

Property and Casualty Pre-License

Dawn Halkyard
CPCU, CPTA, ARM, PRC, ACSR-P&C, CISR Elite

207.694.1554
dawn@hiredllc.net

Testing:

What to Expect

- Pearson Vue handles Maine testing
 - <https://home.pearsonvue.com/me/insurance>
 - Candidate handbook
 - What you can bring
 - What to expect at test center
 - Test Format
 - All Multiple Choice
 - Content Outline
 - Focus areas

Testing Tips

- Use your best study method
- Focus on the outline
- Comprehension not simple memorization
- Practice Tests
- Make a plan for when you don't know the answer
- READ the full question
 - Key Words
 - Double Negatives




Class Format

What to expect

3 Days of Learning

- Basic Concepts & Provisions
- Property & Casualty Policies
- Maine Law

Insurance Services Office (ISO)

-  Rating bureau for insurance
-  Create and amend insurance forms used Countrywide
-  You are going to be tested on ISO forms only

PAGE 4

Insurance



- Official Contract
- Transfers risk of loss from the individual or business purchasing it to the insurance company
 - Insurer & Insured
 - Exchange of money
 - What's inside the contract is covered
- Insurance company spreads its risk of loss among the policyholders (pooling)
 - Charges each insured a fair premium
 - All money collected is pooled together to pay for any losses

PAGE 6

Law of Large Numbers

- Mathematical Principal used for pricing insurance policies
- Helps set base rates
- For example:
 - To establish a base rate for a wood frame home that is 2 miles from the fire department and 500 feet from a hydrant the insurance company would compare loss history of other wood homes with the same type of fire protection basics.



The larger the group of similar risks, the closer the actual losses experienced by the group will approach expected losses.



Greater accuracy in prediction of risks.



Helps set premiums to offset expected losses over the policy term.

Pooling of premium dollars to pay for losses

PAGE 6

Insurable Interest

- Actual interest in the asset, so that if there is loss or damage to the asset the insured stands a financial consequence
- For property and casualty losses the insurable interest must exist at the time of loss
- For property and casualty losses the actual consequence is loss of money
 - Either to repair or replace the damaged property
 - Or to make the damaged party whole when liable
- If I sold my car to John Doe two weeks ago, and I haven't yet cancelled my auto insurance policy, can I put in a claim and be paid for damages under my policy if John has an accident today and totals the car?


PAGE 7

Risk

- The uncertainty or the chance of a loss occurring.
 - A fire may happen, but it also may not happen
 - A friend may slip on my icy driveway, but they also may never slip
 - I could lose money when I go to the casino, but I could also win!
 - I could sell my home for a loss, but I could also wait and sell it for a gain!
- **Pure Risk**
 - Insurable Risk
 - Pure risk means that if the risk happens, it leads to a loss only
- **Speculative Risk**
 - Uninsurable
 - Could lead to a loss, but has the possibility of a gain



PAGE 8



• The cause of the damage or loss

Property


- What causes damage or destruction to the tangible item
 - Fire
 - Wind
 - Rain/Ice
 - Theft
 - Vandalism, Etc.

Liability

- Protects against loss of assets due to causing injury to another or damaging another's property
 - Dog bites
 - Slip and falls
 - Car accidents, Etc.

Page 7

Hazard




• Conditions or situations that increase the probability of an insured loss occurring.

- Physical**
 - No railings on steps
 - Distance to fire department
 - Cracked siding
 - Loose floorboard
 - Dog
- Moral**
 - Intentional Losses
- Morale**
 - Carelessness or recklessness

Page 7

Loss & Indemnification

- Loss**
 - Reduction, decrease or disappearance of value of the person or property insured in a policy caused by a peril covered in the insurance policy
 - Financial measurement of actual damage
- Indemnity**
 - Can only collect to the extent of the actual financial damages and not gain financially.
 - You should be put back to the same financial condition you were in immediately before the loss occurred



Page 7

Subrogation



Insurer's right to seek reimbursement for paid damages from the third party who caused the damage



Liable person held responsible for the damage



Prevents insured from collecting damages twice

- Insurer
- Third-Party Causer

Page 7

Accident or Occurrence?



Accident

Sudden, unplanned and unexpected event, not under control of the insured, that results in injury or damage that was neither expected nor intended

I'm a landscaper. One day while mowing a client's lawn I hit their fence with my lawnmower and the fence falls down on the neighbor's child causing injuries.

Occurrence

Means an accident, including continuous or repeated exposure to substantially the same general harmful conditions which results in injury or damage that was neither expected nor intended

➤ Most policies cover occurrences

I'm a landscaper. There is a fence on my client's property that I almost always hit with my lawnmower. The 8th time hitting the corner of the fence it falls down on the neighbor's child causing injuries

Page 8

Type of Property Losses

- **Direct** = Physical
 - **Proximate Cause** – The immediate actual cause
 - **Indirect** = Economical or Consequential Losses
- Indirect losses are only paid after a direct loss first occurs



Page 9

Indirect Losses

Dwelling Forms	Homeowners Forms	Commercial Property Forms
Coverage D – Fair Rental Value – Automatic on all 3 policy forms.	Coverage D – Loss of Use – automatic on all HO forms. Includes both Fair Rental Value, if needed, and Additional Living Expenses.	Not automatic on any form. Must purchase the Business Income Options: BI without EE BI with EE Or EE only
Coverage E – Additional Living Expenses– Automatic on DP2 &3, available by endorsement on DP1		Business Income pays for the business's net income losses. The formula is BI = Net Profit or Loss (before taxes) + Continuing Normal Operating Expenses (Including Payroll)
		Extra Expense is the additional expenses a business experiences after a covered loss occurs

Named or Open Perils?

- Based on type of policy you purchase:
- Named**
 - Listed in the policy
 - If not listed not covered
- Open**
 - Covered if not excluded



Page 8

Insurance Concept: Negligence

- The failure to use the standard of care that a reasonable, prudent person would have taken under the same or similar circumstances
- Concept of **Negligence** applies in both property and liability loss situations



Occupancy Hazards

Unoccupied/Unoccupancy

- No people, but has contents which would allow for occupancy to happen

Vacant/Vacancy

- No people and no contents
- This is considered a higher hazard and there are built in coverage restrictions inside the policy that exclude certain damages if the building is vacant for a certain amount of days (typically)

Page 9

Scheduled Coverage

Each type of asset has its own specific (scheduled limit) that it is subject to.

John owns and operates a senior housing facility that has three buildings. He has opted for the following insurance coverage:

Building One: \$250,000 and \$0 contents
 Building Two: \$300,000 and \$50,000 contents
 Building Three: \$250,000 and \$10,000 contents

A fire damages building one. The following damages occur \$215,000 building and \$20,000 contents.

John will be paid \$215,000 for the building repairs and \$0 for contents as he did not schedule any contents coverage for that building.

With scheduled limits there is no sharing or borrowing. This is the default of most policies.

Blanket Coverage

Each type of asset still has a specific limit assigned to it, but then those limits are added up to create a total blanket limit

John owns and operates a senior housing facility that has three buildings. He has opted for the following insurance coverage:

Building One: \$250,000 and \$0 contents
 Building Two: \$300,000 and \$50,000 contents
 Building Three: \$250,000 and \$10,000 contents

He has purchased a building and contents blanket policy with a limit of \$860,000

A fire damages building one. The following damages occur \$215,000 building and \$20,000 contents.

John will be paid \$215,000 for the building repairs and \$20,000 for contents as he can use the total blanket limit for the occurrence.

Page 9

Loss (Settlement) Valuation Options

Actual Cash Value	Current Replacement Cost minus depreciation
Replacement Cost	The actual current cost to repair or replace the damaged property
Market Value	The selling price value
Agreed Value	A set value that the insurer and insured agreed to at time of writing coverage
Stated Value	A value used for rating purposes set by the insured
Salvage Value	After a total loss any value able to be assigned to the damaged property

Page 9 & 10

Legal Liability Concepts: When Negligence Is Not Involved

- Absolute Liability** • Because of the nature of the risk
- Strict Liability** • Because of a product for consumers
- Vicarious Liability** • Because of the actions of another



VANS to remember all legal liability concepts



Page 10

Liability Limits: Different Options

Per Occurrence/ Accident or a Combined Single Limit

- Total amount payable for all claims arising from the same accident or occurrence

Split Limits

- Different limits that are available for different claims arising from the same accident or occurrence

Aggregate Limits

- The maximum amount payable during the current policy period regardless of the number of claims

Per Person Limits

- The maximum amount payable to any one person from an accident or occurrence

Page 11

Proximate Cause

- Act or event considered a natural and reasonably foreseeable cause of the damage or the event that occurs and damages property or injures a plaintiff
- One of the key features of a negligence claim



LEGAL DUTY OWED



BREACH OF THAT DUTY



PROXIMATE CAUSE



ACTUAL DAMAGES (\$)

Page 11

Deductible

Portion of loss that the insured is responsible for before the insurance company pays their portion

Found on most property policies. Occasionally found on liability policies.

Applied per claim

Page 11

Co-Insurance:

Policy Provision to protect the insurance company on paying out the full amount on partial losses, when the insured did not purchase enough insurance to satisfy the co-insurance condition. Standard co-insurance provision requires the insured carry at least 80% of the full replacement cost of their asset.

The co-insurance provision and formula is not used in total losses, as the insured will already be sharing in the total loss if not insured to full replacement cost value (100%).

If the insured is carrying at least (or more of) what they should have carried, the partial loss is paid fully.

The Co-Insurance Formula:

(What Did The Insured Carry / What Should They Have Carried) X Loss = Loss Payment

John has an insurance policy that requires he always carry at least 80% of its value. He has a \$60,000 loss to his bathroom and hallway after water leaks from a burst pipe. What will be payable based on the following information:

Replacement Cost for home: \$650,000
Coverage A limit: \$350,000

What Did John Carry? \$350,000
What Should he have carried? \$520,000 ($\$650,000 \times 80\%$)
Policy pays the full \$60,000 partial loss.

In the above example in the event of a total loss John is still capped by the \$350,000. He met his co-insurance requirement but is still under insured.

What if John carried a Coverage A limit of \$500,000 instead?

What did John Carry? \$350,000
What should he have carried? \$520,000
Policy now only pays a portion of the loss based on the co-insurance formula:
 $(\$350,000 / \$520,000) \times \$60,000 = 27,692$

Page 12

Insurance to Value:

Very similar to the standard co-insurance formula requiring that the insured be insured to value. The value can be the 80% co-insurance requirement.

However, there is one extra stipulation in a true insurance to value provision.

You still use the co-insurance formula, but the insured is paid the greater of... the amount determined by the co-insurance formula or the actual cash value

For Example

John has an insurance policy that requires he always carry at least 80% of its value. He has a \$60,000 loss to his bathroom and hallway after water leaks from a burst pipe.

The adjuster determines the actual cash value of the damaged building to be \$38,000. What will be payable based on the following information:

Replacement Cost for home: \$650,000
Coverage A limit: \$350,000

What Did John Carry? \$350,000
What Should he have carried? \$520,000 ($\$650,000 \times 80\%$)
Policy pays the full \$60,000 partial loss.

In the above example in the event of a total loss John is still capped by the \$350,000. He met his co-insurance requirement but is still under insured.

What if John carried a Coverage A limit of \$500,000 instead?

What did John Carry? \$350,000
What should he have carried? \$520,000
Policy now only pays a portion of the loss based on the co-insurance formula:
 $(\$350,000 / \$520,000) \times \$60,000 = 27,692$... that's less than \$38,000 so John gets the \$38,000 ACV option.

Page 12

Elements of Valid Contract



Offer & Acceptance



Consideration



Competent Parties



Legal Purpose

Page 16

Insurer Avoidance of Coverage?

Representation v Misrepresentation



Representation is a statement on the application that the insured believes to be correct at the time made



Misrepresentation is an untrue statement made on the application intentionally to deceive



Concealment

Insured intentionally fails to reveal relevant facts to the insurer that they were on notice should have been told

Pages 16 & 17

Insurer Avoidance of Coverage

• Warranty

- Policy condition based on information in the insured's application or required by the insurer as a requirement of writing coverage
- Whatever is warranted must be true at the time it is stated and for the term of the policy
 - Often renewed as a warranty as well

For example: A homeowner may claim they have a burglar alarm to qualify for a home discount. That is often just a representation. But if the insured is a jewelry store, the insurer may require the existence of the burglar alarm to be a warranty. In that case, if the store has an outage or no longer has an alarm, there may not be coverage for any theft losses.

Page 16

Definition: **Binder**

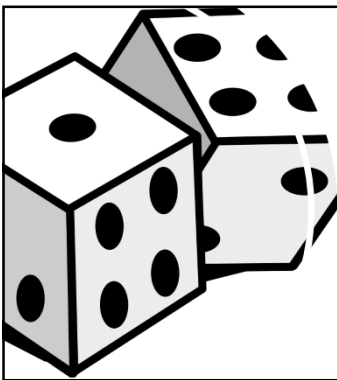
- Temporary Insurance Contract
- Issued by the agent to give immediate protection until the policy is issued
- Does not guarantee a policy will be issued
 - Insurer can cancel
- Financial institutions have to accept this binder as though it is a policy



Page 17

Parts of an Insurance Contract/Policy

- **Declarations & Definitions**
- **Insuring Agreement**
- **Conditions**
- **Exclusions/Endorsements**



Page 17

“D” Parts



Declarations

Found at the beginning of the policy
Contain the identifying features of the policy

- Personalizes the policy

Notification of all forms included



Definitions

Clarifies terms used in the policy so that the throughout the scope of the policy, that is the definition/intent

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 17

Obligations of Insurance Company

- Each policy will have conditions that the insurer must comply with to keep the contract legally binding. Common examples include:

- Fair Underwriting Practices
- Promise To Pay When Triggered
- Loss Settlement Provisions
- Assignment of Policy Coverage Upon Death of an Insured



"E" Parts



Endorsements

Changes to the policy – printed and become part of the policy to amend it
At time policy is issued or added during term of policy

Can be mandatory by state or optional by insured and insurer agreement

Can correct, add, or remove coverage



Exclusions

Perils that are not insured against and people who are not insureds

Common exclusions include:

- Earth Movement
- Water Damage

COPYRIGHT HIRED, LLC 2025 - NOT TO BE SHARED

Page 18



Why We Have Exclusions

- Uninsurable**
 - Too Risky, Too Unknown
 - Not Pure Risk
- Better Insured Elsewhere**
 - Auto doesn't cover things the Home Insurance Policy is designed for
- Insurable by Endorsement**
 - Not everyone has the risk, but it's not such a hazardous risk that we can't take it, you just have to pay more to have it covered

“Insured” Definitions

The insured can be defined differently by each policy but in general, the term insured is the person or group of people provided coverage by the policy. Often it will include the named insured and resident relatives, or if a business the employees and owning members.

We do have a special class of insured called “**First Named Insured**” important for commercial policies where a business may have common ownership and be insuring three business’s exposures under one common policy. Only the “FNI” has the rights and responsibilities of the policy.

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 18 & 19

General Look at **Insureds** In Each Policy:

- Dwelling or Home: Named Insured. Resident relatives including wards. On the home policy you do get two extra definitions for liability – a person who has control/custody of your watercraft or boat if it is not their business.
 - So if I went away on vacation and my neighbor agreed to do me a favor and walk my dog and my dog bites someone while she has control of the leash, my policy covers her
- Personal Auto Policy: Named Insured. Resident relatives including wards, those using or occupying the covered auto with permission or getting the benefit of your use of a covered auto
- Commercial Property: Named Insured
- Commercial Auto: Named Insured, Permissive Users, Those Liable for Conduct of Insured
- Commercial General Liability first depend on the entity:
 - Sole Proprietor: The owner and their resident spouse
 - Partnership: Members and their resident spouses
 - LLC – Members and managers
 - Organizations – Executive offices, directors and stockholders
 - Trust – Trustees
- Then we add additional: Employees, Real Estate Managers, Volunteer Workers, Legal Representatives, Newly Acquired or Formed Organizations (not LLCs or Partnerships)
- And of course... there may be some exceptions that could limit or remove, especially on the auto policy for example the owner of a non-owned auto being used by an insured

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Appraisal Condition

- This condition explains the next steps for when an insured and insurance company do not agree on property loss value during the claim settlement.
- Each party hires their own appraiser at their own cost
 - The insured can hire anyone they choose who they feel will adequately provide information on their behalf
 - The insurance company will either have their own internal adjuster or an outside adjusting company they use for general claims
- The two parties then select a third, neutral party to be the umpire and they share the costs.
- The umpire listens to both sides and picks a final value that is considered binding.

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 19

Other Insurance Provision

Found in all policies conditions. A provision that explains how this policy will respond if there are other insurance policies providing the same type of coverage.

There are different options depending on the policy type:

- *Pro-Rata or Proportionate Share*
- *Equal Shares*
- *Primary*
- *Excess*
- Property policies tend to be pro-rata while most liability policies will be either primary or excess depending on their intended purpose.

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 19

Notice of Claim V. Proof Of Loss

Notice of Claim or Loss

General statement to the carrier that a loss or claim has occurred. This is what triggers the insurance company to have to review the policy for coverage.

The notice should include the following:
What happened, where it happened, when it happened, how it happened, who was hurt, involved or witnessed. Were any authorities called, etc?

This is required for any and all policies

Proof Of Loss

Is an official inventory of damages needed only for property losses. It must be signed by the insured and sworn to be true by an official party. It must be very specific in the following details: Time and cause of loss, inventory of damaged property, any other insurance on property, changes of ownership, detailed estimates for repair, receipts for any loss of use, actual interest of the insured.

The Proof of Loss is required during the active claims process when the claim is nearing completion. The insurance company requests this from the insured and the insured has 60 days to supply it.

Pages 19 & 20

Provisions & Conditions: Cancellation & Non-Renewal



Cancellation

Insured or insurer chooses to end relationship prior to the end of the policy term

Insured can cancel at any time
The company is highly regulated regarding the reasons they can cancel

- Reasons
- Timelines



Non-Renewal

Either the insured opts not to accept a renewal offer, or the insurer decides not to offer a renewal notice.

The company is also highly regulated regarding non-renewal notices.

- Reasons
- Timelines

Page 20

Provisions & Conditions: Mortgagee Rights



Advanced notice of
cancellation



Protected even if insured is
prevented from recovery



Allowing mortgagee to
continue payments on policy
if insured fails to do so

Page 20

Provisions & Conditions: Policy Territory

- Each policy will have a definition of policy territory. Coverage only applies when the occurrence happens within the territory described.
- Many policies are worldwide as long as any liability suits are brought in the United States or countries with similar laws.
- The personal auto policy is the least broad of all:
 - Only within the US, its territories & possessions,
 - Canada, and
 - Puerto Rico



Page 20

Definition: Application A Source of Underwriting Information



First Source of Insurability

- Front line underwriting
- Insured information
 - Exposure information



Insured's offer

Part of a contract

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 20

Fair Credit Reporting Act

- Federal law that regulates the collection, dissemination, and use of consumer credit information by credit reporting agencies
- "Credit information" means any credit-related information derived from a consumer report, found on a consumer report itself or provided on an application for personal insurance. "Credit information" does not include information that is not credit-related regardless of whether it is contained in a credit report or application or used to calculate an insurance score
- Insured must acknowledge credit report will be pulled and told reason for doing so
- If any adverse action is taken, must be notified and provided with agency info
- If insured makes you aware they have disputed information on a credit report, must be re-pulled and cannot hold any prior information against
- Adverse Action
 - Denial or cancellation of, or an increase in premium, or a reduction in coverage due to underwriting the risk

Page 21

Gramm-Leach-Bliley Act

Federal law that oversees financial organizations that collect confidential information of their clients. Three main focus areas

- 1) Disclose their privacy policies and practices to customers,
- 2) Offer customers the opportunity to opt-out of having their information shared with non-affiliated third parties, and
- 3) Implement safeguards to protect the confidentiality and security of customer information.



COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 21

Terrorism Risk Insurance Act (TRIA)

- Mandated after 9/11
- Terrorism is an act certified by the Secretary of the Treasury, in concurrence with Secretary of Homeland Security and the US Attorney General
 - Violent or dangerous to human life, property or infrastructure
 - Results in damage within the US or certain US property or as part of a US mission
 - Committed as an effort to coerce US population, to influence US policy or affect conduct of the US government by coercion
 - Produce property and casualty insurance losses in excess of specified amount
- Original act has been reinforced and/or modified many times. Currently renewed through December 2027
- Insured has option to purchase terrorism coverage (WC is mandatory)
 - Insurer pays up to a certain limit before government steps in to pay additional

Page 21



Dwelling Program

Most often used for tenant occupied or seasonal dwellings



- Usage
 - One to Four Family Homes
 - Can have up to 5 roomers or boarders
 - Properties in Course of Construction
 - Owner or tenant occupied
 - Mobile Homes under a basic form
 - Seasonal dwellings
 - Can be owned by a Business Entity
 - But business use may impact coverage

Page 27

Perils Insured Against	DP-1 Basic (Named Perils)	DP-2 Broad (Named Perils)	DP-3 Special Form (Open for building, Named for contents)
Fire, Lightning, Internal Explosion	YES	YES	YES
Extended Coverages (EC): Windstorm or Hail, Explosion, Riot or Civil Commotion, Aircraft, Vehicles, Smoke, Volcanic Explosion	Can Purchase	YES – in some cases broader	YES
Vandalism or Malicious Mischief (VMM or V&MM)	Can Purchase*	YES	YES
Damage by Burglars, Falling Objects, Weight or Ice, Snow or Sleet, Accidental Discharge of Water or Steam, Sudden cracking of a Steam or Hot Water System, Freezing of Plumbing, Heating or Ac, Artificially Generated Electrical Current.	NO	YES	YES
Additional Risks Unless Specifically Excluded	NO	NO	YES (theft to building only)
Other Coverages	No	Lawns, Trees, Shrubs & Plants Breakage of Glass Collapse	Lawns, Trees, Shrubs & Plants Breakage of Glass Collapse
Loss Settlement	ACV for all	Building RC** Property ACV	Building RC** Property ACV

Pages 28-32

Dwelling Coverage Parts

Coverage A – Dwelling

- Dwelling and attached structures
- Construction materials onsite to construct, alter or repair the dwelling and other structures on the premises
- Equipment located on the premises used to service the location, unless insured elsewhere

Coverage B – Other Structures/Detached Structures, such as fence, pool, garage, shed, swing set

- Exclusions related to Business Use

Coverage C – Personal Property

- Personal property usual to a residence located on the described premises
- No money or securities
- Exclusions or limitations based on type of property
- Extensions for property when moving to new residence

Coverage D – Fair Rental Value

- Loss of rental income due to a covered loss
- Does not pay for coverage of a cancelled/vacated lease

Coverage E – Additional Living Expenses (DP2 or 3)

- Increases in normal expenses due to a covered loss

Pages 32 - 35

Dwelling Policy - Other Coverages

Other Coverage	Limit	In Addition to Limit
Other Structures	10% of Coverage A	Yes (Except for DP-1)
Debris Removal		NO
Improvements, Alterations & Additions	10% of Coverage C	NO
Worldwide Property Coverage	10% of Coverage A	NO
Fair Rental Value & Additional Living Expenses	20% of Coverage A	Yes (Except DP-1)
Reasonable Repairs		NO
Property Removed	All Perils	NO
Fire Department Service Charge	\$500	YES
Trees, Shrubs, Plants (DP2 & 3)	5% of Coverage A	YES
Collapse of a building or part of a building (DP2 & 3)		NO
Building Ordinance or Law (DP2 & 3)	10% of Coverage A	YES
Breakage of Glass (DP2 & 3)		NO

Pages 35 - 37

Dwelling Policy: General Exclusions

DENIED

- Ordinance & Law
- Earth movement
- Water damage from flood, rising water, sewer backup or underground seepage
- Power failure away from residence premises
- Neglect
- War
- Nuclear hazards
- Intentional loss
- Government Action
- Special Form Additional Exclusions
 - Weather conditions that contribute to an excluded loss
 - Acts, decisions, or failure to act
 - Faulty planning, design or materials

Pages 37 - 38

Dwelling Policy Conditions:

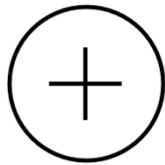
- Policy Period
 - Coverage only applies to losses taking place within policy period
- Insurable Interest
- Limits of Insurance
 - Limits, Loss Settlement
- Other Insurance
 - We will only share our proportional share
- Suit Against Insurer
- Insurer's Option To Repair Or Replace
- Loss Payment
- Cancellation & Non-renewal
- Liberalization
- Death
- Nuclear Hazard
- Recovered Property
- Volcanic Eruption
- Policy Territory



Pages 38 - 40

Dwelling Endorsements

- Automatic Increase
- Broad Theft
- Dwellings Under Construction
- Sinkhole Collapse
- Condominium Unit-Owners
- Water Back-Up & Sump Pump Overflow
- Limited Theft



Pages 40- 42

Homeowners Insurance

- Indivisible Policy
 - Declarations, Selection of Policy Form, Endorsements – Only thing that changes
- Owner Occupied Residence
 - HO4 (owner exception) & HO6 (occupied exception)
- Who is Eligible
 - Individuals and Families occupying the home
 - Trusts & Life Estates
 - Homes Under Construction Designed to Be Residence



Pages 42 -43

Policy Options & Their Purpose

Policy Form Name	Eligibility	Notes
HO2 – Broad Form	Owner Occupied	Least amount of standard coverage
HO3 – Special Form	Owner Occupied	Most commonly used, good range of coverage. Special for A & B, named for C
HO4 – Tenants Form	Renters	No Building Coverage. Renters of any residence
HO5 – Comprehensive Form	Owner Occupied	Special perils for all. Most amount of coverage for standard owner
HO6 – Condo/Co-Op Owner Form	Condo and Co-Op Owners	Coverage based on condo requirements. No coverage B. Unit can be rented out but needs endorsement
HO8 – Modified Form	Owner Occupied Hard-to-Insure Home	Limited coverage, not used often

All HO policies include Theft as a named peril
Because the HO-5 is open theft is included, but it's also considered broader because mysterious disappearance is also covered

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Pages 44 - 46

Which Forms Provide What Perils

***Because this provides direct physical loss to property there will be some new exclusions not found in the other forms**

Form Selected	Dwelling & Other Structures Coverage	Personal Property Coverage
HO-2 Broad	Named	Named
HO-3 Special	Open	Named
HO-5 Comprehensive	Open	Open*
HO-4 Renters	Not Applicable	Named
HO-6 Condo Owner	Named	Named
HO-8	Named (less than broad)	Named (less than broad)

Page 44

	Notes of Consideration
HO-2 Broad	For inside of building to have coverage against rain, snow, sleet, sand or dust, wind or hail must first create an opening Falling objects means an object which first damages the roof or an outside wall Fences, driveways, walkways are not covered for vehicle damage if the vehicle is owned or operated by a resident No coverage for damage from water or steam if dwelling is vacant for more than 60 days
HO-3 Special	Policy will have general provisions excluding or limiting coverage Damage caused by freezing is only covered if reasonable care has been taken to maintain the heat or to shut off the water supply Dwellings under construction do not have all inclusive theft coverage Limitations and exclusions to coverage if vacant for 60 or more consecutive days
HO-5 Comprehensive	Open Perils exception for landlord furnishings in unit or are typically rented or held for rent – covered for named perils up to \$2,500 Broadened theft coverage – includes mysterious disappearance
HO-4 Renter's	No coverage for dwelling or other structures since the insured is not the owner
HO-6 Condo or Co-op	Unique building coverage due to nature of ownership Other structures are included under the Coverage A – Dwelling Limit (no coverage B)
HO -8 Modified	Used when replacement cost is not practical Limited perils for all

Pages 44 - 46

Homeowners Important Definitions

- **Bodily Injury**
 - Bodily harm, sickness or disease; including required care, loss of services and death that results
- **Insured**
 - Named insured; relatives who reside with you; nonrelatives in your care under age 21; full-time relative students under the age of 24 who were residents prior (21 if nonrelative); under liability those legally responsible for your watercraft, certain motor vehicles and pets if not their job
- Insured Location
- Residence Premises
- **Property Damage**
 - Physical injury, destruction or loss of use of tangible property
- Residence Employee

Page 47

Homeowners – Section I: Property Coverage



Coverage A – Dwelling

- Dwelling and attached structures, as well as construction materials onsite

Coverage B – Other Structures

- Detached structures, such as fence, pool, garage, shed, swing set
- Exclusions related to Business Use

Coverage C – Personal Property

- Owned or used by insured anywhere in world
- Others while at a residence occupied by an insured
- Exclusions & Special Limits Apply

Coverage D – Loss of Use

- Increases in normal expenses due to a covered loss
- Includes fair rental value

Pages 48 - 51

Coverage Form	A - Dwelling	B - Other Structures	C - Personal Property	D - Loss of Use	E - Personal Liability	F - Medical Payments
HO-2 Broad	≥80% of Replacement Cost	10% of Coverage A	50% of Coverage A	30% of Coverage A	\$100,000	\$1,000
HO-3 Special	≥80% of Replacement Cost	10% of Coverage A	50% of Coverage A	30% of Coverage A	\$100,000	\$1,000
HO-5 Comprehensive	≥80% of Replacement Cost	10% of Coverage A	50% of Coverage A	30% of Coverage A	\$100,000	\$1,000
HO-4 Renter's	Not Applicable	Not Applicable	100% value of Contents	30% of Coverage C	\$100,000	\$1,000
HO-6 Condo or Co-op	5,000 Automatic, 100% Replacement Cost	Included in Coverage A, up to 10% can be used	100% value of Contents	30% of Coverage A	\$100,000	\$1,000
HO-8 Modified	Market Value					

Pages 48 - 51

Special Property Limits

Property Type	Limit	All Perils	Theft Only
Property located at another residence or in a storage unit	10% of coverage C or \$1,000 whichever is greater	YES	
Money or related property	\$200	YES	
Securities, similar property	\$1,500	YES	
Watercraft, trailers, and accessories	\$1,500	YES	
Business property on residence	\$2,500	YES	
Business property away from the residence	\$1,500	YES	
Portable electronic equipment in a vehicle	\$1,500	YES	
Tapes, wires, records or other media in a vehicle	\$250	YES	
Jewelry, watches, fur, stones	\$1,500	NO	YES
Firearms and equipment	\$2,500	NO	YES
Silverware, goldware, pewter	\$2,500	NO	YES

Pages 49 -50

HO Contents Exclusions

1. Items Insured Elsewhere or Specifically Insured
2. Animals, Birds, or Fish
3. Aircraft & Parts
4. Hovercraft & Parts
5. Motorized Vehicles including Portable Electronic Equipment Powered by Auto (exception for servicing of residence & assisting the handicapped)
6. Business data
7. Property of Roomers, Tenants & Boarders (unless related)
8. Property in an Apartment Regularly Rented or Held for Rental
9. Property Rented or Held for Rental by the Insured to Others While Off the Residence Premise
10. Credit Cards, Debit Cards or Any Other Devices Used to Deposit, Withdraw or Transfer Funds
11. Water or Steam

Page 50

Additional Coverages

Type	Amount	Outside the Limit
Debris Removal	5% of Coverage Limit	YES
Reasonable repairs		NO
Trees, shrubs, plants	5% of Coverage Limit Maximum of \$500 per tree	YES
Fire Department Service Charge	\$500	YES
Property removed	All perils	NO
Credit Cards, electronic funds transfer, forgery & counterfeit money	\$500	YES
Loss Assessment	\$1,000	YES
Collapse		NO
Glass or Safety Glazing		NO
Landlord's furnishings*	\$2,500	NO
Building Additions & Alterations*	10% of Coverage C	YES
Ordinance or Law	10% of Coverage A	YES
Grave Markers	\$5,000	NO

Pages 51-53

Named Perils: HO-2, HO-4 & HO-6 for all

HO-3 for Contents

Fire	Lightning	Windstorm	Hail	Explosion	Weight of ice, snow, and/or sleet
Freezing of plumbing, heating or AC	Accidental discharge or overflow of water/steam	Sudden & accidental tearing apart of steam, heating or AC system	Sudden and accidental damage from electrical current	Aircraft	Vehicles
Riot or civil commotion	Smoke	Volcanic Action	Vandalism & Malicious Mischief	Falling Objects	Theft

Pages 53 – 54

Homeowners – Section I: General Exclusions

Ordinance & Law

Earth movement

Water damage from flood, rising water, sewer backup or underground seepage

Power failure away from residence premises

Neglect

War

Nuclear hazards

Intentional loss

Government Action

Pages 54 - 55

HO-3 Additional Exclusions

- Freezing of plumbing, heating, air conditioning or sprinkler system unless heat is maintained or water shut off. But if you have an automatic fire sprinkler system, that must be maintained.
- Freezing, thawing, pressure or weight of water or ice to fences, pavement, patios, swimming pools, footings and foundations, retaining walls, piers, wharfs or docks
- Theft in or to a dwelling under construction
- Certain weather damage to plants, antennas, masts or towers
- Vandalism & Malicious Mischief if the dwelling has been vacant for more than 60 days
- Mold, Fungus or Wet Rot
- Constant or repeated seepage or leak of water or steam
- Wear and Tear, Mechanical Breakdown, Smog, Rust, Mold, Wet or Dry Rot
- Smoke from agricultural smudging or industrial operations.
- Discharge, seepage of pollutions unless caused by a Broad Form Peril
- Settling, shrinking, bulging or expanding
- Damage done by birds, vermin, rodents, insects or animals owned by the insured
- Weather conditions that contribute to an excluded loss
- Faulty planning, design or materials

HO-5 Additional Exclusions



Breakage of eyeglasses, glassware, statuary, heirloom, porcelain etc., unless from a broad form named peril



Dampness, extreme temperature change



Refinish, renovating or repairing property other than watches, jewelry and furs



Collision, sinking, swamping or stranding of watercraft and equipment

Page 55

Homeowners Conditions

• Property Conditions

- Duties after a loss
- Loss Settlement
 - Actual Cash Value
 - Replacement Cost
 - Only available for buildings and is subject to the co-insurance requirement
- Appraisal
- Other Insurance & Service Agreement
- Loss Payment
- Mortgage Holders Clause
- Volcanic Eruption Period – 72 Hours
- Loss Payable Clause

• Property & Liability Conditions

- Liberalization Clause
- Waiver or Change of Policy Provision
- Cancellation & Non-Renewal
- Assignment
- Subrogation
- Death

Pages 55 - 58

HO : Section II

Coverage E – Personal Liability



When a claim or suit is brought against an insured for damages due to BI or PD caused by an occurrence.



Pays up to the limit of liability that insured is legally liable for.



Provides a defense at insurer's expense. Insurer has right to settle. Duty to settle or defend ends when limits are exhausted.

Coverage F – Medical Payments To Others

Pays for necessary medical expenses incurred within 3 years of the accident causing bodily injury.

Necessary means medical, surgical, x-ray, dental, ambulance and funeral services.

Applies when a person is on the residence premises with permission or if the person is injured off the premises from covered acts and ways of the insured.

Not available for an insured or regular resident of the household, except for a resident employee

Page 58

Section II - Additional Coverages

- Claim Expenses
 - Cost of Defense
 - Premium on Appeals Bonds
 - Interest on Judgements (Post Judgement Earned)
 - Reimbursement to Insured for Expenses in Defense
 - \$250 per day for loss of earnings
- First Aid Expenses
- Damage to Property of Others, up to \$1,000
- Loss Assessment up to \$1,000



Page 59

Homeowners Section II: Exclusions



Pages 59 - 60

Section II: Exclusions By Coverage Part

Exclusions only for E - Personal Liability

- Property owned by insured
- Property damaged in my care, custody or control (fire exception)
- Person eligible for workers compensation
- Loss assessment charged as a member of an association
- Assumed under a contract
- Covered under Nuclear Energy Liability Policy

Exclusions only for F - Medical Payments to Others

- Nuclear reaction, radiation or radioactivity
- Residence Employee off insured location and not in course of insured's employment
- Any person regularly residing on part of the insured location, other than residence employee
- Person eligible for workers compensation

Pages 60 - 61

Section II - Conditions

- Bankruptcy of an insured
- **Limit of liability**
- Severability of insurance
- **Duties after an occurrence**
- Duties of injured person
- Payment of claim
- Suit against insurer
- **Other insurance**
- Policy period



Pages 61 - 62



Commercial Policies can be written as a monoline policy or as a commercial package policy (CPP)



Gives them one policy, one bill with one insurer for all their commercial needs



Can add and remove policy lines as needed, as long as two lines of business are in force it is a package policy

Commercial Package Policies

Page 62

Cover Page

Common Policy Declarations

Interline Endorsements

Common Policy Conditions

Specific Policy Declarations

Specific Policy Coverage Forms

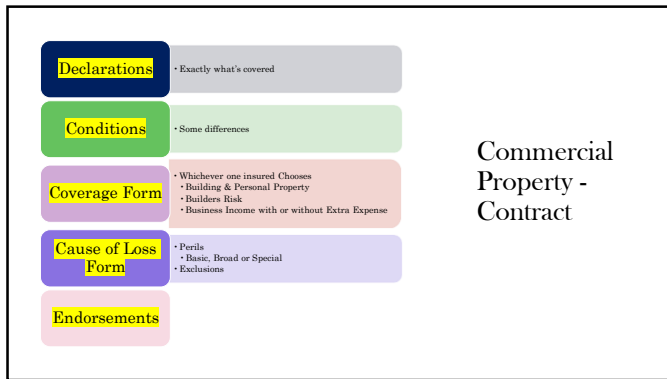
Specific Policy Conditions

Causes of Loss Forms

Endorsements

Commercial Package Policy Parts

Page 63



Building & Personal Property Form


Only tells types of property to be covered

- Building - A**
 - As described in declarations and includes
 - Completed additions
 - Fixtures, including outdoor fixtures
 - Permanently installed machinery or equipment
 - Personal property used to service the premises
 - Floor coverings
 - Outdoor Furniture
 - Appliances
 - Additions under construction if within 100 feet of the described premises
- Insured's Business Personal Property - B**
 - While in building or structure
 - While in open or in a vehicle within 100 feet of the building or premises
- Property of Others - C**
 - Bailee Coverage
 - While in building or structure
 - While in open or in a vehicle within 100 feet of the building or premises

Page 65

Building & Personal Property Form

- Property that is not covered
 - MONEY
 - ANIMALS, unless held for sale
 - AUTOS FOR SALE
 - BRIDGES, ROAD, WALKS, PATIOS AND PAVED SURFACES
 - CONTRABAND
 - FOUNDATIONS BELOW THE LOWEST BASEMENT FLOOR OR SURFACE
 - LAND
 - PERSONAL PROPERTY WHILE AIR OR WATERBORNE
 - BULKHEAD, PILINGS, PIERS, WHARVES OR DOCKS
 - PROPERTY COVERED ELSEWHERE
 - RETAINING WALLS NOT PART OF BUILDING
 - UNDERGROUND PIPES AND FLUES
 - ELECTRONIC DATA, except as provided by additional coverage
 - REPLACE OR RESTORE VALUABLE PAPERS OR RECORDS
 - VEHICLES
 - CERTAIN PROPERTY WHILE OUTSIDE (grain, hay, straw, crops, Fences, radio/television antennas, etc. Plants except those that are part of a vegetated roof.



Page 66

Additional Coverages



Debris Removal Preservation of Property Fire Department Service Charge Pollution Cleanup and Removal Increased Cost of Construction Electronic Data

Pages 66 - 67

Coverage Extensions -

When Coinsurance requirements of 80% or more are selected or reporting form is used



- Automatic Coverage for 30 days for new buildings
- Personal Effects & Property of Others
- Valuable Papers & Records
- Property Off-Premises
- Outdoor Property
- Non-owned Detached Trailers
- BPP Temporarily in Portable Storage Units

Page 67

Loss Conditions of the Building & Personal Property Form

- **Coinsurement Agreement**
 - Must carry at least equal to specified percentage of the ACV of the property insured
- **Vacancy**
 - Building is completely empty
 - After 60 days no coverage for:
 - Vandalism
 - Sprinkler leakage
 - Building glass breakage
 - Water damage
 - Theft or Attempted Theft
 - Any other cause of loss 15% reduction
 - Can remove limitations by adding Vacancy Permit Endorsement
- **Valuation**
 - **ACV**
 - Unless damages are \$2,500 or less
 - Except for undelivered stock
 - Can purchase optional RC

Page 68 - 69

Optional Coverages

Agreed Value

Inflation Guard


Replacement Cost

Extension of Replacement Cost to Personal Property of Others

Page 69

Builders Risk

- Any structure while under the course of construction
- Typically written on a completed value basis
 - 100% ITV requirement similar to Co-Insurance but building must be insured to 100% of its completed value at all times starting from day 1
- Covers the building or structure being built, including foundations and fixtures, machinery, equipment and material or supplies that will become a part of the building and are within 100 feet. Also covers temporary structures such as scaffolding or fences.



Page 69

Builders Risk Additional Coverage & Coverage Extensions

Additional Coverages

- Debris Removal
- Preservation of Property
- Fire Department Service Charge
- Pollutant Cleanup & Removal

Coverage Extensions

- Building Materials & Supplies of Others
- Sod, Trees, Shrubs & Plants

Page 70

Business Income

- Indirect loss, known as Time element or Business Interruption Coverage
- Business Income including Extra Expense (BI & EE) or just BI
- BI deals with net profit or loss before taxes. **Net Profit or Loss (before taxes) + Continuing Normal Operating Expenses (including Payroll)**
- Extra Expenses are additional costs the insured only has because it incurred a loss
- Suspension is a slowdown or complete stop of your business operations
- Period of Restoration is the time reasonably necessary to rebuild or repair for you to resume your operations
 - Starts immediately for EE
 - Has a 72 hour waiting period for BI
- Extended Business Income is provided after the operations resume and for up to 60 days to help offset the actual earned BI versus what it should have been



See A Business Income Loss

- George's Restaurant had a kitchen fire. The Building and Personal Property Form will pay the actual damage loss for the building and contents.
- It is going to take 5 months for the repairs, so the restaurant is going to be shut down.
- George's Restaurant still needs to pay certain expenses while it can not conduct business: Insurance, Mortgage, Licenses, Taxes, Maybe Some Payroll. These are considered their continuing operating expenses and a business income insurance policy will help them pay these expenses.
- Picking the right limit and co-insurance is an important consideration of a BI Policy (*NOT DISCUSSED FOR TESTING*)

Business Income Coinsurance - Waivers

- Coinsurance Conditions Apply, but can be waived
 - 50, 60, 70, 80, 90, 100 or 125% - insured chooses, but carriers have worksheets to help calculate so insured can select best one

Maximum Period of Indemnity

- Removes the co-insurance requirement
- Pays lessor of actual BI loss or for 120 days

Monthly Limit of Indemnity

- Co-insurance clauses is replaced
- Most paid in each 30 day period is the amount shown in the schedule

Business Income Agreed Value

- Must complete a business income report that becomes part of the policy

Extra Expense

Coverage Limit is insured's best guess

- Extra expenses related to the building repairs are only paid in relation to shortening the period of restoration
- Standard Percentage Calculation
 - We do not pay the insured until they are back in operation. Insured tracks all expenses
 - Period of Restoration determines percentage paid: 40/80/100 Common Option
 - 30 days or less – 40% of limit
 - 31-60 days – 80% of your limit
 - More than 60 days – 100% of your limit



Page 72

See An Extra Expense Loss

- George's Restaurant had a kitchen fire. The Building and Personal Property Form will pay the actual damage loss for the building and contents.
- It is going to take 5 months for the repairs, so the restaurant is going to be shut down. George can't risk losing his customers to other eateries and decides to rent out a vacant restaurant.
- The rent is \$1,200 a month. He pays \$5,000 to bring the kitchen up to code and \$800 to advertise his new location and he is able to operate from this location 3 weeks after the fire.

Completing the Commercial Property Policies

First pick the coverage form

- Building & Personal Property Form – Most Common
- Builders Risk
- Business Income with or without Extra Expense
- Extra Expense

Then pick the cause of loss

- Basic
- Broad
- Special

Page 72

Cause of Loss

Coverage	Basic	Broad	Special - Open Perils
Fire & Removal	x	x	x
Lightning	x	x	x
Explosion	x	x	x
Windstorm or Hail	x	x	x
Smoke	x	x	x
Aircraft	x	x	x
Vehicles	x	x	x
Riot or Civil Commotion	x	x	x
Vandalism	x	x	x
Sprinkler Leaker	x	x	x
Sinkhole Collapse	x	x	x
Volcanic Action	x	x	x
Falling Object		x	x
Weight of Ice, Snow or Sleet		x	x
Water Damage		x	x
Theft			x
			Anything else not excluded
Additional Coverage	Limited Mold	Limited Mold	Limited Mold
		Collapse	Collapse
			Special Property Limitations

Pages 73 - 75

Commercial Cause of Loss Forms - Exclusions & Special Limits

- **Exclusions**
 - Dishonesty of employees
 - Voluntary Parting with property through trick or device
 - Loss of property in open rain
 - Errors in planning, zoning, workmanship
- **Special limits – Only on Special Form**
 - \$2,500 for theft of furs
 - \$2,500 for theft of jewels
 - \$2,500 for theft of firearms
 - \$250 for stamps, tickets and letters of credit for theft
- **Coverage Extensions**
 - Property in transit
 - Cost to tear out property due to water damage
 - Expenses to board up openings

Page 75 - 76

	Accident Only	No continued or repeated exposures Property only – not liability
	Direct Damages	But other coverages can include payment for indirect losses is selected and is often included with a sublimit
	Loss Settlement	Replacement Cost Valuation
	Breakdown covers 3 specific things	Failure of pressure or vacuum Mechanical failure Electrical failure, including arcing
	Covered Equipment	Pressure equipment, refrigeration equipment, mechanical equipment, electrical equipment, turbines and production machinery

Equipment Breakdown

Page 76 - 79

Commercial Property Conditions

Concealment, Misrepresentation & Fraud

Control of Property

Insurance Under Two or More Coverage

No Benefit to Bailee

Page 80

Businessowners Policy (BOP)

- Based on the combined coverages of HO
- Intended for small to mid-size businesses
 - Office Buildings
 - Apartments, Condos
 - Mercantile, Service or Processing Risk
 - Trade Contractors
 - Limited Cooking and Fast Food
 - Convenience Food Store
 - Self Storage Facility – no outside storage



Pages 80-81

Businessowners - Property Coverage

- Special Form Coverage Always – take away choice
- Property Covered
 - Coverage A – Building
 - Coverage B – Business Personal Property, Property of Others in CCC, Tenants Improvements & Betterments
 - Can purchase an endorsement for money to be included
- Property Not Covered
 - Money & Securities
 - Aircraft & Vehicles
 - Watercraft while afloat
 - Accounts, Bills, Evidences of Debt
 - Computers permanently installed in motor vehicles
 - Contraband
 - Land, Water, Crops or Lawns
 - Outdoor Fences, Radios, Antennas, Satellite, Detached Signs
 - Electronic Data
 - Animals (unless owned by others and boarded by the insured)

Pages 82 -83

BOP - Additional Coverages, Automatic Increases & Optional Coverages

- Additional Coverages
 - Many are same that we saw under the HO and Commercial Property Policies
 - Money Orders & Counterfeit Papers
 - Forgery or Alteration
 - Business Income – Actual Loss Sustained & Extended, From Dependent Properties
 - Business Interruption
 - Extra Expenses – No Standard Percentage
- Automatic Increases
 - Building Limit
 - Business Personal Property Limit – Seasonal Increase
- Optional Coverage
 - Outdoor Signs
 - Money & Securities
 - Employee Dishonesty
 - Equipment Breakdown

Pages 84 -90

BOP Liability

- Automatically included in the BOP as Section II Coverage
- Covers common exposures
 - Things that any business would have
 - Bodily Injury
 - Property Damage
 - Personal & Advertising Injury
 - Medical Payments
- Supplemental Coverages
- Limits of Liability – Most paid for type of claim or policy period
- Typically Provides Coverage on Occurrence Basis
- Insurer's duty to defend ends when limit is exhausted
- Medical Payments
 - Reasonable expenses for up to 1 year after accident

Page 57.2 – 59.2

BOP Section II Exclusions

Intentional injury	Contractual Liability	Liquor Liability	Workers' Compensation & Similar Laws	Employer's Liability
Pollution	Aircraft, Auto or Watercraft	War	Professional Services	Property Owned, or in CCC
Damage to Insured's Work	Impaired Property	Recall	PI & Advertising Exclusions	Electronic Data
Criminal Acts of Insureds	Recording & Distribution of Information – Law Violation	Medical Expense Exclusions	Nuclear Energy Liability Exclusion	

Page 59.2 – 59.2

Who Is An Insured - BOP Liability

- Individuals, including spouse or legal successors if insured dies
- Partnership members and spouses
- LLC members and managers
- Organizations executive officers, directors & stockholders
- Trust
- Employees
- Real Estate Manager
- Volunteer Workers
- Legal Representative if Insured has passed away, or Someone having proper temporary custody

Page 60.2 – 61.2

BOP Liability - Conditions

- Bankruptcy
- Duties in the event of an occurrence, claim or suit
- Legal action against insurer
- Separation of Insured
- Does not increase limits
- Common Policy Conditions
 - Premium Audit

Page 62.2

BOP Optional Endorsements

- Hired Auto & Non-Owned Auto
- Protective Safeguards
- Utility Services
 - Direct Damage
 - Time Element



Page 89

Cyber Liability – Introduction

- More individuals and businesses rely on technology
- This has an ease of doing business means to it, but with that ease comes greater cyber security threats
- Businesses that obtain & store personal, financial or sensitive information are prone to extortion and fraud
- Cyber insurance can help those businesses to lessen the financial impact resulting from cyberattacks and data breaches



Page 92

Cyber Liability – First Party Coverage

- Protects the business against cyberattacks that damage their own network or system
 - Business Interruption and lost revenue
 - Customer notifications
 - Credit monitoring services for affected customers
 - Ransom payments to extortionists
 - Costs associated with public relations companies



Pages 92 - 93

Personal Inland Marine: Personal Articles Floater

- Designed to fill in gaps left by standard personal lines policies
- Used to insure personal property on a direct physical loss basis.
- Personal Property floaters typically offer unscheduled basis coverage; Personal Articles floaters typically offer scheduled basis
- Common classes of property include jewelry, furs, cameras, musical equipment and fine arts/collectibles
- World-wide coverage
- Can endorse on to a homeowners policy or buy a stand alone policy



Page 93

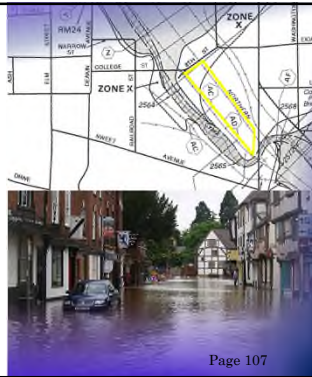
Commercial Inland Marine: Commercial Property Floaters

-  Used to fill in the gaps in the commercial property policies
-  Worldwide coverage for property off the premises
-  Typically, direct physical loss
-  The name of the floater describes what it covers
-  Forms can be filed or non-filed
-  Commercial articles is a common term meaning its purchased by the owner
-  Most commonly sold form is the contractors equipment floater

Pages 93 -106

NFIP Flood Insurance

- Regulated by Federal Government
 - Insurance
 - Floodplain Mapping
 - Floodplain Management
- Community Participation
 - Emergency or Standard
- FDIC Backed Loan Requirements



Page 107

Flood Insurance

- Direct or Write Your Own
 - Funded by premiums collected and offset by NFIP
 - Same policy premiums and coverages
 - Eligibility still based on community participation
 - 30 Day waiting period
 - No issuing of binders
- Only Covers "Flood"
 - General & Temporary Condition of partial or total inundation of 2 or more acres of normally dry land or two or more properties from:
 - Overflow of inland or tidal waters
 - Unusual rapid accumulation of runoff of surface waters from any source
 - Mudflow
 - Collapse of land caused by erosion due to flood

Pages 107 -108

Flood Insurance: Available limits

STANDARD STATUS		
Occupancy Type	Building Maximum	Contents Maximum
Single Family	\$250,000	\$100,000
Other Residential	\$250,000	\$100,000
Small Business	\$500,000	\$500,000
Other Nonresidential	\$500,000	\$500,000

EMERGENCY STATUS		
Occupancy Type	Building Maximum	Contents Maximum
Single Family	\$35,000	\$10,000
Other Residential	\$100,000	\$100,000
Small Business	\$100,000	\$100,000
Other Nonresidential	\$100,000	\$100,000

Page 109

Flood Insurance

- Valuation of Losses
 - Majority based on ACV
 - No Co-insurance since limits are capped
 - Replacement cost only available for single family building that is a primary residence
 - Live there at least 80% of the time and insured for at least 80% of the RC
- Deductibles – different than other policies
 - Separate deductibles for building and contents – if a loss to both types you are subject to both deductibles
 - High options for deductibles
- Private Flood Insurers

Page 109



Personal Earthquake

Aftershocks up to 72 hours are one event



Commercial Earthquake

Aftershocks up to 168 hours are one event



Mobile Homes

ISO endorsement
 • Attachments and built-ins become the dwelling
 • No rental value only additional living expenses
 • Unique exposures - transit

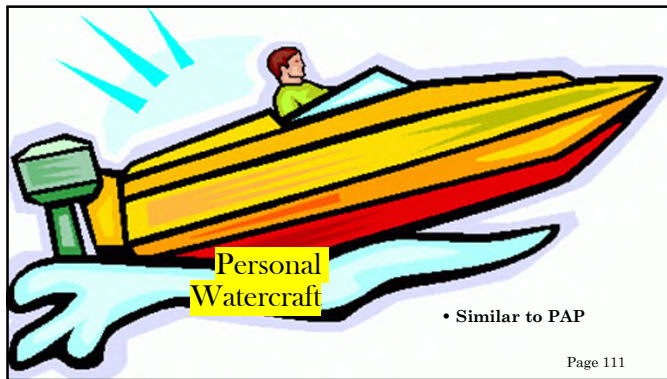


Personal Liability

By endorsement when don't have a policy providing
 Just like the HO Coverage

Specialty Policies

Page 110



Watercraft Basics

- Coverage Parts
 - Part A – Liability Coverage
 - Damages to third parties
 - Part B – Medical Payments
 - For insured's injuries
 - Part C – Not currently used
 - Part D – Damage to Your Watercraft
 - Direct & Accidental
 - Additional Coverages
 - Part E – Your Duties After Accident of Loss
 - Loss Conditions
 - Part F – General Provisions
 - General Conditions

Pages 111 - 114

FARM INSURANCE

- You can buy just property, just liability or a combination of both
- Package is like a combination of a homeowner's policy with farm property and farm liability.
 - Farm Property Form
 - Farm Liability Form
 - Mobile Agricultural Machinery & Equipment
 - Livestock
- Select a cause of loss
 - Basic
 - Broad
 - Special

Page 114

Windstorm

- Wind
 - Natural and perceptible movement of air parallel to or along the ground
 - Covered by standard property forms
- Windstorm
 - Storm with high winds or violent gusts but little or no rain
 - May be subject to exclusions
 - May have higher deductibles



Page 114

Liability Terms & Policies

Section 2 – Back of Book Page 5

We will use #.2 to reference the page we are reviewing

Liability - Damages



- **Compensatory**
 - **Special** – Specific – Can Measure
 - Hospital Bill, Lab Work, Ambulance Ride, Loss of Earnings, Physical Therapy
 - **General** - Gaged
 - Pain and Suffering, mental anguish, disfigurement, loss of consortium or companionship
- **Punitive**
 - Punish

Pages 7.2 – 8.2

Definitions: Deposit of Premium and Audit

- **Deposit Premium**
 - An estimated annual premium determined at time policy is issued
 - Based on anticipated exposures that could change
 - Payroll/Renumeration
 - Sales
 - Typically found on liability policies and workers compensation policies
- **Audit**
 - The right of the insurer to inspect/audit the insured's books and records to determine the actual premium
 - Insurer has right to go back up to 3 years from expiration of policy
 - Adjustments can be a debit or a credit

Page 9.2

Certificate of Insurance

- Issued after a policy has been issued
- Snapshot of coverage
- Shows what is covered and a limit
- No obligation to the certificate holder
- Typically used for commercial lines when parties are entering contracts to do work with or for one another and one party needs to show the other that they have liability coverage in place.

Page 10.2

	Who is Covered?	Individuals Related Persons Unrelated Persons
	Eligible Vehicles	Under 10,000 GVW Not used to deliver or transport goods or materials
	Eligible Ownership	Private family exposures
	Potential Losses	Legal Liability Injury to insureds Damage to or loss of auto

Personal Auto policy (PAP)

Page 21.2

Sections of the PAP

- Declarations
- Insuring Agreement & Definitions
- Part A - Liability
- Part B - Medical Payments
- Part C - Uninsured Motorist
- Part D - Physical Damage
- Part E - Duties after a Loss
- Part F - General Conditions



Page 21.2



Auto - Definitions

- Definitions - specially defined terms used throughout policy
 - "Bodily Injury"
 - "Property Damage"
 - "Your and Your"
 - "Named Insured" & Resident Spouse
 - "Family Member"
 - "Occupying" means in, upon, getting in, on, out or off a vehicle

Page 22.2

DEFINITIONS

Your Covered Auto

- Any vehicle in the declarations
- A "Newly Acquired Auto"
- Any trailer you own
- Any auto or trailer you do not own while used as a temporary substitute, but only for Parts A, B, and C

Newly Acquired Auto

- Any auto of the following types that you become owner of during the policy period:
 - Private passenger vehicle
 - Pickup or van
 - Under 10,000 GVW
 - Is not used for delivery or transportation of goods or material unless incidental to your "business" of installing, maintaining or repairing or farming or ranching

Pages 22.2 - 23.2

Physical Damage

Collision

- Upset or impact of a covered vehicle or non-owned auto with another vehicle or object



Other Than Collision/Comprehensive

Includes the following....

- Falling Objects, Fire
- Earthquake
- Windstorm, Water, Hail, Flood
- Theft, Glass
- Riot or Civil Commotion
- Animals/Bird
- Vandalism or Malicious Mischief
- Explosion
- Larceny

Page 23.2

Coverages	Replacement Vehicle	Additional Vehicle
Liability, Med Pay, UM/UIM	Automatic on date insured becomes owner	On date insured becomes owner if insurer is notified within 14 days of acquisition*
Collision	On date insured becomes owner if insurer is notified within 14 days of acquisition	<p>If collision coverage applies to another insured auto, on the date the insured becomes owner if insurer is notified within 14 days*</p> <p>If collision coverage does not apply to any insured auto, on the date the insured becomes owner, if insurer is notified within 4 days after acquisition*</p> <p>If owner notifies the insurer within 4 days, but an accident occurs before notification, a \$500 deductible applies</p>
Other Than Collision	On date insured becomes owner if insurer is notified within 14 days of acquisition	<p>If collision coverage applies to another insured auto, on the date the insured becomes owner if insurer is notified within 14 days*</p> <p>If collision coverage does not apply to any insured auto, on the date the insured becomes owner, if insurer is notified within 4 days after acquisition*</p> <p>If owner notifies the insurer within 4 days, but an accident occurs before notification, a \$500 deductible applies</p>

Effective Dates of Coverage

For Newly Acquired Autos

Page 23.2

Types of Auto - Defined

- Owned**
 - Titled by the insured or acquired during the policy period
 - Includes vehicles leased for at least 6-month period
- Non-owned**
 - Vehicles operated by or in custody of the named insured but are not titled or furnished for the regular use of the insured
 - Includes vehicles used by a business that are owned by the employee
- Hired**
 - Vehicles that are leased, hired, rented or borrowed from someone other than an employee or partner
- Temporary Substitutes**
 - Vehicle not owned by the insured being used while their vehicle is out of service due to:
 - Broken down
 - Being repaired
 - Being serviced
 - Considered a loss
 - Destruction of vehicle



Page 23.2 -24.2

Part A: Liability Coverage

Liability pays for bodily injury and property damage insured is legally liable for from an auto accident

- Pays for actual damages from the accident
- Provides defense against
- Pays costs associated with settling or defending as deemed appropriate

Offers supplemental payments (in addition to policy limits)

- Bail bonds up to \$250
- Expenses incurred at insurer's request
- Appeal Bonds
- Loss of earnings up to \$250 per day



Page 24.2 & 25.2

Part A - Who is an Insured?

Who	Using - Type of Vehicle	For - Type of Vehicle
"You"	Any auto or "trailer" as defined by the policy	Ownership, maintenance, and use of
"Family Member"	Any auto or "trailer" as defined by the policy	Ownership, maintenance, and use of
Any Person	"Your covered auto"	Using with reasonable belief of being entitled to do so
Any person or organization	"Your covered auto"	Legal responsibility for acts or omissions of a person who is afforded coverage
Any person or organization	Any auto or "trailer" other than "your covered auto" - if that person or organization does not own or hire that auto or "trailer"	Legal responsibility for acts or omissions of "your" or any "family member"

Page 24.2

PAP Part A- Exclusions



Page 25.2

**Personal auto:
Required Part
A Limits**

Split Limits: 50/100/25

- \$50,000 Bodily Injury Per Person
- \$100,000 Bodily Injury TOTAL Per Accident
- \$25,000 Property Damage Per Accident

Combined Single Limit

- \$125,000 a Single Limit for Bodily Injury and Property Damage from Per Accident

Primary vs Excess

Page 26.2

**PAP Sections - Part
B: Medical Payments**

- Maine requires at least \$2,000 per person
- Covers medical costs for up to three years after the accident
- Must be reasonable and necessary
- First party coverage when "Occupying"
- Who is an Insured
- Exclusions
- Limits & Other Insurance



Page 27.2

PAP Sections - Part C: Uninsured/Under-Insured Motorist UM/UIM

- Maine requires minimum limits of 50/100 or 100K
 - BI only, no PD
- Allows insured to collect under their own policy what is legally owed to them by an uninsured or under-insured at fault party
- What is an uninsured vehicle
 - No Insurance, Limits Lower than Your Limits (UIM), Insolvent Carrier, Hit and Run
- Who is an insured
 - New category – Any person entitled to receive a benefit because of injury to other insured

Page 28.2

Underinsured Motorist

- Pays the difference between Insured's UIM and the Driver's BI
 - This is why you should never accept lower UIM than your own BI

Claim Example:

- I have 100/300/100 limits for my liability and matching UM/UIM
- Other Party has 50/100/25
- The Other Party hits me head on and causes damages for bodily injury to me of \$105,000
- OP's insurance pays me \$50,000
- My policy pays me an additional \$50,000 (to get to my maximum limit of \$100,000)
- I am out the \$5,000 additional unpaid

Page 29.2

UM & UIM Limits and Determining damages



Bodily Injury Only

Split of 50/100 or combined of 100
 If I buy high Part A Coverage, I can reject higher UM and go down to the minimum
 • Must reject in writing



Only Insurer has Settlement Rights

PAP - Part D - Damage To Your Auto

- Direct and Accidental Damage to
 - Your Covered Auto
 - Non-Owned Autos
- **Transportation Expense**
 - Up to \$20 a day for transportation expenses (maximum of 30 days or \$600) incurred by the insured due to having a covered cause of loss to their auto
 - 48 hour waiting period for theft, 24 hours for all other covered losses
- **Rental Reimbursement**
 - Used on the commercial



Page 29.2

PAP Sections

- Part D:

Damage To Your Auto

Exclusions

- Not insurable
- Better insured elsewhere
- Could insure for additional premium

Limits of Liability/Loss Settlement

- Cost to repair or capped by total loss - ACV

Other Insurance Provisions

- Payment of Loss
- No benefit to bailee
 - Someone who owes you greater care because they have your property in their possession for mutual benefit
- Other Sources of Recovery
- Appraisal
- Policy Territory/Coverage Territory
 - Not worldwide

Page 30.2 – 31.1


Commercial Auto – Policy Format

I	II	III	IV	V	Special
<ul style="list-style-type: none"> • Section I – Covered Autos – Uses symbols to show what type of vehicles will trigger coverage 	<ul style="list-style-type: none"> • Section II – Liability – Very similar to the Part A of the Personal Auto Policy 	<ul style="list-style-type: none"> • Section III – Physical Damage – Very similar to Part D of the Personal Auto Policy • However, the insured here can choose between Comprehensive or Specified Perils and then can also add Collision 	<ul style="list-style-type: none"> • Section IV – Business Auto Conditions – Same type of general policy provisions found in the Personal Auto Policy or must liability policies 	<ul style="list-style-type: none"> • Section V – Definitions 	<ul style="list-style-type: none"> • Special Endorsements <ul style="list-style-type: none"> • UM/UIM • Medical Payments • Maine still requires these coverages as part of the Financial Responsibility Law

Page 32.2

Garagekeepers

- Symbol 30 – Autos left with you for service, repair, storage, safekeeping
- If need must purchase
- Provides physical damage coverage with three options
 - Standard Option – legally liable will pay
 - Excess Option – excess over customer's insurance
 - Primary Option – direct first dollar
- Includes Direct & Indirect Losses



Page 32.2

49

Closer Look at GarageKeepers

Scott brings his car to Fast Fix Garage for an oil change. He drops it off the night before. Tom the owner of the garage, parks Scott's car in the back of his lot. He takes the car, locks the car and then puts the key inside a lock box in the locked office. That night a thief smashes the window of Scott's car and hotwires it, going on a joy ride. How will Fast Fix Garage's Garagekeepers respond:

Standard Option – no coverage. What did Fast Fix do wrong to make them liable? The vehicle was locked and the key was locked up separately? Scott's policy will pay if he has Other Than Collision

Excess Option – pay any excess over what Scott's policy paid. If Scott did not have Other Than Collision than the Excess Option will respond first.

Primary Direct – Fast Fix's policy pays. Most businesses will opt for this coverage, even though it costs more, for customer goodwill

Business Auto - Definitions

Auto & Trailers



Page 33.2

Mobile Equipment



Page 33.2 – 34.2

Insured Contract

- Lease of Premises or Vehicle
- Easement Agreement
- An obligation – Municipalities by ordinance
- Sidetrack Agreement
- Elevator Maintenance



Contracts relating to the business regarding holding harmless

Page 34.2

Commercial Auto – Basics

Types of autos covered

- Private Passenger Autos
- Commercial Autos
- Public Autos
- Special Autos

Coverage Forms

- Business Auto Policy (BAP)
- Auto Dealers Policy



Page 34.2

BAP Coverage Form – Coverage Symbols

Symbol	Meaning
1	Any "Auto" – Liability Only
2	Owned "Autos" Only
3	Owned Private Passenger "Autos" Only
4	Owned "Autos" Other than Private Passenger
5	Owned "Autos" Subject to No-Fault/PIP
6	Owned "Autos" Subject to Compulsory UM Law
7	Specifically Described "Autos"
8	Hired "Autos" Only
9	Non-Owned "Autos" Only
19	Mobile Equipment Subject to Compulsory UM Law

Page 35.2

Insureds and Not Insureds For Liability

Insureds

- Named Insured
- Permissive Users
- Those liable for conduct of insured

Not insureds

- The owner of an auto hired or borrowed from an employee or family member
- Person working in an auto-type business
- Person, other than an employee or lessee who is moving property to or from a covered auto

Page 37.2

Liability Supplementary Coverage

- All expenses the insurer incurs
- Up to \$2,000 for bail bonds
- The cost of bonds to release attachments
- Reasonable expenses incurred by insured at insurer's request – including lost earnings of up to \$250 per day
- Costs taxed against the insured in any suit
- Accrued interest on any judgements



Page 37.2

Business Auto Liability - Exclusions

Expected or Intended
 Assumed liability, except under insured contract
 Employee Injuries & Fellow Employee Injuries
 Damage to property in CCC of insured
 Movement of property by mechanical device
 Mobile Equipment
 Completed Operations
 Pollution, if not designed to operate a vehicle
 War
 Injuries from racing, stunting, demolition

Pages 37.2 – 38.2

Business Auto Physical Damage

First Choose From	Then Can Add
Comprehensive OR	Collision
Specified Causes of Loss:	
Fire	
Lightning	
Explosion	
Theft	
Windstorm	
Hail	
Earthquake	
Flood	
Mischief	
Vandalism	
Sinking, burning, collision or derailment of a conveying transport	



Page 38.2

Business Auto - Indirect Loss Options

- **Towing Coverage**
 - Labor costs for disabled vehicle of the private passenger type
- **Transportation Expense**
 - Only for autos that are private passenger type and for theft
 - \$20 per day/\$600 max
 - 48 Hour waiting Period
- **Loss of Use**
 - Vehicle rented or hired without a driver that insured becomes legally liable to
 - \$20 per day up to \$600
- **Rental Reimbursement**—Optional Endorsement
 - Adds a limit for cost incurred for renting an auto of any type in event of covered damage to covered auto

Page 38.2

Auto Dealers Basics

- Specific business entities
 - Dealerships – Franchised or not
- Liability Section has 2 Parts:
 - Dealer Operations – Covered Auto
 - Dealers Operations – General Liability Other Than Autos
- New Section: Acts, Errors & Omission



Page 40.2 - 41.2

Auto Dealers – Coverage Symbols

Symbols	Meaning
21	Any Auto
22	Owned Autos Only
23	Owned Private Passenger Autos Only
24	Owned Autos Other Than Private Passenger Auto Only
25	Owned Autos Subject to No-Fault
26	Owned Autos Subject to Compulsory UM
27	Specifically Described Autos
28	Hired Autos Only
29	Non-Owned Autos Used in Garage Business
30	Autos Left With You for Service, Repair, Storage and Safekeeping
31	Dealers' Autos & Autos Held for Sale by Non-Dealers or Trailer Dealers

Page 41.2

Auto Dealers – Different Coverages

- Two Liability Coverage Included
 - Dealer Operations – Other Than Covered Autos
 - Dealer Operations – Covered Autos
 - New Section III – Acts, Errors & Omissions
- Some New Exclusions
 - Leased Autos
 - Defective Parts
 - Work Performed
 - Loss of use
 - Products Recall
- Reporting Options



Page 42.2 – 44.2

Mobile Equipment – Endorsement

- Mobile equipment is covered by commercial auto policies when being transported
- Some coverage concerns can arise if the vehicle type fits the definition of mobile equipment, but because it is going to travel the roads it now meets the financial responsibility laws of your state
- Pollution spillage from mobile equipment being towed is not covered



Page 47.2

Commercial Auto Endorsements

Individual Named Insured

Sole proprietor

Kind of like personal auto, me & my resident family members get coverage driving any auto

Drive Other Car

Corporations

Same concept, but covers the listed driver and their spouse only

Page 47.2

General Liability

- Sold to all businesses
- Intended to cover basic, common exposures that can cause bodily injury and property damage as well as a new added risk of personal and advertising injury
 - Premises & Operations
 - Products & Completed Operations
- Two coverage form options -
 - Occurrence – Most Common
 - Even if policy expires could still pay unless statute of limits expires
 - Claims-Made – Mostly used for specialty liability policies or if requested and agreed upon for GL
 - Coverage paid for claims made during the policy
 - Subject to the retroactive date
- Occurrence as a definition means an "an accident, including continuous or repeated exposure to substantially the same general harmful conditions" when used to compare the policy forms we mean when the occurrence happened.

Part A – Bodily Injury & Property Damage

Part A – Bodily Injury & Property Damage

- At their premises
- Arising from their business
- From their products & completed operations
- Exclusions in this Part:
 - Expected or Intentional Injury
 - Contractual
 - Liquor liability
 - Employee Injuries
 - Pollution
 - Aircraft, Autos, Watercraft (mobile equipment on or racing)
 - War
- Damage to Property
- Insured's Product
- Insured's Work
- Defects, delays
- Recall
- Personal and Advertising Injury
- Electronic Data
- Recording & Distribution of Material in Violation of Law



Page 48.2 – 49.2

Coverage B – Personal & Advertising Injury

Covers Offenses:

- False Arrest
- Malicious Prosecution
- Wrongful Eviction or Entry
- Slander/Libel
- Violation of Privacy
- Very Limited Copyright Infringement

Exclusions:

- Knowing it's false
- Acts prior to effective date
- Intentionally breaking law
- Contractual liability
- Breach of contract
- Failure to conform
- Wrong Description of prices
- Infringement
- Advertising is your business
- Electronic chatrooms or bulletins

Page 50.2

Coverage C – Medical Payments

- Coverage C – Medical Payments
 - No fault coverage – like Personal Lines Medical Payments to Others
 - Expenses incurred within 1 year
 - Without regard to Legal Liability

- Exclusions
 - Any insured
 - Employees, but not including volunteers
 - Tenants of an insured
 - While participating in athletic event
 - Products
 - Coverage A Exclusion



Page 51.2

Parts A & B Supplemental Payments

Expenses incurred by insurer

Up to \$250 for bail or attachment bonds

Reasonable expenses incurred by insured

Up to \$250 for loss of income

Court costs taxed against insured

Prejudgment interest

Post judgment interest

Pages 51.2 – 51.3

Who Is An Insured - GL Liability

Individuals, including spouse or legal successors if insured dies	Partnership members and spouses	LLC members and managers	Organizations: executive officers, directors & stockholders	Trust
Employees	Real Estate Manager	Volunteer Workers	Legal Representative if Insured has passed away, or Someone having proper temporary custody	Newly acquired or formed organizations

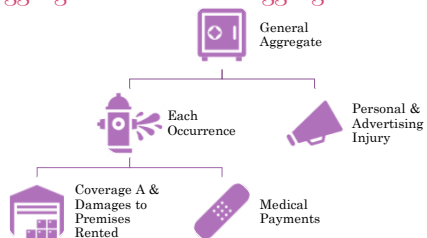
Page 52.2

Basic Liability Limits - Can Purchase Higher, but Not less

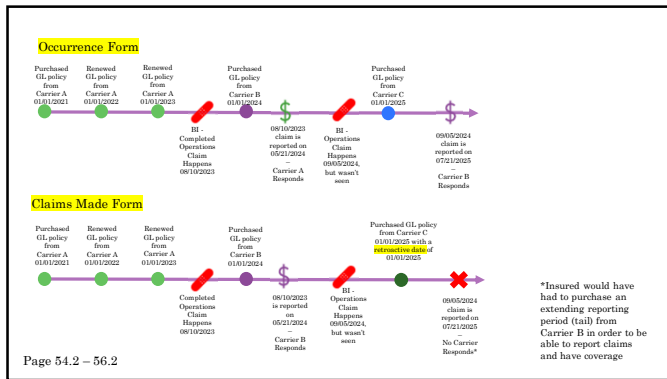
\$100,000 per occurrence	\$200,000 general aggregate	\$100,000 personal and advertising
\$5,000 medical payments per person	\$100,000 fire damage legal liability	\$200,000 products & completed ops

Page 53.2

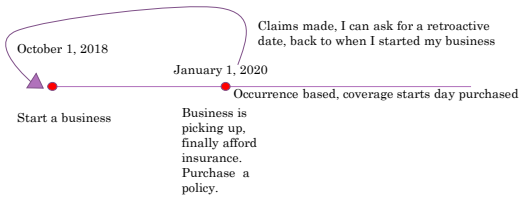
General Aggregate or Annual Aggregate



Page 53.2



Why Someone may request a claims made policy



CGL Exposures

- **Premises & Operations**
 - Anything that occurs on their premises or results from their business operations
- **Products & Completed Ops**
 - Product that has been sold and in consumer's control
 - After their job has been completed and they have left
- **Damage to Property of Others – Fire Damage Legal Liability**
 - Property in CCC excluded, but this gives but some coverage
 - This pays for fire damage to property the insured leases or temporarily occupies caused by the insured's negligence



Workers Compensation

- Employers Common Law Defenses
 - Fellow Servant
 - Contributory Negligence
 - Assumption of Risk
- Exclusive Remedy
 - Employers lost rights of common defense
 - Employees gave up right to sue

Pages 64.2 – 65.2



Employee

- Does the employer exercise control over the person performing the work?
- Is the nature of the work consistent with the overall type of work of the business?
- Is the person paid a wage or compensation by the employer?
- Does the business have the right to hire or fire the person?
- Does the business furnish the materials necessary for the person to perform the task?

Page 65.2

Workers Compensation

- Maine Worker's Compensation Board
 - Competitive & Compulsory
 - Penalties for noncompliance
- Every private employer with exceptions
 - Domestic Service
 - Agriculture or aquaculture as seasonal or casual laborers
 - Supply employers liability \$25,000, \$5,000 medical payments
 - Have less than 6 employees and supply employers' liability \$100,000 \$5,000 medical payments
- Insurance or Self Insured
- Must purchase with just 1 employee



Page 66.2

Named Insured Is: CORPORATION

2. Policy Period: From 2008/07/20 To 2008/07/20 Plan: 12/01 A.M. standard at address of named insured

3.A. Workers' Compensation Insurance: Part one of the policy applies to the workers' compensation law of the state listed here: Maine

B. Employers' Liability Insurance: Part two of the policy applies to work in each state listed in Item 3.A. The limits of our liability under part two are:

BOOTH INJURY BY ACCIDENT \$100,000 EACH ACCIDENT

BOOTH INJURY BY DISEASE \$100,000 EACH EMPLOYEE

BOOTH INJURY BY DISEASE \$500,000 POLICY LIMIT

C. Other States Insurance: Part three of the policy applies to the states, if any, listed here: All states other than states listed in 3A, and nonparticipating states

D. This Policy Includes These Forms, Endorsements and Schedules:

SEE ATTACHED SCHEDULE OF FORMS AND ENDORSEMENTS

4. The premium for this policy will be determined by our manual of rules, classifications, rates and rating plans. All information required below is subject to verification and change by audit.

Classifications: SEE ATTACHED

Workers Compensation Policy Sections

- The Policy
- Who is Insured
- Workers Compensation Law
- State
- Locations

Page 66.2

Workers Compensation

Medical Benefits	Disability Income Benefits
Hospital Surgical Dental Eye Care Physical Therapy Related Expenses	Wages Lost (subject to a waiting period) Scheduled Injury Payments (such as loss of limb)
Rehabilitation Benefits	Death Benefits
Vocational Rehab	Burial Expenses Survivor Benefits (paid to surviving spouse or child(ren))

Page 66.2 – 67.2

Workers Compensation – What's Covered

Injuries covered

- Arises out of and in the course of employment
- Regular Work Shift
- Traveling for Business Purposes, Even Outside of Regular Hours
- Does have exclusions
 - Travel to and from work
 - Employee Contribution
 - Intoxication, willful contribution or failure to follow safety
- Nonwork injury that is not related to a prior WC Injury

Diseases

- Due to causes and conditions characteristic of a particular trade, occupation, process or employment and that arises out of and in the course of employment.

Part III- Other States

- Part I is for the employer's home state & states where employees have on-going and/ or permanent jobs
- Part III is for states where new or incidental operations could occur
 - This is automatic coverage but for temporary exposures
 - Cannot cover OH, ND, WA, WY – Monopolistic States
- As long as the state is listed and the work starts after the policy effective date coverage is provided. If work was already ongoing as of the effective date you have 30 days to notify carrier.
- Injured employee can file in home state or state injured
 - If state is listed policy pays all benefits
 - If state is not listed employer pays any difference between

Page 67.2 68.2

Workers Compensation – Part II: Employers Liability

Claims by employees not subject to WC

- Illegal or exempt employment

Claims by others for liabilities to insured's employees

- Third Party Over
- Dual Capacity
- Parent-Subsidiary Relationships

Claims by relatives of injured employees for consequential damages

- Loss of consortium or companionship

True Liability Coverage so... Umbrella can provide excess

Page 68.2

Part v Rating – Premium Determination

- Rating calculation
 - Employees rated based on class code & payroll
 - Rate assigned per \$100 of payroll
 - Clerical employee – code 8810, rate is .21 which is multiplied by payroll
 - Auto repair mechanic – code 8380, rate 4.96 which is multiplied by payroll
 - Payroll is estimated and confirmed by audit
 - Overall rating affected by loss experience
 - Experience Modification Factor
 - Premium Discount given when premium is greater than \$5,000
 - Participating Policies & Retrospective Policies

Page 69.2





Crime

- Property form provides no coverage for money or securities
- Property form limits theft
 - Only found in special form
- Employees not covered for theft unless purchase employee theft
- Majority of theft losses are caused by employees

Page 69.2

Crime Coverage Forms

Discovery Form

- The crime must be discovered during the policy period to be covered.
- Have up to 60 days after policy cancellation to report.

Loss Sustained Form

- Crime must occur and be discovered during the policy period to be covered.
- Have up to 1 year after policy cancellation to report
- Can have coverage for losses that happened in a prior year if there was a policy in place during that time with no lapse in coverage

Page 71.2

Crime Declarations Page

	Limit of Insurance	Deductible Amount
Agreement 1 – Blanket – Employee Theft	\$ _____	\$ _____
Agreement 2 – Forgery or Alteration	\$ _____	\$ _____
Agreement 3 – Inside The Premises – Theft of Money & Securities	\$ _____	\$ _____
<input type="checkbox"/> Blanket <input type="checkbox"/> Schedule		
Agreement 4 – Inside The Premises – Robbery or Safe Burglary of Other Property	\$ _____	\$ _____
<input type="checkbox"/> Blanket <input type="checkbox"/> Schedule		
Agreement 5 – Outside The Premises – Theft of Money & Securities and Robbery of Other Property	\$ _____	\$ _____
<input type="checkbox"/> Blanket <input type="checkbox"/> Schedule		
Agreement 6 – Computer Fraud	\$ _____	\$ _____
Agreement 7 – Money Orders and Counterfeit Paper Currency	\$ _____	\$ _____
Other Coverages/Endorsements	Limit of Insurance	Deductible Amount
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

Crime Coverage Triggers – Definitions Are Key

Employee Dishonesty

- Only way to get coverage for any acts an employee is involved in

Inside the Premises – Theft of Money & Securities

- When theft coverage applies to money & securities it includes disappearance and destruction

Robbery V Burglary

- Robbery means there is a person to assault or threaten to get the item. Burglary means you only notice signs upon coming to the premises – no witness

Forgery & Alteration

- Third parties that forge a signature on a stolen check
- A vendor that changes an amount of a check
- A third party who receives a bad check and sues you for the stop payment

Page 71.2 – 72.2



- Professional aka
 - **Errors & Omissions (E&O)**
 - Basic Term
 - Insurance agents, Architects, Attorneys, Stockbrokers
 - **Medical Malpractice**
 - Doctors, Surgeons, Dentist, Nurses, Veterinarians
 - **Directors & Officers (D&O)**
 - Corporation's Directors & Officers
- Failure to provide professional services
- Written on Claims Made Basis
- **Consent to Settle**
 - Insurer must get approval from insured prior to settling a claim

Pages 73.2 – 74.2



Employment Practices Liability (EPLI)

- Employee brings suit against employer due to their relationship or working conditions with other employees
- Refusal of hire
- Wrongful Termination or Demotion
- Discrimination
- Sexual Harassment
- Verbal, physical, mental or emotional abuse

Page 74.2

Cyber Liability - Third party Coverage

- Provides coverage for legal expenses and suits from a business's inability to properly secure consumer data
- Claims brought against the insured by third parties
- ISO Forms:
 - Website Phishing
 - Network Security Liability
 - Replacement or Restoration of Electronic Data
 - Cyber Extortion
 - Business Income & Extra Expense



Funds Transfer Fraud

- Protects the insured against loss of funds due to fraudulent instructions received by a financial institution to pay money from their account to another's
 - Written instruction
 - Cable, telephone, fax instructions
- Computer Systems Rider protects the insured from losses that initiate through the financial institution's computer network



Page 75.2

Liquor Liability - Dram Shop Liability

Establishments that manufacture, sell, distribute or serve alcohol beverages need this special liability coverage

Provides the business coverage in the event that an intoxicated customer causes damage after buying or consuming the alcohol provided to them

The third party person who suffers bodily injury damages by the intoxicated person can sue that person but also the business for any negligence in providing the alcohol to them



Page 75.2

Excess Or Umbrella

- Not Primary Coverage
 - Only respond on excess basis
- Excess Coverage
 - Follow Form
- Umbrella Coverage
 - Stand Alone Coverage
 - Typically Broader Coverage, but in some cases may be less

The umbrella requires that there be an underlying policy to respond first as it is only intended to apply on an excess basis. If there is no underlying, the umbrella treats it as if there is. In the above example if the insured's auto policy had covered, the insured would be responsible for the first \$300,000 before the umbrella would pay any excess liability coverage.

Page 76.2

Sometimes an Umbrella Will Drop Down

- If the underlying policy does not cover something, but the umbrella does we call this drop down coverage
- Subject to a self-insured retention

Excess Or Umbrella

Just because an insurance policy limit is exhausted does not mean the insured is no longer responsible. Any judgement against them is still payable in full, and any remaining balance will have to be paid.

Page 76.2

Importance of Maintaining underlying limits

- Mary has purchased a home, auto and umbrella policy through your agency. At the time of purchase her home had a liability limit of \$500,000. Her auto had a combined single limit of \$500,000 and her umbrella had a limit of \$1,000,000. Her umbrella was written on the condition that the underlying limits must be maintained.
- This year at renewal Mary reduces the liability limit on her auto policy to \$300,000 as she purchased a new car and she wants to save some money. She has a bad accident when she accidentally hits her gas pedal instead of her brake. She hits 3 pedestrians in a walkway and strikes two additional cars injuring a total of 7 people and two cars.
- The total damages awarded against Mary is \$1,200,000. How will this be paid?

Her auto policy will pay the \$300,000 limit.
Her umbrella policy is going to pay \$700,000, because they are going to treat this still as excess coverage over the required \$500,000 – so Mary is responsible for the \$200,000 gap she created by lowering her limit.

Page 77.2

Bonds

- **Principal or Obligor**
 - Purchases the bond
 - Promises to fulfill duties
- **Obligee**
 - Party to whom the promise has been made
 - Bond is payable to if principal defaults on promise
- **Surety**
 - Provides the financial backing of the principal



Page 78.2

Surety Bonds



- Three Parties
 - Principal
 - Surety
 - Obligee
- Recovery Rights
- Underwritten different than insurance
- Types of Surety
 - Contract Bond
 - Fiduciary & Judiciary Court Bonds
 - License & Permit Bonds


Page 78.2

Fidelity Bonds – Another way to insure crime

- Three-party contract
 - Principal
 - Surety
 - Obligee
- 4 Types
 - Name Schedule
 - Position Schedule
 - Commercial Blanket
 - Blanket Position

Once a claim is triggered – coverage stops for that employee – they can no longer be bonded

Page 79.2



Maine Law

Back to Section One (Page121)
But then Jump Again to Section Two...

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

- Made up of all 50 state Insurance Commissioners/Superintendents. Goals:
 - Preserve State Regulation
 - Encourage Uniformity in Law & Regulation
 - Assist in the Administration of those Regulations
 - Protect the Interest of the Policyowners - Insureds



Maine Law Statutes & Rules

- 3 Areas of Focus
 - Business of our Industry
 - Content of the policies
 - Regulation of claims handling & other services
- 3 Reasons
 - Protect against poor quality
 - Stop unethical practices
 - Allow for consumer justice



Insurance Company Formation: Where Did They File Their Articles of Incorporation

Domestic

An insurance company formed under the laws of this state

• Maine Mutual is domestic to Maine. It was formed in Houlton and writes policy for Mainers

Foreign

An insurance company formed under the laws of another state

• Progressive is domestic to Ohio. They were formed in Mayfield Village. When they write in Ohio they are domestic to Ohio, but when they write in Maine they are Foreign to us.

Alien

An insurance company formed under the laws of another country

• Zurich was formed in Switzerland but writes policies in the state of Maine.

Because insurance is regulated on the state level, the Superintendent has greater powers for enforcing the rules and regulations on Domestic carriers

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 121

Insurance Company Formation: Stock V Mutual

Stock Company: Public traded; owned by the stock holders. If the company pays a taxable dividend it is paid to the stockholders.

I have a homeowner's policy with Travelers and I have purchased stock from Liberty Mutual. I am only an owner of Liberty Mutual.

Mutual Company: Private owned by the policyholders. No public sale of stock. If the company pays a dividend it goes to the policyholder. It is not taxable as it is considered a return of premium. Mutual companies must have Mutual in their name. Dividends are never guaranteed. The governing body of the insurance company is voted on by the policyholders.

I have an auto policy with Maine Mutual Group and I have purchased stock from Liberty Mutual. I am an owner of both companies.

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 121

Authorized V Unauthorized

- **Authorized Carriers** must obtain a **Certificate of Authority** to sell insurance in this state.
- These are considered to be in the standard market and they can sell insurance directly or through appointed agents.
- Covered by the Maine Guaranty Association
- **Unauthorized** carriers have not been granted a **Certificate of Authority** to sell insurance in this state. They are also referred to as Non-admitted.
- These carriers can only conduct business in Maine through the use of licensed surplus lines brokers/producers.
- They are granted permission to sell insurance due to the specialty type of policies they write and through the use of the surplus lines channel. They can not compete against the admitted carriers and you must only use them when the law allows.
- Not covered by the **Maine Guaranty Association** and every policy issued must be stamped with disclaimer.

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 122

Certificate of Authority

- Legal documentation that authorizes an insurance carrier to start conducting business and specifies the kind(s) of insurance it can transact.
- It is illegal for an insurance company to transact insurance without this certificate (unless they are an approved surplus lines carrier)
- The penalty for violating this regulation is a fine up to \$5,000 and/or imprisonment for 2 years

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 122

Transacting Insurance



1. Solicitation or inducement;
2. Negotiations;
3. Effectuation of a contract of insurance;
4. Transaction of matters subsequent to effectuation and arising out of such a contract.

By any means...

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 122

Maine Guaranty Association

- All admitted carriers who write the following types of business with a Certificate of Authority must participate in the plan (pay a fee into the plan for each policy sold)
 - Property and/or Casualty Insurance
 - Surety
 - Certain Marine Insurance
- The plan's purpose is to protect covered policyholders from an insurance company going insolvent
- The plan is broken into three funding accounts
 - Workers Compensation Account
 - Automobile Insurance Account
 - All other property, casualty and marine insurance to which this plan applies
- The plan is obligated to pay covered claims existing prior to a determination of insolvency or occurring within 30 days after a determination of insolvency
 - Pay full amount of any workers compensation claim
 - No less than \$50 and no more than \$25,000 for unearned premiums
 - No more than \$300.00 for all other claims

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Pages 122 123

Subrogation: Medical Payments

In terms of general subrogation rights, the carrier has the right to go against the other party not their own insured

This section of the law deals with casualty policies that provide medical payment coverage to insureds

- If the insured collected medical payments under their own party, but they are still entitled to collect damages from the third party and they do so directly (via an insurance claim or a suit) – the insurance carrier of the insured cannot then subrogate against their own insured for reimbursement of the medical payments... UNLESS
- The insured has agreed to medical payment subrogation in writing
- Any subrogation rights account for a proportionate share of the insured's attorney fees

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 123

LEGISLATIVE



EXECUTIVE



JUDICIAL



Superintendent of Insurance – branches of government

Superintendent of Insurance

- Head of Insurance Bureau in Maine
- Appointment & Term in Office
 - Appointed by Governor
 - 5 Year Term or until successor has been appointed and qualified.
 - Can be removed for cause by impeachment or at request of Governor to both branches of Legislature

Delegation of Powers

- Can delegate any power, duty or function of his power to his deputy or any employee of the bureau

Attorney General Assistance

- Superintendent through assistance of Attorney General can invoke the Superior Court to enforce any order or action
- Superintendent will provide information to the Attorney General for any insurance violation that would be subject to criminal prosecution



Page 124

Superintendent: General Duties

- Enforce provisions of and execute the duties imposed by Maine Insurance Laws
 - Oversee the licensing and supervising of all insurance companies operating in Maine
 - Determine the amount of reserves necessary to operate
 - Examine all domestic insurers once every three years, or extended to no more than 5 years
 - Also examines records or alien and foreign, but a little more limited than domestic. Can request a report of that carrier's home state/country's head. Company being investigated pays all charges and expenses.
- Oversee the licensing and supervising of all insurance producers and brokers
- Control types of insurance contracts to be sold
- Oversee insurance marketing
- Investigate consumer complaints & hold hearings when justified

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 124

Superintendent: Holding Hearings

- Superintendent may hold a hearing:
 - Without request of others for any purpose granted within the Maine insurance law
- Superintendent will hold a hearing
 - If required by any provisions of Maine's insurance law
 - Upon written application by a person aggrieved by any act or upcoming act, or by any report or order
 - Any request for a hearing must be filed within 30 days of knowing of the act and if ground is found by the Superintendent a hearing will be held within 30 days of receipt or filing of request
- Failure to hold a hearing is considered a denial of request

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 25

Superintendent: Notice of Hearings

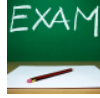
- The Superintendent must give notice at least 14 days in advance of the hearing to all parties. All hearings are public unless the Superintendent deems confidentially is best interest.
- Any party may appeal a hearing's order within 30 days of the receipt of the order. Third party's who are aggrieved by an act have 40 days from the date the decision was rendered to request a hearing.
- Any party appealing a refusal of a hearing has 6 months from the time that the hearing should have occurred

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 125

Licensing Requirements – All about the exam

- Written Exam
 - Consists of General Property & Casualty Insurance Products and of State Law
 - Must pass both parts in order to be eligible for licensing
 - Can take as many times as necessary
- Outside Testing Center
 - State of Maine does not administer
 - Uses Pearson Vue
- Experience Required
 - No experience required for Property & Casualty Producers
 - Consultants must have 5 years experience in line they are applying for and must provide an affidavit confirming experience with them to be able to take test
- Exam Results
 - Most will receive results immediately after completion
 - At most will get results within 30 days
- Exam Exemptions
 - Anyone applying for a Maine P&C Producer license is exempt from testing if they have a P&C license in another state and they apply for a Maine license within 90 days of cancelling the other state's license and it was in good standing at the time. If they have moved to Maine, they must apply for the Maine Resident license within 90 days of establishing a Maine Legal Address.



Page 125 - 126

Types of Licenses: Producer

- Producer means a person required to be licensed to sell, solicit or negotiate insurance.
- Producers are paid commission by the insurance carrier
- Licensed producers must notify the Superintendent of any changes to information that was submitted on the application for license within 30 days. Information such as a name change, mailing address, employment information, email address or phone number.
- Nonresident producer who moves from one state to another or a resident producer who moves from Maine to another state must file a change of address & provide certificate from the new resident state within 30 days of the change of legal address
 - Late notification can result in late fees

Page 126

Types of Licenses: Consultant

- Consultant means any individual who, for a fee, advises or offers to advise any person insured or seeking insurance or named or to be named as beneficiary, or having or to have any interest in or insured under any property and casualty or life and health insurance contract or annuity contract, existing or proposed.
- Hired by the insured for the specific purpose of consulting on insurance coverages
- Does not accept commission from the carrier, but is paid a fee by the client
- Cannot sell insurance to any consulting clients at the same time
- Must have five-years experience in the field before obtaining consultant license and must be bonded for at least \$20,000 bond
- An attorney may act as a consultant to a client but does not need to be licensed due to the concept of insurance being a legal contract

Page 126

Types of Licenses: **Apprentice**

- NEW IN THE OUTLINE AND NEW TO MAINE AS OF 01/01/2026
- Apprentice license can be issued by the Superintendent without requiring an exam
- Applicant wishing for apprentice must
 - Be 18 years of age or older
 - Be employed by a licensed resident insurance producer who has certified to the superintendent that they will supervise and assume responsibility for all acts
 - Submit the official application and have their sponsor do the same
 - Has not previously been denied an insurance producer license in any state
 - Be a resident of and remain a resident of Maine while having the apprentice license
 - Pay the temporary licensing fee
 - Be appointed by the carriers

Types of Licenses: **Temporary**

- Temporary licenses may be issued by the Superintendent to individuals who have not passed the Maine Producer license exam if found to be in the best interest of the public. The below reasons are the standard triggers for the issuance
 - To a surviving spouse or representative of a licensed producer who has died or becomes mentally or physical disabled. This will allow adequate time to sell the agency, for a recovery of the disabled producer, or to properly train and license new personnel to take over (Producer is owner with no employees)
 - To a member or employee of business entity upon the death or disability of the business's designated person
 - To the designee of a licensed producer entering the Armed Forces
 - Any other circumstance the Superintendent finds that would benefit public interest

This is done so that customers of the licensed producer can still buy new policies, makes changes on existing policies or report claims to carriers. Superintendent can require a sponsor who is licensed and will assume responsibility for all acts done under the temporary license.

Most temporary licenses will not be renewed as this should provide time to get someone else licensed. And they can be revoked if it is found to not be in public's best interest.

Page 127

Types of Licenses: **Non-Resident**

Unless denied licensure pursuant to insurance laws, a nonresident person must be issued a nonresident producer license if:

- A. The person is currently licensed as a resident and in good standing in that person's home state;
- B. The person has submitted the proper request for licensure and has paid any fees
- C. The person has submitted or transmitted to the superintendent the application for licensure submitted to that person's home state, or in lieu of the same, a completed uniform application; and
- D. The person's home state awards nonresident producer licenses to residents of this State on the same basis.
- A nonresident producer who moves from one state to another state or a resident producer who moves from this State to another state shall file a change of address and provide certification from the new resident state within 30 days of the change of legal residence. A fee or license application is not required

Page 127 - 128

Types of Licenses: Adjuster

- Adjuster means any individual who, as an independent contractor or as an employee of an independent contractor, or as an employee of another organization, for fee, commission or other compensation, investigates for, settles on behalf of and reports to an insurer, fraternal benefit society, workers' compensation self-insurer or insured relative to claims arising under the workers' compensation laws or other types of insurance contracts.

Page 8

Types of Licenses: Business Entity

- Business entity means a corporation, association, partnership, limited liability company, limited liability partnership or other legal entity.
- A business entity, whether it has a location in this State or not, must be licensed as an insurance producer, adjuster or consultant business entity in order to authorize individual licensees to act on the entity's behalf by engaging in insurance producer, adjuster or consultant activities or in order to use the name of the business entity in insurance-related advertising in the State.
- At least one individual licensee must be designated responsible for the business entity's compliance with the insurance laws and rules of this State. The responsible person shall ensure that every individual acting in the name of the entity does not act beyond the scope of that individual's license. The business entity shall notify the superintendent, within 14 days of every change of the designated licensed person responsible for the entity's compliance with laws and rules of this State
- Whenever a business entity changes the individuals designated to act in the name of the entity, the entity shall notify the superintendent within 30 days of those changes.

Page 128

License Exemptions

- An individual who applies for an insurance producer license in this State who was previously licensed for the same lines of authority in another state is not required to complete any examination
- This exemption is only available if the person is currently licensed in that state or if the application is received within 90 days of the cancellation of the applicant's previous license and if the prior state issues a certification that, at the time of cancellation, the applicant was in good standing in that state

Page 129

Superintendent - Licensing Exceptions

- The following types of individuals are not required to secure a producer license
 - Officers, directors or employees of an insurance agency or carrier who do not directly transact insurance and do not receive a fee or commission, who work in underwriting, loss control, adjusting, or only assist a producer in a technical means.
 - Administers group plans without receiving a fee
 - Offering employee benefit plans to own employees
 - Advertising with no intent to sell a policy in the state of Maine
 - Non-resident selling a policy for commercial property and casualty risks located in more than one state insured under the policy
 - A person who sells insurance for portable electronic devices such as laptops and cellphones

Page 129

Carrier Appointment

- **Appointment.** An insurance producer may not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.
- The insurer must pay a fee to the Bureau of Insurance for each appointed producer.
- All appointments must be made to the Bureau within 15 days.
- Notice must also be given to the Bureau for termination within 30 days
 - Termination without cause
 - Termination with cause – may lead to a hearing

Page 129 -130

License Termination Facts - Prohibited Activities

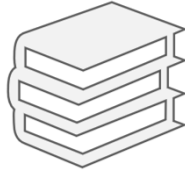
- Superintendent may place on probation, suspend, revoke or refuse to issue or renewal a producer's license or levy a civil penalty for any one or more of the following actions:
 - Providing incorrect, misleading, incomplete or materially untrue information on an application
 - Violation of any insurance law, rule or regulation
 - Obtaining or attempting to obtain a license through misrepresentation or fraud
 - Improperly withholding or misappropriating money or property received in course of doing business
 - Intentionally misrepresenting any terms of a proposed or actual contract
 - Having been convicted of a criminal offense
 - Having admitted to or being found to have committed any insurance unfair trade practice or fraud
 - Using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility
 - Having an insurance producer license denied, suspended or revoked in another state
 - Forging another's name on an insurance application
 - Improperly using notes or reference material to complete a license exam
 - Knowingly accepting insurance business from an unlicensed individual
 - Failing to comply with an order to pay child support
 - Failing to pay state income tax

Notified in writing within 30 days

Page 130 - 131

Continuing Education - Insurance Producer & Consultant Requirements

- Obtain 24 hours of CE every two years
 - 21 General Education
 - 3 Ethics
- Biennium & Compliance Date
 - If you were born in November of 1981 you would be required to complete your CE credits by November 30th of every odd year. Your new biennium would start every December 1 of that same odd year.
- First Biennium of Licensure - CE requirement waived for individuals who have less than one year
 - If you were born in November of an even year and you obtain your license in January of an even year, you will now have until the next even year to meet your CE requirements



Page 131

Superintendent - Change of Contact Information

- Changes in Contact Information
 - Licensed producers must notify the Superintendent of any changes to information that was submitted on the application for license within 30 days. Information such as a name change, mailing address, employment information, email address or phone number.
 - Nonresident producer who moves from one state to another or a resident producer who moves from Maine to another state must file a change of address & provide certificate from the new resident state within 30 days of the change of legal address
 - Late notification can result in late fees

Page 131

Marketing & Underwriting: Unfair Practices - Misrepresentation

Prohibited Activities:

- Misrepresenting the terms of any policy issued or to be issued or the benefits or advantages promised thereby or the dividends or share of the surplus to be received thereon,
- Make any false or misleading statement as to the dividends or share of surplus previously paid on similar policies,
- Make any misleading representation or any misrepresentation as to the financial condition of any insurer,
- Use any name or title on any policy or class of policies misrepresenting the true nature thereof.
- Knowingly or willfully make any false or fraudulent statement or representation in or with reference to any application for insurance; or cause to be presented a false or fraudulent claim; or other insurance documentation

Page 132

Marketing & Underwriting: Unfair Practices - False Information and Advertising

Prohibited in all printed and spoken ads, including business cards

- Any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of that person's insurance business or with respect to the name of a financial institution in a manner that is untrue, deceptive or misleading

Page 132

Marketing & Underwriting: Unfair Practices - Rebating

No person may knowingly receive or accept, directly or indirectly:

- A. Any rebate of premium or part of a premium;
- B. Any producer's commission on a premium or part of a premium payable on any policy of insurance or annuity contract;
- C. Any special favor or advantage in the dividend or other benefits to accrue; or
- D. Anything of value as inducement to any policy of insurance or annuity contract or in connection with any policy of insurance or annuity contract that is not specified, promised or provided for in the policy or contract
- Nothing in this section shall be construed as prohibiting the payment of commissions or other compensation to duly licensed agents, brokers or solicitors, or as prohibiting any insurer from allowing or returning to its participating policyholders, members or subscribers, dividends, savings or unabsorbed premium deposits

Page 132

Marketing & Underwriting: Unfair Practices - Twisting

No person shall make or issue, or cause to be made or issued, any written or oral statement misrepresenting or making incomplete comparisons as to the terms, conditions, or benefits contained in any policy for the purpose of inducing or attempting or tending to induce the policyholder to lapse, forfeit, borrow against, surrender, retain, exchange, modify, convert, or otherwise affect or dispose of any insurance policy.

Never rewrite a policy that does not benefit the insured and only benefits the producer or another in the insurance industry

Page 133

Marketing & Underwriting: Unfair Practices - Excess Charges

- No person shall knowingly collect any sum as premium or charge for insurance, which insurance is not then provided or is not in due course to be provided, subject to acceptance of the risk by the insurer, by an insurance policy issued by an insurer
- No person shall willfully collect as premium or charge for insurance any sum in excess of the premium or charge applicable to such insurance, and as specified in the policy.
- This provision shall not be deemed to prohibit the charging and collection, by surplus lines brokers, of the amount of applicable state and federal taxes and nominal service charge to cover communication expenses, in addition to the premium required by the insurer.
- There are some additional exceptions for large commercial policyholders

Page 133

Marketing & Underwriting: Unfair Practices - Defamation

- No person shall make, publish, disseminate, or circulate, directly or indirectly, or aid, abet or encourage the making, publishing, disseminating or circulating of any oral or written statement or any pamphlet, circular, article or literature which is false, or maliciously critical of or derogatory to an insurer, or of an organization proposing to become an insurer, and which is calculated to injure any person engaged or proposing to engage in the business of insurance

Page 133

Unfair Trade Practices -Discrimination



Cannot discriminate against a person's civil & protected rights:

Exception for Full or Partial Blindness
 *We do make exceptions if the basis for increased premium or denial comes from reliable actuarial evidence and is clearly able to be shown



Age

Insurer cannot refuse to issue a policy based on fact someone is 65 or older
 Insurer cannot reduce auto liability limits, cancel, refuse to renew or increase premiums on an auto policy just because an insured has reached a certain age



Volunteer Drivers

An auto policy can not be denied insurance simply because the applicant is a volunteer driver



Previous Owner's Losses

A loss at an address that was owned by another person, not the current occupant and applicant, cannot be used against them for denial of home insurance

Page 133

Roll-on Additions

- Cannot automatically add optional insurance benefits or coverages to a policy without obtaining prior consent or approval
- Approval can be implied. If at time of application, you add an overall enhancement and insured signs application that can be taken as implied consent. Usually recommend explaining any enhancements added versus just giving the insured the name of the endorsement.
- Primarily Happens at Renewal
 - Agent may have a renewal offer come in and decide to add a coverage but this time doesn't discuss with insured at all. This is an example of a roll on, unless it falls into one of the categories below.
- What is not a roll-on:
 - Inflation Guard
 - Increases in benefits by an agent pre-authorized by insured
 - Changes mandated by statutes
 - Liberalizations

Page 134

Overdue Claim Payments - Property Claims



Property policies that are not paid or disputed within 30 days of insurer receiving the signed proof of loss are considered overdue.

If insurer notifies party in writing additional information is due, then the 30 days does not start until that additional information is paid



There is an extended time period applicable to the standard fire policy (real estate property) that gives the insurer up to 60 days after receiving signed proof of loss

To allow time to adequately investigate for arson



Interest is payable on overdue claims payment at a rate of 1.5% per each month late

Page 134

Marketing & Underwriting Practices - Unfair Claims

- What is considered an unfair claims practice?
 - Knowingly misrepresenting to claimants and insureds relevant facts or policy provision that related to the claim
 - Failing to acknowledge with reasonable promptness necessary written communication regarding the claim
 - Failing to have a reasonable standard for prompt investigating, settling, documenting claims
 - Refusing to pay claims without conducting an investigation
 - Failing to confirm or deny coverage, or prepare defense, after completing the investigation
 - Attempting to settle a claim on an application that is fraudulent without the insured's knowledge
 - Making a claim payment but not documenting which coverage it is for
 - Delaying any investigation or payments after receiving a proof of loss
 - If have a recommended body shop, failing to ensure they are performing in a professional manner

Page 134 -135

Marketing & Underwriting: Unfair Practices - Penalties

	Civil penalties can be assessed	\$200 - \$5,000 for each violation in the case of an individual \$2,000 - \$15,000 for each violation in the case of a corporation
	Superintendent can impose fees	\$500 for an individual \$10,000 for a business
	Cease & Desist	A hearing is held but then your license is pulled immediately following that hearing You can try to appeal
	Emergency Cease & Desist	Immediate action taken with no hearing or prior notice. Hearing comes later, but cannot transact insurance unless reinstated

Page 135

Producer Responsibilities

- Must keep records at place of business of all written appointments and authorities for each insurer. These records must be made available to the public if requested. Superintendent can audit and will want to see all transactions in the current year as well as the 3 prior years. Information contained must include:
 - Insurer writing policy
 - Number and expiration date of policy
 - Premium
 - Name and address of insured
 - Date and time of every binder
- Agency Law
- Fiduciary Responsibilities
 - Maine is a Trust State
 - 30 Days for funds to go to intended place

Page 136

Responsibilities Continued... Compensation of Licensees

- Must be licensed at time of transaction to be able to collect the commission earned
 - If I sold a policy in January, and then my license was suspended in March, the commission comes to me in June I can still get that commission because I transacted insurance in January
- **Shared commissions.** If an insurance producer does not have an appointment with an insurer, the insurance producer may place with that insurer, through a duly licensed and appointed producer of such insurer, an insurance coverage necessary for the adequate protection of a subject of insurance and share in the commission on that insurance, if each producer is licensed as to the kinds of insurance involved.

Page 137

Privacy Laws

- Standards for the collection, use and disclosure of information gathered in connection with insurance transactions; to maintain a balance between insurance carriers' need for information and the public's need for fair information practices that respect privacy
 - Must collect information relevant to type of policy writing
 - Must provide disclosure and obtain signatures when necessary
 - Any third-party affiliate sharing must be allowed to be opted out of
 - Privacy notices must be available

Page 137

Surplus Lines Law

- Used for Property & Casualty Insurance Only
 - No Life Insurance
 - No Health Insurance
 - No Employee Excess Benefits Insurance
 - No Initial Placement of Reinsurance
- Lines of Business that can bypass standard Surplus Lines Procedures
 - Known Exposures of High Risk:
 - Wet Marine & Transportation
 - Insurance on items outside the state of Maine
 - Interstate Railroad Transportation
 - Aircraft owned or operated by the manufacturers or operated in commercial flight
 - Exempt Commercial Purchaser

Page 138 - 139

Surplus Lines – Conditions for Export

- If certain insurance coverages cannot be procured from authorized insurers, such coverages, hereinafter designated "surplus lines," may be procured from unauthorized insurers, subject to the following conditions:
 1. The insurance must be procured through a licensed producer with surplus lines authority.
 2. The desired coverage is necessary for the adequate protection of a risk in the State.
 3. It may be written under the laws of this State by an authorized insurer.
 4. The insurance is not available after diligent effort has been made to place the coverage with authorized insurers.
- The unauthorized insured must be approved for exportation rights

Page 138 - 139

Surplus Lines Law

If any authorized carrier will write it you cannot offer any surplus lines quotes you may have. Surplus lines are only to be used when there is no other option. Price is not a reason to place an insured in the surplus market.

It is the producer's responsibility to ensure the surplus lines carrier is financially secure and must provide insured with evidence of insurance.

All surplus lines policies must have a disclaimer

Surplus lines producers must file a surety bond with the state

Page 138 - 139

Credit Scoring

- Information from the credit report may be used to create a rating called an Insurance Score
- Insurance Score
 - Derived from an algorithm, computer application, model or other process that is based in whole or in part on credit information for the purposes of predicting the future loss exposure of an individual applicant or insured
- Re-Scoring
 - Upon request of insured may repull credit report information no more than once every 12 months and rates must be recalculated within 30 days of the new request – unless it is a correction to a previous incorrect report- pull immediately after corrections were advised

Page 139

Personal Lines Cancellation & Non-Renewals

Homeowner Cancellations

- Nonpayment of Premium – 10 day notice
- Fraud or Material Misrepresentation
- Negligent Acts
- Violation of Terms or Conditions
- Substantial Change in Risk
- Property is vacant and not maintained
- Swimming pool is not fenced or trampoline removed after a 30 day notice
- Had a dog bite loss and dog is not removed
- Failure to comply with loss recommendations
 - 20 day notice for remaining reasons

Homeowner NonRenewals

- Must be in good faith and related to insurability of property
- Age of property alone is not valid reason
 - 30 day notice

Primary home policies in force less than 90 days may be cancelled for any reason as long as insured is notified within 20 days

A secondary/seasonal home in force less than 120 days may be cancelled for any reason as long as insured is notified within 20 days

Page 142

Property Law: **Maine Standard Fire Policy**



Adds minimum amount of coverage available when the loss to the building is due to fire



Allows for insurer to have 60 days to respond to the insured's completed proof of loss



Provides a minimum of 10 days notice of cancellation for any reason 30 days for non-renewal

COPYRIGHT HIRED LLC 2025 - NOT TO BE SHARED

Page 143

Personal Lines Cancellation & Non-Renewals

Personal Auto Cancellations

- Nonpayment of Premium – 10 days
- Fraud or Material Misrepresentation
- Substantial Change in Risk
- Failure to comply with loss recommendations
- Substantial breach of contractual duties
- In same policy period two or more accidents over \$1,000
 - Some accidents not treated as accident
- Certain convictions (may have option of excluding driver)
- Determination by superintendent that this will jeopardize solvency
 - 20 day notice for all other

Personal Auto NonRenewals

- Must have a reason attached
- 30 days notice
- Let client know they may be eligible under the Maine Automobile Insurance Act

Policies in force less than 60 days may be cancelled for any reason as long as insured is notified within 20 days

Page 143

Commercial Lines Cancellation & Non-Renewals

CL Cancellations

- Nonpayment of Premium, 10 day notice, **except WC – 30 day notice**
- Fraud or Material Misrepresentation
- Substantial Change in Risk
- Failure to comply with loss recommendations
- Substantial breach of contractual duties
- Determination by superintendent that this type of policy/class will jeopardize solvency
 - 10 day notice (WC always 30 day notice)

CL NonRenewals

- 30 day notice for any good faith reason – see next slide regarding conditional renewals

Policies in force less than 60 days may be cancelled for any reason as long as insured is notified within 10 days

Page 144 - 145

Commercial Lines **Conditional Renewal**

- For policies issued longer than one year – the annual premium is intended to be guaranteed and insurer cannot refuse to renew or increase the premium
- If an insurer wants to renew a contract on less favorable terms, must provide the insured with a conditional renewal within 30 days of renewal
- If less time is provided – insured has the 30 days and policy will be cancelled pro-rata not short rate

Page 145

Property Law: **Hurricane Deductibles**

- Maine Law only allows an insurer to charge a hurricane deductible under following circumstances:
 - Loss occurs during a hurricane warning (and up to 24 hours after the warning has been withdrawn) issued by the National Weather Service and the property is within the forecast zone of the warning
 - Deductible applies whether actual hurricane force winds reach the property
 - Deductible used for all direct and consequential losses resulting from the hurricane wind, precipitation or wind-driven objects
 - Deductible can be a flat dollar amount or a percentage of the Coverage A limit

COPYRIGHT HIRED, LLC 2025 - NOT TO BE SHARED

Page 147

Financial Responsibility

- In order to own and operate a motor vehicle in Maine you must prove you have the finances to be responsible in the event of an accident.
- The law is administered by the Secretary of State.
- Insurance is a means of complying with the law.
- Maine requires the following:
 - Part A - Liability to Others of at least 50K BI per person, 100K BI per accident and 25K property damage or \$125K combined single limit
 - Part B - Medical Payments \$2K per person
 - Part C - UM/UM \$50K BI per person, 100K BI per accident or \$100K combined single limit
- Insureds must prove they are financial responsible when they register a vehicle and/or if pulled over for a traffic violation or accident
- If found not to be financially responsible may have to file an SR-22. This is a proof of insurance document that goes on file with the BMV for three continuous year.

Page 90.2

Automobile Insurance – Uninsured & Underinsured Motorist

- What is an uninsured motorist?
 - A vehicle with no active insurance
 - A vehicle with an insurance policy, but the insurer has gone insolvent
 - Hit and run or phantom driver
- When does underinsured motorist coverage apply?
 - When at fault party has insurance, but it is not enough to pay your damages and those limits are lower limits than your UM/UILM limits
- Must provide notice to insurer within 2 years of loss
- **Insured can reject higher limits for UM/UILM in writing (matching their Part A liability limits) but must carry at least 50/100 or CSL 100K**
- Only insurer has settlement rights

Page 90.2 – 91.2

Excluded Member of Your Household

- If an insurance company is going to cancel or non-renew your policy due to the driving record of a household member that driver can be excluded from coverage
- Must contain a disclaimer regarding no coverage and that if the excluded driver is under 18 you, the insured, may be liable and there is no coverage under the policy
- Insured must sign for the exclusion

Page 91.2

Maine Automobile Insurance Plan

- What happens if an insured is unable to secure an automobile policy in the voluntary market due to their driving record or other restrictions?
 - Submits an application to the Maine Automobile Insurance Plan
- How does the Maine Automobile Insurance Plan work?
 - All insurers who transact auto business in Maine become a part of the plan
 - Each insurer is required to write in an equitable manner, based on their share in the voluntary market
 - Rates may not be excessive or inadequate, and must not be discriminatory
 - Allows up to a limit of \$100,000 for damage to your auto, except that Superintendent may review for new commercial auto types
 - Liability limits shall be no more than 250/500/100 or CSL 500
 - If policy cancels for nonpayment money must be returned to insured within 10 days, instead of standard 30 days

Page 91.2



PAP Mandatory Endorsement

• Rental Car Coverage

- Maine law requires covered rental car damages to be covered by the personal auto policy if auto policy provides
 - Liability and Collision (can't buy collision without comprehensive)
 - Liability and Comprehensive
 - Liability, comprehensive and collision
 - Subject to highest deductible
- Will provide loss of use for up to 30 days to rental company
- Must be a covered rental car:
 - Rented for no more than term of 45 days and must be of following vehicle type:
 - Private passenger motor vehicle type

Page 92.2

Casualty Laws: Transportation Network Company/Peer to Peer

- Considered livery use of a vehicle and excluded by the unendorsed Personal Auto Policy
- Driver or TNC must maintain primary insurance while logged into the network, but does not have a passenger
- If there is a passenger the company is required to provide coverage
- For Peer to Peer Use the owner and the driver are required to be notified of any right of the peer-to-peer car sharing program to seek indemnification from the shared vehicle owner or the shared vehicle driver

Page 92.2

Casualty Laws: Workers Compensation - Important Definitions

- **After-tax average weekly wage.** "After-tax average weekly wage" means average weekly wage, as defined in subsection 4, reduced by the prorated weekly amount that would have been paid under the Federal Insurance Contributions Act
- **Average weekly wages, earnings or salary** of an injured employee means the amount that the employee was receiving at the time of the injury for the hours and days constituting a regular full working week in the employment or occupation in which the employee was engaged when injured
- **Independent contractor.** A person who performs services for remuneration is presumed to be an employee unless the employing unit proves that the person is free from the essential direction and control of the employing unit, both under the person's contract of service and in fact and the person meets specific criteria. In order for a person to be an independent contractor

Page 93.2 – 94.2

Independent Contractors

- Right to control work except final outcome
- Independently established trade or profession
- Opportunity for profit or loss
- Hires own assistants
- Can restrict work to a client and...
- Invested in their equipment or knowledge
- Not required exclusive work
- Must perform satisfactory work with payment related to performance
- Contract defining relationship
- Outside scope of usual course of business
- Determined to be an independent contractor by Federal Internal Revenue Service



Page 94.2
