - (i) give us notice as soon as possible of any loss of the type insured under the Coverage Form even though it falls entirely within the Deductible Amount
 - (ii) upon our request, give us a statement describing the loss
4. **Additional Exclusions, Conditions and Definitions** – in addition to the provisions in the Crime General Provisions, this coverage form is subject to the following:
- a. additional exclusions – we will pay for loss as specified below:
 - (i) employee cancelled under prior insurance – loss caused by any “employee” of yours, or predecessor in interest of yours, for whom similar prior insurance has been cancelled and not reinstated since the last such cancellation
 - (ii) inventory shortages – loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon
 - (1) an inventory computation
 - (2) a profit and loss computation
5. **Additional Conditions**
- a. facsimile signature – we will treat mechanically reproduced facsimile signatures the same as handwritten signatures
 - b. general amendment – as respects this Coverage Form, the words Covered Property in the Crime General Provisions Form mean – Covered Instruments
 - c. proof of loss – you must include with your proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting forth the amount and cause of loss
 - d. territory – we will cover loss you sustain anywhere in the world
- The Territory General Condition does not apply to this Covered Form.**

6.5b Forgery or Alteration – Form B

This form covers loss from forgery or alteration of checks, drafts, promissory notes or similar instruments calling for payment of a sum certain in money, if made or drawn by or drawn upon the named insured, or made or drawn by one acting as the insureds agent.

The only exclusion, in addition to those in General Provisions, eliminates coverage for acts of employees, directors or trustees.

The limit of insurance (minimum \$1,000) applies to all loss caused by any one person or in which one person is involved.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5b Forgery or Alteration – Form B Coverage (cont'd)

1. **Coverage** – we will pay for loss involving covered instruments resulting directly from the covered causes of loss.
 - a. Covered Instruments: checks, drafts, promissory notes or similar written promises, orders or directions to pay a sum certain in “money” that are:
 - (i) made or drawn by you or drawn upon you
 - (ii) made or drawn by one acting as your agent or in any covered instrument
 - b. Covered Causes of Loss: forgery or alteration of on or in any covered instrument
 - c. Covered Extension – Legal Expense: if you are sued for refusing to pay any Covered Instrument on the basis that it has been forged or altered, and you have our written consent to defend against the suit, we will pay for any reasonable legal expenses that you incur and pay in that defense. The amount we will pay under this extension is in addition to the Limit of Insurance applicable to this insurance.
2. **Limit of Insurance** – most we pay for loss in any one “occurrence” is the applicable Limit of Insurance shown in the Declarations.
3. **Deductible** – we will not pay for loss in any one “occurrence” unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount up to the Limit of Insurance. This provision does not apply to legal expenses paid under the Coverage Extensions.
4. **Additional Exclusion, Conditions and Definitions** – in addition to the provisions in the Crime General Provisions Form, this Coverage Form is also subject to the following:
 - a. Additional Exclusion - Acts of Employees, Directors or Trustees: we will not pay for loss resulting from any dishonest or criminal act committed by any of your “employees”, “directors”, or “trustees”:
 - (i) whether acting alone or in collusion with other persons
 - (ii) while performing services for you or otherwise
 - b. Additional Conditions:
 - (i) facsimile signatures: we will treat mechanically reproduced facsimile signatures the same as handwritten signature
 - (ii) general amendment: as respects this coverage form, the words “Covered Property” in the Crime General Provisions Form mean Covered Instruments
 - (iii) proof of loss: you must include with your proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting fourth the amount and cause of loss
 - (iv) territory: we will cover loss you sustain anywhere in the world
The Territory General Condition does not apply to this Coverage Form
 - c. Additional Definition – “Occurrence” means all loss caused by any person or in which that person is involved, whether the loss involves one or more instruments.

6.5c Theft, Disappearance and Destruction Coverage Form – Form C

Coverage C has two section, Inside the Premises and Outside the Premises. The form may be issued with either or both sections applying

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5c Theft, Disappearance and Destruction Coverage Form – Form C (cont'd)

Both sections cover money and securities for loss by theft (defined as any of stealing), disappearance or destruction. Inside coverage applies to loss from within the insured's building or while covered property is within a banking premises or similar place of safe depository.

Outside coverage applies while covered property is in the care and custody of the insured, a partner, employee or armored motor vehicle company, while outside the insured's premises.

Inside coverage also pays for loss of or damage to locked containers (safes, vaults, cash registers, cash boxes or drawers) from theft or unlawful entry (or attempts) into such containers. Additionally, if the insured owns or is liable for damage to the premises, damage caused by a theft or attempted theft is covered.

Coverage C is subject to several additional exclusions. The form excludes loss resulting from:

1. Accounting errors
2. Acts of employees, directors, trustees or representatives
3. Giving or surrendering of property in any exchange or purchase or voluntarily parting with title to or possession of any property
4. Fire damage to the premises
5. Vandalism damage to the premises or containers of covered property.

Finally, there is no coverage for loss from extortion. (Transferring property to someone based on unauthorized instructions or from a threat to harm any person or damaged property), but the exclusion does not apply to Outside Coverage if the insured had no knowledge of, or if the loss was unrelated to such a threat.

The limit of insurance, which may differ for Inside and Outside coverages, applies to all loss caused by one or more persons, or involving a single act or series of related acts.

1. **Coverage Section 1 Inside the Premises** – we will pay for loss of covered property resulting directly from the Covered Causes of Loss
 - a. covered property – “money” and “securities” inside the “premises” or a “banking premises”
 - b. covered causes of loss
 - (i) theft
 - (ii) disappearance
 - (iii) destruction
 - c. coverage extensions
 - (i) containers of covered property – we will pay for loss of and loss from damage to a locked safe, vault(s), cash register, cash box or cash drawer located in the “premises” resulting directly from an actual or attempted:
 - (a) theft
 - (b) unlawful entry into those containers
 - (ii) premises damage – we will pay for loss from damaged to the “premises” or its exterior resulting directly from an actual or attempted “theft” of covered property if you are the owner of the “premises” or are liable for damage to it
2. **Coverage Section 2 Outside the Premises**
 - a. covered property – “money” and “securities” outside the “premises” in the care and custody of a “messenger”
 - b. covered causes of loss
 - (i) theft
 - (ii) disappearance
 - (iii) destruction

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5c Theft, Disappearance and Destruction Coverage Form – Form C (cont'd)

- c. coverage extension – conveyance of property by armored motor vehicle company
 - we will pay for loss of Covered Property resulting directly from the Covered causes of Loss while outside the “premises” in the care and the custody of an armored Motor Vehicle Company but we will pay only for the amount of loss that you cannot recover
 - (i) under your contract with the armored motor vehicle company
 - (ii) from any insurance or indemnity carried by or for the benefit of customers of the armored motor vehicle company
- 3. **Limit of Insurance** – the most we will pay for loss in any one “occurrence” is the applicable Limit of Insurance shown in the Declarations
- 4. **Deductible** – we will not pay for loss in any one “occurrence” unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss up to the Limit of Insurance. In the event more than one Deductible Amount could apply to the loss, only the highest Deductible Amount may be applied
- 5. **Additional Exclusions** – in addition to the provisions in the Crime General Provisions, this Coverage Form is Subject to the following:
 - a. additional exclusions – we will not pay for loss as specified below:
 - (i) loss resulting from accounting or arithmetical errors or omissions
 - (ii) loss resulting any dishonest or criminal act(s) committed by any of your “employees”, directors, trustees or authorized representatives:
 - (a) acting along or in collusion with other persons
 - (b) while performing services for you or otherwise
 - (iii) loss resulting from the giving or surrendering of property in any exchange or purchase
 - (iv) loss from damage to the “premises” resulting from fire, fire, however caused
 - (v) loss or property contained in any money operated device unless the amount of “money” deposited in it is recorded by a continuous recording instrument in the device
 - (vi) transfer or surrender of property
 - (a) loss of property after it has been transferred or surrendered to a person or place outside the “premises” or “banking premises”
 - (1) on the basis of unauthorized instructions
 - (2) as a result of a threat to do bodily harm to a person or damage to any property
 - (b) this exclusion does not apply under “Coverage – Section 2” to loss of Covered Property while outside the “premises” of “banking premises” in the care and custody of a “messenger” if you:
 - (1) had no knowledge of any threat at the time the conveyance began
 - (2) had knowledge of a threat at the time the conveyance began, but the loss was not related to the threat
 - (vii) vandalism – loss from damage to the “premises” or its exterior or to containers of Covered Property by vandalism or malicious mischief
 - (viii) voluntary parting of title to or possession of property – loss resulting from you, or anyone acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5c Theft, Disappearance and Destruction Coverage Form – Form C (cont'd)

6. **Additional Conditions** – duties in the event of loss means if you have reason to believe that any loss of, or loss from damage to the Covered Property involves a violation of law, you must notify the police

6.5d Robbery and Safe Burglary Coverage Form – Property other than Money and Securities – Form D

This form contains three coverage: Robbery of a Custodian, Robbery Outside the Premises and Safe Burglary.

Coverage D applies only to property other than money and securities. This includes merchandise, furniture, fixtures and equipment.

“Robbery of a Custodian” means taking or the attempted taking of property by one who has caused or threatened to cause bodily harm or committed a witnessed, obviously unlawful act. The taking must be from the insured or a partner or employee who has custody of the property inside the insured premises (excluding watchpersons and janitors). Damage to the premises from the covered caused of loss is also covered, if the insured owns the premises or is liable for any damage.

“Robbery Outside the Premises” means loss as defined above, except for the act occurring outside the premises, including property in the custody of an armored motor vehicle company.

“Safe Burglary” means taking or attempted taking from within a locked safe or vault by unlawful entry, with visible marks of forcible entry, or taking of the safe or vault from inside the premises. Coverage also includes damage to the premises and a locked safe or vault, if the insured owns the property or is liable for damage.

Additional exclusions which apply to these coverages, loss resulting from:

1. Acts of employees, directors, trustees or representatives
2. Fire (except damage to a safe or vault)
3. Vandalism
4. Transferring property to someone based on unauthorized instructions of from a threat to harm any person or damage property, but the exclusion does not apply to Outside coverage if the insured had no knowledge of, or if the loss was untreated to, such a threat.

A special limit of \$1,000 per occurrence applies to articles whose principal value is precious metals, precious or semi-precious stones, pearls or furs and to the physical or intrinsic value or manuscripts, drawings or records.

Separate limits may be selected for each of the three coverages. Each limit applies to all loss caused by one or more persons, or involving a single act or a series of related acts.

1. **Coverage – Section 1. Inside the Premises** – we will pay for loss of and loss from damage to Covered Property resulting directly from the Covered causes of loss
 - a. robbery of a custodian

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5d Robbery and Safe Burglary Coverage Form – Property other than Money and Securities – Form D (cont'd)

- (i) “property other than money and securities” inside the “premises” in the car and custody of a “custodian”
 - (ii) property not covered – motor vehicles, trailers or semi-trailers or equipment and accessories attached to them
 - (iii) covered cause of loss – actual or attempted “robbery”
 - (iv) covered extension – we will pay for loss from damage to the “premises” or its exterior resulting directly from the Covered Cause of loss, if you are the owner of the “premises” or are liable for damage to it
- b. safe burglary:
- (i) “property other than money and securities” inside the “premises” in a safe or vault
 - (ii) covered cause of loss – actual or attempted “safe burglary”
 - (iii) a locked safe or vault located inside the “premises”, resulting directly from the Covered Cause of Loss, if you are the owner of the “premises” or liable for damage to it
2. **Coverage – Section 2. Outside the Premises**
- a. covered property – “property other than money and securities” outside the “premises” in the care and custody of a “messenger”
 - b. property not covered – motor vehicles, trailers or semi-trailers or equipment and accessories attached to them
 - c. covered cause of loss – actual or attempted robbery
 - d. coverage extension – conveyance of property by armored motor vehicle company - we will pay for loss and loss from damage to Covered Property resulting directly from the Covered Cause of Loss while outside the “premises” in the care and custody of an armored motor vehicle company. But we will pay only for the amount of loss you cannot recover:
 - (i) under your contract with the armored motor vehicle company
 - (ii) from any insurance or indemnity carried by, or for the benefit of customers of the armored motor vehicle company
3. **Limit of Insurance** – the most we will pay for loss in any one “occurrence” is the applicable Limit of Insurance shown in the Declarations
4. **Deductible** – we will not pay for loss in any one “occurrence” unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount up to the Limit of Insurance. In the event more than one Deductible Amount could apply to the loss, only the highest Deductible Amount may be applied
5. **Additional Exclusions** – we will not pay for loss as specified below
- a. loss resulting from any dishonest or criminal act committed by any of your “employees”, directors, trustees or authorized representatives
 - (i) acting alone or in collusion with other persons
 - (ii) while performing services for your or otherwise
 - b. loss resulting from fire, however caused, except loss from damage to a safe or vault
 - c. transfer or surrender of property
 - (i) loss of, or loss from damage to, property after it has been transferred or surrendered to a person or place outside the “premises”

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5d Robbery and Safe Burglary Coverage Form – Property other than Money and Securities – Form D (cont'd)

- (a) on the basis of authorized instructions
- (b) as a result of threat to do bodily harm to a person or damage to any property
- (ii) this exclusion does not apply under Coverage, Section 2 to loss of Covered Property while outside the “premises” in the care and custody of a “messenger” if you:
 - (a) had no knowledge of any threat at the time the conveyance began
 - (b) had knowledge of a threat at the time conveyance began but the loss was not related to the threat
- d. vandalism – loss from damage to any property by vandalism or malicious mischief

6. Additional Conditions

- a. duties in the event of loss – if you have reason to believe that any loss of, or loss from damage to, Covered Property involves a violation of law, you must notify the police
- b. special limit of insurance for specified property – we will pay up to \$5,000 for any one “occurrence” of loss of and loss from damage to:
 - (i) precious metals, precious or semiprecious stones, perils, furs, completed or partially completed articles made of or containing such materials that constitute the principal value of such articles
 - (ii) manuscripts, drawings or records of any kind or the cost of reconstructing them or reproducing any information contained in them

6.5e Premises Burglary Coverage Form – Form E

Coverage E covers property other than money and securities from within the insured’s premises, if caused by actual or attempted “burglary” or “robbery” of a watchperson”.

“Burglary” is defined as taking of property by a person unlawfully entering or leaving the premises, evidenced by visible signs of forcible entry or exit. “Robbery of a watchperson” means taking of property by means as defined for Coverage D from a person who is retained specifically to have care and custody of the property inside the premises, with no other duties.

Coverage also includes premises damage from a covered cause of loss, if the insured is the owner or is liable for the damage.

Additional exclusions eliminate coverage for:

1. Acts of employees, directors, trustees or representatives
2. Loss at a time when there is a change in the risk, under the insured’s control, which increases the possibility of loss (such as a defective burglar alarm unrepaired)
3. Fire (except damage to a safe or vault) or loss occurring during a fire in the premises
4. Vandalism

Coverage E has the same \$1,000 limit on specified forms of property as Coverage D

If loss occurs, the form suspends coverage until all former security conditions are restored. The suspension does not apply, however, if the insured maintains a watchperson while the premises are closed.

The limit of insurance applies to all loss caused by one or more persons, or involving a single act or a series of related acts.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5e Premises Burglary Coverage Form – Form E (cont'd)

1. **Coverage** – we will pay for loss of and loss from damage to Covered Property resulting directly from the Covered Causes of Loss
 - a. covered property – “property other than money and securities” inside the “premises”
 - b. property not covered – motor vehicles, trailers or semi-trailers or equipment and accessories attached to them
 - c. covered causes of loss
 - (i) actual or attempted “robbery” of a “watchperson”
 - (ii) actual or attempted “burglary”
 - d. coverage extension – premises damage- we will pay for loss from damage to the “premises” or its exterior resulting directly from the Covered Causes of Loss, if you are the owner of the property or are liable for damage to it
2. **Limit of Insurance** – the most we will pay for loss in any one “occurrence” is the applicable Limit of Insurance shown in the Declarations. If loss covered by this Covered Form occurs, coverage is suspended until the “premises” are restored to the same condition of security that existed prior to the loss. But, if you maintain at least one “watchperson” while the “premises” are closed for business, this paragraph will not apply
3. **Deductible** – we will not pay for loss in any one “occurrence” unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount up to the Limit of Insurance. In the event more than one Deductible Amount could apply to the loss, only the highest Deductible Amount may be applied
4. **Additional Exclusions** – in addition to the provisions in the Crime General Provisions this Coverage Form is subject to the following:
 - a. loss resulting from any dishonest or criminal act committed by any of your “employees,” directors, trustees or authorized representative:
 - (i) acting alone or in collusion with other persons
 - (ii) while performing services for you or otherwise
 - b. loss occurring while there is any change in the condition of the risk within your control that increases the possibility of loss
 - c. fire loss:
 - (i) resulting from fire, however caused, except loss from damage to a safe or vault
 - (ii) occurring during a fire in the “premises”
 - d. vandalism – loss from damage to any property by vandalism or malicious mischief
5. **Additional Conditions:**
 - a. duties in the event of loss – if you have reason to believe that any loss of, or loss from damage to Covered Property involves a violation of law, you must notify the police
 - b. special limit of insurance for specified property – we will pay only up to \$5,000 for any one “occurrence” of loss of, and loss from damage to:
 - (i) precious metals, precious or semiprecious stones, perils, furs, completed or partially completed articles made of or containing such materials that constitute the principal value of such articles

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5e Premises Burglary Coverage Form – Form E (cont'd)

- (ii) manuscripts, drawings or records of any kind or the cost of reconstructing them or reproducing any information contained in them

6.5f Computer Fraud Coverage Form- Form F

Coverage F, Computer Fraud, covers for loss of all types of property by theft related to use of a computer to fraudulently cause transfer of property from inside the insured's premises or a banking premises. The transfer must be by one who is not an employee, director, trustee or representative to one outside such premises other than the insured, a partner or employee.

1. **Coverage** – we will pay for loss and loss from damage to Covered Property resulting directly from the Covered Cause of Loss
 - a. covered property – “money”, “securities” and “property” other than money and securities”
 - b. covered causes of loss – “computer fraud”
2. **Limit of Insured** – the most we will pay for loss in any one “occurrence” is the applicable Limit of Insurance shown in the Declarations
3. **Deductible** – we will not pay for loss in any one ‘occurrence’ unless the amount of loss exceeds the Deductible Amount in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount up to the Limit of Insurance. In the event more than one Deductible Amount could apply to the loss, only the highest Deductible Amount may be applied
4. **Additional Exclusions** - we will not pay for loss as specified below:
 - a. loss resulting from any dishonest or criminal act committed by any of your “employees”, directors, trustees or authorized representatives:
 - (i) acting alone or in collusion with other persons
 - (ii) while performing services for you or otherwise
 - b. loss or that part of any loss, the proof of which as to its existence or amount is dependent upon:
 - (i) an inventory computation
 - (ii) a profit and loss computation
5. **Additional Conditions:**
 - a. duties in the event of a loss –
 - b. if you have reason to believe that any loss of, or loss from damage to Covered Property involves a violation of law, you must notify the police
 - c. special limit of insurance for specified property – we will only pay up to \$5,000 for any one “occurrence” of loss of, and loss from damage to manuscripts,
 - d. drawings or records of any kind or the cost of reconstructing them or reproducing any information contained in them

6.5g Premises Theft and Robbery outside the Premises Coverage Form – Property Other Than Money and Securities – Form H

Coverage H has two parts, Premises Theft and Robbery Outside the Premises. Premises Theft is a broadened version of Coverage E, Premises Burglary, covering property other than money and securities for any act of stealing, rather than the limit “burglary” hazard. Robbery Outside the Premises is the same as Coverage D Outside coverage.

1. **Coverage Section 1 – Inside the Premises** – we will pay for loss of and loss from damage to Covered Property resulting directly from the Covered Causes of Loss

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.5g Premises Theft and Robbery outside the Premises Coverage Form – Property Other Than Money and Securities – Form H (cont'd)

- a. covered property – “property other than money and securities” inside the “premises”
 - b. property not covered – motor vehicles, trailers or semi-trailers or equipment and accessories attached to them
 - c. covered causes of loss – actual or attempted “theft”
 - d. coverage extension – “premises” damage – we will pay for loss from damage to the “premises” of its exterior resulting directly from the Covered Cause of Loss if you are the owner of the “premises” or are liable for damage to it
- 2. Coverage Section 2 – Outside the Premises**
- a. covered property – “property other than money and securities” outside the “premises” in the care and custody of a “messenger”
 - b. property not covered – motor vehicles, trailers or semi-trailers or equipment and accessories attached to them
 - c. covered causes of loss- actual or attempted “robbery”
 - d. coverage extension – conveyance of property by armored Motor Vehicle Company – we will pay for loss of, loss from damage to, Covered Property resulting directly from the Covered Cause of Loss while outside the “premises” in the care and custody of an armored motor vehicle company. But, we will pay only for the amount of loss that you cannot recover:
 - (i) under your contract with the armored motor vehicle company
 - (ii) from any insurance or indemnity carried by, or for the benefit of customers of the armored motor vehicle company
- 3. Limit of Insurance** – the most we will pay in any one “occurrence” is the applicable Limit of Insurance shown in the Declarations. If loss covered under Section 1 of this Coverage Form occurs, coverage is suspended until the “premises” are restored to the same condition of security that existed prior to the loss. However, if you maintain at least one “watchperson” while the “premises” are closed for business, this paragraph will not apply
- 4. Deductible** – we will not pay for loss in any one “occurrence” unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount up to the Limit of Insurance. In the event more than one Deductible Amount could apply to the loss, only the highest Deductible Amount may be applied
- 5. Additional Exclusions** – in addition to the provisions in the Crime General Provisions this Coverage Form is subject to the following. We will not pay for loss as specified below:
- a. loss resulting from any dishonest or criminal act committed by any of your “employees”, directors, trustees or authorized representatives
 - (i) acting alone or in collusion with other persons
 - (ii) while performing services for you or otherwise
 - b. under Coverage Section 1, loss occurring while there is any change in the condition that increases the possibility of loss
 - c. loss resulting from the giving or surrendering of property in any exchange or or purpose
 - d. fire – loss:

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6.5g Premises Theft and Robbery outside the Premises Coverage Form – Property Other Than Money and Securities – Form H (cont'd)

- (i) resulting from fire, however caused, except loss from damage to a safe or vault
 - (ii) under Coverage Section 1, during a fire in the “premises”
- e. loss, or that part of any loss the proof of which as to its existence or amount is dependent upon:
 - (i) any inventory computation
 - (ii) a profit and loss computation
- f. transfer or surrender of property
 - (i) loss of, or loss from damage to, property after it has been transferred or surrendered to a person or place outside the “premises” or “banking premises”
 - (a) on the basis of unauthorized instructions
 - (b) as a result of a threat to do bodily harm to any person or damage to any property
 - (ii) but, this exclusion does not apply under Coverage Section 2, to loss of Covered Property while outside the “premises” in the care and custody of a “messenger” if you:
 - (a) had no knowledge or any threat at the time the conveyance began
 - (b) had knowledge of a threat at the time the conveyance began but the loss was not related to the threat
- g. vandalism – under Coverage Section 1, loss from damage to any property by vandalism or malicious mischief
- h. under Coverage Section 1, loss resulting from you, or any one acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property

6. Additional Conditions:

- a. duties in event of loss – if you have reason to believe that any loss of or loss from damage to, Covered Property involves a violation of law, you must notify the policy
- b. special limit of insurance for specified property – we will not pay up to \$5,000 for any one “occurrence” of loss of, and loss from damage to:
 - (i) precious metals, precious or semiprecious stones, pearls, furs, completed or partially completed articles made of or containing such materials that constitute the principal value of such articles
 - (ii) manuscripts, drawings or records of any kind or the cost or reconstructing them or Reproducing any information contained in them

6.5h MISCELLANEOUS COVERAGE FORMS

Coverage G, Extortion Coverage, covers for all types of property, when surrendered away from the premises as a result of a threat to bodily harm to the insured or an employee, or to a relative or invitee or either, who is (or allegedly is) being held captive.

Coverage I, Lessees of Safe Deposit Boxes, covers the theft, disappearance or destruction of securities, and for burglary or robbery of property other than money or securities, from within designated places of safe depository.

6.5h MISCELLANEOUS COVERAGE FORMS (cont'd)

Coverage J, Securities Deposited with Others, covers for theft, disappearance or destruction of securities, which have been deposited with a custodian, such as a bank or stocker.

Legal liability of an innkeeper for loss or damage to guests property, including defense against such claims, may be covered in two forms.

The Safe Deposit Box Form, **Coverage K**, covers only as to property located in safe deposit boxes at the insured's premises.

Coverage L, Premises Coverage, is broader in that it covers for liability to guests property while anywhere on the insured's premises or in the insured's possession.

Two forms are available for those in the business of providing depository services.

Safe Depository Legal Liability, **Coverage M**, defends suits and pays damages for loss or damage to customers property from safe deposit boxes or vaults at the insured's premises, for which the insured is legally liable.

Coverage N, Safe Depository Direct Loss, covers without regard to legal liability for robbery, burglary, destruction or damage to customers property.

6.6 GENERAL LIABILITY COVERAGE PART

Commercial General Liability Insurance is the most basic, and often the most important, coverage for insuring commercial liability loss exposures. The exposures covered by CGL insurance are often characterized as **premises, operations, products and completed operations**. With the exceptions of automobile exposures and workers compensation obligations, CGL insurance covers the majority of liability exposures facing many organizations.

The principal form used to provide CGL insurance is the Commercial General Liability Coverage Form of Insurance Services Office. Actually, there are two versions of this form which differ only with respect to their coverage triggers:

- The "occurrence form" covers bodily injury or property damage that occurs during the policy period, regardless of when claim is actually made against the insured.
- The "claims-made form" covers bodily injury or property damage that occurs after the retroactive date stated in the policy but only if claim for the injury or damage is first made at some time during the policy period (or during an extended reporting period, if applicable).

Because the "claims-made" version is seldom used, only the "occurrence" version of the CGL coverage form is included. Apart from the coverage trigger, both forms provide the same coverages, which can be summarized as follows:

1. **Coverage A – Bodily Injury and Property Damage Liability** – the insurer agrees to pay on behalf of the insured those sums that the insured becomes legally obligated to pay as damages because of bodily injury or property damaged covered by the policy. The insurer also agrees to defend the insured against claims or suits alleging

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6.6 GENERAL LIABILITY COVERAGE PART (cont'd)

such damages. Several exclusions define the scope of coverage. Among the most important exclusions are those applying to:

- a. intended injury
- b. injury to employees of the insured
- c. pollution
- d. aircraft
- e. automobiles
- f. watercraft
- g. damage to the insured's own work or products

2. **Coverage B – Personal and Advertising Injury Liability** – the insurer agrees to pay on behalf of the insured those sums that the insured becomes legally obligated to pay as damages because of “personal injury” and “advertising injury” to which the insurance applies. “Personal injury” includes such offenses as:

- a. Libel
- b. Slander
- c. False arrest
- d. Wrongful eviction
- e. Violation of a person's right of privacy

“Advertising injury” also includes libel and slander as well as additional offenses such as:

- a. Misappropriation of another's advertising idea
- b. Infringement of copyright, title or slogan

Here, too several exclusions define the scope of coverage. One of the most important exclusions eliminates coverage for injury arising out of oral or written publication of material if the insured knew that the material was false.

3. **Coverage C – Medical Payments** – the medical payments insurance covers medical expenses, irrespective of whether the insured is legally liable to pay them, for persons other than insureds who are injured on the insured's premises or because of the insured's operations.

6.6a MISCELLANEOUS FORMS OF GENERAL LIABILITY INSURANCE

The field of General Liability, in addition to the two CGL Coverage Forms, include forms such as the following, designed for specialized purposes:

1. **Owners and Contractors Protective Liability** – while the CGL forms include liability for operations of independent contractors, this form is designed to cover that hazard specifically. OCP protects the insured against claims for bodily injury and property damage arising out of work performed for the insured by another, including the named insured's acts or omission in general supervision. Its most common use is to protect an owner for operations being performed by a general contractor. Coverage is confined to a specific contractor and the specific location of operations stated in the Declarations. Exclusions and other provisions are similar to those for CGL. This is an “occurrence” form of coverage
2. **Liquor Liability Coverage Form** – CGL excludes liquor liability (liability for having caused or contributed to a person's intoxication, furnishing to minors or in violation of statute) for those who are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.6a MISCELLANEOUS FORMS OF GENERAL LIABILITY INSURANCE (cont'd)

beverages. This form covers what CGL excludes and is available under either an occurrence or claims-made form.

3. **Products/Completed Operations Liability Coverage Form** – Products/Completed Operations Liability coverage is included in the CGL. A separate form, issued on either an “occurrence” or “claims-made” basis, is also available to cover the products and completed operations hazards separately from the other CGL hazards. When a CGL is issued by one company to exclude these hazards, and a Products/Completed Operations form is separately written by another company, the overall coverage is the same as would apply under a “full” CGL, although in different companies.
4. **Pollution Liability Coverage and Pollution Liability – Limited Form** – two forms are available to cover the pollution liability exposures excluded in the CGL form. Both cover liability for a “pollution incident”, meaning emissions of pollutants into or on land, the atmosphere or water, causing environmental damage. The broader form also covers liability for clean-up costs. Both are on a “claims-made basis.

6.6b EXCESS LIABILITY/UMBRELLAS

When the basic liability limits provided by a policy are insufficient for an insured’s needs, two coverage forms are widely used to provide the additional amounts needed – “umbrellas” and “excess liability” policies.

Both add their limits to those provided by the underlying coverages. So if an insured purchased a \$1,000,000 umbrellas to be excess over an auto policy with limits of \$500,000 the total liability limits available to the insured would be \$1,500,000.

Neither form is standardized, meaning each insurer has developed its own language and variations. Some insurers even use several variations of each, issuing whichever is deemed appropriate by the underwriter for each insured risk. Therefore no claim can be adjusted without reading the applicable form issued to the insured.

1. **Excess Liability** – there are two basic types of excess liability policies: “follow form” and “stand-alone form” Both require underlying policies to be in effect and neither will provide any coverage not provided by an underlying policy. For example, if there is an auto policy in effect, both excess policies will provide auto liability limits. If there is no underlying auto policy, neither excess form will cover auto exposures. Once it has been determined an underlying policy is in effect; however, the “follow form” and “stand-alone form” operate differently.
 - a. A Follow Form policy does exactly what its name implies – it provides the exact same coverages, provisions, exclusions, insureds, etc. as the underlying policies. If the auto policy covers it, so does the “follow form” liability. If the auto policy excludes it, so does the “follow form”. This makes the “follow form” policy simple to underwrite and usually offered at a lower price than other excess liability forms. With a true “follow form” excess policy, once the adjuster has determined the underlying policy will respond for the loss, the only question remaining for the excess liability policy is what limits are available.

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6.6b EXCESS LIABILITY/UMBRELLAS (cont'd)

- b. "Stand-alone form" policies also provide only the same coverages as the underlying policies, but each form does so on its own terms. For example, the "stand-alone form" will only cover auto exposures if there is an underlying auto policy, but will have its own auto exclusions and limitations. There is no guarantee that if the underlying policy covers, the "stand-alone form" excess policy will also. For this reason, any adjuster handling a claim involving a "stand-alone form" must be certain to review the form's provisions before any suppositions about how the excess liability will respond.
2. **Umbrellas** – an umbrella form operates much like a "stand-alone" policy except it will also provide coverages not included in the underlying policies. Such additional coverages are subject to the underwriting of the insurer and vary from one umbrella form to another, so once again the adjuster must review the applicable umbrella form before making a determination as to whether the form will respond. These additional coverages (not included in the underlying but covered by the umbrella) may include coverages such as:
 - a. non-owned aircraft or watercraft
 - b. property in care, custody and control
 - c. personal injury
 - d. worldwide premises liability
 - e. limited pollution
 - f. professional
 - g. product recall

whenever a claim involves an underlying policy, the umbrella just as if it were a "stand-alone" excess policy. If a claim involves a coverage by the umbrella but not by any underlying policy, the umbrella becomes a primary liability policy. Any claim for which the umbrella is primary is subject to a deductible known as the "self-insured retention" (SIR).

6.6c PROFESSIONAL LIABILITY INSURANCE

Professional Liability insurance covers liability arising from rendering of or failure to render professional services. Standard forms of coverage are available for:

1. Physicians, Surgeons and Dentists
2. Hospitals
3. Lawyers

With endorsements, these forms also apply for blood banks, medical and X-ray laboratories, nurses, optometrists and veterinarians.

Numerous other types of professions and business require this type of coverage and are insured under independent non-standard forms. A few examples:

1. Architects and Engineers
2. Accountants
3. Insurance Agents
4. Real Estate Brokers
5. Stock Brokers
6. Financial Planners
7. Surveyors

The standard forms are available on both "occurrence" and "claims-made" coverage basis.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.6d PHYSICIANS, SURGEONS AND DENTISTS (PS&D)

The form for PS&D Liability insurance has two coverages: (1) Individual Professional Liability; and (2) Partnership, Association or Corporation Professional Liability.

Individual coverage applies to each person named in the Declarations as an insured. Payment is for legal liability resulting from a “medical incident” defined as the furnishing of medical or dental services by the insured, the insured’s employee, or anyone else under the personal direction, control or supervision of the insured, including service by the insured on any professional board or committee. Coverage excludes any liability incurred as a member, partner, officer, director or stockholder or any professional partnership, association or corporation.

The second coverage applies to the same medical incidents, but the insured is the organization named in the Declarations, covered for services furnished by a member, partner, officer, director, stockholder or employee or others acting under the direction, control or supervision of the insured.

PS&D Liability excludes:

1. Criminal acts of the insured.

6.6d PHYSICIANS, SURGEONS AND DENTISTS (PS&D) (cont’d)

2. Liabilities as a proprietor, hospital administrator, office, stockholder, director, trustee or governor of any health care facility or other enterprise.
3. Injuries to employees or obligations under a workers compensation or similar law.

Limits of liability provide for one limit per claim and another limit as aggregate for all claims during the policy period. These limits apply separately to each individual insured and to the organization insured, if any. The basic limits are \$100,000 per claim and \$300,000 aggregate; higher limits are optionally available.

The insurer has the usual liability insurance duty to defend the insured against claims and defense costs are payable in addition to the policy limits.

In addition to medical doctors, the basic PS&D form also applies to cover chiroprodists, chiropractors and physiotherapists.

The PS&D form may be endorsed to include individual coverage for employed professionals, such as dental hygienists, laboratory technicians, X-ray technicians and pharmacists.

6.6e HOSPITALS

The Hospitals Professional Liability Form covers liability of the insured for “medical incidents” which, in this form, are defined as acts or omissions in the furnishing of professional health care services (including food, beverages, medications, appliances used, post-mortem handling of bodies) and arising from service by members of the named insured’s professional boards or committees.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.6e HOSPITALS (cont'd)

Coverage excludes liability for injuries to employees or obligations under any workers compensation or similar law, liability of an individual insured for such individual's own acts or omissions, and liability for motor vehicles, trailers, watercraft or aircraft.

One limit of liability applies "per medical incident" and another as aggregate for all claims; basic limits are \$100,000 per medical incident and \$300,000 as aggregate.

6.6f MISCELLANEOUS MEDICAL PROFESSIONS

Through endorsements to the PS&D or Hospital Professional Liability forms, other medical professions are covered as follows:

1. **Blood Banks** – the Hospital form applies with "medical incident" defined as an act or omission in furnishing or professional services related to making of a blood donation under the supervision of the insured. Coverage excludes injuries to employees and workers compensation or similar law obligations, liability assumed under contract, and insured's activities as a doctor of medicine.
2. **Medical or X-ray Laboratories** – the Hospital form applies with "medical incident" defined as an act or omission in the furnishing of professional services in performance of clinical – pathological exams and services for diagnosing the status of health, disease or injury of humans or animals and the taking of X-ray pictures. In addition, products liability coverage is included for therapeutic agents prepared, sold, handled or distributed by the named insured. The exclusions are the same as those for blood banks; in addition, property damage to the named insured's products is excluded.
3. **Nurses** – the PS&D form applies with "medical incident" defined as an act or omission in furnishing of professional nursing services by the insured or anyone acting under the personal direction, control or supervision of the insured. The basic PS&D exclusions apply
4. **Optometrist** – the PS&D form, for both individual and organizational coverages, is amended to cover "optometric incidents" which are defined to mean acts or omissions in the furnishing of professional optometric services.
5. **Veterinarians** – the PS&D form (both coverages) is amended to define "medical incident", as any act or omission in the furnishing of professional veterinarian services. There are additional exclusions:
 - a. liability assumed under contract
 - b. liability for theft of an animal
 - c. injury due to fire
 - d. liability for any type of vehicle

6.6g LAWYERS

Lawyers Professional Liability covers for acts or omissions of the insured in rendering professional services as a lawyer, including activities as an administrator, conservator, executor, guardian, trustee or similar fiduciary responsibilities.

Persons included as insureds under this form:

1. If the named insured is an individual, that person is to the practice of Law as a sole proprietor.
2. If the named insured is a partnership, the partnership and the lawyers who are the partners.

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.6g LAWYERS (cont'd)

3. If the named insured is a corporation or association, the entity and the lawyers who are stockholders or members.
4. Each lawyer employed by the named insured.
5. Lawyers who were previously insureds under 2, 3, or 4 above, after termination of the relationship, but only for services that were rendered prior to termination.

Coverage for one who becomes an insured subsequent to the effective date of the policy is afforded only for activities from that time forward.

The form excludes claims arising out of dishonest, fraudulent, criminal or malicious acts or omissions of any insured or employee; claims by an employer against an insured who is a salaried employee of such employer; claims for bodily injury or property damage; claims for loss sustained by an insured as the beneficiary or distributee of a trust or estate.

In addition, the form excludes certain activities in which lawyers engage, wherein protection for the lawyer is normally provided through insuring of such activities. These include various federal acts involving the purchase, sale or offering of securities; activities as a fiduciary under the

Employees Retirement Income Security Act (ERISA); businesses other than the practice of law in which the insured is involved as owner, partner or manager, dual capacity functions as both a lawyer and a principal in another business or as a public official or employee or a governmental body.

The insurer has the usual duty to defend the insured against claims, but the Lawyers Professional Form differs from other forms in that claim expenses are a part of – not in addition to – the limits of liability. Claim expenses are first deducted and the remainder of the limits apply for payment of damages.

One limit applies to all claims and claim expenses arising out of the same or related professional services, another as aggregate for all claim expenses during the policy period. Basic limits are \$25,000/\$75,000 with higher limits optional.

6.6h PERSONAL LIABILITY

Personal Liability coverage, which may be written with or separately from a Dwelling Policy, provides coverage for liabilities arising from private residences and personal activities. It includes Medical Payments to Others coverage.

Personal Liability coverage is available to owner-occupants and non-owner occupants of a dwelling, condominium unit, mobile home, co-op and apartment.

While the basic forms are not identical, Personal Liability coverage performs the same coverage functions as Section II of a homeowner's policy. The definition of insureds and many of the available endorsements are the same for both Personal Liability and Homeowners.

The minimum basic limits are \$100,000 for liability and \$1,000 for Medical Payments, and the Damaged to Property of Others feature has a limit of \$500. Like homeowners, there is a \$10,000

CHAPTER 6 COMMERCIAL PACKAGE POLICY

6.6h PERSONAL LIABILITY (cont'd)

cap on statutorily imposed vicarious parental liability there is no build-in coverage for loss assessments imposed by condominium or homeowners associations, but protection may be added by endorsement.

6.6i HOMEOWNERS POLICY – SECTION II

Coverage

Homeowners policies provide a package of protection to homeowners, renters and condominium dwellers, that include both property and liability coverages. Section I – Property is covered in Chapters 4 and 5 of your Study Guide. Section II – Liability is covered here.

Section II contains two coverages: E – Liability, and F- Medical Payments to Others. Coverage E protects the insured from legal liability for bodily injury or property damage to others. Coverage F pays for medical and other related expenses for members of the public who are injured through the insured's personal activities, without regard to the insured's legal liability.

Insureds include the person named, residing spouse, residing relatives of either and any person under age 21 in the care of any such person. Additionally, any person who is legally responsible for animals or watchcraft owned by an insured is afforded coverage (unless such custody is without the owner's permission).

Personal, non-business activities are covered anywhere. Section II also applies to liability arising from "insured location," which includes"

1. The residence premises described in the Declarations
2. Newly acquired residences during the policy period
3. Locations where an insured is temporarily residing or has rented for non-business use
4. Vacant land owned by or rented to an insured (but not farm land)
5. The insured's land upon which a one-family or two-family dwelling is being constructed for the insured
6. Cemetery plots or burial vaults

Exclusions

Section II exclusions for principal interest limit coverage as to business or professional activities, motorized land conveyances and watercraft.

In excluding business pursuits, the policy does not exclude:

1. Activities which are usual to non-business pursuits
2. The occasional rental of the dwelling to others as a residence
3. The partial rental of the residence
4. The use, in part, of the residence as an office, school, studio or private garage

6.7 AUTO COVERAGE PART

The Auto Coverage Part is not part of the information a Public Adjuster is required to know. Public Adjusters are not allowed to adjust claims on Autos in the State of Pennsylvania.