

**CHAPTER 6:**  
**COMMERCIAL PACKAGE POLICY**

## **OVERVIEW OF THE COMMERCIAL PACKAGE POLICY**

- Was introduced in 1986 to replace the Special Multiple Peril Policy and other related monoline policies
- Was developed by the Insurance Services Office to provide standardized forms with a simplified rating approach
- The policy language and format were updated to provide a package policy included many of the common coverages needed to insure the large commercial client
- The only type of risk prohibited under the CPP is the homeowner type exposure
- Eligible risk include:
  - Service stations
  - Auto repair facilities
  - Auto, motor home or mobile home dealers
  - Parking lots or garage operators
  - Warehouses
  - Office and apartment buildings
  - Petrochemical plants
  - Electric generating stations
  - Other large commercial exposures
- Smaller commercial risks for exposures such as main street businesses and small apartment or office buildings are generally insured under the Business Owners Policy

## **OVERVIEW OF COMMERCIAL PACKAGE POLICY FORMAT**

- Two or more coverage parts
  - The CPP allows the insured to choose from seven coverage parts
  - This provides the insured flexibility in designing a specific insurance program
- Interline Endorsements
  - Endorsements common to several coverage parts
    - Example: Cancellation and Nonrenewal provisions
- Common Policy Conditions
  - Similar to the conditions found in other policies
- Common Policy Declaration Page
  - Includes the standard information such as named insured, mailing address, policy period, etc.

Listed below are the 7 coverage parts which may be included in the Commercial Package Policy:

- Farm Coverage Part
- Inland Marine Coverage Part
- Property Coverage Part
- Auto Coverage Part
- Boiler and Machinery Coverage Part
- Crime Coverage Part
- General Liability Coverage Part

## **WHAT IS THE ADVANTAGE OF THE POLICY PACKAGE CONCEPT?**

The package policy concept offers several advantages to all parties:

- The insurer will have reduced administrative expenses by producing one policy vs. multiple policies
- The insurer will have fewer policies to maintain
- The producer is able to offer multiple coverage parts at premium discount in one policy which promotes customer satisfaction

## **WHAT DUTIES DO COMMON POLICY CONDITIONS ADDRESS?**

- Transfer of Rights Condition
  - Prohibits the transferring of the policy without the insurer's consent
- Premiums Condition
  - Requires the payment or return of premiums
- Inspections and Surveys Condition
  - Permits the company the right to inspect and survey the property for insurance values or related risk exposure
- Examination of Books Condition
  - Permits the insurance company the right to examine the books and records of the insured up to three years from expiration
- Changes Condition
  - Authorizes the first named insured to make policy changes
- Cancellation Condition
  - Requires advance written notice of cancellation

## **OVERVIEW OF COMMERCIAL PROPERTY COVERAGE PART**

The Commercial Property Coverage Part, which provides coverage for various business property exposures, consists of the following elements:

- Commercial Property Declarations Page
- Commercial Property Conditions Form which includes:
  - Concealment and Fraud
  - Control of Property
  - Duplicate Coverage
  - Legal Actions
  - Liberalization
  - No benefits to Bailee
  - Other Insurance
  - Pro Rata Liability
  - Policy Period
  - Territory
  - Transfer of Rights
  - Subrogation

- One or More Coverage Forms
- One or More Causes of Loss Forms
- Other Endorsements

## **OVERVIEW OF BUILDING AND PERSONAL PROPERTY FORM**

- May be used to insure all types of commercial property except those classified as builders or condominiums
- Property forms must be combined with a cause of loss forms to provide coverage for:
  - Personal property owned by the insured used to service the business premises such as:
    - Fire Extinguishers
    - Outdoor Furniture
    - Lawnmowers
    - Snow Plows
    - Appliances used for heating, refrigeration and ventilation
  - Outdoor fixtures including
    - Lights
    - Awnings
    - Mailboxes
    - Flagpoles
  - The insured's personal property for use as a landlord
  - Permanently installed fixtures and equipment including
    - Signs
    - Intercoms
    - Blinds
    - Etc.

## **OVERVIEW OF COVERAGE B – BUSINESS PERSONAL PROPERTY**

- Includes property owned by the insured and used in business including
  - Furniture
  - Fixtures
  - Machinery
  - Stock
- The insured's interest as a tenant in improvements and betterments, and leased personal property such as computers or copiers
- Business personal property that is in or on the buildings at the described premises or in the open, or in a vehicle within 100 feet of the described premises

## **OVERVIEW OF COVERAGE C – PERSONAL PROPERTY OF OTHERS**

- The property of others in the insured's care, custody or control and located within the insured building or within 100 feet of the described premises.
- The building and personal property forms does not cover:
  - Accounts, bills, currency, deeds, food stamps, notes, securities and money

- Automobiles for sale
- Animals (unless owned by others and boarded by the insured or animals as stock within a building)
- Bridges, roadways, walks, patios, or other paved surfaces
- Property located outside a building
- Licensed vehicles and self-propelled machines
- Cost to research or restore information on valuable papers
- Underground pipes, flutes and drains
- Retaining walls that are not part of the building
- Property specifically described under another policy
- Bulkheads, pilings, piers, wharfs or docks
- Personal property while airborne or waterborne
- Land, water or crops
- Foundations of buildings, structures, machinery or boilers if their foundations are below the basement floor or floor foundation
- Cost of excavating, grading or backfilling
- Contraband or property in the course of illegal transportation or trade

Additional coverages, within the limits of insurance, include:

- Fungus, wet rot, dry rot and bacteria (up to \$15,000)
- Electronic Data to restore destroyed or corrupted data (up to \$2500)
- Increased Cost of Construction (up to \$10,000 or 5% of building limit)
- Pollution Clean Up and Removal from land/water (up to \$10,000)
- Fire Department Service charge (up to \$1,000)
- Preservation of Property: applies for 30 days
- Debris Removal (up to 25% of the amount of loss)

Coverage Extensions, which are in addition to the limits of insurance if the insured maintains the policy's coinsurance requirement, include:

- Non-Owned detached trailers (up to \$5,000)
- Outdoor Property (up to \$1,000 with a \$250 per tree/shrub/plant limit) Outdoor property includes:
  - Fences
  - Radio/television antennas
  - Detached signs
  - Tree/Shrub/Plant and debris removal for the perils of fire, lightning, explosion, riot or civil commotion or aircraft
  - Property off-premises (up to \$10,000)
  - Valuable papers and records (up to \$2,500 at each described premises)
  - Personal effects of the insured/property of others (up to \$2,500 per premises)
  - Newly-acquired property (up to \$250,000 of Coverage A and \$100,000 of Coverage B)

## OVERVIEW OF LIMITS OF INSURANCE:

- Sets forth the maximum amount paid in the declarations. In addition, special sub limits apply to:
  - Debris Removal (up to \$10,000 per location)
  - Outdoor Signs attached to buildings are covered up to \$1,000 per occurrence

## WHAT DO LOSS CONDITIONS ADDRESS?

- The provisions affecting a loss. They include the following:
  - Vacancy beyond 30 days excludes coverage caused by vandalism
    - Vacancy is defined as the building is 70% vacant or unoccupied.
    - There will be no payment for any cause of loss after 60 days of vacancy
    - Vacancy is triggered if a tenant does not have sufficient business property to conduct customary operations
  - Recovered Property
    - Both insured and carrier must notify each other
  - Loss Payment
    - Permits the insurer to pay or repair the damaged or loss of property
    - Payment must be made within 30 days of receipt of proof of loss
  - Duties in the event of loss
    - Means to notify the company protect property, etc.
  - Appraisal
    - Permits either the insured or the company to demand appraisal of a loss
  - Abandonment
    - Prohibits the insured from abandoning property as a total loss
  - Valuation
    - Will be determined at actual cash value
    - At the time of loss, the insurer will determine the property's replacement cost and subtract depreciation to determine its actual cash value for loss settlement

Other categories of property are settled as follows:

- Losses up to \$2,500 will be settled at replacement cost if the insured complied with the coinsurance requirement.
  - This provision does not apply to awnings, floor covering, appliances, and outdoor equipment or furniture
- Stock sold but not delivered will be valued at selling price, minus discounts
  - Example: If an appliance store sells a washing machine for \$500, and it is destroyed before it is shipped to the customer, the appliance store recovers the selling price not the price it paid to acquire it from the wholesaler
- Glass at replacement cost
- Tenant's improvements and betterments at actual cash value if repairs are made promptly
  - If repairs are not made promptly, at a proportion of original value based upon time to expiration of lease
- Valuable Papers and Records

- Including electronic or magnetic media at the cost of blank media and labor to transcribe or copy the records
- This does not apply to prepackaged software
- Party Walls
  - A party wall divides two adjoining properties in which the owners share rights, although ownership may not be shared
  - Loss payment for losses to party walls reflects the insured's partial interest, but if the owner of the adjoining building elects not to replace or repair, the insurance will pay the full value of the party wall

### **WHAT IS A COINSURANCE PROVISION?**

- It requires the insured to carry insurance equal to a specific percentage of the property's actual cash value or replacement value

### **WHAT DOES A CONDOMINIUM ASSOCIATION COVERAGE FORM PROVIDE?**

- Provides coverage for the building and personal property for Condominium Associations.
- Coverages are similar to the Commercial Building and Personal Property Form
- Coverage may include fixtures, improvements, alterations, and appliances used for security, cooking, heating and refrigeration
- These forms address the unique ownership provisions of shared ownerships
- In the event a loss occurs and coverage is applicable to both the Association's form and the Unit Owner's form, the Association's form is primary

### **WHAT DOES A BUILDERS RISK FORM PROVIDE?**

- Provides coverage to buildings under construction
- The builders risk coverage form employs the commercial property program's cause of loss forms
- Coverage begins on the date of construction and ceases:
  - If the construction is abandoned with no intention to complete it
  - When the insured's interest in the property ceases
  - 60 days after the constructed building is occupied or put into its intended use
  - 90 days after construction is completed
  - Whenever the property is accepted by the purchaser
- Form IH 00 70 12 06 is designed to provide broad coverage for the property building contractors need to insure: building materials and supplies, fixtures, machinery and equipment to service the building
- When this form is combined with commercial inland marine conditions form CM 00 01 09 04 and common policy conditions IL 00 17 11 98, the resulting policies insure property of the construction site as well as in transit, as long as the property is intended to be a permanent part of the project
- The policy covers the legal liability of the contractor for fixtures and machinery plus equipment to service the buildings that belongs to others
- The form also provides limited coverage for the following:

- \$5,000 for building supplies and materials owned by others in the insured's care, custody or control, so as long as they are located in or on the described building, or within 100 feet of its premises
- Up to 25% of the limit of insurance plus the policy deductible for debris removal
- \$1,000 for trees, lawns, and shrubs
- \$10,000 for pollutant clean-up
- Up to 30 days coverage for preservation of property removed
- \$1,000 for fire department service charge
- \$15,000 for clean-up of fungi if the result of a covered cause of loss
- Two optional coverages include:
  - Earthquake
  - Water damage

### **THREE SETS OF EXCLUSIONS**

- The first set is prefaced by the anti-concurrent causation language (If any cause of loss falls within the policy exclusions, regardless of whether another un-excluded cause of loss is the proximate cause of loss, the loss is excluded.)
  - Ordinance of Law
  - Earthquake
  - Governmental Action
  - Nuclear Hazard
  - War and Military Action
  - Water Damage
  - Fungi, wet or dry rot not the result of a covered cause of loss and virus, bacterium and other microorganisms
- The second set states: “will not pay for the loss or damage caused by or resulting from any of the following”:
  - Theft from an unattended vehicle unless at the time all windows, doors, or compartments were securely locked and there are visible signs of a forced entry
  - Delay, loss of use or loss of market
  - Unexplained disappearance
  - Dishonest or criminal acts of the named insured, managers, employees and other as specified
  - Artificially-generated electrical current
  - Property lost as the result of voluntary parting or unauthorized instructions
  - Neglect of the insured to use reasonable means to protect and preserve property at the time of loss
- The third set precludes coverage for loss caused by or resulting from the following
  - Weather Condition (but only if contributing to a cause or event in the first set of exclusions to cause the loss or damage)
  - Acts of decisions
  - Faulty or inadequate planning, designing, maintenance or materials
  - Wear and tear
  - Hidden/Inherent Vice



- Mechanical Breakdown
- Rodents, vermin, or insects
- Other Corrosion

The minimum deductible is \$500, but the insured can select other deductibles. The builders risk policy is written on a 100% coinsurance basis reflecting the completed value of the building.

## **OVERVIEW OF BUSINESS INCOME COVERAGE FORM**

- Provides income to a business following a suspension of operations due to a direct physical loss or damage to property at the described premises caused by a covered cause of loss
- Coverage is provided during the period of restoration which begins 72 hours after the time of direct physical loss and ends when the property can be repaired, rebuilt or replaced.
- The Business Income Form provides the following coverages:
  - Business Income
    - Defined as the actual loss of business income. It is also defined as net income plus continuing operating expenses including payroll
    - Business income coverage is typically written subject to a 50% coinsurance provision
  - Extra Expense
    - The extra expenses incurred by the business to continue operations
    - This coverage can be purchased separately in the event a business has no need for business income
  - Civil Authority
    - Prohibited by a civil authority to use the described premises as the result of a direct loss to property
      - Example: If an explosion occurred, causing a civil authority to close down a part of the city, and causing the insured to have a loss of business income and extra expense, coverage will be provided
      - Coverage is provided up to three consecutive weeks and is subject to a 72 hour time deductible
      - Alterations and new buildings
        - The loss of income resulting from a direct loss to new buildings and structures
        - This also applies to machinery and building materials located within 100 feet of the described premises
      - Extended Business Income for a maximum of 30 days
        - Once operations resume after a loss, most often revenues do not resume immediately to the level they were prior to the loss. The Business Income policy extends coverage up to 30 days for the continued business income loss

The Business Income Forms cover actual loss of business income sustained due to the necessary suspension of the named insured's operations during the period of restoration. The suspension must be due to direct physical loss or damage must be caused by or result from a covered cause of loss.

The damaged property does not need to belong to the insured or even be covered property. Physical loss of or damage to property will trigger the coverage as long as it is located at the premises described in the declarations and as long as the cause of loss is covered.

There is coverage for loss of business income caused by loss or damage to personal property in the open or in a vehicle within 100 feet of the described premises.

The definition of premises for tenants is extended to include all routes within the building to gain access to the described premises.

Business income refers to:

- A. Net income that would have been earned or incurred and
- B. Continuing normal operating expenses, including payroll incurred.
- C. For manufacturing risks, net income includes the net sales value of production.

The following terms are defined in the policy:

- Suspension
  - A slowdown or complete cessation of business operations
- Operations
  - Includes the insured's business activities occurring at the described premises or the tenant ability of the described premises if coverage is for business income including rental value
    - Either the insured's business activities must be suspended, or the insured's building's tenant ability must be suspended

Each of these options can be chosen for different premises listed on the declarations and they can be written either with coinsurance or with the monthly limit of indemnity option.

## **WHAT IS THE PERIOD OF RESTORATION?**

- Includes a time deductible, with coverage beginning 72 hours after the time of direct physical loss
- The deductible does not apply to extra expense coverage
- The period ends the date when the property at the described premises should be rebuilt, replaced, or repaired with similar quality materials or when the business resumes at a new permanent location (whichever is earlier)

## **OVERVIEW OF BUSINESS INCOME OPTIONS**

- Permit the insured to waive the business income coinsurance provisions and select any of the following four alternatives:
  - Maximum Period of Indemnity
    - Limits the loss period covered to 120 days immediately after loss
  - Monthly Limit of Indemnity
    - Limits the loss amount during each period of 30 consecutive days to that amount of insurance multiplied by the fraction shown in the declarations

- The insured selects a limit of liability of a 1/3, 1/4 or 1/6 option (This fractional option in effect provides 3, 4 or 6 months of coverage)
- Agreed Value Approach
  - Permits the insured to agree to specified amounts
- Extended Period of Indemnity
  - Adds coverage under a business interruption policy for loss of income suffered during a specified period of time (example, 30 60, 90 days after the damaged property has been repaired. In the absence of this endorsement, business interruption coverage ends on the date the damaged property is repaired.

## **OVERVIEW OF BUSINESS INCOME ENDORSEMENTS- BROAD FORM (CP1508) AND LIMITED FORM (CP1509)**

These forms may be endorsed to cover dependent property exposures. The following are four classes of dependent properties:

1. Manufacturing locations
  - a. Which manufacture products for delivery to the insured's customers under a sales contract
2. Leader locations
  - a. Those that draw customers to the location of the insured. Such as a leader store like Sears at a mall.
3. Recipient locations
  - a. Accept the insured's products
4. Contributing locations
  - a. Those that supply the insured with materials and products

## **WHAT IS THE BUSINESS INCOME CHANGES – EDUCATIONAL INSTITUTES ENDORSEMENT?**

- The endorsement insures a school or college for loss of tuition and/or fees due to a covered peril
- Coverage may be written on a limited basis, which provides tuition and fees coverage, or on a broad basis, which includes loss of income from related school activities.

## **WHAT IS THE EXTRA EXPENSE COVERAGE FORM?**

- Provides coverage to an insured for extra expenses incurred by a direct loss
- Additional Coverages under the Extra Expense Form include alterations and new buildings and civil authority
- Extra expense for dependent properties may be endorsed to the coverage form

## **WHAT DOES THE LEGAL LIABILITY COVERAGE FORM PROTECT?**

- This form protects the insured against legal liability due to the damage of property of others in the insured's care, custody, and control
- Coverage applies only if the insured is legally liable for the loss

## WHAT ARE THE CAUSES OF LOSS FORMS?

- These forms specify the degree of peril coverage applicable to property forms. The four commercial property causes of loss forms are:
  - Basic Form Coverage
    - Covers the perils of explosion, fire, lightening, hail, smoke, windstorm, vandalism, sprinkler leakage, sinkhole collapse and volcanic eruption
  - Broad Form Coverage
    - Includes the 11 basic coverage perils listed above and also adds:
      - Falling objects
      - Weight of snow
      - Ice or sleet
      - Water damage
    - Additional coverages include:
      - Collapse caused by hidden decay
      - Hidden insect or vermin damage
      - Weight of people
  - Special Form Coverage
    - Provides coverage for direct physical loss, unless specifically excluded
    - Exclusions include:
      - Smog
      - Wear & Tear
      - Loss of use of market
      - Insects
      - Birds
      - Rodents or other animals
      - Release of pollutants or contaminants
      - Settling
      - Cracking
      - Shrinking
      - Rain, snow, ice or sleet damage to personal property in the open
      - Smoke vapor or gas from agricultural or industrial operations
      - Rust
      - Corrosion
      - Fungus
      - Decay
      - Deterioration
      - Inherent vice
      - Damage due to dampness or dryness
      - Marring and scratching
      - Dishonest acts of insured's and/or employees
      - Voluntary parting of property

- Collapse (except as provided as an additional coverage)
- Weather Conditions
- Acts or Decisions, including failure to decide, of any person, group, organization or government body
- Faulty, inadequate planning
- Special limitations apply to furs, jewelry, dyes and molds of \$2,500 and stamps, tickets and letters of credit of \$250
- General exclusions include ordinance of law, earth movement, government action, nuclear hazard, utility service, war/military action, fungus, bacteria
- Earthquake Form Coverage
  - Must be written with one of the three other causes of loss forms
  - Adds the following two perils:
    - Earthquake
    - Volcanic eruption
  - Additional exclusions include loss or damage resulting from artificially-generated electric current, fire and explosion, mudflow and landslide

## **WHAT ENDORSEMENTS ARE COMMON TO THE COMMERCIAL PROPERTY COVERAGE PART?**

- Value Reporting Form
  - Addresses the various reporting valuation methods that may be utilized in writing commercial property insurance
- Spoilage Coverage Endorsement
  - Provides coverage for the loss to perishable stock
    - Examples: fruit, dairy, poultry and seafood products
  - Coverage options apply to spoilage caused by power failure either on or off premises or for equipment or mechanical failure
- Peak Season Endorsement
  - Increases business property during specific periods
- Ordinance of Law Endorsement
  - Provides coverage in the event a loss occurs and recent ordinances and laws require additional construction

## **OVERVIEW OF COMMERCIAL INLAND MARINE COVERAGE PART**

- Nationwide Marine
  - Specifies the type of property that may be insured on inland marine and ocean marine insurance forms
  - Qualifying property must generally be moveable, be in transit, or bear some other relationship to transportation or communication
  - The National Association of Insurance Commissioners adopted the Nationwide Marine Insurance Definition in 1953 and revised it in 1976

- The definition is used to classify marine insurance, rather than as a definition of underwriting powers

## **WHAT IS THE NEED FOR COMMERCIAL INLAND MARINE COVERAGES?**

- The need grew out of a demand to insure property (cargo, etc.) that was being transported from the ocean to inland destinations (hence the term inland marine coverages)
- This type of insurance may be written to include virtually any type of risk that can be transported and has been expanded to include instruments of communications and transportation
  - Examples include:
    - Tunnels
    - Bridges
    - Piers Pipelines
    - Transmission lines
    - Radio and television equipment
- The items listed below address the elements and structure of the standardized ISO Inland Marine Coverage Part:
  - One or more commercial inland coverage forms
  - Commercial Inland conditions which include provisions addressing:
    - Abandonment
    - Appraisal
    - Duties in the event of a loss
    - Insurance under two or more coverages
    - Loss payments
    - Other insurance
    - Privilege to adjust with the owner
    - Recovery or salvage
    - Reinstatement of limits and rights of recovery
  - Commercial Inland Marine Declarations Page
  - Other Endorsements

## **GENERAL CONDITIONS UNDER THE INLAND MARINE CONDITIONS**

- Addresses:
  - Concealment
  - Fraud or misrepresentation
  - Legal actions
  - No benefits to Bailee
  - Policy period
  - Valuation
- Exclusions include:
  - Earthquake
  - Government action
  - Nuclear hazards
  - War

- Flood or surface water
- Marring
- Scratching or exposure to light
- Loss of use
- Dishonest acts by the insured
- Accounting errors
- Inventory shortage
- Inland Marine Coverage Forms:
  - Provide coverage for any type of risk that may be transported
  - Inland marine insurance exposures may be insured through standardized/filed forms under the commercial inland marine coverage part or through non-standardized/non-filed forms under other inland policies
  - Categories are classified by the Nationwide Marine Definitions and approved by the National Association of Insurance Commissioners as:
    - Commercial Property Floater Risks
    - Personal Property Floater Risks
    - Instrumentalities of Transportation or Communications
    - Domestic Ships
    - Exports
    - Imports

Listed below are the six standard Commercial Inland Marine Coverage Forms:

1. Valuable Papers and Records Form
  - a. Covers the reconstruction cost to generate records that were destroyed do to a covered loss, such as:
    - i. Blueprints
    - ii. Deeds
    - iii. Historical records
2. Sign Forms
  - a. Covers neon signs, florescent, automatic or mechanical electric signs and lamps
  - b. It does not cover ordinary wood signs or billboards even if illuminated by electric lights
  - c. Also covered is similar property of others in the custody, care and control of the insured
3. Jewelry Block Form
  - a. Covers the jeweler's stock in trade such as jewelry, stones and precious metals
  - b. Also covered is similar property of others in the custody, care and control of the insured
4. Equipment Dealers Form
  - a. Covers a dealer's stock in trade such as construction, agricultural and other mobile equipment
  - b. Also covered is similar property of others in the custody, care and control of the insured
5. Commercial Articles Form
  - a. Covers such property as:
    - i. Cameras
    - ii. Musical Equipment
    - iii. Related equipment that is used commercially

- b. Also covered is similar property of others in the custody, care and control of the insured
6. Accounts Receivable Form
- a. Covers sums of money due to the insured from customers which become uncollectible due to loss, damage or destruction of accounts receivable records
  - b. Also covers the cost to reestablish the accounts receivable records and interest charges on any loan required to offset amounts the insured is unable to collect pending the payment from the insurance company

Listed below are the four non-standardized/non-filed inland marine forms:

1. Contractors Equipment Form
  - a. Covers various types of equipment used by contractors including:
    - i. Bulldozers
    - ii. Backhoes
    - iii. Tractors
    - iv. Cranes
  - b. The form is written on a special or named peril basis and a coinsurance provision usually applies
2. Electronic Data Processing Form
  - a. Covers electronic data processing equipment, data processing media, extra expenses and business interruption incurred in the loss of media
  - b. Coverage is usually written on a special form basis
  - c. Examples of the types of losses covered under the EDP form include:
    - i. Losses resulting from electrical and magnetic damage
    - ii. Mechanical breakdown
    - iii. Temperature or humidity changes
  - d. A coinsurance provisions applies
3. Bailee's' Customers Form
  - a. Covers a customer's property while in the insured business' control for activities like cleaning, repairing or servicing
  - b. A bailment occurs whenever property is delivered for service
  - c. The person who transfers their property for service is the Bailor and the business who accepts the property is the Bailee
  - d. Since property policies have no benefit to Bailee exclusion and general liability policies have the care custody and control exclusion, no coverage is provided under those respective policies in the event the property is damaged
4. Installation Floater Form
  - a. Covers property such as turbines, transformers, and air conditioning equipment during transit or installation at the construction or installation site
  - b. It may be written on a special form or named peril basis

## **OVERVIEW OF TRANSPORTATION COVERAGES**

- This coverage exists because the Commercial Property Part and the Business owners Policy provided limited coverage for property while in transit
- Business property is commonly transported by either common or contract carriers



- Common Carriers
  - People who offer the services to the public at large who are legally liable for damage to property they are transporting
  - Responsible for the safe delivery of goods and thus have a high degree of care
  - Exceptions apply to losses caused by:
    - Acts of God
    - Acts of war
    - Exercise of public authority
    - Shipper's fault
    - Inherent vice
  - Bill of Lading
    - Is issued by common carrier
    - Is evidence of receipt of property for shipment and title of property
    - Common carriers may limit their liability by issuing a Released Bill of Lading
      - This limits their liability to a specified maximum dollar amount per shipment or per pound in the event of claim
- Contract Carriers
  - Agree to service specific clients based upon a prearranged agreement
  - Are only liable when they are negligent
  - Example:
    - A common carrier would be responsible if property were stolen from a loaded truck, whereas a contract carrier would not be responsible
    - Property in transit may be covered in any of the following policy forms:
      - Transportation Policy
        - Trip Transit Form provides property coverage for a business that is shipping goods for one specific trip
        - Annual Form provides property coverage for a business that is shipping incoming and outgoing goods on an annual basis
      - Motor Truck Cargo Policy
        - Owners Form provides coverage to cover the truck owner's goods while being transported in their trucks
        - Shippers Form provides property coverage to cover cargo of others which is being transported for hire by truckers
        - Truckers Form provides liability coverage to cover cargo of others which is being transported for hire by truckers

## **OVERVIEW OF TRANSPORTATION EXCLUSIONS**

- These policies exclude the following:
  - Contamination or deterioration
  - Dishonesty by the insured
  - Voluntary parting of property
  - Labor disturbances

- Loss of use
- Changes or extremes of temperature or humidity
- Wear and tear

## **BOILER AND MACHINERY INSURANCE**

- Originally used to cover losses to boilers and machinery in industrialized settings
- Has evolved over the years to cover more common exposures found in all types of business settings
- Has become an integral part of commercial risk management by minimizing loss through prevention

## **OVERVIEW OF BOILER AND MACHINERY COVERAGE PART**

- Provides coverage for organizations that own or use a wide range of machinery
- Examples include:
  - Air conditioning and refrigeration units
  - Boilers and pressure vessels
  - Computer-operated machinery
  - Electric equipment
  - Elevators and escalators
  - Fans
  - Motors and pumps
  - Medical equipment
  - Security and fire detection systems
  - Washers and other laundry equipment
- Boiler and Machinery Coverage Part consists of:
  - Boiler and Machinery Declarations page
  - Equipment Breakdown form
  - Other endorsements

## **OVERVIEW OF EQUIPMENT BREAKDOWN PROTECTION COVERAGE FORM**

- Agrees to pay for direct damage to covered property caused by a covered cause of loss
- Breakdown means:
  - Electrical failure including arcing
  - Mechanical failure including rupture or bursting caused by centrifugal force
  - Failure of pressure or vacuum equipment
- Not included in breakdown:
  - Cracking of any part of an internal combustion gas turbine
  - Functioning of any safety or protective device
  - Damage to any vacuum tube, gas tube
  - Leakage of any valve, fitting, joint, shaft seal or connection
  - Defects, errors, viruses in computer programs
  - Malfunction including misalignment, cleaning or modifications
- Includes the following:
  - Contingent Business Income and Extra Expense

- Extends business income and extra expense to a non-owned business that is indicated in the Declaration Page
- Branch and Labels Coverage
  - Pays the insured to stamp the word “salvage” on the merchandise or containers or to remove the labels or brands
  - Insurer will take the damaged merchandise for salvage
- Errors and Omissions
  - Grants coverage in the event the insured makes an error or omission in describing the property to be insured
  - Coverage does not apply if the insured intentionally misrepresents the values in a reporting form
- Ordinance or Law Coverage
  - Pays the increase in loss necessitated by the enforcement of any ordinance or law
- Newly Acquired Premises
  - Grants coverage to newly acquired premises for a specified time period indicated in the Declarations
- Utility Interruption
  - Extends the insured’s loss of business income, extra expense or spoilage damage to the insured’s utility in the event of a breakdown
- Spoilage Damage
  - Due to lack of or excess power, heat, light, steam or cooling
- Business Income and Extra Expense
  - During time of restoration
  - If media is damaged, coverage is limited to 30 days or \$25,000 (whichever total is greater)
- Loss of property
- Equipment that operates under internal pressure, vacuum, electric or mechanical means and communications and computer equipment

#### **EQUIPMENT BREAKDOWN PROTECTION COVERAGE FORM EXCLUSIONS**

- Neglect by the insured
- Corrosion, deterioration, erosion, wear & tear
- Damage to covered equipment during testing
- Fire or combustion explosion
- War (Military action)
- Nuclear Hazard
- Water
  - Flood, surface water, etc.
- Earth movement
  - Earthquake, landslide, mine subsidence
- Ordinance or Law (If a covered loss did not occur)

## **LIMITATIONS**

- Unless a higher limit or/ is shown in the Declarations, the most the insurer will pay for direct damage as a direct result of a breakdown to covered equipment is \$25,000 for the following:
  - Water Damage
  - Hazardous Substance
  - Media and Data
  - Consequential Loss
  - Ammonia Contamination

## **OVERVIEW OF VALUATION**

- Property is insured on a replacement cost basis
- If damaged property is not repaired or replaced within 24 months after the breakdown, settlement is at ACV
- If the insured elects or if the insurer requires that the repair or replacement of damaged property is done in a manner that improves the environment, increases efficiency, or enhances safety, while maintaining the existing function, the insurer will pay up to an additional 25% of the limit of insurance

## **OVERVIEW OF SUSPENSION PROVISION**

- Coverage (under a Boiler and Machinery Part) may be suspended if the insurance company discovers that the covered equipment is exposed to hazardous conditions
- This occurs when the insurer's loss control representative is conducting an inspection of the insured object
- The representative may suspend the insurance immediately by delivering or mailing a written notice of suspension to the insured's last known address
- Coverage may be reinstated after compliance with the loss control representative's recommendations

## **OVERVIEW OF DEDUCTIBLES**

- A separate deductible applies for each applicable coverage unless:
  - A deductible is shown as combined in the Declarations or
  - More than one covered equipment is involved in one breakdown, then only the highest deductible will apply

## **OVERVIEW OF SELECTED ENDORSEMENTS**

- Refrigeration Interruption Coverage
  - Provides coverage for spoilage damage to refrigerated property as described in the endorsement schedule
  - A limit of insurance, deductible and waiting period is indicated on the endorsement
- Business Interruption – Report of Values
  - Used to report values including net sales, expenses, commissions, etc.
  - Values are used to determine the premium charge when business interruption coverage is indicated in the Declarations

- The insured is required to report values to the insurer within 3 months of the report date indicated in the Declarations, along with every anniversary
- A 100% co-insurance provision applies in the event the insured does not report the value as required
- Production Machinery Exclusions
  - Amends the definition of covered equipment
  - Purpose is to limit covered equipment
  - Endorsement states that covered equipment does include production or process machines, or apparatus that processes, forms, shapes or cuts raw materials
- Pressure or Vacuum Equipment
  - Replaces the definition of Covered Equipment
  - Endorsement is used to cover any equipment built to operate under internal pressure
- Turbine Units Explosion Coverage
  - Replaces the definitions of Breakdown and Covered Equipment
  - Endorsement is used to cover turbines and related equipment
- Refrigeration Interruption Coverage – Report of Value
  - Used to report values to determine the premium charge when refrigeration interruption coverage is endorsed to the policy
  - Insured is required to report these values to the insurer within 3 months of the report date indicated in the endorsement, along with every anniversary
  - If the insurer does not report the values as required, a 100% co-insurance provision applies

## **OVERVIEW OF THE FARM COVERAGE PART**

- Was developed to address the exposures that occur when insuring farming type risks (specifically target the merging of business and residential exposures under one policy)
- Eligible risks under this form include:
  - Growing and marketing of field crops, fruits, nuts, mushrooms, vegetables, flowers, greenhouse stock, or sod
  - Raising or keeping of bees, fur-bearing animals, livestock (excluding commercial feed lots), poultry or worms
  - Conducting of agriculture
- The following elements are included in the Farm Coverage Part:
  - One or More Farm Coverage Forms
  - One or More Farm Declaration Pages
  - Other Endorsements
- What does the Farm Coverage Part include?
  - Property, liability, mobile agriculture and/or a livestock forms
  - Basic, broad and special causes of loss provisions that are included in the property form and indicated by an entry on the farm property declarations page

## **HOW IS THE FARM PROPERTY COVERAGE FORM STRUCTURED?**

- Includes the following coverages:

- Coverage A – Dwelling
  - Similar to the homeowner coverage with a special limitation of \$1,000 for satellite dishes and antennas
- Coverage B – Other Private Structures
  - Similar to the homeowners coverage
  - Buildings used for farming must be scheduled under Coverage G
- Coverage C – Household Personal Property
  - Only applies to non-farming personal property
  - The following sets forth the special limits of liability:
    - \$3,000 on loss by theft or firearms
    - \$2,500 on loss by theft of jewelry, watches, furs and precious stones
    - \$1,500 on trailers not used with watercraft
    - \$1,500 on watercraft including trailers, equipment and motors
    - \$1,500 on securities, deeds, accounts, manuscripts, tickets, stamps and passports
    - \$200 on bank notes, money, gold, silver and platinum metals
    - \$1,500 on adaptable electronic apparatus away from the residence premises and used solely for business purposes, while not in or upon a motor vehicle
    - \$1,500 on adaptable electronic apparatus that is in or on a motor vehicle
    - \$500 on business property located away from the premises
    - \$2,500 on business property located at the residence premises
    - \$5,000 on grave makers
    - \$2,500 on loss by theft of silverware, pewterware and goldware
- Coverage D – Loss of Use
  - Similar to Homeowners Policy
- Coverage E – Scheduled Farm Personal Property
  - Includes grain, farm products, hay, poultry (excluding turkey), computers related to farm management, miscellaneous equipment, livestock, other animals, worms, bees, fish and portable structures
  - Does not cover crops, trees, household personal property
  - Special limits apply as follows:
    - Livestock not specifically insured is limited to the least of the following amounts:
      - 120% of the amount obtained by dividing the total insurance on the class and type of animal by the number of head of that class and type at time of loss
      - ACV of the animal destroyed
      - Or \$2,000
      - Each horse, mule or head of cattle under one year of age at the time of loss will be counted as half of a head
    - Each class of property to be covered is indicated by an amount in the declarations
- Coverage F – Unscheduled Farm Personal Property
  - Includes equipment, supplies and products of farming operations
  - Unscheduled livestock is limited to \$2,000 on any horse, mule or head of cattle and \$1,000 if under one year of age at time of loss

- This coverage is subject to an 80% co-insurance requirement
- Coverage G – Barns, Outbuildings & Other Farm Structures
  - Includes farm structures such as barns, silos, fences and outdoor radio/television equipment

**WHAT ARE THE EXTENSIONS OF COVERAGES UNDER THE FARM PROPERTY COVERAGE FORM?**

- Farm personal property in the custody of a common carrier to a limit of \$1,000
- Miscellaneous equipment away from insured location up to 25% of Coverage E
- Grain and hay away from insured location up to 10% of Coverage E
- Newly acquired equipment up to \$75,000 if reported within 30 days
- Newly acquired livestock up to 25% of the Coverage E if reported within 30 days
- Replacement farm machinery, vehicles, and equipment up to a limit of \$75,000
- Newly acquired farm machinery, vehicles and equipment up to a limit of \$100,000
- New farm structures up to a limit of \$100,000 if reported within 60 days
- Damage to power and light poles up to a limit of \$1,000 per occurrence
- Farm products in the open up to 10% coverage of Coverage F
- Building additions and alterations under the tenant form to 10% of Coverage C
- Non-farm contents in a freezer up to a limit of \$500
- Trees, if the loss is caused by specific perils, up to a limit of \$500 per tree

**WHAT IS THE MOBILE AGRICULTURAL MACHINERY/EQUIPMENT COVERAGE FORM?**

- This form provides Open Peril coverage to mobile agricultural machinery and equipment
- Coverage is provided under the Farm Property Coverage Form, but may be written separately to satisfy individual needs

**WHAT IS THE LIVESTOCK COVERAGE FORM?**

- Provides coverage for livestock including:
  - Cattle
  - Sheep
  - Swine
  - Goats
  - Horses
  - Mules
  - Donkeys
- Livestock coverage is provided under the Farm Property Coverage Form, however an individual Livestock Coverage Form may be written to satisfy personal needs
- Coverage is written on a limit of insurance per animal or a limit of insurance per class basis
- Newly-acquired livestock is covered up to 30 days subject to a limit of 25% of the livestock limit of insurance

## WHAT IS THE CAUSE OF LOSS?

- This applicable coverage is activated by an entry on the Farm Property Coverage Declarations as one of the forms listed below:
  - Basic Form
    - Covers the perils of lightning, fire, explosion, hail, smoke, windstorm, riot or civil commotion, aircraft, vehicle, vandalism, theft, sinkhole, volcanic action and collapse
    - Collision coverage is provided for coverages E and F in the event of collision causing:
      - Damage to machinery
      - Death of livestock
      - Damage to other farm personal property
    - Livestock is also covered for loss due to earthquake or flood
  - Broad Form
    - Covers the perils listed above, however, also adds:
      - Electrocutation of livestock
      - Attacks on livestock by dogs or wild animals
      - Accidental shooting of livestock
      - Drowning of livestock
      - Accidental death due to loading or unloading of livestock
      - Breakage of glass
      - Falling objects
      - Weight of ice
      - Snow or sleet
      - Sudden and accidental tearing apart, bulging, cracking or burning of a heating and/or AC system or water-heating appliance
      - Automatic protective system or appliance for heating water
      - Freezing
      - Sudden or accidental damage from artificially-generated electrical systems
      - Accidental discharge/overflow of water/steam, from within a plumbing, heating, or AC system or domestic appliances
  - Special Form
    - Covers direct physical loss
    - Exclusions include:
      - Wear, tear, corrosion, rust, hidden decay, dryness, marring, scratching, weather conditions, faulty design and planning
      - Smoke/vapor from industrial operations
      - Artificially-generated electrical currents
      - Dishonest acts of the insured or employees
      - Vandalism and glass breakage (if vacant beyond 30 days)
      - Unauthorized instructions to transfer money
      - Voluntary parting of property



- Inventory shortages
- Theft of trailers of watercraft away from the premises
- Theft of building material prior to occupancy
- Theft of property from the part of the residence rented
- Explosion to alcohol stills , steam pipes and boilers in farm buildings
- Discharge, overflow or freezing if the insured failed to maintain heat
- Freezing or thawing to pavements, foundations, swimming pools or fences
- Snow, sleet or rain damage to personal property left in the open
- Windstorm or hail damage to farm/dairy products or watercraft left in the open
- Collapse (except as provided in additional coverages)
- Fire (if caused by curing tobacco)

## **CONDITIONS UNDER THE FARM COVERAGE PART**

- These are the standard commercial conditions and include provisions for:
  - Abandonment
  - Appraisal
  - Duties in the event of loss
  - Insurance under two or more coverages
  - Legal action
  - Pay the value of the loss
  - Other insurance
  - Pair or set clause
  - Recovery or salvage
  - Rights of recovery
- If a building or structure is vacant or unoccupied beyond a period of 120 days, the limits of insurance applicable to the building and its contents are reduced by 50%

## **EXCLUSIONS**

- Include:
  - Ordinance or law
  - Earth movement
  - Governmental action
  - Nuclear hazard
  - Power failure off premises
  - War and military action
  - Flood and surface water

## **ADDITIONAL COVERAGES**

- Include:
  - Debris removal
  - Reasonable repairs
  - Removal

- Fire department charges
- Removal of trees
- Credit card and transfer funds coverage up to \$500
- Cost of restoring farm records up to \$2,000
- Extra expense
- Collapse

## **TERMS AND DEFINITIONS SPECIFIC TO FARM COVERAGE PART**

- Business
  - A trade, profession, occupation, enterprise or activity other than farming or custom farming, which is engaged in for the purpose of monetary or other compensation
- Business Property
  - Property pertaining to any trade, profession, or occupation (other than farming)
- Custom Farming
  - The performance of specific planting, harvesting or cultivating by an insured at a farm that is not an insured location
  - This term does not take into account operations conducted at a premises rented, leased or controlled by an insured, or operations for which no compensation in money or goods is received
- Dwelling
  - A building used principally for family residential purposes including mobile homes and modular and prefabricated homes
  - Term does not include a building used in such agricultural operations as storage of farm produce, poultry or livestock
- Farming
  - The operation of an agricultural and aqua cultural enterprise
  - Includes the operation of roadside stands, on the named insured's farm premises, maintained solely for the sale of farm products produces principally by the named insured
  - Unless specifically indicated in the Declarations, farming does not include retail activity other than that described or mechanized processing operations
- Farm Personal Property
  - Equipment, products and supplies of farming or ranching operations including (but not limited) to:
    - Feed
    - Seed fertilizer
    - Livestock
    - Other animals
    - Poultry
    - Bees
    - Grain
    - Fish
    - Worms
    - Produce
    - Agricultural machinery

- Equipment
  - Vehicles
- Livestock
  - Cattle, sheep, goats, swine, mules, donkeys and horses
- Insured
  - The named insured
  - If the named insured is an individual it includes residential relatives and any other person under the age of 21 who is in the care of the insured
- Insured Location
  - The farm premises and residence premises shown in the Declarations
  - The part of the other premises that is used by the insured as a residence and acquired by the insured during the present annual policy period for his or her use as a residence
  - Any part of premises not owned by any insured but where an insured is temporarily residing
  - Vacant land owned by or rented to an insured
  - Land owned or rented to an insured, on which a dwelling is being constructed for occupancy by the insured
  - Individual or family cemetery plots or burial vaults of an insured
  - Any part of premises rented to any insured for other than business purposes
  - Any farm premises that the insured or insured's spouse acquires during the present annual policy period
  - 
  - 
  - Refers to bulldozers, forklifts and tractors designed for the use for off public roads
  - Additional farm machinery designed for use principally off road for cultivating or harvesting
  - Vehicles that travel on crawler treads, except snowmobiles (they are considered mobile equipment only while on an insured location or premises owned or rented by an insured)
  - Vehicles which are permanently mounted power cranes, shovels, loaders, diggers, drill, road construction or resurfacing equipment such as:
    - Graders
    - Scrapers
    - Rollers
  - Vehicles that are maintained primarily to provide mobility to permanently attached equipment of air compressors, pumps, generators, including welding, spraying, building, cleaning, geophysical exploration, lighting, well-servicing equipment
- Motor Vehicle
  - A motorized land vehicle, trailer or semitrailer designed for travel on public roads or used on public roads
  - Motorized golf cart, snowmobile or other motorized land vehicle owned by an insured and designed for recreational use off public roads
  - Does not include mobile equipment, boat, camp trailer, home trailer, or utility trailer (unless it is being towed by or carried on a motorized land vehicle included in this definition)
- Unoccupied
  - The condition of a dwelling not being lived in (except while it is under construction)

- Dwelling not being lived in
- Vacant
  - The condition of a building or structure that is not containing sufficient furnishings or other property customary to its intended use or occupancy (except while being constructed)

## **OVERVIEW OF PENNSYLVANIA COMMERCIAL CANCELLATION REQUIREMENTS**

- Cancellation by the company is permitted with advance written notice if:
  - The policy has been in effect for less than 60 days
    - At least 30 days advance written notice is required
  - The policy has been effect for more than 60 days:
    - At least 15 days advance written notice for material misrepresentation and nonpayment premium
    - At least 60 days advance written notice is required for increased risk factors, loss of reinsurance, failure to comply with policy conditions, or any other reason deemed by the insurance commissioner
  - Cancellation by the named insured is permitted by
    - Giving advance written notice of the date cancellation will take effect

**CHAPTER 6**  
**PRACTICE EXAM**

1. All of the following are not be covered under the Livestock Coverage, except:
  - a. Pigs
  - b. Tractors
  - c. Crops
  - d. Grain
2. All of the following are true of the Condominium Coverage Form except:
  - a. Condominium Unit Owner's Form provides broad building coverage
  - b. Condominium Association Form is similar to the Commercial Building and Personal Property Form
  - c. Coverage may be provided for refrigeration and cooking equipment
  - d. Its coverages address the unique conditions of condominium ownership
3. Which of the following Commercial Inland Marine Coverages Forms would provide coverage to an insured against the inability to collect money due from customers because of the loss, damage or destruction of financial records?
  - a. Accounts Receivable Coverage
  - b. Electronic Data Processing Coverage
  - c. Valuable Papers and Records
  - d. Financial Paper Coverage
4. All of the following are true of Commercial Inland Marine Coverage Part except:
  - a. Coverage is generally written on an Open Peril basis
  - b. It may be written as a monoline policy
  - c. Coverage provided is limited to a few named perils
  - d. It is used to provide coverage that is limited under other forms
5. The Business Income Coverage Form's Option Coverage Monthly Limit of Indemnity:
  - a. Limits payment to the actual monthly loss of income not exceeding the monthly limit of indemnity
  - b. Is of an unlimited duration
  - c. Permits the insured to collect the amount of monthly loss as long as it does not exceed the total limit of indemnity
  - d. Permits the insured to stack coverages
6. A business which services the property of others would have a need for:
  - a. Bailees' Floater
  - b. Bailees' Customers Form
  - c. Personal Property Floater
  - d. Excess Insurance Floater

7. If a farm building or structure is vacant or unoccupied:
  - a. Beyond 120 days coverage is reduced 50%
  - b. Beyond 90 days coverage is reduced 15%
  - c. Beyond 60 days no coverage applies
  - d. Beyond 30 days no coverage applies
8. Earthquake Coverage Form of a Building and Personal Property Form provides an important additional peril not covered under the Basic, Broad, and Special Forms. Which of the following is that important peril?
  - a. Tornado
  - b. Volcanic Eruption
  - c. Rain damage from a hurricane
  - d. Flood
9. Under the Accounts Receivable Form, which of the following is NOT covered?
  - a. Interest on loans pending payment from the insurer
  - b. Accountant fees to reestablish an account
  - c. Uncollectable amounts
  - d. Funds expected from future sales
10. The Legal Liability Coverage Form does what?
  - a. Is the preferred method to insure valuable items
  - b. Covers the named insured's personal property
  - c. Is a form of commercial umbrella coverage
  - d. Provides coverage arising out of loss or damage to property in the care, custody or control of the insured
11. Under both Farm Property and Livestock Coverage Forms, the term livestock includes all of the following except:
  - a. Poultry
  - b. Sheep
  - c. Swine
  - d. Goats
12. Which of the following Commercial Property Forms would satisfy a business that specifically wanted coverage for extra expense?
  - a. Extra Expense Coverage Form
  - b. Building and Personal Property Coverage Form
  - c. Builders Risk Coverage Form
  - d. Business Interruptions Coverage Form
13. All of the following are types of contingent or dependent locations that may be schedule to the Business Income Form except:
  - a. Leader Locations
  - b. Recipient Locations
  - c. All Type Locations
  - d. Contributing Locations

14. Which of the following is the correct coinsurance formula used in the Business Income Coverage Form?
- Net income plus all expenses times coinsurance percentage equals insurance amount required to carry
  - Gross income plus all expenses times coinsurance percentage equals insurance amount required to carry
  - Gross profits plus all expenses times coinsurance percentage equals insurance amount required to carry
15. All of the following are coverages under the Business Income Coverage Form except:
- Coverage for the installation of new glass due to vandalism
  - Coverage for interruption by Civil Authority for up to three consecutive weeks
  - Extra Expense Coverage
  - Business Income
16. All of the following are true of the Business Income Coverage Form except:
- The insured must always comply with a coinsurance requirement
  - Business income is a consequential loss exposure
  - Coverage applies to extra expenses incurred by the insured in continuing operations
  - Coverage applies to loss of business income from a suspension of operations
17. All of the following are true of the Builders Risk Coverage Form except:
- Coverage may be written on a completed value or a reporting form basis
  - Coverage is provided for the foundation of the building, temporary structures used to construct the building if not insured elsewhere, and building materials within 100 feet of the premises
  - Coverage is commonly provided for extended periods of time
  - Builders Risk Coverage is written to cover the exposure of buildings under construction
18. All of the following are optional coverages that may be endorsed to the Building and Personal Property Form except:
- Ordinance or Law Endorsement
  - Specialized Valuation Forms
  - Personal Liability
  - Peak Season Endorsement
19. Under the Building and Personal Property Coverage Form, which of the following is true?
- Signs are only covered by endorsement
  - Outdoor Signs attached to buildings are covered up to \$1,000 per occurrence
  - Signs are covered if attached to the building up to \$5,000
  - Signs are covered for any amount
20. All of the following property are NOT covered under the Coverage C- Personal Property of Others Coverage Form except:
- Land
  - Contraband
  - Accounts, bills and money
  - The property of others in the insured's care, custody or control and located within the insured building or within 100 feet of the building

21. Under the Building and Personal Property Form, Coverage Extensions apply in addition to the policy limits if the insured:
- Maintains coverage at least equal to the policy's coinsurance requirement
  - Agrees to become a coinsurer
  - Endorses the coverages to the policy
  - Purchases a DIC Policy
22. Which one of the following types of property is NOT covered under the building and personal property form?
- Property that is 75 feet from the insured premises.
  - Improvements made by a tenant to the building.
  - The cost of labor for work done on customer's property in the insured's possession.
  - Patios and walkways
23. All of the following are true of the Building and Personal Property Coverage Form except:
- Additional coverages and extensions of coverage are provided in the policy
  - It is the preferred way to insure valuable business personal property
  - Coverage B Business Personal Property is covered within 100 feet of the insured premises
  - Coverage A applies to Buildings, Coverage B applies to Business Personal Property, Coverage C applies to Personal Property of Others
24. All of the following are NOT covered under Building and Personal Property Coverage Form except:
- Animals
  - Automobile's for sale
  - Land, water or crops
  - Fire causing damage to an area rug
25. Commercial property in transit is generally covered under the:
- Motor Truck Cargo Policy
  - Extra Expense Form
  - Leasehold Interest Coverage Form
  - Building and Personal Property Form
26. All of the following are true of Transportation Coverage except:
- A common carrier cannot limit its liability
  - A Bill of Lading is evidence of receipt of property for shipment and title of property
  - A contract carrier agrees to service specific clients based upon a prearranged agreement and are only liable when they are negligent
  - A common carrier offers their services to the public at large and is legally liable for damage to property being transported
27. All of the following are optional endorsements that may be endorsed to the Equipment Breakdown Protection Form except:
- Auto part defective coverage
  - Pressure or Vacuum Equipment Coverage
  - Turbine Units Explosion Coverage
  - Refrigeration Interruption Coverage



28. All of the following are commonly covered under the Equipment Breakdown Protection Form except:
- Combustion explosion
  - Artificially generated electrical current, including electrical arcing
  - Bursting, cracking or splitting.
  - Mechanical failure caused by centrifugal force
29. Which of the following is true of the Equipment Breakdown Protection Form?
- Producers generally conduct boiler and machinery inspections
  - Normal maintenance is covered
  - If damaged property is not repaired or replaced within 36 months after the breakdown, settlement is at ACV
  - The form covers a breakdown to covered equipment
30. All of the following are true of the Boiler and Machinery Coverage Part except:
- The coverage part may include Impaired Property Coverage
  - The coverage part may include Business Interruption Coverage
  - The coverage part contains an Equipment Breakdown Protection Form
  - The coverage part contains a Boiler and Machinery Declarations Page
31. All of the following are common conditions of the Commercial Package Policy except:
- Examination of books
  - Transfer of rights
  - Plumbing loss coverage
  - Cancellation
32. Which of the following is not listed in the common policy declarations of the Commercial Package Policy?
- Schedule of coverage parts and related premiums
  - Coverage extensions
  - Mailing address of the insured business
  - Policy period

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## CHAPTER 6 ANSWER KEY

1. a
2. a
3. a
4. c
5. a
6. a
7. a
8. b
9. d
10. d
11. a
12. a
13. c
14. a
15. a
16. a
17. c
18. c
19. b
20. d
21. a
22. d
23. b
24. d
25. a
26. a

27.a

28.a

29.d

30.a

31.c

32.b