



PRC 111 – Commercial & Personal Lines Foundations

Big I Nebraska Conference

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Module 1 – Commercial Property Foundations

• Learning Objectives

1. Commercial Package Policy (CPP) structure
2. Building & Personal Property (BPP) Coverage Form
 - Property covered or Property not covered
3. Causes of Loss (COL) understand the differences
 - Basic
 - Broad
 - Special

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1. Commercial Property Policy (CPP) Structure Overview



- Common Policy Declarations
- Common Policy Conditions

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1. Commercial Property Policy (CPP) Structure Overview



- Coverage Forms
- Causes of Loss Forms
- Endorsement Forms

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2. Building & Personal Property –



Property Covered – Buildings

- Buildings, and the following
 - Personal Property used to service the building
 - Completed additions
 - Indoor and Outdoor Fixtures
 - Permanently Installed Machinery

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2. Building & Personal Property –



Property Covered – Business Personal Property

- Business Personal Property, including the following
 - Furniture and fixtures
 - Machinery and equipment
 - Stock
 - Leased personal property
 - Personal Property of Others

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2. Buildings & Personal Property –



Property not covered (excluded from coverage)

- Land
- Money
- Vehicles licensed for road use
- Contraband (anything illegal for sale or transported)

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3. Causes of Loss (Perils)



There are (3) options

- Basic = 11 named perils
- Broad = Basic perils + 3 additional named perils
- Special = all perils **unless** excluded

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3. Causes of Loss (Perils)

Basic Form:

- Fire
- Riot or Civil Commotion
- Lightning
- Vandalism
- Explosion
- Sprinkler Leakage
- Windstorm or Hail
- Sinkhole Collapse
- Smoke
- Volcanic Action
- Aircraft or Vehicles

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3. Causes of Loss (Perils)

Broad Form:

- Fire
 - Vandalism
 - Lightning
 - Sprinkler Leakage
 - Explosion
 - Sinkhole Collapse
 - Windstorm or Hail
 - Volcanic Action
 - Smoke
 - Falling Objects
 - Aircraft or Vehicles
- Plus
- Weight of Ice, Snow, or Sleet
 - Riot or Civil Commotion
 - Water Damage
 - Vandalism

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3. Causes of Loss (Perils)

Special Form:

Open perils or All Risk, unless....

the specific perils is

Excluded or Limited in the form

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Open Perils = Special Form

There are 8 Exclusion that apply regardless of any other cause or event that contributes concurrently or in any sequence to the loss

Ordinance or Law

Utility Services

Earth Movement

War & Military Action

Governmental Action

Water

Nuclear Hazard

Fungus, Wet Rot, Dry Rot &
Bacteria

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Open Perils = Special Form

Special = Open perils or All Risk, unless the loss is Excluded or Limited:

There are an additional 16 Exclusion that apply

Here are a few exclusions that apply:

Wear and Tear

Explosion of Steam Boilers....

Continuous or Repeated Seepage

Voluntary Parting

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Module 1 - Review

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Module 2 – BPP, Extensions & Valuation

- Learning Objectives

1. Specific vs Blanket Insurance Coverage/Limit
2. Additional Coverages
3. Coverage Extensions
4. Valuation Methods
5. Deductibles

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Specific vs Blanket Limits

- Specific = Separate limits (Individual)

- Blanket = Combined limits (only one)

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Additional Coverages

- Debris Removal
- Fire Department Service Charge
- Increased Cost of Construction

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Coverage Extensions

- Newly Acquired Property
- Personal Property Off Premises
- Outdoor Property

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Valuation Methods

- Replacement Cost
- Actual Cash Value
- Agreed Value Endorsement

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Deductible Application

- Applies per occurrence (covered loss)
- Subtracted after coinsurance calculation

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Module 2 - Review

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Module 3 – Business Income & Coinsurance

- Learning Objectives

1. Business Income
 - a. Coverage
 - b. How is it triggered?
 - c. Period of Restoration
2. Coinsurance – Application & Formula

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Business Income Trigger

- Suspension of operations
- Due to direct physical loss
- From covered cause of loss

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Period of Restoration

- Begins at direct physical loss
- Ends when property repaired or replaced

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Coinsurance Formula

Step 1: Value \times Coinsurance % = **Required (Limit of Insurance)**

Step 2: Carried \div **Required** = %

Step 3: % \times Loss = Payment

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Coinsurance Example 1

- Value \$1M
 - 80% requirement
 - Carried \$800K
 - Loss \$200K

Step 1: \$1M(Value) \times 80% Coins = **Required**

Step 2: **\$800,000** (Carried) \div **Required** = %

Step 3: % \times \$200K Loss = Payment

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Coinsurance Example 2 (Penalty)

- Value \$2M
 - 80% requirement = \$1.6M
 - Carried \$1.2M
 - Loss \$400K

Step 1: $\$2\text{M}(\text{Value}) \times 80\% \text{ Coins} = \text{Required}$

Step 2: $\$1.2\text{M} (\text{Carried}) \div \text{Required} = \%$

Step 3: $\% \times \$400\text{K Loss} = \text{Payment}$

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Coinsurance Example 3 (Now on your own)

- Value \$15M
 - 80% requirement = \$XX
 - Carried \$10M
 - Loss \$1M

Step 1: $\text{Value} \times \text{Coins}\% = \text{Required}$

Step 2: $\text{Carried} \div \text{Required} = \%$

Step 3: $\% \times \text{Loss} = \text{Payment}$

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Coinsurance Exam Traps

- Using wrong value basis
- Forgetting deductible
- Confusing agreed value

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Module 3 - Review

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Module 4 – CGL & Liability

Learning Objectives

1. Coverage A
2. Coverage B
3. Coverage C
4. Occurrence Definition
5. Claims Made vs Occurrence

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Coverage A Trigger Test

- BI or PD?
- Occurrence?
- During policy period?

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Occurrence Definition

- An accident

- Continuous or repeated exposure

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Coverage B Offenses

- Libel

- Slander

- False arrest

- Wrongful eviction

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Coverage C – Medical Payments

- No fault coverage
- Minor injuries
- Short reporting period

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Claims-Made vs Occurrence

- Occurrence = Injury occurs during policy
- Claims-made = Claim made during policy

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Module 4 - Review

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Module 5 – Supporting Commercial Coverages

Learning Objectives

1. Business Income Coverage
2. Business Auto Coverage
3. Workers Compensation / Employer's Liability
4. Umbrella / Excess
5. Crime

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Module 5 – Supporting Commercial Coverages

1. Business Income
 - a. Coverage
 - b. How is it triggered?
 - c. Period of Restoration

2. Coinsurance – Application & Formula

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Business Auto Coverages

- Liability Coverage

- Other Than Collision Coverage (2)
 - Comprehensive
 - Specified Perils

- Collision Coverage

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Workers Compensation

- Statutory benefits
- No limit
- Employee injuries only

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Employers Liability

- Covers suits outside WC statute
- Has limits

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Umbrella vs Excess

- Umbrella = broader + excess
- Excess = higher limits only

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Crime Coverage Forms

- Employee Theft
- Forgery
- Computer Fraud

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Module 5 - Review

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Module 6 – Personal Lines & Final Review

- Learning Objectives
 1. HO-3 Structure
 2. HO-3 Coverages A – D
 3. Personal Auto Policy Parts

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HO-3 Structure

- Section I – Property
- Section II – Liability

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HO-3 Coverage A–D

- A Dwelling (Open Perils)
- B Other Structures
- C Personal Property (Named Perils)
- D Loss of Use

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Personal Auto Policy Parts

- Part A Liability
- Part B Med Pay
- Part C UM/UIM
- Part D Physical Damage

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Collision vs Other Than Collision

- OTC = fire, theft, vandalism, etc
- Collision = impact with object

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Module 6 - Review

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Modeule 1 – 6: Review and Exam Prem

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