



"The Original"

**General Lines/
Personal Lines**

Exam Prep Workbook

32nd Edition

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GENERAL LINES/PERSONAL LINES EXAM PREP WORKBOOK

www.stateprep.com
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How to use the Exam Prep Workbook

This is the “**Original**” Florida General Lines/Personal Lines Exam Prep Workbook., designed for use in the Hilda Tucker Insurance School. It is intended as a study aid for the *serious student* preparing to sit for the General Lines (2-20) state exam or the Personal Lines (20-44) state exam.

The Workbook is a summary of all the information and insurance concepts necessary to pass the Florida General Lines and Personal Lines insurance state exams. Multiple-choice questions will determine how much of the material is being retained and understood. Working with questions will help to fully understand some of the finer points in certain insurance concepts, such as coinsurance, and point out your weak areas. Make sure you understand WHY the answers are right or wrong. You must have a good comprehension of insurance concepts and principles to be prepared for the state insurance exam.

To be fully prepared for your exam, after studying the "Workbook" practice taking our simulated Florida specific state exams by purchasing a subscription to Stateprep's online simulators at www.stateprep.com. The subscriptions allow **unlimited access**, during your subscription period, to the practice questions, custom exams, and timed simulated exams based on the PearsonVue Florida Exam Content Outlines.

The grade you make on the state exam will be a direct reflection of how much time and effort you have put forth in studying the materials, learning the concepts, and committing these to memory. If you take the time necessary for studying, your efforts will be rewarded with successfully passing your state exam!

Leave nothing to chance! Be fully prepared!

Hilda Tucker Insurance School

GENERAL LINES/PERSONAL LINES

CHAPTER ONE

GENERAL INFORMATION

1.1 BASIC QUALIFICATIONS FOR RESIDENT INSURANCE LICENSURE –

While the various license types such as General Lines, Personal Lines, Adjuster, Customer Representative vary somewhat as to the requirements for either education or experience, below are the requirements that conform to *all* license types.

1. Must be at least **18 years old**
2. Be a bona fide Resident of Florida
3. Will engage in business of insurance in Florida
4. License cannot be for the purpose of writing “**controlled business**” (more than 50% of income from business applicant is involved in, such as family businesses or those in which applicant is associated)
5. Qualified by education or experience (**High School diploma is not required.**)

After obtaining licensure, must be appointed within **48 months**. Appointment is the authority given by an insurer or employer to transact insurance or adjust claims. **No appointments within 48 months** - must qualify as a first-time applicant. **Unaffiliated insurance agent** - only licensed agent who is self-appointed, practices as independent consultant

Customer service representatives can **only be appointed by** a general lines agent or the general lines agency, not insurers.

Those holding a 20-44 Personal Lines agent license or a 4-40 or 4-42 Customer Representative license for at least 1 year, appointed and working in an insurance agency for at least 1 year are eligible for the 40-hour General Lines course for licensing instead of the 200-hour course.

CHAPTER TWO

PROPERTY AND LIABILITY (CASUALTY) CONCEPTS

This chapter contains foundational information on insurance. These terms will be used throughout the course. Most of these terms apply to all types of insurance.

2.1 RISK

RISK -

- Is an exposure to danger
- The term can also designate the insured as the risk (e.g. Mr. Jones or ABC Furniture Store) or even the peril covered (e.g. risk of fire or explosion)
- But for the purposes of insurance, risk means the chance of a financial loss

There are two types of Risks -

- **SPECULATIVE RISK** - Risk involving the chance of both loss and gain.
Example: Betting in Las Vegas, investing in stock market
- **PURE RISK** -: Risk involving only the chance of loss; there is never a possibility of gain or profit.
Example: risk associated with the chance of loss from a house fire.
Only pure risks are insurable.

2.12 WHAT IS INSURANCE? WHAT IS AN INSURANCE POLICY?

INSURANCE - Contracts wherein one undertakes to indemnify (make whole) another or pay a specified sum upon the happening of a determinable event.

INSURANCE POLICY - A written contract, including all clauses, riders, endorsements, and papers.

ENDORSEMENT - Document attached to the policy that modifies or customizes the original policy for the needs of the insured by **broadening or restricting coverage**.

BINDER - Temporary insurance (oral or written)

2.13 PROPERTY AND LIABILITY INSURANCE

DIFFERENCE BETWEEN PROPERTY AND LIABILITY -

- **Property insurance** - payment by insurer is made directly to the insured
- **Liability insurance** - payment by insurer is made to others on the insured's behalf

A single policy may contain both property and liability coverage.

Example: Auto policy or Homeowners policy

LAW OF LARGE NUMBERS - Insurance is based on two fundamental principles - spreading of risks or loss sharing and the law of large numbers. The chance of financial loss is spread over a large number of participants. By sharing the risks no one participant must bear the full financial burden when a specified loss occurs.

RISK MANAGEMENT - The treatment of loss exposures by identifying potential risks in advance, analyzing them and determining steps to reduce those risks. Insurers utilize risk management techniques in determining whether to accept a risk.

2.14 INSURANCE CONTRACT CHARACTERISTICS

FIVE CHARACTERISTICS OF INSURANCE CONTRACTS - A property or liability contract is a **Personal Contract**, a **Conditional Contract**, a **Contract of Adhesion**, a **Contract of Indemnity**, and requires that an insured have an **insurable interest** at the time of loss.

- **PERSONAL CONTRACT** - Contracts cover persons - not property or operations.
- **CONDITIONAL CONTRACT** - Obligations of insurer may depend upon insured satisfying some conditions, e.g. to try to avoid loss, protect property from further loss, and give proof of loss.
- **CONTRACT OF ADHESION** - Parties to an insurance contract are of unequal bargaining power - insureds cannot negotiate the terms - any ambiguities (things capable of being misunderstood) are generally found in favor of insured
- **INDEMNITY CONTRACT** - One should not profit from the proceeds of the policy but should be made whole. A seeming departure from the strict adherence of indemnity may be found in:
 1. Valued policies (Insured is paid an amount agreed upon in advance)
 2. Operation of Florida law (Florida Valued Policy Law pays limit of policy for total loss)
 3. Replacement cost (Receive new for old)
 4. Liability insurance (Limits paid out on behalf of insured)
- **INSURABLE INTEREST** - For Property and Casualty insurable interest **MUST** exist at the **time of loss** - it is closely related to the Principle of Indemnity - one must have an **economic interest** in the subject at the time of loss and suffer an economic loss for the policy to respond

INSURING AGREEMENT - The section of an insurance policy stating the losses that will be indemnified, type of property covered, and the perils insured against. The Insurer **promises to pay** in this section.

ASSIGNMENT - An insurance policy condition specifying that transferring the policy to another is not valid unless agreed to in writing by the company. This provision allows insurers to preserve their rights to select their insureds.

CERTIFICATE OF INSURANCE -

- A document used to provide information on specific insurance coverage
- Provides verification of insurance and usually contains information on types and limits of coverage, insurer's name and address, policy number, named insured, any additional insureds, and policies' effective periods

2.15 ELEMENTS OF A CONTRACT

ELEMENTS OF A CONTRACT - For a contract to be legally valid and binding, it must contain certain elements, which include -

1. **OFFER AND ACCEPTANCE** - Offer of an insurance contract is made when applicant submits application with initial premium. Acceptance is made when the insurance company issues the policy as applied for.
2. **CONSIDERATION** - Payment of the initial premium and statements made by the applicant in the application.
3. **LEGAL PURPOSE** - Object of the contract and reason for the agreement must be legal.
4. **COMPETENT PARTIES** - Insurer is considered competent if licensed. Applicant is presumed competent, with the following exceptions: minors, mentally infirmed, under influence of alcohol or narcotics.

2.16 ADDITIONAL FEATURES OF INSURANCE CONTRACTS

- **ALEATORY** - Insurance contracts contain an element of chance for both parties and the dollar values exchanged between the parties may not be equal.
- **UNILATERAL** - In an insurance contract only one party, the insurer, makes any enforceable promise.
- **VALUED OR INDEMNITY** - Valued contracts pay a stated sum regardless of the loss. (Life policies)
Indemnity contracts pay an amount equal to the loss and attempt to make the insured whole again. (Property and Health policies)
- **UTMOST GOOD FAITH** - Insurance contracts require that both parties act honestly toward each other and not mislead or withhold critical information from one another.

2.17 POLICY PROVISIONS

- **DECLARATIONS** - Identifies insured, property covered, limits of liability, deductible, policy inception and expiration dates, identifies forms and endorsements that apply, and if applicable the mortgagee, loss payee, or other additional insureds. Remember: ***Who? What? Where? When? & How Much?***
- **INSURING AGREEMENT** -
 - Portion of the insurance policy in which the insurer promises to make payment to or on behalf of the insured and specifies exactly which risks it will provide insurance coverage for in exchange for premium payments and the type of property covered
 - Usually contained in a coverage form
- **CONDITIONS** - Section of an insurance policy that identifies rights and duties of an insured and the insurer on matters such as loss reporting and settlement, property valuation, other insurance, subrogation rights, and cancellation and nonrenewal provisions
- **EXCLUSIONS** -
 - Statement in an insurance policy describing a condition or type of loss that is not covered by the policy
 - It is an exception to the general statement of coverage
 - **Example:** Auto liability generally will pay damages for bodily injury or property damage for which insured is legally liable. This same policy typically will have exclusions stating there is no coverage for an injury caused intentionally or if injury is caused by a person using the insured vehicle without permission.

- **LIMITATIONS**-
 - These are similar to exclusions, but they are applicable only under certain circumstances and for a specified period of time
 - **Example:** Health insurance policy often will contain a "preexisting conditions" limitation stating that coverage does not apply to an illness or other medical condition that has been treated or diagnosed within a certain period of time (e.g. six months) prior to the beginning of the policy coverage.

- **DEFINITION OF INSURED** - Any person, firm, or organization or its members specifically designated by name as the insured in an insurance policy

- **OBLIGATIONS OF INSURANCE COMPANY** -
 - Treat insured's interests with same consideration given to its own interests
 - Assist policyholder with claims by explaining coverage and steps to help bring claim to a prompt and fair conclusion
 - Promptly and fairly investigate every claim
 - If claim is denied, an explanation must be given to policyholder
 - Must disclose to policyholder any significant facts or circumstances it uncovers regarding the claim

- **CLAIMS SETTLEMENT PRACTICES**-
 - Insurers must thoroughly investigate and promptly settle claims
 - Notify insured of needed additional information before claim is denied
 - Written explanation of denied claim
 - Insured may request mediation if not in agreement with claim settlement
 - Eligible amount of loss must equal or exceed \$500 for property losses when mediation is chosen

- **LENDER'S INTEREST** -
 If the subject is personal property, the lender is usually named in **Loss Payable Clause** and called **Loss Payee**. If subject is real property, the lender is named in the **Mortgage Clause, Mortgagee Clause, or Mortgage Holders**.
 - **MORTGAGE HOLDER** -
 - One who has a lender's interest in real property
 - The mortgage holder is a named insured in the same policy along with the titled owner of the real property.
 - **MORTGAGEE RIGHTS** -
 - Given advance notice of cancellation, coverage reduction or nonrenewal
 - Protected even if insured engages in an act or omission that prevents recovery by the insured
 - Mortgagee may continue to pay policy premium if insured fails to do so.

- **NOTICE OF CLAIM** -
 Provision in an insurance policy describing the policyowner's obligation to provide notification of a loss to the insurer within a reasonable period of time.

2.18 WAIVER

Voluntary and intentional surrender of a known right.

- **EXPRESS WAIVER** - Requires oral or written declarations of intentions. (Insured in writing rejects UM coverage for an auto policy, they expressly waived that right of coverage OR insurance company notifies insured their policy has not lapsed for nonpayment of premiums, it has expressly waived that right.)
- **IMPLIED WAIVER** - May occur simply by some action, where action indicates one's intention to waive rights. (Insurance company accepts a premium payment delivered after the expiration of the grace period, has impliedly waived its right to assert the policy has lapsed.)

2.19 PROPERTY INSURANCE CONCEPTS

Loss: The injury or damage sustained by insured after the happening of an accident or event against which the insurer, in consideration of the premium, undertakes to indemnify or make the insured whole again.

EXPOSURE - The potential for accidents and other losses. Used by insurance companies in determining premiums and whether they will offer insurance coverage.

PERIL - Condition or possible occurrence that may cause a loss (Example: fire, wind, theft, personal liability)

HAZARD - Condition that increases the likelihood of a loss from a covered peril - Hazards are classified as:

1. ***Physical*** - physical characteristics that increase the probability of a loss (Example: wet floor)
2. ***Moral*** - intentional loss (Example: Excessive alcohol or drugs, think "lie-cheat-steal")
3. ***Morale*** - carelessness (Example: leaving cash register drawer open in a business, not locking your doors at home)

DOCTRINE OF PROXIMATE CAUSE - A principle which says that when there is an unbroken connection between an occurrence and damage which grows out of the occurrence, then the damage which grew out of the occurrence is part of the occurrence.

Example: Fire occurs, water used to put out the fire causes damage, property moved out of the way is damaged, and smoke from the fire causes damage. If the peril of fire is covered then these connected losses would be covered.

2.20 LOSS

The injury or damage sustained by insured after the happening of an accident or event against which the insurer, in consideration of the premium, undertakes to indemnify or make the insured whole again.

- ***DIRECT LOSS*** - physical harm to tangible property
- ***INDIRECT LOSS*** - economic loss that flows because of direct loss
 - **Example:** In an auto accident damage to the vehicle is a direct loss. The insured must rent a substitute vehicle while the damaged vehicle is repaired. The cost incurred to rent the substitute vehicle is an indirect loss.

LENDER INTERESTS - If the subject is personal property, the lender is usually named in **Loss Payable Clause** and called **Loss Payee**. If subject is real property, the lender is named in the **Mortgage Clause**, **Mortgagee Clause**, or **Mortgage Holders**.

MORTGAGE HOLDER - One who has a lender's interest in real property - The mortgage holder is a named insured in the same policy along with the titled owner of the real property.

MORTGAGEE RIGHTS -

- Given advance notice of cancellation, coverage reduction or nonrenewal
- Protected even if insured engages in an act or omission that prevents recovery by the insured
- Mortgagee may continue to pay policy premium if insured fails to do so.

REAL PROPERTY - Buildings and land (things not taken when one moves)

PERSONAL PROPERTY - What one takes when they move (not buildings or land)

2.21 LOSS SETTLEMENT PROVISIONS

Most direct losses of property are settled based on the **Actual Cash Value (ACV)** of the property at time of loss, but not more than the cost to replacement or repair the property (subject to the dollar limit stated in the policy).

ACTUAL CASH VALUE - $ACV = \text{Replacement Cost} - \text{Depreciation}$ (Depreciation represents The Amount Used) Therefore ACV represents the unused amount (or remaining value).

REPLACEMENT COST -

- Actual cost to repair or replace property.
- Insured must repair or replace property within given amount of time, usually 180 days.
- Certain property is excluded from replacement cost: for example, cloth awnings, floor coverings.
- However, **FL Statute** requires the following for property insured on a replacement cost basis:
 - A **total loss to a dwelling** receives full replacement cost without reservation or holdback of any depreciation in value, pursuant to the Florida Valued Policy Law
 - A **partial loss to a dwelling** insured is paid at least on an ACV basis, less deductible, and the insurer must pay any remaining amounts incurred for necessary repairs or expenses
 - **Loss to personal property** the insured is paid the replacement cost without reservation or holdback for any depreciation in value, whether or not replacement is made.

MARKET VALUE - Market value is the price an asset would bring in the marketplace and is basically the same as Actual Cash Value

VALUED POLICY - Policy where insurer agrees in advance that the coverage limit of an item will be considered its value. Usually found in Marine insurance dealing with items such as antiques and fine art.

AGREED VALUE -

- Optional coverage that waives the coinsurance provision
- Signed statement of values must be filed with the insurer and insuring for 80% or more of the value

FLORIDA VALUED POLICY LAW - For a total loss by an insured peril to a building, structure, mobile home, or manufactured housing unit, the insurer must pay the amount provided in the policy for which premium has been paid.

SALVAGE VALUE - Damaged property that may be retrieved, reconditioned, and sold to reduce an insured loss.

CONSENT TO SETTLE LOSS -

- Found in professional liability policies where insurer seeks insured's approval prior to settling a claim for a specific amount
- IF the insured does not approve the recommended figure, the clause states that the insurer will not be liable for any additional monies required to settle the claim or for defense costs that accrue from the point the insurer makes the settlement recommendation
- Also known as the "hammer clause" or "blackmail settlement clause"

PROXIMATE CAUSE - A principle which says that when there is an unbroken connection between an occurrence and damage which grows out of the occurrence, then the damage which grew out of the occurrence is part of the occurrence.

- **Example:** Fire occurs, water used to put out the fire causes damage, property moved out of the way is damaged, and smoke from the fire causes damage. If the peril of fire is covered then these connected losses would be covered.

LIMITS OF LIABILITY - Maximum amount the insurance company will pay for a loss during a specified period of time.

INSURANCE TO VALUE -

- A requirement of the replacement cost coverage provision in homeowners and similar to coinsurance for commercial property policies
- If at least 80% insurance to value is not met, recovery may be based on a proportion of the cost to repair or replace represented by the amount of insurance carried, divided by 80% of the replacement cost

2.22 CANCELLATION/NONRENEWAL

Florida law requires insurer to provide the first named insured with advance notice in writing for policy cancellation along with the reasons,

- **45 days** written notice of cancellation or nonrenewal
- **10 days** written notice of cancellation for nonpayment of premium
 - Required for all insurance policies
- **20 days** advanced written notice during the first **60** days a policy is in force
- A policy that has been **in effect for 60 days** can only be canceled for reasons such as -
 - Material misrepresentation or misstatement in the application which would void the contract
 - Non-payment of premium
 - Failure to comply with underwriting established by the insurer during the **60** days
 - Substantial change in the covered risk, or
 - When all insureds under such policy are cancelled
- Property, casualty, exceptions are auto policy providing mandatory PIP and PD coverage and residential property policies

CANCELLATION AND NONRENEWAL OF PERSONAL OR COMMERCIAL RESIDENTIAL PROPERTY -

- **120 days** written notice for cancellation, nonrenewal, or termination
- During **first 60 days, 20 days** written notice of cancellation or termination
- Always **10 days notice for nonpayment** of premium
- **45 days** written notice of the renewal premium
- **After 60 days** cancellation may only be for -
 - Material misrepresentation which will void the contract
 - Non-payment of premium
 - Failure to comply with underwriting requirements

CANCELLATION AND NONRENEWAL OF MANDATORY AUTO COVERAGE -

- **First 60 days of new policy** when policy provides mandatory PIP and PD liability coverage -
 - **Insurer** may cancel only for dishonored check or failure to respond to notice of additional premium,
 - **Insured** may cancel for total destruction, after purchasing coverage elsewhere, or after selling vehicle.
- **After 60 days of new policy -**
 - **Insurer** may cancel only for -
 - Nonpayment of premium,
 - Material misrepresentation or fraud which will void the contract, or
 - Suspension or revocation of driver's license or registration during the policy term or within the previous 180 days.
- **When cancellation is permitted by insurer -**
 - **45-day** written notice for cancellation or nonrenewal
 - **10-day** written notice of cancellation for nonpayment of premium
- **Return of premium -**
 - **Insured cancels policy** - insurer must return unearned premium within **30 days** of receipt of cancellation notice.
 - **Insurer cancels policy** - insurer must return unearned premium within **15 days** of cancellation effective date.

2.23 VACANCY AND UNOCCUPANCY

- Vacancy can be defined as substantially empty or vacant of enough personal property to sustain normal occupancy
- Unoccupancy or unoccupied implies that the property contains all items and possessions as if the owners were to return at any time
- Property policies generally have exclusions for certain perils such as theft and vandalism if the property is vacant for a certain period of time, such as 60 days

2.24 COINSURANCE

Primarily used in commercial insurance policies - it is an artificial device that encourages the insured to purchase insurance to a previously agreed amount, 80%, 90%, or 100%. In exchange the insurance company gives the client a lower rate.

<u>Amount DID carry</u> <i>divided by</i>	<u>Coinsurance Formula</u>	Loss amount	X
Amount SHOULD have carried	<i>Multiplied by</i>	The Amount of loss	= Amount payable by Insurer
Example: Insured was required to carry \$80,000. They only carried \$60,000. Insured had a loss of \$10,000. \$60k divided by \$80k = .75 .75 x \$10,000 = \$7500 Insured gets penalized \$2500, Insurer pays only \$7500 of the loss amount.			

SPECIFIC INSURANCE -

- A property policy wherein specific limits are written for each building, contents of each building, or indirect loss (Business interruption) exposures on each building, or amount covered in safe or in possession of each person away from premises for crime exposures.
- Coverage subject to separate limits

BLANKET INSURANCE -

- Used in property coverage where a single amount of coverage is used to provide protection for more than one unit
- A single amount of coverage on more than one building, any part of which is available to cover loss to the property insured.
- **Example:** 3 buildings, each valued at \$100,000, covered by a blanket policy for \$300,000. Total loss to Building #1 at which time the value is determined to be \$125,000. The policy will cover the loss in full because it is within the coverage limit of \$300,000

2.25 DEDUCTIBLES

STRAIGHT DEDUCTIBLE - flat amount deducted from loss

FRANCHISE DEDUCTIBLE - no payment until loss equals or exceeds deductible amount, then loss paid in full found in Ocean Marine

DEDUCTIBLES		
	STRAIGHT VS. FRANCHISE	
	STRAIGHT	FRANCHISE
LOSS	\$400	\$400
DEDUCTIBLE AMOUNT	\$500	\$500
POLICY PAYS	NOTHING	NOTHING
LOSS	\$1,000	\$1,000
DEDUCTIBLE AMOUNT	\$500	\$500
POLICY PAYS	\$500	\$1,000

PERCENTAGE DEDUCTIBLE - In Florida, property policies are usually subject to a separate hurricane deductible of 2, 3, 5, or 10% of the ***Coverage A limit***.

Note: Commercial Property policies in Florida have a percentage deductible of the ***Value of the Property***

2.26 LIABILITY INSURANCE CONCEPTS

LIABILITY INSURANCE - Pays on behalf of named insured sums insured becomes legally liable to another; liability is based upon negligence or "tort wrong" done to another. Policy pays only money damages.

2.27 LIABILITY POLICY LIMITS

- **SINGLE LIMIT** – single amount maximum liability paid out in an occurrence for all persons injured and property damage –
 - **Example:** \$30,000 limit (maximum paid for all bodily injuries and property damage combined)
- **SPLIT LIMIT** – expressed by two figures, maximum payable in one occurrence for each person injured and for all injuries –
 - **Example:** 10/20 (\$10,000 maximum for each person, \$20,000 maximum for all bodily injuries)
- **AGGREGATE LIMIT** – represents total limit that is available for a policy term –
 - **Example:** \$1,000,000 limit (total amount of coverage for all covered losses occurring within the policy period)

2.28 OCCURRENCE

- Most liability policies define an occurrence as an accident, including continuous or repeated exposure to the same general harmful condition
- All losses resulting from the same general causes are considered as resulting from one **occurrence**

2.29 NEGLIGENCE

Failure to use the care that the law requires to protect others from an unreasonable risk of harm. Failure to act as a normal considerate person would under the same circumstances.

CONTRIBUTORY NEGLIGENCE VS. COMPARATIVE NEGLIGENCE -

- **CONTRIBUTORY NEGLIGENCE** - If one contributes in any way to one's own injuries there is no entitlement to recover from others for these injuries. (Example: Joe driving at night hits Jane, a pedestrian, who suddenly, unexpectedly, and negligently darts into the intersection. Jane cannot recover anything for her injuries because her negligence contributed to the accident and her injuries.)
- **COMPARATIVE NEGLIGENCE** - Reduces an injured party's damages by the party's degree of negligence rather than bar the suit altogether. (Example: Using the above example if Jane suffered \$10,000 in injuries and is found to be 30% negligent, then damages awarded her will be reduced to \$7,000.)
Florida 2023 modification - Anyone who is more than 50% at fault for own injuries cannot recover damages (Using above example, if plaintiff more than 50% at fault, will recover nothing)

NOTE: Florida courts have replaced Contributory negligence with Comparative negligence in their rulings viewing Contributory negligence was unfair.

- **ACTION FOR NEGLIGENCE -**

- Plaintiff must prove:
1. Legal duty to act or not act
 2. Breach of that legal duty
 3. Defendant's breach of legal duty was cause for injury
 4. Actual injury to plaintiff

2.30 TYPES OF LIABILITY

- **ABSOLUTE LIABILITY** -
Liability regardless of whether or not negligence is involved

- **STRICT LIABILITY** -
Sometimes called absolute liability, is the legal responsibility for damages, or injury, even if not at fault or negligent. Most commonly associated with defective products where the manufacturer is liable to a third party regardless of the degree of care exercised by the manufacturer.

- **VICARIOUS LIABILITY** -
 - A form of strict liability
 - Situation where someone is held responsible for the actions or omissions of another person
 - **Example:** employer can be held liable for the acts or omissions of its employees, provided it can be proven to have taken place in the course of their employment

- **LEGAL LIABILITY** -
Two forms -
 - **CIVIL LIABILITY** - Potential responsibility by one party to another party for payment of damages or other court-enforcement in a lawsuit, such as a personal injury suit
 - **CRIMINAL LIABILITY** - Liability arising out of breaking a law or committing a criminal act, not covered by liability insurance

- **CONTINGENT LIABILITY** -
Liability for which the insured may be responsible due to the actions of others, such as employees, family members, sub-contractors, etc., also known as vicarious liability.

2.31 DAMAGES

Liability pays for “damages” meaning money amounts.

- **COMPENSATORY DAMAGES** -
 - A sum of money awarded to indemnify a person for a particular loss or simply pay the person who was injured.
 - Sometimes considered divided into two categories:
 - ***GENERAL DAMAGES*** - Intangible in nature, such as pain and suffering, mental anguish, inconvenience, and disfigurement
 - ***SPECIAL DAMAGES*** - Those for actual economic losses, such as medical expenses and loss of earnings due to the injury.

- **PUNITIVE DAMAGES** -
Punitive or exemplary damages are money amounts awarded which are intended to punish or teach a lesson or to discourage such future actions.

2.32 SUPPLEMENTARY PAYMENTS

Found in liability policies, these are payments providing "extra" coverage above and beyond the policy limits of liability for things, basically items pertaining to defense, such as -

- Loss of earnings, to \$200 per day to attend trial or hearing
- Interest on judgments
- Appeal bond premiums
- Bail bonds, to \$250
- Legal expenses
- Expenses incurred at insurer's request

2.33 SEVERABILITY

Insurance applies separately to each insured as if other insureds did not exist.

- **Example:** Betty and Bob are insureds under a liability policy which excludes intentional injury. Bob intentionally injures Tom, and both Bob and Betty are claimed against. The policy will exclude Bob from coverage because he caused the intentional injury, but not Betty. She did not cause intentional injuries to anyone.

2.34 DEPOSIT PREMIUM AUDIT

- Generally, in insurance such as liability or workers comp
- Deposit premium is calculated based on estimated and projected exposures
- Final premium is determined through the premium audit
- Initial premium is only an estimate usually based on such as payroll or receipts/sales
- Insurer may do an audit to ensure you pay the premium based on the actual risk exposure

2.35 INSURANCE POLICY CONDITIONS

DUTIES FOLLOWING LOSS - Property and Liability policies impose the following responsibilities on insured after a loss: Prompt notice given, cooperate with insurer, Act in a way to preserve insurer's rights

DUTIES FOLLOWING A LOSS	
PROPERTY LOSS Inventory damaged property Protect property from further loss Show damaged property Provide records & documents Reports thefts to policy Reveal any other existing insurance Submit "proof of loss" Submit to questions under oath	LIABILITY LOSS Notify insurer of claimants/witnesses Promptly forward legal papers Aid insurer in settlements Avoid voluntary payment/assumption of obligations

PROOF OF LOSS -

- The evidence offered by an insured proving the right to collect from the insurer the amount that is being claimed.
- Also, a signed and sworn statement or affidavit by the insured affirming claims information required by the policy, such as details and amounts of what is claimed.

PAYMENT OF CLAIMS-

Within **10 days** after proof of loss submitted insurer shall begin investigations that are reasonably necessary unless failure to do so is beyond insurer's control

- Within **90 days** after notification of loss from insured the insurer shall pay or deny the claim or portion of claim unless failure to do so is beyond insurer's control.
- Payment of claims made **90 days** or made more than **15 days** after there are no longer factors beyond the control of the insurer that prevent payment, whichever is later, bears interest at a rate set by statute and interest begins to accrue from date insurer receives notice of claim.

SUBROGATION - Insured transfers their rights to the insurer to collect damages from a negligent third party, after insurer has paid insured for the loss. "Transferring of rights"

- **Example:** James suffers \$1,000 in collision damage to his vehicle caused by Bruce who was at fault. James has a \$250 deductible and recovers \$750 from his insurer. The insurer acquires James's right to recover \$750 from Bruce, and James retains the right against Bruce for \$250.

ASSIGNMENT - The transfer of a policy to another will not be valid unless consented to in writing by insurance company.

APPRAISAL - When insured and insurer disagree on amount of loss, each party selects an appraiser who then selects an umpire. The agreement of any two is binding.

MEDIATION - is an alternative dispute resolution as set forth by FS 627.7015

- Costs must be reasonable
- Insurer pays for cost of conducting mediation
- Nonbinding
- Written settlement reached, insured has 3 business days to rescind settlement
- Disputed amount must be more than \$500

ARBITRATION - A clause used to resolve disagreements between an insurer and the insured as to the amount payable for a claim.

POLICY PERIOD - Condition stating coverage applies only to losses taking place during the policy period. For property policies, the loss-causing event must have begun before the policy's termination date. Inception at 12:01am/expiration at 12:01am. (Example: Fire is covered if it begins only a few minutes prior to the policy expiration.)

2.36 OTHER INSURANCE

When more than one policy applies to a specific loss, this contract provision states how this policy will apply to any other applicable coverage for a loss. The insurance may be **primary** or **excess**, or it may pay **equal shares** or its **pro-rata** share depending on the policy and type of policy.

PRO RATA-

Company will pay its proportion of the loss which its limit bears to all limits. Example: Policy A \$200,000 limit, Policy B \$100,000 limit, with total coverage limit of \$300,000 and a \$60,000 loss; Policy A will cover \$200,000/\$300,000 or 2/3 of the loss which equals \$40,000 and Policy B will cover \$100,000/\$300,000 or 1/3 of the loss which equals \$20,000 (property or liability policies)

<i>PRO-RATA - Two policies with total coverage amount of \$300,000 and a \$60,000 loss</i>				
<u>POLICIES</u>	<u>LIMIT</u>	<u>TOTAL COVERAGE</u>	<u>PRO-RATA SHARE</u>	<u>AMOUNT OF LOSS COVERED</u>
Policy A	\$200,000	\$300,000	$200,000/300,000 = 2/3$	\$40,000
Policy B	\$100,000		$100,000/300,000 = 1/3$	\$20,000

EQUAL SHARES-

Payments based on number of policies without regards to limits - Example: Policy A \$200,000 limit, Policy B \$100,000 limit, with total coverage limit of \$300,000 and a \$60,000 loss; Policy A covers \$30,000 and Policy B covers \$30,000 of the loss, they pay equally up to their limits (liability policies)

<i>EQUAL SHARES - Two policies with total coverage amount of \$300,000 and a \$60,000 loss</i>				
<u>POLICIES</u>	<u>LIMIT</u>	<u>TOTAL COVERAGE</u>	<u>EQUAL SHARES</u>	<u>AMOUNT OF LOSS COVERED</u>
Policy A	\$200,000	\$300,00	1/2 OF LOSS	\$30,000
Policy B	\$100,000		1/2 OF LOSS	\$30,000

PRIMARY - The policy applies first, up to its limits, before others apply. (Liability policies)

EXCESS - The policy pays after all other insurance is exhausted. (Property or liability policies)

LIBERALIZATION - If this insurer adopts a condition which would broaden coverage in other similar policies without cost, then this policy will automatically be so increased without endorsement.

CANCELLATION - A condition contained in all standard policies. Normally the insured may cancel anytime and for any reason without advance notice. The company must provide advance written notice to the insured for cancellation.

ABANDONMENT - Property policies usually contain an "abandonment" clause stating insured cannot "dump" damaged property on the insurer and demand its full value.

2.37 BASES FOR INSURER AVOIDANCE OF PERFORMANCE

WARRANTY -

- Statement made by applicant guaranteed to be true
- Becomes part of the contract and if found untrue renders the contract void
 - **Example:** stating a burglar alarm exists and coverage being contingent on the system being maintained

REPRESENTATIONS -

- Statements by the applicant believed to be true
- Not part of the contract
- Statements in the application are deemed to be representations, not warranties

MISREPRESENTATION -

- Untrue statement by insured found in the application, not part of the policy.
 - **Example:** stating no prior crime losses when applying for crime policy when actually had losses

CONCEALMENT -

- Failure of applicant to disclose relevant facts when applying for insurance
- **IF** concealment is meant to defraud insurer in order to obtain a policy that might otherwise be denied if the information were revealed, insurer may have grounds for voiding the contract
- Insurer must prove concealment and its materiality
 - **Example:** Insured failure to disclose their criminal convictions for defrauding insurance companies

NOTE: Florida Statutes address the question of whether or not a breach of warranty, misrepresentation or concealment will allow the insurer to void a contract.

1. All statements and descriptions in the application for insurance by or on behalf of an insured are considered to be representations and not warranties. Misrepresentations, omissions, concealments, and incorrect statements shall not prevent recovery unless they are:
 - a. Fraudulent
 - b. Material either to acceptance of risk or hazard assumed by the insurer
 - c. Insurer in good faith would either not have issued the policy, would not have issued at the same premium rate, would not have issued in as large amount, or would not have provided coverage for the hazard resulting in the loss, if the true facts had been known
2. Residential property insurance -
 - a. Policy in effect more than 90 days
 - b. Claimed filed by insured cannot be denied based on credit information in public records

2.38 SOURCES OF UNDERWRITING INFORMATION

- Application
- Medical examination
- Medical Information Bureau (MIB)
- Agent's reports
- Credit reports
- Inspection reports and special questionnaires
- Department of Motor Vehicle reports (DMV)

2.39 FAIR CREDIT REPORTING ACT OF 1970

- Protection for consumers rights when inspection and credit reports are requested
- Establishes procedures for collecting and disclosing obtained credit information
- Insurer must supply applicant with -
 - **Notice that reports have been requested (usually 3-days)** and that they have a right to request a disclosure of the nature and scope of investigation.
 - IF requested by insured, a **summary** of investigation must be provided **within 5-days** of request
 - Names of people contacted during preceding 6-months and back 2-years if associated with employment
 - Name and address of reporting agency, if insurer rejects applicant based on the report
 - If requested by applicant, the reporting agency must disclose the nature and substance of all information contained in consumer's file (File may contain more information than that requested by insurer. Act does not give consumers right to see the actual report, although most agencies do provide copies.)
- If the consumer disagrees with the information found in the report, they can file a statement giving their opinion on the issue.

2.40 POLICY APPLICATION

- Form submitted to the insurer containing pertinent information about the risk to be insured
- Statements made on the application by the applicant are considered to be representations, not warranties

2.41 TERRORISM RISK INSURANCE ACT (TRIA)

- Established in 2002 and was to be a temporary federal program in which specific terrorism losses would be shared between commercial property/casualty insurers and the federal government. Prior to this act, insurance policies were ambiguous as to coverage for acts of terrorism and there was little coverage.
- For the act of terrorism to be covered it must be certified as an "act of terrorism" losses must exceed \$5 million.
- The act was due to terminate on December 31, 2005 but that date has been extended until December 31, 2014. The act was designed to protect consumers by making coverage for terrorism available, while allowing a transitional period for insurers to build capacity and gain the loss experience necessary for pricing this new coverage. This act was reauthorized for an additional 6 years in December of 2015. Limits were increased, and the insurer co-pay was also raised from 15% to 20%.
- Below is an example of a disclosure regarding terrorism insurance coverage found on a commercial policy:

POLICYHOLDER DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the **Secretary of the Treasury - in concurrence with the Secretary of State, and the Attorney General of the United States** - to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of the United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THIS FORMULA, THE UNITED STATES GOVERNMENT GENERALLY PAYS 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DUDCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, OUR COVERAGE MAY BE REDUCED.

Acceptance or Rejection of Terrorism Insurance Coverage

_____ I hereby elect to purchase Terrorism coverage for a prospective premium of 5% of the policy premium subject to a \$100 minimum or \$100.00.

_____ I hereby decline to purchase Terrorism coverage. I understand that I will have no coverage for losses resulting from acts of terrorism.

2.42 MCCARRAN-FERGUSON ACT

- Public Law 15 - 1945
- Law made it clear that continued regulation of insurance by states is in the public interest
- Made possible application of federal anti-trust laws to the degree insurance was not regulated by state law
- Each state revised insurance laws to conform with federal laws
- Today insurance is considered to be state regulated

2.43 FAIR CREDIT REPORTING ACT

- **1970 - Fair Credit Reporting Act:** Requires fair and accurate reporting of information about consumers. Insurers must inform applicants if an investigation is being conducted. A notification that reports have been ordered must be provided to the applicant *usually within 3 days*. Applicants must also be notified that they can request a disclosure of the nature of the investigation. If such request is made, a summary of the investigation must be provided to the applicant *within 5 days* from the date of this request. If a consumer report is used to deny coverage or to charge higher rates, the insurer must furnish the applicant the name and address of this reporting agency. If the consumer disagrees with the information found in the report, they can file a statement giving their opinion on the issue.

2.44 GRAMM LEACH BLILEY ACT

- **1999 - Gramm Leach Bliley Act:** Known as the Financial Services Modernization Act of 1999. The Act repealed part of the Glass-Steagall Act of 1933 by removing barriers which barred common ownership of banks, insurance companies, and securities firms. As part of the act financial institutions are required to develop plans to protect clients' nonpublic personal information.

INSURED'S DUTIES FOLLOWING A LOSS TEST

Label each of the following responsibilities of insureds as typically conditions of either, **PL** (Property and Liability), **P** (Property) or **L** (Liability) policies.

- _____ 1. Promptly forward all legal papers
- _____ 2. Submit "proof of loss" within a given period of time after loss
- _____ 3. Show damaged property
- _____ 4. Give prompt notice
- _____ 5. Submit to questions under oath
- _____ 6. Aid insurer in settlements
- _____ 7. Cooperate with insurer
- _____ 8. Inventory damaged property
- _____ 9. Report thefts to police
- _____ 10. Notify insurer of names and addresses of claimants and witnesses to accident
- _____ 11. Reveal existence of other insurance
- _____ 12. Avoid voluntary payments or assumption of obligations
- _____ 13. Use reasonable means to protect against further loss
- _____ 14. Provide records and documents
- _____ 15. Act in a way to preserve insurer's rights

PROPERTY & LIABILITY CONCEPTS TEST

Match each of the following words with the proper definition listed below.

Abandonment	Franchise Deductible	Misrepresentation	Real Property
Actual Cash Value	Hazard	Mortgage Holders	Replacement Cost
Aggregate Limit	Indemnity Contract	Negligence	Severability
Appraisal Condition	Indirect Loss	Percentage Deductible	Single Liability Limits
Binder	Insurable Interest	Peril	Specific Insurance
Blanket Insurance	Insurance	Personal Property	Split Liability Limits
Coinsurance Clause	Legal Liability	Policy	Straight Deductible
Concealment	Liability Insurance	Primary	Subrogation
Direct Loss	Liberalization	Pro Rata	Valued Policy
Equal Shares	Loss Payable Clause	Property Insurance	Valued Policy Law
Excess	Loss Settlement Valuations	Proximate Cause	Warranty

1. Condition that introduces or increases the likelihood of loss from a peril.
2. No payments made unless the loss equals or exceeds prescribed amount, then loss paid in full.
3. Untrue statement made by insured.
4. Insurance paid to others on insured's behalf.
5. Total loss by insured peril to a building, structure, mobile home or manufactured housing unit, the insurer must pay amount provided in policy for which premium has been paid.
6. Actual Cash Value, Replacement Cost, Valued Policy, and Valued Policy Law are considered.
7. Contract whereby one undertakes to indemnify another or pay a specified amount upon certain conditions.
8. Deductions from the loss of a percentage of the value of the property.
9. Condition automatically broadening coverage, without additional premium within a certain time period.
10. Buildings and land.
11. Used when insured and insurer are in disagreement regarding amount of loss.
12. Clause requiring insured to pay part of the loss if the coverage under the policy limits at time of loss is less than a specified percentage of the value of the property.
13. A specified total amount for all liability losses occurring within the policy period.
14. Written contract or agreement effecting insurance, including, clauses, riders, endorsements and papers.
15. Clause in an insurance policy, protecting lender's interest, when the subject is personal property.
16. Maximum liability of insurer expressed by two figures.
17. Failure of insured to reveal relevant facts.

18. The transfer to the insurance company of the insured's rights to collect for damages.
19. Any actual, lawful and substantial economic interest in the safety or preservation of the subject of the insurance.
20. Coverage subject to separate limits.
21. Rules of law dictate that a person must pay for damages done to another.
22. When other insurance is involved, the loss payment is based on the number of policies not their limits.
23. Temporary insurance.
24. Provision in a property insurance policy covering real property, which protects the lender's interest.
25. Deductible that is a flat amount.
26. Insured cannot dump damaged property on insurer and demand full value.
27. Company will pay the proportion, which its limit bears to all limits.
28. Economic loss, which flows as a consequence of, direct loss.
29. Single amount is the maximum liability of insurer with respect to any one accident or occurrence.
30. A policy condition.
31. One should not profit from the response provided by the policy.
32. Current cost to replace an item, less an allowance for depreciation.
33. Failure to exercise that degree of care that the law requires to protect others from an unreasonable risk of harm.
34. Physical harm to tangible property.
35. Coverage, which applies after limits of primary insurance, have been exhausted.
36. Contingency that may cause a loss.
37. Insurer agrees that coverage limit on item will be considered its value.
38. Insurance applies separately to each insured.
39. An unbroken connection between an occurrence and damage growing out of the occurrence, then the resulting damage is all part of the occurrence.
40. Policy applies first up to its limit.
41. Insurance paid to insured.
42. Anything other than real property.

43. Settlement in which the condition of replacement must actually be met.

44. Single amount of insurance applies to two or more coverage items

INSURANCE CONCEPTS TEST

1. Property and Liability insurance policies cover:
A. Property B. Operations C. Persons D. All these
2. An insurable interest must exist:
A. At the inception of insurance C. At time claim is made
B. At the time of loss D. All of the above
3. All of the following are perils, except.
A. Theft B. Windstorm C. Faulty electrical wiring D. Collision
4. All of the following are hazards, except:
A. Fire C. Overloaded electrical circuit
B. Slippery floor D. Oily rags
5. A house fire results in smoke and water damage. The proximate cause in this instance is.
A. Fire C. Water
B. Smoke D. Need more information about cause of fire
6. Which of the following is a direct loss?
A. Orange pickers are on strike and Tropicana cannot make orange juice until the strike is over
B. Customers unable to find entrance to printing shop because of road construction
C. Collision damage to auto after hit and run
D. Electrical failure causes delay in issue of daily newspaper
7. Which of the following is an indirect loss?
A. Windstorm damage to a pool screen
B. Car rental fees while your accident-damaged car is being repaired
C. Broken store-front window from burglary
D. Roof damage caused by falling airplane parts
8. Which of the following loss settlement valuations has a primary safeguard of requiring that replacement actually take place?
A. Actual Cash Value C. Valued Policy
B. Replacement Cost D. Florida Valued Policy Law
9. Actual Cash Value is generally understood to mean.
A. Current cost to replace item C. Current cost to replace item, less depreciation
B. Original cost of item D. Original cost of item, less depreciation
10. Valued policy settlements are mainly used in.
A. Automobile insurance C. Aviation insurance
B. Commercial property insurance D. Marine insurance
11. The Florida Valued Policy Law applies to.
A. Antiques and fine art for agreed upon value
B. A total loss of a building, structure, mobile home, or manufactured housing unit
C. A partial loss of a building, structure, mobile home, or manufactured housing unit
D. No such law as this

12. At the time of loss, the coinsurance clause will penalize insured if.
- A. Coverage amount exceeds the agreed percentage of property value
 - B. Coverage amount equals agreed percentage of property value
 - C. Coverage amount less than agreed percentage of property value
 - D. All the above
13. Percentage deductible is.
- A. A percentage of the value of the property
 - B. A percentage of the amount of loss
 - C. A percentage paid only if loss exceeds prescribed amount
 - D. A percentage deducted from the value of the property
14. Liability insurance pays.
- A. Insured all sums obligated to pay
 - B. On behalf of insured all sums obligated to pay
 - C. On behalf of injured all sums obligated to pay
 - D. On behalf of insurer all sums obligated to pay
15. Subrogation is.
- A. Transferring rights against another party to insured
 - B. Transferring rights against another party to insurer
 - C. Right to collect damages from another
 - D. Right to collect damages from another party and insurer
16. Liberalization condition applies:
- A. To broadened coverage during the first 30 days
 - B. To restrict coverage during the first 30 days
 - C. To broadened coverage with agreed upon additional premium
 - D. To broadened coverage with no additional premium
17. Severability means.
- A. The point at which the company may sever ties with insured
 - B. Insurance applies separately to each insured
 - C. The insurer has right to deny coverage to all insured if one insured is excluded
 - D. The point at which the insured severs ties with the insurer
18. The insurer may not be required to perform upon the happening of which of these covered events?
- A. Insured sets a fire to his old warehouse
 - B. Dry-cleaning owner neglects to inform insurer of contaminates under his establishment, which are now making his employees sick.
 - C. Light airplane crashes on its way back from Columbia with a load of cocaine.
 - D. All of the above.
19. A warranty is.
- A. The failure of the insured to reveal relevant facts known to the insured.
 - B. An untrue statement by the insured.
 - C. A policy condition
 - D. A guarantee of performance
20. Misrepresentations, omissions and other incorrect statements may not prevent recovery under the policy unless.
- A. The insurer would not have issued the policy had the facts been known
 - B. They are fraudulent.
 - C. They are material either to the acceptance of risk or hazard assumed by insurer.
 - D. All the above.

CHAPTER THREE

PERSONAL AUTOMOBILE

Two automobile law in Florida for which auto owners must comply - Florida Financial Responsibility Law and No-Fault Law (PIP).

3.1 FINANCIAL RESPONSIBILITY (LIABILITY COVERAGE – 3RD PARTY)

FLORIDA FINANCIAL RESPONSIBILITY LAW - COVERAGE -

- *Liability insurance*
- Limits of at least **10/20/10 (\$10,000 per person for bodily injury liability/\$20,000 for all bodily injuries per accident/\$10,000 for all property damage liability per accident) OR**
- Single limit of **\$30,000**
- Standard policies provide that limits will meet minimum requirements of laws in other states
 - **Example:** Insured has FL required limits and causes liability auto accident in Georgia where limits are 20/40/50, then for that one accident limits will cover up to these Georgia required limits

TRIGGER -

- **Accident involving -**
 1. Bodily injury
 2. Property damage, rendering auto inoperative
 3. Certain serious traffic violations, such as DUI or committing a felony

SATISFYING LAW -

1. Auto insurance of at least **10/20/10**
2. Qualified self-insurer
3. Certificate of deposit for **\$30,000** cash

PENALTIES -

- Suspension of operator's driver's license
- Suspension of all of owner's vehicle registrations

AVOIDING PENALTIES -

1. Satisfy claims of others by:
 - a. Securing and filing release from liability by injured party
 - b. Being found not guilty by court of law
 - c. Depositing cash in an amount sufficient to compensate for all injuries
2. Provide certification of financial responsibility for future accidents by:
 - a. Purchasing auto liability insurance and Filing SR 22 for 3 years

Effective October 1, 2007 - Anyone found guilty or who has plead guilty or nolo contendere for driving under the influence must maintain minimum liability limits of **100/300/50** and if posting bond or certificate of deposit limit must be no less than \$350,000. Limits must be kept for minimum of 3 years. If owner or operator has not been found guilty of driving under the influence or felony traffic conviction for period of 3 years from date of reinstatement of driving privileges, then owner or operator can lower the liability limits.

NAMED NON-OWNER POLICY - required by operator who must file SR-22 and does not own auto

NONRESIDENTS - are subject to Florida Financial Responsibility Law, operating privileges suspended in Florida if they do not comply

ADMINISTERED BY - Department of Highway Safety and Motor Vehicles

3.2 NO-FAULT (PIP COVERAGE – 1ST PARTY)

NO-FAULT LAW -

PURPOSE -

- Remove certain claims from tort liability system
- Have own insurer pay benefits
- Primarily to help contain rising costs of liability insurance

ELEMENTS -

1. Those complying with law are not subject to legal liability for bodily injuries, regardless of fault
2. Insured's own coverage for PIP provides first-party benefits for economic loss, without regard to fault
3. Owners of defined motor vehicles must carry PIP, penalties imposed for failing to do so

COVERS - Bodily injury, **Does Not Cover Property Damage**

DEFINITIONS -

MOTORVEHICLE -

- Any self-propelled vehicle with 4 or more wheels designed for use on Florida highways, and trailers and semi-trailers designed for use with such vehicles.

EXEMPTIONS FROM DEFINITION OF "MOTOR VEHICLE" UNDER NO-FAULT -

1. Mobile homes
2. Taxicabs
3. Limousines
4. Governmentally owned vehicles used in mass transit (5 or more passengers)
5. School buses

It is those injured by motor vehicles that are entitled to PIP benefits; owners of motor vehicles must comply with compulsory insurance requirements; owner/operator of motor vehicle may be granted tort exemption

OWNER UNDER PIP (DOLL) -

D - Debtor in possession

O - One who holds legal title

L - Leases with option to purchase

L - Leases under agreement of six months or more

EVIDENCE OF INSURANCE -

- Must be provided each year upon registration of vehicle
- Insurance and substitutes (CABS)
 - C** - Cash
 - A** - Auto insurance
 - B** - Bonds
 - S** - Self-insurance (qualified with state)

NON-RESIDENT -

- Must comply with PIP if **motor vehicle** is present in Florida for 90 of the preceding 365 days, 90 days do not have to be consecutive.

PENALTIES FOR NON-COMPLIANCE (RIP) -

- **R** - Registration and driver's license suspended
- **I** - Immunity from legal liabilities denied
- **P** - Personally liable for PIP benefits up to \$10,000

PIP BENEFITS (MIDS) -

- **M** - Medical 80%
- **I** - Income (work) loss 60%
- **D** - Death \$5000 (can be paid in addition to the \$10,000 PIP limit)
- **S** - Services (household) 100%

MEDICAL BENEFITS -

- Must receive initial services and care within **14 days** of motor vehicle accident,
- Benefits reimbursed **ONLY** if provided by licensed physician, osteopathic physician, chiropractic physician, dentist, or in hospital or facility owned by hospital, or licensed emergency transportation and treatment provider.
- **WILL NOT** reimburse for massage or acupuncture regardless of provider of service.
- IF individual is not diagnosed with emergency condition, medical benefit is limited to \$2,500.
- PIP is **Primary** against ALL other forms of medical and disability insurance coverages, except worker compensation - PIP is **Excess** over WC.

LIMIT FOR PIP BENEFITS -

- **\$10,000** per person per accident
- **\$2,500** limit ***IF*** individual not diagnosed with an emergency medical condition

PIP Benefit Formula:

(Medical Expenses **minus** Deductible) X .8 (80%) *

+	Work Loss	X .6 (60%)
+	Replacement Services	<u>X 1.0 (100%)</u>
=		Total <u>REIMBURSED</u> - Maximum of \$10,000
+	Death Benefit (if death occurs)	\$5,000

***Medical limited to \$2,500, IF no emergency treatment within 14 days of accident**

Example: Medical Expenses of \$8,000, Loss of Income \$3,000, Deductible \$1,000

\$8,000 minus \$1,000 (deductible) = \$7,000 x .8 (80%) = \$5,600 for medical expenses
\$3,000 x .6 (60%) = \$1,800 for loss of income

\$5,600 + \$1,800 = \$7,400 reimbursed by PIP

ENDORSEMENTS -

- **Extended Personal Injury Protection** endorsement - For named insured and family members, increases PIP medical from 80% to 100% and work loss benefit from 60% to 80
- **Additional Personal Injury Protection** endorsement - For named insured family member, increases per person maximum by amounts such as \$10,000, \$25,000, \$40,000, \$90,000 (Increases do not affect \$5,000 death benefit)

OTHER REQUIREMENTS -

- Must offer coverage without work loss benefits, which includes a premium reduction
- Must offer deductibles of \$250, \$500, \$1,000 which are subtracted from the total medical expense before the percentage of payment is applied for a claim

WHO IS COVERED WHERE -

1. **Named insured -**
 - a. **In Florida** - occupying a defined motor vehicle or if struck by a defined motor vehicle while a pedestrian.
 - b. **Outside Florida** - occupying the insured motor vehicle or a relative's PIP insured vehicle.
2. **Relatives of named insured that reside with named insured -**
 - a. **In Florida** - same as for named insured
 - b. **Outside Florida - only** while occupying the named insured's PIP insured vehicle.
3. **Persons other than named insured or resident relatives -**
 - a. Covered if person not owner of motor vehicle, or entitled to PIP benefits of another, if accident occurs in Florida
 - i. Occupying named insured's vehicle, or
 - ii. If a Florida resident and struck by named insured's vehicle while a pedestrian

In situation where Florida No-Fault does not apply -

- Usual remedies and other insurance coverages are relied upon

EXCLUSIONS (SOFI) -

1. **S** - Stealing
2. **O** - Owned, but not covered
3. **F** - Felony related injury
4. **I** - Intentional self-inflicted injury

TORT EXEMPTION -

- Immunity from suits of others is granted to those who comply with the No-Fault Law.

EXCEPTION -

- Those who pierce non-economic threshold may sue for pain, suffering, inconvenience, and mental anguish.
- **This exemption is only concerned with NON-ECONOMIC LOSSES [pain, suffering, mental anguish, inconvenience], has NOTHING to do with economic losses [medical bills, loss of income, etc.] you can always sue for these amounts**

Piercing "threshold" to allow for non-economic losses (LIDS) -

1. **L** - Loss of bodily function
2. **I** - Injury of a permanent nature
3. **D** -Death
4. **S** - Scarring and disfigurement that is permanent and significant

Example of tort right:

Jill is injured by Martha who is at fault. Jill sustains \$4,000 in medical bills and has PIP with a \$1,000 deductible. Jill recovers \$2,400 from her PIP ($\$4,000 - \$1,000 \times 80\% = \$2,400$). Jill has a tort right against Martha for \$1,600, the economic loss amount that cannot be collected from her PIP.

Benefits under PIP follow the insured

Tort Exemption under PIP follows the vehicle

No matter how great the economic loss, the person who is granted tort immunity cannot be sued for non-economic losses unless the tort exemption threshold has been pierced.

PIP

Who is entitled to Florida PIP benefits secured for a specific motor vehicle?

	<i>In State</i>	<i>Out of State</i>
Named Insured (owner)	Any defined vehicle* or as a pedestrian struck by defined vehicle	In insured's vehicle or resident family member's vehicle covered by FL PIP
Family Member (Who resides with named insured and does not own a motor vehicle)	Any defined vehicle* or as a pedestrian struck by defined vehicle	In insured's vehicle only
Florida Resident (Who does not own a motor vehicle and is not covered by any other Florida PIP)	In FL insured's vehicle subject to FL PIP or as a pedestrian struck by defined vehicle	Not covered
Out of State Resident (Who is subject to Florida PIP)	In vehicle subject to FL PIP only	Not covered

*Not otherwise Excluded

3.3 PERSONAL AUTO POLICY (PAP)

ELIGIBLE VEHICLES -

- Private passenger auto
- Pickups or vans
 - Not used to deliver or transport goods (except those goods incidentals to insured's business of furniture or equipment installation, maintenance or repair, or farming or ranching)

POLICY SECTIONS -

- Declarations
- Agreement and Definitions
- Part A - Liability Coverage
- Part B - Medical Payments Coverage
- Part C - Uninsured Motorists Coverage
- Part D - Coverage for Damage to Your Auto (Physical Damage)
- Part E - Duties after an Accident or Loss
- Part F - General Provisions
- (PIP is added by endorsement)

3.4 PAP DECLARATIONS

DECLARATIONS - Identifies:

- Named insured and mailing address
- Policy effective date and expiration date
- Coverages that apply and their limits and premiums
- Make and model of the covered vehicle
- Loss Payee - one who has an interest in vehicle, such as lender, losses under Part D will be payable jointly to named insured and loss payee

3.5 PAP DEFINITIONS

- **"YOU"** and **"YOUR"** - named insured and resident spouse, if any
- Autoleased six months or more - considered **"owned"**
- **"BODILY INJURY"** - bodily harm, sickness or disease resulting in death
- **"PROPERTY DAMAGE"** - physical injury to or loss of use of tangible property
- **"BUSINESS"** - trade, profession, occupation
- **"FAMILY MEMBER"** - relatives, wards, foster children in named insured's household
- **"OCCUPYING"** - In, upon, getting in, on out or off
- **"TRAILER"** - vehicle designed to be pulled by private passenger, pickup or van; or family wagon or farm implement while towed by any such vehicle
- **"YOUR COVERED AUTO"** - (DRATT)
 1. **Declared** - on declarations page of policy
 2. **Replacement vehicle** - automatically broadest coverage for all except Physical Damage, notification of insurer not required for coverage other than Physical Damage
 3. **Additional vehicle** - broadest coverage for only 14 days from date acquisition
 4. **Temporary substitute vehicle** - (any auto or trailer) pertains only to Liability, Med Pay, UM, these follow insured in temporary substitute while covered vehicle is inoperative due to: repair, service, lost, etc. (PIP & Part D follow insured in any non-owned vehicle regardless of why insured is driving it.)
 5. **Trailer** - owned by insured

COVERAGE PROVIDED FOR NEWLY ACQUIRED VEHICLES

COVERAGES OTHER THAN PHYSICAL DAMAGE		
	COVERAGE TYPE	COVERAGE PERIOD
Replacement Vehicle	Broadest coverage	Forever
Additional Vehicle	Broadest coverage	14 Days
PHYSICAL DAMAGE COVERAGE		
	COVERAGE TYPE	COVERAGE PERIOD
Have PD on another vehicle	Broadest coverage	14 Days
No PD on any other vehicle	\$500 Deductible	4 Days

3.6 PART A – LIABILITY (3rd Party Coverage)

COVERAGE -

- Pays on behalf of insured money damages for the **bodily injury** and **property damage** of others for which insured is legally liable, also includes **defense** against claims or suits for such liabilities

SUPPLEMENTARY PAYMENTS - (LIABLE) -

- Loss of earnings, to \$200 per day to attend trial or hearing
- Interest on judgments
- Appeal bond premiums
- Bail bonds, to \$250
- Legal expenses
- Expenses incurred at insurer's request

WHO IS INSURED -

- Named insured and family members for ownership, maintenance or use of any auto or trailer
- Anyone using your covered auto, with permission
- Anyone who is vicariously (indirectly) liable

EXCLUSIONS - PIRATES BELS

- **LIABILITY EXCLUSIONS** -
 - Intentional injury
 - Property damage to property owned or being transported by insured,
 - Property rented to, used by, or in care of insured, except damage to residence or private garage
 - Employee injury, except domestic when not covered by workers compensation
 - Transporting using vehicle as a public or livery conveyance, except car pools
 - Auto dealers, except named insured, family member, partner or employee of insured or family member for use of "your covered auto"
 - Business usage, except farming/ranching or use of non-owned pickup or van
 - Stealing
 - Covered under a nuclear Energy policy

- **PROPERTY EXCLUSIONS** -
 - Vehicle Less than 4 wheels
 - Regularly furnished vehicle
 - Regularly furnished vehicle to family member, except named insured or resident spouse may use RFV of family member
 - Vehicle located in facility designed for racing or Speed contests

LIMITS-

- **SINGLE**- minimum limit \$30,000 (for all BI and PD claims per accident)
- **SPLIT** - minimum limit 10/20/10 (\$10,000 per person for bodily injury, \$20,000 per accident total for all bodily injury, \$10,000 per accident for property damage)

Coverage is **primary** when occupying owned autos and **excess** when occupying non-owned autos

3.7 PART B – MEDICAL PAYMENTS (1st Party Coverage)

COVERAGE-

- Pays necessary Medical and Funeral expenses without regard to fault or legal liability for services rendered within **3 years** from date of accident.

INSUREDS-

- Named insured, family member - occupying or pedestrian struck by, any motor vehicle designed for use on public roads or any trailer
- Other persons - occupying "your covered auto"

EXCLUSIONS - **STORM BOS**

- Vehicle less than 4 wheels (**Motorcycle**)
- Transporting using vehicle as a public or livery conveyance, except car pools
- Benefits payable by workers compensation (**Occupational injuries**)
- Regularly furnished vehicle, except named insured or resident spouse in RFV of family member)
- Stealing
- Business use, except private passenger auto, pickup or van, or trailer used with one of these
- Occupying as residence, war or nuclear reaction
- Occupying vehicle located in facility designed for racing or Speed contests

LIMITS -

- Amount payable for Medical Payments is reduced by amounts payable for same expenses under Liability, PIP, or UM
- Common limits - \$500, \$1,000, \$2,000, and \$5,000 and apply per person/per accident
- **Primary** when occupying owned autos - **Excess** when occupying nonowned autos

Medical Payments Example:

Insured has basic PIP with \$1,000 deductible and Med Pay of \$2,000. Insured and spouse are injured with no other vehicle involved.

	<u>Insured</u>	<u>Spouse</u>
Medical Expense	\$8,000	\$7,000
PIP Deductible	\$1,000	\$1,000
Covered	\$7,000	\$6,000
Percentage Reimbursed	.80	.80
Paid by PIP	\$5,600	\$4,800
 <u>Unpaid Amounts</u>		
PIP Deductible	\$1,000	\$1,000
20% not covered by PIP	\$1,400	\$1,200
	\$2,400	\$2,200
 Covered by Med Pay	 \$1,400	 \$1,200 = \$2,600 Total

Medical Payments applies per person, per accident

PERSONAL AUTO ORDER OF PAYOUT FOR BODILY INJURIES

W/C Workers Compensation	Primary over other coverages - <u>IF</u> Work Related
P - PIP	Primary over all other coverages -IF NOT Work Related
L - Liability	IF injured party has tort claim against an at fault driver
U - Uninsured Motorists	IF uninsured motorists is triggered
M - Medical Payments	After any other coverage for bodily injury

3.8 PART C – UNINSURED MOTORISTS (1st Party Coverage)

COVERAGE -

- Compensatory damages for bodily injury only (Does not cover punitive or exemplary damages)
- Paid by one's own policy amounts which would otherwise have been recovered from the liability insurance of another.

INSURED - (Same insureds as under Medical Payments)

- Named insured & family members - occupying own vehicle or any other vehicle, or as pedestrian
- Other persons - occupying named insured's vehicle

Injury must be caused by (trigger) **HINDU** -

- **H**it and Run driver
- **I**nsolvent insurer (other party's liability insurer is insolvent and cannot pay claim)
- **N**o insurance (no liability coverage)
- **D**enied coverage (other party has been denied liability coverage)
- **U**nder insured (liable party has coverage but not enough to cover claim)

LIMITS -

- **SINGLE** - \$20,000 per accident (minimum limits)
- **SPLIT** - 10/20 (**\$10,000** per person for bodily injury, **\$20,000** total per accident for bodily injury, higher limits permissible)
- **PRIMARY** when occupying owned auto - **EXCESS** when occupying non-owned auto

Available **only** in conjunction with auto liability insurance - UM law requires insurer to provide "stacked" UM at same limits for Liability coverage, unless insured in writing:

1. **Rejects** UM
2. Elects UM **limits lower** than those for Liability
3. Elects **"Non-stacked"** UM

"STACKED" - coverage limits provided for two or more vehicles are added together in determining the limit of insurance coverage available to an injured person in any one accident.

Insured has "stacked" UM coverage in the amount of \$100,000 for three owned vehicles. **If** UM is triggered, the insured will have up to \$300,000 in coverage for bodily injuries.

$$\begin{aligned} \$100,000 \times \text{three (3) covered vehicles} &= \\ & \$300,000 \text{ coverage} \end{aligned}$$

“NON-STACKED” - differs from stacked

1. Coverage available to injured person while occupying motor vehicle is only limit applicable for that vehicle.
2. Injured person entitled to highest UM limits that apply to any vehicle for which they are named insured or family member.
3. UM does not apply to insured while occupying any vehicle owned by insureds for which UM was not purchased.
4. Family member not covered occupying vehicle owned by named insured but insured on primary basis under another policy.
5. Person injured while not occupying vehicle may select limit of UM applicable to any vehicle insured for UM for which they are named insured or family member.
6. Offered at reduced rates.

Insured owns 3 vehicles and carries \$100,000 “non-stacked” UM coverage. IF UM is triggered the insured will have a maximum of \$100,000 available for coverage of bodily injuries.

DETERMINATION OF DAMAGES -

- Agreement between insured and UM insurer
- Arbitration
- Suit jointly against other party and UM insurer

3.9 PART D – COVERAGE FOR DAMAGE TO YOUR AUTO

COVERAGE - Pays for direct and accidental loss of "your covered auto" and "non-owned auto".

“NON-OWNED AUTOS” -

- Private passenger auto, pickup, van, or trailer not owned by or furnished or available for regular use to named insured or family member, while being operated or in the care of the named insured or family member.
- Coverage applying is broadest applicable to any "Your Covered Auto" and excess to any other collectible insurance

TWO COVERAGES - **COLLISION AND OTHER THAN COLLISION**

1. **COLLISION**- upset or impact with another object.
2. **OTHER THAN COLLISION** - direct and accidental loss not covered by Collision: missiles, falling objects, fire, theft, larceny, explosion, earthquake, windstorm, hail, water, flood, vandalism, riot, civil commotion, contact with bird or animal, breakage of glass

TRANSPORTATION EXPENSES -

- Additional benefit automatically included in Part D
- Pays up to **\$20 per day**, maximum **\$600** for:
 1. Transportation expenses because of loss to a "your covered auto"
 2. Loss of use expenses due to loss to a "non-owned" auto
- No deductible
- ***Begins 24 hrs.*** after loss (except for total theft - 48-hour waiting period)
- Coverage ends when auto is returned, or company pays for loss

EXCLUSIONS - (Primarily pertains to equipment)

- Carrying people or property for fee, except carpooling, or competing or practicing for racing or speed contests
- Electronic equipment designed for reproduction of sound, including but not limited to radios, stereos, tape decks, CB radio, telephones, recorders, personal computers, navigation systems, internet access systems, etc., unless permanently installed **NOTE: (\$1,000 limit on permanently installed equipment located in spot not designed by manufacturer for such equipment)**
- Tapes, records, discs, other media or accessories used with equipment described above
- Electrical or mechanical breakdown, wear and tear, freezing, war, nuclear, tire damage caused by road hazards, unless result from theft of "your covered auto"
- Custom equipment and furnishings on vans or pickups
- Awnings or cabanas or equipment designed to create additional living facilities
- Confiscation by governmental or civil authorities because of illegal activities
- Trailer or camper body not in declarations (**14** days automatic coverage if acquired during policy period)
- Non-owned autos only:
 - Used in the business of autos or other business
 - Using without permission
 - Rented vehicle if agreement states not liable

HOW LOSSES ARE PAID -

- Lesser of ACV or cost to repair or replace
- **Special \$1,500 limit for non-owned trailer**

PRE-INSURANCE INSPECTION OF PRIVATE PASSENGER MOTOR VEHICLE - FS 627.744

- Required for policies providing physical damage coverage
- **DOES NOT APPLY TO -**
 - Policyholder insured 2 years or longer without interruption
 - New or leased vehicle from licensed dealer
 - Temporary substitute vehicle
 - Vehicle leased less than 6 months
 - Vehicle 10 years old or older
 - Renewal policy
 - Vehicle issued in county with 1988 population less than 500,000
 - When insurer has no local authorized inspection service facility
 - When policy being transferred to new insurer
- Applicant may be required to pay costs not to exceed \$5
- Insurer may defer inspection for 30 days following effective date for new policy, not for renewal policies
- Report of data to be filed by Division of Insurance Fraud to Governor, President of Senate, Speaker of House - data may be used in determining future need for this statute

3.10 PARTS E AND F– OTHER PROVISIONS

PART E – DUTIES FOLLOWING A LOSS

PROPERTY & LIABILITY -

- Preserve insurers' rights
- Prompt notice to company
- Cooperate with insurer

PROPERTY -

- | | |
|---------------------------------|--------------------------------|
| • Proof of loss | Show damaged property |
| • Provide records and documents | Protect from further loss |
| • Inventory damaged property | Obtain police report for theft |

LIABILITY -

- Avoid voluntary payment or obligation
- Forward legal papers promptly
- Aid insurer in settlements
- Notify insurer of claimants and witnesses

PART F – GENERAL PROVISIONS

Contains contract conditions - policy changes, coverage denial for fraud, how company may be sued, subrogation rights and transfers of interest.

POLICY PERIOD - Covers losses that occur during the policy period

TERRITORY-

- Within US, its territories or possessions, Puerto Rico or Canada
- "Your covered auto" while being transported between ports of above locations

3.11 ENDORSEMENTS

EXTENDED NON-OWNED COVERAGE - Extends coverage for Liability and optionally Medical Payments to non-owned auto furnished or available for regular use - Separate endorsement available for non-owned vehicles used for public or livery conveyance

TOWING AND LABOR - \$25, \$50, \$75 or \$100 limits per disablement

EXCLUDED EQUIPMENT COVERAGE - Permanently installed electronic and media equipment, tapes, discs, media, no deductible (can be installed in other than dash or console) Tapes, records, discs, etc. in covered auto up to \$200 - Customizing Equipment for pickups and vans for specific amount

NAMED NON-OWNER COVERAGE - Non-owner who regularly drives others autos, **only** coverages available Liability, Medical Payments, UM

MISCELLANEOUS TYPE VEHICLE - Motorcycle, motor home, golf carts, all-terrain vehicles

JOINT OWNERSHIP - When PAP issued to cover 2 or more relatives (whether or not residing together) or individuals residing together

INCREASED LIMITS ON TRANSPORTATION EXPENSES COVERAGE - basic \$20 day/\$600 max increased to any selected limit.

EXTENDED PERSONAL INJURY PROTECTION - For named insured and family members, increases PIP medical from 80% to 100% and work loss benefit from 60% to 80%

ADDITIONAL PERSON INJURY PROTECTION - For named insureds family member, increases per person maximum by amounts such as \$10,000, \$25,000, \$40,000, \$90,000 (Increases do not affect \$5,000 death benefit)

3.12 RATING

Rates based on information, such as -

- Where vehicle is garaged (rates usually higher in urban areas than rural)
- Age of driver
- Sex and marital status of driver
- Prior driving record of driver
- Use of vehicle (pleasure only, commuting, business, farm)
- For physical damage - value of car
- Highest - youthful unmarried male
- Lowest - no youthful operators and auto garaged on farm

Safe Driver Insurance Plan -

- Lowest rate if all operators had no accidents or serious violations during 3-year period
- Points assigned for at-fault accidents and violations such as driving under influence, but not minor infractions

Physical Damage coverage rating -

- Private passenger auto - make and model assigned "symbol" representing value and damageability in accidents
- Pickups and vans - original cost new, rates decline with age

Discounts are given for various things such as -

- Multi-car discounts
- "Good student" discounts (B average or better)
- Senior drivers completing approved defensive driving course
- Passive restraint system (air bags discount in PIP and Medical Payments)
- Antilock brakes (discount Collision)
- Anti-theft device (discount Other than Collision)
- Youthful driver completing driver training course

3.13 MISCELLANEOUS FLORIDA AUTOMOBILE LAWS

CANCELLATION AND NONRENEWAL -

First 60 days of new policy when policy provides mandatory PIP and PD liability coverage:

- **Insurer** may cancel only for dishonored check or failure to respond to notice of additional premium,
- **Insured** may cancel for total destruction, after purchasing coverage elsewhere, or after selling vehicle.

After 60 days of new policy - Insurer may cancel only for nonpayment of premium, material misrepresentation or fraud, or suspension or revocation of driver's license or registration during the policy term or within the previous 180 days.

When cancellation is permitted by insurer -

- **45-day** written notice for cancellation or nonrenewal
- **10-day** written notice of cancellation for nonpayment of premium

RETURN OF PREMIUM -

- **Insured cancels policy** - insurer must return unearned premium within 30 days of receipt of cancellation notice.
- **Insurer cancels policy** - insurer must return unearned premium within 15 days of cancellation effective date.

AUTO INSURANCE REQUIRED FOR TAGS IN FLORIDA -

- \$10,000 PIP (No-Fault Law), **and**
- \$10,000 Property Damage Liability (Financial Responsibility Law, but doesn't meet the minimum limits to satisfy this law which requires minimum of 10/20/10)
 - \$10,000 Bodily injury liability per person per accident
 - \$20,000 All bodily injury liability per accident
 - \$10,000 Property damage liability per accident

UNFAIR TRADE PRACTICES -

Generally prohibit discrimination based on race, color, creed, marital status, handicap, disability, and no-fault accidents.

INFORMATION DISCLOSURE TO CLAIMANT -

Insurer must disclose policy information to claimant within **30 days** of written request.

GLASS BREAKAGE -

NO Deductible can apply for windshield glass breakage - Florida Law prohibits application of any deductible in adjustment of breakage of windshield glass.

TREATMENT OF MOTORCYCLES -

- No requirement for motorcycle insurance
- Not required to carry Personal Injury Protection
 - Motor vehicles required to carry PIP are those with four or more wheels
- Motorcycle owner is not required to carry insurance to register a motorcycle, but the driver will be held financially responsible if charged in a motorcycle crash

3.14 MECHANICAL BREAKDOWN INSURANCE (Not part of a Personal Auto Policy)

COVERAGE -

- Coverage against failure of original or replacement part
- Payment for usual and fair charge for parts and labor repair or replace
- Dollar limit maybe specified with company's responsibility limited actual cash value of vehicle
- Car rental reimbursement of \$15 per day to maximum of \$75 while insured's vehicle is being repaired, if no loaner available.

EXCLUSIONS -

- Lack of customary maintenance
- Collision, fire, theft, vandalism, riot, explosion, lightning, earthquake, windstorm, hail or flood
- Odometer or other part altered (federal offense)
- Towing, road service or storage charges
- Seals, gaskets, oil, grease, or refrigerant unless required in connection with covered repair
- Tune-ups
- Racing or other competition
- Towing unless vehicle is equipped for this by manufacturer
- Carrying passengers for hire or rented another

DEDUCTIBLE -

- Subtracted from cost of each breakdown
- Single deductible if more than one covered part is involved in same breakdown

POLICY TERM, TERRITORY -

- ***New cars*** - 36 months or 36,000 miles
- ***Used cars*** - 12 months or 12,000 miles
- United States, its territories or possessions, and Canada (Not Mexico)

CANCELLATION - **45 days** written notice of cancellation, **10 days** for nonpayment of premium

FL FINANCIAL RESPONSIBILITY TEST

1. The FL Financial Responsibility Law is triggered by an accident involving what type of conditions?

2. What are the four ways of satisfying the FL Financial Responsibility Law?
 - 1.
 - 2.
 - 3.
 - 4.

3. James was driving his uninsured Jeep when he ran a stop sign causing an accident in which Henry was injured. What can James do to avoid penalties for noncompliance under the FL Financial Responsibility Law?

4. James, above, is unable to meet the requirements of the FL Financial Responsibility Law. What penalties does he face?

5. Financial responsibility did not exist at the time of an accident. All the following are ways to satisfy the claim of others in this accident, except:
 - A. Filing a release of liability by all the injured parties.
 - B. Posting a bond in the amount of the injuries.
 - C. Depositing cash to cover the injuries.
 - D. Being adjudicated not liable by a court.

6. James, above, purchases auto liability insurance. What requirements must be met now as proof of responsibility for future accidents?

7. Certification of James' insurance must remain on file for _____ years. If he terminates coverage within this period, he becomes subject again to _____.

8. An automobile operator who does not own a car is not responsible for carrying liability insurance. (True or False)

9. Financial Responsibility Law is administered by _____.

NO-FAULT TEST

1. What are the three main elements to the No-Fault Law?
2. The No-Fault Law has nothing to do with _____, the traditional legal liability system applies to this.
3. Define "motor vehicles" under the No-Fault Law.
4. Name four categories of motor vehicles that are exempted from the No-Fault Law.
5. Define the "owner" of a motor vehicle.
6. In order to enforce the No-Fault Law, when is evidence of insurance required to be submitted?
7. Name 4 ways to satisfy compliance with the law.
8. Nonresidents with defined motor vehicle physically present in FL for more than _____ of the preceding _____ days must carry PIP.
9. Give the penalties for noncompliance of the law.
10. What are the categories of benefits and percentage of coverage?
11. What is the required limit per person per accident for the package of PIP benefits?

12. For the insured to receive PIP medical benefits reimbursement, initial treatment must be received within what length of time after a vehicle accident?
13. PIP is _____ coverage over all forms of medical and disability insurance, except for _____.
14. How are named insured and residing family members covered for PIP inside FL and outside FL? Other than named insured and relatives?
15. List the four exclusions, under which benefits are denied.
16. How is the threshold pierced in PIP allowing for recovery of noneconomic loss?
17. The tort exemption under No-Fault is tied to the _____ not the _____.

NO-FAULT TEST

1. Joe has a PAP with Florida PIP coverage. While Joe and his family are on vacation in Georgia, they are in an auto accident caused by an uninsured motorist. Joe, his family, and the uninsured Georgia motorist sustain injuries. Who will be covered by Joe's FL PIP?
 - A. Only Joe
 - B. Joe and his family
 - C. Joe, his family and GA motorist
 - D. Joe and GA motorist
2. Joe and his family are visiting relatives in Georgia. During a short trip in the relative's vehicle an accident occurs. Joe and his family sustain injuries. Who will be covered by Joe's FL PIP?
 - A. Only Joe
 - B. Joe and his family
 - C. Only Joe's family members
 - D. No one will be covered
3. Joe, the above insured, is walking down the street of Atlanta, GA. Suddenly an automobile jumps the curb and injures Joe. How will his FL PIP cover these injuries?
 - A. Covered up to \$10,000
 - B. Covered up to 80% of medical
 - C. Covered up to 60% of medical
 - D. Not covered under PIP
4. Which of the following will not be entitled to PIP benefits secured for a specific motor vehicle in Florida?
 - A. Georgia resident, who doesn't own motor vehicle, in insured's vehicle in FL
 - B. Grandson who resides with insured in FL while as a pedestrian
 - C. Daughter away at school in Georgia while in insured's vehicle
 - D. Georgia resident, who doesn't own motor vehicle, as pedestrian in FL

CLAIMS PROBLEMS

Assume diagnosed as medical emergency and treated by approved licensed physicians or hospitals. What reimbursement amount will insured receive in the following examples?

5. Medical - \$3,000
Loss of earnings - \$2,000
Deductible - \$1,000
 - A. \$1,600
 - B. \$4,000
 - C. \$2,600
 - D. \$2,800
6. Medical - \$6,000
Household services - \$1,500
Loss of earnings - \$3,000
Deductible - \$1,000
 - A. \$7,100
 - B. \$7,300
 - C. \$9,500
 - D. \$10,000

7. Medical - \$4,000
Death expenses - \$5,000
Deductible - \$1,000
A. \$9,000
B. \$8,000
C. \$7,400
D. \$7,200

8. Medical - \$1,000
Loss of earnings - \$1,500
Deductible - \$1,000
A. \$1,500
B. \$700
C. \$900
D. Nothing

9. Medical - \$2,000
Loss of earnings - \$500
Household services - \$1,000
Death expenses - \$1,500
Deductible - \$1,000
A. \$7,100
B. \$8,600
C. \$3,600
D. \$3,000

10. Medical - \$10,000
Loss of earnings - \$2,500
A. \$9,500
B. \$10,000
C. \$12,500
D. \$8,500

11. Medical - \$1,500
Death expenses - \$2,500
Deductible - \$1,000
A. \$5,400
B. \$5,200
C. \$2,900
D. \$2,700

12. Medical - \$9,000
Death expenses - \$2,500
A. \$12,200
B. \$10,000
C. \$9,700
D. \$8,900

PERSONAL AUTO POLICY TEST

- Which of the following will be eligible for a PAP?
 - Microsoft corporation
 - Unrelated persons residing together
 - Married couple separated
 - Partnership
- "Family member" is defined as which of the following?
 - Relatives, wards and foster children residing with spouse
 - Relatives, wards, and foster children in household of named insured
 - Spouse, relatives, wards, and foster children in named insured household
 - None of the above
- "You" and "your" refer to named insured and who if anyone else?
 - Spouse residing anywhere
 - Residing spouse
 - Spouse and family members residing together
 - Only refers to named insured
- Under which of the following circumstances will a pickup truck be covered by a PAP?
 - When used in ranching
 - Has weight of less than 100,000 pounds
 - Used to deliver small pieces of furniture for hire
 - All of the above
- The definition of "bodily injury" would cover all the following, except.
 - Death caused by disease resulting from injury
 - Physical harm
 - Heart attack during traffic violation
 - Sickness from injury
- Which of the following is true about Liability coverage for a Personal Auto Policy?
 - When a claim is made against the insured, the insurer has a duty to defend the insured
 - Provides coverage without regard to fault
 - Is excess coverage in owned vehicles
 - Lowest single limit is \$10,000
- Which of the following statements is not true regarding a lender's interest in a PAP?
 - One with an interest in the vehicle
 - One who will be indemnified even if the insured intentionally damages the property
 - One who is identified in the PAP declarations as a loss payee
 - One who will receive payment for losses under Part C
- All of the following are "supplementary payments", except.
 - Interest on judgments
 - \$200 loss earnings to attend trial
 - Appeal bonds, up to \$250
 - Premium for bonds to release attachments
- All of the following are considered "insureds" under a PAP (Liability), except.
 - Employer when insured is using insureds covered auto for business errand
 - Insureds 14-year-old son who borrows car without permission
 - Separated spouse who borrows car without permission
 - Employer when insured is using borrowed auto to run business errand
- When, if at all, may the total cost of a claim for the insurer exceed the policy limits?
 - When supplementary payments are made
 - Claim can never exceed the policy limits
 - When there is an Umbrella policy in effect
 - When there is an aggregate limit

11. How does a PAP respond for liability coverage if an employee is injured in "your covered auto" in the course of employment?
- A. Employees are excluded
 - B. Employees covered if domestic and not covered under workers compensation
 - C. Employees are always covered
 - D. Employees are covered on excess basis
12. Florida law requires all drivers to carry what minimum auto coverage?
- A. PIP only
 - B. \$10,000 PD Liability only
 - C. 10/20/10 Liability and PIP
 - D. \$10,000 PD Liability and PIP
13. Medical payments of the PAP pays expenses for.
- A. Services within three years from date of accident
 - B. Medical and funeral services for which insured is legally liable
 - C. Other persons struck by "your covered auto"
 - D. Other persons if you are considered at fault
14. Coverage B - Medical payments cover insured in which of the following situations?
- A. Occupying vehicle as a residence
 - B. Occupying regularly furnished vehicle of family member
 - C. Riding a motorcycle
 - D. Transporting people to and from the airport for a fee
15. Uninsured Motorists is designed to pay for.
- A. Damages for bodily injuries
 - B. Bodily injuries of uninsured motorists caused by the insured
 - C. Punitive and exemplary damages
 - D. All of the above
16. Which of the following will not trigger coverage under Part C Uninsured Motorists of a PAP?
- A. Insolvent insurer
 - B. Qualified Self insurer
 - C. Hit and run
 - D. Liability insurance with lower limits than insured's damage
17. The UM law requires every policy that provides liability coverage include "stacked" UM at the same limits unless insured, in writing:
- A. Elects Non-stacked UM coverage
 - B. Rejects UM coverage
 - C. Requests lower UM limits
 - D. All the above
18. Which of the following will be covered under a PAP - Part D Damage to Your Covered Auto?
- A. Non-owned autos not available for regular use
 - B. Non-owned vehicles furnished or available for regular use
 - C. Private auto or trailer owned but not insured
 - D. Rented vehicle with agreement of no liability
19. How are losses paid for a non-owned trailer under PAP - Part D?
- A. ACV of the trailer
 - B. Cost to repair or replace trailer
 - C. Lesser of ACV or cost to repair or replace trailer, up to \$1500
 - D. Non-owned trailers not covered under Part D

20. Transportation expenses is an additional benefit under Part D only if.
- The transportation endorsement has been purchased
 - Other than Collision coverage is purchased
 - There is a total theft of vehicle
 - The vehicle is recovered within 48 hours
21. What are the benefit limitations of the transportation expenses?
- \$15/day to max. \$750 - 24 hour waiting period
 - \$15/day to max. \$750 - 24 hour waiting period, 48 hours for total theft
 - \$20/day to max. \$600 - 24 hour waiting period, 48 hours for total theft
 - \$20/day to max. \$600 - 48 hour waiting period
22. The Extended Personal Injury Protection endorsement.
- Increases medical benefits to 100%, income loss to 80% for anyone in "your covered auto"
 - Increases medical benefits to 100%, income loss to 80% for named insured and family members only
 - Increases the \$10,000 maximum PIP benefit for named insured and family members only
 - Increases the \$10,000 maximum PIP benefit for anyone in "your covered auto"
23. Which endorsement will give Liability coverage to insured or family member while using a non-owned vehicle when carrying persons or property for a fee?
- Named Nonowner Coverage
 - Miscellaneous Type Vehicle
 - Extended Non-owned Coverage
 - Extended Non-owner Liability Protection
24. Insured has a towing and labor endorsement with a \$75 limit. Insured's vehicle breaks down on the highway and is towed into a garage. How much will be paid of the following costs? Towing - \$35, Water pump - \$15, Garage labor - \$20
- \$75
 - \$70
 - \$55
 - \$35
25. When will Part D of a PAP cover loss of a CD player?
- By endorsement only
 - Only if it has been factory installed
 - When it is permanently installed
 - Only if it has been permanently installed in auto's dash or console
26. What are the rules for cancellation/non-renewal of a PAP?
- 30 days written notice, 10 days for nonpayment of premium
 - 45 days written notice, 10 days for nonpayment of premium
 - 45 days written notice, 30 days for nonpayment of premium
 - 60 days written notice, 30 days for nonpayment of premium
27. For what reason, during the first 60 days, is insurer able to cancel a policy providing the mandatory PIP and PD liability insurance?
- May not cancel for any reason
 - Insured causes auto accident
 - Location of the risk
 - Failure to respond to notice of additional premium
28. During the first 60 days, the insured may cancel a policy providing mandatory PIP and PD liability Coverage.
- By giving 10 days written notice
 - By verbal notification to insurer
 - Only for total destruction of vehicle
 - When at least the mandatory coverages have been replaced by another insurer

MECHANICAL BREAKDOWN TEST

1. Mechanical Breakdown insurance covers.
 - A. Breakdown caused by fire, lightning, or flood
 - B. Towing and road service fees
 - C. Failure of an original or replacement part
 - D. Breakdown caused by towing another vehicle
2. Which of the following is not true concerning Mechanical Breakdown?
 - A. A separate deductible applies to each covered part involved in a single breakdown
 - B. Policy territory is the US, its territories and possessions, and Canada
 - C. Must give 45 days' written notice of cancellation
 - D. Some policies cover rental reimbursement - \$15/day, max. \$75
3. The policy term for Mechanical Breakdown is,,,
 - A. New - 24 months, 24,000 miles: Used - 12 months, 12,000 miles
 - B. New - 36 months, 36,000 miles: Used - 12 months, 12,000 miles
 - C. New - 36 months, 36,000 miles: Used - 24 months, 24,000 miles
 - D. New - 48 months, 48,000 miles: Used - 24 months, 24,000 miles
4. All of the following are excluded, except.
 - A. Vehicle was loaned to friend whose taxi was out of service. It was a temporary substitute and broke down the day after it was returned.
 - B. Insured is trying to sell vehicle and turns back the odometer. The next day he has a breakdown.
 - C. Vehicle breakdown occurs while driving in Mexico
 - D. All of above

PROBLEMS - Use the following information for all problems.

New car and a Mechanical Breakdown policy with a \$25 deductible.

5. A covered part breaks after 26 months and 40,000 miles costing \$550 to repair. What is payable?
 - A. Nothing
 - B. \$550
 - C. \$525
 - D. \$450
6. A covered part breaks on highway and vehicle must be towed to garage. Costs: towing (\$25), assembly parts (\$150), grease for assembly (\$15) What is payable?
 - A. Nothing
 - B. \$190
 - C. \$165
 - D. \$140
7. Insured purchased a new car in Paris, France. While driving the car to the port for shipping they have transmission problems and incur the following costs: towing (\$40), transmission (\$350) What is payable?
 - A. Nothing
 - B. \$390
 - C. \$365
 - D. \$325
8. Insured is in Canada overnight. Vehicle is struck by lightning causing damage to the air conditioner. Costs: Labor (\$50), air conditioner (\$250), refrigerant (\$60) What is payable?
 - A. Nothing
 - B. \$360
 - C. \$335
 - D. \$275

CHAPTER FOUR

HOMEOWNERS, DWELLING AND RELATED COVERAGES

4.1 HOMEOWNERS INSURANCE

Package Policy designed to protect against economic loss to residences and household property, and legal liabilities for injuries and damage arising from these.

ELIGIBILITY REQUIREMENTS -

- **Owner-occupants** of 1-4 family dwelling
- **Renters** who maintain residential occupancy in any type of building
- **Condominium unit owners** and cooperative apartment occupants

OCCUPANCY TO BE FOR -

- Private residential purposes
- Not more than two boarders per family occupancy
- Office, studio or professional is permitted
- Only light farming incidental to occupancy permitted
- May be issued to **dwelling under construction**, but not mobile or trailer home (Renter of mobile home is eligible for renter's form, sometimes with special endorsement Homeowners will cover mobile homes.)

NAMED INSURED MAY NOT BE -

- Corporation
- Partnership
- Estate
- Individual not occupying the premises (exception is a condominium unit-owner who rents to others is eligible)

ELIGIBLE TO BE NAMED INSURED -

- One occupying the residence and purchaser by contract is eligible
- Life estate arrangement (Estate as beneficiary) is eligible
- Trust can be named insured by adding Trust Endorsement

INSUREDS UNDER THE POLICY -

- Named
- Residing spouse
- Residing relatives of either named insured or residing spouse
- Persons under age 21 in care of any of above
- Student away at school if related to named insured, under 24 years of age, and full-time student
- For Section II only, persons legally liable for animals or watercraft owned by insured

POLICY CONTAINS -

- Declarations
- One of 6 Homeowners forms
- Mandatory and optional endorsements

FORMS AVAILABLE -

HO-2 - Broad Form

HO-3 - Special Form (All risks A and B)

HO-4 - Contents Broad Form (Apartment Dwellers Coverage)

HO-5 - Comprehensive Form (All risks A, B, C)

HO-6 - Unit-Owners Form (Condominium or Cooperative Apartment Coverage)

HO-8 - Modified Coverage Form

- HO-2, HO-3, HO-5, HO-8 apply only to owner-occupants 1-4 family dwellings
- HO-4 applies to renters
- HO-6 applies to condominium or cooperative dwellers

If a two, three or four family dwelling is owned by two occupants, an HO-2, HO-3, HO-5 or HO-8 may be issued to one co-owner, with interest of second co-owner listed in declarations. Then an HO-4 issued to second co-owner to cover their contents.

Each homeowners form has two main divisions: Section I-Property (forms differ by perils covered) and Section II-Liability (identical in all forms)

4.2 SECTION I – PROPERTY COVERAGE

COVERAGE A - DWELLING -

- Dwelling, attached structures; construction materials on or adjacent to premises
- **HO-6** covers building additions, alterations, property insured responsible for under agreement
 - Minimum limit for HO-6 Coverage A limit is **\$5,000**
- **HO-4** - No Coverage A, limited amount of building additions and alterations are covered

COVERAGE B - OTHER STRUCTURES -

- Private structures on premises, not attached to main dwelling (detached garage, guest house, tennis court, etc.)
- Does not include structures used for business or rented, unless rented to tenant of main dwelling or solely for private garage purpose
- No Coverage B in HO-4 or HO-6

COVERAGE C - PERSONAL PROPERTY -

- Personal property wherever located, owned or used by "an insured"
- Optional for insured to give coverage benefit for property owned by others while property is located at any residence occupied by insured
- Property of guest or resident's employee is covered while at residence occupied by an insured.

COVERAGE C - PERSONAL PROPERTY EXCLUSIONS -

1. Specifically, insured articles
2. Animals, birds, fish (**except**, covered as a breeder or boarder)
3. Motorized vehicles (**except**, used solely to service insured's residence or assist handicapped)
4. Portable electronic equipment that reproduces, receives or transmits audio, visual or data signals and operated by electrical power of motor vehicle if permanently installed in vehicle
5. Aircraft and parts (**except**, hobby crafts are covered)
6. Hovercraft and parts
7. Property of roomers or tenants, unless related to insured
8. Property in apartment regularly rented or available for rent to others
9. Property rented or held for rental to others away from residence premises
10. Business data, in books, paper records, electronic software, (**except** blanks)
11. Water or steam

COVERAGE D - LOSS OF USE - Covers increases over normal living costs if damage from a covered peril makes residence unfit for occupancy

LIMITS-

- Coverage A - limit selected by insured - minimum for HO-6 \$5,000
- Coverage B - automatically 10% of Coverage A limit and may not be increased or decreased
- Coverage C - normally 50% of Coverage A limit

SPECIAL LIMITS -

1. Property at other residence, **10% of C or \$1,000** whichever is greater;
 Personal property at self-storage facility **10% of C**, limitation does not apply to property moved because:
 - a. Being repaired, or
 - b. Residence not fit to live in or store property in, or
 - c. Property usually located at insured's residence other than residence premises

	<u>BASIC LIMITS</u>	<u>INCREASED LIMITS</u>
2. Money, metals (gold, silver, platinum), stored value cards, smart cards	\$200	\$1,000
3. Securities, accounts, deeds, and similar property	\$1,500	\$2,000
4. Watercraft, including trailers & accessories	\$1,500	-----
5. Trailers not used with watercraft	\$1,500	-----
6. Jewelry, watches, furs, precious and semi-precious stones THEFT ONLY	\$1,500	\$5,000
7. Firearms and related equipment THEFT ONLY	\$2,500	\$6,500
8. Silverware, goldware, pewterware THEFT ONLY	\$2,500	\$10,000
9. Personal property primarily used for business <i>Away from residence premises - \$1,500 limit</i>	\$2,500 (on premises)	\$10,000
10. Portable electronic equipment* <i>*Cell phones, stereos, computers, etc. IF: (1) Reproduce, receive, or transmits auto, visual or data signals, (2) Designed to be operated by one or more power sources, (one of which is motor vehicle's electrical system), and (3) In or upon vehicle</i>	\$1,500	\$6,000
11. Tapes, wires, records, disks, other media* <i>*(1) Used with electronic equipment that reproduces, receives, or transmits audio visual or data and (2) In or upon motor vehicle</i>	\$ 250	-----

COVERAGE D - LIMITS-

- **30%** of Coverage A for HO-2, HO-3, HO-5
- **30%** of Coverage C for HO-4
- **50%** of Coverage C for HO-6
- **10%** of Coverage A for HO-8

ADDITIONAL COVERAGES -

1. Debris removal and reasonable repairs - **5% of Coverage A**
2. Trees, shrubs, plants - **5% of Coverage A**, not more than \$500 any one tree, shrub, plant (only limited perils)
3. Fire department service charge - up to **\$500 (reimbursement)**
4. **30-days** coverage - against direct loss while property being removed from premises endangered by peril insured against and while stored for 30 days
5. Credit card, fund transfer, forgery, counterfeit money - up to **\$500** may increase to **\$10,000**
6. Loss assessment imposed by association -
 - **\$1000 (only** if covered peril under Coverage A)
 - HO-6 is required by FS 627.714 to carry a **\$2,000** limit for loss assessment with no more than a **\$250** deductible
7. HO-2, HO-3, HO-5 - insured who regularly rents or holds for rental an apartment on residence premises, covers landlord furnishings - up to **\$2,500** (appliances, carpeting or other household furnishings) in apartment
8. Building glass breakage, if building not vacant over 60 consecutive days
9. Up to **10% of Coverage A**, losses arising from building ordinances (*Additional amount of insurance*) (FL law requires insurer to offer option of 25% or 50% of dwelling limit for this coverage, but not for HO-4 or HO-6)
10. HO-4 **Only** - Up to **10% of Coverage C** for building additions and alterations made or acquired at tenants' expense (Tenants improvements and betterments) (*Additional amount of insurance*)

PERILS INSURED AGAINST -

(Florida Law requires peril of Catastrophic Ground Cover Collapse, but not Sinkhole be included)

HO-2, HO-4, HO-6

Catastrophic ground cover collapse	Aircraft
Fire	Vehicles
Lightning	Riot or civil commotion
Windstorm	Smoke
Hail	Volcanic eruption
Explosion	Vandalism or Malicious mischief
Weight of ice, snow, sleet	Theft
Freezing of plumbing, heating or AC	Falling objects
Accidental discharge or overflow of appliances	
Sudden and accidental tearing apart of steam, heating or AC systems	
Sudden and accidental damage from electrical current	

HO-3

All risks for Coverages A and B; Named perils (above) for Coverage C

HO-5

All risks for Coverages A, B, C

HO-8 (limited named perils)

Catastrophic ground cover collapse	Aircraft
Fire	Vehicles
Lightning	Riot or civil commotion
Windstorm	Smoke
Hail	Volcanic eruption
Explosion	Vandalism or Malicious mischief

PERIL OF THEFT HAS LIMITED COVERAGE -

- Includes theft and attempted theft
- Excludes theft from - mysterious disappearance,
- Excludes theft by insured, at construction sites, from part of residence rented to other
- **Secondary residence** - covered for theft only while insured residing there
- Watercraft and related equipment, trailers and campers not covered away from residence
- **Students' property** - not covered for theft if student's quarters unoccupied for **90 days** preceding loss
- **HO-8 form** -
 - Theft limited to **\$1,000** and **only** at residence premises, and
 - **\$100** building glass breakage limit

GENERAL EXCLUSIONS -

These are perils, persons, or situations that are not covered under a policy.

Exclusions differ for each property form. Refer to the forms for a list of exclusions.

General Exclusions include -

- Earth movement
- Water damage from flood, rising water, backing up of sewers, underground seepage
- Power failure away from residence
- Neglect to preserve property after loss
- War
- Nuclear hazards
- Intentional loss
- Governmental action

CATASTROPHIC GROUND COVER COLLAPSE (SINKHOLE) -

Sinkhole used to be a mandatory coverage in Florida, but today due to the vast number of "sinkholes" claims this coverage has been changed to "Catastrophic Ground Cover Collapse" which is far more restrictive. The property basically must collapse into the ground and be condemned before there is coverage. Some insurers do offer "Sinkhole" as an endorsement.

SINKHOLE – landform created by subsidence of soil, sediment, or rock as underlying strata are dissolved by groundwater - causes damage to a structure and foundation by shifting, but not normally a hole or depression

CATASTROPHIC GROUND COVER COLLAPSE – causes an abrupt collapse of the ground cover with a visible depression, structural damage to the property, which then must be condemned

HURRICANE OCCURRENCE -

- Begins at the time the hurricane watch or warning is issued for any part of Florida by the National Hurricane Center of the National Weather Service
- Continues for the time period during which the hurricane conditions exist anywhere in Florida; and
- Ends 72 hours following the termination of the last hurricane watch or hurricane warning issued for any part of Florida by the National Hurricane Center of the National Weather Service
- Hurricane property claim is barred unless the notice of claim is given to the insurer **within 3 years** after the hurricane made landfall or the windstorm caused the damage

HURRICANE DEDUCTIBLES -

- **FOR HOMEOWNERS AND DWELLING -**
 - Minimum of **\$500**
 - Deductible options **2%, 5%, 10%** of **dwelling or Coverage A limits** (or higher with handwritten statement) must be offered if dwelling insured for \$500,000 or less
 - Dollar amount must be stated on declarations page
 - Deductible applies on **an annual basis** rather than per occurrence, for covered hurricane losses during the calendar year
 - Windstorm coverage can be completely rejected (not hurricane only) with signed handwritten statement
- Requires inclusion of boldfaced typed 18-point statement -
 - THIS POLICY CONTAINS A SEPARATE DEDUCTIBLE FOR HURRICANE LOSSES, WHICH MAY RESULT IN HIGH OUT-OF-POCKET EXPENSES TO YOU
- **Property claims** - supplemental or reopened barred unless notice of claim given to insurer within 3 years after hurricane made landfall or windstorm caused the covered damage.
- **FOR COMMERCIAL PROPERTY -**
 - **Standard** - \$500 all perils (other than hurricane) any one occurrence
 - Hurricane - separate deductible applies (usually written as a percentage of coverage amount)
 - **Commercial Residential** - option of deductible applying either per event or annual basis
 - **Standard deductible for windstorm and hail for beach area of Florida lower east coast is percentage of value of property**

FUNGI EXCLUSION -

- Until a few years ago mold was a covered peril by property policies, but not today. Here is how the homeowners and commercial property policies handle this peril
 - Homeowners -
 - Limited coverage for fungi, wet, or dry rot, yeast or bacteria
 - Will pay **up to \$10,000** for -
 - All loss payable under Section I - Property caused by the above;
 - Cost to remove above from property covered by Section I
 - Cost to tear out and replace any part of the building or other covered property as needed to gain access to fungi, etc.
 - Cost of testing to confirm presence and level of fungi, etc.
 - Problem is that the total they will pay is \$10,000 for all the above.
 - *Example* - \$50,000 mold damage, insurer spends \$2,500 investigating existence of mold damage, insured would only be provided \$7,500 in coverage to repair the home
 - Commercial Property -
 - **Limited coverage for "Fungus", Wet Rot, Dry Rot, And Bacteria** - "give-back" of exclusion - **\$15,000 annual aggregate** for all claims payable as result of a covered cause of loss other than fire or lightning.
 - Covers direct physical loss including cost of removal, tearing out and replacing any part of building to access damage
 - Does not increase limit of insurance and is identical in the Broad and Special Forms

LOSS ASSESSMENT HO-6 -

- HO-6 is required by FS 627.714 to carry a **\$2,000** limit for loss assessment with no more than a **\$250** deductible
- Loss assessment provides coverage for certain kinds of losses where the condo or homeowners association would ask you to pay your share of damages that are either not covered under the building master policy or exceeds the existing coverage

LOSS SETTLEMENT PROVISIONS -

Most direct losses of property are settled based on **Actual Cash Value (ACV)** at time of loss and not more than the replacement or repair cost.

- **ACTUAL CASH VALUE** –
 - **ACV = Replacement Cost minus Depreciation** (Depreciation represents The Amount Used) Therefore ACV represents the unused amount (or remaining value).

- **REPLACEMENT COST** -
 - RC is equal to the actual cost to repair or replace property.
 - Insured must repair or replace property within given amount of time, usually 180 days.
 - Certain property is excluded from replacement cost: for example, cloth awnings, floor coverings.
 - However, **FL Statute** requires the following for property insured on a replacement cost basis:
 - A **total loss to a dwelling** receives full replacement cost without reservation or holdback of any depreciation in value, pursuant to the Florida Valued Policy Law
 - For a **partial loss to a dwelling** insured is paid at least on an ACV basis, less deductible, and the insurer must pay any remaining amounts incurred for necessary repairs or expenses
 - For **loss to personal property** the insured is paid the replacement cost without reservation or holdback for any depreciation in value, whether or not replacement is made.
 - **Limitations on RC coverage** - Although considered part of a dwelling, these will not receive Replacement Cost coverage:
 - Carpeting
 - Appliances
 - Awnings
 - Outdoor antennas
 - Outdoor equipment
 - **NOTE:** However, **Florida Statutes** requires that if property insured for RC is a total loss, full replacement cost must be paid without holdback of depreciation.

HOMEOWNERS LOSS SETTLEMENT		
	POLICY A	POLICY B
Value	\$100,000	\$100,000
Limit of Insurance	\$60,000	\$60,000
Loss	\$20,000	\$20,000
ACV	\$10,000	\$19,000
Coinsurance Formula	60,000 $100,000 \times 80\% = 75\%$ $75\% \times \$20,00 \text{ (loss)} = \$15,000$	SAME
Policy Pays the higher amount	\$15,000 - Coinsurance is higher than ACV in this case	\$19,000 - Coinsurance is lower than ACV in this case

4.3 SECTION II – LIABILITY COVERAGE COVERAGES – TWO COVERAGES

1. **COVERAGE E** - Liability - Protects insured from legal liability for Bodily Injury (BI) and Property Damage (PD) to others
2. **COVERAGE F** - Medical Payments to Others - Pays for medical and other related expenses for members of public injured through personal activities, without regard to insured's legal liability.

SECTION II COVERS-

- Liability arising out of personal, non-business activities anywhere
- Liability arising out of “**Insured locations**”

“INSURED LOCATIONS” -

- **Declared** residence premises
- **Newly acquired** second residences (not held for rental)
- Locations where the insured is **temporarily residing**
- **Vacant land** (other than farmland)
- **Land** where a new 1-4 family dwelling as a residence is being constructed, in which insured intends to reside
- **Cemetery plots** and **burial vaults**

EXCLUSIONS-

Limit coverage for (1) business or professional activities, (2) motorized land conveyances, and (3) watercraft

THE FOLLOWING ARE COVERED FOR LIABILITY:

BUSINESS PURSUITS -

1. Those usual to **non-business pursuits**
2. **Occasional or partial rental of dwelling** to others as a residence
3. **Use in part as office**, studio, school, private garage
4. **Activities receiving less than \$2,000 per year**
5. **Childcare** for no compensation **or** with pay for relative of insured
6. Insured **under 21** in part-time or self-employed business (baby-sitting, yard cutting, etc.) with **no employees**

MOTORIZED LAND VEHICLES -

1. In **dead storage** at insured location
2. Used solely to **service residence**
3. **Owned golf carts** while used to play golf or within residential community where carts authorized for road use or on “**insured location**”
4. **Owned off-road recreational vehicles** on insured location (**elsewhere if not owned by insured**)
5. Vehicles designed to **aid handicapped** covered anywhere if assisting handicapped at time of occurrence

THE FOLLOWING ARE EXCLUDED FOR LIABILITY -

1. **Watercraft** -

- Inboard-outboard owned by insured, or more than 50 horsepower rented to insured
- **Powered by water jet pump** owned or rented to insured
- **Sailboats** owned by or rented to insured **26 feet or more**
- **Outboards over 25 horsepower** owned by insured and declared **at policy inception** OR covered if acquired, rented or borrowed **during** policy period regardless of horsepower
- **EXCEPTION: WATERCRAFT COVERED** - while it is stored (**COVERED**)

2. **Aircraft**

3. **Hovercraft**

4. **Property owned by insured or Property in CCC** (care, custody, or control) of insured (**except**, damage to others property caused by smoke, fire, explosion would be covered)

5. **Injury to insured**

6. **Insured's responsibilities under workers compensation**

ADDITIONAL COVERAGES - (Free) - Apply as additional amounts of insurance above the basic Limits of Liability

- Loss assessment (**\$1,000**)
- Damage to property of others (**\$1,000** max., unless covered under Sec. I)
- First Aid Expenses
- Claims Expenses - **\$250 per day** for loss of earnings

LIMITS OF LIABILITY (*basic limits*) -

- Coverage E - **\$100,000** per occurrence
- Coverage F - **\$1,000** per person
- **\$10,000** statutorily imposed vicarious parental liability (Florida Statutes impose mandatory vicarious liability on parents of children who vandalize public property.)

4.4 GENERAL CONDITIONS

DEDUCTIBLE-

- Standard \$500 all perils other than hurricane.
- For hurricane:
 - Minimum of **\$500**
 - Deductible options **2%, 5%, 10%** of building limits (never in excess of 10% of policy dwelling limits unless certain conditions met) must be offered if dwelling insured for \$500,000 or less
 - Dollar amount must be stated on declarations page
 - Deductible applies on **an annual basis** rather than per occurrence, for covered hurricane losses during the calendar year
 - Windstorm coverage can be completely rejected (not hurricane only) with signed handwritten statement

CANCELLATION PROVISIONS FOR INSURERS -

- **120 days** written notice for cancellation, non-renewal or termination •
During **first 60 days, 20 days** written notice of cancellation
- Always **10 days' notice for nonpayment** of premium
- **45 days** written notice of the renewal premium
- **After 60 days** cancellation may only be for:
 - Material misrepresentation
 - Non-payment of premium
 - Failure to comply with underwriting requirements

ROOF CONDITIONS

Less than 15 years old -

- Insurance carriers are not allowed to refuse to issue or renew Homeowner's insurance based solely on age of roof if less than 15 years old

15 years old or more -

- Insurance carrier must allow homeowner to have a roof inspection by a qualified inspector at the homeowner's expense to determine remaining useful life

Policy with a separate roof deductible -

- Must contain a statement advising client of possible extra out-of-pocket expenses
- Actual dollar value of roof deductible must be displayed on the declarations page or premium renewal notice
- Roof deductible does not apply to:
 - Total loss to primary structure
 - Loss resulting from hurricane
 - Loss resulting from tree fall or other hazard damaging roof and puncturing roof deck
 - Loss requiring repair less than 50% of roof
- If roof deductible is applied, no other deductible under policy may be applied to the loss
- At the time of issuance the insurer may offer policyholder a separate roof deductible with the ability to opt out and reject the separate roof deductible

4.5 ENDORSEMENTS

OPTIONS DEALING WITH POLICY LIMITS

1. Inflation Guard
2. Additional specific insurance to supplement Coverage B for detached structures
3. Special limits for types of personal property may be increased (See Limits section)
4. Credit card/forgery/counterfeit money - \$10,000
5. Higher amount for Coverage C for property usually located at secondary residence or self-storage facility
6. Loss assessments increased to higher amounts and may cover other locations
7. Limit of 25% of Coverage A (can be increased to 50%) for losses arising from building ordinances or laws may be increased

OPTIONS AVAILABLE TO BROADEN COVERAGE FOR SECTION I

1. Personal property loss settlements may be changed from ACV to Replacement Cost
2. "Open peril" coverage for both building and personal property for Condominium Unit Owner
3. Certain classes of scheduled property to "open peril", no deductible (jewelry, furs, cameras, musical instruments, silverware, golfer's equipment, fine arts, and stamps and coin collections)
4. Theft coverage extended to cover when residence is occasionally rented to others
5. Structures covered under Coverage B may be covered
6. Student away at school not fitting definition may be covered
7. Coverage for relatives of insured at assisted living facility
8. HO-4 open perils for personal property
9. Residence in name of trust
10. ACV only for Physical damage owned golf carts - only for part of loss that exceeds \$500 - collision is optional - loss settlement ACV only
11. Off premises theft for HO-8 - up to \$1,000

OPTIONS AVAILABLE TO BROADEN COVERAGE FOR SECTION II

1. Coverage for certain excluded watercraft
2. Two endorsements to cover home-based business exposures: Permitted Incidental Occupancies or Home Business Insurance Coverage
3. Structures at residence premises and 1-4 family dwellings at other locations, rented to others

4. Incidental farming at residence and liability for farm premises at other locations
5. Personal injury liability

4.6 RATING

THREE ELEMENTS OF RATING -

1. Fire protection (how close is the nearest fire hydrant)
2. Dwelling construction (frame, block, etc.)
3. Location in state (high or low risk area, high or low risk state)

Key premium is established then multiplied by a key factor based on the Coverage A limit. Options are then subject to additional premium.

HOMEOWNERS INSURANCE – AVAILABLE TO 1 TO 4 FAMILY PRIVATE RESIDENCES

	HO-2 BROAD 1 TO 4	HO-3 SPECIAL 1 TO 4	HO-5 COMPREHENSIVE 1 TO 4	HO-4 CONTENTS RENTER	HO-6 UNIT-OWNER CONDO	HO-8 MODIFIED 1 TO 4
Section I - Property						
Coverage A – Dwelling	No Minimum amount required, except HO-6 \$5,000. Each company may set its own rule.					
Coverage B – Other Structures	10% of A	10% of A	10% of A	N/A	N/A	10% of A
Coverage C – Contents	50% of A	50% of A	50% of A	Minimum set by company	Minimum set by company	50% of A
Coverage D – Loss of Use	30% of A	30% of A	30% of A	30% of C	50% of C	10% of A
Section II - Liability						
Coverage E – Liability	\$100,000 Limit for all HO Forms					
Coverage F – Medical Payments	\$1,000 Limit for al HO Forms					
Loss Adjustments	Dwelling-RC Contents-ACV	Dwelling-RC Contents-ACV	Dwelling-RC Contents-ACV	Dwelling-N/A Contents-ACV	Dwelling-N/A Contents-ACV	Dwelling-ACV Contents-ACV
Section III - Miscellaneous	Similar to Dwelling Fire Policies					
PERILS						
<u>HO-2, HO-3, HO-4, HO-6</u>			<u>HO-4</u>		<u>HO-5</u>	
Catastrophic ground cover collapse Explosion Lightning Fire Glass breakage Vandalism Malicious Mischief Theft Windstorm Civil Commotion Smoke Hail Aircraft Vehicles Explosion Riot Strike riot Tearing, cracking, bulging of steam, heating, AC, sprinkler Accidental discharge or overflow of appliances Falling objects Freezing of plumbing, heating, AC, sprinkler, water heater Collapse of building Artificially generate electrical current Ice, snow, sleet Volcanic eruption			Catastrophic ground cover collapse Explosion Lightning Fire Glass breakage Vandalism Malicious Mischief Theft Windstorm Civil Commotion Smoke Hail Aircraft Vehicles Explosion Riot Strike riot Volcanic eruption		All Risks (Open Perils) – Coverage A, B and C	

4.7 DWELLING PROGRAM

DWELLING PROGRAM APPLIES TO -

- Personal insurance for **buildings** having **not more** than 4 apartments or family units
- **Mobile homes** with not more than 1 apartment, **and**
- **Household personal property** in any apartment used as living quarters or rented to others

USAGE -

- One to four family dwellings
- Dwellings rented to others by the owner
- Dwellings owned by corporations or other business entities
- Owner-occupied dwellings, with lower values than minimums required for homeowners insurance

COVERAGE FORMS - DP-1 - Dwelling Property Basic Form
DP-2 - Dwelling Property Broad Form
DP-3 - Dwelling Property Special Form

Primary difference in forms is related to perils covered

POLICY CONSISTS OF -

- Declarations page
 - Names insured and insured location
 - State policy period
 - Coverages
 - Limits and premium
 - Deductible
 - Other related information
- Coverage form
- Endorsements

COVERAGES - A - Dwelling
B - Other Structures
C - Personal Property
D - Fair Rental Value
E. - Additional Living Expenses (Not covered in DP-1, except by endorsement)

DEDUCTIBLE -

- **Standard - \$500** all perils other than hurricane.
- **For hurricane:**
 - Minimum \$500
 - Deductible options **2%, 5%, 10% of** building amount
 - Dollar amount must be stated on declarations page
 - Applies on an annual rather than per occurrence basis

STANDARD LIMITS - Coverage A limit - not less than \$12,000 for DP-2 and \$15,000 for DP-3
Coverage C limit - \$4,000 for DP-2 or DP-3, if Coverage A is **not** included

COVERAGE A - DWELLING

COVERS -

- Dwelling building and additions
- Building equipment and outdoor equipment to service and located on premise
- Building materials on or adjacent to premises used for repair, etc.

COVERAGE B - OTHER STRUCTURES

COVERS -

- Detached structures on dwelling premises not used in whole or part for commercial, manufacturing, farming or rented to others (except rented to tenant of main dwelling or as private garage)
- Exception: storage of commercial farming or manufacturing equipment owned by insured that does not contain gaseous or liquid fuel, other than that in permanently installed fuel tank on the vehicle or craft stored or parked in structure

COVERAGE C - PERSONAL PROPERTY

COVERS -

- Household and personal property, in dwelling or on premises
- **EXCLUDED PROPERTY**, such as -
 - Money, tickets, stamps, certain valuable papers
 - Precious metals
 - Animals, birds, fish
 - Aircraft and parts
 - Motor vehicles (except used to maintain property)
 - Boats (except rowboats and canoes)
 - Electronic data (except blank software or prerecorded purchased programs)
 - Water, steam
 - Grave markers
 - Credit cards, fund transfer cards

COVERAGE D - FAIR RENTAL VALUE

COVERS -

- Reimburses insured for fair rental value if property becomes uninhabitable from damage applies by peril insured against.
- Applies **only** to portions rented to others, or held for rental
- Payment extends for period necessary to restore to tenantable condition

COVERAGE E - ADDITIONAL LIVING EXPENSES

COVERS -

- **Not included in DP-1, but may be added by endorsement**
- Covers additional living expenses to maintain insured's normal living standards when property uninhabitable for necessary period of restoration

GENERAL EXCLUSIONS -

1. Enforcement of law regulating use, construction, demolition or repair of property
2. Earth movement
3. Water damage from flood, rising waters, backing up of sewers or drains, overflow of sump
4. Damage caused by power interruption if power source is at other premises
5. Neglect of insured to protect property
6. War
7. Nuclear hazards
8. Intentional loss
9. Governmental action
10. DP-1 **also excludes** trees, shrubs, lawns, plants

BASIC FORM – DP1

OTHER COVERAGES -

1. **10%** Coverage A limit for "Other Structures" defined in Coverage B
2. Debris removal is reimbursed
3. **10%** Coverage C limit for damage to improvements and betterments made or acquired as tenant of property owned by others
4. **10%** Coverage C limit for property away from premises, anywhere in world
5. **20%** Coverage A limit for fair rental value of property, described in Coverage D, limited to 1/12th of the **20%** per month
6. Costs for necessary repairs to protect property from further loss, after a covered loss
7. Coverage for property up to 5 days at temporary location when property is removed from premises endangered by covered peril
8. **\$500** fire department service charges - **Additional insurance**

(ONLY Fire Department Service Charge may be paid as additional amount above policy limit for DP1)

PERILS INSURED AGAINST -

Sometimes the first three are referred to simply as "fire".

(Florida Law requires peril of Catastrophic Ground Cover Collapse, but not Sinkhole be included.

Catastrophic Ground Cover is more restrictive and requires structural damage in which the property is condemned.)

- Fire
- Lightning
- Internal Explosion
- **Additionally**, Catastrophic ground cover collapse is added through mandatory Florida endorsement

EXTENDED COVERAGES (EC) -

- Windstorm
- Hail
- Explosion (replaces internal explosion and includes external explosion)
- Riot or civil commotion
- Aircraft
- Vehicles
- Smoke
- Volcanic Eruption

Extended Coverages are not available without “fire” and may not be purchased for a separate amount.

EC perils subject to limitations such as: No coverage for loss to awnings, outside antenna, signs or boats from windstorm or hail; no coverage for damage to building interior or contents unless exterior damage to roof or walls.

Vandalism (age 13 or older) or Malicious Mischief (age 12 or under)-

- May be added under DP-1 when “**Fire and EC**” are included perils
- **Vandalism or Malicious Mischief Excludes -**
 - Building glass
 - Crime losses (except building damage by burglars)
 - No coverage if building vacant 60 or more consecutive days preceding loss

CONDITIONS -

- **LOSS SETTLEMENT** - Actual Cash Value
- **OTHER INSURANCE** - If other insurance applies, policy pays pro rata
- **CANCELLATION PROVISIONS -**
 - **120 days** written notice for cancellation, non-renewal or policy termination
 - During **first 60 days, 20 days** written notice of cancellation
 - Always **10 days’ notice for nonpayment** of premium
 - **45 days** written notice of the renewal premium
 - **After 60 days** cancellation may only be for:
 - Material misrepresentation
 - Non-payment of premium
 - Failure to comply with underwriting requirements

BROAD FORM – DP2

PERILS COVERED - DP-2 includes “**Fire, EC, and VMM**” plus the following:

- Damage by burglars
- Falling objects
- Weight of ice, snow, sleet
- Accidental discharge or overflow of water or steam from plumbing, heating, air conditioning or fire sprinkler system or household appliance
- Sudden and accidental tearing apart, burning, cracking, bulging of steam or hot water heating system or air conditioning system or fire sprinkler system or household appliance
- Freezing of plumbing, heating, or air conditioning or fire sprinkler system or household appliance
- Sudden and accidental artificially generated electrical current
- Volcanic eruption

OTHER COVERAGES -

Includes Coverages in DP-1 with variations and broadened features:

1. **10%** Coverage A that may be applied to other structures and the **10%** Coverage C tenants improvements apply as ***additional*** amounts of insurance - 30 days limit for property removed from premises endangered by covered peril
2. **20%** Coverage A applies to rental value, plus additional living expenses, no monthly limit, applies as ***additional*** amount of insurance
3. **5%** Coverage A applies to trees, shrubs, plants - limit \$500 any one tree, shrub, or plant, applies as an ***additional*** amount of insurance
4. Covers direct physical loss to covered property from collapse of a building or part of a building caused by certain perils
5. ***Breakage of glass***, does not apply if vacant 60 or more consecutive days immediately preceding loss
6. ***Building Ordinance***, automatically covered in DP-2 and DP-3, **10%** of Coverage A if insured is building owner, **10%** of Coverage B if not building owner, if insured is a tenant then **10%** of Improvements, Alterations and Additions limit (DP-1 may provide this coverage by endorsement)

LOSS SETTLEMENT -

- Replacement cost basis - Buildings (excluding antennas, carpeting, awnings, outdoor equipment, etc.)
- Full replacement cost (up to policy limits), if insurance is not less than 80% of replacement cost. If amount of insurance is less than 80%, company pays proportion of loss.
- Replacement must actually be made in order to receive benefit.
- To receive RC benefit, insurer must be notified of intent to replace damaged property within 180 days of loss, may take ACV until property is replaced

SPECIAL FORM – DP3

- Same as DP-2, except **Building structures only, covered on Open Perils basis**
- List of exclusions eliminates coverage that would not be covered by Broad form - effect is to produce broadened contract covering miscellaneous, undefined incidents:
 - Examples of losses covered under DP-3, but not DP-2 include:
 - Interior damage from windstorm when no exterior damage
 - Theft of property which is integral part of dwelling

SUMMARY OF DIFFERENCES

1. **Basic** DP-1, limited perils, **ACV** on Buildings and Contents
2. **Broad** DP-2, additional named perils, broadened "Other Coverages", may provide **Replacement Cost** on buildings
3. **Special** DP-3 includes DP-2 features, **All Risks** on buildings

OTHER STRUCTURES - DP1 VS. DP2		
	DP1	DP2
Coverage A	\$100,000	\$100,000
Building Loss	\$100,000	\$100,000
Available for Other Structures	Nothing	\$10,000
Amount Policy Pays for Loss	\$100,000	\$110,000
Coverage A	\$100,000	\$100,000
Building Loss	\$50,000	\$50,000
Available for Other Structures	\$10,000	\$10,000
Amount Policy Pays for Loss	\$60,000	\$60,000
	DP1 provides up to 10% of the Coverage A limit for Other Structures. Cannot apply as an additional amount of insurance.	DP2 provides up to 10% of the Coverage A limit for Other Structures. Can be applied as an additional amount of insurance.

OPTIONS -

1. **AUTOMATIC INCREASE IN INSURANCE (Inflation guard)** - annual percentage (4% or higher) for Coverages A and B, increases prorated throughout policy term.
2. Property not covered by windstorm and hail may be included.
3. **BUILDING ORDINANCE OR LAW** - covers for loss by enforcement of building ordinances or laws and may be added to DP-1 or may increase the 10% coverage amount for DP-2 or DP-3
4. Condo Unit-Owners - covered for loss to building additions and alterations, and for assessments by condo association
5. Personal property associated with business conducted in dwelling.
6. Theft, attempted theft, and vandalism and malicious mischief that results from theft or attempted theft
 - a. **BROAD THEFT** - owner occupied dwellings, co-op or condo and apartments occupied by tenant who is named insured - on and off premises (Internal limits same as for homeowners money, securities, jewelry, watercraft, firearms, silverware, etc.)
 - b. **LIMITED THEFT** - non-owner-occupied dwellings, co-op or condo units and apartments occupied by tenant other than named insured - on premises only (Internal limits same as homeowners for watercraft, including trailers, trailers, and firearms)
7. Personal Liability

DWELLING POLICY

Personal Insurance for *dwelling* purposes having **not more than 4 apartments** or *family units, mobile homes* having **not more than 1 apartment** and household personal property in any apartment, cooperative or condominium **used as living quarters or rented to others.**

DWELLING FORMS:	DP-1 BASIC FORM – SIMILAR TO HO-8	DP-2 BROAD FORM – SIMILAR TO HO-2, 4, 6	DP-3 SPECIAL FORM – SIMILAR TO HO-3
Coverages:	A Dwelling B Other Structures C Personal Property D Fair Rental Value E Additional Living Expenses (must be added by endorsement to DP-1)	A Dwelling B Other Structures C Personal Property D Fair Rental Value E Additional Living Expenses	A Dwelling B Other Structures C Personal Property D Fair Rental Value E Additional Living Expenses
Perils:	<p>1) FIRE PERIL: Fire Lightning Internal explosion Catastrophic ground cover collapse</p> <p>2) EXTENDED COVERAGES: Windstorm Civil Commotion Smoke Hail Aircraft Vehicles Volcanic eruption Explosion Riot</p> <p>3) VMM: Vandalism Malicious Mischief</p>	All perils under DP-1 plus: Burglary damage Ice, snow, sleet Glass breakage Accidental discharge or overflow of appliances Falling objects Freezing of plumbing, heating or AC Electrical currents artificially generated Damage to property caused by collapse of building Tearing apart, cracking, burning, bulging of steam or hot water heating systems or AC systems Volcanic eruption	All Risks – Building DP-2 Perils - Contents
Other Coverages:	Worldwide Coverage (10% C) Other Structures (10% A) Rental Value (20% A, 1/12 per month) Debris Removal Reasonable repairs Improvements (10% C) Property removed-5 days coverage Service of Fire Department (Addnl. Ins. Up to \$500)	Same Same (Addnl. Amount of ins) Rental Value plus Additional Liv Exp = 20% A (Addnl. Ins., No monthly limit) Same Same Same (Addnl. Ins) Property removed-30 days Same Collapse caused by certain perils Glass breakage, unless vacant 60 consecutive days Tree, shrub, plant (5% A - \$500 anyone, Addnl. Ins.) Building Ordinance or Law (10% A/owner, 10% B/non-owner, 10% improvements for tenant)	Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2 Same as DP-2
Loss Settlement: Building/Contents	ACV/ACV	RC/ACV	RC/ACV

4.8 FLOOD

MAJOR PROVIDER -

- National Flood Insurance Program (NFIP)
- Also available through private insurance carriers under "Write Your Own" program, which is 100% reinsured through NFIP.

FLOOD DEFINITION -

1. A general and temporary condition of partial or complete inundation of **2 or more acres** of normally dry land **OR 2 or more properties** (one property must be insureds) - caused by:
 - a. Overflow of inland or tidal waters
 - b. Rapid and unusual accumulation of runoff from any source
 - c. Mudflow
2. Collapse or subsidence of land along shore of lake or similar body or water resulting from erosion or undermining caused by waves or currents of water above normal cyclical levels that result in a flood as defined above.

ELIGIBILITY - Only available on "eligible" buildings, or "eligible" contents within "eligible" buildings, and only if located in "eligible" communities

ELIGIBILITY COMMUNITY -

- **EMERGENCY PROGRAM** - Apply for admittance and request study of flood potential which results in Flood Hazard Boundary Map and limited coverage being available. (First program)
- **REGULAR PROGRAM** - Detailed study conducted resulting in a Flood Insurance Rate Map, higher coverage limits available once community enacts ordinances and building codes required to help eliminate future flooding.

ELIGIBLE BUILDING -

- Have **2 or more rigid outside walls** and fully **secured roof**
- **Affixed to permanent site**
- **50% or more** above ground
- Located within **eligible community**

ELIGIBLE CONTENTS -

- Located in **fully enclosed building OR secured** to prevent floating out of building
- **Excluded** - Certain property located in basements and under elevated floors

	AMOUNT OF INSURANCE AVAILABLE				EMERGENCY PROGRAM Total Coverage
	REGULAR PROGRAM			Total Coverage	
	Basic Amount	+ Additional Amount	= Total Coverage		
Building					
Single Family Dwelling	50,000	200,000	250,000	35,000	
2-4 Family Dwelling	50,000	200,000	250,000	35,000	
All other residential	135,000	115,000	500,000	100,000	
All other properties	135,000	365,000	500,000	100,000	
Contents					
All residential	15,000	85,000	100,000	10,000	
All other	115,000	385,000	500,000	100,000	

Forms Available from NFIP -

DWELLING FORM -

- 1-4 family dwelling
- Up to **10%** dwelling limit (not additional amount) for detached garages
- Separate structures such as storage sheds, utility buildings, and garage apartments are covered in the General Property Form and **require separate policy.**

PREFERRED RISK FORM -

- Zones B, C, X only
- All risks
- Not available in Emergency Program

GENERAL PROPERTY FORM -

- Buildings and/or contents not eligible under Dwelling Form, except when eligible for condominium policy (RCBAP)

RESIDENTIAL CONDOMINIUM BUILDING ASSOCIATION POLICY (RCBAP) -

- Condo association 1 or more residential units **IF:**
 - At least 75% total floor area is residential, **and**
 - Building located in Regular Program Community

VALUATION OF LOSS -

- **REPLACEMENT COST** - Single family buildings - principal residence - (resides 80% of time and insured at least 80% of replacement cost) **Residential** Condo Policy subject to coinsurance
- **ACTUAL CASH VALUE** all other flood losses

PRIVATE FLOOD INSURERS –

Senate Bill 542 provides *alternative to NFIP* for flood insurance allowing private carriers to write different types of flood coverage -

1. **STANDARD FLOOD COVERAGE -**
 - a. Covers only losses from flood as defined by NFIP, including deductibles
2. **PREFERRED FLOOD COVERAGE -**
 - a. Covers same losses as the standard form
 - b. Also included in its definition of flood the damage from water intrusion from outside the structure
 - c. Includes coverage for additional living expenses
 - d. Losses under personal property or content coverage must be on a replacement cost basis
3. **CUSTOMIZED FLOOD COVERAGE -**
 - a. Must include coverage broader than that found in the standard coverage
4. **FLEXIBLE FLOOD COVERAGE -**
 - a. Covers losses from peril of flood which also must include damage for water intrusion
 - b. Must contain one or more of the following provisions -
 - i. Limit for flood coverage must be a specified amount,
 - ii. Requiring a deductible including a deductible amount authorized for hurricanes,
 - iii. Flood losses to a dwelling be adjusted either on replacement cost basis or actual cash value,
 - iv. Restriction limiting flood loss to principle building defined in the policy,
 - v. Excluding additional living expenses, or
 - vi. Excluding coverage for personal property or contents for peril of flood
5. **SUPPLEMENTAL FLOOD COVERAGE -**
 - a. Supplement to NFIP flood policy or insurer issuing standard or preferred coverage
 - b. May provide coverage, but need not, for jewelry, art, deductibles, and additional living expenses

Flood coverage and policy limits must be prominently displayed on policy declarations page.

Agent must provide a written notice to be signed by an applicant before placing flood insurance with an admitted or surplus lines insurer for property receiving flood insurance under the NFIP. The notice advises the applicant that discontinuing coverage under the NFIP which provides coverage at subsidized rates, the full risk rate for flood insurance may apply to the property if the applicant later seeks to reinstate coverage under the program.

4.9 LIABILITY - PERSONAL

COVERAGE AVAILABLE -

- Can be purchased as endorsement to Dwelling Policy or as separate stand-alone policy, either way coverage is the same.
- Coverage for liabilities arising out of private residences and personal activities
- Includes Medical Payments to Others
- Owners/occupants and non-owner/occupants of a dwelling, condominium unit, mobile home, co-op, and apartment

INSUREDS -

- Named insured
- Residing spouse
- Residing relatives of either named insured or spouse
- Anyone under the age of 21 in the care of any of the above
- Persons legally responsible for insured's animals or watercraft

BASIC LIMITS -

- **Liability** - \$100,000
- **Medical Payments** - \$1,000
- **Damage to Property of Others** - \$1,000
- **Vicarious Parental Liability** - \$10,000
- No coverage for assessments imposed by homeowners associations, may be added by endorsement

ENDORSEMENTS -

- Incidental business pursuits
- Certain watercraft
- No options to cover farming exposures or personal injury liability

(Not identical to Section II Liability of Homeowners, but performs same function)

4.10 INLAND MARINE INSURANCE

First developed as an extension of Ocean Marine to cover cargo traveling over land instead of by sea

4.11 PERSONAL INLAND MARINE POLICIES

Majority of Inland Marine insurance covering specific personal property is written in the homeowners program using endorsements for controlled forms. Coverage is the same whether issued as an Inland Marine policy or a Homeowners endorsement.

Controlled forms – Standardized and approved for use by the bureau

Uncontrolled forms - Nonstandard, company may use its own form and vary it for the individual risk

PERSONAL ARTICLES FLOATER (PAF) -

POLICY PROVISIONS –

COVERAGE –

- Worldwide
- Open perils

EXCLUSIONS -

- Wear and tear
- Deterioration
- Inherent Vice*
- Government action
- Insects and Vermin

* **INHERENT VICE** - a quality within an object that results in the object's tending to damage or destroy itself.

LOSS SETTLEMENT – lesser of:

- ACV, Cost to repair or replace, or Specified limit
- Option available to value losses at agreed value
- No deductible
- **Pairs, sets and parts condition -**

PAIR OR SET - Company may elect to repair or replace to restore to original value or pay difference between ACV before and after loss

PART- Responsibility is only for value of damaged or lost part

AUTOMATIC COVERAGE (for newly acquired property) –

- 30 days coverage
- 25% of coverage limit, not over \$10,000
- Available for these classes of PAF - Jewelry, Furs, Cameras, Musical Instruments

PAF CLASSES -

1. **JEWELRY -**

- Individually scheduled with specific limit on each item

2. **FURS -**

- Individually scheduled, except for ensemble (coat, muff, and hat) may be combined with single limit

3. **CAMERAS -**

- All types photographic equipment including binoculars, telescopes, and microscopes
- Individual scheduling required, blanket item may be used for miscellaneous items (film, carrying case, etc.)

4. **MUSICAL INSTRUMENTS -**

- Individual scheduling required, blanket item may be used for miscellaneous items
- *Professional use is excluded in basic form, endorsement available to cover while using instrument to perform for pay*
- *Additional exclusions for organs not mobile: Mechanical or electrical breakdown or failure, and loss caused by repairing, adjusting, servicing, or maintenance, except resultant fire or explosion damage*

5. **SILVERWARE -**

- Silverware, silver-plated, goldware, gold-plated, pewterware
- Individual scheduling is optional, permissible to cover all on blanket basis

6. **GOLFER'S EQUIPMENT -**

- Clubs, equipment, and clothing (including street clothing in locker while playing golf)
- Golfballs covered - fire or burglary by forcible entry into building, room, or locker

7. **FINE ARTS -**

- Private, NOT Commercial
- Paintings, etchings, pictures, tapestries, art glass, windows, valuable rugs, statuary, marbles, bronzes, antique furniture, bric-a-brac, etc.
- Valued coverage - scheduled limits are value of the property and will be paid if property lost
- **Different automatic coverage** - 90 days, up to 25% of total limit for scheduled items, ACV only
- No coverage for property on exhibition away from insured premises
- Damage caused by repairing, restoring, retouching excluded
- Breakage excluded, optional to include
- Pairs, sets, parts condition does not apply - company will pay scheduled amount and remaining part(s) must be surrendered to company

8. **STAMPS AND COIN COLLECTION -**

- Blanket or scheduled coverage
- If blanket coverage, the policy limits recovery to:
 1. Unscheduled coin collection \$1,000 OR
 2. One stamp, coin, or individual article, etc.
- Exclusions:
 1. Fading, creasing, denting, scratching, tearing
 2. Transfer of colors, inherent defect, depreciation
 3. Damage while being handled or worked on
 4. Disappearance of individual items, unless specifically scheduled or mounted on page in volume also lost
 5. In custody of transportation companies or mail, **EXCEPT** registered mail
 6. Loss to property not part of collection

4.12 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. Umbrellas and excess liability policies provide additional amounts of liability insurance.

Both add limits to those underlying coverages (Example: \$1,000,000 umbrella liability policy excess to an auto liability policy limit of \$500,000 = \$1,500,000 in total liability coverage available)

EXCESS LIABILITY

- Two basic types of excess policies -
 1. **Follow form** - exact same coverage, provisions, exclusions, insureds as underlying policy
 2. **Stand-alone** - only if covered by underlying policy, but each on its own terms (no guarantee if underlying policy covers that this one will also)
- **Both of these forms require underlying policies**

UMBRELLA LIABILITY

- Similar to stand-alone, **but** it may provide coverage not included in underlying policies such as coverage for personal injury or non-owned watercraft or aircraft.
- **Deductible** - Self-Insured Retention (**SIR**) for claims when umbrella is primary and there is no underlying policy coverage

HOMEOWNERS TEST

1. Homeowners is designed to protect against all of the following, except:
 - A. Legal liability for damages arising from personal property
 - B. Legal liability for damages to insured's premises
 - C. Economic loss to residences
 - D. Economic loss to household personal property
2. Which of the following would be eligible for a Homeowners policy?
 - A. Owner of a trailer home
 - B. Microsoft Corporation to insure their penthouse apartment
 - C. Condo unit owner who rents unit to brother
 - D. Renter who sublets his apartment
3. Which of the following is not considered an insured under Section II of an HO-3 policy?
 - A. Uncle Joe residing with insured for a month's vacation
 - B. Dog walker walking insured's Doberman
 - C. 16-year-old foster child of insured's residing sister
 - D. Insured's grandmother who lives with insured
4. An HO-4 policy is designed for which of the following?
 - A. Cooperative apartment dwellers
 - B. Renter of an apartment in a commercial building
 - C. Condo unit owner who rents unit to others
 - D. Owner of a mobile home who rents mobile home to others
5. Which of the following would not be acceptable under a Homeowners policy?
 - A. Residing spouse teaches ballroom dancing in her garage one night a week
 - B. Insured gives piano lessons in residence on Saturdays
 - C. Doctor has office in his residence for his medical books and papers
 - D. Insured has a large home and rents out rooms to 3 college students
6. Which of the following is not eligible for Homeowners?
 - A. Owner of a mobile home
 - B. Renter in insured's second home
 - C. Cooperative apartment occupant
 - D. Purchaser of home under construction
7. All of the following Homeowners forms apply for owner-occupants of 1-4 family dwellings, except?
 - A. HO-2
 - B. HO-3
 - C. HO-8
 - D. HO-6
8. Which of the following Homeowners forms will apply for a Condominium or Cooperative Apartment?
 - A. HO-2
 - B. HO-5
 - C. HO-6
 - D. HO-8
9. Insured has a standard HO-3 policy covering the residence for \$100,000. There is a total loss by fire. At the time of loss, the residence was valued at \$120,000. What will insured receive under Coverage C?
 - A. \$120,000
 - B. \$100,000
 - C. \$60,000
 - D. \$50,000
10. Insured has a standard HO-2 with a coverage limit of \$120,000 for Coverage A. If there is a loss from a covered peril to his detached garage in the amount of \$14,000 and the value of the dwelling at the time of loss was \$150,000, ignoring deductibles, what will the insured recover?
 - A. \$14,000
 - B. \$12,000
 - C. \$15,000
 - D. None of the above is correct

11. Insured has a standard HO-2 policy with coverage A limit of \$100,000. There is a covered loss from fire. Damage to personal property includes \$35,000 furniture, \$2,000 jewelry, \$4,000 pewterware, and \$5,000 firearms. The Dwelling had a value of \$120,000 at the time of loss. Ignoring deductibles, what is the most insured will recover?
 A. \$35,000 B. \$40,500 C. \$46,000 D. None of the above
12. Which of the following items could be covered on a Replacement Cost basis under Homeowners?
 A. Carpeting B. Outdoor antennas C. Appliances D. Other Structures
13. How is business property covered under Homeowners Coverage C?
 A. At residence \$2,500/Away from residence \$1,500
 B. At residence \$1,500/Away from residence \$1,500
 C. At residence \$2,500/Away from residence \$2,500
 D. At residence \$1,500/Away from residence \$2,500
14. Insured has a HO-3 policy with Coverage A limit of \$100,000. The homeowners association assesses insured \$1,500 for fire damage to the pool complex. How much will the insureds policy pay?
 A. \$500 B. \$1,000 C. \$1,500 D. None of the above
15. Under a basic HO policy if triggered by a covered loss, insured may receive up to how much coverage for losses arising from building ordinances or laws?
 A. 10% of A - for additional premium C. 50% of C - for additional premium
 B. 10% of A - is additional coverage D. 50% of C - is additional coverage
16. Property at student insured's quarters is considered not covered under Homeowners, if:
 A. Quarters unoccupied for 60 days preceding loss C. Property's value is less than 10% of C
 B. Quarters unoccupied for 90 days preceding loss D. Student lives in a residence off campus
17. Which of the following internal limits for Homeowners Coverage C is correct?
 A. \$200 loss of money for theft only C. \$2,500 loss of firearms for theft only
 B. \$1,500 loss of securities for theft only D. \$1,500 loss of watercraft for theft only
18. Which of the following is correct concerning limits for Homeowners Coverage D?
 A. 30% of Coverage C for HO-4 C. 10% of Coverage C for HO-6
 B. 10% of Coverage A for HO-2 or HO-3 D. 20% of Coverage A for HO-8
19. All the following are exclusions under Homeowners Section I, except.
 A. Flood C. Power failure at insured's residence
 B. Earth movement D. Neglect to use reasonable means to preserve property after a loss
20. Which of the following is not considered an "insured location" under Section II of a Homeowners policy?
 A. Residence premises in declarations C. Vacant farmland
 B. Location where insured is temporarily residing D. Land on which insured is building a duplex
21. Which injury would not be covered under Section II of a HO policy?
 A. Friend is injured by insured's golf cart during a game of golf
 B. Insured's child drops suitcase on friends' foot while on a trip to Paris
 C. Insured injures bystander while riding an off-road vehicle he had rented
 D. Insured is injured when hit by a golf ball playing golf

22. Which of the following would be covered under Section II of a HO policy?
- A. Injuries to guest when insured's 35' stored sailboat comes loose from supports
 - B. Damage to a rented 36' sailboat
 - C. Injuries to friends using insured's 35 horsepower outboard motorboat
 - D. Damage to 75 horsepower inboard-outboard boat rented to insured

DWELLING, FLOOD, PERSONAL LIABILITY TEST

1. What would the limit of coverage be for Other Structures when Dwelling - Coverage A is \$50,000 under a DP-2 policy?
A. \$50,000 B. \$5,000 C. \$1000 D. Not enough information
2. All of the following are considered Extended Coverages under Dwelling, except:
A. Fire B. Windstorm C. Riot D. Explosion
3. Which of the following will not be covered by a Dwelling Basic Form - Other Coverages?
A. Debris removal C. Fire department service - \$500
B. Removal of property to temporary locations for 10 days D. Damage to improvements
4. The Other Coverages under the Dwelling Basic form all operate within the limits of insurance, except:
A. Debris removal C. Fire department service
B. Removal of property to temporary locations D. Damage to improvements
5. When the perils of "EC and VMM" are included in a DP-1, all of the following are covered, except?
A. Vandalism C. External explosion
B. Damage to building glass D. Damage to buildings caused by burglars
6. Under DP-1 loss settlements are made by:
A. Replacement cost B. ACV C. Arbitration D. Agreement
7. Which coverage form, if any, provides coverage for theft of an air conditioner compressor from outside of a dwelling?
A. DP-1 B. DP-2 C. DP-3 D. None, theft is excluded
8. Which of the following could be covered under a DP-2 & DP-3 on Replacement Cost basis?
A. Awnings B. Damage to front door C. Installed wall to wall carpeting D. All the above
9. DP-1 and DP-2 provide for automatic coverage for Other Structures up to a percentage of Coverage A. If Coverage A is \$100,000 and there is a total loss by fire, which of the following is correct regarding the maximum amount paid for Other Structures?
A. DP-1 - \$10,000 DP-2 - \$10,000 C. DP-1 - \$10,000 DP-2 - Nothing
B. DP-1 - Nothing DP-2 - \$10,000 D. None of the above
10. If a Dwelling covered by a DP-2 for \$100,000 is completely destroyed by fire and if at the time of loss, the value of the dwelling had depreciated to only \$75,000, what will the policy pay?
A. Replacement cost less depreciation B. \$75,000 C. \$100,000 D. ACV
11. Which of the following would not be covered under a Dwelling policy?
A. DP-3 loss of rents up to 20% of Coverage A
B. DP-1 coverage for 30 days for property removed from premises endangered by covered peril
C. DP-2 glass breakage for dwelling vacant for 30 days
D. DP-1 lost luggage in France up to 10% of Coverage C
12. The differences between Broad Theft and Limited Theft are:
A. Broad covers owner occupied/on premises - Limited covers non-owner occupied/off premises
B. Broad covers owner occupied/on and off premises - Limited covers non-owner occupied/on premises
C. Broad covers non-owner occupied/on and off premises - Limited covers owner occupied/ on premises
D. Broad covers non-owner occupied/off premises - Limited covers owner occupied/on and off premises

13. Insured has a DP-3 with \$100,000 Coverage A limit and a 2% hurricane deductible. During Hurricane Katrina insured suffers \$1,500 roof loss. Three weeks later insured suffers a \$2,500 roof loss from Hurricane Rita. What amount will the insured pay for each of these losses?
A. \$1,500/\$2,500 B. \$1,500/\$2,000 C. \$1,500/\$500 D. \$500/\$1,500
14. Flood insurance requires that at least what percentage of the value of the building be above ground?
A. 100% B. 90% C. 50% D. No special requirement
15. The description of an eligible building for flood coverage includes all the following, except:
A. Fully secured roof
B. Located in an eligible community
C. Affixed to a permanent site
D. At least one or more rigid outside walls
16. Which of the following will be automatically covered under the Flood Dwelling Form?
A. Garage apartment B. Storage shed C. Utility building D. Detached garage
17. In order to receive replacement from a Flood policy on a single-family residence:
A. Insured must be covered for 100% of replacement cost of the dwelling
B. Dwelling must be insured's principal residence
C. Insured must have been living in the dwelling at least 70% of time at the time of loss
D. Insured must have a General Property Policy Form for flood coverage
18. Which flood insurance form is available for buildings and/or contents when insured is not eligible under the Dwelling Flood form?
A. General Property Policy Form C. Residential Property Policy Form
B. Preferred Risk Policy Form D. Single Family Dwelling Form
19. Which of the following is not considered an insured under a Personal Liability policy?
A. Family member who resides with insured
B. Residing spouse of the person named
C. Responsible for walking insured's pet
D. A 21-year-old friend spending weekend with residing family member
20. What are the minimum basic limits under the Personal Liability policy?
A. \$100,000 Liability/\$1,000 Medical Payments/\$1,000 Property of Others
B. \$25,000 Liability/\$5,000 Medical Payments/\$500 Property of Others
C. \$10,000 Liability/\$1,000 Medical Payments
D. \$100,000 Liability/\$5,000 Medical Payments/\$5,000 Property of Others
21. Endorsements may be provided for the Personal Liability policy for all of the following, except:
A. Incidental business pursuits C. 30-foot sailboat
B. Personal injury liability D. 20-foot boat with 50 horsepower inboard motor
22. A Personal Liability policy performs the same coverage function as:
A. Excess Liability Policy C. Umbrella Liability Policy
B. Section II of Homeowners Policy D. General Liability Policy

PERSONAL INLAND MARINE AND EXCESS/UMBRELLA LIABILITY

- PAF stands for:
 - Personal Assurance Floater
 - Personal Articles Floater
 - Professional Artists Floater
 - Pacific Air Fleet
- Which statement is correct about coverage for property under a PAF issued as a separate policy verses a scheduled property endorsement to a Homeowners Policy?
 - PAF issued as a separate policy provides better coverage than Homeowners
 - Homeowners endorsement for these coverages provides better coverage than under separate PAF
 - Homeowners cannot provide coverage for the same property as under PAF
 - There is no difference in coverage. Benefits are the same.
- All of the following are exclusions under a PAF, except?
 - Theft
 - Deterioration
 - Inherent vice
 - Loss caused by vermin
- What is meant by "inherent vice"?
 - Covered peril under PAF
 - The quality in a person that causes them to overindulge in bad habits (drinking, smoking, eating)
 - The quality in an object that causes the object to destroy itself
 - A moral hazard
- Which of the following is correct for the policy territory under a PAF?
 - US, its territories and possessions
 - US and Canada for all classes
 - US, Canada and Mexico
 - Worldwide for all classes except one
- Which of the following is correct concerning the loss settlements under a PAF?
 - Lesser of ACV, cost to repair or replace, or specified limit
 - ACV, but may claim RC if insured does so within 180 days of loss
 - Paid scheduled amount for each item
 - Greater of ACV or cost to repair or replace
- Which of the following does not have automatic 30-day coverage for newly acquired property of the same class?
 - Furs
 - Silverware
 - Cameras
 - Musical Instruments
- All of the following are correct concerning automatic coverage under Jewelry for a PAF policy, except?
 - Newly acquired property of same class
 - Covered for 30 days after purchase
 - Covered up to 25% of coverage limit
 - Up to maximum limit of \$25,000
- All of the following will apply to the special condition under PAF for "pairs, sets, and parts", except?
 - Company may restore the pair or set by electing to repair or replace it
 - Company may pay the difference between ACV before and after the loss for pairs or sets
 - Company responsible for total value of all parts when one part is damaged
 - All of the above are true concerning pairs, sets and parts
- Which statement is correct about scheduling under PAF - Fur?
 - Each item must be individually scheduled only
 - May be individually scheduled or blanket coverage
 - Must be individually scheduled, ensembles may be combined subject to a single coverage amount
 - All coverage is blanket

11. Which statement is correct about the coverage under a PAF for Musical Instruments?
- Covers personal and professional use without endorsement
 - Not available for professional musicians
 - Professional musicians must be covered under Commercial Property Floater
 - Professional use coverage available by endorsement to PAF
12. Which statement is correct about the PAF Golfer's Equipment?
- Street clothes in insured locker are covered while insured is playing golf
 - Golf balls are covered only for fire or burglary
 - No scheduling is required, single amount applies to all covered property
 - All of the above statements are correct
13. Insured has a coin collection covered for \$100,000 blanket coverage. He sells one coin in the collection valued at \$5000 and sends it Priority Mail to the purchaser. The coin is lost. What will insured receive from his insurance?
- \$5000 as coverage limit is \$100,000 and this is a covered coin
 - \$1000 which is the limit for any one coin for blanket coverage
 - \$250 which is the limit for any one coin for blanket coverage
 - Nothing
14. All of the following statements are correct about the automatic coverage for newly acquired property under a PAF for Fine Arts, except?
- For newly acquired fine arts
 - 90 days automatic coverage
 - 25% of total limit for scheduled items applies
 - Replacement cost basis
15. Joe loans three of his paintings, which are covered under a Fine Arts floater, to a charity for an exhibition. Each painting is valued at \$50,000. If one is damaged during the exhibition, how much will Joe be able to recover? Cost to repair the painting is \$10,000 and cost to replace it is \$60,000.
- \$50,000
 - \$10,000
 - \$60,000
 - Nothing
16. Joe has three paintings covered for \$40,000 as a set on a PAF for Fine Arts. They are on the way to a museum and one of them is damaged. Cost to repair is \$10,000 and the cost to replace is \$60,000. How much can Joe recover?
- \$10,000
 - \$40,000
 - \$60,000
 - Nothing
17. Which of the following statements is true concerning loss of a pair or set for Fine Arts under a PAF?
- Same special condition that applies for all other PAF applies for Fine Art
 - Insured must surrender remaining articles to company once claim has been paid
 - Coverage is for ACV of the lost part
 - Insurer pays cost to repair or replace, whichever is less
18. If a stamp or coin collection is covered on a blanket basis, what is the maximum payable for one stamp or coin and the most payable for any unscheduled collection?
- \$250 any one unscheduled stamp or coin/\$1000 for unscheduled collection
 - \$250 any one unscheduled stamp or coin/\$2000 for unscheduled collection
 - \$500 any one unscheduled stamp or coin/\$1000 for unscheduled collection
 - \$500 any one unscheduled stamp or coin/\$2000 for unscheduled collection
19. There are two basic types of Excess Liability Policies:
- Follow form and Stand-alone
 - Personal and Commercial
 - Excess and Umbrella
 - Standard and Special

20. What is the basic purpose of Umbrella and Excess Liability Policies?
- A. Cover insured's liability needs when they do not qualify for a Personal Liability policy
 - B. Provide additional liability when current liability coverage is insufficient
 - C. Provide insured with liability coverage unavailable in the voluntary markets
 - D. Cover liability needs on a primary one policy basis without the need to involve other policies
21. Umbrella liability policies contain a deductible referred to as:
- A. Franchise deductible
 - B. Straight retention
 - C. Retention deductible
 - D. Self-insured retention

CHAPTER FIVE

COMMERCIAL AUTOMOBILE

5.1 BUSINESS AUTO POLICY

BUSINESS EXPOSURES

KINDS OF AUTOS OWNED BY BUSINESSES -

- **PRIVATE PASSENGER** - Gross vehicle weight less than 10,000 lbs. (such as van, station wagon, pickup truck, jeep, utility trailer designed to be pulled by private passenger auto)
- **COMMERCIAL** - Gross weight more than 10,000 lbs. (such as semi-trailers, truck tractors, commercial and service trailers)
- **PUBLIC AUTOS** - used to deliver people (taxi, limo, buses) or private passenger vehicles rented without driver
- **SPECIAL TYPES** - including self-propelled with permanently attached equipment (such as for snow removal, road maintenance or cherry pickers and air compressors)

COVERAGE FORMS -

- **BUSINESS AUTO** - all businesses other than garage or trucking businesses
- **GARAGE** - selling, servicing, repairing, parking or storing autos

5.2 BUSINESS AUTO COVERAGE FORM

POLICY FORMAT -

- Section I - Covered Autos
- Section II - Liability Coverage
- Section III - Physical Damage
- Section IV - Business Auto Conditions
- Section V - Definitions

PIP, UM, Medical Payments can be added by endorsement

SECTION I - COVERED AUTOS

- **SYMBOL 1** - Any auto - Liability only
- **SYMBOL 2** - Owned autos only - All coverages except PIP (**automatic coverage** - no requirement to report replacement or additional vehicles) - basically owned cars and trucks
- **SYMBOL 3** - Owned private passenger autos only - All coverages except PIP (Owned cars only, same **automatic coverage** as symbol 2)
- **SYMBOL 4** - Owned autos other than private passenger autos only - All coverages except PIP (Owned trucks and buses, same **automatic coverage** as symbol 2) Symbols 3 and 4 combined equal Symbol 2
- **SYMBOL 5** - Owned autos subject to No-Fault - PIP only (automatic coverage for all autos requiring FL PIP)
- **SYMBOL 6** - Owned autos subject to a compulsory uninsured motorists' law - Not Used In Florida
- **SYMBOL 7** - Specifically described autos - covers only autos specified in declarations and includes non-owned trailers while attached to these autos - Any coverage (**Acquired auto** during policy period covered **IF** 1. all owned autos are insured on this policy, **OR** 2. Auto replaces covered auto - MUST notify insurer within **30-days** of acquisition)
- **SYMBOL 8** - Hired autos only - those insured hires, rents, leases, or borrows - Liability & Physical Damage only, excludes autos of employees & members of their family
- **SYMBOL 9** - Non-owned autos only - Liability only, covers autos of employees & their family members (employee's car while used in your business)
- **SYMBOL 19** - Mobile Equipment subject to compulsory insurance law (Financial Responsibility or other) - for over-the-road use of mobile equipment falling under definition of "auto"

DECLARATIONS - provides symbol next to each coverage indicating autos covered

LIABILITY COVERAGE EXTENDED TO -

- Trailers designed for use on public roads with load capacity of 2,000 pounds or less
- Mobile Equipment being carried or towed by covered auto
- Temporary substitute auto

DEFINITIONS -

- **AUTO** - Land motor vehicle, trailer with load capacity of 2,000 lbs. or less (1 ton or less) or semi-trailer, other land vehicles subject to compulsory motor vehicle insurance laws
- **MOBILE EQUIPMENT** - Off-road and unlicensed vehicles (such as bulldozers, forklifts, etc.) covered for liability while being carried or towed (**Auto liability covers mobile equipment while being carried or towed and CGL covers mobile equipment when put to its intended use and moving on its own power**)

SECTION II - LIABILITY

INSUREDS -

1. Named insured
2. Permissive users of covered autos, owned, hired, or borrowed by named insured (**EXCEPT:** owner of hired or borrowed auto, unless the covered auto is a trailer attached to a covered auto owned by named insured; employee, if covered auto is owned by employee or member of their household; someone using covered auto in auto business, unless business belongs to named insured; anyone other than named insured's employees, partners, lessee or borrower or their employees, while moving property to or from covered auto)
3. Vicariously liable for conduct of an insured in 1. or 2.

EXCLUSIONS -

1. Assumed liabilities by contract, except under insured contracts defined in policy
2. Employee injuries
3. Owned property, transported by, or in CCC of insured
4. Handling of property before acceptance or after delivery
5. Mechanical movement of property, except by hand truck
6. Pollution
7. Mobile equipment (cherry pickers, compressors, pumps, generators)
8. Expected or intended injury
9. Completed operations
10. Injuries or damage from racing, stunting or demolition contests
11. War

SECTION III - PHYSICAL DAMAGE

THREE COVERAGES

1. **COMPREHENSIVE** - Any loss not excluded other than collision or overturn (basically same as Other Than Collision in PAP)
 - a. **ALSO COVERED BY COMPREHENSIVE** -
 - i. Glass breakage
 - ii. Hitting a bird or animal
 - iii. Falling objects or missiles
2. **SPECIFIED CAUSES OF LOSS** -
 - a. Fire
 - b. Lightning
 - c. Explosion
 - d. Theft
 - e. Windstorm
 - f. Hail
 - g. Earthquake
 - h. Flood
 - i. Mischief or vandalism
 - j. Sinking, burning, or derailment of a conveying transport
3. **COLLISION** - collision with another object or overturn

PRIVATE PASSENGER autos ONLY -

- **Towing and Labor** - Limit of \$25
- **Transportation** - \$20 per day, \$600 maximum

EXCLUSIONS -

- Sound reproducing and receiving equipment, tapes and records
- Wear and tear
- Freezing
- Mechanical or electrical breakdown
- Damage to tires
- War and nuclear

ENDORSEMENTS –

1. **NAMED INDIVIDUALS** - Broadened PIP - covers a non-owner for PIP as though were owner (Delivery person who doesn't own car, only during working hours)
2. **INDIVIDUAL NAMED INSURED** Broadens coverage on selected autos to provide PAP type coverage
3. **DRIVE OTHER CAR** - Covers persons named and spouses for use of autos (1) not covered under the BAP and (2) they do not own

RATING – Based on - Where garaged; radius of operation; size or type, and business use

- Radius - Local - radius of 50 miles, Intermediate - radius of 50 to 200, Long distance - over 200 miles (Over the road trucker is a long-distance trucker)
- Business use - Retail - used to deliver goods, Service - used to go from job to job, Commercial - other than retail or service
- Rates increase as truck size and weight increases - rating of light, medium, heavy, and extra-heavy
- Usage categories differentiated from all others in rating include, trucking, food delivery, specialized delivery (operating under time constraints), waste disposal, farmers, and dumping or concrete-mixing
- Private passenger rated at flat rate except for Physical Damage which is rated same as for trucks
- Buses rated at passenger capacity
- Hired autos, based on rate per \$100 cost of hire
- Non-owned autos, based on rate per employee

5.3 GARAGE INSURANCE

Coverages for those in business of selling, servicing, repairing or parking autos, also includes coverage for general liability hazards for these risks.

SECTION I - COVERED AUTOS (Symbols 21 – 29 same as BAP Symbols 1 – 9)

- **SYMBOL 21** - Any auto - Liability only
- **SYMBOL 22** - Owned autos only - all coverages except PIP
- **SYMBOL 23** - Owned private passenger autos only - all coverages except PIP
- **SYMBOL 24** - Owned autos other than private passenger autos only - all coverages except PIP
- **SYMBOL 25** - Owned autos subject to No-Fault - PIP only
- **SYMBOL 26** - Owned autos subject to compulsory UM law - Not Used In Florida
- **SYMBOL 27** - Specifically described autos - all coverages
- **SYMBOL 28** - Hired autos only - Liability & Physical Damage only
- **SYMBOL 29** - Non-owned autos used in a garage business - Liability only
- **SYMBOL 30** - Autos left with insured for service, repair, storage, and safekeeping - Physical Damage only (Garagekeepers)
- **SYMBOL 31** - Dealers autos and autos held for sale by non-dealers or trailer dealers - Physical Damage only

SECTION II - LIABILITY

COVERS "GARAGE OPERATIONS", which includes -

- Ownership
- Maintenance or use of locations for garage business and the ways adjoining
- All operations necessary or incidental the business
- Also covers autos indicated by symbols in declarations

EXCLUSIONS -

- Employee injuries
- Damage to property owned by or in CCC (care, custody, control) of insured
- Pollution or contamination
- Covered auto leased or rented to others (EXCEPT rental to customer while customer's auto is being repaired or serviced)
- Being used in racing or demolition contest or stunting activity
- Watercraft, EXCEPT while on premises
- Property damage to insured's own products or work (defective products)
- Loss of use of property, if not physically damaged
- Claims for product or work recall

INSURED -

- Same as under Business Auto
 - **EXCEPTION -**
DEALER RISKS -
 - Customers test driving autos are **NOT** considered insured if they have their own Liability coverage for at least 10/20/10
 - ***IF*** they do not have Liability coverage or the coverage is less than 10/20/10 they are covered under Garage as insured, but only up to 10/20/10 limits
 - Optional to protect customers to full limit
- GARAGE OPERATIONS OTHER THAN COVERED AUTOS -**
- Named insured, Employees, Directors or shareholders, while acting within scope of their duties as such.

DEDUCTIBLE - \$100 each accident for property damage to auto as result of work performed by or on behalf of insured (Only time you will see deductible for liability)

SECTION III – GARAGEKEEPERS (CCC coverage – Care, Custody, Control)

COVERAGE -

- Damage for which insured is liable to customers autos which insured has for servicing, repairing, parking, storing.

CAUSES OF LOSS COVERED -

- **COMPREHENSIVE** - All loss except collision or overturn.
- **SPECIFIED CAUSES OF LOSS** - Fire, explosion, theft, mischief or vandalism
- **COLLISION**

DEDUCTIBLES -

- **STANDARD** - \$100 per car, \$500 per occurrence, from theft, mischief, vandalism (higher available)
- **COLLISION** - \$100, \$250, or \$500

BASIC POLICY COVERAGE –

- Insured's legal liability
- Optional - coverage for customers property without regard for legal liability, either
 - Regardless of any other insurance customer may have, OR
 - Excess over any other available coverage

EXCLUSIONS -

1. Sound reproducing and receiving equipment
2. Agreement in which insured accepts responsibility for loss
3. Theft or conversion by insureds, employees, shareholders
4. Defective parts, materials, or faulty work performed by or on behalf of insured

SECTION IV - Physical Damage Coverage

Coverage -

- Same as Business Auto - Comprehensive or Specified Perils and Collision
- **Dealers risk** usually issued on blanket basis for Symbols 21 and 31
- Dealers Coverage –
 - **Reporting** basis (monthly or quarterly) OR
 - **Non-reporting** basis, subject to limit in policy
 - **Both** subject to 100% coinsurance

Exclusions - Same as for Business Auto coverage form - Plus:

1. Autos leased or rented to others (except covered auto rented customer when their car left for service or repair)
2. Autos in organized racing
3. Voluntarily parting with auto by trick, scheme or false pretense

Exclusions for dealer's blanket coverage -

1. Expected profits
2. Newly acquired unreported location, if more than 45 days after acquisition
3. Transported more than 50 miles from point of purchase or distribution destination
4. Collision or upset of transporting vehicle

Endorsements -

- **PIP, UM, MEDICAL PAYMENTS**- standard endorsements
- **BROAD FORM PRODUCTS** - Liability coverage for damage insured's own products - deductible \$250 per accident
- **DEALERS DRIVE-AWAY COLLISION** - Physical Damage coverage for transportation to a location over 50 miles
- **FALSE PRETENSE** - Physical Damage for loss from voluntary parting by trick, scheme, or no legal title.

COMMERICAL AUTO POLICY TEST

1. Which vehicle would not be covered by a Business Auto Policy?
A. Station Wagon
B. Pool maintenance truck with attached utility trailer
C. Taxicab
D. All would be covered
2. Which of the following can be added by endorsement to a Business Auto coverage form?
A. PIP
B. Medical Payments
C. Uninsured Motorists
D. All of above
3. What is the coverage under Symbol 1?
A. Liability, Medical Payments, UM, and PD
B. Liability only
C. Liability and PD
D. No-Fault (PIP)
4. Symbol 2 applies to what vehicles?
A. Any auto
B. Owned private passenger autos only
C. Owned autos only
D. Non-owned autos only
5. What coverage do Symbol 2, 3 and 4 have in common?
A. Automatic coverage of replacement or additional autos during policy period
B. All apply to owned autos and trucks
C. Replacement or additional autos covered if reported within 30 days during policy period
D. They have nothing in common
6. Which Symbol will provide PIP coverage for all autos required to be covered under FL No-Fault Law?
A. Symbol 5
B. Symbol 6
C. Symbol 7
D. Symbol 8
7. Which Symbol is never used in Florida?
A. Symbol 5
B. Symbol 6
C. Symbol 7
D. Symbol 8
8. What coverages may be used with Symbol 7?
A. Liability only
B. PIP only
C. Liability and PD
D. Any of the BAP coverages
9. How are replacement autos and newly acquired autos handled under Symbol 7?
A. Automatically covered
B. Automatically covered for 30 days
C. Automatically covered if it is a replacement auto or all owned autos are already covered but only for 30 days
D. Not covered
10. Symbol 8 provides coverage for:
A. Hired autos only - Liability only
B. Autos insured rents, leases, hires or borrows from employees - Liability and PD
C. Autos insured, hires, rents, leases, or borrows from persons other than employees - Liability and PD
D. Hired autos only - Any of the BAP coverages
11. Symbol 9 provides coverage for:
A. Liability to protect employer when employee uses their auto in insured's business
B. Liability to protect employee when using employer's auto for business
C. Liability to protect employer and employee for hired autos
D. Liability to protect employer only for hired autos

12. What is the minimum required auto coverage in FL?
- \$10,000 PIP
 - \$10,000 PD Liability and \$10,000 PIP
 - \$10,000 PD Liability and \$10,000 PIP with \$2000 deductible
 - 10/20/10 Liability and \$10,000 PIP with \$2000 deductible
13. Liability coverage under a Business Auto form is extended to include:
- Trailers with load capacity of 2000 or more
 - Temporary substitute autos
 - Mobile equipment anywhere
 - All of the above
14. "Auto" includes all of the following, except:
- Land motor vehicle
 - Trailers
 - Semi-trailers
 - Mobile equipment
15. The definition of "Mobile equipment" includes which of the following?
- Off-road, unlicensed vehicles
 - Used solely on insured's or adjacent premises
 - Provides mobility to permanently attached equipment
 - All the above
16. Which of the following injuries is not excluded under the Liability section?
- Customer injured by contractor on insured premises
 - Employees
 - Employees not covered by Workers Compensation
 - Fellow employee arising out of employment
17. Which of the following is not excluded under the Liability section of a Business Auto policy?
- Completed operations
 - Operation of cherry picker
 - Movement of property by hand truck
 - Liability assumed under contract
18. The transportation expense reimbursement applies to:
- All vehicles - \$15/day, \$600 max. - Towing and labor, limit \$25
 - All vehicles - \$20/day, \$600 max. - Towing and labor, limit \$50
 - Private passenger autos - \$20/day, \$600 max. - Towing and labor, limit \$25
 - Private passenger autos - \$20/day, \$600 max. - Towing and labor, limit \$50
19. All of the following must be added to a BAP by endorsement, except:
- Physical Damage
 - PIP
 - Medical Payments
 - UM
20. Which of the following BAP endorsements provides PIP coverage for an employee who does not own an auto but is furnished one by named insured?
- Individual Named Insured
 - Named Individuals - Broadened PIP
 - Extended PIP
 - Named Non-owner Coverage
21. When would the Drive Other Car endorsement be used?
- Cover named person for autos covered under BAP
 - Cover named person and spouse for use of their owned autos
 - Cover named person only for autos not covered under BAP
 - Cover named person and spouse for autos not covered under BAP
22. The Garage form provides coverage for:
- Auto related businesses
 - Damage to your garage
 - Auto related businesses except auto dealers
 - Damage to your auto should your garage collapse

23. Which of the following best describes the symbols 21 - 29 under a Garage form?
- Similar to the ones under the BAP
 - Identical to the ones under the BAP
 - Symbols 21 - 31 under Garage are the same as 1 - 11 under the BAP
 - Provide varying coverages for auto dealers only
24. Symbol 30 is:
- Coverage for autos left in storage
 - Coverage for customers autos while being serviced
 - Used for Garagekeepers Insurance
 - All of the above
25. Symbol 31 provides:
- Coverage for trailer dealers
 - Coverage for dealers' autos and autos sold by non-dealers
 - Coverage for PD
 - All of the above
26. Auto dealers must use which symbol for Liability coverage?
- 21
 - 22
 - 27
 - 29
27. Which statement is correct concerning the Garage - Section II Liability coverage?
- Covers damage to property in care, custody or control of insured
 - Covers autos rented to others
 - Covers watercraft stored on premises
 - Covers property damage to insured's own products
28. Section III - Garagekeepers will provide coverage if:
- Customer has no insurance
 - Insured is legally liable
 - Insured has agreed to accept responsibility
 - Defective parts were used by insured
29. How is Physical Damage coverage issued to a dealer in a Garage policy?
- Reporting basis - 80% coinsurance
 - Non-reporting basis - 80% coinsurance
 - Reporting or non-reporting basis - 80% coinsurance
 - Reporting or non-reporting basis - 100% coinsurance
30. Customer trades in a stolen vehicle for a new vehicle. ABC Ford now has possession of a stolen vehicle. What endorsement would provide coverage to ABC Ford for this risk?
- Dealers Drive-Away Collision
 - False Pretense
 - Broad Form Theft
 - Unfair Trade Practices
31. ABC Ford transports a new Hybrid from Orlando to Ft. Lauderdale (150 miles). Without any endorsements, will they be covered for Liability and Collision under their GAP?
- No, it is over 50 miles
 - Covered for collision, not liability
 - Covered for liability, not collision
 - Covered for liability and collision
32. How can an insured cover their liability for damage to insured's own products?
- With endorsement Broad Form Products
 - Covered under Section II - Liability
 - No coverage for this
 - With endorsement Individual Named Insured
33. Is there any coverage for garage customers under Section II - Liability for dealer risks in a Garage policy?
- Only if insured requests coverage
 - Only if customer has their own Liability coverage of at least 10/20/10
 - Only if customer's own Liability coverage is less than \$10,000
 - Only if customer's own Liability coverage is less than 10/20/10 or customer has no insurance

CHAPTER SIX

COMMERCIAL PROPERTY

(Fire and Allied Lines)

6.1 COMMERCIAL PROPERTY INSURANCE

Covers *direct* and *indirect* losses related to properties other than 1 to 4 family dwellings and farm properties. This is first-party coverage against *economic loss* arising from *damage to tangible property*, such as building structures and personal property associated with such structures.

6.2 COMMERCIAL PROPERTY CONTRACT

POLICY -

DECLARATIONS INCLUDES -

- Identify insured and property covered
- State limits of insurance and deductibles
- Coverage dates (inception and expiration)
- Identify forms and endorsements
- Other relevant information, such as identification of mortgage holders

TWO CONDITIONS FORMS -Set forth provisions, such as company and policyholder rights and duties related to cancellation, changes, pursuit of rights against others, suits, transfer of policy.

COVERAGE FORM - Describes subject of insurance and added conditions relating to subject.

CAUSE OF LOSS FORM - States perils for which insurance is provided and exclusions that limit coverage.

CONTRACT CONDITIONS -

CANCELLATION/NONRENEWAL -

- **45 days'** written notice of nonrenewal or cancellation
- **First 60 days - 20 days'** written notice of cancellation
- **Nonpayment of premium - 10 days'** written notice of cancellation

COMMERCIAL RESIDENTIAL PROPERTY CANCELLATION/NONRENEWAL -

- **120 days'** written notice - nonrenewal
- **45 days'** notice of renewal premium

CHANGES - Only by endorsement with consent of company and named insured

TRANSFER OR ASSIGNMENT - Only with written consent of company - if insured dies, rights transfer automatically to Legal representative

CONCEALMENT, MISREPRESENTATION, FRAUD - Coverage immediately void

CONTROL OF PROPERTY - Protection for the insured is not impaired by acts of others beyond the insured's direction and control.

LIBERALAZATION - Insured gets benefit of broadened coverage without increased premium, if company adopts revision within **45 days** of policy inception.

OTHER INSURANCE -

- **PRO RATA** - If covered by other insurance on same basis.
- **EXCESS**- If covered by other insurance not on same basis.

POLICY PERIOD, TERRITORY - Covers losses which commence during policy period only; in **US, Puerto Rico, Canada**

SUBROGATION - Receiving payment under policy transfers to the company rights against others, to the extent of the payment. (Transferring of rights from insured to insurer)

DEDUCTIBLE -

- **STANDARD** - \$500 all perils (other than hurricane) any one occurrence
- Hurricane - separate deductible applies (usually written as a percentage of coverage amount)
- **COMMERCIAL RESIDENTIAL** - option of deductible applying either per event or annual basis
- **Standard deductible for windstorm and hail for beach area of Florida lower east coast is percentage of value of property**

COVERAGE FORMS -

- Building and Personal Property Coverage form
- Builders Risk Coverage form
- Business Income Coverage form
- Extra Expense Coverage form
- Legal Liability Coverage form
- Condominium Association Coverage form
- Condominium Commercial Unit-Owners Coverage form
- Leasehold Interest Coverage form

6.3 BUILDING AND PERSONAL PROPERTY COVERAGE FORM

COVERED PROPERTY -

BUILDING (if you own the building) -

Structure described in declarations, including completed additions; fixtures, including outdoor fixtures; permanently installed machinery and equipment; personal property to service premises such as fire extinguishers, outdoor equipment; floor coverings; refrigerating, ventilating, cooking, dishwashing and laundering appliances; additions under construction including materials, equipment, supplies and temporary structures on or within 100 feet of premises.

YOUR BUSINESS PERSONAL PROPERTY (if you own the property) -

Furniture, fixtures, machinery, equipment, stock, other owned personal property used in business; value of labor, materials or services; if a tenant, improvements and betterments; all such property in building or within 100 feet of insured premises. (Sidewalk sale)

PERSONAL PROPERTY OF OTHERS (property leased or not owned) -

Property in care, custody, or control of insured while located as described in Your Business Personal Property

PROPERTY NOT COVERED –

- Accounts, bills, currency, deeds, evidences of debt, money or securities
- Unless specifically covered, bullion or manuscripts, animals (unless boarded or held for sale)
- Autos for sale
- Paved surfaces
- Cost of ground preparation
- Property below ground
- Land
- Crops
- Bulkheads, pilings, piers, wharves or docks
- Retaining walls that are not part of building
- Self-propelled machines, other than stock, licensed for road use or mainly operated away from premises
- Fences
- Outdoor radio or TV antennas, wiring, masts
- Outdoor trees, shrubs, plants

ADDITIONAL COVERAGES –

SIGNS - \$2,500 per sign in any one occurrence whether attached or not

DEBRIS REMOVAL - Limit of 25% of amount paid for loss to covered property, unless coverage exhausted before debris removal or debris costs exceed 25%, then up to an **additional \$10,000** provided for each occurrence at each location.

COVERAGE FOR DEBRIS REMOVAL EXAMPLE			
	POLICY A	POLICY B	POLICY C
Building Limit	\$500,000	\$100,000	\$100,000
Building Loss	\$100,000	\$90,000	\$90,000
Debris Cost	\$45,000	\$45,000	\$12,000
Debris Limit	25% x 100,000 (loss) = \$25,000	25% x 90,000 = \$22,500	25% x 90,000 = \$22,500
Covered by Limit	\$25,000	\$10,000	\$10,000
Additional Amount	\$10,000	\$10,000	\$2,000
Total Policy Pays	\$35,000	\$20,000	\$12,000
	25% of loss is not enough to cover debris, require the additional \$10,000	Policy limit exhausted, additional \$10,000 is provided	Policy limit exhausted, only additional \$2,000 needed to cover debris

PRESERVATION OF PROPERTY - When property must be moved to another location to protect it from a covered loss, coverage for damage to covered property in transit and for 30 days a temporary location.

FIRE DEPARTMENT SERVICE CHARGE - Reimbursement up to \$1,000 for fire department service charge - an **additional** amount of insurance

POLLUTION CLEAN UP AND REMOVAL – Pays cost of extracting pollutants from ground or water if created by covered peril. Must be reported within 180 days of loss - Maximum of \$10,000 total for all covered loss per 12-month period

INCREASED COST OF CONSTRUCTION – Coverage triggered when building ordinance or law is applied and insured has replacement cost option. Limit is lesser of 5% of limit of insurance OR \$10,000. Law must be in effect at time of loss and no coverage for ordinance insured should have complied with but did not.

EXTENSIONS OF COVERAGE (80% Coinsurance required, or Value Reporting Form used)

AUTOMATIC COVERAGE -

1. Buildings -
 - **30-days** automatic coverage
 - Up to **\$250,000** per building
 - Newly acquired building or new building under construction
2. Property -
 - **30-days** automatic coverage
 - Up to **\$100,000** limit at each building
 - Newly acquired business personal property at insured and acquired locations

PERSONAL EFFECTS AND PROPERTY OF OTHERS -

- IF policy includes Your Business Personal Property
- **\$2500** limit
- Personal property and effects of named insured, partners, employees (excludes loss by **theft**)
Personal property in care, custody, or control of insured

VALUABLE PAPERS AND RECORDS -

- IF policy includes Your Business Personal Property
- **\$2,500** limit
- For cost to research, replace, restore

PROPERTY OFF-PREMISES -

- **\$10,000** limit
- Covered property temporarily at location not owned, leased, operated by insured
- (Example: owned copier being repaired at another location)

OUTDOOR PROPERTY -

- **\$1,000** limit Fences, antennas, trees, shrubs, plants- (**\$250** limit any one tree, shrub, plant)
- **For limited perils** - fire, lightning, explosion, riot or civil commotion or aircraft

NON-OWNED DETACHED TRAILER -

- Limit **\$5,000**, can be increased, excess over any other coverage on trailer
- Detached non-owned trailers used in insured's business and located on premises described in Declarations when insured agrees in writing to provide coverage.

CONDITIONS-

- Prohibits abandonment of property to company
 - Appraisal if company and insured disagree
 - Insured's duties after loss
 - How and when company pays for loss
 - Rights of recovery
 - Coinsurance
 - **Vacancy** -
Building vacant more than **60** consecutive days prior to loss, coverage suspended for:
 - Vandalism
 - Sprinkler leakage (unless steps against freezing taken)
 - Building glass breakage
 - Water damage
 - Theft or attempted theft
 - **Any other** covered cause of loss -
 - Payable amount reduced by **15%**
- Limitations eliminated by attachment of Vacancy Permit Endorsement

- **VALUATION -**

- Loss or damage to covered property normally ACV - Replacement cost if the damage to building is valued at \$2,500 or less and in compliance with coinsurance. RC does not apply to awnings, floor coverings, appliances, outdoor equipment or furniture
- **Stock** sold, not delivered, covered for net selling price
- **Records and papers** covered for cost to reproduce
- **Tenants improvements - IF** promptly repaired **ACV** up to original cost - **IF NOT promptly repaired**, covered subject to formula - (original cost) x (time from date of loss until expiration of lease divided by time from date of installation to expiration of lease)

Tenant's improvements Example: Tenant suffers a loss to improvements that were made to a leased office space when a fire occurs at the end of June. Original cost of improvements - \$12,000; Lease term 1 year beginning January 1st

\$12,000 (original cost) X 6/12 (time remaining on lease, 6 months divided by 12-month lease) = \$6,000 (remaining value of improvements) amount paid IF NOT promptly repaired

- **MORTGAGE HOLDERS -**

- Losses paid to interest stated in Declarations
- Protection not impaired by acts or omissions of insured
- Receives advance notice of cancellation or nonrenewal of policy

OPTIONAL COVERAGES -

- **AGREED VALUE -**

- Waives coinsurance
- Signed statement of values filed with company, insuring 80% or more
- Expiration date may be earlier than policy expiration date

- **INFLATION GUARD -**

- Annual rate of increase stated
- Policy increases pro rata throughout term

- **REPLACEMENT COST -**

- Pays replacement cost without deducting depreciation
- Available for buildings and personal property, not property of others
- Requires 80% coinsurance
- Must actually repair or replace within reasonable time

ENDORSEMENTS-

• **VALUE REPORTING -**

- Businesses where personal property values fluctuate
- Periodic reports required
- Reports filed within 30 days of end of each month
- **How losses are paid:**
 1. First report **never filed** but not past due - 100% of loss paid up to policy limit
 2. If **first** report not made and overdue, company liable for 75% of loss
 3. Reports have been filed but last report overdue, company liable for maximum of value stated on the last report
 4. **Last** report was understated, loss paid based on coinsurance formula
(Example: Loss x Reported understated values = Loss payment)
True value

VALUE REPORTING - EXAMPLES OF 1, 2, AND 3 ABOVE						
Policy Inception	End of first month	Loss Occurs	Report Due	No Report Made - Loss Occurs		
Jan 1	Jan 31	Feb 15 Report is not late - loss paid in full	30 days	Mar 15 Report is late - pay 75% of loss		
First Report made	End of 2 nd month	Second Report made	End of 3 rd month	Loss occurs	End of 4 th month	Loss occurs No Report made
xx/xx	2/28	xx/xx	3/31	4/15 Report is not late - loss paid in full	4/30	5/15 Report late - maximum paid for loss is amount stated in the last report

• **PEAK SEASON -**

- Stating higher limits to apply during specific periods of the policy - No reporting

• **BUILDING ORDINANCE COVEAGE-**

- Covers insured for enforcement of laws requiring:
 1. Demolition of undamaged portions of building
 2. Repair or reconstruction based on building, zoning and land use laws
 3. Replacement cost and 80% or more coinsurance are prerequisites

6.4 BUILDERS RISK COVERAGE FORM

COVERAGE - Buildings under construction

COVERED PROPERTY -

- Structures under construction including foundations
- Fixtures and machinery
- Equipment to service building
- Owned materials and supplies used for construction
- Temporary structures built on site (if not covered by other insurance)

COVERAGE EXTENTION -

- **\$5,000** for materials and supplies owned by others in insured's care, custody, or control
- Located within 100 feet of premises and intended to become part of building.

NEED FOR ADEQUATE INSURANCE -

- Waives coinsurance - must be insured for the **expected completed value** of the building at all times
- If at the time of loss, the value of the building appreciated then loss is paid according to the coinsurance formula.
 - **Formula** - (Loss) X (Limit divided by completed value)

TERMINATION OF COVERAGE -

1. **CANCELLATION OR EXPIRATION** of policy
2. **OCCUPIED** in whole or part (after **60 days**)
3. **PUT TO INTENDED USE**
4. **ABANDONMENT**
5. **ACCPETED** by purchaser
6. Insured's **INTEREST CEASES**
7. **90 DAYS** after completion

6.5 BUSINESS INCOME COVERAGE FORM

COVERAGE -

- Net profit or loss (before taxes)
- Continuing normal operating expenses through "period of restoration" for covered cause of loss

"PERIOD OF RESTORATION" -

- Begins 72 hours after date of direct damage, and
- Ends on date when damaged property could be repaired, rebuilt, or replaced with reasonable speed, or date business resumes operations at new, permanent location, whichever comes first.
- **72-hour Deductible**

TWO COVERAGE FORMS -

1. **BUSINESS INCOME WITH EXTRA EXPENSE** - Pays extra expenses to minimize suspension of business regardless of whether expenses would result in loss of business income
2. **BUSINESS INCOME WITHOUT EXTRA EXPENSE** - Pays extra expenses only to extent they reduce loss.

BUSINESS INCOME WITH EXTRA EXPENSE VS. BUSINESS INCOME WITHOUT EXTRA EXPENSE			
	With Extra Expense	Without Extra Expense	Either Policy
Coverage Amount	\$100,000	\$100,000	\$100,000
Extra Expenses incurred to try to reduce loss	\$40,000	\$40,000	\$40,000
EE Reduced losses by	\$10,000	\$10,000	\$80,000
Net loss after reduction	\$90,000	\$90,000	\$20,000
Covered Extra Expenses	\$40,000	\$10,000	\$40,000
What policy will pay?	\$130,000 All Extra Expenses are covered	\$100,000 Will pay only the Extra Expenses incurred that actually reduce the loss	\$60,000 Since the Extra Expenses incurred reduced the loss to only \$20,000. Both policies will cover the loss plus all EE.

ADDITIONAL COVERAGES -

- **EXTRA EXPENSES** - Coverage up to three weeks if access is prohibited by civil authority because of damage elsewhere from covered loss (after 72 hours)
- **EXTENDED PERIOD OF INDEMNITY** - Coverage up to 30 days after period of restoration, if continued loss of business income

COVERAGE EXTENSION -

- **\$100,000** automatic coverage at each newly acquired location
- For **30 days**

LIMITATIONS -

- Applies to business income loss caused by damage to electronic media or records
- Period of Indemnity - longer of 60 days from date of damage, or restoration period related to other damaged property

DEDUCTIBLE - Business Income subject to 72-hour deductible

COVERAGE OPTIONS - (First three options waive operation of coinsurance)

MAXIMUM PERIOD OF INDEMNITY -

- Eliminates coinsurance requirement
- Limits period of indemnity to **120 days** following 72-hour deductible period

MONTHLY LIMIT OF INDEMNITY -

- Eliminates coinsurance requirement
- Limits amount of recovery to fraction of coverage limit during each consecutive 30 days during period of restoration. Fractions available, **1/3, 1/4, 1/6**

AGREED VALUE -

- Eliminates coinsurance requirement
- Valued coverage agreement to pay a fixed percentage of losses

EXTENDED PERIOD OF INDEMNITY -

- **Does Not Waive Coinsurance**
- Extends period of indemnity for period **up to 730 days**

Variation on basic Business Income Coverage -

Business Income From Dependent Properties - Loss caused by damage to property of others, those insured relies upon for delivery of materials or services or to accept insured's products or services.

BUSINESS INCOME MONTHLY LIMIT OF INDEMNITY				
Business Income Limit - \$100,000 Monthly Limit Fraction 1/4	1-30 Days	31-60 Days	61-90 Days	91-120 Days
Limit per 30-day period	\$25,000	\$25,000	\$25,000	\$25,000
Losses per 30-day period	\$40,000	\$15,000	\$25,000	-0-
Policy Pays	\$25,000	\$15,000	\$25,000	-0-
Total Business Income Loss	\$80,000			
Total Amount Policy Pays	\$65,000			

6.6 EXTRA EXPENSE COVERAGE FORM

COVERAGE-

- **Reimburses** insured for **extraordinary** expenses incurred to maintain **uninterrupted** operations
- Coverage for **Period of Restoration**
- **No** deductible applies

LIMITSONLOSSPAYMENT-

- Percentages stated on Declarations page
- Portion of limit recovered based on 30-day periods

EXTRA EXPENSE LIMITS ON LOSS PAYMENTS

Extra Expense Limit - \$100,000

Percentages - 40, 60, 80, 100

ACTUAL EXPENSES EACH 30-DAY PERIOD

1-30 Days	\$40,000
31-60 Days	\$25,000
61-90 Days	\$30,000
91-120 Days	-0-
TOTAL EXPENSES	\$95,000

**POLICY PAYS UP TO 80% OF POLICY
LIMIT \$80,000**

Since Restoration Period was between 61 and 90 days the policy pays 80% of the limit. If the Period of Restoration had been 31 and 60 days, the policy would have paid only 60% of the limit. If the period of restoration lasted 91 to 120 days, 100% of the policy limit would have been available. This policy reimburses insured for expenses incurred.

6.7 LEASEHOLD INTEREST COVERAGE FORM

COVERAGE - Covers *tenants* for loss of-

1. Favorable lease
2. Favorable sublease
3. Remaining value of bonus paid to acquire lease
4. Value of improvements and betterments
5. Value of prepaid rents

“REMAINING VALUES” - Unamortized portion of values remaining from date of loss to end of lease period.

6.8 LEGAL LIABILITY COVERAGE FORM (Previous name was Fire Legal Liability)

COVERAGE-

- Pays another on behalf of the insured and includes legal costs for defending insured against claims of others
- Covers insured for -
 - Occupancy of building owned by others
 - Damage to personal property such as customers goods or leased equipment

DEDUCTIBLE - No deductible or coinsurance

6.9 CONDOMINIUM COVERAGE FORMS

CONDOMINIUM ASSOCIATION FORM -

COVERAGE -

- Direct physical loss or damage to:
 - Buildings
 - Business Personal Property
 - Personal Property of Others in care, custody, or control of association and located at premises
- Perils insured against contained in Causes of Loss forms.
- Definition of **Building** is extended to cover -
 - Outdoor fixtures
 - Permanently installed fixtures and equipment
 - Fixtures, improvements, alterations which are part of building
 - **Building** does **not** include - Personal Property owned, used or controlled by a unit-owner
- **Business Personal Property** includes - Property owned by association or owned individually by unit-owners

(When both association and unit-owners policies apply to cover a loss, the association is Primary, unit-owners is Excess.)

CONDOMINIUM UNIT OWNERS FORM -

COVERAGE-

- Commercial, not residential, condominium unit-owners
- Covers unit-owner's business personal property
- Covers personal property of others in care, custody or control of insured
- Does **not** cover building

6.10 CAUSES OF LOSS FORMS - GENERAL

All Coverage forms require attachment of Cause of Loss form.

FORMS - Basic, Broad, Special

Theft (Covered only under Special form)

EXCLUSIONS (all forms) -

1. Loss from enforcement of building ordinances, demolition and debris removal
2. Earth movement (other than catastrophic ground cover collapse), EXCEPT damage resultant of fire or explosion
3. Governmental authority seizure or destruction
4. Nuclear, EXCEPT damage caused by resultant fire
5. Power failure
6. War
7. Fungus, wet rot, dry rot, bacteria (covered if it results in specified cause of loss or is result of fire or lightning)
8. Flood, rising waters, backing up of water, EXCEPT damage caused by resultant fire
9. Wiring damaged by artificially generated electrical current, EXCEPT damage caused by resultant fire
10. Explosion of steam boilers, pipes, engines or turbines, EXCEPT damage caused by resultant fire

BUSINESS INCOME AND EXTRA EXPENSE ALSO EXCLUDES -

- Damage to antenna equipment
- Delays in restoration caused by strikers, loss of license, lease or contract (unless caused by the suspension of operations)

BUSINESS INCOME ALSO EXCLUDES -

- Loss from damage to stock manufactured by insured or time required to reproduce such stock

LIABILITY UNDER CONTRACT -

- Exclusion does not apply if liability is assumed under contract (example: tenant insured's lease) and insured would have been liable even if contract did not exist

6.11 CAUSES OF LOSS - BASIC FORM

PERILS -FL WCC SHAVVVERS

1. **Fire and removal**
2. **Lightning**
3. **Windstorm**, no interior damage covered unless first exterior damage to walls or roof by wind or hail
4. **Civil commotion**
5. **Catastrophic ground cover collapse**, cost of fill collapse not covered
 - To be covered loss must be all of the following:
 - Abrupt collapse of ground cover
 - Visible depression
 - Structural damage to building, including foundation
 - Structure condemned and ordered to vacate by governmental authority
6. **Smoke**, sudden and accidental
7. **Hail**, no interior damage covered unless first exterior damage to walls or roof by wind or hail
8. **Aircraft**
9. **Vehicles**, damage caused by owned or operated vehicles excluded
10. **Vandalism**, excludes signs, nonstructural building glass, damage caused by theft, except damage by forcible entry or exit by burglars
11. **Volcanic Action**
12. **Explosion**
13. **Riot**
14. **Sprinkler leakage**

ADDITIONAL EXCLUSIONS -

1. Rupture or bursting of water pipes
2. Leakage or discharge of water or steam from breaking or cracking of a system or appliance (automatic sprinklers are excluded, and if caused by covered loss)
3. Mechanical breakdown, resultant damage from covered loss is covered

ADDITIONAL COVERAGE -

- **Limited coverage for fungus** - "give-back" of exclusion - ***\$15,000 annual aggregate*** for all claims payable as result of a covered cause of loss other than fire or lightning.
- Covers direct physical loss including cost of removal, tearing out and replacing any part of building to access damage
- Does not increase limit of insurance, identical in Broad and Special Forms

6.12 CAUSES OF LOSS – BROAD FORM

PERILS (same as above plus)

Falling objects

Weight of Ice, snow, sleet

Water damage from accidental leakage of water or steam (does not include cost to repair or seepage occurring over period of 14 days or more or freezing, unless preventative measures taken)

Collapse, if caused by one of above perils; hidden decay, insects or vermin; weight of people, personal property or rain collecting on roof; loss during construction or remodeling if caused by use of defective materials

6.13 CAUSES OF LOSS – SPECIAL FORM

OPEN PERILS (All Risks, except as excluded)

EXAMPLE OF EXCLUSIONS -

Wear and tear
Rust
Decay
Deterioration
Smog
Release of pollutants, contaminants
Settling, cracking
Nesting, infestation or discharge of waste products or secretions of insects, birds, rodents or other animals
Breakdown
Temperature changes
Marring or scratching
Prolonged leakage or seepage of water
Dishonesty of insured or employees
Voluntary parting with property through trick or device
Loss to property in open from the elements
Governmental acts
Errors in planning, zoning, development, surveying, design, workmanship, materials, maintenance

COVERAGE LIMITATIONS (limits coverage to types of property) -

Boilers (caused by equipment condition)
Interior of buildings (damage by rain, sand, etc., unless exterior damaged)
Detached building materials and supplies by theft
Mysterious disappearance of property
Unless caused by one of the Broad Form causes of loss
Valuable papers and records, animals, fragile articles
Builders' machinery, tools and equipment
Special dollar limitations:
\$2,500 - Theft of furs, fur garments
\$2,500 Theft of jewelry and similar property
\$2,500 Theft of patterns, molds, dies, forms
\$250 - Stamps, tickets, letters of credit

ADDITIONAL COVERAGE EXTENTIONS -

Property in transit, limited perils, to **\$5,000**
Cost to tear out, replace part of building to repair damage caused by water

6.14 FARM PROPERTY COVERAGE

Farm Property coverage contains coverage for both personal (farmer) and business (farm).

COVERAGE - Coverage for direct physical loss to:

- **COVERAGE A** - Dwellings
- **COVERAGE B** - Other private structures appurtenant to dwelling (attached or detached, such as carport or detached garage)
- **COVERAGE C** - Household private property
- **COVERAGE D** - Loss of use including coverage for additional living expense and fair rental value
- **COVERAGE E** - Scheduled farm personal property, including such equipment as grain, farm produce, poultry, livestock, machinery, vehicles and equipment incidental to farm use, **growing crops not included**
- **COVERAGE F** - Unscheduled farm personal property, blanket basis, on and off insured premises
- **COVERAGE G** - Other farm structures, including farm buildings and structures other than dwelling which includes barns, silos, fences and outdoor radio and equipment, as well as other farm structures

(Coverages A, B, C, D pertain to the Individual – Coverages E, F, G pertain to the Business)

PERILS - Basic, Broad, Special can be applied separately to each coverage; Earthquake may be purchased separately

COMMERCIAL PROPERTY AND FARM TEST

1. Which of the following is not a peril?
A. Falling objects B. Ladder C. Wind D. Fire
2. What term relates to indemnity?
A. Subrogation B. Endorsement C. Risk D. Binder
3. Which of the following is a direct loss?
A. Rental of an auto because of auto damage
B. Expenses to relocate for 60 days after fire damage to building
C. Income lost while business window is repaired due to breakage
D. Total loss of building due to fire damage
4. Which of the following is an indirect loss?
A. Total loss of building due to fire damage
B. Damage to an auto from a collision
C. Revenue loss during relocation after fire damage to building
D. Windstorm damage to screened pool
5. When the contract has to do with real property, the clause naming the lender is referred to as.
A. Lenders clause B. Loss payee clause C. Mortgage Holders clause D. Insurable interest clause
6. An insured call an agent to increase his coverage on a building, but fails to mention that the building is on fire, what would this be called?
A. Concealment B. Clever C. Breach of warranty D. Misrepresentation
7. When the insured transfers their legal right of recovery to the insurer it is called.
A. Liberalization B. Subrogation C. Transfer D. Fraud
8. All of the following apply to the FL Valued Policy Law, except?
A. Applies to a total loss
B. Applies to buildings, structures, mobile homes or manufacturing housing units
C. Insurer is required to pay insured only the current value of the property up to the limit of the policy
D. Insurer has the option to rebuild property rather than reimbursing insured
9. Which would not be found on the Declarations page?
A. Insured name B. Property covered C. Endorsements D. Exclusions
10. A building is totally destroyed by a covered peril. The value of the building at the time of loss was \$100,000 and 80% coinsurance required. The limit of insurance carried was \$60,000. What will the insured recover?
A. \$100,000 B. \$80,000 C. \$48,000 D. \$60,000
11. All of the following perils are covered under the Basic Form Cause of Loss, except.
A. Vandalism B. Collapse C. Sprinkler leakage D. Exterior damage by hail
12. All of the following are perils added under the Broad Form Cause of Loss, except.
A. Theft B. Weight of snow C. Falling objects D. Water damage from leakage of an AC unit
13. Special Cause of Loss covers?
A. Everything not excluded or limited C. Flood
B. Dishonesty of employees D. Indirect losses

14. All of the following are true statements concerning the standard deductible under a Commercial Property policy, except.
- Standard deductible is \$500 for all perils except hurricane
 - Hurricane has separate deductible
 - Deductible for windstorm and hail in the beach area of the Florida lower east coast is a percentage of the property policy limit
 - Wind deductibles for commercial residential properties can apply either on a per event or annual basis
15. A building valued at \$80,000 at the time of loss with a 100% coinsurance clause suffers a \$40,000 loss. Their limit of coverage carried is \$40,000. Ignoring deductibles, what will insured recover?
- \$80,000
 - \$48,000
 - \$20,000
 - Nothing
16. A building valued at \$100,000 at the time of loss with a 90% coinsurance clause suffers a \$60,000 loss. Their limit of coverage carried is \$90,000. What will they recover?
- \$100,000
 - \$90,000
 - \$60,000
 - \$54,000
17. What is the purpose of the Extra Expense Coverage form?
- Covers extra expenses in maintaining a favorable lease
 - Covers normal operating expenses during slow seasons
 - Covers for extraordinary expenses with only \$500 deductible
 - Covers extraordinary expenses in maintaining uninterrupted operations
18. When can a Commercial Property policy be canceled for nonpayment of premium?
- 20 days' notice in the first 60 days
 - 45 days' notice in the first 60 days
 - 45 days' notice any time
 - 10 days' notice any time
19. How is a non-renewal handled in Commercial Property?
- 45 days' notice orally or written including the reasons
 - 20 days written notice no reason needed
 - 45 days written notice including the reason
 - 45 days written notice no reason necessary
20. The insured's duties following a loss are examples of.
- Insurable interest
 - Conditional contract
 - Personal contract
 - Contract of indemnity
21. When must insurable interest exist?
- At the time of loss
 - At the time of issuance
 - Throughout the policy
 - Does not apply in Commercial Property or Dwelling
22. A building valued at \$150,000 is a total loss by fire. The fire was determined to be arson by the insured. What would the company's obligation be?
- Pay all claims
 - Deny all claims
 - Pay claims held by mortgagee, if any
 - Recover against insured for damages
23. Insured has a Building and Personal Property coverage form with a 50% coinsurance clause, how are the outdoor signs that are not attached to the building covered?
- Covered up to \$1,000
 - Covered up to \$2,500
 - Covered Replacement Cost
 - Covered ACV basis
24. Under the Business Income coverage form, which of the following coinsurance percentages is available?
- None
 - 100%
 - 125%
 - All the above

25. If both the Association and Unit-Owner's policies provide coverage for the same loss, how will the coverages apply to each other?
- A. Association is primary, Unit-Owner is excess
 B. Unit-Owner is primary, Association is excess
 C. They apply Pro-Rata
 D. They apply Equal Shares
26. Which of the following would not be considered part of the "building" under the Building and Personal Property coverage form?
- A. Permanently installed machinery
 B. Floor coverings
 C. Fire extinguisher
 D. Fences
27. Which of the following is correct about the Automatic Coverage Extension in a Building and Personal Property coverage form?
- A. 30 days for newly acquired building - up to \$100,000 per building
 B. 45 days for newly acquired building - up to \$250,000 per building
 C. 30 days for newly acquired building - up to \$250,000 per building
 D. 45 days for newly acquired building - up to \$100,000 per building
28. What endorsement is needed to cover the demolition of the undamaged portion of a building?
- A. Demolition coverage endorsement
 B. Builders Risk endorsement
 C. Debris Removal endorsement
 D. Building Ordinance endorsement
29. A Farm policy covers all of the following, except?
- A. Harvested crops
 B. Growing crops
 C. Livestock
 D. Machinery
30. Which of the following would be covered under the peril of collapse?
- A. Rats have eaten a large hole in the ceiling and the ceiling collapses
 B. Insects inside wall damage supports and wall collapses
 C. Ground below your swimming pool settles and the side collapses
 D. All would be covered
31. If a building covered under a \$100,000 Building and Personal Property coverage form has a \$90,000 fire loss and the cost of debris removal is \$30,000, what will the policy pay?
- A. \$90,000 for fire loss - \$25,000 debris removal
 B. \$90,000 for fire loss - \$20,000 debris removal
 C. \$90,000 for fire loss - \$10,000 debris removal
 D. \$90,000 for fire loss - none for debris removal
32. A tenant in an office building with a 3-year lease spends \$12,000 on improvements. On the last day of the first year a fire destroys the building. The tenant is not able to promptly repair the damage. What will the coverage be under a Building and Personal Property coverage form?
- A. ACV
 B. RC
 C. \$4,000
 D. \$8,000
33. The value of the inventory at a business varies greatly from month to month. Under the Building and Personal Property coverage form, which of the following options would provide the best coverage?
- A. Value Reporting
 B. Replacement Cost
 C. Peak Season
 D. Building Ordinance
34. Which is covered under a Leasehold Interest coverage form?
- A. Landlord's loss of a favorable lease
 B. Tenant's loss of a government contract
 C. Landlord's loss of prepaid rents
 D. Tenant's loss of favorable sublease

35. A Building and Personal Property coverage form with Value Reporting endorsement has a provisional amount of \$100,000. Policy inception date is Jan 1. If a covered \$20,000 loss happens on Feb 15 and the first report has not been made; how much will the company pay?
- A. Nothing B. \$20,000 C. \$15,000 D. \$10,000
36. Refer to question 35. If the Jan and Feb reports have been made, on what date is the March report late?
- A. March 1 B. March 31 C. April 30 D. May 1
37. Farm Property Policy offers which of the following levels of coverage.
- A. Standard, Broad, Special C. Basic and Broad
B. Standard and Special D. Basic, Broad, Special
38. All of the following coverage options under Business Income replace the coinsurance condition except.
- A. Maximum Period of Indemnity C. Monthly Limit of Indemnity
B. Agreed Value D. Extended Period of Indemnity

CHAPTER SEVEN

GENERAL LIABILITY

Insurance for business liability arising out of (1) direct, (1) indirect or (3) contractual hazards

Examples:

1. **DIRECT LIABILITY** - Being injured by allegedly unsafe conditions on premises owned or occupied by insured.
2. **INDIRECT OR CONTINGENT LIABILITY** - Being held liable for actions of independent contractors to whom insured has subcontracted work.
3. **CONTRACTUAL LIABILITY** - Liability assumed under contract.

7.1 THE CGL CONTRACT

- Declarations
- Common Policy Conditions
- One of two coverage forms - Claims-Made or Occurrence
- Nuclear Energy Liability Exclusion endorsement
- Amendment of Pollution Exclusion endorsement

DECLARATIONS -

- Identifies named insured and address
- States policy period, premium, miscellaneous information about insured
- Specifies limits of coverage

COMMON POLICY CONDITIONS -

- **CANCELLATION** -
 - **First 90 days, 20 days'** written notice, EXCEPT for misrepresentation, misstatement, etc.
 - **After 90 days, 45 days'** written notice of cancellation or nonrenewal
 - **10 days for nonpayment** of premium
- **CHANGES** - Changed only by endorsement agreed upon by company and first named insured.
- **EXAMINATION OF BOOKS, RECORDS** - Company has right to audit during policy period and for up to three years thereafter.
- **INSPECTIONS AND SURVEYS** - Company has right to make inspections and give recommendations but disclaims any liability for such.
- **PREMIUMS** - First named insured must pay and receive return of premiums.
- **TRANSFER** - Rights or duties may not be transferred, except with written consent of company.
- **NUCLEAR ENDORSEMENT** - Excludes all hazards related to nuclear energy.

7.2 COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE INSURING AGREEMENT

COVERAGE-

- Pay sums insured **legally**, not just morally, obligated to pay as **damages** because of **bodily injury** (BI) or **property damage** (PD) to which insurance applies.
 - **Bodily Injury** - physical harm, including sickness or disease or resulting death (no coverage for nonphysical injuries such as damage to reputation - this is covered under Coverage B)
 - **Property Damage** - physical injury to tangible property, including loss of use of property not physically injured. (no coverage for intangible property such as copyrights, patents if infringed - these are addressed under Coverage B)

LIABILITY EXPOSURES COVERED-

1. **PREMISES AND OPERATIONS** - liability arising out of business location or activities at any location.
 - **Example:** Customer slips on newly waxed floor in the local coffee shop.
 2. **PRODUCTS/COMPLETED OPERATIONS** - BI and PD away from premises insured owns or rents and arising out of insured's products or work, EXCEPT still in insured's physical possession or work not completed or abandoned.
 - **Example:** Customer is injured from spoiled bakery goods sold at the local grocery store; Person is injured from carpet tacks left behind by ABC Carpet workers after installing new carpet.
 3. **CONTRACTUAL LIABILITY** - One business assuming liability exposures for another business through contract.
 - **Example:** ABC Pharmacy, under contractual agreement with the City of Hometown, agrees to accept liability for a neon sign they hang over a public sidewalk.
 4. **CONTINGENT OR VICARIOUS LIABILITY** (Indirect liability) - Business may be liable for actions of employees, agents, or subcontractors.
 - **Example:** A bank guard knocks a man down mistaking him for a bank robber. Man sues both the guard and bank.
- **WORK** - Work or operations performed by insured or insured's behalf and materials or equipment used in connection.
 - **COMPLETED WORK** -
 1. Work called for in contract complete
 2. Work completed at one site when contract calls for work at more than one site
 3. Work done at job site put to intended use by other than contractor or subcontractor
 - **PRODUCT** - Any goods or products manufactured, sold, handled, distributed, etc. by:
 1. Insured
 2. Others trading under insured's name
 3. Person, organization whose business or assets insured has acquired

COVERAGE LIMITATIONS-

BI or PD must be caused by an "Occurrence" which takes place within the "Coverage territory"

"OCCURRENCE" defined -

1. An accident, including continuous or repeated exposure to substantially the same harmful conditions. "Accident" is a sudden, unexpected event.
2. Other situations not defined as accident, such as, a faulty product that causes progressive injuries over time - Example: breast implants

“COVERAGE TERRITORY -

- US, its territories or possessions, Puerto Rico, Canada, including international waters and airspace between these places
- Expanded Definition includes - Entire world as to BI and PD caused by **products made or sold** by insured in the defined territory, and activities of insured while away from defined territory for short time on business.

LAWSUITS - Company has right and duty to defend insured, this ends when limits of coverage are exhausted in payments or settlements.

COVERAGE TRIGGER -

- **OCCURRENCE FORM** - BI and PD occurring during policy period, regardless of when the claim is made
- **CLAIMS-MADE FORM** - BI and PD occurring on or after the "retroactive date" **AND** claim is received or recorded by insured or company during policy period.

“RETORACTIVE DATE” -

- Usually stated in Declarations, **normally** same date as effective date of issuing company's first claims-made policy for insured.
- Claims Made **could** be issued without a Retroactive Date, in which case the company would be covering claims for occurrences which happened prior to their assumption of the risk
- **Coverage gaps** can develop -
 - **IF** policy contains a retroactive date which is later than the policy's effective date of the first claims-made policy
 - **IF** insured replaces a claims-made policy with an occurrence form

EXTENDED REPORTING PERIODS -

- **BASIC EXTENDED REPORTING PERIOD (BERP)** - Free and automatic coverage extension triggered by:
 1. Policy canceled or not renewed
 2. Renewed with a later retroactive date than date stated in Declarations
 3. Renewed by a policy other than claims-made
- **BERP provides -**
 1. **60 days** after policy expiration for reporting occurrences
 2. **5 years** after policy expiration for claims, if reports were made within 60 days after policy expiration
 3. **DOES NOT** reinstate policy limits - limits for claims are whatever amount is left in the policy at the time of expiration
- **SUPPLEMENTAL REPORTING PERIOD (SERP) -**
 1. Must be requested in writing within **60 days** after policy expiration
 2. Reinstates policy limits only one time at end of **BERP** and extends time to report and make claim to infinity, **BUT does not** extend the policy term, occurrence must still happen after retroactive date and before policy expiration, in other words, during the policy period
 3. **SERP** begins after the "free" **60 days** for reporting
 4. **SERP** begins after the "free" **5 years** for claims

CGL Coverage Trigger- Timeline

2009 Occurrence	2010	2011	2012	2013	2014	---2025
	Claims Made - Retro 1/1/10	Claims Made - Retro 1/1/10	Claims Made - Retro 1/1/12	Claims Made - Same Retro	Claims Made - Same Retro	Out of business
	Accident 1/25/10		Accident Reported 2/1/12		Claim made for payment 4/1/14	

BERP automatically begins at the end of 2011 (60 days to report, 5 years to claim) - Insured has 60 days from the date BERP begins to purchase SERP - SERP will begin when the BERP coverage ends, after the 60-day period for reporting and 5 year period for claims.

NEW INSURING AGREEMENT - (Mandatory endorsement Amendment of Insuring Agreement - Known Injury or Damage)

KNOWN LOSS RULE -

- Cannot insure against a loss that is already known to have occurred.
- Imposes coverage restrictions to "known injury or damage" if insured knows the BI or PD occurred before effective date of renewal, then any known or unknown future losses will not be covered under renewal policy.

BI AND PD EXCLUSIONS -

- **Intentional Injury**
- **Contractual** - Liability assumed under contract
 - **Exceptions:**
 1. Certain agreements (if made prior to the BI or PD)
 2. Easement agreements
 3. Leases
 4. Sidetrack agreements
- **Liquor Liability** - Only excluded if insured is in business of alcohol
- **Employee Injuries** (Covered by WC)
- **Pollution**
- **Aircraft, Autos, Watercraft** - Owned or operated by or loaned or rented to insured
 - **Exceptions:**
 1. Watercraft on premises owned or rented to insured, or if less than 26 feet and not owned or used to carry persons or property for fee;
 2. Parking of autos of others on or next to insured's premises;
 3. Aircraft and watercraft under contractual agreement;
 4. Types of "mobile equipment"
- **Mobile Equipment** - (BAP covers mobile equipment being carried or towed, CGL covers when put intended use)
- **Miscellaneous Property Damage** - CGL excludes coverage for damage to various kinds of property
 1. Which insured owns, rents, occupies or has on loan; or personal property in insured's CCC
 2. Premises insured sold, given away, abandoned
 3. Real property insured or others on insured's behalf performing operations, if damage arises out of those operations
 4. Property that must be restored, repaired or replaced because work of insured (or others on insured's behalf) was incorrectly performed
- **Insured's Products**
- **Insured's Work**
- **Defects, Delays**
- **Recall** - expense related to recalling products
- **Electronic Data** - loss of use, corruption, inability to manipulate data

NOTE: Other than Intentional or Contractual - **Fire** Damage to a **RENTED** premise is covered. (Fire Legal Liability)

7.3 COVERAGE B – PERSONAL AND ADVERTISING INJURY

COVERAGE - Injury of a non-physical nature

- False arrest, detention or imprisonment, malicious prosecution
- Wrongful entry or eviction
- Oral or written publications that libel, slander, or violation of rights of private occupancy
- Misappropriation of ideas or styles of doing business or infringement of copyrights, titles or slogans

EXCLUSIONS -

- Oral or written publication, in any manner, made with knowledge of falsity
- Willful violations of law with knowledge or consent of insured
- Liability assumed under contract
- Failure of products or services to meet advertising standards
- Wrong price descriptions
- Any offense committed by someone in business of advertising, telecasting, broadcasting, or publishing
- Pollution

7.4 COVERAGE C – MEDICAL PAYMENTS

COVERAGE -

- Voluntary, without regard to legal liability
- Medical, dental, hospital and funeral services incurring *within 1 year of accident*
 1. On or next to insured's owned or rented premises
 2. Because of insured operations
- **\$5,000** basic limit per person

EXCLUSIONS -

- Insured
- Tenant (while on part of premises tenant normally occupies)
- Employee of insured or tenant
- Those entitled to Workers' Compensation
- One participating in athletics
- Injured away from insured's premises by insured's work after completion or by insured's products
- All exclusions for BI and PD apply

7.5 SUPPLEMENTARY PAYMENTS

- Loss of earnings up to **\$250** per day for time off work related to claim
- Interest on judgments
- Attachments bonds
- Bail bonds to **\$250**
- Legal expenses
- Expenses incurred by a request of the company

7.6 WHO IS INSURED

CATEGORIES OF INSURED -

1. **INDIVIDUAL** - Spouse, legal successors
2. **PARTNERSHIPS OR JOINT VENTURE** - Partners, members, spouses
3. **LIMITED LIABILITY COMPANY** - members, managers
4. **ORGANIZATIONS**, other than partnerships or joint ventures (**e.g., Corporations**) - Executive officers, directors, stockholders

ALSO, covered under each of above categories -

1. Employees (other than executive officers or managers of LLC) for acts as employees (EXCEPT for BI or personal injury to named insured, partners, members or co-employee; not for acts or omissions in providing professional health care services; not to damage to property owned, occupied, rented to or loaned to employee, partner, or joint venture)
2. One who acts as a real estate manager for insured

ACQUISITION OF NEW BUSINESS -

- **90-day** coverage, but only for events occurring **after** acquisition
- **EXCEPTION** - No coverage for partnerships or joint ventures or Limited Liability Company

7.7 LIMITS OF INSURANCE (Minimums)

TWO TYPES OF AGGREGATES -

1. **GENERAL AGGREGATE**
2. **PRODUCTS-COMPLETED OPERATION AGGREGATE**

LIMITS OF INSURANCE	
<u>General Aggregate</u>	
\$100,000 Basic Limit	
\$50,000 Minimum Limit	
BI & PD	\$100,000 Basic \$25,000 Minimum
Medical Payments	\$5,000 - per person
Personal & Advertising Injury	\$100,000 Basic - per person \$25,000 Minimum - per person
Fire Damage	\$25,000 Minimum \$100,000 Maximum
<u>Products-Completed Operations Aggregate</u>	
\$200,000 Basic Limit	
\$25,000 Minimum Limit	
BI & PD	\$100,000 Basic \$25,000 Minimum

7.8 CONDITIONS

- **OTHER INSURANCE** -
 - Policy is primary, unless otherwise stated
 - IF another policy applies that also states it is primary then this policy shares claims as follows:
 - Claims Made policy is always **EXCESS** to other insurance
 - Coverage provided under retroactive date or extended reporting periods also considered **EXCESS**
 - **EXCESS** over property insured that applies to insured's completed work or rented premises
 - **EXCESS** for any coverage afforded on aircraft, watercraft, or automobiles
 - IF allowed by the other policies this policy pays in equal shares and IF equal shares not permitted then payment is based on its limit in proportion to limits of all policies (pro-rata)
- **SEVERABILITY** - Each insured is covered separately and individually

7.9 MISCELLANEOUS FORMS OF GENERAL LIABILITY INSURANCE

- **OWNERS AND CONTRACTORS PROTECTIVE LIABILITY (OCP)** - Protects insured against claims for BI or PD arising out of operations being performed by another, such as a general contractor - Occurrence form only
- **LIQUOR LIABILITY COVERAGE** - In the business of liquor - Buy back liquor liability exclusion - Occurrence or Claims-Made
- **PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE** - Covers liability for products and completed operations. May be sold separately from CGL policy - Occurrence or Claims-Made
- **POLLUTION LIABILITY COVERAGE AND POLLUTION LIABILITY** - Two forms - Both buy back pollution exclusion - Broader Form also covers liability for clean-up - Both Claims-Made

7.10 EXCESS LIABILITY/UMBRELLAS – (Same as under the Personal Lines Coverages)

7.11 PROFESSIONAL LIABILITY INSURANCE

Covers liability arising from rendering of or failure to render professional services

STANDARD COVERAGE FORMS -

- **Physicians, surgeons, and dentists**
- **Hospitals**
- **Lawyers**

With endorsements these forms also apply to -

- Blood banks
- Medical and X-ray laboratories
- Nurses
- Optometrists
- Veterinarians

PHYSICIANS, SURGEONS, AND DENTISTS COVERAGE (PS&D)

TWO COVERAGES -

1. ***INDIVIDUAL Professional Liability***
2. ***PARTNERSHIP, ASSOCIATION, OR CORPORATION Professional Liability***

WHAT IS COVERED -

- Liability arising from medical incidents
- Available in Occurrence or Claims-Made
- *Basic Limits -*
 - ***\$250,000 per claim***
 - ***\$750,000 aggregate***
 - Higher limits available

EXCLUSIONS -

1. Criminal acts of insured
2. Liabilities as proprietor, hospital administrator, officer, stockholder, director, trustee or governor of any health care facility or other enterprise
3. Employee injuries

OTHERS WHO MAY BE COVERED BY A PS&D -

1. In addition to medical doctors, PS&D covers chiropodist, chiropractors, and physiotherapist
2. May be endorsed to include employed professionals, such as dental hygienists, laboratory technicians, X-ray technicians and pharmacist

HOSPITAL COVERAGE

COVERAGE-

- Liability arising out of medical incidents
- Available in Occurrence or Claims-Made
- *Basic Limits -*
 - ***\$250,000 per medical incident***
 - ***\$750,000 aggregate***

INSUREDS-

- Named insured
- Partners if named insured is a partnership
- Executive officers
- Hospital Administrator
- Stockholders
- Directors
- Trustees or governors

EXCLUSIONS - Liability for the following -

- Employee injuries covered by workers compensation
- Individual insured's own acts or omissions
- Motor vehicles (ambulance) or trailers
- Aircraft (helicopter)
- Watercraft

MISCELLANEOUS MEDICAL PROFESSIONS -

Through endorsements to a PS&D or Hospital form Blood Banks, Medical or X-Ray Laboratories, Optometrists, Veterinarians are covered - For acts or omissions in providing professional services

LAWYERS COVERAGE

COVERAGE -

- Acts or omissions in rendering professional services as a lawyer
- Activities as an administrator, conservator, executor, guardian, trustee or similar fiduciary responsibility

INSUREDS -

1. Individual
2. Partnership
3. Corporation or Association
4. Lawyers employed by named insured
5. Previously employed by above, after termination for services rendered prior to termination

EXCLUSIONS -

- Dishonest, fraudulent, criminal or malicious acts or omissions of insured or employee
- Claims by employer against an insured who is a salaried employee of employer
- Claims for BI or PD
- Claims for loss sustained by insured as beneficiary or distribute of trust or estate
- Various federal acts involving purchase, sale or offering of securities
- Activities as fiduciary under ERISA
- Businesses other than practice of law in which insured is involved
- Dual capacity functions as both lawyer and principal in another business or public official or employee of governmental body

Insurer has usual duty to defend, **BUT DIFFERENCE IS** claims expenses are part of limits, not additional amount - **Claims expenses** are deducted **FIRST** from policy limits, remainder of limits paid for damages

- *Basic Limits -*
 - **\$25,000 per claim**
 - **\$75,000 aggregate**

Lawyer's Liability coverage limit \$200,000 - Covered claim of \$150,000, claims expenses of \$75,000
\$75,000 claims expenses (supplementary payments) paid first
Only \$125,000 left of the policy limit of \$200,000 to pay the claims amount

7.12 FARM LIABILITY

Coverage form is designed to cover a farmer's personal and business exposures.

COVERAGE INCLUDES -

- BI and PD arising out of operations and personal activities
- Also includes Personal Injury and Advertising Injury
- Medical Payments without regard to liability

COVERAGE EXCLUDES LIABILITY FOR -

- Pollution
- Employee injuries
- Arising out of motor vehicles
- BI or PD arising out of insured's custom farming operations, EXCEPT for the first \$5,000 in receipts in 12-month period is covered
- Aircraft spraying
- Damage to insured's own products

OPTIONAL COVERAGES -

- ***CUSTOM FARMING*** - Performance of farming operations for others, above \$5000 in receipts already covered
- ***FARM EMPLOYERS' LIABILITY/MEDICAL PAYMENTS*** - Injuries to farm employees not eligible for Workers' Compensation

7.13 EMPLOYMENT-RELATED PRACTICES LIABILITY (EPL)

COVERAGE - Claims for injury to employee because of employment-related offense, defense costs

EXCLUSIONS -

1. Criminal, fraudulent or malicious acts
2. Americans with Disabilities Act
3. Violations of laws applicable to employers
4. Strikes and lockouts
5. Sexual harassment
6. Employment termination or relocation due to business decisions
7. Intentional injury
8. Retaliatory actions

INSURED-

- Individual
- Partnership or joint venture
- Limited Liability Company
- Organizations (corporations, etc. other than above)
- Employees with managerial or supervisory positions

LIMIT OF INSURANCE -

Single limit includes damages and defense expenses

CO-PAYMENT -

- Unique to EPL
- Insured shares in expenses of both damages and defense costs, to maximum amount

EXTENDED REPORTING PERIOD -

- Three-year period
- Available by endorsement

DEFINITIONS -

- **COVERAGE TERRITORY** - US, Puerto Rico, all other parts of world if suit brought in US or Puerto Rico
- **DEFENSE EXPENSES** - payments for a claim including fees and salaries of insured's attorneys and paralegals
- **DISCRIMINATION** - violation of person's civil rights
- **INJURY**- results from offenses such as: refusal to employ, termination, demotion or failure to promote, discipline, defamation or humiliation based on discrimination; coercing person to commit unlawful act within scope of employment; work related sexual harassment work-related verbal, physical, mental, or emotional abuse because of race, color, national origin, gender, age, etc.
- **SEXUAL HARASSMENT** - Unwelcome sexual advances; verbal, visual or physical conduct of sexual nature; hostile or offensive working environment
- **SUIT** - Civil proceeding alleging damages

COMMERCIAL GENERAL LIABILITY TEST

1. Which of the following is correct under Florida law for cancellation of CGL policies?
 - A. 30 days advance written notice
 - B. First 90 days/20 days written notice
 - C. First 60 days/20 days written notice
 - D. First 90 days/45 days written notice
2. Which of the following is correct under Florida law concerning nonrenewal of CGL policies?
 - A. 10 days written notice
 - B. 20 days written notice
 - C. 30 days written notice
 - D. 45 days written notice
3. Who must agree to changes made in a CGL policy?
 - A. Company and first named insured
 - B. Company or first named insured
 - C. Company and all named insured
 - D. Company only - it is a contract of adhesion
4. Which of the following is the best answer to when the company may examine the insured's books and records?
 - A. During the policy period
 - B. During the policy period and up to 1 year thereafter
 - C. During the policy period and up to 3 years thereafter
 - D. Anytime the company wishes
5. Which statement is correct regarding inspections and surveys under a CGL policy?
 - A. It is the right and duty of the company
 - B. It is the right but not the duty of the company
 - C. It is the duty but not the right of the company
 - D. Only valid if requested by first named insured in writing
6. Who is responsible for paying premiums and receiving return premiums?
 - A. Both the company and agent
 - B. The company but not the agent
 - C. All named insureds
 - D. The first named insured only
7. What does the definition of bodily injury liability include?
 - A. Physical harm including resultant disease or death
 - B. Sickness acquired on the job
 - C. Coverage for injuries to employees including death
 - D. Coverage for injuries to business owners including death
8. All of the following are included in the definition of property damage liability, except?
 - A. Physical damage to tangible property
 - B. Loss of use of tangible property
 - C. Direct damage and loss of use of insured's property
 - D. Loss of use of tangible property not physically injured
9. Which of the following is not an example of a premises/operations loss?
 - A. Customer slips on wet floor and twists ankle
 - B. Customer chokes on toothpick while eating a sandwich purchased at deli
 - C. Customer cut while handling saw blades in a hardware store
 - D. Customer injured by employee during installation of shelving

10. Which of the following is not an example of a products and completed operations loss?
- A. Claimant chokes on toothpick while eating a sandwich purchased at deli
 - B. Claimant trips on store's welcome mat injuring head on front door
 - C. Claimant suffers from stomach cramps after eating spoiled shrimp at a restaurant
 - D. Claimant cuts foot after stepping on cracked tile left by tile installers after a contractor completed installation
11. In which of the following examples is work considered not completed for a CGL policy?
- A. When put to intended use by another contractor at job site
 - B. When all work called for in contract is completed
 - C. When put to intended use except by another contractor
 - D. When all work at one site is complete, if there are several sites
12. The defined coverage territory for a CGL includes all the following, except?
- A. US and its territories or possessions
 - B. Puerto Rico and Canada
 - C. Puerto Rico and Mexico
 - D. International waters between coverage territories
13. When must the occurrence take place under the CGL Occurrence form?
- A. During the policy period
 - B. During the policy period if reported within 60 days of expiration
 - C. On or after retroactive date but before expiration
 - D. During policy period or within 60 days of expiration
14. What is the expanded coverage territory for BI & PD injuries resulting from a product?
- A. Worldwide if product is made and sold within defined territory
 - B. Worldwide if product is made or sold within defined territory
 - C. Worldwide if product is made or sold by insured
 - D. US its territories and possessions, Canada, Puerto Rico only
15. Which statement is correct regarding the CGL Basic Extended Reporting Period?
- A. Applies to Occurrence and Claims-Made forms
 - B. Provides a 60-day coverage for occurrences after policy expiration
 - C. Must be requested in writing within 60 days after expiration
 - D. None of the above
16. What does the CGL Basic Extended Reporting Period provide?
- A. Extra time to report occurrences under Occurrence or Claims-Made
 - B. Full reinstatement of aggregate limits
 - C. 60 days after policy expiration to report occurrences
 - D. 60 days to report occurrences, which occur within 5 year of expiration, date
17. Which statement is correct about the CGL Supplemental Extended Reporting Period?
- A. It must be requested in writing 60 days before policy expiration
 - B. It fully reinstates both aggregate limits
 - C. It has a premium equal to last year's expiring audited premium
 - D. It applies to claims first reported within 60 days of expiration date

18. Which of the following is a valid reason for changing the Retroactive Date of a CGL policy during the policy term?

- A. Agent wishes to experience the thrill of an E&O lawsuit
- B. To coordinate Occurrence and Claims-Made coverage forms
- C. All the above are valid reasons
- D. There is no valid reason for changing the Retroactive Date

Use the following information in answering the next 5 questions. No endorsements have been added.

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Travelers	Hartford	Fidelity	Lloyds	Midland
Occurrence	Claims-Made	Claims-Made	Claims-Made	Occurrence
	RA date 1/1/02	RA date 1/1/02	RA date 1/1/04	

19. Slip and fall accident took place 6/15/02, reported 7/15/02, claim made on 7/15/04. Which company will cover?

- A. Travelers
- B. Hartford
- C. Fidelity
- D. Lloyds

20. Slip and fall accident took place on 6/15/01, reported 7/15/02 and claim made on 7/15/05. Which company, if any, will cover this?

- A. Travelers
- B. Lloyds
- C. Midland
- D. No coverage. Loss not reported within 60-day BERP

21. Slip and fall accident took place on 8/1/03, reported 4/1/04 and claim made on 4/1/05. Which company, if any, will cover this?

- A. Fidelity
- B. Lloyds
- C. Midland
- D. No coverage. Loss not reported within 60-day BERP

22. Slip and fall accident took place on 12/1/03, reported 2/1/04 and claim made on 12/15/08. Which company, if any, will cover this?

- A. Fidelity
- B. Lloyds
- C. No coverage, loss not reported within 60-day BERP
- D. No coverage, reported in BERP but not claimed within 5 years of incident

23. Slip and fall accident took place on 5/1/05, reported 4/1/06, claim made on 1/1/11. Which company, if any, will cover?

- A. Midland
- B. No coverage. Loss was not reported within 60-day BERP
- C. No coverage. Reported in BERP but not claimed in 5 years
- D. Claim denied. Agent probably sued for changing to Occurrence form

24. Which of the following is an example of CGL Contractual Liability exclusion?

- A. All insured contracts
- B. Easement agreements
- C. Sidetrack agreements
- D. Contracts entered into after the loss

25. The CGL's Liquor Liability exclusion will not apply to which of the following examples?

- A. Liquor store serving alcohol during its annual Christmas party
- B. Tavern serving alcohol during its annual Christmas party
- C. An insurance agency serving alcohol during its annual Christmas party
- D. 7-11 which only sells beer and wine for off-premises consumption

26. The CGL's employee injuries exclusion applies to all the following, except.

- A. An employee is hurt on the job
- B. Corporate officers hurt on the job
- C. Employee is injured and there is no workers compensation in force
- D. All the above are excluded

27. Which statement is correct regarding mobile equipment under CGL?
- It is excluded entirely under the CGL
 - It is covered only while being transported to/from a job site
 - It is covered under Occurrence form, excluded under Claims-Made
 - It is covered when used for its intended purpose
28. All of the following are excluded under CGL for Miscellaneous Property, except.
- Damage to property owned by others that the insured damages
 - Premises the insured has sold or given away
 - Particular part of real property where operations are performed
 - Work in progress, particular part of property that must be replaced due to incorrectly performed work
29. What is the purpose of the CGL insured's products exclusion?
- To provide coverage for direct damage to the insured's product
 - To exclude damage to insured's product but not damage done by the insured's product to property of others
 - To exclude damage done by the insured's product but not damage done to the insured's product
 - To exclude damage to the insured's product and damage done by the insured's product
30. Which statement is correct regarding defects and delays in a CGL policy?
- Covered under a CGL
 - Covered but only during the 60-day BERP period
 - Excluded under CGL unless reported during BERP and claimed in 5 years
 - Excluded under CGL
31. Which of the following is not an example of the type of claims covered under Personal and Advertising Injury of a CGL policy?
- | | |
|---|-------------------------------|
| A. Slip and fall accident | C. Wrongful entry or eviction |
| B. Damage to someone's character and reputation | D. False imprisonment |
32. Coverage C - Medical Payments will not cover which of the following injuries?
- Injuries to customer sustained at customer's home caused by insured's product
 - Injuries regardless of fault
 - Expenses incurred within 1 year of the accident
 - Accidents on insureds premises or resulting from insureds operations
33. Which of the following injuries would Coverage C - Medical Payments of a CGL apply?
- A tenant of the insured slips on wet floor inside the tenant's apartment
 - A client of the insured trips on step and suffers head injury while on insured's premises
 - Employee is injured playing softball at office picnic
 - Customer suffers food poisoning after eating fish purchased at fish market
34. Which of the following is not covered by supplementary payments?
- | | |
|------------------------|--|
| A. Costs of litigation | C. Pre-judgment interest |
| B. Bail bonds to \$250 | D. Up to \$250 daily for witness to attend a hearing |
35. Which of the following is not automatically covered as an insured under the CGL policy?
- Sole proprietors and their spouses while working for the business
 - A new corporation purchased during the policy period
 - A new joint venture as long as less than 90 days goes by
 - A new business sole proprietor acquires during the policy for 90 days

36. Which is the most correct statement regarding CGL aggregate limits?
- One aggregate applies to all claims for all policy coverages
 - One aggregate applies to Product/Completed Operations and a second aggregate for all other policy coverages
 - One aggregate applies to Premises Operations and Completed Operations and a second aggregate to all other coverages
 - None of the above
37. Which statement best describes Owners & Contractors Protective Liability form?
- It is basically the same as the CGL form
 - It is used to protect building owner for property damage caused to his building by a fire or other covered peril
 - It protects the building owner from liability arising out of operations of a contractor or subcontractor at a specific job site
 - It can be used to provide liability coverage for those in the business of serving alcoholic beverages to minors.
38. Which statement does not apply to PS&D Professional Liability insurance form?
- Coverage for physicians, dentists, and surgeons is included
 - Separate limits apply for each doctor and also for the business
 - Claims expenses are part of, not in addition to, the limits
 - A minimum limit of \$250,000/\$750,000 applies
39. Which statement is incorrect regarding Hospital Professional Liability insurance?
- Coverage is similar to the PS&D form
 - Covers handling of foods, beverages, and prescription drugs
 - Covers postmortem handling of bodies
 - Ambulances are covered but can be excluded for a premium credit
40. Which of the following is not true concerning Lawyers Professional Liability insurance?
- Minimum limits of \$25,000/\$75,000 apply
 - Claims expenses are payable in addition to the limits of liability
 - Malicious acts of an employee are excluded
 - A lawyer is not covered for their duties as a public official
41. Insured has a CGL and BAP. While unloading his truck with a forklift the insured injures a bystander. Which of the following is correct?
- BAP only pays
 - CGL only pays
 - BAP is primary - CGL is excess
 - CGL is primary - BAP is excess
42. Electrical contractor is installing new lights at a supermarket. His employee negligently injures a store customer. Which of the following is correct if the customer sues the store, contractor and employee?
- Contractor's CGL covers him, employee and store
 - Contractor's CGL covers him and store, employee is excluded
 - Contractor's CGL covers him. Store's CGL excluded stores vicarious liability
 - Contractor's CGL covers him and employee. Store's CGL covers store's vicarious liability
43. All of the following are exclusions under a Farm Liability policy, except?
- Damage resulting from aircraft spraying
 - Custom farming for others with receipts totaling \$5000 for 12-month period
 - Damage to insured's own products
 - Injuries to farm employees

The following information is to be used with the following questions. Insured has a CGL with \$100,000 per occurrence and a \$300,000 aggregate and \$5000 Medical payments sustains the following claims, all during the policy period.

Claim 1 - 4 persons injured - Medical payments of \$10,000 each

Claim 2 - 1 person injured - \$125,000 BI Liability

Claim 3 - 1 person injured - \$110,000 BI Liability

Claim 4 - 2 persons injured - \$75,000 (each) Personal Injury

44. What is the maximum payable for claim 1, for each person, all persons and the aggregate amount left after payment of this claim?

- A. \$10,000 each person/\$40,000 total/\$260,000 remains
- B. \$10,000 all persons/\$10,000 total/\$290,000 remains
- C. \$5,000 each person/\$20,000 total/\$280,000 remains
- D. \$5,000 all persons/\$5,000 total/\$295,000 remains

45. What is the maximum payable for claim 2, for the person injured and the aggregate remaining including the reduction from previous question?

- A. \$125,000/\$135,000 remains
- B. \$125,000/\$165,000 remains
- C. \$100,000/\$190,000 remains
- D. \$100,000/\$180,000 remains

46. Which is correct regarding the maximum payable for claim 3, for the person injured and the aggregate remaining including the reduction from previous question?

- A. \$110,000/\$25,000 remains
- B. \$100,000/\$55,000 remains
- C. \$110,000/\$80,000 remains
- D. None of the above are correct

47. What will be paid out for Claim 4, including the reduction from previous question?

- A. \$150,000
- B. \$100,000
- C. \$80,000
- D. \$75,000

CHAPTER EIGHT

COMMERCIAL PACKAGE POLICIES

8.1 COMMERCIAL PACKAGE POLICIES

Package policies combine or "package" individual lines of insurance into single contract. Standard commercial packages do not include aviation, surety, health, ocean marine, workers compensation or homeowners insurance.

Two standard policy forms - (1) Commercial Package Policy; (2) Businessowners Policy

8.2 COMMERCIAL PACKAGE POLICY (Monoline policy)

A Commercial Package Policy uses the identical forms that are used for individual coverages. So, there is no coverage difference. Combining any two or more of following forms, as "coverage parts" represents a Commercial Package Policy (CPP). All classes of risk are eligible for a CPP, except those eligible for homeowners insurance.

Commercial Property	Liquor Liability
Commercial General Liability	Pollution Liability
Commercial Crime/Employee Dishonesty	Professional Liability
Commercial Inland Marine	Employment-Related Practices Liability
Boiler and Machinery	
Commercial Auto (includes Business, Garage, and Truckers)	
Farm (includes Property and Liability)	

8.3 BUSINESSOWNERS POLICY (Multiline policy)

Businessowners policies provide an indivisible package of coverages, unlike the CPP where all coverages are elective.

EIGHT AREAS OF ELIGIBILITY FOR A BP –

1. **APARTMENT HOUSES AND RESIDENTIAL CONDO ASSOC.** - Permitted incidental occupancies: eligible offices; eligible wholesaler, mercantile, processing and service occupancies not over **25,000** square feet; contractors not more than **7,500** square feet or more than 15% of total floor area
2. **OFFICES AND OFFICE CONDO ASSOCIATIONS** - Buildings not over 6 stories and not over 100,000 square feet or area; office tenants of single building not occupying over **25,000** square feet - Must be occupied mainly for office purposes with same incidental occupancies above.
3. **MERCANTILE, WHOLESALER, SERVICE OR PROCESSING RISKS** - Buildings or individual tenants not over **25,000** square feet of area and occupied by eligible mercantile, wholesaler, service and/or processing risk, not over **\$3,000,000 gross sales** at any insured location and no more than 25% of annual gross sales from off-premises operations
4. **TRADE CONTRACTORS** - Single specialty, such as plumbing, eligible if building or tenant does not exceed **25,000** square feet, gross sales not over **\$3,000,000**, and specifically designated as eligible. Additional requirements: no more than \$300,000 of annual payroll; no work over 3 stories; subcontracted work not exceeding 10%; no equipment rental to others; unrelated sales not exceeding 25% of annual gross sales. General contractors and those performing more hazardous types of construction (Example: carpentry commercial building over 3 stories high) not eligible.

5. **LIMITED COOKING AND FAST-FOOD RESTAURANTS** - Must meet specified requirements such as size, seating capacity, type of food and drinks served, method of serving, and method of cooking. "Limited-cooking" means food preparation does not emit enough smoke or grease vapors to require exhaust systems or dry-chemical extinguishing systems. Cooking normally done with microwaves, toasters, pizza ovens, infrared snack warmers or similar appliances. Fast-food restaurants may do all above, but allowed to utilize grilling, enclosed broiling, deep-fat fryers, roasting and barbecuing.
6. **CONVENIENCE STORES WITH/WITHOUT GAS SALES OR ELIGIBLE RESTAURANTS** - Eligible if meet these additional requirements: gas sales less than 75% of annual gross sales; no auto service or repair operations; no car wash; no propane/kerosene tank filling
7. **SELF-STORAGE FACILITIES** - Eligible if they do not exceed 2 stories in height (no floor area limitations) **Ineligible** - facilities with cold storage or storage of industrial materials, chemicals, pollutants, waste
8. **MOTELS** - Building and personal property - Not exceeding 3 stories, no bars or cocktail lounges, no seasonal operations (closed more than 30 consecutive days)

EXCLUDED CATEGORIES -

1. Auto repair or service stations; auto, motor home, mobile homes, and motorcycle dealers; parking garages or lots; unless incidental to another otherwise eligible class
2. Bars, pubs
3. Condominium associations other than office or residential
4. Buildings occupied in whole or part for manufacturing or processing, unless all such occupancies are eligible processing risks
5. Insured whose business operation includes at least one location used for manufacturing, processing or servicing unless designated as eligible classes and meeting all eligibility requirements
6. Household personal property
7. 1 or 2 family dwellings unless a garden apartment variety where multiple units are within single area under common ownership, management, and control
8. Places of amusement
9. Banks, building and loan associations, savings and loan associations, credit unions, stockbrokers and similar financial institutions
10. Self-storage facilities for outdoor storage of any type of motorized vehicles, including campers and recreational vehicles

POLICY CONSISTS OF -

- Section I - Property
- Section II - Liability
- Section III - Common Policy Conditions

BUSINESSOWNERS PROPERTY COVERAGE FORM

1. Written on "open perils" basis, similar to Special Form in Commercial Property
2. Can be endorsed for named perils, similar to Basic Form in Commercial Property plus coverage for transportation perils

TYPES OF PROPERTY COVERED -

- Buildings
- Business personal property, including property of others if insured is legally liable

BUILDINGS (features normally not found in other forms) -

- Automatically replacement cost basis (Limit must equal at least 80% of RC value, if less then loss will be valued at ACV)
- No coinsurance clause
- Coverage on main building includes appurtenant structures on same premises
- Lessor's property in furnished apartments and rooms
- Outdoor property **to \$2,500, \$500** limit on any one tree, shrub, plant
- Built-in Inflation Guard - **8%** annually, unless increased or decreased (2%, 4%, 6%, 10%, 12%, 14%, 16% available)

PERSONAL PROPERTY (features) -

- No coinsurance
- Household contents, property of others, used goods, manuscripts and works of art or antiques valued at ACV
- Property of others in insured's CCC and legally liable for is covered
- Tenants Improvements and betterments covered on replacement cost basis
- \$5,000 for business personal property other than "money and securities", "Valuable Papers & Records" and "Accounts Receivable" off premises
- Personal Effects (not business equipment or tools) of insured, officers, partners, and employees up to \$2,500, excluding theft, at described premises
- \$10,000 for "Valuable Papers and Records" and "Accounts Receivable" on premises
- 30-day automatic coverage of \$100,000 for property and \$250,000 for buildings at a newly acquired location
- IF insured's limit of insurance is 100% or greater of the average monthly values for the preceding 12 months, then limit on business personal property is increased by 25% for seasonal variations - similar to Peak Season

BUSINESS INCOME & EXTRA EXPENSE (features) -

- Similar to BI & EE in Commercial Property, this provides coverage for loss of income and necessary extra expenses to maintain ongoing operations after loss from a covered peril
- Up to 12 month of business interruption covered
- **No dollar limit**

ADDITIONAL COVERAGES - similar to those in Commercial Property (contained in policy)

1. **DEBRISREMOVAL** - 25% of loss, subject to policy limit, plus additional \$10,000, **ONLY PAID** if reported within 180 days of date of loss
2. **PRESERVATION OF PROPERTY** - 30 days at temporary location
3. **FIRE DEPARTMENT SERVICE CHARGE** - \$2,500
4. **COLLAPSE**
5. **EXTENDED BUSINESS INCOME** - 30 days (may be increased)
6. **POLLUTANT CLEAN UP AND REMOVAL** - \$10,000, **ONLY PAID** if reported within 180 days of date of loss
7. **CIVIL AUTHORITY** - Business Income and Extra Expense - access prohibited to location due to civil authority action at another location - subject to 72 hour waiting period, ends after 3 consecutive weeks
8. **MONEY ORDERS AND COUNTERFEIT PAPER CURRENCY** - \$1,000
9. **FORGERY OR ALTERATION** - \$2,500
10. **INCREASED COST OF CONSTRUCTION** - \$10,000 (like building ordinance)
11. **BUSINESS INCOME FROM DEPENDENT PROPERTIES** - \$5,000
12. **GLASS EXPENSES** - Cost to board up/install temporary plates and obstruction removal
13. **EXTRA EXPENSE** - Extra expenses to continue operations after occurrence of a covered loss
14. **ELECTRONIC DATA** - Covers electronic data destroyed or corrupted by a covered loss
15. **LIMITED COVERAGE FOR FUNGI, WET ROT, DRY ROT, AND BACTERIA** - Limit \$15,000 for all occurrences in 12-month period

OPTIONAL COVERAGES -

- **EMPLOYEE DISHONESTY** - blanket coverage - limit \$5,000, \$10,000, \$25,000 or \$100,000 per occurrence
- **ACCOUNTS RECEIVABLE** - increased limits
- **VALUABLE PAPERS AND RECORDS** - increased limits
- **FORGERY AND ALTERATION** - increased limits
- **OUTDOOR SIGNS** - All risk available on all exterior signs
- **MECHANICAL BREAKDOWN** - Replacement cost for boilers and air conditioning units
- **MONEY AND SECURITIES** - covers against theft, disappearance, destruction of money and securities - separate limits on and off premises

BUSINESSOWNERS LIABILITY COVERAGE FORM

COVERAGE -

- Similar to Commercial General Liability (CGL)
- Coverage is occurrence - no claims-made option
- If the insured does not have a Business Auto policy, coverage for liability arising out of hired autos (symbol 8) and Non owned autos (symbol 9) can be purchased through an endorsement
- When a BP is issued to a drugstore, druggist's professional liability is included

LIMITS -

- Liability and Medical Expense limits of \$300,000, \$500,000, \$1,000,000 or \$2,000,000 apply per occurrence for bodily injury (BI), property damage (PD), and medical expenses and limits apply per person for personal and advertising injury
- Medical Payments limit of \$5,000 applies per person
- General Aggregate limit is equal to 2 times the Liability and Medical Expense per occurrence limit and applies to all BP Liability and Medical Expense coverage except any liability from products and completed operations which has its own separate aggregate
- Products & Completed Operations Aggregate limit is equal to 2 times Liability and Medical Expense per occurrence limit
- Fire Legal Liability - subject to per occurrence limit of \$50,000, may be increased to maximum of \$1,000,000 - ***No aggregate limit applies to Fire, but it is subject to the Liability and Medical Expenses per occurrence limit***

COMMERCIAL PACKAGE POLICIES TEST

1. Which of the following exposures cannot be packaged to make up part of a CPP?
 - A. Farm Property
 - B. Commercial Aviation
 - C. Commercial Inland Marine
 - D. Commercial General Liability
2. Which of the following is an area of eligibility for a BP?
 - A. Offices and office condo associations not less than 6 stories and not over 100,000 sq. ft.
 - B. Mercantile risks not over 25,000 sq. ft. and gross sales under \$3,000,000 at insured location
 - C. Self-storage facilities not over two stories that permit cold storage
 - D. Plumbing contractor with gross sales exceeding \$3,000,000
3. Which of the following is not an optional coverage under a BP?
 - A. Exterior signs
 - B. Replacement cost on boilers
 - C. Inflation Guard
 - D. Employee Dishonesty
4. Which of the following is correct concerning a CPP?
 - A. It has a separate declaration for each form included
 - B. Has 3 or more coverage forms, which are needed to make up a policy
 - C. Homeowners coverages are eligible for inclusion in the CPP
 - D. Coverages under CPP or the same individual forms are identical
5. Which of the following would be eligible for a BP?
 - A. Bar
 - B. Fast food restaurant
 - C. An amusement park
 - D. Credit union
6. Last year insured's business personal property average monthly values were \$100,000. Values are the same this year and insured carries an \$80,000 Businessowners policy. If there was a total loss from a covered peril, what is the most insured would collect?
 - A. \$64,000
 - B. \$72,000
 - C. \$80,000
 - D. \$100,000
7. Would the answer to 6 be different if all the same conditions applied except that this year the insured carried \$100,000 coverage for business personal property?
 - A. No difference - he met the coinsurance clause
 - B. No difference - Florida Valued Policy Law requires full payment
 - C. Could collect up to \$100,000
 - D. Could collect up to \$125,000
8. Which of the following is not included in a BP?
 - A. Coverage provides for replacement cost loss settlement automatically
 - B. Coinsurance clause based on 100% of last year's values
 - C. Inflation guard of 8% is automatically included
 - D. 30 days automatic coverage on personal property at new location up to \$100,000
9. Insured with an apartment building valued at \$500,000 and covered for that amount under a BP sustains a \$450,000 building loss. During reconstruction \$150,000 in rental income is lost. What is total amount insured could recover?
 - A. \$600,000
 - B. \$500,000
 - C. \$450,000
 - D. \$650,000
10. Which statement is correct concerning replacement cost loss settlement under BP?
 - A. Coverage is automatic
 - B. Coverage is automatic if limit meets 80% of replacement cost
 - C. Coverage is for replacement cost less depreciation
 - D. Must claim ACV and then file for RC within 180 days

11. Coverage for income loss under a BP includes which of the following?
- A. Actual loss sustained up to limits shown in policy
 - B. Actual loss sustained for up to 12 months
 - C. Actual loss sustained with no limit on time
 - D. Only available as an optional endorsement
12. Which of the following statements is correct concerning loss of income coverage under BP?
- A. Coverage is included up to policy limits
 - B. Coverage is not included except by endorsement
 - C. Coverage is included with no time limit
 - D. Coverage is included with no limit for losses up to 12 months
13. Which of the following statements is correct if the Businessowners liability per occurrence limit is \$300,000?
- A. All coverages subject to one combined aggregate of \$300,000
 - B. All coverages subject to one combined aggregate of \$600,000
 - C. Products/completed operations aggregate is \$600,000 and General aggregate is \$600,000
 - D. None of above
14. All of the following are available per occurrence limits under a Businessowners Liability coverage form, except?
- A. \$100,000
 - B. \$300,000
 - C. \$500,000
 - D. \$1,000,000
15. Insured's BP Liability limit is \$500,000 per occurrence. In February he has a \$300,000 loss, March a \$600,000 loss, April a \$500,000 loss. Assume all losses are covered, which of the following statements is correct?
- A. February paid in full - March paid in full - April \$100,000
 - B. February paid in full - March \$500,000 - April paid in full
 - C. February paid in full - March \$500,000 - April \$200,000
 - D. All are paid in full
16. Which of the following statements is correct about BP Liability?
- A. Professional Liability included for all eligible classes
 - B. Coverage for business autos is not available under the BP form
 - C. One aggregate limit applies to all coverages
 - D. General aggregate limit is two times the per occurrence limit

CHAPTER NINE

WORKERS COMPENSATION

GENERAL DEFINITION - Employees are compensated for occupationally incurred injuries, regardless of fault, in return for which employers are immunized from injury lawsuits by employees.

REGULATED BY - Division of Workers Compensation of the Department of Financial Services

9.1 SUMMARY OF THE WC LAW

Employer is required to secure insurance to compensate an injured employee irrespective of fault for injuries that are work related.

9.2 EMPLOYERS AND EMPLOYEES

EMPLOYER - every person carrying on any "employment", including the state, political subdivisions, public and quasi-public corporations, employment agencies, and employee leasing companies

EMPLOYMENT - all government employments regardless of the number of employees and private employments with four or more employees (one or more in construction industry)

NOT EMPLOYMENTS -

1. **Domestic servants** in private homes
2. **Small farms** - 5 or less regular employees - less than 12 seasonal (hired for 30 days or less) "Farm" means stock, dairy, poultry, fruit, ranches, nurseries, orchards, fur-bearing animals, fish, and truck
3. **Professional athletes**
4. **Sports officials for interscholastic sports** and public or private non-profit amateur sports event
5. **Labor under court sentence** performing community service (DUI law)
6. **State, county prisoners** unless working for private employees
7. **Employees covered by Defense Base Act**

EMPLOYEE - every person engaged in any employment under any appointment or contract of hire, including **aliens and minors. Includes full-time, part-time, day labor**

EMPLOYEE DOES NOT INCLUDE -

1. **INDEPENDENT CONTRACTOR** - Non-construction businesses must meet at least 4 of the following:
 1. Maintains separate business with own equipment or materials
 2. Holds federal ID number, unless sole proprietor
 3. Receives compensation for services rendered and paid to business rather than individual
 4. Holds more than one bank account in name of business entity for paying bills
 5. Able to perform work for others without completing employment application
 6. Compensated for work on bid basis or completion of task by contractual agreement
 7. **Not governed by criteria include:** certain agricultural, forestry, or farming occupations, newspaper delivery persons
2. **CASUAL LABOR-**
 - Work completed in **10 days or less**
 - Cost of **less than \$500**
 - Work **not in course of employer's normal business**
3. **COMMISSIONED REAL ESTATE AGENTS**
4. **Certain MUSICAL AND THEATRICAL PERFORMERS**
5. **Certain TRUCKING OWNER-OPERATORS**
6. **Certain TAXICAB, LIMOUSINE AND PASSENGER VEHICLE-FOR-HIRE DRIVERS**
7. **VOLUNTEERS**

CORPORATE OFFICERS (including Limited Liability Company) - Are subject to WC unless they elect out (In unless elect out)

- Corporate officers receiving pay for services considered employee, not employer
- May exempt officers by filing papers with the Division
- No limit to the number that can be exempted
- **Construction Industry Exception -**
 - Construction corporations may only elect to exempt maximum of 3 officers, but each must own a minimum of 10% of the corporation

SOLE PROPRIETORS & PARTNERS - Not subject to WC unless elect in, except construction – (Out unless elect in)

- Sole proprietors and partners are considered employers and are not covered by WC
- May elect to be covered by WC by filing paperwork with the Division
- **Construction Industry Exception -**
 - Sole proprietors and partners are considered employees
 - May not exempt themselves from coverage

OTHER REQUIREMENTS -

1. If contractor sublets any part of contract work to subcontractor, the contractor is liable for injuries to subcontractor's employees if no WC is carried by subcontractor
2. Employees covered by any of the following acts are not covered by FL Workers Compensation:
 - **Federal Employers Liability Act** - railroad workers
 - **Longshore and Harbor Workers Act** - persons associated with loading, unloading, building, repairing ships
 - **Jones Act** - seamen aboard ships

While certain risks are not statutorily required to carry WC for their workers, this exemption may be waived. By purchasing insurance, the employer and employee now become subject to all provisions of the law.

9.3 PENALTIES FOR NONCOMPLIANCE

- Third-degree felony
- Division may issue Stop-Work Order which stops all business operations
- Penalty of whichever is greater -
 1. 2 times what employer would have paid in premiums over last 2 years, **OR**
 2. \$1,000
- Employer loses exemption from lawsuits by employees

9.4 INJURIES COVERED

- **"INJURY"** meaning personal injury or death by "accident" arising out of work performed in the course of employment and diseases or infections resulting from such injury
 - **"ACCIDENT"** – defined to mean an unexpected or unusual event or result, happening suddenly
 - Accident **does not** include –
 - Mental or nervous injury due to fright or excitement only
 - Disability or death due to aggravation or acceleration of venereal disease
 - Disease caused by habitual use of drugs or alcohol
 - Disease manifesting in fear or dislike of an individual because of individual's race, color, religion, sex, national origin, age or handicap
- Injury is considered "arising" out of employment IF the work being performed is the major contributing cause of injury or death
- Occupational diseases are considered to be injury by accident if resulting from the nature of the employment in which there is a particular hazard not associated with usual occupations
- **INJURIES OUTSIDE FLORIDA –**
 - Covered under FL WC law if contract of employment was made in Florida, or if employment principally localized in Florida
 - If employee receives benefits under the law of another state, the total compensation cannot exceed Florida benefit levels
- **EMPLOYEE IS NOT ENTITLED TO COMPENSATION WHEN INJURY IS CAUSED BY –**
 - **Intoxication** - .08% or more blood alcohol at time of injury
 - **Wrongful use of drugs**
 - **Intentional injury**, or attempts to kill oneself or another
 - **Suicide**
- **LIMITATION OF COVERAGE -**
 - **25% reduction** of disability benefits for willfully refusing to wear authorized safety appliance or observe safety rules, when the appliance or rule is required by statute or other formal ruling

9.5 BENEFITS –

THREE categories -

1. Medical expenses
2. Disability benefits
3. Death benefits

9.6 MEDICAL EXPENSES

- **NO DOLLAR LIMIT**
- For required medical treatment, care and attendance under qualified physician or surgeon, or other recognized practitioner, nurse, or hospital
- Includes medicine, crutches, artificial members and other apparatus

9.7 DISABILITY INCOME

- **DISABILITY** - incapacity because of injury to earn in same or any other employment the wages employee received at time of injury
- Compensation is for "wage loss"
 - Difference between post-injury wages and pre-injury wages
- **MEASURE** to determine benefits -
 - Average weekly wage of employee at time of injury
 - Based on prior 13 weeks wages, or another employee's wages with similar duties, if less than 13 weeks available
- **WAITING PERIOD** -
 - No benefits first 7 days
 - **IF** disability lasts more than **21** days then payable from first day of injury
- **AMOUNT PAID** -
 - Minimum **\$20** per week (unless employee's wages were less than \$20)
 - Maximum of statewide average weekly wage

CLASSES OF DISABILITY

1. **PERMANENT TOTAL DISABILITY** -
 - Total in nature, permanent duration
 - Compensated at 66 2/3% or 66.67 average weekly wage
 - No time limit
 - Only for Catastrophic injury -
 1. Spinal cord injury involving paralysis or arm, leg, or the trunk
 2. Amputation of arm, hand, foot, or leg involving effective loss of use of that appendage
 3. Severe brain or closed-head injury
 4. 2nd or 3rd degree burns of 25% or more of total body surface or 3rd degree burn of 5% or more to face and hands
 5. Total or industrial blindness
 - If becomes rehabilitated and earning capacity is restored, benefits changed to those for "wage loss"
2. **TEMPORARY TOTAL DISABILITY** -
 - Total in nature, temporary duration
 - Compensated at 66 2/3% or 66.67 average weekly wage
 - Up to **104 weeks**
 - May receive 80% of average weekly wage, up to \$842 for 6 months during retraining or rehabilitation
 - Still disabled at end of 104 weeks then determination made whether to place under Permanent Impairment status
3. **PERMANENT IMPAIRMENT** -
 - Partial in nature, permanent duration
 - Based on medical impairment rating schedule (degree of injury)
 - Compensated at 75% of average weekly Temporary Total Disability benefits
 - Benefits continue until earlier -
 1. 2 weeks each percentage impairment up to 10%
 2. 3 weeks each percentage impairment from 11% to 15%
 3. 4 weeks each percentage impairment from 16% to 20%
 4. 6 weeks each percentage impairment from 21% and higher
 5. OR Death of employee

4. **TEMPORARY PARTIAL DISABILITY -**

- Partial in nature, temporary duration
- "Wage-loss" formula for period up to 104 weeks
- Computed weekly and may not exceed 66 2/3% or 66.67 of employee's average weekly wage
- Still disabled at end of 104 weeks then determination made whether to place under Permanent Impairment status

DEATH BENEFITS -

- Compensated if death occurs within **1 year** of accident, OR following continuous disability **within 5 years** of accident
- Actual funeral expenses are payable, **up to \$7,500**
- 66 2/3% of average weekly wages up to \$150,000 for all dependent claims combined
 - Dependents include - spouse, children, parents, other relatives

9.8 MISCELLANEOUS LAW PROVISIONS

THREE WAYS TO SECURE PAYMENT OF COMPENSATION -

1. Insure with stock or mutual company
2. Self-insurer
3. Pooling of liabilities - group self-insurance funds

POSTING NOTICE - Notice of coverage at place of business giving name and address of insurer and expiration date of policy

THIRD DEGREE FELONY - For employer found guilty of deducting compensation premium costs from payroll

SECOND DEGREE FELONY - For willfully making false or misleading statements or representations to obtain or deny benefits

THIRD-PARTY CLAIMS -

- Employees are barred from suits against employers but not against legally liable third parties
- An employee who receives compensation benefits and also recovers payments from a third-party - must reimburse the insurer for any duplicate payments
- Rights against a third-party:
 - 1 year after injury rights belong only to employee
 - 2nd year, if employee or dependents haven't sued then self-insured employer or insurance carrier can sue third-party
 - After 2nd year rights revert back to employee

9.9 WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY SIX PARTS -

- Part One - Workers Compensation Insurance
- Part Two - Employers Liability Insurance
- Part Three - Other States Insurance
- Part Four - Your Duties If Injury Occurs
- Part Five - Premium
- Part Six - Conditions

GENERAL SECTION -

- Basic conditions and definitions
- Insured is employer named on Information Page

PART ONE – WORKERS COMPENSATION

Covers –

- Any state declared in policy for Part One coverage
- No exclusions
- No dollar limit
- Covers any accident during policy period
- Covers bodily injury resulting from accident or disease including resultant death
- Costs of defending employer against a claim

PART TWO – EMPLOYERS LIABILITY

COVERS-

1. Claims by employees for injuries not subject to Workers Compensation
2. Claims by others for liabilities to insured's employees
3. Claims by relatives of injured employees for consequential damages

EXCLUSIONS -

- Liability assumed under contract
- Punitive or exemplary damages for employments in violation of law
- Injuries while employed in violation of law with knowledge of such violation
- Obligation under any compensation law
- Intentionally injured or aggravated by insured
- Injuries outside US, its territories, Canada, except US or Canadian citizen while temporarily elsewhere
- Obligations under Federal Acts
- Fines or penalties imposed for state or federal law violations

LIMITS- Basic minimum limits included in all policies

- **\$100,000/\$100,000/\$500,000**
- **\$100,000** all claims per accident
- **\$100,000** each employee for disease
- **\$500,000** all disease claims
- Increased limits available

PART THREE – OTHER STATES

- Provides automatic coverage for states **NOT** listed in Part One as though they were listed
- Must notify company as soon as business begins in any state listed in Part Three

PART FOUR – YOUR DUTIES IF INJURY OCCURS

- Notify insurer once injury occurs
- Provide immediate medical services
- Give names and addresses of injured and witnesses
- Promptly provide legal papers
- Cooperate and assist insurer
- Do nothing that would interfere with insured's right of recovery
- Make no voluntary payments or assume any obligation

PART FIVE – PREMIUMS

- Provides how premiums were calculated
- Business and types of work are classified according to estimated exposures
- Company may audit employer's books at any time for up to 3 years after the policy expires

PART SIX – CONDITIONS

- Inspection Condition - Company has right (not obligation) to inspect employer's workplace at any time for determining insurability or establishing premium

OTHER EXCLUSIONS, PROVISIONS -

- No coverage for federal laws under basic policy (Federal Employers Liability Act, Longshore and Harbor Workers Compensation Act, Jones Act)
- No coverage for benefits provided under another policy
- No coverage if for benefits that are self-insured
- **30 days'** notice of cancellation required
- After **first 90 days** there is a **45 days'** notice required for cancellation or nonrenewal
- **10 days'** notice of cancellation for non-payment of premium

9.10 RATING

Rates based on -

1. Risk of operations, with rate charged for each \$100 of payroll to employees
2. Charged on whole payroll with exceptions:
 - Overtime is excluded from chargeable payroll
 - Corporate executive officers subject to maximum and minimum amounts per week
 - Flat annual payroll for sole proprietors and partners
3. Prior loss experience of risk is applied with either debit for unfavorable or credit for favorable

All aspects of rating are administered and enforced by -

- National Council of Compensation Insurance (NCCI)
 - Files rules and rates with the Office of Insurance Regulation
 - Establishes classifications
 - Audits policies for correctness
 - Copy of every policy issued must be filed with the Council

WORKERS COMPENSATION TEST

1. All of the following are considered "employments", except?
 - A. Public corporations
 - B. Professional athletes
 - C. State governmental agency employing only 3
 - D. Domestic servant in hotel
2. The law specifically lists which one of the following as not being an "employment"?
 - A. Farms with 6 or less regular employees, less than 12 seasonal employees not exceeding 45 days
 - B. Corporate officers receiving pay for services to corporation
 - C. Domestic servant in private home
 - D. All are considered not employments
3. Which of the following will be allowed by law to purchase WC?
 - A. Corporation with only one employee
 - B. Sole proprietor or partner
 - C. Contractor with only one employee
 - D. All the above
4. All of the following are true statements concerning corporate officers and WC, except?
 - A. Officers are automatically exempt from WC
 - B. If considered an employee, may exempt themselves from WC with the proper filing
 - C. For non-construction corporations no limit to the number of exemptions
 - D. Construction industry can only exempt 3 officers
5. Which of the following is correct concerning partners and sole proprietors (non-construction) under the WC law?
 - A. Both are covered automatically under WC
 - B. Partners are automatically covered/sole proprietors are not
 - C. Sole proprietors are automatically covered/partners are not
 - D. Neither are covered automatically but may elect coverage
6. Which of the following is a correct statement?
 - A. Non-construction Corporations may only exempt up to 3 corporate officers from WC
 - B. Construction industry corporations may exempt up to 3 corporate officers from WC, but each must own minimum of 10% of company
 - C. Private employments with 3 or more employees must comply with WC
 - D. Construction industry with 3 or more officers must comply with WC
7. Which of the following is considered an employment for Workers Compensation?
 - A. State agency with 3 employees
 - B. Person performing 100 hours of community service clearing trash from a state park
 - C. Farmer and 4 employees selling vegetables from the back of a truck
 - D. Football player for the Miami Dolphins
8. Which of the following is correct concerning sole proprietors and partners in the construction industry?
 - A. Both sole proprietors and partners are considered to be employers
 - B. Both sole proprietors and partners are considered to be employees
 - C. Partners are considered to be employees, not sole proprietors
 - D. Sole proprietors are considered to be employees, not partner
9. When are small farms considered to be not an employment by law?
 - A. 5 or less regular employees, less than 10 seasonal not exceeding 30 days
 - B. 5 or less regular employees, less than 12 seasonal not exceeding 30 days
 - C. 6 or less regular employees, less than 10 seasonal not exceeding 45 days
 - D. 6 or less regular employees, less than 12 seasonal not exceeding 45 days

10. Which of the following would not be considered an employee?
- A. Band performing under contract in a bar
 - B. Real estate agent working on commission
 - C. Alien working under a contract
 - D. Both A & B
11. Which one of the following would be considered "casual labor"?
- A. Homeowner hires handyman to paint fence - takes 2 days, cost \$255
 - B. Painter hires another painter for a week to paint homeowner's fence - cost \$450
 - C. Sign maker hires person for 5 days to make and hang signs - cost \$375
 - D. All above
12. A contractor may be held liable for WC benefits for which of the following?
- A. Independent contractors he hires
 - B. Subcontractors he hires
 - C. Employees of subcontractors he hires
 - D. All the above
13. Which of the following applies for persons working as seamen aboard ships?
- A. Jones Act
 - B. FL Workers Compensation law
 - C. Federal Employers Liability Act
 - D. Longshore and Harbor Workers Act
14. Which of the following applies for persons working on railroads?
- A. Jones Act
 - B. FL Workers Compensation law
 - C. Federal Employers Liability Act
 - D. Longshore and Harbor Workers Act
15. Which of the following applies for persons loading, unloading, building, and repairing ships?
- A. Jones Act
 - B. FL Workers Compensation law
 - C. Federal Employers Liability Act
 - D. Longshore and Harbor Workers Act
16. Which of the following is a correct statement under the WC law?
- A. Non-construction risks with fewer than 4 employees may waive their exemption to WC.
 - B. The 7 specifically stated groups, which are considered not being employments, may waive their WC exemption.
 - C. Both A and B may purchase WC and if so, become subject to all provisions of the law.
 - D. All the above are correct
17. Penalties apply to employers who do not comply with the WC law. Which of the following is correct concerning these penalties?
- A. Injured employee may sue employer for damages
 - B. Employer may be prevented from conducting business until compliance is accomplished
 - C. Injured employee may demand the employer pay WC benefits
 - D. All the above
18. How are injuries, which occur out of state handled?
- A. Not covered under FL WC law
 - B. Covered if contract of employment was made in Florida
 - C. Covered if contract of employment made in FL and company principally localized in other state
 - D. Covered only on an excess basis if injured out of state
19. Benefits are payable for employee injuries which are defined as.
- A. Injuries resulting from employment accidents
 - B. Diseases or infection, which result from injuries arising out of work performed
 - C. Death, which results from job injuries
 - D. All the above

20. An "accident" is defined as.
- Death due to acceleration of a venereal disease
 - Disease that manifests itself in fear of certain minority groups
 - An unusual event, which happens suddenly
 - Nervous injury due to fright
21. Insured's business is to supply fresh flowers to cruise ships. Employees are responsible for loading and unloading these flowers on board the ship. What should insured have endorsed onto his policy to cover this?
- Federal Employers Liability Act
 - Longshore and Harbor Workers Act
 - Jones Act
 - No endorsements needed, policy will cover this
22. Frank works in a hard-hat area and has been told to always wear his hard hat. The hat destroys his "look" so most of the time he refuses to wear it. He sustains an injury to his head totaling \$8,000 in medical bills. WC will pay?
- Nothing, injuries were his fault
 - \$6000, benefit reduced by 25%
 - \$8000
 - \$6000 by WC/\$2000 by employer
23. Observing safety rules and not using alcohol on the job are important rules for all employees. What of the following is/are correct?
- Not observing safety rules causes a loss of benefits
 - Blood alcohol level of .08% presumes injury caused by alcohol
 - Drug use will reduce benefits by 25%
 - All of these
24. Which of the following is not an employee benefit under WC?
- Liability
 - Medical
 - Death
 - Disability
25. How does the waiting period for disability benefits apply in WC?
- No benefits payable first 7 days/disability reoccurs after 21 days - benefits payable from first day
 - No Medical benefits payable first 7 days/disability lasts more 21 days - payable from first day
 - No disability benefits first 7 days/disability lasts more 21 days - payable from first day
 - No benefits of any kind payable until disability lasts 21 days then payable from first day
26. Permanent Total disability is compensated at.
- 66 2/3% Average weekly wage to 104 weeks
 - 66 2/3% Average monthly wage
 - 66 2/3% Statewide average weekly wage
 - 66 2/3% Average weekly wage up to statewide average weekly wage
27. Which of the following is considered a catastrophic injury under WC?
- Amputation of 3 fingers on left hand
 - Loss of sight in one eye
 - Spinal cord injury involving severe pain to right leg
 - Severe brain or closed-head injury
28. Temporary Total disability is compensated how?
- 66 2/3% - 360 weeks/\$842 max. per week - 52 weeks retraining
 - 66 2/3% - 360 weeks/\$842 max. per week - 104 weeks retraining
 - 66 2/3% - 104 weeks/\$842 max. per week - 6 months retraining
 - 66 2/3% - 104 weeks/\$842 max. per week - 3 months retraining

29. Which statement is true concerning death benefits?
- A. Death must occur within 5 years of accident
 - B. Covers funeral expenses up to \$5500
 - C. Pays maximum of \$150,000 for all dependent claims
 - D. Pays maximum of \$150,000 per dependent claims
30. How are Permanent Impairment benefits paid?
- A. Compensated under wage loss formula for up to 104 weeks
 - B. Payment based on a medical impairment rating schedule and percentage of Temporary Total Disability benefit
 - C. 66 2/3% average weekly wage, max. to \$100,000
 - D. 66 2/3% average weekly wage up to 104 weeks
31. Which statement would be true if an employee agrees to waive their rights to WC benefits?
- A. Waivers of rights are not valid - employer guilty of a 3rd degree felony
 - B. Waivers of rights are not valid - employee guilty of a 3rd degree felony
 - C. Employer must have waiver signed and notarized
 - D. Employer must have waivers signed annually
32. An employee receiving WC benefits may have the right to sue at-fault third parties, which of the following statements is correct?
- A. Employee may not sue the employer or responsible third parties
 - B. Employee may sue employer
 - C. Employee may sue third parties responsible for the accident
 - D. Employee may sue the employer and responsible third parties
33. If an employee agrees to have WC premiums deducted from wages, which statement is true?
- A. Deductions may not exceed 10% of wages paid
 - B. Deductions cannot exceed the rate payable for the employee's work
 - C. Full deductions can be made if employee agrees in writing
 - D. Deduction of premiums from wages is not allowed
34. Which statement is the most correct concerning the rights to sue third parties?
- A. Employee may sue first year, insurance company second year or self-insured employer, employee third year
 - B. Employer may sue first year, insurance company second year, employer third year
 - C. Employer may sue first year, insurance company second year, employee third year
 - D. Employee may sue first year, employer second year, employee third year
35. Which statement is correct about the limits and exclusions under WC Part 1?
- A. There are no exclusions
 - B. There are no dollar limits to insurer's liability
 - C. Both A and B are correct
 - D. Both A and B are incorrect
36. Which of the following is not covered under Employers Liability Part 2?
- A. Claims by employees for injury not subject to WC benefits
 - B. Claims by others for liabilities to insured's employees
 - C. Employees medical bills and disability benefits
 - D. Claims of relatives of injured employees for consequential loss

37. Which statement is correct about the Part 3 Other States?
- A. Provides automatic coverage for states listed in Part 1
 - B. For coverage to apply the state must be listed in Part 3
 - C. Requires employer to notify company within 45 days if work has begun in any state listed in Part 3
 - D. Coverage applies to states other than those listed in Part 3
38. Which of the following is correct about the WC basic Part 2 limits?
- A. \$100,000/accident, \$100,000/disease, \$500,000/all diseases
 - B. \$100,000/accident, \$100,000/medical, \$500,000/all medical
 - C. \$100,000/accident, \$100,000/disease, \$300,000/all diseases
 - D. \$100,000/accident, \$100,000/medical, \$300,000/disability
39. What are the cancellation provisions for a FL WC Policy?
- A. First 90 days 20 days' notice/after 90 days 45 days' notice
 - B. First 90 days 30 days' notice/after 90 days 45 days' notice
 - C. First 90 days 30 days' notice/after 90 days 60 days' notice
 - D. First 90 days 45 days' notice/after 90 days 90 days' notice
40. Which statement is correct about the FWCJUA procedures?
- A. Renewal notice mailed 30 days in advance
 - B. Renewal premiums must be received prior to expiration
 - C. A penalty may apply if insured cancels the FWCJUA policy to replace it with coverage in regular market
 - D. Plan administered by Division of Labor and Employment Security
41. Which statement is correct about eligibility rules for FWCJUA?
- A. 2 carriers must reject insured
 - B. Must not owe for previous unpaid premiums
 - C. Both A and B
 - D. Neither A nor B
42. If an insured's policy expires today, when can coverage be bound in the FWCJUA?
- A. Immediately
 - B. 12:01 AM following date of receipt of completed application and premium
 - C. Coverage cannot be bound under WCJUA rules
 - D. Coverage may be backdated if employer signs a notarized statement attesting that no injuries have occurred.

CHAPTER TEN

CRIME

10.1 CRIME AND EMPLOYEE DISHONESTY INSURANCE

Much crime insurance is written under the "all risks" of the Commercial Property Causes of Loss - Special Form. The Special Form covers Risks of Direct Physical Loss unless excluded or limited in the policy.

The insured is covered under this Commercial Property form for loss by theft, burglary, robbery and other crimes unless the loss is specifically excluded or limited.

The Commercial Property Causes of Loss - Special Form excludes:

- Loss from employee dishonesty
- Voluntary parting through trick or device
- Limits coverage for property of others and property away from insured premises

The Commercial Property Building and Personal Property Coverage form excludes or limits loss of:

- Money, securities, evidence of debt
- Jewelry and precious metals
- Furs
- Patterns and molds
- Stamps and tickets

These excluded or limited losses are the primary subjects of Commercial Crime and Employee Dishonesty insurance.

"CRIME INSURANCE" - Losses from criminal activity, except those resulting from dishonesty of employee

"EMPLOYEE DISHONESTY" - Employee involved crime losses, this is the ONLY coverage for losses involving employees

10.2 COMMERCIAL CRIME FORMS

COMMERCIAL CRIME AND EMPLOYEE DISHONESTY COVERAGE -

- Written as stand-alone with its own declarations **OR**, as part of a package policy, sharing a declarations and Common Policy Conditions with other lines of coverage in the package

BASIC COMMERCIAL CRIME COVERAGE FORM INCLUDES -

- Seven primary agreements carrying own limits and deductibles
- Each may be left out by not showing limit on Declarations Page

GENERAL EXCLUSIONS -

1. Acts committed by named insured or its partners or members, employees, directors, trustees, or representatives (**except under Employee Theft**)
2. Governmental action
3. Indirect loss
4. Legal expenses
5. Nuclear
6. War

DEFINITIONS -

- **THEFT** - Any act of taking money, securities or other property to the deprivation of insured, includes robbery and burglary
- **BURGLARY** - Taking of property leaving visible signs of forcible entry or exit
- **ROBBERY** - Taking of property with threat of bodily harm
- **MYSTERIOUS DISAPPEARANCE** - The disappearance of property that cannot be explained.
- **MONEY** - Currency, coin and bank notes having face value plus traveler's checks and money orders held for sale
- **SECURITIES** - Negotiable or nonnegotiable instruments or contracts representing money or property (Examples: tokens, tickets and evidences of debt, such as credit card receipts)
- **CUSTODIAN** - Insured, partners, employees, anyone who has custody of property, exception is leased employees
- **OTHER PROPERTY** - Any tangible property other than money and securities having intrinsic value not otherwise excluded
- **SAFE BURGLARY** - Taking or attempted taking of property from within locked safe or vault by unlawful entry, with visible signs of forcible entry, or taking the safe or vault from inside premises
- **EXTORTION** - Transferring property to someone based on unauthorized instructions or from a threat to harm any person or damage property

10.3 PRIMARY INSURING AGREEMENTS

EMPLOYEE THEFT - (Fidelity Coverage) (ONLY COVERAGE FOR ACTS OF EMPLOYEES)

- Covers loss caused by employees for any dishonest act
- Covers loss of or damage to:
 1. Money
 2. Securities and
 3. Other property caused by dishonest acts of employees
- Not required that employee be identified, but insured must establish a reasonable case that it was employee
- Written one of following ways with coverage under each fundamentally the same:
 1. Schedule Person - covers only that person
 2. Schedule Position - covers only persons who fill that position
 3. Blanket coverage - covers all employees
- Coverage for any employee immediately canceled upon knowledge of criminal acts either after or prior to employment
- No coverage if dependent upon inventory shortage or profit and loss computation
- Limit of insurance applies to all loss caused by or involving one or more employees, whether result of single act or series of acts
- Standard deductible \$500, may be increased or decreased
- **Optional Endorsement** - Add Schedule Excess Limit of Insurance for Specified Employees or Positions
 1. One limit may apply as blanket or scheduled limit
 2. Excess amounts over limit may apply to named persons or all persons occupying certain positions

FORGERY OR ALTERATION (outgoing checks)

- Covers loss from forgery or alteration of checks, drafts, promissory notes or similar instruments, drawn by or upon named insured or one acting as insured's agent
- Covers legal expenses incurred in lawsuit for refusing to pay
- Limit of insurance applies to all loss caused by one person or in which one person is involved

INSIDE THE PREMISES – THEFT OF MONEY AND SECURITIES

- Covers loss of money and securities from act of theft, disappearance, or destruction
- Additionally, covers damage to premises due to actual or attempted theft of money or securities if insured is owner or legally liable for damage
- Coverage applies within insured's building, banking premises, or similar place of safe depository
- **Additional exclusions -**
 1. Accounting errors
 2. Giving or surrendering of property in any exchange or voluntarily parting with title to or possession of any property
 3. Fire damage to premises
 4. Vandalism damage to premises or containers of covered property
 5. Property contained in money-operated devices, unless amount deposited is recorded by device
 6. Extortion

INSIDE THE PREMISES – ROBBERY OR SAFE BURGLARY OF OTHER PROPERTY

- Covers loss of or damage to property other than money and securities
- Covers inside premises from actual or attempted robbery of custodian
- Also covers damage to premises and locked safe or vault from actual or attempted robbery or safe burglary
- **ADDITIONAL EXCLUSIONS -**
 1. Accounting errors
 2. Giving or surrendering of property in any exchange or voluntarily parting with title to or possession of any property
 3. Fire (except damage to safe or vault)
 4. Vandalism
 5. Extortion
- **SPECIAL LIMIT - \$5,000** per occurrence for precious metals, precious or semiprecious stones, pearls or furs, and to physical or intrinsic value of manuscripts, drawings or records

OUTSIDE THE PREMISES

- Covers loss of money and securities outside the premises in care, custody and control of messenger or armored car service from theft, disappearance or destruction
- Covers robbery of other property outside premises in care, custody and control of messenger or armored care service
- **ADDITIONAL EXCLUSIONS -**
 1. Accounting errors
 2. Giving or surrendering of property in any exchange or voluntarily parting with title to or possession of any property
 3. Fire (except damage to safe or vault)
 4. Vandalism
 5. Extortion

COMPUTER FRAUD

- Covers loss or damage to money, securities and other property
- From using computer to fraudulently transfer property from inside insured's premises or banking premises to person or place outside premises anywhere in world
- **ONLY ADDITIONAL EXCLUSION** - Inventory shortage
- **SPECIAL LIMIT - \$5,000** applies to loss of manuscripts, drawings, and records or cost of reconstruction

MONEY ORDERS AND COUNTERFEIT PAPER CURRENCY

- Covers loss from accepting counterfeit currency or money orders in exchange for merchandise, money or securities
- Includes money orders and counterfeit paper currency from any country

10.4 ADDITIONAL INSURING AGREEMENTS AVAILABLE BY ENDORSEMENT

EXTORTION -

- Covers all types of property surrendered away from premises as result of threat to do bodily harm to insured, employee or relative or invitee or either being held or allegedly held captive
- Triggered by threats to damage premises or property within premises

CLIENTS' PROPERTY -

- Covers legal liability for non-owned property while property on premises of insured's client. (Example: Janitorial service or any business providing a service on premises of others)

FUNDS TRANSFER FRAUD -

- Covers loss due to fraudulent transfer of funds through use of telephone or fax machine

LESSEES OF SAFE DEPOSIT BOXES -

- Covers theft, disappearance, destruction of securities
- Covers burglary or robbery of other property from within places of safe depository

SECURITIES DEPOSITED WITH OTHERS -

- Covers theft, disappearance, destruction of securities deposited with custodian (bank, stockbroker)

SAFE DEPOSITORY -

- Covers named insured's legal liability if it is the safe depository for customers' property
- Covers burglary, robbery, destruction or damage

GUESTS PROPERTY -

- Covers named insured's legal liability for guest's property in safe deposit box or while property inside premises or in named insured's possession
- All risks coverage with exclusions such as, loss from fire, spilling of food or beverage, resulting from insects, animals, wear and tear, inherent vice, in care, custody or control of named insured for laundering or cleaning

10.5 DISCOVERY VS. LOSS SUSTAINED COVERAGE

Crime coverage may be written on one of two basis - Discovery or Loss Sustained

1. **DISCOVERY** -

- Covers losses discovered during policy period or within 60 days after expiration (one year from expiration for losses connected with employee benefit plan) regardless of when they occurred
- Retroactive dates may be used to limit exposure to losses that may have occurred prior to inception

2. **LOSS SUSTAINED** -

- Only covers losses that both occurred and were discovered during policy period or within one year of expiration
- **ONE EXCEPTION** - covers losses occurring under previous crime policies discovered during current policy period as long as there was continuous crime coverage with no coverage gaps from the time the loss occurred

10.6 OTHER CRIME COVERAGE PROVISIONS

OTHER INSURANCE - Policy is **excess** to any other recoverable insurance

VALUATION -

- **Money** - Face Value
- **Securities** - Value on day loss is discovered
- **Other Property** - Actual replacement cost or, if less, cost to repair

GOVERNMENT CRIME - Slightly different coverage forms tailored for insuring governmental entities

CRIME TEST

1. Which of the following is not a general exclusion in Crime coverage?
 - A. Legal expenses
 - B. Acts committed by partner
 - C. Indirect losses
 - D. Losses from shoplifting
2. Crime policies may be written on what type of basis?
 - A. Loss Sustained or Prior Insurance Discovery basis
 - B. Discovery or Loss Sustained basis
 - C. Loss Sustained Under Prior Coverage or Discovery Period basis
 - D. Discovery Period or Sustained Prior Loss basis
3. Which of the following will be a covered loss in Crime insurance under the Discovery form?
 - A. A loss is discovered during the policy or within 60 days after expiration
 - B. Loss is during policy period or up to 1 year after expiration
 - C. Loss occurs within 1 year after expiration
 - D. All the above
4. What is the amount of time, if any, following the expiration date, in which a discovered loss might be covered by the Discovery form?
 - A. No coverage unless loss discovered during the policy period
 - B. 6 months - 1 year for employee benefit plans losses
 - C. 60 days - 1 year for employee benefit plans losses
 - D. 1 year for any discovered losses
5. If a loss occurred during a prior policy it may be covered under a Loss Sustained crime form under certain conditions. Which of the following would cause the loss not to be covered by the new policy?
 - A. New crime coverage went into effect the day after the old policy was terminated
 - B. New crime coverage was effective within 24 hours of expiration of the old policy
 - C. New crime coverage took effect within 30 days after expiration of old policy
 - D. Loss not covered in any of these situations
6. Under the Loss Sustained crime form, when must a new policy take effect in order to have coverage for losses that may have occurred during the prior policy period?
 - A. On the date the previous policy expired
 - B. Within 24 hours of the expiration of the prior policy
 - C. Within 1 week of the expiration of the prior policy
 - D. Within 30 days of the expiration of the prior policy
7. Crime policies cover only for the benefit of the insured and will cover what types of property?
 - A. Only property insured owns
 - B. Only property for which insured is legally liable
 - C. Property insured owns, holds or is legally liable
 - D. None of the above
8. A crime loss is covered under both a crime insurance policy and a Commercial Property form. How will they apply to each other?
 - A. The policies pay pro rata
 - B. The policies pay equal shares
 - C. Crime insurance will not pay if other insurance covers the loss
 - D. Crime insurance will be applied as excess to other insurance

9. Which of the following is/are correct valuations?
- A. Securities - valued the day of loss
 - B. Money - face value
 - C. Other property - ACV or if less cost to repair or replace
 - D. All are correct
10. Which of the following agreements is not a primary crime insuring agreement?
- A. Forgery or Alteration
 - B. Extortion
 - C. Computer Fraud
 - D. Outside the Premises
11. Which crime agreement will cover ABC Janitorial Service if legally liable for non-owned property on a client's premises?
- A. Guests' Property
 - B. Safe Depository
 - C. Client's Property
 - D. Employee Theft
12. Funds Transfer Fraud is designed to cover the fraudulent transfer of funds through the use of:
- A. Computers or telephones
 - B. Telephones or fax machines
 - C. Fax machines or computers
 - D. Computers, fax machines or telephones
13. Insured has Computer Fraud crime coverage. An employee, while at work, uses his computer, to transfer money from the insured's bank account into his own Swiss bank account. How will Computer Fraud cover this?
- A. No coverage, need Employee Theft
 - B. No coverage, transfer was from banking premises and not insured's premises
 - C. No coverage, transfer outside coverage territory
 - D. Fully covered
14. Insured, Sally, is at a convention where she encounters her friend, Joan. Sally tells Joan about her new assistant, Donald, and what a whiz he is at accounting. Joan informs Sally that Donald had once worked for her and was caught forging checks. Which of the following statements is correct regarding Sally's Employee Dishonesty insurance?
- A. Sally must report this to the company and her premiums will be increased to cover this new risk
 - B. Coverage on Donald is terminated immediately
 - C. Coverage is suspended on all Sally's employees
 - D. Coverage on Donald is terminated the first of the next month
15. Which of the following is correct about the deductible for Employee Theft?
- A. No deductible
 - B. Standard deductible \$500
 - C. Standard deductible \$250
 - D. No standard deductible
16. Insured has Employee Theft Coverage. Inventory taken on July 1 discovered a \$100,000 shortage. Because of a sophisticated security system in the store only employees working in the warehouse would have had the opportunity to steal the merchandise. How will their Employee Theft cover this loss?
- A. Covered only if written on a Blanket basis
 - B. Covered for the \$100,000 loss
 - C. Need Excess Coverage For Specified Employees to cover warehouse employees
 - D. No coverage for loss when proof is dependent on inventory shortage
17. Which is correct about Forgery or Alteration?
- A. Covers if someone other than employee forges or alters insured's check
 - B. Covers if insured accepts a forged or altered check
 - C. Covers if employees accept a forged or altered check
 - D. Covers if employee forges or alters a check accepted by insured

18. Which of the following would be included in the definition of "theft"?
- A. Fired employee with keys enters shop and steals merchandise
 - B. Shoplifter hides in dressing room until store is closed, steals property
 - C. Cat burglar slips through an unlocked window and takes property
 - D. All are considered theft
19. Money and securities will cover:
- A. Inside insured's premises
 - B. Inside banking premises
 - C. Within places of safe depository
 - D. All the above
20. Which of the following would not be covered under Inside the Premises - Robbery or Safe Burglary of other property?
- A. Damage to insured's owned building when burglar tries to pry front door open but is unsuccessful.
 - B. Fired employee with keys enters premise and steals locked safe
 - C. Insured is remodeling and moves his locked safe outside for one hour while room is painted, during that time the safe is stolen
 - D. Damage to locked safe when thief tries, unsuccessfully, to open it
21. Under the agreement Inside the Premises - Robbery or Safe Burglary of Other Property, which of the following would be covered if a burglar decided to set the store on fire to destroy the evidence?
- A. Damage to safe or vault
 - B. Damage resulting from the fire to an owned building
 - C. Damage resulting from the fire to a building for which the insured is legally liable
 - D. All the above
22. Insured has Inside the Premises - Robbery or Safe Burglary of Other Property agreement for \$50,000. A burglar using a crowbar opens the safe and takes manuscripts valued at \$15,000, damage to safe is \$1000. What coverage will insured have for this loss?
- A. Fully covered up to policy limit - \$16,000 paid
 - B. Manuscripts covered up to \$5000, safe covered up to \$500 - \$5500 paid
 - C. Manuscripts covered up to \$5000, safe damage fully covered - \$6000 paid
 - D. Manuscripts covered, no coverage for safe - \$15,000 paid
23. All of the following are considered "Securities", except?
- A. Tokens
 - B. Credit card receipts
 - C. Traveler's checks
 - D. Tickets
24. Which of the following agreements has a \$5000 limit for loss to drawings and records?
- A. Outside Premises
 - B. Employee Theft
 - C. Forgery or Alteration
 - D. Computer Fraud
25. Employee has custody of property and surrenders property to thief dressed as security guard for Wells Fargo Bank. Which agreement will cover the loss?
- A. Extortion
 - B. Employee Theft
 - C. Outside the Premises
 - D. Nothing, voluntary surrender of property is excluded.
26. All of the following fall under the definition of "money", except?
- A. Coins
 - B. Bank notes having face value
 - C. Traveler's checks
 - D. Tokens

CHAPTER ELEVEN

SURETY BONDS

11.1 SURETYSHIP VS. INSURANCE

Suretyship is not insurance. Suretyship is over 4,500 years old; insurance in the form used today is about 300 years old.

PURPOSE - The *Surety* guarantees the performance by the *Principal* of an obligation to the *Obligee*.

DIFFERENCE BETWEEN SURETY AND INSURANCE -

SURETYSHIP -

- Three party contract
- Non-cancelable
- Right of recovery (salvage)

INSURANCE -

- Two party contract
- Cancelable
- No right of recovery

In the past protection for employers against the dishonesty of their employees was treated by suretyship. Coverage was written under "*fidelity bonds*". Today the trend is to cover this exposure on an insurance basis.

11.2 PARTIES TO A BOND

THREEPARTIES-

1. **PRINCIPAL**- One who promises to perform, fulfill a contract or meet an obligation.
2. **OBLIGEE** - One who is to be guaranteed that the principal will perform
3. **SURETY** - One who guarantees the performance of the principal to the obligee.

INDEMNITOR - One who agrees to reimburse surety for any loss it may suffer from having bonded the principal (Not always party to a bond, only used *sometimes* when required by surety)

11.3 THE BONDING PROCESS

SURETY WILL NEED TO SATISFY ITSELF AS TO -

1. **CHARACTER** - Is the principal dependable and trustworthy?
2. **CAPITAL** - Principal must have financial resources.
3. **CAPABILITY** - Principal must have experience or capabilities to perform.

UNDERWRITING TOOLS -

- **INDEMNITOR** - If Principal is lacking financial resources the surety may require a financially responsible indemnitor.
- **COLLATERAL** - Deposit of cash or other valuable property to be held by the surety for lifetime of bond, subject to return once principal has fulfilled the obligation
- **JOINT CONTROL** - Surety and principal exercise joint control over assets (might be required in administration of an estate)

ATTORNEY-IN-FACT - Executes bond (sureties generally appoint general lines agents as attorneys-in-fact to execute bonds)

11.4 CONTRACT BONDS

FOUR PRINCIPLE CONTRACT BONDS -

1. **BID BOND -**

- Required to accompany bid for contract requiring successful bidder to furnish further bond if awarded job
- Guarantees that if the bid is accepted, bidder will enter into contract and furnish the required bonds
- If obligee awards contract and bidder refuses to follow through, the bond will pay the difference between that bid and the bid of another which is accepted
- Surety underwrites bid bond based on concept it will eventually have to "bond the job"

2. **PERFORMANCE BOND -**

- Guarantees indemnification to obligee for any losses resulting from principal's failure to complete contract work according to specifications
- Surety does not guarantee completion, but in many cases does enter into a default situation and will see the project through to completion
- If there is a default surety can do one of following:
 1. Have defaulting contractor complete work and pay costs
 2. Have another contractor complete the work
 3. Pay costs for obligee to find someone else to finish the job

3. **PAYMENT BOND -**

- Guarantees the contractor will pay all bills so no mechanic's liens will be placed on the project
- Generally required when a performance bond is needed and frequently combined into a single instrument

4. **MAINTENANCE BOND -**

- Guarantees the principal will accept responsibility after completion and acceptance of project, to correct faulty work or replace defective materials.

TWO ADDITIONAL CONTRACT BONDS -

SUBDIVISION BOND -

- Guarantees streets, sidewalks, sewers, and other requirements and improvements will be installed

SUPPLY CONTRACT BOND -

- Guarantees delivery of goods at agreed upon price and may be required of the supplier by a purchaser

11.5 FIDUCIARY AND COURT BONDS

Judicial Bonds can be either **FIDUCIARY OR COURT**

FIDUCIARY BOND - Guarantees performance of person appointed by court, will or deed to handle affairs of another.

Types of Fiduciary Bonds -

1. **PROBATE BOND** - For those who administer the estates of deceased persons
2. **CONSERVATION BOND** - For those appointed to manage and preserve property other than estates of decedents (Example are those appointed as guardians of minors or incompetents)
3. **INSOLVENCY BOND** - For those appointed to conserve remaining assets and protect creditors - these are required of receivers and trustees for bankruptcy and insolvency proceedings, or one petitioning a court to place another in bankruptcy

COURT BOND - Furnished by both **plaintiffs** and **defendants** in litigation to protect the opposing party from loss in the event the principal fails to show legal entitlement to remedy sought

Types of Court Bonds -

1. **BAIL BOND** - Required of defendant to guarantee appearance in court
2. **Other Examples** - Required when defendant wants to reverse an action taken by a plaintiff are such as: release of attachment; to dissolve an injunction; have seized property returned; appeal a judgment for money damages

11.6 LICENSE AND PERMIT BONDS

LICENSE BOND - Often required by a public body to guarantee licensee will operate in conformity with laws, or guarantee to protect public against unfair business practices, or guarantee property collection and payment of taxes. **For continuous operations**

INDEMNITY BOND - Type of license bond which holds governmental body harmless from any injuries or damage caused by principal's activities.

PERMIT BOND - Issued for special event or operation (exhibit, show, circus, etc.) and guarantees compliance with federal, state and local laws for duration of event or operation. **For specific event**

FRANCHISE BOND - Variation of license or permit bond, may be required by public body when it awards a franchise. (Cable company, electric or gas company, telephone company, transportation system, etc.)

11.7 MISCELLANEOUS BONDS

PUBLIC OFFICIAL BOND - Guarantees principal will uphold oath of office and faithfully perform duties of office.

LOST INSTRUMENT BOND - Required by issuing bond company when reissuing lost document. Guarantees to save issuer harmless from loss growing out of lost document

SELF-INSURANCE BOND - May be provided to an authority as evidence of compliance with an insurance requirement, such as workers compensation or auto liability, to show compliance with state law and guaranteeing financial responsibility.

BLUE SKY BOND - Guarantees against misrepresentation of securities and defrauding the public. (*Remember Securities - Blue Chip*)

U.S. INTERNAL REVENUE BOND - Required of those who collect and report taxes for controlled commodities. (Example - Winemaker, brewers, manufacturers of tobacco products)

CUSTOMS BOND - Required of import or exporters, guarantees customs will be collected, reported, and paid.

SURETY BONDS TEST

1. What are the differences between suretyship and insurance?
 - A. Insurance - 3 party contract, cancelable; Suretyship - 2 party contract, noncancelable
 - B. Insurance - 2 party, noncancelable; Suretyship - 3 party contract, cancelable
 - C. Insurance - 2 party contract, cancelable; Suretyship - 3 party contract, noncancelable
 - D. Insurance - 3 party contract, noncancelable; Suretyship - 2 party contract, cancelable
2. If the bonding company has to pay because of a principal in default, what, if any, right of recovery exists?
 - A. Surety has the right of recovery against the principal in default called salvage
 - B. Surety has the right of recovery against the principal in default called subrogation
 - C. Surety has no right of recovery against the principal in default
 - D. Surety has the right of recovery against the surety called salvage
3. City of Ft. Lauderdale contracts to build a sports arena with Big Bucks construction company. Big Bucks must be bonded, so purchases a bond from Sucker Insurance. Which of the following best identifies each party?
 - A. Ft. Lauderdale - Principal, Big Bucks - Obligee, Sucker - Surety
 - B. Ft. Lauderdale - Obligee, Big Bucks - Principal, Sucker - Surety
 - C. Ft. Lauderdale - Surety, Big Bucks - Principal, Sucker - Obligee
 - D. Ft. Lauderdale - Obligee, Big Bucks - Surety, Sucker - Principal
4. One who agrees to reimburse the surety for any loss it may suffer from having bonded the principal is called:
 - A. Guarantor
 - B. Sucker
 - C. Indemnitor
 - D. Obligor
5. Before posting a bond, the surety will wish to investigate all the following concerning the Principal, except?
 - A. Character
 - B. Financial resources (capital)
 - C. Collateral
 - D. Capability to perform
6. Cash or other valuable property held by surety for the life of a bond is called:
 - A. Capital
 - B. Collateral
 - C. Principal
 - D. Joint control
7. All of the following are considered underwriting tools used by sureties, except?
 - A. Joint control
 - B. Indemnitor
 - C. Capital
 - D. Collateral
8. The one who executes the bond is called:
 - A. Attorney-in-law
 - B. General lines agent
 - C. Attorney-in-fact
 - D. Surety
9. Big Bucks submitted a bid of \$5,000,000 on a new hospital, which included a bid bond. After they are awarded the job, Big Bucks discovered a major error in their calculations. They decide not to go through with the job. The hospital says their bid bond will be forfeited. The bonding company must pay.
 - A. Value of the bond
 - B. Nothing, Big Bucks backed out before they started construction
 - C. The difference between Big Bucks' bid and the highest bid
 - D. The difference between Big Bucks' and the accepted bid
10. Surety discovers the principal, a general contractor, is bankrupt. All of the following are choices for the Surety, except?
 - A. Pay the costs for the defaulting contractor to finish the job
 - B. Cancel the bond
 - C. Hire another contractor to finish the job
 - D. Pay additional costs of letting the obligee finish the job

11. Which bond will be needed to guarantee obligee will not be stuck with mechanic's liens after work has been completed by a contractor?
 A. Performance Bond B. Payment Bond C. Maintenance Bond D. Supply Contract Bond
12. A bond guaranteeing the contractor will return and correct faulty work or replace defective materials is called:
 A. Performance Bond B. Payment Bond C. Maintenance Bond D. Supply Contract Bond
13. This bond will guarantee that contractor will install required sidewalks, sewers, streets, etc.
 A. Performance Bond B. Subdivision Bond C. Supply Contract Bond D. Maintenance Bond
14. Big Bucks is purchasing lumber from Oak Tree Lumber company and wants a guarantee of delivery at the agreed upon price. What bond is needed?
 A. Payment Bond B. Performance Bond C. Maintenance Bond D. Supply Contract Bond
15. A bond that guarantees the performance of one appointed by the court such as a guardian is called:
 A. Public Official Bond B. License Bond C. Court Bond D. Fiduciary Bond
16. This type of bond is designed for those who administer the estates of deceased persons.
 A. Probate Bond B. Conservation Bond C. Court Bond D. Fiduciary Bond
17. This type of bond is furnished by both plaintiffs and defendants to protect the opposing party.
 A. Probate Bond B. Conservation Bond C. Court Bond D. Fiduciary Bond
18. Beacon Light Shopping Center is in bankruptcy and the court has appointed Lots of Luck Realty as the receiver. What type of bond will be needed by Lots of Luck?
 A. Court Bond B. Insolvency Bond C. Conservation Bond D. Probate Bond
19. The court appoints a person to manage and preserve the estate of an elderly couple who have been declared incompetent. What type of bond will this person need?
 A. Fiduciary Bond B. Insolvency Bond C. Conservation Bond D. Probate Bond
20. This bond guarantees the appearance in court of the defendant.
 A. Bail Bond B. Court Bond C. License Bond D. Permit Bond
21. This bond may be needed by the cable TV company to guarantee they will operate in conformity with the laws.
 A. License Bond B. Franchise Bond C. Permit Bond D. Indemnity Bond
22. This bond is required of those who collect and report taxes for winemakers and brewers.
 A. License Bond B. Permit bond C. Indemnity Bond D. US Internal Revenue Bond
23. A residential community wants to hold a charity auction. What type of bond may they be required to provide?
 A. License Bond B. Permit Bond C. Indemnity Bond D. Franchise Bond
24. A public body may require these bonds to guarantee the licensee will operate in conformity with general laws.
 A. License Bond B. Permit Bond C. Indemnity Bond D. Franchise Bond
25. An investment company needs what type of a bond?
 A. Public Official Bond B. Lost Instrument Bond C. Self-Insurance Bond D. Blue Sky Bond

26. Chan's Chinese Imports may need what type of bonding for his import business?
- A. Blue Sky Bond B. Customs Bond C. Self-Insurance Bond D. License Bond
27. Your insured has a fire loss. He says the bank wants a bond before they will reissue his Certificate of Deposit which was destroyed. What type of bond will he need?
- A. Blue Sky Bond C. Self-Insurance Bond
B. Lost Instrument Bond D. Custom Bond
28. This type of bond may be provided as evidence of compliance with the workers compensation or auto liability laws.
- A. Blue Sky Bond C. Self-Insurance Bond
B. Lost Instrument Bond D. License Bond

CHAPTER TWELVE

MARINE

12.1 INLAND MARINE INSURANCE

Developed as an extension of Ocean Marine providing coverage for cargo traveling over land, instead of by sea

NATIONWIDE DEFINITION - categories of eligible Marine risks:

1. Imports (Ocean Marine)
2. Exports (Ocean Marine)
3. Domestic Shipments (Commercial Inland Marine)
4. Instrumentalities of Transportation or Communication (Commercial Inland Marine)
5. Personal Property Floater Risks (Personal Inland Marine)
6. Commercial Property Floater Risks (Commercial Inland Marine)

Generally Inland Marine does not cover stationary property such as real estate, furniture, fixtures, or merchandise in the course of manufacture.

FUNCTION-

- Cover property in transit or subject to transit, land mobile equipment and instrumentalities of transportation and communication.

COVERAGE CATEGORIZED AS -

- **CONTROLLED -**
 - Standardized form is developed by a bureau, such as Insurance Services Office (ISO)
 - Filed for uniform use
- **UNCONTROLLED -**
 - Individual company may use its own form and vary it for the individual risk

12.2 COMMERCIAL INLAND MARINE POLICIES

CONTROLLED FORMS

Because of the wide variety of mobile property covered, there is no one standard policy; instead each type of property requires a unique policy form. Certain controlled classes of Inland Marine can be written under the Commercial Inland Marine Coverage part of a Commercial Package Policy.

Three things required in addition to the Common Policy Declarations and Common Policy Conditions when written as part of a CPP -

1. Commercial Inland Marine Declarations
2. Commercial Inland Marine General Conditions form
3. One or more controlled coverage forms

CONTROLLED COVERAGE FORMS – BROAD ALL RISK COVERAGE -

- Accounts Receivable
- Camera and Musical Instrument Dealers
- Commercial Articles
- Equipment Dealers
- Film
- Floor Plan
- Jewelers Block
- Mail Coverage
- Physicians and Surgeons Equipment
- Signs
- Theatrical Property
- Valuable Papers and Records

UNCONTROLLED FORMS – (Endless variety of uncontrolled forms, these are more widely used forms, may be written all risk or named perils)

- Annual Transit
- Trip Transit
- Motor Truck Cargo
- Instrumentalities of Transportation or Communication
- Bailee's Customers
- Furriers Customers
- Contractors Equipment
- Installation
- Installment Sales
- EDP
- Dealers (Furriers, Block, Art, Coin and Stamp)

DOMESTIC SHIPMENTS - Covers against loss to cargoes while in transit.

- ***ANNUAL TRIP TRANSIT POLICY -***
 - Covers all goods of shipper or receiver against loss in transit during the year, incoming and outgoing. (Example: catalogue shippers)
 - Uncontrolled
- ***TRIP TRANSIT POLICY -***
 - Similar to above but insures a single shipment.
 - Uncontrolled
- ***MOTOR TRUCK CARGO POLICY -***
 - Protects carrier for loss to domestic shipments in transit. Carrier not responsible for acts of God (flood, tornado, etc.) or shipper's neglect (poor packing, etc.). Covers carrier's liability for loss to cargo belonging to others
 - Uncontrolled
- ***MAIL COVERAGE FORM -***
 - Provides all risk coverage against loss to property sent by registered mail, first class mail, certified mail or express mail, doesn't cover Parcel Post - Coverage issued on a reporting basis, insured must report value of shipments with separate limits for each type of mail
 - Controlled

INSTRUMENTALITIES OF TRANSPORTATION AND COMMUNICATION -

- Property is not portable but is subject to some of the same perils as property in transit
- Coverage is for both direct damage and loss of revenues caused by damage
- Bridges, tunnels, radio and TV towers, dams, piers, docks, pipelines, etc.
- Uncontrolled

COMMERCIAL PROPERTY FLOATER RISKS - BAILEES

BAILMENT-

- Delivery of property by owner to someone else to be held by latter for some special purpose and then returned to owner. (Example: Drycleaners)

BAILEE-

- One who receives property

BAILOR -

- One who owns property

Bailees have a responsibility for property in their custody. Bailee's Customers policy reimburses the insured for damage to customer's property in his/her care, whether or not the insured is liable, as long as the damage resulted from a covered peril.

TYPES OF BAILEE POLICIES -

1. **CLEANERS, DYERS, AND LAUNDRIES POLICY** – have unique peril “*confusion of goods*”, when a loss that occurs makes it impossible to identify the garment with the correct customer
2. **FURRIERS POLICY** – fur storage facilities
3. **WAREHOUSES POLICY** – customers' property in warehouse

COMMERCIAL PROPERTY FLOATER RISKS - EQUIPMENT FLOATERS

- **CONTRACTORS EQUIPMENT FLOATER -**
 - Covers heavy machinery, equipment and tools of contractor;
 1. On job site
 2. On way to and from job site
 3. While temporarily stored
 - Covers equipment owned, rented, or borrowed by insured
 - Example: Carpenter's tools, bulldozers, etc.
 - Uncontrolled
- **PHYSICIANS AND SURGEONS EQUIPMENT COVERAGE FORM -**
 - Covers medical, surgical and dental instruments (may cover items only while being carried)
 - On and off premises, as well as furniture and fixtures at doctor's office
 - Controlled
- **THEATRICAL PROPERTY COVERAGE FORM -**
 - Covers scenery, props and costumes used by theatre group for specific or all productions
 - Rental companies, supply houses, circuses, carnivals, rodeos may not be covered by this form
 - Controlled
- **FILM COVERAGE FORM -**
 - Covers exposed motion picture film, including soundtracks and recorded tapes until production is complete and positive prints made
 - Reporting and non-reporting available
 - Controlled

- **COMMERCIAL ARTICLES COVERAGE FORM -**
 - Covers photographic equipment or musical instruments used commercially by such as newspapers or orchestras
 - All risk
 - May be issued with items specifically scheduled, blanket or combination of both
 - Controlled

COMMERCIAL PROPERTY FLOATER RISKS – BUSINESS FLOATERS

- **ACCOUNTS RECEIVABLE COVERAGE FORM -**
 - Reimburses insured for:
 - Amounts unable to be collected from customers because of damage to insured's accounts receivable records
 - Extra collection expenses
 - Costs to reestablish records
 - Interest on loans obtained to stay in business
 - Two forms:
 - Reporting - insured makes periodic reports of receivables
 - Non-reporting - fixed limit
 - Controlled form
- **VALUABLE PAPERS COVERAGE FORM -**
 - Reimburses insured for cost of replacing damaged manuscripts, films, maps, drawings, deeds, books, or other printed, inscribed or written documents other than money and securities
 - Can include research and production costs
 - Property specifically scheduled is covered on a "valued" basis
 - Controlled
- **INSTALLATION COVERAGE FORM -**
 - Insures against loss to machinery, equipment, building materials or supplies in transit or being used with or during the course of installation, testing, building, renovating or repair
 - Issued to cover interest of either seller or contractor
 - Example: Installing elevators
 - Uncontrolled
- **INSTALLMENT SALES FLOATER -**
 - Covers property sold on installment basis
 - If covering seller's interest, pays off unpaid balances following a loss
 - If covering both buyer and seller, full value of insured item is paid
- **SIGNS FORM -**
 - All risk coverage for fluorescent, automatic or mechanical electrical signs
 - Each sign scheduled for specific limit
 - Controlled
- **ELECTRONIC DATA PROCESSING INSURANCE -** Covers both Property and Liability
 - **PROPERTY -**
 - Covers equipment, data and media
 - Plus, extra expense, for abnormal expenses of operating following a loss, and business interruption
 - **LIABILITY -**
 - Covers liability arising from handling and storing data for others
 - Example: data processing service firms

- **FLOORPLANFORM-**
 - Covers merchandise for sale that has been financed
 - May be issued to cover the interest of the lender, dealer, or both
 - Only available on a monthly reporting basis
 - Controlled

COMMERCIAL PROPERTY FLOATER RISKS – DEALERS POLICIES

This group is the exception to the general rule of "mobile property". Dealers do need coverage occasionally while property is away from the premises; their primary need is for damage to merchandise while it is on the business premises.

Coverage for dealers including: jewelers, furriers, art, coin, stamp, camera, musical instruments and equipment (mobile agricultural or construction).

- **COVERAGE-**
 1. All risk
 2. On or off premises, while in transit, and in custody of employees.
- Covers property of others in insured's custody
- Coverage may be reporting or non-reporting basis

Policies covering **Jewelry dealers and Furriers** are known as "**Block**" policies. The term Block comes from the French term "en bloc", meaning "all together".

12.3 RATING

PERSONAL - Generally rated based on rate per \$100 insurance

COMMERCIAL - Exposure related to insured's premises uses rating applicable for Commercial Property as a base

MARINE TEST

- Which of the following statements is incorrect concerning Inland Marine?
 - Developed as an extension of Ocean Marine Insurance
 - Provides coverage for cargo traveling over land
 - Generally, will cover stationary property such as real estate or merchandise being manufactured
 - All are Controlled Forms
- Which policy covers domestic shipments and is purchased by the carrier of cargo to cover their legal liability?
 - Annual Transit
 - Trip Transit
 - Motor Truck Cargo
 - Domestic Cargo Liability
- A policy that is purchased by either the shipper or receiver of goods to insure a single shipment in transit?
 - Annual Transit
 - Trip Transit
 - Motor Truck Cargo
 - Domestic Cargo Liability
- Which policy is purchased by either the shipper or receiver of goods to insure transit that may occur during a policy year?
 - Annual Transit
 - Trip Transit
 - Motor Truck Cargo
 - Domestic Cargo Liability
- Customer takes TV to repairman to be fixed. Which of the following is true?
 - Customer is the bailee - Repairman is the bailor
 - Customer is the bailor - Repairman is the bailee
 - TV is the bailee - Repairman is the bailor
 - None of the above
- What coverage is a unique peril for cleaners, dyers and laundries?
 - Stain removal
 - Scorching
 - Confusion of goods
 - Color fading
- The Contractors Equipment floater covers property:
 - Owned, borrowed, and rented by insured
 - On the way to and from job site
 - Temporarily stored
 - All the above
- Which of the following will be covered under a Theatrical Property Coverage form?
 - Circuses
 - Theater groups
 - Supply houses
 - All the above
- Which form would a production company need to protect them while making a movie in Miami about a hurricane?
 - Theatrical Property coverage form
 - Film coverage form
 - Catastrophic Injury coverage form
 - Natural Disaster coverage form
- Which coverage form would be needed to cover extra collection expenses and interest on loans to enable insured to stay in business while collections are impaired?
 - Commercial Articles coverage form
 - Commercial Property coverage form
 - Accounts Receivable coverage form
 - Collections and Expense coverage form
- All of the following are correct about a Commercial Articles coverage form, except?
 - Covers photographic equipment and musical instruments used personally
 - All risks
 - Needed by such as newspaper and orchestra
 - Issued specifically scheduled, blanket or combination
- Which coverage form would include equipment being tested?
 - Electronic Data Processing Insurance
 - Installation coverage form
 - Installment Sales floater
 - Floor Plan form

13. Which coverage form is designed to best cover computer hardware?
- A. Electronic Data Processing Insurance
 - B. Installation coverage form
 - C. Installment Sales floater
 - D. Floor Plan form
14. Which coverage form is designed to protect a furniture store when the furniture manufacturer places furniture in the store and the store pays for the furniture after it is sold?
- A. Signs coverage form
 - B. Installation coverage form
 - C. Installment Sales floater
 - D. Floor Plan form
15. All of the following are covered under Mail coverage form, except?
- A. Certified mail
 - B. Registered mail
 - C. First class mail
 - D. Parcel post
16. A contractor installing a large piece of mechanical equipment drops it from the crane that was lifting it into place. What policy covers this type of risk?
- A. Installation Coverage form
 - B. Equipment Dealers form
 - C. Trip Transit form
 - D. Floor Plan form
17. A merchant who sells mobile agricultural or construction equipment would need:
- A. Floor Plan form
 - B. Equipment Dealers form
 - C. Installation form
 - D. Installment Sales floater

CHAPTER FOURTEEN

BOILER MACHINERY/EQUIPMENT BREAKDOWN

14.1 BOILER AND MACHINERY POLICY

Coverage is for risks of direct and indirect loss arising from "accidents" to "objects" (such as boilers, generators, engines, pumps, compressors, and turbines).

POLICY CONSISTS OF -

- Declarations
- Common Policy Conditions
- Coverage form
- Object Definitions form
- Any endorsements

THREE COVERAGE FORMS -

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

SIX OBJECT DEFINITIONS FORMS -

- One or more required with the Boiler and Machinery form
- Small business forms contain object descriptions as part of coverage provisions

14.2 BOILER AND MACHINERY COVERAGE FORM

COVERAGE FORM -

- A-Coverage
- B-Exclusions
- C-Limits of Insurance
- D-Deductible
- E-Conditions
- F-Definitions

COVERAGE SECTION STATES -

- Insurer will pay for **direct damage** to **covered property** from a **covered cause of loss**

COVERED PROPERTY INCLUDES -

- Property owned by insured
- Non-owned property in care, custody or control of insured and for which insured is legally liable
 - This applies to all forms of property, not just boiler or other subject of coverage

"COVERED CAUSE OF LOSS"-

- An "accident" to an object shown in declarations which is in use or connected and ready for use at specified location

"ACCIDENT" -

- Sudden and accidental breakdown of the object or a part of the object which, at time of breakdown, manifests itself by physical damage to the object and requires replacement or repair
- Accident **excludes** following:
 - Depletion, deterioration, corrosion, erosion, wear and tear
 - Leakage at any valve, fitting, shaft seal, gland packing, joint or connection
 - Breakage 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
 - Functioning of any safety or protective device

EXTENSIONS OF COVERAGE -

- ***EXPEDITING EXPENSES -***
 - Reimbursement for cost of temporary repairs and to expedite permanent repairs or replacement
 - Examples: overtime labor, long distance telephone calls or air freight
 - \$250 deductible
- ***AUTOMATIC COVERAGE -***
 - 90 days automatic coverage at newly acquired location
 - Subject to highest limit and deductible as stated in declarations for same type object
- ***DEFENSE -***
 - Insurer will defend insured against claims and suits arising out of covered occurrences
 - No dollar limit
- ***SUPPLEMENTARY PAYMENTS -***
 - Liability claims
 - Insurer pays all litigation costs
 - Same type of supplementary payments under other liability policies

EXCLUSIONS -

1. Increase in loss due to enforcement of law regulating repair, alteration, use, operation, construction or installation
2. War and nuclear hazards
3. Fire and explosion - under certain circumstances designed to prevent overlap in coverage provided by Commercial Property and Boiler and Machinery forms
4. Windstorm, hail or freezing
5. Lightning, aircraft, vehicles, sinkhole collapse, smoke, sprinkler leakage or weight of ice, snow or sleet, if coverage provided elsewhere
6. Flood, except if an accident results from flood, direct damage to covered property is covered
7. Accident to object while being tested
8. Accident caused by earth movement
9. Lack of power, light, heat, steam or refrigeration
10. Indirect loss

LIMITS-

- **Minimum Basic - \$500,000**
 - For all direct loss from one accident
- Claim defenses and Supplementary Payments -
 - Not subject to limit
- Limitations -
 1. **\$25,000** - Maximum amount available for expediting expenses
 2. **\$25,000** - Limit for additional expenses of cleanup, repair, replacement, or disposal of property for damage caused by substance declared hazardous by government
 3. **\$25,000** - Limit for damage caused by ammonia contamination
 4. **\$25,000** - Limit for damage by water from refrigeration or air conditioning vessels and piping

DEDUCTIBLES-

- Subtracted from any amounts to be paid for each accident
- If more than one object is involved in a single accident, the highest deductible applies
- **\$500 - Standard**

CONDITIONS-

- **VALUATION CLAUSE -**
 - Provides replacement cost for all covered property
 - If replacement is not made in 18 months of accident ACV applies
- **SUSPENSION CONDITION -**
 - Contains provision giving any company representative the right to immediately suspend insurance against any loss or accident to that object when object is found to be in or exposed to a dangerous condition.
 - Written notice of suspension is mailed to insured's last known address or address where object is located
 - **Example:** Engineer inspecting boiler finds it is "ready to blow"

14.3 OBJECTS DEFINITIONS FORMS

Definition as to object covered are very technical and detailed. It is not necessary to know complete details of all object's definitions. Following is a brief list of some of the types covered:

- Boilers (steam, hot water, fired tube, water tube, cast-iron types)
- Refrigerating Equipment
- Air Conditioning Equipment
- Generators
- Pumps
- Engines
- Machinery
- Compressors
- Transformers
- Turbines

14.4 INDIRECT LOSS COVERAGE ENDORSEMENTS

Loss from interruption to insured's operations caused by an "accident" to an insured object is available on either a "**Valued**" or "**Actual Loss Sustained**" form.

- **VALUED BUSINESS INTERRUPTION ENDORSEMENT -**
 - Pays agreed dollar limit for each day of total interruption, or a proportionate part of limit for partial interruption
 - States daily limit, and a total dollar limit based upon 90, 100, 126, 153, 180, 216, 270, or 360 times daily limit
 - Deductible may be expressed in days (such as two-day deductible) or stated dollar amount
- **ACTUAL LOSS SUSTAINED BUSINESS INTERRUPTIO ENDORSEMENT -**
 - Covers actual lost profits and necessary continuing expenses incurred through interruption period
 - 100% coinsurance required
 - Amount of insurance is related to annual net profits plus fixed expenses as contained in required annual reports
 - Same as for Valued - may be expressed in days (such as two-day deductible) or stated dollar amount
- **EXTRA EXPENSE FORM -**
 - Coverage for extraordinary expenses to maintain ongoing operations over and above normal expenses (Same as Extra Expense in the Commercial Property form)
 - A schedule of limits applies to the total amount of coverage depending upon the period of restoration
 - **Example:** stated limits of 40% - 80% - 100% - meaning that 40% of the coverage amount is recoverable if the restoration period is one month; 80% for two months; and full amount (100%) if over two months
 - Deductible is expressed in dollar amounts

14.5 MISCELLANEOUS OPTIONS

- **LIMITED COVERAGE ENDORSEMENT -**
 - When the object is a boiler, fired vessel or electric steam generator this endorsement redefines "accident" to cover only "sudden and accidental tearing asunder" of the object as opposed to "sudden and accidental breakdown" in coverage form
- **ACTUAL CASH VALUE ENDORSEMENT -**
 - Available to change loss settlements from "replacement cost" to ACV
- **ADDITIONAL EXPEDITING EXPENSES, WATER DAMAGE, AND AMMONIA CONTAMINATION ENDORSEMENTS -**
 - Permits increasing the \$25,000 limit for each to any desired higher amounts
 - These increases do not increase the per accident limit, only increasing the amount available within such limit for those exposures
- **BODILY INJURY LIABILITY ENDORSEMENT -**
 - Provides excess coverage for this exposure over any other liability insurance
 - (This exposure is generally excluded and covered by insured's general liability policy)
- **CONSEQUENTIAL DAMAGE ENDORSEMENT -**
 - Covers loss due to spoilage from lack of power, light, heat, steam, or refrigeration caused by accident to covered object
 - Type of property covered must be stated in endorsement
 - Form of indirect loss

14.6 SMALL BUSINESS FORMS

Two small business forms are subject to limitations as to types of businesses and insurable objects -

- Risks which have an 80% equipment replacement value of **not over \$5,000,000**
- Property damage limit is 80% of building replacement value

SMALL BUSINESS BOILER AND MACHINERY FORM -

1. Boilers and pressure vessels for property damage and business interruption, air conditioning and air compressing units for property damage only or both property damage and business interruption. Blanket coverage for all objects
2. Covered property and covered cause of loss same as in Boiler and Machinery policy
3. Business Interruption includes extra expense and covers on an "actual loss sustained" basis for 25% of limit that applies to property damage losses as an additional amount of insurance
4. Exclusions, internal limits, conditions same as in Boiler and Machinery policy; except no coinsurance clause; no coverage for increased loss expenses due to hazardous substances
5. Standard deductible **\$500** per accident

SMALL BUSINESS BOILER AND MACHINERY BROAD FORM -

1. Property damage and business interruption/extra expense applies blanket to all objects
2. Spoilage coverage optionally may be included, subject to a limit of \$5,000, \$10,000 or \$25,000 and separate deductible of \$500
3. Internal limits for hazardous substances (other than ammonia) and ammonia contamination each \$25,000 per accident

BOILER & MACHINERY/EQUIPMENT BREAKDOWN TEST

1. All the following are coverage forms for Boiler & Machinery, except.
A. Small Business Boiler & Machinery
B. Commercial Boiler & Machinery
C. Boiler & Machinery
D. Small Business Boiler & Machinery Broad form
2. In Boiler & Machinery sudden and accidental breakdown of the object requiring repair is called:
A. Deterioration
B. Consequential loss
C. Accident
D. Corrosion
3. Coverage for costs such as overtime labor, air freight incurred to speed repairs to a covered object in Boiler & Machinery are called.
A. Expediting expenses
B. Automatic coverages
C. Supplementary payments
D. Consequential losses
4. What is the dollar limit on defense claims for Boiler & Machinery?
A. Limit of insurance
B. \$5000
C. \$1000
D. No dollar limit
5. Automatic coverage allows coverage for accident to an object at newly acquired location for.
A. 30 days
B. 45 days
C. 60 days
D. 90 days
6. An engineer inspecting for a Boiler & Machinery insurer finds an extremely dangerous situation. He will likely.
A. Suspend coverage until equipment is safe
B. Issue Notice of Cancellation
C. Order a rate increase
D. Keep his mouth shut for a hefty price
7. The minimum basic limit for Part C of a Boiler & Machinery policy is.
A. \$100,000
B. \$300,000
C. \$500,000
D. \$1,000,000
8. Which of the following best describes the Valued Business Interruption endorsement of a Boiler & Machinery policy?
A. Pays agreed dollar limit per day while object is not usable due to accident
B. Pays actual lost profits, necessary continuing expenses and expenses over and above normal expenses incurred to stay in business
C. Extraordinary expenses necessary to continue operations
D. Actual lost profits and continuing expenses
9. Which best describes Actual Loss Sustained Business Interruption endorsement of a Boiler & Machinery policy?
A. Pays agreed dollar limit per day while object is not usable due to accident
B. Pays actual lost profits, necessary continuing expenses and expenses over and above normal expenses incurred to stay in business
C. Extraordinary expenses necessary to continue operations
D. Actual lost profits and continuing expense
10. Which best describes Extra Expense form of a Boiler & Machinery policy?
A. Pays agreed dollar limit per day while object is not usable due to accident
B. Pays actual lost profits, necessary continuing expenses and expenses over and above normal expenses incurred to stay in business
C. Extraordinary expenses necessary to continue operations
D. Actual lost profits and continuing expenses

11. Which best describes Combined Business Interruption and Extra Expense endorsement of a Boiler & Machinery policy?
- A. Pays agreed dollar limit per day while object is not usable due to accident
 - B. Pays actual lost profits, necessary continuing expenses and expenses over and above normal expenses incurred to stay in business
 - C. Extraordinary expenses necessary to continue operations
 - D. Actual lost profits and continuing expenses
12. Standard deductible for Small Business Boiler & Machinery form is.
- A. \$100
 - B. \$250
 - C. \$500
 - D. No standard deductible
13. The internal limit under Small Business Boiler & Machinery Broad form for ammonia contamination is.
- A. \$5,000
 - B. \$10,000
 - C. \$25,000
 - D. \$50,000
14. What are the limits for spoilage under Small Business Boiler & Machinery Broad form?
- A. \$1000, \$5000, \$10,000/\$500 separate deductible
 - B. \$2500, \$10,000, \$20,000/no deductible
 - C. \$5000, \$10,000, \$25,000/no deductible
 - D. \$5000, \$10,000, \$25,000/\$500 separate deductible
15. Insured has a \$100,000 Boiler and Machinery policy to cover a refrigeration unit. A covered accident to a refrigeration unit causes water damage of \$35,000. Without any endorsements, what is the most insured can expect to recover?
- A. \$100,000
 - B. \$35,000
 - C. \$25,000
 - D. Nothing, water damage is excluded

CHAPTER FIFTEEN

HEALTH

HEALTH INSURANCE -

- Also known as "Disability Insurance"
- Coverage against bodily injury, disablement, or death by accident or accidental means, or the expense thereof, or against disablement or expense resulting from sickness
- Does not include workers compensation
- Majority of premiums are developed through group health insurance plans
- Group plans generally provide broader coverage at lower costs than individual plans
- Group plans may be tailor-made to fit the needs of the particular group

15.1 GENERAL POLICY PROVISIONS

COVERAGE CONTINUATION PROVISIONS -

- **CANCELLATION CLAUSE -**
 - Florida law requires not less than **20 days** written notice
 - Not widely used today as most individual policies prohibit mid-term cancellation
- **OPTIONALLY RENEWABLE -**
 - Cannot cancel during policy term
 - Reserves right to non-renew upon expiration
- **CONDITIONALLY RENEWABLE -**
 - Company may refuse to renew only under certain stated conditions
- **GUARANTEED RENEWABLE -**
 - Company must renew to stated age, typically, 65
 - Premium may be increased
 - **Florida Law** requires Health policies be **Guaranteed Renewable**
- **NON-CANCELLABLE -**
 - Company cannot cancel policy and must renew to a stated age
 - Premiums cannot be increased
- **FREE-LOOK -**
 - Allows insured to return a health policy within **10 days** and receive **full premium refund**
 - Florida requires Medicare supplement and Long-term care policies have a **30-day** free-look period

GENERAL EXCLUSIONS -

1. Occupational injury or disease - if Workers Compensation applies, or auto injuries to extent no-fault benefits are paid
2. Childbirth, normal pregnancy, elective abortions
3. Treatment in VA or governmental hospital
4. Intentional injury or attempted suicide
5. Dental expenses (except from accident)
6. Mental illness (or reduced benefits for psychiatric care)
7. Injury as member of crew of an aircraft
8. Cosmetic surgery (unless required by accident)
9. War
10. Illnesses which originated before policy inception

OTHER GENERAL PROVISIONS -

- **GRACE PERIOD -**
 - Period of time during which policy will remain in force, after the premium due date, if the premium is unpaid
 - Grace's birthday 7/10/31
 - **7 days** for weekly premium policies
 - **10 days** for monthly premium policies
 - **31 days** for all others

- **REINSTATEMENT -**
 - If insured has not paid premium and policy lapses, reinstatement provides how the policy may be placed back in force:
 - Company may reinstate upon receipt of late premium
 - Company may give conditional receipt for premium and require reinstatement application
 - Florida law -
 - Y Coverage is reinstated at time of approval of reinstatement application
 - Reinstatement is automatic after **45 days** if insurer fails to notify insured of disapproval within that period
 - Upon reinstatement:
 - Accidents are immediately covered
 - Sickness subject to **10-day** waiting period

- **LIMITATION ON INSURER DEFENSES (Incontestable clause or Time Limit on Certain Defenses) -**
 - Florida law -
 - After **2 years** from the issue date, only fraudulent misstatements in the application may be used to void the policy or deny a claim for loss or disability that begins after the two-year period
 - Alternate provision for guaranteed renewable and non-cancelable policies -
 - Y After **2 years** insurer cannot contest statements in application
 - Y After **2 years** claim may not be reduced or denied because of preexisting sickness or physical condition, unless specifically excluded before date of loss

- **WAITING OR ELIMINATION PERIOD -**
 - Period of time between issuance and acceptance before **sickness** benefits begin

- **WAIVER OF PREMIUM -**
 - If insured becomes **totally disabled**, premiums are waived but coverage remains in force

- **DOUBLE INDEMNITY -**
 - Doubles death benefits for accidents under certain circumstances
 - **Example:** Death due to collapse of a building, boiler explosion, tornado, hurricane

- **COINSURANCE -**
 - Provision under which the company insures only part of the potential loss, with the policyholder paying the other part
 - *Example:* Major Medical policy in which the company agrees to pay 80% of the insured expenses with the insured paying 20%

- **MISSTATEMENT OF AGE OR SEX - If a misstatement is made, an adjustment to correct it will be made by insurer**
 - Age or sex of insured is misstated, then amounts payable under the policy will be such as the premium paid would have purchased according to the correct age or sex

15.2 APPLICATION

Written application required including things such as: age, sex, occupation, past and present health, previous claim experience, other coverage owned, and beneficiary designations

15.3 TYPES OF POLICIES

Basic forms of health insurance or medical expense insurance are called "first dollar" insurance because, unlike Major Medical, benefits are paid up front without a deductible applying. Below are the major forms of health insurance policies. Other more specific policies exist such as dental plans and "dread disease" which provide benefits for a single illness, such as cancer.

Other policies are available which cover bodily injury by **accident only**, excluding illness. These are known as Accidental Death & Dismemberment. They provide for a lump sum benefit in the event of accidental death or the loss of body members due to an accidental injury.

15.4 HOSPITALIZATION EXPENSE INSURANCE

- Covers expenses of room and board in hospital, nursing care, laboratory fees, operating room, medical supplies and related items
- Limit stated for daily room and board, subject to maximum number of days and other specific limits or one blanket limit for additional hospital fees
- **Example:** \$100 per day for room and board, maximum 120 days, \$1,000 hospital extras

15.5 HOSPITAL INDEMNITY INSURANCE

- Flat amount per day of hospitalization regardless of expenses or other insurance
- Designed to supplement other insurance

15.6 ACCIDENT INSURANCE

- Covers expenses, including loss of income, arising from accidents
- Typical exclusions:
 - Hernia
 - War
 - Disease and bacterial infections
 - Suicide attempts
 - Air travel injuries if not a fare paying passenger on regularly scheduled airline
 - Accidents committing felony
 - Accidents while under influence of intoxicants or unprescribed narcotics
- Some policies may be issued without an elimination period

15.7 SURGICAL EXPENSE INSURANCE

- Covers physicians' fees for performing surgery
- Maximum amount payable for each surgical procedure
- Scheduled coverage providing a top benefit for the most serious type of operations and scaled down coverage for less complicated surgery
- **Example:** a flat \$500 for an appendectomy, with high and low limits of \$1,500 to \$100 for other procedures

15.8 DREAD DISEASE

- Also known as Limited Risk or Critical Illness
- Provides medical expense coverage for a specific illness, such as cancer or heart disease
- Frequently pay a lump-sum amount to help defray medical costs associated with a specific medical diagnosis
- Some states prohibit the sale of these products because they invite questionable sales and marketing practices that take advantage of a person's vulnerability

15.9 PHYSICIANS COVERAGE

- Reimburses insured for nonsurgical care by physician
- Payable for services:
 - In hospital
 - In patient's home
 - In physician's office
- Typically limit applies per visit, subject to maximum number of visits per illness
- **Example:** \$15 per visit, 20 visits maximum per illness

15.10 MAJOR MEDICAL INSURANCE

- Intended for **Catastrophic** losses
- Benefits usually begin **after deductible** is satisfied
- Designed to pick up where basic hospital/surgical policies leave off
- Provides broad coverages for most medical expenses related to sickness or injury
- Characterized by -
 - High deductible - Types:
 - **Flat deductible** - Stated amount paid by insured before benefits payable
 - **Corridor deductible** - Used with supplementary major medical policies, Basic medical expense policy pays up to its limits, then insured pays deductible amount before supplementary major medical payable
 - **Integrated deductible** - Used with supplementary major medical policies, but it is integrated into the basic medical expense policy - **Example:** Supplementary plan carries \$500 deductible and insured incurs \$500 or more expenses under basic plan, the deductible is satisfied
 - Percentage of participation or Coinsurance
 - High maximum limit
 - May also contain internal limits for hospital daily room charges and surgical services
- Exclusions for major medical policies are the same as those indicated above under General Policy Provisions
- **Example of deductible and coinsurance in Major Medical -**
 - Insured sustained \$8,000 in medical expenses for one illness.
 - Policy - limit of \$250,000 for any one sickness or accident - \$1,000 flat deductible - 80% coinsurance
 - Insured pays - first \$1,000 (**deductible**) of loss, plus **20% (coinsurance)** of the remaining \$7,000 (\$1,400) = \$2,400 in total paid by insured
 - Insurer pays - 80% of \$7,000 = \$5,600 total paid by insurer

15.11 DISABILITY INCOME INSURANCE

- Provides periodic income payments when insured is unable to work because of sickness or injury
- Normally have an ***ELIMINATION PERIOD*** (Waiting Period) which can be as little as 7 days; or 30, 60, 90 days; and may be as long as 6 months or a year, most are 30 days; these periods eliminate claims for short-term disabilities for which the insured can manage without too much financial difficulties; the longer the Elimination Period, the lower the premium for comparable benefits; similar to a deductible
- Rates of some policies vary according to the insured's occupation -
 - ***Non-prorating*** policy specifically provides that benefits will not be reduced if insured changes to a more hazardous occupation

MONTHLY BENEFIT -

- Total disability income from all policies cannot exceed insured's average monthly earnings for the two years preceding the disability
 - ***EXCEPT*** - Minimum is lesser of \$500 or benefits due
- Over-insurance -
 - Policies prorate

Example of Pro-rating policies -

Company A - Limits monthly disability benefit to 60% of average monthly earnings or $\$3,000 \times .60 = \$1,800$
Company B - Flat monthly disability benefit of \$600

Insured's average monthly earnings prior to disability = \$3,000

Company B pays the flat amount of \$600

Company A would only be responsible for $(\$1,800 - \$600) = \$1,200$

Total monthly payment = \$600 (Company B) + \$1,200 (Company A) = \$1,800

- If company is making extended payments - Florida Law requires these to be not less often than monthly

"TOTAL DISABILITY" - Varying definitions

- Complete inability to do any work (highly restrictive)
- Inability to work in an occupation for which qualified by training or education, training, or experience (average)
- Unable to perform duties of his or her own occupation (liberal)

"PARTIAL DISABILITY" -

- Work impairment limiting either duties that can be performed or amount of time that can be worked
- Falls short of "total disability" definition
- Payments are normally about half those for "total" disability
 - **Example:** Insured injured and unable to work at all for 6 weeks. Then able to work only half days for 4 weeks, performing only some normal functions.
 - Payment for the 6-week period - Total disability benefit
 - Payment for the 4-week period - Partial disability benefit

DISMEMBERMENT BENEFIT -

- Fully payable if after receiving benefits for a disability insured loses a limb or sight from the accident
- IF loss occurs within specified time from accident (usually 200 weeks)

ELECTIVE INDEMNITY BENEFIT -

- May take a lump sum benefit on a loss-by-loss basis, for certain injuries (usually fractures, dislocations, etc.), instead of weekly or monthly payments

AVAILABLE RIDERS -

- ***SOCIAL SECURITY -***
 - Additional income when eligible for social insurance benefits which have not begun, been denied, or reduced to an amount less than amount of rider
- ***COST OF LIVING ADJUSTMENT (COLA) -***
 - Provides for indexing the benefit to adjust on anniversary date to reflect changes in Consumer Price Index (CPI)
- ***GUARANTEED INSURABILITY -***
 - Guaranteed right to purchase additional coverage at predetermined times in future without evidence of insurability
 - May be contingent on meeting certain earnings tests to avoid over insurance

15.12 LONG-TERM CARE

- Nursing home care
- Assistance for those dependent on others for care
 - Client's home
 - Nursing home
 - Adult care center
- THREE TYPES OF CARE -
 - ***SKILLED NURSING CARE*** - continuous care
 - ***INTERMEDIATE NURSING CARE*** - registered nurse, not 24-hour care
 - ***CUSTODIAL CARE*** - assistance with activities of daily living (eating, dressing, bathing, etc.)
- Benefit limits, age limits, elimination periods (0-180 days)
- HIPAA requires they be guaranteed renewable
- ***SECONDARY ADDRESSEE*** - receives lapse notice in addition to insured

15.13 MEDICARE SUPPLEMENT INSURANCE

- Designed to cover medical costs not payable by Medicare
- Florida Law requires standards be met for policy to be identified as "Medicare supplement)
 - Stating specific minimum limits that will fill the Medicare gaps created by deductibles, coinsurance and exclusions
 - Must be in understandable language
 - Returnable within **30 days** of purchase for full refund of premium (**Free-Look**)
 - Must be accompanied by Medicare Supplement Buyer's Guide and outline of coverage
 - Must not limit coverage for more than **6 months** because of pre-existing health condition

15.14 HEALTH MAINTENANCE ORGANIZATIONS

- Provides comprehensive health services to its members for prepaid fixed fee
- **Known for preventive activities, such as wellness programs, diagnostic screening, and early treatment**
- Characteristics -
 - Delivery of comprehensive services to members through employed physicians
 - Broad coverage
 - Fewer exclusions
 - Small deductibles and coinsurance
- Problems -
 - Many feel freedoms to select individual physicians is unduly restricted
 - Some say there is an unacceptable trade-off of superior care for cost savings

15.15 PREFERRED PROVIDER ORGANIZATIONS

- Selected group of hospitals and medical practitioners in a given area who have joined together in an effort to reduce medical costs
- Group is contracted with a traditional insurance company to provide services at a prearranged cost
- HMOs and PPOs are called "managed health care systems"
- PPOs differ from HMOs -
 - PPOs do not have separate facilities in which to see patients
 - Patients visit family physician and community hospital, if these providers are contracted with the PPO
 - **Emergency** treatment will be covered for PPO members even if the treatment is not provided by a service provider on the approved list

15.16 DISCLOSURE –

RENEWAL AGREEMENTS/NONRENEWAL AND CANCELLATION -

- Insurer must renew individual or group health insurance coverage at option of individual or group policyholder
- **INDIVIDUAL HEALTH INSURANCE –**
 - May modify a policy form if consistent with Florida law and effective among all individuals with that form
 - Insurer may non-renew or cancel for -
 - Nonpayment of premiums
 - Fraud or intentional misrepresentation of material fact by individual
 - Insurer ceases to offer coverage in individual market
 - Health insurance offered in network plan and individual no longer resides, works, lives, in area for which insurer is authorized to do business, but only if coverage is uniformly terminated without regard to any health status of covered individual
 - Health insurance available through an association and individual ceases to be member of association offering individual coverage, but only if coverage uniformly terminated without regard to any health status of covered individual
 - Insurer discontinues a particular health insurance policy form must notify covered individuals at least **90-days** prior to date of nonrenewal and offer option to purchase another individual plan currently being offered for individuals by insurer in state
 - Insurer discontinues offering all health insurance coverage in Florida must provide each individual at least **180-days' notice** prior to date of nonrenewal -
 - Once company discontinues selling individual health coverage in Florida may not write individual coverage for 5-years in Florida beginning on date last policy was not renewed

- **GROUP HEALTH INSURANCE –**

- At time of renewal insurer may modify health insurance coverage offered for small-group or large-group markets if modifications are consistent with Florida law and effective on a uniform basis
- Insurer may non-renew for following -
 - Nonpayment of premiums
 - Fraud or intentional misrepresentation of material fact under policy terms by policyholder
 - Policyholder failed to comply with material provision of plan relating to rules for employer contributions or group participation
 - Insurer no longer offering particular type of coverage
 - Network plan - no longer anyone enrolled in plan who lives, resides, or works in service area of insurer or area in which insurer is authorized to conduct business
 - Association plan - employer ceases to be member, but only if coverage is uniformly terminated without regard to health status-related to any covered individuals
- Insurer discontinues offering particular policy form in group market -
 - Must give notice to policyholder, covered participants, and beneficiaries at least 90-days before date of nonrenewal and must offer each policyholder option to purchase any other health coverage being offered by insurer
 - Insurer must act uniformly without regard to claims experience of those policyholders or health status-related factor related to participants or beneficiaries or new participants or beneficiaries who may become eligible for coverage
- Insurer discontinues offering all health insurance in small or large group market or both -
 - Must give notice to office, each policyholder, participants, and beneficiaries at least 180-days prior to date of nonrenewal
 - Once company discontinues selling health insurance coverage in Florida may not write health insurance coverage for 5-years in Florida beginning on date last policy not renewed

ADVERTISING -

- Advertising materials and other communications developed by insurers regarding products -
 - Must clearly indicate relates to insurance products
- When soliciting or selling insurance -
 - Agents must clearly indicate they are acting as insurance agents with regard to insurance products and identify insurers

- **ADVERTISEMENTS OF BENEFITS, COVERAGE, PREMIUMS -**
 - May not exaggerate benefits with use of words such as -
 - All, unlimited, full, complete, comprehensive, as high as, etc
 - Application used as invitation to also join association must solicit insurance on separate applications and requires separate signatures
 - Application fees must be disclosed on application and appear separately so as not to construe these are part of premium for insurance coverage
 - Policy limitations must not use wording in a positive manner to imply limitation, exception, or reduction is a benefit such as -
 - Describing waiting period as "benefit builder" or "even preexisting conditions are covered after a limited period of time"
 - Wording must fairly and accurately describe the negative features
 - May not describe benefit for which payment is conditional upon confinement in hospital or similar facility in manner that would indicate a profit will be made from being hospitalized or disabled, such as -
 - "Extra cash", "extra income", or "tax free"
 - Policy providing benefits for specified illness such as cancer or for limited benefit such as nursing home must prominently and clearly state limited nature of coverage with statement prominently displayed with language similar to -
 - "THIS IS A LIMITED POLICY." "THIS IS A CANCER ONLY POLICY." "THIS IS AN AUTOMOBILE ACCIDENT ONLY POLICY." "THIS IS A NURSING HOME COVERAGE ONLY POLICY."
 - Invitation to contract must disclose exceptions, reductions, and limitations effecting coverage and must disclose waiting periods, elimination period, or probationary period
 - Invitation for health coverage must also, in negative terms, disclose extent to which a loss traced to a condition existing prior to effective date may not be covered
 - Term "Pre-existing condition" without appropriate definition must not be used

HEALTH INSURANCE TEST

1. Health insurance is also known as.
 - A. Disability insurance
 - B. Compensation insurance
 - C. Life and Accident insurance
 - D. All the above
2. Health insurance includes all the following, except.
 - A. Bodily injury
 - B. Disablement
 - C. Workers compensation
 - D. Death by accident
3. The majority of health insurance premiums are developed through:
 - A. Individual major medical
 - B. Group plans
 - C. Government groups
 - D. Medicare supplements
4. Some health policies may be canceled by the company. Florida law requires a minimum of..
 - A. 10 days' notice
 - B. 20 days' notice
 - C. 30 days' notice
 - D. 45 days' notice
5. Which describes a Noncancelable health policy?
 - A. Must renew to a stated age, may raise premiums
 - B. May refuse to renew only under certain conditions
 - C. Must renew to stated age, may not increase premiums
 - D. May not cancel during policy term but reserves right to non-renew upon expiration
6. Which best describes an Optionally Renewable health policy?
 - A. Must renew to a stated age, may raise premiums
 - B. May refuse to renew only under certain conditions
 - C. Must renew to stated age, may not increase premiums
 - D. May not cancel during policy term, but reserves right to non-renew upon expiration
7. Which best describes a Conditionally Renewable health policy?
 - A. Must renew to a stated age, may raise premiums
 - B. May refuse to renew only under certain conditions
 - C. Must renew to stated age, may not increase premiums
 - D. May not cancel during policy term, but reserves right to non-renew upon expiration
8. Which best describes a Guaranteed Renewable health policy?
 - A. Must renew to a stated age, may raise premiums
 - B. May refuse to renew only under certain conditions
 - C. Must renew to stated age, may not increase premiums
 - D. May not cancel during policy term, but reserves right to non-renew upon expiration
9. Which is not a typical exclusion in a health policy?
 - A. Normal pregnancy
 - B. Pre-existing conditions
 - C. Dental work required by accident
 - D. Mental illness
10. What does the Florida law require for a grace period of a health policy?
 - A. 5 days weekly premium policies/7 days monthly/30 days all other
 - B. 7 days weekly premium policies/10 days monthly/31 days all other
 - C. 10 days weekly premium policies/14 days monthly/31 days all other
 - D. 10 days weekly premium policies/20 days monthly/45 days all other

11. If premium is not paid by the end of the grace period.
- A. Policy is canceled
 - B. Policy is nonrenewed
 - C. Policy lapses
 - D. Company must give 10 days' written notice
12. What option(s) does the company have for reinstatement of a health policy?
- A. Automatically reinstate upon receipt of late premium
 - B. Reinstated at time of approval of reinstatement application
 - C. May give conditional receipt for premium and require reinstatement application
 - D. All of above
13. Under Florida law reinstatement of a health policy is automatic after how many days if insurer fails to notify insured of disapproval?
- A. 30 days
 - B. 45 days
 - C. 55 days
 - D. 60 days
14. Upon reinstatement of health insurance which of the following is true?
- A. All coverage resumes immediately
 - B. Coverage for accidents is immediately applicable/7 day waiting period for sickness
 - C. Coverage for accidents is immediately applicable/10 day waiting period for sickness
 - D. Coverage for accidents is immediately applicable/14 day waiting period for sickness
15. Which of the following is correct about the application for a health policy?
- A. May be oral or written
 - B. Is written but does not become part of the policy
 - C. Is written and becomes part of the policy
 - D. May be oral or written and becomes part of the policy
16. Which of the following is/are true concerning the "incontestable clause" for health insurance?
- A. Required by Florida law
 - B. A clause which may be added by endorsement
 - C. After 2 years from issue date, only fraudulent misstatements in application may be used to void policy or deny claim which begins after the 2-year period
 - D. Both A and C are correct
17. Which of the following is/are true concerning the "time limit on certain defenses" for health insurance?
- A. After 2 years insurer cannot contest statements made in application
 - B. After 2 years claim may not be reduced or denied because of preexisting condition, unless specifically excluded after date of loss
 - C. Neither A nor B is correct
 - D. Both A and B are correct
18. What health insurance general provision states how an insurer may place a lapsed policy back into effect?
- A. Waiver Period
 - B. Reinstatement
 - C. Grace Period
 - D. Time Limit on Certain Defenses
19. A health provision which states a period of time between issuance and acceptance before sickness Benefits begin, is called.
- A. Waiver of Premium
 - B. Reinstatement
 - C. Elimination Period
 - D. Grace Period
20. What is the optional health provision that the insured may keep their policy in force without payment if they become totally disabled?
- A. Waiver of Premium
 - B. Elimination Period
 - C. Incontestable Period
 - D. Reinstatement Period

21. A health policy provision which under certain circumstances pays additional benefits due to death, is called?
- A. No such provision, death is not covered under health C. Accidental death provision
 B. Double indemnity D. Survivor's benefit provision
22. Hospitalization Expense insurance provides what type of coverage?
- A. Flat amount per day of hospitalization regardless of number of days, no coverage for additional fees
 B. Limit per day for room and board regardless of number of days, maximum limit on additional fees
 C. Limit per day for room and board, maximum number of days, and blanket amount on additional fees
 D. Flat amount per day of hospitalization, regardless of expenses or other insurance
23. Which best describes the coverage under a Hospital Indemnity policy?
- A. Flat amount per day of hospitalization regardless of number of days, no coverage for additional fees
 B. Limit per day for room and board regardless of number of days, maximum limit on additional fees
 C. Limit per day for room and board, maximum number of days, and blanket amount on additional fees
 D. Flat amount per day of hospitalization, regardless of expenses or other insurance
24. Which of the following is not an exclusion under an Accident policy?
- A. Bacterial infections C. Air travel on a regularly scheduled airline
 B. Hernia D. All the above are exclusions
25. Surgical Expense insurance includes all of the following, except?
- A. Covers fees of physicians for performing surgery
 B. Subject to a maximum payable for each procedure listed in schedule
 C. Unlisted procedures paid at the amount for similar surgery in the schedule
 D. Hospital expenses are included at a per day limit for room and board
26. Which of the following are correct under Physicians coverage?
- A. Reimburses physician for nonsurgical care
 B. Limit applies per visit, subject to maximum number of visits per year
 C. Benefits payable for services in hospital, patient's home, doctor's office
 D. All the above are correct
27. Which of the following are not covered under a Major Medical policy?
- A. Hospitalization B. Workers compensation C. Surgery D. Dread disease
28. All of the following are found in a Major Medical Policy, EXCEPT.
- A. Maximum limits of \$10,000 to \$1,000,000 or more
 B. Coinsurance payment of 80% provided amount of insurance carried is equal to or greater than 80% of the actual expense
 C. May contain internal limits for daily room or semi-private room rates
 D. Can include basic, as well as, catastrophic coverage
29. Madame X has a major medical policy with \$250,000 limit for any one accident or sickness, \$500 deductible and 80% coinsurance. She has an accident and ends up with bills totaling \$12,000. How much of these bills will her policy cover?
- A. \$12,000 B. \$11,500 C. \$9,200 D. \$2,300
30. What is the purpose of Disability Income insurance?
- A. Provide periodic income payments if insured becomes disabled
 B. Provide lump sum payment if insured becomes disabled
 C. Coordinate with major medical to provide complete health coverage
 D. Coordinate with Social Security to provide comprehensive coverage

31. Which of the following is correct regarding non-prorating policy?
- A. Premiums may be increased if insured changes to more hazardous job
 - B. Insurer may cancel policy if insured changes to more hazardous job
 - C. Benefits are reduced if insured changes to more hazardous job
 - D. None of the above
32. What are the normal limits that apply to benefits paid under a Disability policy?
- A. 66 2/3% of insured's earnings before the disability is usual maximum
 - B. Limit of insurance stated in declarations
 - C. Average monthly earnings before disability
 - D. \$500 minimum up to \$2000 per month of disability
33. Which of the following is the most liberal definition of total disability?
- A. Inability to do any work
 - B. Inability to work in occupation for which insured is trained
 - C. Inability to perform duties of insured's own occupation
 - D. All the above are part of the definition
34. Which is an example of "elective indemnity benefit" under a Disability policy?
- A. Lump sum benefit paid in addition to periodic payments
 - B. Lump sum benefit paid in lieu of periodic payments
 - C. Lump sum benefit paid when diagnosis is made
 - D. All of the above are examples
35. Which of the following is not true about a Medicare Supplement policy?
- A. May not limit preexisting conditions for more than 12 months
 - B. Must be in understandable language
 - C. Must be returnable within 30 days for full premium
 - D. Must be accompanied by an outline and Medicare Supplement Buyer's Guide
36. All of the following are characteristics of an HMO, except?
- A. Small or non-existent coinsurance
 - B. Freedom to choose physicians and hospitals
 - C. Small or non-existent deductible
 - D. Comprehensive health services
37. Which of the following does not describe a Preferred Provider Organization?
- A. They are contracted with traditional insurance companies
 - B. Have separate PPO physical facilities
 - C. Patients visit family physicians as normal
 - D. Provide coverage for emergency care outside their network

CHAPTER SIXTEEN

RESIDUAL MARKETS

Many times, the voluntary market is unable to supply the necessary insurance coverage to meet the needs of Florida residents. The Florida legislature created market organizations to provide coverage (1) required by state statutes or (2) deemed to be crucial to various insureds as a result of the voluntary insurance market's inability to meet the need for these certain types of coverage. These markets are known as "residual markets".

Procuring coverage with these markets is similar to the process in the voluntary market. However, coverages available can be highly restricted due to the nature of the risks. Residual markets are considered "markets of last resort".

16.1 FLORIDA AUTOMOBILE JOINT UNDERWRITING ASSOCIATION (FAJUA)

COVERS-

- Persons unable to purchase auto insurance through normal channels

COMPOSED OF-

- Syndicate of **all** licensed companies in Florida that write auto insurance.
- Operations are performed by "servicing carriers"
 - Accept applications
 - Issue policies
 - Collect premiums
 - Pay losses
 - Oversight by Board of Governors

AGENTS-

- Assigned to a servicing carrier for placing risks to be insured in the FAJUA
- Can bind coverage after receiving completed and signed application and receipt of premium deposit

COVERAGE AVAILABLE TO -

1. Florida residents
2. Military nonresidents stationed in Florida
3. Nonresidents with auto registered in Florida or if subject to Florida No-Fault Law

TYPES OF COVERAGE AVAILABLE -

1. PRIVATE PASSENGER -

- Liability coverage - up to 100/300/50 limits
- PIP
- UM
- Medical Payments - \$500, \$1,000 or \$2,000 limit
- Property Damage (Comprehensive and Collision) subject to deductible of \$250, \$500, or \$1,000

2. COMMERCIAL-

- Liability coverage - up to 100/300/50 limits
Y *However higher limits may be purchased if required by law or regulation*
- PIP
- UM
- Property Damage (available **only** for light vehicles, **under 10,000** pounds)

16.2 CITIZENS PROPERTY INSURANCE CORPORATION (Citizens)

After the catastrophic damages to South Florida properties caused by Hurricane Andrew in 1992 many insurance companies went out of business and others cut back on the number of policies written. To provide coverage for those residential properties unable to procure coverage in the voluntary market the **Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA)** was created by the Florida Legislature. In 2001 the FRPCJUA and **Florida Windstorm Underwriting Association (FWUA)** were merged together forming **Citizens Property Insurance Corporation (CITIZENS)**.

ELIGIBILITY-

- Homeowner or dwelling risk, along with producer, must certify on application, they are unable to obtain, and have not received an offer from any authorized insurer for coverage that is less than **20%** higher than quoted through Citizens
- Coverage may be replaced with coverage from an authorized insurer anytime during the policy with a 60-day notice
- "On-Site Keep-Out Program" (depopulation program)
 - Applicant may never have policy issued with Citizens if authorized insurer underwrites and takes the application at the Service Company location prior to the processing of the application
 - Original effective date is retained
 - Policy cannot be canceled for one year, unless applicant would not have been eligible for coverage under Citizens underwriting rules

CONSUMER CHOICE LEGISLATION -

- Insured has right to select and maintain agent of choice
- All "keep-out" and "take-out" plans are subject to this rule

UNINSURABLE PROPERTIES -

- Vacant or "unoccupied" property
- Properties in disrepair
- Over 50 years old, unless wiring, heating and roof updated
- Do-it-yourself construction (limited exceptions)
- Condemned risks
- Inaccessible or property built over water
- Property with excessive or unusual liability exposure

COVERAGE -

- "Standard" homeowners forms - HO-3, 4, 6 and 8
- Dwelling forms - DP-1 and 3
- Available for buildings under construction, but only if intended to be occupied by insured
- Replacement cost on contents only available on HO forms
- No coverage for animal liability or off premises theft
- **LIMITED ENDORSEMENTS AVAILABLE -**
 - **NO** endorsements for -
 - Scheduled property
 - Special computer coverage
 - Home day care
 - Personal injury
 - Water/sewer back-up, etc.
- **STANDARD DEDUCTIBLE -**
 - \$1,000 all perils other than hurricane, 2% hurricane
 - Mobile home \$500 all perils other than hurricane, 2% hurricane

- Effective January 1, 2014 - reduction of maximum limit for personal residential structures
 - **January 1, 2014** - maximum limit for personal residential structures from \$2 million to \$1 million
 - **January 1, 2015 through 2017** - limit reduced by \$100,000 per year
 - **January 1, 2017** - limit for personal residential structures \$700,000

Property Insurance Clearinghouse -

- Passed by 2013 Florida Legislature
- Help applicants find coverage in private market
- Beginning January 2014 new applications for Citizens homeowners (HO-3) policies will enter a Clearinghouse before policy can be purchased
- Help Citizens reduce exposure and risk of hurricane assessments for all Floridians

CITIZENS - COMMERCIAL PROPERTY MARKET -

Condominium associations, apartment buildings, common elements of Homeowners Associations, other commercial coverage for residences

ELIGIBILITY FOR COMMERCIAL RISKS -

- Risk entitled to but unable to procure commercial property coverage in voluntary market

INELIGIBLE RISKS -

- Hotels, motels, boarding houses, rooming houses, similar risks
- Vacant property (less than 60% occupied)
- Builders risk
- Mercantile occupancy exceeding 25% of total building area
- Condemned risks
- Properties with evidence of disrepair due to neglect
- Damaged properties with no evident intention to repair
- Risks with existing sinkhole damage, (unless geotechnical engineer certifies location has been stabilized)

COVERAGE FOR ALL TYPES OF COMMERCIAL RISKS -

- Including windstorm throughout entire state
- **COVERAGES -**
 - Building
 - Business personal property
 - Business income
- **LIMITS -**
 - \$2,500,000 for all coverage combined
 - \$1,000,000 wind limit
- **COVERAGE FORM -**
 - Standard commercial property and condominium coverage forms and endorsements
 - **Only** a Causes of Loss - **Basic Form** perils available

WIND POLICIES ONLY

FWUA was originally created to cover properties in areas the state deemed especially susceptible to windstorm damage. Citizens' "wind-only" policy is identical. Only two perils available - **windstorm and hail**

ELIGIBILITY - Must be located in defined areas of designated counties

- All types of buildings (including habitational mobile homes if tied down in accordance with requirements)
- Contents

DEFINED AREA -

- Local government must request certification Department of Financial Services
- Hearing is held to determine need for windstorm and hail coverage, how much is needed, and availability in voluntary markets

16.3 FLORIDA WORKERS COMPENSATION JOINT UNDERWRITING ASSOCIATION (FWCJUA)

COVERAGE FOR -

- Employers unable to self-insure or secure insurance through normal channels
- Oversight by the FWCJUA Board of Governors

ELIGIBILITY -

- Employer unable to obtain coverage from at least two other authorized carriers
- Not indebted for any previous WC premiums
- Once application submitted with premium deposit coverage becomes bound at 12:01 a.m. following the date of receipt at FWCJUA or later date if requested
- Employer receives 30-day binder

TIERS -

Tier One -

- Employers with experience modification factor:
 - A. Modification factor below 1.00
 - B. No lost time claims subsequent to experience modification rating period
 - C. Medical-only claims did not exceed 20% of premium
- Employers without experience modification factor:
 - A. No lost time claims for 3 yr. period preceding inception/renewal date of coverage under plan
 - B. Medical-only claims for 3 yr. period preceding inception/renewal date not exceeding 20% of premium
 - C. Secured WC coverage for entire 3 yr. period preceding inception/renewal date of coverage under plan
 - D. Provide loss history from prior carrier or affidavit from employer and employer's insurance agent if history unavailable from prior carrier
 - E. Not new business

Tier Two -

- Employers with experience modification factor:
 - A. Mod factor equal to or greater than 1.00, not greater than 1.10
 - B. No lost time claims subsequent to experience modification rating period
 - C. Medical-only claims did not exceed 20% of premium
- Employer with no mod rating because a new business. Existing business less than 3 yr. loss experience in 3 yr. period preceding inception/renewal date and meets following:
 - A. No lost time claims during that 3 yr. period
 - B. Medical-only claims for that period not exceeding 20% of premium
 - C. Loss history provided by carrier during period employer secured WC coverage

Tier Three -

- Employers not meeting criteria for Tier One or Tier Two

MISCELLANEOUS PROVISIONS -

- Rates -
 - Tier One 25% above voluntary market
 - Tier Two 50% above voluntary market
 - Tier Three actuarially sound rates from beginning

DEFICIT -

- Tier One or Two
 - Funding assessment for one year on all workers' compensation policies in voluntary market
- Tier Three
 - Assessments of Tier Three participants

RENEWAL-

- Notices sent 45 days prior to expiration
- IF premium not received by date of expiration coverage ceases
 - New application must be submitted for coverage

Pro-rata cancellation of policy any time if coverage is secured through the voluntary market.

CHAPTER SEVENTEEN

SELECTED FLORIDA STATUTES

17.1 AGENT PRE-LICENSING TRAINING: UNAUTHORIZED INSURANCE ENTITIES

Major Regulatory Premise - McCarran-Ferguson Act 1945 -

- Federal Law
- Regulation of insurance by states, and not the federal government, is in the best public interest

UNAUTHORIZED ENTITIES: Basic history, overview, and rationale -

- Hard market cycles make seem to spawn fraudulent activities
- Main problem area is in health insurance
- Problems became worse after enactment of ERISA in 1974, which deals with employer-sponsored health insurance plans and retirement plans
- Regulatory concerns about unauthorized entities:
 - Ongoing instances of activity
 - Potential for criminal activity in insurance
 - Adverse economic impact on insurance industry
 - Large quantity of unpaid claims
 - No guaranty fund for unpaid claims
 - Adverse effect in future insurability of certain participants
 - Adverse effect on health-care providers because of unpaid claims
 - No federal oversight
 - Perceive insurance regulators responsible for protecting public from illicit insurance schemes

ERISA goals -

- Encourage individual employers to establish employee health plans by enabling even a single employer to establish a self-insured health plan or offer a fully insured health plan.
 - Self-insured plan -
 - Employer using own funds will bear financial responsibility for covered health claims of employees
 - Benefits are more affordable since employer is not paying for insurer's costs and profits

ERISA "Pre-emption" and state insurance regulation -

- Language in ERISA refers to following:
 - "**Pre-emption**" - Health plan and sponsoring entity not subject to state insurance regulation.
 - "**Savings clause**" - ERISA does not pre-empt state law regulating insurance.
 - "**Deemer clause**" - Genuine single-employer ERISA plan providing health benefits cannot be "deemed" insurance and is not subject to direct state insurance regulation
- While ERISA governs employee benefit plans, state insurance regulation is still responsible for overseeing insured ERISA plans.

The MEWA Issue -

- Risk-bearing entity called Multiple-Employer Welfare Arrangement.
- Regulated by the insurance code and require a Certificate of Authority to do business in Florida.
- Plans are established to provide one or more insurance benefits, including health, to employees of **two or more** employers.
- MEWAs are not single-employer plans therefore are not exempt from state insurance regulation.

- Rules of pre-emption that apply to MEWAs:
 - If fully insured - subject to state insurance laws
 - If not fully insured - subject to state insurance laws
 - If not employee benefit plan - no pre-emption, subject to state insurance laws

Particular Situations -

“Union Plans”

- Can be exception to MEWA definition if US Dept. of Labor finds there are bona fide collective bargaining agreements between union and employers.
- Absent of such findings the plan is subject to state regulation.

“Association Plans”

- Not exempt from state regulation because:
 - No employer-employee relationship
 - Must be fully insured

“Professional Employer Organization (PEO)”

- Used to be called Employee Leasing Company - Handles administrative functions - original employer controls incidents of employment such as:
 - Hiring, firing
 - Evaluation of performance
 - Discipline
 - Compensation
 - Hours, location, nature, method of work
- PEO sponsored health plan is not exempt from state insurance regulation because:
 - No true employer/employee relationship
 - Florida Statutes prohibit PEO sponsored self-insured health plans
- Must be analyzed under MEWA criteria if PEO contends that each employer establishes its own separate ERISA plan
- Keys:
 - If risk-bearing activity for employees of two or more unrelated employers, is MEWA and subject to state insurance regulation
 - If commingling of funds of multiple unrelated employers, subject to state insurance regulation

Possible consequences for aiding and abetting an Unauthorized Insurer or Acting without Proper License

- Conviction of 3rd degree felony
- Liability for all unpaid claims
- Suspension or revocation of all insurance licenses

17.2 AGENT PRE-LICENSING TRAINING: ETHICS

Ethics and the Insurance Industry -

Striving to do what is right

DEFINING ETHICS -

- Greek word - "ethos" meaning "custom"
- Not dependent on threat of legal action or laws
- Product of ingrained attitudes and ideals of service to others in unselfish manner
- Gray areas between ethical and unethical acts or omission or commission (Not always black and white)
- Factors adding to difficulty in making ethical choices (incomes from commissions, volume commitments, different rates of commission, trips and contests, family expectations, expectations of superiors, emotional pressure, moral and religious views)
- Placing interests of others above your own

BUILDING SOUND ETHICS -

- **Florida Statutes -**
 - Purpose of license is to authorize and enable licensee in good faith to engage in the business of insurance with respect to the public and to facilitate the public supervision of such activities in the public interest and not for purpose of licensee to receive commission

CODE OF ETHICS –

- Set of core values:
 - Honesty and truth
 - Responsibility and accountability
 - Respect and tolerance
 - Fairness and justice
 - Compassion and caring
- Insurance organizations with ethical standards -
 - **Independent Insurance Agents and Brokers of America**
 - **American Institute of Chartered Property Casualty Underwriters – 9 Canons**
- Holders of CPCU designation can be reprimanded, censured or stripped of designation for violations of Code of Ethics

17.3 INSURANCE DISCOUNTS FOR WIND MITIGATION

2007 Special Legislative Session law requiring premium discounts on wind policies for retrofitting of older homes or construction of new homes to withstand hurricane winds and wind-borne debris.

Background -

- 2005 Florida Legislature law requiring all residential property insurance companies to file a range of premium discounts with the Office of Insurance Regulation.
- Insurance companies are required to notify policyholders of these premium discounts
- Homeowner must have licensed professional inspector and legally verify improvements

Roof features -

- Two types of roof shapes - Gable and Hip
 - *Gable* - two slopes coming together forming peak giving appearance of "A" - Do not receive wind discount
 - *Hip* - roof slopes upward from all sides, lowest portion is consistent all way around - Does receive a wind discount

Roof coverings -

- Shingles, tile, metal panels - To receive discount must be inspected and installed according to 2001 Building Code requirements

Roof decking -

- Plywood or oriented strand board do not receive discount by themselves, credits can apply based on how decking is attached to the trusses
- Dimensional lumber and concrete roof decking do receive discount

Roof to wall connection -

- How roof trusses are attached to the wall framework - critical in keeping roof connected to house
- Use of straps and clips in accordance with the 2001 Building Codes will receive a discount
- Basic toe nailing receives no discount

Opening protection -

- Opening protection coverings for things such as windows, skylights, doors, sliding glass doors, garage doors must be tested and approved in accordance with Florida Building Code or Miami-Dade County Building Code
- Hurricane rated protection must pass the nine-pound missile test, also known as the Large Missile Test - Shooting a 9-pound two-by-four wood stud out of a cannon at 35 miles per hour
- Examples of opening protection -
 - Hurricane shutters
 - Impact resistant glass
 - Impact resistant doors
 - Impact resistant skylights

Miscellaneous Mitigation Credits

- Gable end-wall bracing -
 - Bracing of joint between wall and gable end of roof
- Secondary water resistance -
 - "Peel and seal" strips applied where plywood or oriented strand board is joined or coverage of roof with self-adhering material or polyurethane types of materials applied in the attic to joints thus helping to protect from water damage

Insurance Company Requirements -

- Uniform Mitigation Verification Inspection Form (OIR-B1-1802) accepted by all licensed residential property insurance companies in Florida

17.4 FLORIDA INSURANCE GUARANTY ASSOCIATION (FIGA)

CREATED -

- By legislation

FUNCTION -

- *Pay claims of insolvent insurance companies*

FUNDED BY -

- Industry **assessments capped at 4%** of company's net direct premium for regular assessments with an **additional 4% for emergency hurricane assessments**

MAXIMUM CLAIM COVERAGE -

- **\$300,000**
- **Additional \$200,000, IF damage to structure and contents**
- **\$100 deductible**

ADMINISTERED BY -

- Elected board of association members

ASSOCIATION MEMBERS -

- Insurers licensed to transact business in Florida

OVERSIGHT AUTHORITY -

- Department of Financial Services (reviews and audits operations)

17.5 SURPLUS LINES

To transact insurance in Florida, an insurer must hold a Certificate of Authority, which designates that insurer as an admitted insurer or an authorized insurer.

When coverage is not available from an authorized insurer, a person may obtain coverage through the surplus lines market.

- Surplus lines agent will export coverage through an unauthorized insurer
- Even though unauthorized, these insurers are required to comply with surplus lines laws

SURPLUS LINES – Insurance coverage may be procured from unauthorized insurers subject to conditions such as:

- Insurance eligible for export
- Insurer must be eligible surplus lines insurer
- Must be placed through licensed surplus lines agent

ELIGIBLE SURPLUS LINES INSURER - unauthorized insurer made eligible to issue insurance coverage under Surplus Lines Law

• **SURPLUS LINES TERMS** –

- **EXPORT** – placing insurance coverage with an unauthorized insurer under the Surplus Lines Law

ELIGIBILITY FOR EXPORT –

- Premium rate cannot be lower than rate in current use by authorized insurers for same or similar coverage
- Policy or contract cannot be more favorable as to coverage or rate than similar contracts used by authorized insurers in this state
- Deductibles must be the same as those available under similar policies currently used by authorized insurers
- For personal residential property the insured must be notified that Citizens may offer less expensive coverage
- Insured must sign disclosure stating, "Persons insured by surplus lines are not protected under Florida Insurance Guaranty Act with respect to any right of recovery for obligation of insolvent unlicensed insurer."
- Per-policy fee, not exceeding \$35, may be charged by filing surplus lines agent for each policy certified for export

FLORIDA SURPLUS LINES OFFICE –

- **PURPOSE** – Created by legislature to protect consumers, enhance number and types of insurance products available, source of advice for consumers and surplus lines agents, protect revenues of state
- **MEMBERS** – All surplus lines agents in this state
- **FUNCTION** –
 - Receive, record, review surplus lines insurance policies
 - Maintain records of surplus lines policies
 - Prepare quarterly reports of each surplus lines agent's business and collect and remit surplus lines taxes
 - Collect service fee of up to 0.3% of surplus lines policy total gross premium (paid by insured and used for operating costs of the service office)

INFORMATION REQUIRED ON A SURPLUS LINES CONTRACT –

- Written on outside of policy or certificate, cover note, or other confirmation of insurance
 - Agent's name, address, identification number and name and address of producing agent
- Stamped or written on first page of policy or certificate, cover note, or other confirmation of insurance
 - THIS INSURANCE IS ISSUED PURSUANTE TO THE FLORIDA SURPLUS LINES LAW. PERSONS INJURED BY SURPLUS LINES CARRIERS DO NOT HAVE THE PROTECTION OF THE FLORIDA INSURANCE GUARANTY ACT TO THE EXTENT OF ANY RIGHT OF RECOVERY FOR THE OBLIGATION OF AN INSOLVENT UNLICENSED INSURER.
- On the face of the policy at least 14-point, boldface type the following:
 - SURPLUS LINES INSURERS' POLICY RATES AND FORMS ARE NOT APPROVED BY ANY FLORIDA REGULATORY AGENCY.

17.6 HOMEOWNERS CLAIMS BILL OF RIGHTS

Insurers are required to provide a Homeowners Bill of Rights to policyholders after receiving communication regarding a claim.

Bill of Rights for insureds -

- Within **7 days**, insurer must acknowledge receiving the reported claim
- Within **30 days**, notification whether claim is covered in full, part, denied, or being investigated
- Within **60 days**, insurer must pay the undisputed claim amount, the full claim amount, or deny the claim
- Services offered by Department of Financial Services Consumer Assistance Division
- Advice for dealing with any property insurance issues

17.7 PREMIUM FINANCING -

Used by commercial insureds because of the large amounts of premium. Rules and laws must be adhered to such as -

- Premium finance agreement - F.S. 627.827
 - Insured enters into agreement with premium finance company by promissory note or written agreement in which the insured promises to pay the finance company the stated amount plus a service charge.
- Cancellation of insurance contract upon default - F.S. 627.848
 - Any finance agreement containing a power of attorney allowing the company to cancel, must adhere to provisions such as:
 - Not less than **10 days' written notice** of cancellation to each insured
 - Mail insured cancellation request and return any unpaid premium balance due under the agreement and the remaining unearned premium to the agent or insured
 - Within **30 days of cancellation** the insurer must notify the agent of any unearned commission
 - Any overpayment must be returned to insured by finance company within 15 days
 - If judgment rendered in favor of insured against finance company arising out of wrongful or improper cancellation of an insurance policy, finance company will be responsible for insured's attorney's fees
- Premium financing by insurance agent or agency - F.S. 627.901
 - Services charges allowed for financing premiums not to exceed **\$3 per installment or maximum \$36 per year**, or
 - May charge interest not to exceed 18% simple interest per year
- Premium finance cost - F.S. 627.903
 - Amount of service charge or interest must be separately identified in invoice and records
- Insurer filings: approval of forms; service charge filing – F.S. 627.904
 - Premium finance forms and the service charge or interest rate plan must be filed separately from rate filings

17.8 ADVERTISING

Agents and insurers must follow advertising guidelines in Administrative Code 69B-150.013 which include:

- Name of insurer must be on all insurer's advertisements
- Advertisement cannot mislead into believing insurer represents or is connected in any way to an agency of a municipal, county, state, or federal government
- Cannot use any letters, symbols, or initials that would mislead or deceive the public as to the identity of the insurer
- Cannot use an address that would mislead or deceive the public as to the location or identity of insurer
- Agent advertisement must have prior written or oral approval from insurer
- An agent who makes contact with a consumer as a result of a lead generating device or list of prospective consumers, must disclose this fact to the consumer on the initial contact

CHAPTER EIGHTEEN

FLORIDA STATUTES, RULES, AND REGULATIONS

18.1 FINANCIAL SERVICES COMMISSION –

- **COMPOSED OF -**
 - Governor
 - CFO (Chief Financial Officer)
 - Attorney General
 - Commissioner of Agriculture
- **SUPERVISES -**
 - Office of Insurance Regulation
 - Office of Financial Regulation

CHIEF FINANCIAL OFFICER –

CFO and his responsibilities -

- **Elected by** and member of the **Governor's** cabinet
- Head of the Department of Financial Services
- Oversees 15 divisions and offices:
 - His role in regulating insurance is through:
 - Division of Rehabilitation and Liquidation
 - Division of Accounting and Auditing
 - Division of Agents and Agency Services - (regulation of agents)
 - A Division of Insurance Fraud - (regulation of insurance fraud)
 - A Division of Consumer Services - (regulation of consumer protection)
 - Office of the Insurance Consumer Advocate
 - **Bureau of Unclaimed Property**
- The following are responsible for administering the insurance laws of Florida:
 - CFO
 - Financial Services Commission
 - Commissioner of the Office of Insurance Regulation

18.2 DEPARTMENT OF FINANCIAL SERVICES –

- Consists of 15 divisions and offices
- **DEPARTMENT HEAD -**
 - Chief Financial Officer (**CFO**) also known as **Treasurer**
 - Elected official and member of Governor's cabinet
- **RESPONSIBILITIES -**
 - Enforcing Insurance Code, regulation of insurance agents, investigating insurance fraud, and consumer protection
 - **Oversee the insurance industry**
- **GENERAL DUTIES AND POWERS -**
 - **AGENT AND ADJUSTER LICENSING AND INVESTIGATION -**
 - Investigates whatever it deems necessary of accounts, records, documents, and transactions, pertaining to insurance affairs of agents, adjusters, insurance agencies, customer representative, etc.

- **CONSUMER SERVICES –**
 - Handles inquires and complaints by consumers and designates a primary contact for consumers on sinkhole issues
- **INSURANCE FRAUD -**
 - Conduct investigation of insurance matters determine violation of the code, or obtain information to administer the code
- **RECEIVERSHIP –**
 - Florida licensed insurers must designate the CFO as their attorney to receive legal process issued against them in Florida civil actions
- **OTHER POWERS –**
 - Receive service of legal process issued against insurers in Florida civil action
 - May send legal process to designated person for receiving process or to the unauthorized insurer
 - Enforce the Insurance Code and carry out duties set forth by the code
 - Powers and authority may be expressed or implied in Insurance Code
 - Collect, propose, publish, or disseminate information regarding duties imposed upon it by the code
 - May have additional powers and duties as provided by other laws of the state
 - Both department and office may employ actuaries, which are members of the Society of Actuaries or the Casualty Actuarial Society
 - Use existing resources (funds) for professional development of its employees
 - Develop outreach programs to encourage insurers to enter Florida market

18.3 OFFICE OF INSURANCE REGULATION -

- Regulates insurers and other risk-bearing entities
- **GENERAL DUTIES AND POWER –**
 - Rate-making supervision
 - Policy forms approval
 - Market conduct investigation
 - Issuing insurer certificates of authority
 - Assessing insurer insolvency
 - Regulating viatical settlements
 - Regulating premium financing arrangements
 - Administrative supervision
- **POLICY APPROVAL AUTHORITY/RATES AND FORMS –**
 - The following forms must be filed and approved by Office at least **30-days** prior to use or delivery (At end of 30-days form deemed approved unless prior to this the form is already approved or disapproved by Office.)
 - Insurance policy
 - Annuity contract
 - Application form
 - Group certificate of insurance
 - Rider
 - Renewal certificate
 - Insurer may not deliver, issue, or renew any health insurance policy until a copy of rating manual, rating schedule, change in rating manual, and change in rating schedule has been filed with the Office
 - Office, for cause, may withdraw previous approval

- **MARKET CONDUCT EXAMINATIONS -**
 - May examine insurers as often as may be warranted for the protection of policyholders and public.
 - Examination must cover preceding fiscal year or period since the last examination of the insurer.
 - Examination is made of insurers applying for a Certificate of Authority.
 - Domestic insurer -
 - Must examine not less than once every **5 years**
 - Examination must be once every year for those who have continuously held a Certificate of Authority for less than 3 years
 - Foreign insurer -
 - May accept official certified examination report of another state
 - Alien insurer -
 - Examination limited to transactions conducted in United States
 - Examination may include -
 - Affairs, transactions, accounts, and records related directly or indirectly to insurer
 - Assets of insurer's managing general agents and controlling or controlled person
 - For uniformity the commission may use methods in Market Conduct Examiners Handbook and Financial Condition Examiners Handbook of NAIC

- **AGENCY ACTIONS -**
 - Major responsibilities -
 - Licensing companies, including establishing financial requirements
 - Policing against unauthorized entities
 - Regulation of insurance company activities, including policy forms, provisions, and rates
 - Supervising methods of obtaining business, including licensing agents and control of unfair trade and advertising practices
 - Monitoring financial conditions of insurers
 - Rehabilitating or liquidating insurers

- **INVESTIGATION -**
 - Investigates are conducted if the office believes any person has violated a provision of the Insurance Code.
 - Investigation includes accounts, documents, records, and transactions pertaining to insurance affairs of-
 - Agent, adjuster, customer representative, service representative, unaffiliated agent,
 - Insurance agency, or
 - Other persons subject to its jurisdiction
 - During investigation the office may administer oaths, examine witnesses, receive evidence, subpoena witnesses, compel attendance and testimony and subpoena production of books, papers, records, files, correspondence, documents, or other relevant evidence.
 - Willful obstruction of an authorized investigation is a **misdemeanor**.

18.4 OFFICE OF FINANCIAL REGULATION -

- Regulates banks, credit unions, finance companies, other financial institutions, and the securities industry
- **GENERAL DUTIES AND POWERS -**
 - General supervision over state financial institutions, subsidiaries, service corporations
 - Power to access books and records of all persons for whom it has supervision
 - Power to issue orders and declaratory statements
 - Purpose -
 - Protect the interests of depositors and creditors
 - Promote safe and sound conduct of the business of financial institutions
- **AGENCY ACTIONS -**
 - Office considers appropriateness of penalty with respect to size of financial resources and good faith of person charged, gravity of violation, history of previous violations, and other matters justice may require.
 - Cease and desist orders may be issued and served upon any state financial institution engaged in -
 - Unsafe or unsound practices
 - Violation of law relating to financial institutions
 - Violation of any rule of the commissions
 - Violation of any order of the office
 - Breach of any written agreement with office
 - Prohibited act or practice
 - Willful failure to provide information to office or any federal agency, or any of its representatives upon written request

- **INVESTIGATIONS-**

- Office *may investigate inside or outside Florida* to determine if a person has or is about to violate any provision of Florida financial institutions codes or rules
 - In an investigation the office has power to -
 - Administer oaths and affirmations
 - Take testimony and depositions
 - Issue subpoenas requiring persons to appear before office at certain time and to bring books, records, documents for inspection
 - In event of noncompliance with subpoena -
 - Office can petition circuit court for order requiring compliance with subpoena
 - Failure to comply with circuit court order granting enforcement of subpoena is **contempt of court**
 - Investigation expenses incurred by office are assessed against those being investigated
- **Administrative Action** – Within 30 days after final disposition of administrative action against a licensee or insurance agency by a governmental agency or other regulatory agency relating to the business of insurance, securities, or activity involving fraud, dishonesty, trustworthiness, or breach of fiduciary duty, the licensee or agency must submit a copy of the order, consent to order, or other legal documents to the department
 - **Criminal Action** – An agent must report in writing to the department within 30 days if he has plead guilty or nolo contendere to, or has been convicted or found guilty of, a felony or crime punishable by imprisonment of one year or more under any state, federal, or law of any country. Report is required wither or not convicted by court having jurisdiction.

18.5 DEFINITIONS -

INSURANCE CONTRACT -

- A written agreement enforceable by law for or effecting insurance, including any riders, clauses, endorsements or papers which are a part thereof.
- An Insurance Contract is a -
 - Binding agreement between two or more parties enforceable by law
 - Must have the following elements to be a valid contract -
 - Offer and Acceptance
 - Consideration
 - Legal purpose
 - Competent parties

INSURANCE TRANSACTION -

- Includes any of the following -
 - Solicitation or inducement to purchase insurance
 - Preliminary negotiations in the sale of insurance
 - Effectuation of a contract of insurance
 - Transaction of matters after effectuation of a contract of insurance and arising out of the contract of insurance

INSURER-

- There are many ways to classify organizations that provide insurance coverage with **TWO** broad classifications of insurers, **Private** and **Government**.
 - **PRIVATE INSURERS** -
 - Commercial companies writing **more** than one line of insurance - **Multi-line Insurers**
 - **Example:** Allstate Insurance
 - Commercial companies writing **one** line of insurance - **Mono-line Insurers**
 - **Example:** Progressive Auto Insurance
 - **GOVERNMENT INSURERS** -
 - Medicare, Social Security, Workers Compensation

REINSURANCE -

- Reinsurers are insurers for insurers
- Helps to limit loss any one insurer would face with a very large claim
- **Ceding Company** - Insurance company that is transferring the risk
- **Reinsurer** - Insurance company that is assuming the risk or part of the risk

Example of Reinsurance:

\$250,000 - Retained by company (Ceding Company)

\$750,000 - Assumed by reinsurer (Reinsurer)

\$1,000,000 - Total amount of coverage

INSURANCE COMPANIES BY SIGHT OF INCORPORATION OR DOMICILE -

- **DOMESTIC** - incorporated within the State of Florida
- **FOREIGN** - incorporated out of the State of Florida
- **ALIEN** - incorporated in another country
- **DOMICILE** - The country or state in which the insurer was formed

FRATERNALS -

- Charitable, social, nonprofit, lodge system, representative form of government
- Membership based on religion, national, or ethnic lines
- Began on assessment basis and to help poorer members
- Today - issue insurance certificates and annuities similar to commercial insurers

AUTHORIZED AND UNAUTHORIZED COMPANIES/ADMITTED AND NON-ADMITTED COMPANIES -

- Authorized Companies -
 - Hold a certificate of authority issued by the office to transact insurance business in this state.
- Unauthorized Companies -
 - **Do not have a certificate of authority and are NOT authorized to do business in this state.**

STOCK INSURERS (Commercial Insurer) -

- Private organization **owned by stockholders**
- Structured same as corporation
- **In business to make profit for the stockholders**
- Stockholders may or may not be policyholders
- **Non-participating company** -
 - Policyholders do not participate in dividends from stock ownership
- **Mixed plans** (Par and Non-Par Policies)

MUTUAL INSURERS (Commercial Insurer) -

- Corporation **owned by policyholders**
- Issue **participating** policies that pay **policy dividends**
- Dividends - **Non-taxable**
 - They are considered a refund of a portion of the premium remaining after deductions are made for expenses. (Claims, reserves, operating expenses)

UNLICENSED ENTITIES -

- No person may directly or indirectly represent any insurer not authorized to transact insurance business in Florida.
- If unauthorized insurer fails to pay any part of a claim, anyone representing the unauthorized insurer by soliciting, negotiating, or taking an application is **liable to the insured for the full amount of the claim that is not paid.**
- Florida law prohibits unauthorized mail order insurers from soliciting in Florida.
- Application for insurance, must be taken by, and policy delivered through a licensed and appointed Florida agent.
- **Penalties for violation -**
 - An insurance agent who knowingly represents or aids an unauthorized insurer commits a **third-degree felony**

CERTIFICATE OF AUTHORITY -

- Held by an insurer authorized to transact insurance business in this state.
- Engaging in the business of insurance without a certificate of authority is a **third-degree felony.**

18.6 LICENSING -

PURPOSE -

- Protect general public by requiring a minimum level of knowledge and competence as well as understanding of Florida insurance statutes and regulations.
- **Transacting insurance without a license is a felony.**

LICENSE TYPES -

AGENT -

- Includes any of the following -
 - General Lines
 - Life
 - Health
 - Title
- **DOES NOT** include -
 - Customer Representatives, Limited customer representative, or
 - Service Representatives

PUBLIC ADJUSTER -

- Person, except attorneys, who for compensation, directly or indirectly -
 - Prepares, completes, or files an insurance claim, or
 - Negotiates or effects the settlement of a claim for loss or damage covered by insurance contract, for an insured, or third-party.
- **Does Not** include health agent assisting insured with coverage questions, medical procedure coding issues, balance billing issues, understanding claims filing procedure or filing a claim.

ALL-LINES ADJUSTER -

- Person on behalf of a public adjuster or insurer and for some form of compensation, directly or indirectly seeks to determine the amount of a claim, loss, or damage under an insurance contract and makes an effort to settle such claim, loss, or damage
- **Does Not** apply to life insurance or annuity contracts

TEMPORARY LICENSE -

- Department may issue to employee, family member, business associate or personal representative for the purpose of continuing business affairs of agent if the agent is deceased or unable to perform duties, no other licensed person connected with business available, proposed licensee must be qualified, **license issued for 6 months (not renewed)**, subject to same responsibilities of regular agent, request made on proper forms.

AGENCY -

- Agency owned and operated by single licensed agent, doing business in own name, does not employ or use other licensees - **No license required**

NONRESIDENT -

Upon written application and appropriate fees the Department, may issue nonresident license provided -

- Qualified as an insurance agent, but not resident of this state
- Residents of this state may be licensed in like manner in nonresident's state (reciprocal arrangement)
- Agent does not have place of business in this state
- Shall not solicit or write business in this state unless accompanied by countersigning agent

INSURANCE AGENCY LICENSE -

- Continues in force until canceled, suspended, revoked, or otherwise terminated or expires by operation of law.
- Branch location of agency transacting business under name and federal tax ID number of licensed insurance agency and has designated with department a licensed insurance agent in charge of branch - **No license required**
- License automatically expires if no agent in charge listed with the DFS within **90 days after agent in charge has left agency or no longer qualified.** (i.e. license revoked)

INSURANCE AGENCY APPLICATION MUST INCLUDE -

- Name of owners, partners, directors, treasurer, and limited liability company member who directs or participates in management or control of agency.
- Street and email addresses of agency, branch location(s), name of agent in full-time charge of agency and branch location(s).
- Insurance agency is allowed to have a third party complete, submit, and sign licensing application on insurance agency's behalf, but agency is responsible for correctness and any misstatements.

LICENSED AGENT IN CHARGE -

- May be in charge of additional branch office locations if activities requiring a licensed agent do not occur at any of these locations when agent is not physically present.
- Unlicensed employees cannot engage in insurance activities requiring licensed agent or customer representative.
- Name and license number of agent in charge and physical address of insurance agency locations must be filed with department.
- Designation of agent in charge may be changed at option of agency and is effective upon notification to department, which must be within **30 days** after change.
- Must be licensed to transact at least two of the lines of insurance being handled at an agency location.

CHANGE OF OWNERSHIP -

- **Fingerprinting** - Change in ownership or control of entity (**10% or more voting securities**) OR new partner, director or officer - prints must be filed with Department within **30 days after change in ownership**

UNAFFILIATED AGENT -

- Licensed agent, but a limited lines agent
- Not appointed by or affiliated with any insurer, but self-appointed
- Acts as independent consultant for a fee, which is established in advance in a written contract signed by both unaffiliated agent and client to provide services for -
 - Analyzing insurance policies
 - Providing insurance advice or counseling
 - Making recommendations
- **Cannot** be affiliated with an insurer
- May continue to receive commission on sales made prior to date of appointment as unaffiliated agent, as long as discloses receipt of commission to client.
- Required to pay the same appointment fees as those required by an insurer to appoint agents.

APPOINTMENTS -

- Authority given by insurer or employer to a licensee to transact insurance or adjust claims on their behalf.

AGENT APPOINTMENT -

- Must obtain first appointment within **48 months** of being licensed
- Appointments renew every 24 months on licensee's birth month, unless suspended, revoked, or otherwise terminated
- If appointment expires or is canceled, licensee has **48 months** to obtain another appointment
- **After the 48 months and no appointment, the license expires, and individual must qualify as a first-time applicant.**
- Appointing entity may cancel appointment at any time with a **60-day notice** to agent.

CUSTOMER REPRESENTATIVE APPOINTMENT -

- General lines agent or general lines agency may appoint customer representative.
- Cannot be appointed by more than one agent or agency at a time and cannot be appointed by an insurer.
- Powers of CSR -
 - May not solicit or transact business outside office
 - Business transacted must be under agent or agency name and agent or agency is responsible for acts of representative
 - Must identify himself/herself as a customer representative and not an agent

DATE OF APPOINTMENT -

- Initial appointments submitted to department on monthly basis no later than 45 days after date of appointment and become effective on requested appointment date.

FAILURE TO TIMELY RENEW APPOINTMENT -

- Appointing entity assessed late filing, continuation, and reinstatement fees; cannot be charged back to appointee.

TERM OF APPOINTMENT -

- New appointments or those for Natural persons that begin in licensee birth month -
 - Expire **24-months** later on last day of licensee's birth month
 - Thereafter renew every 24-months, unless suspended, revoked, or otherwise terminated earlier
- Appointments beginning during any month other than licensee's birth month (natural person) or license issue month (other than natural person) -
 - Valid for not less than 24-months and not more than 36-months
 - Allows time to convert to birth month or issue month
 - Thereafter renew every 24-months, unless suspended, revoked, or otherwise terminated earlier
- Entities other than natural persons, new appointment, or continued appointment, which are effectuated in the same month they were first licensed as an insurance representative -
 - Renew 24-months later on last day of licensee's license issue month, unless terminated earlier

APPOINTMENT TERMINATION -

- Appointing entity may terminate -
 - Any time with **60-day** advance written notice
 - Must file written notice with the department within **30-days** after termination, giving reasons and facts for termination

LICENSE REQUIREMENTS -

EDUCATION -

- General Lines license - (unless a CPCU) must meet one of the following within 4-years preceding application
 - 200-hours approved coursework
 - One year as employee of all-lines property-casualty agency
 - One year as licensed and appointed Customer Representative (4-40), Personal Lines agent (2044), or Service Representative (0-55) AND completed 40-hours approved coursework
 - Earned an insurance degree
 - Held an active equivalent insurance license in another state that grants reciprocity
 - Hold a Chartered Property Casualty Underwriter (CPCU) designation
- Personal Lines license - (unless a CPCU) must meet one of the following within 4-years preceding application -
 - 60-hours approved coursework
 - Six months as licensed and appointed Customer Representative (4-40), Limited Customer Service Representative (4-42) or Service Representative (0-55) AND completed 40-hours approved coursework
 - Earned a degree with at least 9 hours of property-casualty insurance
 - Held an active equivalent insurance license in another state that grants reciprocity
 - Hold a Chartered Property Casualty Underwriter (CPCU) designation
- **Education Exemption -**
 - Prelicensure coursework not required for member or veteran of United States Armed Forces or spouse of such member
 - To qualify -
 - Provide copy of military documentation verifying currently in good standing or honorably discharged
 - Military ID card
 - Military service record
 - Military personnel file
 - Veteran record
 - Discharge paper
 - Separation documentation
- Once licensed, must be appointed within 48 months
 - If the license goes beyond the 48-month period, must qualify as a first-time applicant

APPLICATION -

- Must be written, completed under oath, and signed by applicant or authorized third party.
- Must contain - full name, age, residence address, Social Security number, business address, mailing address, contact phone numbers, email address.
- Applicant must meet required qualifications and pay applicable fees.
- Provide proof of they have completed or are in the process of completing, any required prelicensing education.

BACKGROUND CHECK -

- Department has right to ask questions other than those contained in the application or make investigations they deem necessary for the public's protection and to further assess the applicant's qualifications.
- **Fingerprinting** is required as part of the background check
 - Submitted to -
 - Department of Law Enforcement
 - Federal Bureau of Investigation

- **Felony**- Applicant found guilty or plead guilty or nolo contendere or any of the following is permanently barred from licensure -
 - Felony of first degree
 - Capital felony
 - Money laundering felony
 - Embezzlement felony
 - Felony related to financial services
 - Applicant found guilty or plead guilty or nolo contendere to crime not listed above is subject to 15-year disqualifying period for all felonies involving moral turpitude, not subject to permanent bar
- **Credit and Character Report** -
 - Before appointing for FIRST time, the appointing insurer or employer must secure and keep on file thereafter -
 - Full detailed credit and character report relative to individual so appointed
 - If requested by the department, the insurer or employer must furnish this information regarding the individual and investigation.

EXAMINATION -

- Test applicant's ability, competence, and knowledge of kind of insurance to be handled by the license type.
- Exam covers duties and responsibilities under Florida statutes and rules.
- License issued within 30-days after passing license exam -
 - If application was submitted prior to taking the exam, the license will be issued as soon as application is approved
- Passing grade on exam is good for one-year, the department will not issue license to applicant based on examination taken more than one year prior
- Examination is **not** necessary for -
 - Renewal of appointment, unless department determines otherwise
 - Applicant for limited license (travel, motor vehicle rental, credit, in-transit and storage of personal property, portable electronics insurance)
 - Reinstatement of suspended license or appointment within 4 years before date of application or written request for reinstatement
 - Applicant for temporary license
 - Applicant for Life or Health license holding Chartered Life Underwriter (CLU) and engaged in insurance within past 4-years
 - Applicant for general lines, customer representative, or adjuster holding a Chartered Property Casualty Underwriter (CPCU) and engaged in insurance within past 4-years
 - Applicant for license as general lines agent or all lines adjuster with accredited higher learning degree including minimum of 18 credit hours of insurance instruction including property, casualty, health, and commercial lines
 - Applicant for life agent license with accredited higher learning degree including minimum of 9 credit hours of insurance instruction in areas of life, annuities, and variable products
 - Applicant for health agent license with accredited higher learning degree including minimum of 9 credit hours of insurance instruction in areas of health products
 - Applicant for nonresident license, or license transfer from another state if applicant holds comparable license with similar exam requirements as Florida
- Retaking the Examination -
 - Failed exam -
 - May file and pay fees for reexamination
 - May not take an examination more than **5 times** in **12-month** period

MAINTAINING A LICENSE -

CONTINUING EDUCATION -

- 24-hours CE Credits every 2-years by end of birth month consisting of-
 - **4-hour law and ethics update course -**
 - Must be completed by all licensees, **except** title agent, and must be specific to the license type held
 - **Multiple licenses** - Must complete update course specific to at least one of the license types held
 - Type of subjects covered include -
 - Insurance law updates
 - Ethics
 - Disciplinary trends and cases
 - Industry needs
 - Premium discounts
 - Determining suitability of products
 - Other related topics
 - **20- Elective Credit Hours** required
 - **Reduction** in Elective hours for those -
 - Licensed **6-years** or more - **16-elective hours required**
 - Licensed 25-years or more and CLU or CPCU or Bachelor of Science in risk management - **6-elective hours required**
 - Licensed as customer representative, limited customer representative, title agent, motor vehicle physical damage and mechanical breakdown agent **and** not licensed as life or health agent - **6-elective hours required**
 - Bail bond agents must complete the 5-hour update course and **10-elective hours required**
 - **Active member** (attends 4 or more hours of meetings every year) of approved insurance association may receive 2-hours credit, if properly reported by association
 - Many designation courses may be completed to meet elective credit requirements, such as -
 - CPCU or CLU designation
 - Waiver available for active military duty upon written request
 - **Excess hours** collected during any 2-year period will be carried forward to the next compliance period
 - **Nonresident** -
 - If required to complete continuing education in home state, then these requirements, can be used to comply with Florida's requirements, if reciprocity exists between Florida and home state
 - **Failing to complete continuing education -**
 - Department may terminate or refuse to renew appointments
 - Department may not issue new appointments until licensee completes CE requirements
 - **For non-compliance** with continuing education credits the department may terminate or refuse to renew appointments until continuing education requirements are fulfilled.
 - For good cause the State of Florida may grant an extension for obtaining continuing education credits. Extension may not exceed 1 year.
 - **EXPIRATION OF LICENSE** - If appointments lapse and individual fails to be re-appointed within 48-months his license expires and individual must qualify as a first-time applicant.

COMMUNICATING WITH THE DEPARTMENT -

Insurance companies, agents and agencies have **14-Days** to respond to the department when a consumer has filed a complaint against them.

- Licensee or insurance agency must within **30 days after final disposition** of administrative action taken by a governmental or regulatory agency in this state or another relating to insurance submit a copy of relevant documents to the department

RECORDKEEPING -

- Must notify the department in writing within **30-days** after change of licensee's -
 - Name
 - Address (residence, mailing, or principal business address)
 - Contact telephone numbers (including business)
 - Email address
- License and all appointments will be immediately terminated if licensee moves principal place of residence and business from this state
- Failure to notify the department within specified time -
 - Fine not to exceed \$250 for first offense
 - Fine of at least \$500 or suspension or revocation of license for subsequent offense
- Any agent, agency, adjuster, or customer representative who diverts or misappropriates funds commits the following -
 - \$300 or less, first degree misdemeanor
 - More than \$300, but less than \$20,000, third degree felony
 - \$20,000 or more, but less than \$100,000, second degree felony
 - \$100,000 or more, first degree felony
- Books and records of **premium payments** must be kept for **at least 3 years after payment of premium**

AGENT'S RECORDS -

- Required to maintain records for **5 years** after policy expiration.

CRIMINAL ACTIONS -

- An agent must report in writing to the department within 30 days if he has plead guilty or nolo contendere to, or has been convicted or found guilty of, a felony or crime punishable by imprisonment of one year or more under any state, federal, or law of any country. Report is required wither or not convicted by court having jurisdiction.

ADMINISTRATIVE ACTIONS -

- Within 30 days after final disposition of administrative action against a licensee or insurance agency by a governmental agency or other regulatory agency relating to the business of insurance, securities, or activity involving fraud, dishonesty, trustworthiness, or breach of fiduciary duty, the licensee or agency must submit a copy of the order, consent to order, or other legal documents to the department

APPOINTMENTS -

COMPANY APPOINTMENT -

- Cannot act as insurance agent unless licensed by department and appointed by insurer or other appropriate entity
- Individual who fails to maintain an appointment with insurer for any **48-month** period will not be granted an appointment until they qualify as first-time applicant

SELF APPOINTMENT -

- Unaffiliated agents are self-appointed
- No company appointment

18.7 AGENT RESPONSIBILITIES -

FIDUCIARY CAPACITY -

FIDUCIARY DEFINITION -

- Person in a position of trust and confidence, such as agents

PREMIUM ACCOUNTABILITY /SEPARATE ACCOUNT REQUIREMENTS -

- Premiums, return premiums, and other funds belonging to insurers or others and received by agent or insurance agency are trust funds received by licensee in a fiduciary capacity
- Funds belonging to insurer for which agent or insurance agency is not appointed, other than surplus lines, must be kept in **separate account** to allow for department audit
- Licensee is required to account for and pay premiums to insurer, insured, or another person entitled
- Licensee must make books, accounts, and records available to the department or office for determining if licensee is complying with provisions of code
- Licensee must preserve for at least **three years** books, accounts and records pertaining to premium payments -
 - Does not apply to insurance binders if no policy issued and no premium collected
- Diverting or misappropriating funds by insurance agent or insurance agency commits -
 - If \$300 or less - first degree misdemeanor
 - If more than \$300, but less than \$20,000 - third degree felony
 - If \$20,000 or more, but less than \$100,000 - second degree felony
 - If \$100,000 or more - first degree felony

COMMISSIONS AND COMPENSATION/CHARGES FOR EXTRA SERVICES -

COMPENSATION -

- Commission is generally percentage of initial premium (first year) and subsequent (renewal) premiums
- Only licensed and appointed agents may accept commission or other compensation for soliciting or negotiating insurance

Commissions cannot be contingent upon savings effected in the adjustment, settlement, and payment of losses

CHARGES FOR EXTRA SERVICES -

- **Florida law** allows health agents to charge a fee for -
 - Providing advice, counsel, or recommendation of health insurance or health benefit plans
 - Based on written contract between agent and party being charged clearly stating amount
 - Contract must clearly state any commission received by agent from insurer will be rebated to that party within **30-days** of receipt by agent

REPLY TO DFS AND/OR OFFICE OF INSURANCE REGULATION -

- Insurance companies, agents and agencies have **14 Days** to respond to the Department when a consumer complaint has been filed against them.

ETHICS -

Striving to do what is right

WHAT ARE ETHICS -

- Greek word - "ethos" meaning "custom"
- Not dependent on threat of legal action or laws
- Product of ingrained attitudes and ideals of service to others in unselfish manner
- Gray areas between ethical and unethical acts or omission or commission (Not always black and white)
- Factors adding to difficulty in making ethical choices (incomes from commissions, volume commitments, different rates of commission, trips and contests, family expectations, expectations of superiors, emotional pressure, moral and religious views)
- **Placing interests of others above your own**

FLORIDA STATUTES ETHICS -

Purpose of license is to authorize and enable licensee in good faith to engage in the business of insurance with respect to the public and to facilitate the public supervision of such activities in the public interest and not for purpose of the licensee to receive commission.

CODE OF ETHICS -

- Set of core values -
 - Honesty and truth
 - Responsibility and accountability
 - Respect and tolerance
 - Fairness and justice
 - Compassion and caring
- Insurance organizations with ethical standards -
 - **Independent Insurance Agents and Brokers of America**
 - **American Institute of Chartered Property Casualty Underwriters – 9 Canons**
- Holders of CPCU designation can be reprimanded, censured or stripped of designation for violations of Code of Ethics,

18.8 INSURANCE GUARANTY FUND

- **FLORIDA INSURANCE GUARANTY ASSOCIATION (FIGA)**

- Created by legislation
- **Function -**
 - *Pay claims of insolvent insurance companies*
- **Funded by -**
 - Industry *assessments capped at 4%* of company's net direct premium for regular assessments with an *additional 4% for emergency hurricane assessments*
- **Maximum claim coverage -**
 - **\$300,000**
 - **Additional \$200,000, IF damage to structure and contents**
 - **\$100 deductible**
- **Administered by -**
 - Elected board of association members
- **Association Members -**
 - Insurers licensed to transact business in Florida
- **Oversight authority -**

Department of Financial Services (reviews and audits operations)

18.9 MARKETING PRACTICES

UNFAIR METHODS OF COMPETITION -

- Include the following unfair or deceptive acts or practices :

SLIDING - an illegal sales practice that can be done 4 different ways:

- * **Representing to a client that additional or extra coverage is required by law to be purchased, when not true**
- * **Representing to a client that certain coverage or "extras" are included at no charge when charging them for it**
- * **Charging the client for extra coverages without their knowledge or consent**
- * **Transacting insurance for the client without their knowledge or consent**

BOYCOTT, COERCION, AND INTIMIDATION -

- To commit through concerted action or to enter into an agreement to commit an act of boycott, coercion, or intimidation that results in or tends to result in the unreasonable restraint of or a monopoly in the business of insurance

MISREPRESENTATIONS -

- **Knowingly making, issuing, circulating anything dealing with the sale of insurance that -**
 - Misrepresents benefits, conditions, terms of policy
 - Misrepresents or makes false or misleading statements regarding dividends or surplus to be received
 - Misleading as to financial condition of any person or legal reserve of life insurer
 - Using name or title to misrepresent true nature of insurance policy
 - Misrepresentation for purpose of inducing to lapse, forfeiture, exchange, convert, or surrender of insurance policy
 - Misrepresentation for purpose of effecting a pledge or assignment or loan against a policy
 - Misrepresents policy as being shares of stock or ownership interest in company
 - Mislead a reasonable person to believe the state or federal government has anything to do with payments or guarantees of returns for an insurance policy

DEFAMATION –

- Knowingly making, publishing, disseminating, or circulating, directly or indirectly, or aiding, abetting, or encouraging the making, publishing, disseminating, or circulating of, any oral or written statement or pamphlet, circular, article, or literature, that is false or maliciously critical of, or derogatory to, any person and calculated to injure such person

FALSE ADVERTISING -

- Knowingly making, publishing, dissemination, circulating, or placing before the public or causing, directly or indirectly to be made, published, disseminated, circulated, or placed before the public -
 - In newspaper, magazine, other publication;
 - In the form of a notice, circular, pamphlet, letter or poster;
 - Over radio or television; or
 - Any other type of advertisement, announcement, or statement, containing any assertion or statement that is untrue, deceptive, or misleading with respect to insurance

UNFAIR DISCRIMINATION –

Any act favoring one insured over another.

- Knowingly or permitting unfair discrimination between individuals of same classes of insurance or rates, benefits, or any other terms or conditions of the contract
- May not discriminate based on race, color, creed, marital status, sex, or national origin
- Managed care provider -
 - May not refuse to issue or renew policy or pay claim based on insured having sought treatment in past for abuse or protection from abuse
- Health, disability, managed care insurer -
 - May refuse to underwrite, issue, renew policy based on applicant's medical condition, but cannot consider if condition was caused by abuse
- Sickle-cell -
 - Cannot refuse to insure or charge higher premium solely because of sickle-cell trait

OTHER UNFAIR PRACTICES -

FALSE STATEMENTS AND ENTRIES –

- Knowingly filing false material statements and knowingly making any false entry or omitting a material fact in any report or statement of any person.

FAILURE TO MAINTAIN COMPLIANT-HANDLING PROCEDURES -

- Failure of any person to maintain a complete record of all complaints received since the last examination - a complaint is any written communication primarily expressing a grievance.

ADVERTISING GIFTS PERMITTED -

- Insurer or agent may give to insureds, prospective insureds, or others any articles of merchandise, goods, gift cards, certificates, event tickets, anti-fraud or loss mitigation services, or other items having a *value of \$100 or less per insured or prospective insured* in any calendar year.
- Insurer or agent may make a charitable contribution as defined in the IRS code on behalf of insureds or prospective insureds, up to \$100 per person in any calendar year.

LIMITING INSURER CHOICE IN CREDIT TRANSACTION –

- No lender may require, as a condition to lending money or extension of credit, that the person purchase a policy through a particular insurance agent.
- Person offering sale of insurance at the time of and in conjunction with an extension must disclose in writing that the choice of insurance provider will not affect the decision regarding extension of credit or sale or lease of goods or services.

MISREPRESENTATION AND FALSE ADVERTISING OF INSURANCE POLICIES –

- Knowingly making false or misleading statements or representations relative to an application for insurance for the purpose of obtaining a fee, commission, money or other benefit.
- Also uses of misleading advertisements which would cause a reasonable person to believe the state or Federal Government stands behind or guarantees returns or payments of insurance products.

FALSE INFORMATION AND ADVERTISING -

- Knowingly making, publishing, disseminating, circulating, or causing, directly or indirectly, to be made, published, disseminated, or circulated in any form (e.g. newspaper, radio, magazine, TV, etc.) an untrue or false representation with respect to the business of insurance.

FRAUDULENT SIGNATURES ON APPLICATIONS OR POLICY-RELATED DOCUMENT –

- Willfully submitting to insurer on behalf of consumer an insurance application or policy-related document bearing a false or fraudulent signature

UNLAWFUL USE OF DESIGNATIONS, MISREPRESENTATIONS OF AGENT QUALIFICATIONS -

- Licensee in sales presentation or solicitation of insurance may not use a designation or title in such a way that falsely implies -
 - Possession of special financial knowledge or special financial training'
 - Is certified or qualified to provide special financial advice to senior citizens
- Licensee in sales presentation or solicitation may not use terms such as "financial advisor" as to falsely imply qualifications to discuss, sell or recommend financial products other than insurance products.
- Licensee in sales presentation or solicitation may not falsely imply qualifications to discuss, recommend or sell securities or other investment products in addition to insurance.
- Licensee holding designation such as CLU, LUTC, CFP, FINRA may inform consumer of those licenses or designations and make recommendations in accordance with those licenses or designations.

UNFAIR CLAIMS PRACTICES -

- Includes attempting to settle a claim based on an application or other documents altered without the knowledge or consent of insured -
 - Material misrepresentation made to insured or others having interest in proceeds payable under a contract for purpose of settling a claim on less favorable terms than those provided for in the contract.
 - Committing or performing with frequency as to indicate general business practices any of the following-
 - Failure to adopt and implement standards for claims investigations
 - Misrepresenting pertinent facts or provisions related to coverage issues
 - Failing to acknowledge and act promptly regarding a claim
 - Denying claims without proper investigation
 - Attempting to settle a claim on less favorable terms than provided in the contract or policy
 - Failing to affirm or deny full or partial coverage of claim or failing to provide written statement of claims investigation upon written request of **insured within 30-days after proof-of-loss statement**
 - Failing to promptly give explanation in writing as to facts for denial of claim or offer of compromise settlement
 - Failing to notify insured of necessary additional information for processing claim
 - Failing to clearly explain nature and reasons for requested information and why it is necessary
 - Failing to pay personal injury protection insurance claims within required time periods
 - Failing to pay undisputed amounts owed under first-party property insurance policies within **90 days** after insurer receives notice of claim, agrees to coverage, and determines amount of benefit
 - Failing to maintain complaint-handling procedures

FRAUD -

- During policy issuance or payment of claims a person knowingly presents false information concerning a material fact to insurer, broker, or agent with intent to defraud.
- Intentionally concealing a material fact for the purpose of misleading another is also a fraudulent act.

CONTROLLED BUSINESS -

- Department shall not grant, renew, continue, or permit any license or appointment of a life or health agent to exist if it finds the licensee obtained a license principally for the purpose of soliciting, negotiating, or procuring controlled business
- Controlled business -
 - Insurance contracts covering the agent or family members; officers, directors, stockholders, partners, or employees of a business in which agent or family member is engaged; or the debtors of a firm, association, or corporation of which the agent is officer, director, stockholder, partner, or employee
- Violation exists **IF - within a 12-month period** the premiums submitted on controlled business are in excess of the premiums submitted during the same period on contracts to the general public (in other words, licensee cannot submit **more than 50% of premiums** on controlled business)

TWISTING -

- Knowingly making misleading representations or incomplete or fraudulent comparisons or fraudulent omissions of or with respect to insurance policies or insurers for the purpose of inducing a person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on, or convert a policy or take out an insurance policy with **another insurer**

CHURNING -

- Using policy values in an existing insurance policy or contract to, either directly or indirectly, purchase another insurance policy or annuity contract with the **same insurer** for the purpose of additional premiums, fees, commissions, or other compensation -
 - Without believing it will benefit the policyholder
 - In a deceptive or fraudulent fashion or otherwise misleading or involving a deceptive omission
 - Not informing the applicant that the policy values of the existing policy or contract will be reduced, forfeited, or used in the purchase of the replacing or additional policy or contract, if this is the case
 - Not informing applicant that the replacing or additional policy or contract will not be a paid-up policy or that additional premiums will be due, if this is the case

UNLAWFUL REBATING -

- Except as provided by law for rebating, or in an applicable filing with the office, knowingly -
 - Permitting, or offering to make, or making any contract or agreement other than that expressed in the issued insurance contract -
 - Paying, allowing, or giving, or offering to pay directly or indirectly, as inducement to such insurance contract, any ***unlawful rebate of premiums, special favor or advantage in dividends or other benefits, or any valuable consideration or inducement not specified in the contract.***
 - Giving, selling, or purchasing, or offering to give, sell, or purchase, as inducement to such insurance contract, or in any connection therewith, stocks, bonds, or other securities of any insurance company or other corporation, association, or partnership, or any dividends or profit accrued, or anything of value whatsoever not specified in the contract.

LAWFUL REBATING -

- Rebating is allowed IF -
 - Available to all insureds in same actuarial class
 - In accordance with rebating schedule filed with insurer
 - Rebates applied uniformly to all insureds, same percentages, etc.
 - Only given if the insurer approves such rebates
 - Rebate schedule is prominently displayed in agent's place of business
 - Insurance agency must maintain a copy of all rebate schedules for 5 years with effective dates
 - No discrimination
 - Rebate cannot be withheld based on insured or applicant's failure to purchase collateral business

CONCEALMENT -

- ***Failure of applicant to disclose a material fact when applying for insurance.***
- ***IF*** concealment is meant to defraud insurer in order to obtain a policy that might otherwise be denied if the information were revealed, insurer may have grounds for voiding the contract.
- Insurer must prove concealment and its materiality.

RULES AND REGULATIONS

- All of the following are duties of the Department of Financial Services, except.
 - Investigates charges of unethical conduct
 - Makes the rules relating to rates and underwriting
 - Examines qualifications of insurance companies wishing to do business in Florida
 - Supervises claims activities of various companies
- Which of the following will enable an applicant to waive the General Lines examination for licensing as a 220 agent?
 - Having a CPCU designation
 - Obtaining a 4-year degree with 15 or more hours in Property and Casualty insurance
 - Both A and B
 - Neither A or B
- Licensed agents must notify the Department within how many days of a change of address or name?
 - Immediately, no specific time
 - 2 weeks
 - 30 days
 - 60 days
- Sam received his 220 license on May 5, 2008. His birthday is September 1. When will he be required to have his first continuing education hours completed?
 - By May 5, 2010
 - By September 1, 2010
 - By May 31, 2010
 - By September 30, 2010
- When will Sam's "compliance period" for his continuing education begin and end?
 - May 1 to April 30 every two years
 - September 1 to August 31 every two years
 - October 1 to September 30 every two years
 - June 1 to May 31 every two years
- Minimum number of continuing education credits required for agents with less than 6 years licensure.
 - 14 hours
 - 24 hours
 - 20 hours
 - 21 hours
- Lloyds of London was formed in England and will be considered which type of insurer here in Florida?
 - Domiciled
 - Domestic
 - Alien
 - Foreign
- Sally was appointed by XYZ Insurance Company to represent them and sell their products. June 1, 2008, she found out the company canceled her appointment on January 1, 2008. When must she be reappointed by a company in order to retain her 220 license?
 - By January 1, 2012
 - By June 1, 2012
 - By January 1, 2010
 - By June 1, 2010
- John Sr. is incapacitated and unable to handle the day-to-day duties of his insurance agency. John Jr. takes time away from college in order to help his father in the agency. All the following are true concerning a temporary license John Jr. must apply for, except.
 - No other licensed person connected with the business
 - Must reapply every 6 months to have license renewed
 - Disabled agent returns then the temporary license is terminated
 - Must pay the applicable license and appointment fees

10. Bill went to ABC Insurance Agency and requested the minimum auto coverage. He was quoted a fee of \$452 per year with \$150 down. He paid the required \$150 and was issued his auto policy. Upon inspection Bill discovered they had added an extra coverage for towing that added \$100 to the premium. What is this deceptive practice called?
- A. Churning
 - B. Sliding
 - C. Twisting
 - D. Misrepresentation
11. Rebating is permitted under certain circumstances in Florida. All the following are correct, except.
- A. Rebates must be available to all insureds in same actuarial class
 - B. Rebates must be uniformly applied to all insureds receiving the same percentage for the same policy
 - C. Agents must maintain rebates schedules for five years
 - D. Rebate percentages are at the discretion of the agent
12. Which of the following is true concerning a Nonresident license in Florida?
- A. Agent must have a place of business in Florida
 - B. License permits agent to solicit business in Florida and sign policies just like a resident agent
 - C. Florida residents may be licensed in like manner in nonresident's state (reciprocal arrangement)
 - D. Must be qualified as a general lines agent except for residence, but not necessary to be licensed as an agent in that state.
13. When does an agent have to renew his license?
- A. Never, doesn't expire as long as appointments and continuing education kept up to date
 - B. Every two years by the end of agent's birth month
 - C. Every four years after licensure
 - D. Every two years by agent's birthday
14. Who does the agent represent?
- A. Himself
 - B. Client
 - C. Agency
 - D. Insurance company
15. How long will a newly licensed agent have to obtain an appointment?
- A. 12 months
 - B. 24 months
 - C. 36 months
 - D. 48 months

PRACTICE EXAMINATION

1. Insured has Building and Personal Property coverage form with a \$60,000 building limit and 80% coinsurance clause. At the time of a \$40,000 covered loss the building was valued at \$100,000. Ignoring deductibles, what will he recover?
A. \$40,000 B. \$32,000 C. \$30,000 D. Nothing, not properly insured
2. Insured has Building and Personal Property coverage form with a \$100,000 limit for his "building". He suffers a \$90,000 fire loss and has debris removal costs totaling \$17,000. Ignoring deductibles, what will the company pay?
A. \$100,000 B. \$90,000 C. \$107,000 D. \$110,000
3. The Automatic Coverage for new buildings and personal property under a Building & Personal Property form:
A. Building limit to \$100,000 max. /Personal Property limit to \$250,000 max. /30 days
B. Building limit to \$100,000 max. /Personal Property limit to \$250,000 max. /60 days
C. Building limit to \$250,000 max. /Personal Property limit to \$100,000 max. /30 days
D. Building limit to \$250,000 max. /Personal Property limit to \$100,000 max. /60 days
4. All the following are rights granted to the lender under the mortgage holder's clause, except:
A. Pay premiums if insured does not
B. Submit proof of loss if insured does not
C. Provided protection even if insured engages in an act that prevents recovery by insured
D. Receive rights of insured after company pays his claim
5. Insured has blanket building coverage of \$400,000 for two locations. The first location is valued at \$100,000 and the second at \$300,000. Insured suffers a loss of \$137,000 at the first location. Ignoring deductibles, what will the insured's policy pay?
A. \$100,000 B. \$137,000 C. \$300,000 D. 80% of replacement cost
6. The quality within an object that results in the object's tending to damage or destroy itself is called:
A. Product defect B. Inherent vice C. Deterioration D. Spontaneous damage
7. What does the "Need for Adequate Insurance" clause replace in Builders Risk coverage form?
A. Coinsurance by insuring for 80% or more of statement of values filed with the company
B. Coinsurance by insuring for 100% of the expected completed value
C. ACV with Replacement Cost if company is notified within 180 days
D. ACV with Replacement Cost if 80% or more coinsured
8. Under the Business Income Form a coverage option that replaces coinsurance and limits the time during which you may recover payment for losses to 120 days following the loss is:
A. Maximum Period of Indemnity C. Extended Period of Indemnity
B. Limited Period of Indemnity D. Monthly Limit of Indemnity
9. Insured has Commercial Property Extra Expense coverage form in the amount of \$1,000,000. Limits on loss payment stated in the insured's Declarations 40%, 80%, 100%. If insured suffers a loss with a period of restoration totaling 33 days, what is the maximum that would be available to cover extra expenses?
A. \$400,000 B. \$800,000 C. \$1,000,000 D. None of the above

10. Insured has a Business Income coverage form with a limit of insurance of \$100,000, a Monthly Limit of Indemnity option and a fraction of 1/4 shown in the Declarations. What will insured receive if the following losses are suffered?
Losses - 1 to 30 days = \$40,000, 31 to 60 days = \$15,000, 61 to 90 days = \$25,000
A. \$40,000/\$15,000/\$25,000 C. \$25,000/\$15,000/\$25,000
B. \$25,000/\$25,000/\$25,000 D. \$40,000/\$25,000/\$25,000
11. Insured has a Builders Risk coverage form in the amount of \$100,000 with the standard deductible. Completed value of the building is \$200,000. Building is completed on June 1. On September 15, while helping a new occupant with his grand opening sale, a clerk starts a fire while smoking in the restroom. The fire damage is \$10,000. Insured will recover:
A. \$9,500 B. \$5,000 C. \$4,500 D. Nothing
12. Which of the following properties would not be covered under the Dwelling program?
A. An apartment owned by Microsoft Corp.
B. Mobile home with two apartments
C. Triplex in which the insured lives in one unit
D. Household personal property in a cooperative
13. Which of the following statements is true concerning the deductible under the Dwelling Program?
A. There is no deductible
B. Dwelling uses the percentage deductible only
C. Standard deductible is \$500 for all perils except hurricane
D. There is no standard deductible, it varies from policy to policy
14. Insured's dwelling is insured under DP-3 in the amount of \$100,000. The structure is destroyed completely by fire. At the time of loss, it is discovered that the dwelling had depreciated to \$85,000. Insured's policy will pay:
A. \$85,000 B. \$100,000 C. ACV D. Replacement cost less depreciation
15. Which of the following is not covered by a Farm Property policy, Coverage G?
A. Fences C. Barns
B. Farm Dwelling D. Outdoor radio
16. The loss settlement for a Flood policy that usually applies to one's principal residence is:
A. ACV B. Replacement Cost C. Valued policy D. 80% coinsurance
17. Which of the following terms relates to the principle of indemnity?
A. Subrogation B. Endorsement C. Risk D. Binder
18. Under the Building and Personal Property coverage form, how are signs that are not attached covered?
A. Covered up to \$2,500 C. Covered Replacement Cost
B. Not covered D. Covered ACV basis
19. In Commercial Property if both the Association and Unit-Owner's policies cover a particular loss, how will they apply to each other?
A. Association is primary, Unit-Owner is excess C. Apply Pro-Rata
B. Unit-Owner is primary, Association is excess D. Apply Equal Shares
20. Flood insurance requires that at least what percentage of the value of the building be above ground?
A. 75% B. 51% C. 50% D. No special requirement

21. The basic extended reporting period (BERP) in a Commercial General Liability Policy adds:
- A. 30 days additional coverage and reporting period
 - B. 60 days additional coverage and reporting period
 - C. 30 days additional reporting period
 - D. 60 days additional reporting period
22. Breaking and Entering with visible signs of forceful entry refers to:
- A. Larceny or theft
 - B. Robbery
 - C. Burglary
 - D. Embezzlement
23. To ask company to take partially damaged property and pay a total loss is called.
- A. Moral hazard
 - B. Abandonment
 - C. Conveyance
 - D. Disclaimer
24. John is 21 years old. He lives with his parents who have a Personal Auto Policy with a PIP endorsement. John is injured while riding a friend's motorcycle. How will his parents' PIP coverage apply to his injuries?
- A. Not cover
 - B. Covered up to \$10,000
 - C. Covered up to \$2,500
 - D. Covered up to 80% of medical expenses
25. Dad has PIP. Daughter goes to Miami College, but still a legal resident of her parent's home. Daughter injured in an accident in Florida while in her boyfriend's auto. Which policy will cover daughter's injuries?
- A. No coverage, not in dad's auto
 - B. Covered under boyfriend's PIP
 - C. Covered under dad's PIP
 - D. Boyfriend's and Dad's policies prorata
26. Insured has Personal Auto Policy and is towing rented trailer. Trailer comes loose, damages property and injures people. Which best explains how his PAP would apply:
- A. Not owned - no coverage
 - B. Both BI and PD covered
 - C. Trailer covered for damage up to \$1,500
 - D. BI and PD covered plus any damage to nonowned trailer up to \$1,500
27. Jill has 4 autos with 100/300 stacked Uninsured Motorists (UM) on each. If she is in an accident that triggers UM, what is the maximum coverage amount that she would receive for her bodily injuries?
- A. \$100,000
 - B. \$200,000
 - C. \$300,000
 - D. \$400,000
28. Florida insured has 10/20/10 auto liability coverage. What happens if she causes an accident in another state that requires higher liability limits?
- A. Only covered for 10/20/10
 - B. Coverage is void
 - C. Policy limits increase to the required limits for that accident
 - D. None of these
29. Joe borrows Carl's minivan to go on vacation. Joe has Personal Auto Policy with Collision and Other than collision. Carl has no physical damage coverage on van. What endorsement must Joe add to his PAP in order to provide collision coverage on Carl's van?
- A. Drive Other Car
 - B. Extended Nonowner
 - C. Named Nonowner
 - D. None
30. Joe's 16-year-old nephew is visiting and accidentally hits a neighbor in the head with baseball bat. How will the liability coverage of Joe's homeowner's policy cover this accident?
- A. Cover up to policy limits because nephew under 21 and in the care of the uncle
 - B. Nephew is not a resident - no coverage
 - C. Covered if named person endorsement lists the nephew
 - D. Will need an endorsement for vicarious liability

31. Insured has Businessowners policy - Special Form - all the following are features of the policy, except.
- A. Inflation guard-8% annually
 - B. Limit of \$500 for one tree
 - C. No coinsurance
 - D. 60-day/\$250,000 automatic coverage for newly acquired buildings
32. Under Businessowners policy all of the following are optional coverages, except?
- A. Employee dishonesty
 - B. Forgery or alteration
 - C. Outdoor signs
 - D. Mechanical breakdown
33. When there is "other insurance" a Crime policy pays:
- A. primary
 - B. excess
 - C. pro rata
 - D. equal shares
34. Insured's employee uses the firm's computer to steal from employer by transferring funds to a Swiss bank account. What Crime coverage does employer need?
- A. Computer Fraud
 - B. Employee Theft
 - C. Theft, Disappearance, Destruction
 - D. Extortion
35. Insured has Forgery or Alteration. Employee forges employer's signature on six checks each for \$150 and cashes them. If employer had minimum limits available for this coverage what will he recover?
- A. \$500
 - B. \$850
 - C. \$900
 - D. Nothing
36. Workers Compensation is mandatory for which of the following?
- A. 2 partners and 2 secretaries
 - B. 2 corporate officers and 2 part-time employees
 - C. Domestic in private homes
 - D. 4 farm workers
37. Catastrophic injury in Workers Compensation entitles workers to which class of disability:
- A. permanent total
 - B. temporary total
 - C. permanent impairment
 - D. temporary partial
38. Which Inland Marine policy covers carrier's liability for damage to others property?
- A. Trip transit
 - B. Motor truck cargo
 - C. Account receivable
 - D. Annual transit
39. Health policies require which of the following as notice of cancellation:
- A. 45 days
 - B. 20 days
 - C. 30 days
 - D. 60 days
40. Under Medicare Supplement the maximum waiting period before coverage applies to pre-existing conditions is.
- A. 12 months
 - B. 8 months
 - C. 6 months
 - D. 3 months
41. Mary has 3 disability income policies equaling \$6,000 per month in benefits. Her monthly income is \$2,000. If she is totally disabled what amount will her disability policies pay?
- A. Pay \$6,000
 - B. Over insured pay nothing
 - C. Pay not over a total of \$2,000 per month with each of the 3 policies paying a pro rata share
 - D. Pay 66 2/3% of the \$6,000
42. Which of the following is not an "Additional Coverage" under Section II of an HO-3 policy?
- A. Claims Expenses
 - B. First aid expenses
 - C. Damage to Property of Others
 - D. Vicarious parental liability

43. Commercial Property includes an Additional Coverage for "Fungus". What is the annual aggregate amount for all claims?
 A. \$15,000 B. \$25,000 C. \$30,000 D. \$50,000
44. During the first 60 days of a new Personal Auto Policy providing mandatory PIP and property damage liability the insured is permitted to cancel the policy for any of the following reasons, EXCEPT.
 A. Military personnel deployed outside the United States
 B. Purchased the mandatory coverage from another insurer
 C. Vehicle is damaged due to an accident and is in the repair shop for an extended period of time
 D. Ownership of the vehicle has been transferred to another
45. Which of the following is not an element of a contract?
 A. Consideration C. Competent parties
 B. Offer and acceptance D. Conditional receipt
46. A PAP Coverage B-Medical Payments pays for expenses incurred for services rendered within what amount of time from the date of an accident?
 A. 1-year B. 2 years C. 3 years D. 5 years
47. The Gramm Leach Bliley Act is also known by what other name?
 A. Glass-Steagall Act C. Financial Services Modernization Act
 B. Fair Credit Reporting Act D. McCarran Ferguson Act
48. What is the maximum amount available for expediting expenses in Boiler & Machinery?
 A. \$25,000 B. \$30,000 C. \$50,000 D. \$100,000
49. How many times, within a 12-month period, does an applicant have to pass the state insurance licensing exam?
 A. 6 times B. 4 times C. 5 times D. Unlimited
50. In order to manage the family general lines insurance agency after his father's death, Tom obtained a temporary general lines insurance license. What is the time limit on this license?
 A. 6 months, nonrenewable C. 6 months, renewable one time
 B. 9 months, nonrenewable D. 9 months, renewable one time
51. What is the Coverage D limit for an HO-3 policy?
 A. 40% of C B. 30% of A C. 20% of C D. 10% of A
52. An insured fails to reveal relevant facts known to the insured when applying for insurance. This is known as.
 A. Fraud B. Misrepresentation C. Dishonesty D. Concealment
53. Who can appoint a customer representative?
 A. General lines agent only C. General lines agent or general lines insurance agency
 B. General lines insurer D. Customer representatives are self-appointed
54. All of the following are true concerning policy renewal with the Florida Workers' Compensation Joint Underwriting Association, EXCEPT.
 A. Renewal notices are sent out 45 days prior to policy expiration
 B. Premium must be received within 10 days of policy expiration
 C. Insureds are entitled to pro rata cancellation of a policy if coverage is secured through the voluntary market
 D. If coverage ceases a new application must be submitted to obtain coverage

55. The standard deductible in Commercial Property for windstorm or hail losses in the beach area of the lower east coast of Florida is what amount?
- Percentage of the value of the property
 - Percentage of the limit of the policy
 - 2, 5, 10% of the property limits
 - \$500 or 2, 5, 10% of the building coverage amount
56. Alice has a Personal Auto Policy with Medical Payments. While driving two friends to a baby shower she causes an accident. Alice and both friends are injured. Who will be eligible for coverage under her PAP Medical Payments?
- No one, Alice was at fault
 - Alice and the two friends
 - Alice only
 - Only the two friends
57. After 90 days, how many days' notice must be given to an insured for cancellation of a Commercial General Liability Policy?
- 20 days
 - 30 days
 - 45 days
 - 90 days
58. Which of the following is not a departure from the principle of indemnity?
- Actual Cash Value
 - Valued policies
 - Replacement Cost
 - Florida Valued Policy Law
59. Which of the following conditions would likely not be found in a property insurance policy?
- Inventory damaged property
 - Report thefts to police
 - Notify insurer of claimants
 - Use reasonable means in protecting property from further loss
60. What is the purpose of the Terrorism Risk Insurance Act?
- Assist in the investigation of terrorist activities
 - Share losses for terrorism between insurers and the federal government
 - Federal program to assist companies in locating terrorism risk insurance coverage
 - Agency authorized to investigate insurance related activities tied to terrorism, such as money laundering
61. What is the process for resolving disputes between the insured and insurer that will determine if the insured is entitled to recover damages and if so the amount?
- Subrogation
 - Arbitration
 - Severability
 - Mitigation
62. How long does a licensee have to notify the department after a change of residence address?
- Never for residence address
 - 60 days after change
 - 45 days after change
 - 30 days after change
63. Who is the head of the Department of Financial Services?
- Commissioner of Insurance
 - Attorney General
 - Chief Financial Office
 - Governor
64. Rebating is allowed in Florida under certain stipulations. Which of the following is not a requirement for rebating?
- Rebating schedules must be maintained for a minimum of 5 years
 - Rebating must be allowed by the insurer
 - Rebating schedules must be available in advertising given to clients
 - Rebates must be uniformly applied to all insureds purchasing the same policy for the same amount

65. Which of the following will not trigger the Florida Financial Responsibility Law?
- Ticket for speeding 25 miles over the limit
 - Accident involving bodily injury to others
 - Ticketed for driving under the influence of drugs
 - Property damage that renders a vehicle inoperative
66. What is the limit for the peril of theft under an HO-8?
- Theft is excluded under HO-8
 - \$5,000
 - \$2,500
 - \$1,000
67. Which of the following would not be considered a type of hazard?
- Peril
 - Moral
 - Physical
 - Morale
68. Which of the following types of risks are insurable?
- Specialized
 - Passive
 - Speculative
 - Pure
69. Temporary insurance is another name for.
- Insurance policies
 - Binder
 - Liability coverage
 - Property insurance
70. Florida Law requires an insurer to give how much notice to an insured for nonrenewal of a Commercial Property policy?
- 20 days
 - 30 days
 - 45 days
 - 90 days
71. An employee, while at work and using an office computer, transfers \$50,000 from the insured's bank account into his own Swiss bank account. What type of crime coverage is needed to cover this loss?
- Forgery & Alteration
 - Computer Fraud
 - Employee Theft
 - Inside the Premises - Theft of Money and Securities
72. How will Personal Auto - Medical Payments apply for covered injuries?
- Apply only while in an owned auto
 - Apply as excess in an owned auto/primary in a non-owned auto
 - Apply primary in an owned auto/excess in a non-owned auto
 - Apply on a pro rata basis to any other medical coverage
73. An applicant for an insurance license must not be seeking a license for the purpose of writing "controlled business". What percentage of income must be written for business to be considered "controlled"?
- More than 50%
 - 50%
 - Less than 50%
 - Any amount of business written for applicant's or family's interests
74. Which of the following categories of a Personal Articles Floater (PAF) does not provide automatic 30-day coverage for newly acquired property?
- Silverware
 - Jewelry
 - Cameras
 - Furs
75. When must insurable interest exist for indemnity policies to respond?
- At the time of loss
 - At the time of the claim
 - At the policy inception
 - At the time the claim is paid
76. Tom uses his personal auto to deliver pizza for the Pizza Palace. While making a delivery Tom runs a red light causing an auto accident in which passengers of the other vehicle are injured. How will the Pizza Palace be covered by Tom's Personal Auto Policy for their possible liability to these injured passengers?
- No coverage
 - As a Named Insured
 - By endorsement
 - By vicarious liability

77. Where is a "loss payee" identified in an auto policy?
- A. Endorsement
 - B. Declarations page
 - C. General provisions
 - D. PAP definitions
78. Which of the following would prevent recovery under an insurance policy?
- A. Warranty
 - B. Misrepresentation
 - C. Concealment
 - D. Fraud
79. When will a death benefit be payable in Workers Compensation?
- A. If death occurs within 3 years or if it follows continuous disability, within 5 years
 - B. If death occurs within 1 year or if it follows continuous disability, within 5 years
 - C. If death occurs within 1 year or if it follows continuous disability, within 3 years
 - D. If death occurs within 104 weeks or follows continuous disability, within 3 years
80. Jake has a Business Auto Policy including Physical Damage, Comprehensive coverage. While driving on the highway a rock hits and shatters Jake's windshield. How will Jake's Business Auto Policy cover this loss?
- A. Fully covered, no deductible
 - B. Fully covered, less deductible
 - C. Covered up to a maximum of \$500
 - D. Not a covered loss by Comprehensive
81. What bond guarantees all labor and materials for a project will be paid for in full by the contractor upon completion?
- A. Supply Bond
 - B. Performance Bond
 - C. Maintenance Bond
 - D. Payment Bond
82. The local grocery store has a broken refrigeration line in one of the frozen food display cases causing water to leak and collect on the floor. This is an example of what type of hazard?
- A. Physical
 - B. Moral
 - C. Morale
 - D. Peril
83. When an umbrella liability policy is primary, it will be subject to what type of deductible?
- A. Percentage of loss
 - B. \$500
 - C. Self-insured retention
 - D. Franchise deductible
84. What is the maximum amount of coverage for funeral expenses by Workers Compensation?
- A. \$10,000
 - B. \$7,500
 - C. \$5,000
 - D. \$2,500
85. Books, accounts, and records pertaining to premium payments must be preserved for how long by a licensee?
- A. 18 months
 - B. 2 years
 - C. 3 years
 - D. 5 years
86. Florida Law requires how much notice for cancellation of an auto binder?
- A. 5 days
 - B. 10 days
 - C. 20 days
 - D. 30 days
87. Which of the following professionals cannot be endorsed onto a PS&D form?
- A. Pharmacists
 - B. Laboratory technicians
 - C. Lawyers
 - D. Dental hygienists
88. What insurance principle eliminates the incentive for one to insure a random commercial building and burn it down for profit?
- A. Insurable interest
 - B. Indemnity
 - C. Proximate cause
 - D. Subrogation

89. Jake and Sharon are husband and wife and covered by the same liability policy which excludes coverage for intentional injury. Jake intentionally injures Ken. Ken sues both Jake and Sharon. Jake will have no coverage because he is the one causing the intentional injury. But what policy condition will allow for Sharon to be covered for this loss?
- A. Arbitration B. Severability C. Abandonment D. Subrogation
90. Personal Auto Policy - Supplementary Payments will provide a how much per day for loss of income for the insured to attend a trial?
- A. \$100 B. \$150 C. \$200 D. \$250
91. The applicant, when applying for homeowners insurance, neglected to inform the insurer of a kitchen fire that had occurred at the residence the day before. This is considered to be..
- A. Warranty B. Misrepresentation C. Concealment D. Breach
92. Commercial General Liability - Medical Payments will cover medical services incurred within how long from the date of an accident?
- A. 18 months B. 1 year C. 2 years D. 3 years
93. Upon the expiration of a claims-made policy, in Commercial General Liability, how long will the insured have to request supplemental extended reporting period?
- A. 30 days B. 45 days C. 60 days D. 90 days
94. A newly licensed insurance agent will be required to obtain how many continuing education credits?
- A. 5 hours B. 19 hours C. 20 hours D. 24 hours
95. Which of the following is not a duty of the Department of Financial Services?
- A. Examine qualifications of insurance companies
 B. Investigate charges of unethical conduct
 C. Issue licenses to agents and adjusters
 D. Supervise claims activities
96. What type of insurer is owned by the policyholders?
- A. Stock B. Industrial C. Reinsurer D. Mutual
97. When are premiums required to be kept in a separate account by an insurance agency?
- A. All premiums received must be kept in a separate account for auditing purposes
 B. Premiums received for a surplus lines insurer
 C. Premiums received belonging to an insurer for which an agent is not appointed
 D. Premiums never have to be kept in a separate account
98. The Smith family owns several corporations and decides to have son, James, obtain his insurance license so he can write all the insurance the family needs personally and for their businesses. This is known as.
- A. Controlled business B. Discrimination C. Rebating D. Collateral business
99. What is the standard deductible for a Dwelling DP-3 policy?
- A. \$500 all perils except hurricane - hurricane \$500 minimum 2%, 5%, or 10% maximum
 B. \$500 all perils except hurricane - hurricane \$1,000 minimum 2%, 5%, or 10% maximum
 C. \$1,000 all perils
 D. 2%, 5%, or 10% all perils

100. What will provide coverage in a Boiler & Machinery policy for spoilage due to the lack of refrigeration caused by an accident?
- Boiler & Machinery automatically covers the peril of spoilage
 - Consequential damage
 - Spoilage and contamination coverage
 - Indirect loss coverage
101. Which of the following injuries will not be covered by PIP benefits?
- Insured is injured outside Florida while in the insured vehicle
 - Insured is injured as a pedestrian outside Florida by a defined motor vehicle
 - Insured is injured inside Florida in a neighbor's defined motor vehicle
 - Insured is injured as a pedestrian inside Florida by a defined motor vehicle
102. "Diligent effort", as used in Surplus Lines, means seeking coverage from and having been rejected by at least how many authorized insurers?
- 1
 - 2
 - 3
 - 4
103. Insured has an HO-2 policy. During a thunderstorm lightning strikes a tree causing it to fall onto insured's premises. What is the coverage for the tree under his HO policy?
- No coverage for trees
 - \$250 per tree
 - \$500 per tree
 - \$1,000 per tree
104. What Inland Marine transportation form would provide coverage for a manufacturer to protect their incoming and outgoing shipments during the year?
- Motor Truck Cargo
 - Annual Transit
 - Mail Coverage
 - Trip Transit
105. Insured is a tenant and has a Building and Personal Property Coverage Form. If the insured has a loss to his improvements and betterments and promptly repairs them, what type of loss settlement will be used?
- Replacement Cost
 - Actual Cash Value
 - Valued policy settlement
 - Original cost times the remaining lease period
106. Which of the following is a direct loss?
- Car rental fees for a substitute vehicle while the damaged auto is being repaired
 - Flood damage to a home
 - Loss of profits when a business is closed due to fire damage
 - All are direct losses
107. What insurance principle states that when there is an unbroken connection between an occurrence and the damage which grows out of that occurrence, then the resulting damage is all part of the occurrence?
- Principle effect
 - Insured occurrence
 - Proximate cause
 - Vicarious connection
108. The insurer and insured are unable to agree on a loss settlement amount. What property policy condition will be used to resolve this dispute?
- Appraisal
 - Assignment
 - Arbitration
 - Assessment
109. Golden Watch Repair, Inc. has a crime policy written on a Loss Sustained basis. For losses to be covered they must both occur and be discovered during the policy period or within what time period?
- 60 days after expiration of policy
 - 90 days after expiration of policy
 - 5 years after expiration of policy
 - 1 year after expiration of policy

110. What are the waiting and retroactive periods for Workers Compensation disability benefits?
 A. 7 days/14 days B. 10 days/14 days C. 7 days/21 days D. 10 days/21 days
111. What is the mathematical principle used in insurance that states the accuracy with which losses can be predicted increases as the number of similar exposure units increases?
 A. Risk pooling C. Cause and effect
 B. Principle of Subrogation D. Law of Large Numbers
112. Under Workers Compensation, which of the following would be considered an "employment"?
 A. Miami Dolphins football team C. Three part-time county workers
 B. Butler and two maids in a private home D. State prisoners repairing public sidewalks
113. What is a warranty?
 A. Untrue statement on an insurance application C. Policy condition
 B. Failure to reveal relevant facts to an insurer D. Provision in an insurance policy
114. Which of the following is not an available endorsement to Section II of a homeowners HO-2 policy?
 A. Home Business Insurance Coverage
 B. Excluded watercraft
 C. 1-4 family dwellings rented to others
 D. Theft coverage when residence is occasionally rented to others
115. What act requires that insurers notify the applicant if an investigation is being conducted and if a consumer report has been used to charge higher rates?
 A. Financial Services Modernization Act C. Fair Credit Reporting Act
 B. Gramm Leach Bliley Act D. NAIC Unfair Trade Practices Act
116. Betting at a racetrack would be considered what type of risk?
 A. Pure B. Economic C. Physical D. Speculative
117. Under a Commercial General Liability Policy, which of the following would not be considered as an insured?
 A. Real estate manager for the named insured
 B. Limited liability company formed 45 days ago
 C. Spouse of the named insured while working in the partnership
 D. Employees for acts as employees of the corporation
118. A Commercial General Liability Policy would cover which of the following occurrences?
 A. Insured borrows a 29-foot boat for an employee's 4th of July party. The insured, while docking the boat, runs into and damages the dock.
 B. Insured owns an auto dealership and has a 30-foot boat on display in his showroom that is to be raffled off over the weekend. A curious customer decides to climb onto the boat and upon exiting slips, falls, and injures himself.
 C. Insured owns a waterfront restaurant and decides to lease a 25-foot boat to taxi customers to and from the mainland. A customer on board the boat is injured when she trips over a life jacket.
 D. None of these are covered occurrences
119. Joe owns an auto insurance agency. He routinely includes an auto club membership with every policy written without notifying the insured of an additional amount that will be added to the premium. This is considered what type of practice?
 A. Trickery B. Sliding C. Twisting D. Deceit

120. Hartford Insurance Company originated in Hartford, Connecticut and was formed under the laws of that state. This is an example of what type of insurance company in Florida?
 A. Domestic B. Foreign C. Alien D. Authorized
121. Which of the following is not a duty of the Office of Insurance Regulation?
 A. Make rating and underwriting rules
 B. Examine qualifications of insurance companies seeking to do business in Florida
 C. Approve insurance policies and forms
 D. Periodically examine financial conditions of insurance companies licensed in Florida
122. Which of the following organizations has as its main purpose to pay outstanding claims of insolvent insurance companies?
 A. Florida Division of Consumer Services C. Florida Insurance Guaranty Association
 B. Florida Surplus Lines Services Organization D. Florida Office of Insurance Regulation
123. James, an insurance agent, knowingly misleads his client in comparing the client's current insurance policy with a policy from a different company. James is hoping to induce the client into terminating the current policy in favor of one with another company. In doing so, James is committing what type of unfair practice?
 A. Twisting B. Churning C. Sliding D. Coercion
124. Insured has an HO-6 policy. The association's clubhouse sustains fire damage and each member is assessed \$5,000 for repairs. What will the insured's HO-6 policy cover?
 A. Nothing, not a covered loss B. \$1,000 C. \$2,000 D. \$5,000
125. If all the following coverages (Personal Injury Protection, Workers Compensation, and Medical Payments) are available to an insured for an auto accident, in what order will they be applied?
 A. PIP, WC, MP B. WC, MP, PIP C. MP, PIP, WC D. WC, PIP, MP
126. Insurance coverage wherein payment is made on behalf of the insured to another is called.
 A. Subrogation B. Property C. Indemnity D. Liability
127. When one would suffer an economic loss from an adverse happening to the subject, they are said to have a(n).
 A. Right of subrogation C. Insurable interest
 B. Direct claim D. Vicarious right
128. Tom purchased his first Commercial General Liability Claims-Made policy three years ago after replacing an Occurrence policy. His policy renewal is approaching. Which of the following situations will keep Tom from creating a coverage gap at renewal?
 A. Renew his policy with a new retroactive date
 B. Replace the Claims-Made policy with an Occurrence policy
 C. Renew his policy with the same retroactive date as his first Claims-Made policy
 D. Cancel this policy and purchase a new Claims-Made policy
129. Which one of the following is not always considered a party to a contract of suretyship?
 A. Principal B. Surety C. Administrator D. Obligee
130. What are "damages" in liability insurance?
 A. Risks B. Money amounts C. Liability limits D. Corrective payments
131. Legal liability requires that one must provide reparations to another based upon what principle?
 A. Subrogation B. Severability C. Indemnity D. Negligence

132. Florida Law requires what type of grace period for health insurance policies?
- A. 5 days weekly policies/10 days monthly/30 days all other
 - B. 5 days weekly policies/14 days monthly/45 days all other
 - C. 7 days weekly policies/10 days monthly/31 days all other
 - D. 7 days weekly policies/14 days monthly/45 days all other
133. When must nonresidents comply with the Florida No-Fault Law?
- A. Nonresidents are not subject to Florida Law as long as they are in compliance in their home state
 - B. Anytime while driving in Florida
 - C. When their auto has been present in Florida over 90 of the last 365 days
 - D. If their auto has been in Florida for at least 60 consecutive days
134. A general lines insurance agent may share commission with all of the following, EXCEPT.
- A. Another General Lines agent
 - B. Life and Health agent
 - C. Customer representative
 - D. General Lines agency
135. What type of insurer is noted primarily for their social, charitable, and benevolent activities?
- A. Reciprocal
 - B. Fraternal
 - C. Retention
 - D. Stock
136. A Commercial General Liability Policy allows the insurer to audit the books and records of the insured during the policy period and for how long after?
- A. 1 year
 - B. 2 years
 - C. 3 years
 - D. Indefinitely
137. All of the following are covered by the Supplementary Payments of a Personal Auto Policy, EXCEPT.
- A. Bail bonds up to \$250
 - B. Premiums for appeal bonds
 - C. Interest on judgments
 - D. Loss of wages due to injuries, up to \$250 per day
138. Which office is responsible for the oversight of banks, credit unions, and the securities industry?
- A. Office of Insurance Regulation
 - B. Office of Banking and Insurance
 - C. Office of Financial Regulation
 - D. Office of Policy and Accountability
139. Every agent is required to take a law and ethics update continuing education course every two years. How many hours is this course?
- A. 3 hours
 - B. 4 hours
 - C. 5 hours
 - D. 7 hours
140. If Joan is injured in an auto accident by Tom, what expenses will she be able to recover from Tom in a tort claim if her injuries are not permanent?
- A. Nothing unless she pierces the threshold
 - B. All medical and loss of income expenses not covered by PIP
 - C. Medical expenses not covered by PIP
 - D. All economic expenses not covered or paid by PIP
141. All of Donna's appointments for her 2-20 license have been terminated. How long, from the date of termination, does she have to be reappointed before her insurance license terminates?
- A. 12 months
 - B. 24 months
 - C. 36 months
 - D. 48 months
142. Knowing he will earn a higher commission; Bren recommends an expensive commercial policy to his client even though a less costly policy with the same coverage is available. This is an example of what type of behavior?
- A. Coercion
 - B. Unethical
 - C. Intimidation
 - D. Fraud

143. What are the maximum available limits for all coverages for a commercial risk through Citizens?
A. \$1,000,000 B. \$1,500,000 C. \$2,000,000 D. \$2,500,000
144. A general lines agent collected premiums and neglected to forward them to the insurer. Instead he diverted the money into his daughter's personal account. He was arrested and found guilty of a felony. How long does he have to forward legal documents to the department once final action has been taken against him?
A. 14 days B. 21 days C. 30 days D. 45 days
145. What type of liability defense is used when recovery from others is reduced by degrees of negligence?
A. Assumption of risk C. Comparative negligence
B. Contributory negligence D. Causative liability
146. How many days' notice must be given for cancellation of a Building and Personal Property policy due to non-payment of premium?
A. 10 days B. 20 days C. 30 days D. 45 days
147. Which of the following is not a deductible amount offered by the Florida Auto Joint Underwriting Association for Physical Damage for a private passenger auto?
A. \$100 B. \$250 C. \$500 D. \$1,000
148. In a sales advertisement for flood insurance the agent led prospective clients to believe the Federal Government would pay the remainder of the policy premium after a deposit of 10% was made with the signed application. What is this deceptive practice called?
A. Coercion B. Misrepresentation C. Sliding D. Twisting
149. An HO-8 policy will cover losses arising from which of the following perils?
A. Power failure occurring away from the residence
B. Catastrophic ground cover collapse
C. Water damage from underground seepage
D. Earth movement
150. The insured has a Business Income form with a Monthly Limit of Indemnity Option and 1/4 stated in the declarations. If the insured suffers a loss of \$100,000 and the period of restoration is 60 days, what is the maximum amount the insured will recover from the Business Income policy?
A. \$100,000 B. \$25,000 C. \$50,000 D. \$75,000

Answer Key

ANSWERS TO WORKBOOK QUESTIONS

Insured's Duties Following a Loss

1. L 2. P 3. P 4. PL 5. P 6. L 7. PL 8. P 9. P 10. L 11. P
12. L 13. P 14. P 15. PL

Property and Liability Concepts

- | | |
|------------------------------|------------------------|
| 1. Hazard | 23. Binder |
| 2. Franchise | 24. Mortgagee Clause |
| 3. Misrepresentation | 25. Straight |
| 4. Liability Insurance | 26. Abandonment |
| 5. Florida Valued Policy Law | 27. Pro Rata |
| 6. Loss Settlement | 28. Indirect loss |
| 7. Insurance | 29. Single Limit |
| 8. Percentage | 30. Warranty |
| 9. Liberalization | 31. Indemnity Contract |
| 10. Real Property | 32. ACV |
| 11. Appraisal | 33. Negligence |
| 12. Coinsurance | 34. Direct Loss |
| 13. Aggregate | 35. Excess |
| 14. Policy | 36. Peril |
| 15. Loss Payable Clause | 37. Valued Policy |
| 16. Split Liability Limits | 38. Severability |
| 17. Concealment | 39. Proximate Cause |
| 18. Subrogation | 40. Primary |
| 19. Insurance Interest | 41. Property |
| 20. Specific Insurance | 42. Personal Property |
| 21. Legal Liability | 43. Replacement Cost |
| 22. Equal Shares | 44. Blanket |

FL Financial Responsibility Law

1. Bodily injury, property damage when vehicle is rendered inoperative or certain serious traffic violations (driving under influence, committing felony with motor vehicle.)
2.
 1. Cash
 2. Auto liability insurance
 3. Bond
 4. Self-insurer
3.
 1. Satisfy claims up to 10/20/10
 2. Provide certification of financial responsibility for future accidents
4. Driver's license and registration of all vehicles are suspended
5. B
6.
 1. File certification that coverage is in effect
 2. Certification must remain on file for 3 years
7. 3 years, Subject to license/registration suspension
8. False
9. Department of Highway Safety and Motor Vehicles

No-Fault

1. Those who comply with law are not subject to legal liability for causing bodily injuries to others, regardless of fault.
Provides first-party benefits for economic loss, regardless of fault.
Law requires PIP to be carried by owners of motor vehicles
2. Property Damage
3. Self-propelled vehicles, 2. 4 or more wheels, 3. Type designed and required to be licensed for use on FL highways, 4. Trailers and Semi-trailers designed for use with such vehicles
4. Mobile homes, Taxicabs, Limousines
Governmentally owned vehicles used in mass transit
Public school transportation designed to transport more than 5 passengers
5. **DOLL** - Debtor in possession
One who holds legal title
Leases with option to buy
Leases under agreement of 6 months or more
6. Each year when vehicle is registered
7. **CABS** - Cash, Auto insurance, Bonds, Self-insurance
8. 90, 365
9. **RIP** - Registration and driver's license suspended
Immunity from legal liabilities denied
Personally, liable for payment of PIP benefits
10. **MIDS** - Medical - 80%
Income loss (Disability) - 60%
Death - \$5,000 limit, but can be an additional amount of insurance above the \$10,000 limit
household Services - 100%
11. \$10,000, \$2,500 is limit for medical benefits if not diagnosed with emergency medical condition
12. 14 days
13. Primary, Workers Compensation
14. (See PIP chart in Summary Notes as to who is covered in Florida and outside Florida)
Named Insured: In FL - Covered while occupying defined motor vehicle or as pedestrian
Outside FL - Covered occupying insured motor vehicle, or vehicle owned
by resident relative insured for PIP
Family Member: In FL - Same as above
Outside FL - Covered only while occupying named insured's motor
vehicle
FL resident does not own vehicle or entitled to benefits from another - In FL - owner's
benefits while occupying named insured's vehicle or struck as pedestrian
Outside FL - Not covered
15. **SOFI** - Stealing, Owned but not insured, Felony, Intentional injury
16. **LIDS** - Loss of bodily function that is significant and permanent
Injury other than scarring and disfigurement that is permanent
Death
Scarring and disfigurement that is permanent
17. Vehicle, Person

MULTIPLE CHOICE QUESTIONS

COINSURANCE ANSWERS

1.B 2.C 3.A 4.A 5.B 6.B 7.B 8.D 9.B

CONCEPTS ANSWERS

1.C 2.B 3.C 4.A 5.A 6.C 7.B 8.B 9.C 10.D 11.B 12.C 13.A
14.B 15.B 16.D 17.B 18.D 19.C 20.D

NO-FAULT ANSWERS

1.B 2.D 3.D 4.D 5.D 6.B 7.C 8.C 9.A 10.A 11.A 12.A

PERSONAL AUTO ANSWERS

1.B 2.B 3.B 4.A 5.C 6.A 7.D 8.C 9.C 10.A 11.B 12.D 13.A
14.B 15.A 16.B 17.D 18.A 19.C 20.B 21.C 22.B 23.C 24.D 25.C 26.B
27.D 28.D

MECHANICAL BREAKDOWN ANSWERS

1.C 2.A 3.B 4.A 5.A 6.D 7.A 8.A

HOMEOWNERS ANSWERS

1.B 2.C 3.A 4.B 5.D 6.A 7.D 8.C 9.D 10.B 11.C 12.D 13.A
14.B 15.B 16.B 17.C 18.A 19.C 20.C 21.D 22.A

DWELLING, FLOOD, PERSONAL LIABILITY ANSWERS

1.B 2.A 3.B 4.C 5.B 6.B 7.C 8.B 9.B 10.C 11.B 12.B 13.C
14.C 15.D 16.D 17.B 18.A 19.D 20.A 21.B 22.B

PERSONAL INLAND MARINE AND EXCESS/UMBRELLA ANSWERS

1.B 2.D 3.A 4.C 5.D 6.A 7.B 8.D 9.C 10.C 11.D 12.D 13.D 14.D
15.D 16.B 17.B 18.A 19.A 20.B 21.D

COMMERCIAL AUTO ANSWERS

1.D 2.D 3.B 4.C 5.A 6.A 7.B 8.D 9.C 10.C 11.A 12.B 13.B 14.D
15.D 16.A 17.C 18.C 19.A 20.B 21.D 22.A 23.B 24.D 25.D 26.A 27.C 28.B
29.D 30.B 31.C 32.A 33.D

COMMERCIAL PROPERTY AND FARM ANSWERS

1.B 2.A 3.D 4.C 5.C 6.A 7.B 8.C 9.D 10.D 11.B 12.A 13.A
14.C 15.C 16.C 17.D 18.D 19.C 20.B 21.A 22.C 23.B 24.D 25.A 26.D
27.C 28.D 29.B 30.B 31.B 32.D 33.A 34.D 35.B 36.D 37.D 38.D

COMMERCIAL LIABILITY ANSWERS

1.B 2.D 3.A 4.C 5.B 6.D 7.A 8.C 9.B 10.B 11.A 12.C 13.A
14.B 15.D 16.C 17.B 18.D 19.C 20.A 21.D 22.A 23.A 24.D 25.C 26.D
27.D 28.A 29.B 30.D 31.A 32.A 33.B 34.D 35.C 36.B 37.C 38.C 39.D
40.B 41.B 42.D 43.B 44.C 45.D 46.D 47.C

COMMERCIAL PACKAGE POLICIES ANSWERS

1.B 2.B 3.C 4.D 5.B 6.C 7.D 8.B 9.A 10.B 11.B 12.D 13.C
14.A 15.C 16.D

WORKERS COMPENSATION ANSWERS

1.B 2.C 3.D 4.A 5.D 6.B 7.A 8.B 9.B 10.D 11.A 12.C 13.A
14.C 15.D 16.D 17.D 18.B 19.D 20.C 21.B 22.C 23.B 24.A 25.C 26.D
27.D 28.C 29.C 30.B 31.A 32.C 33.D 34.A 35.C 36.C 37.B 38.A 39.B
40.B 41.C 42.B

CRIME ANSWERS

1.D 2.B 3.A 4.C 5.D 6.A 7.C 8.D 9.B 10.B 11.C 12.B 13.A
14.B 15.B 16.D 17.A 18.D 19.D 20.C 21.A 22.C 23.C 24.D 25.D 26.D

SURETY BOND ANSWERS

1.C 2.A 3.B 4.C 5.C 6.B 7.C 8.C 9.D 10.B 11.B 12.C 13.B
14.D 15.D 16.A 17.C 18.B 19.C 20.A 21.B 22.D 23.B 24.A 25.D 26.B
27.B 28.C

MARINE ANSWERS

1.C 2.C 3.B 4.A 5.B 6.C 7.D 8.B 9.B 10.C 11.A 12.B 13.A
14.D 15.D 16.A 17.B

BOILER AND MACHINERY ANSWERS

1.B 2.C 3.A 4.D 5.D 6.A 7.C 8.A 9.D 10.C 11.B 12.C 13.C
14.D 15.C

HEALTH ANSWERS

1.A 2.C 3.B 4.B 5.C 6.D 7.B 8.A 9.C 10.B 11.C 12.D 13.B
14.C 15.C 16.D 17.A 18.B 19.C 20.A 21.B 22.C 23.D 24.C 25.D 26.C
27.B 28.B 29.C 30.A 31.D 32.A 33.C 34.B 35.A 36.B 37.B

UNAUTHORIZED ENTITIES ANSWERS

1.C 2.B 3.D 4.C 5.A 6.D 7.A 8.D 9.C

RULES AND REGULATIONS ANSWERS

1.B 2.A 3.C 4.D 5.C 6.B 7.C 8.A 9.B 10.B 11.D 12.C 13.A
14.D 15.D

PRACTICE EXAMINATION

1.C 2.C 3.C 4.D 5.B 6.B 7.B 8.A 9.B 10.C 11.D 12.B 13.C 14.B 15.B 16.B 17.A 18.A
19.A 20.C 21.D 22.C 23.B 24.A 25.C 26.D 27.D 28.C 29.D 30.A 31.D 32.B 33.B 34.B
35.D 36.B 37.A 38.B 39.B 40.C 41.C 42.D 43.A 44.C 45.D 46.C 47.C 48.A 49.C 50.A
51.B 52.D 53.C 54.B 55.A 56.B 57.C 58.A 59.C 60.B 61.B 62.D 63.C 64.C 65.A 66.D
67.A 68.D 69.B 70.C 71.C 72.C 73.A 74.A 75.A 76.D 77.B 78.D 79.B 80.A 81.D 82.A
83.C 84.B 85.C 86.A 87.C 88.A 89.B 90.C 91.C 92.B 93.C 94.D 95.A 96.D 97.C 98.A
99.A 100.B 101.B 102.C 103.C 104.B 105.B 106.B 107.C 108.A 109.D 110.C 111.D
112.C 113.C 114.D 115.C 116.D 117.B 118.C 119.B 120.B 121.A 122.C 123.A 124.C
125.D 126.D 127.C 128.C 129.C 130.B 131.D 132.C 133.C 134.B 135.B 136.C 137.D
138.C 139.B 140.D 141.D 142.B 143.D 144.C 145.C 146.A 147.A 148.B 149.B 150.C