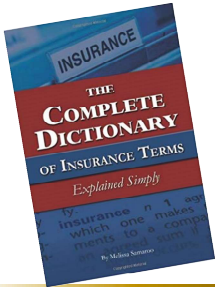


The WILD WEST OF RISK **parma** public agency risk management association **FEBRUARY 3-5, 2021**
47th Virtual Conference & Expo

The Language of Insurance




1



60minutes
338 pages

https://www.amazon.com/Complete-Dictionary-Insurance-Explained-Simply-ebook/dp/B007HCGN5A/ref=sr_1_1?s=book&ie=UTF8&qid=1541362745&sr=1-1&keywords=melissa+dictionary



2

Learning Objectives

- Identify the main parts of an insurance policy
- Policy deep dive
- Discuss various insurance terms



3

What is an insurance policy?



- Legal contract
- Between an individual or organization (the insured) and an insurer
 - Contract of Adhesion
 - Aleatory
 - Unilateral
 - Utmost Good Faith
- Four Basic Parts

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4

Declarations



- Introduce coverage
- Identify
 - Insurer
 - Named Insured and mailing address
 - Policy number
- Define
 - Properties or risks covered
 - Policy period
- Outline financial considerations
 - Premiums
 - Limits
 - Deductibles

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Insuring Agreement




- Summarizes insurer's agreement to pay covered claims
 - Describes
 - covered perils
 - risks assumed
 - nature of coverage
- Expressly promises to indemnify the insured
- Defines the Coverage Territory

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6

Exclusions




- Limitations to coverage
 - Outlines the types of activities or losses not covered
 - Exceptions to exclusions


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Conditions



- Describe the obligations of each party to the contract
- Can appear in the basic policy, the standard form and in policy endorsements
 - include cancellation provisions
 - how the insurer will proceed if other coverage applies to a loss
 - reserve right to subrogate a claim, or seek recovery from another party after it has paid a claim on your behalf

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8

Conditions



- Outline your obligations to the insurer
 - Outline when and how you must notify the insurer of an accident or incident that might be covered by a liability policy
 - your obligation to protect covered property after a loss
 - your obligation to cooperate during the investigation or defense of a liability lawsuit

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Four Basic Parts

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Endorsements

- Specific additions to the terms and provisions
- Address specific needs and requirements
- Often included in standard industry forms
- May be used to
 - Provide additional coverage
 - Expand the list of covered people or property
 - Limit coverage

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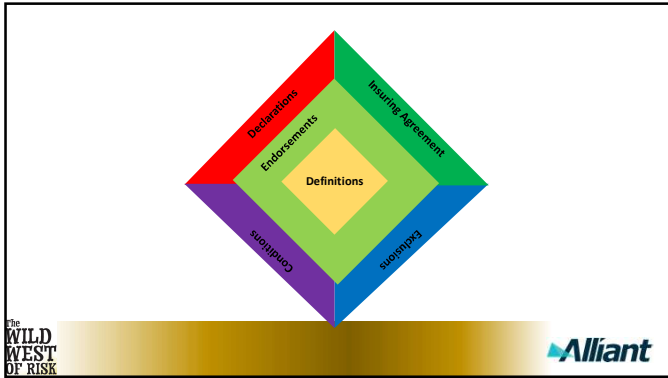
11

Definitions

- Defines important terms used in the rest of the policy
- Beware the quotation mark
- Or the terms in **bold**


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Declarations - Revisited



- Introduce coverage
- Identify
 - Insured
 - **Named Insured**
 - Mailing Address
 - Policy number
- Define
 - properties or risks covered
 - policy period
- Outline financial considerations
 - premiums
 - limits
 - deductibles

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Named Insured

- First Named Insured – has specific rights and responsibilities
 - Authorized to cancel the policy
 - Receive notice of cancellation
 - Authorized to make changes in terms of policy with insurer's consent
 - Responsible for payment of all premiums
 - Payee for return premiums



1. Named Insured and Address:
 The State of Tennessee, including all its departments, agencies, institutions and divisions, including the University of Tennessee system and the Tennessee Board of Regents system, and subsidiaries, Austin Peay State University, East Tennessee State University, Middle Tennessee State University, Tennessee State University, Tennessee Technological University, University of Tennessee, and associated companies, and its successors, and any partnership and joint ventures as now exist or may hereafter be constituted, and any party in interest to which the insured is responsible to insure.

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Declarations - Revisited



- Introduce coverage
- Identify
 - Insurer
 - Named Insured
 - Mailing Address
 - Policy number
- Define
 - properties or risks covered
 - policy period
- Outline financial considerations
 - premiums
 - limits
 - deductibles



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Mailing Address

- Mailing Address
 - Notices of cancellation
 - Claims payments
 - Any other notices from the insurer


1. Named Insured and Address:
The State of Tennessee, including all its departments, agencies, institutions and divisions, including the University of Tennessee system and the Tennessee Board of Regents system, and subsidiaries, Austin Peay State University, East Tennessee State University, Middle Tennessee State University, Tennessee State University, Tennessee Technological University, University of Memphis, and associated companies and/or corporations and the insured's interest in partnerships and joint ventures as now exist or may hereafter be constituted or acquired and any party in interest to which the insured is responsible to issue.

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Andrew Jackson State Office Building
502 Duaneville Street, 15th Floor
Nashville, TN 37243
United States of America






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Declarations - Revisited



- Introduce coverage
- Identify
 - Insurer
 - Named Insured
 - Mailing Address
 - Policy number
- Define
 - properties or risks covered
 - policy period
- Outline financial considerations
 - premiums
 - limits
 - deductibles

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Policy Period

- Occurrence Form
 - Incident giving rise to BI/PD must occur or the PI offense must have been committed during the policy period.
 - The policy in force at the time the BI / PD / Personal Injury takes place will respond.
 - Claim may be made during the policy period or after the policy period.

Policy A: 7/1/17-7/1/18
 Policy B: 7/1/18-7/1/19

Injury occurs on 6/1/18
 Claim is made 8/2/18

Q: Which policy will respond – Policy A or Policy B?

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Policy Period

- Claims Made Form
 - Incident giving rise to BI/PD must occur or the PI offense must have been committed on or after the retroactive date shown on the Dec Page
 - AND the claim must be made during the policy period or any extended reporting period (Basic ERP is 60 days)
 - No coverage applies if the BI/PD/PI took place before the retroactive date.

Policy A - Retro Date 7/1/2012: 7/1/17-7/1/18
 Policy B - Retro Date 7/1/2012: 7/1/18-7/1/19

Injury occurs on 1/12/2018
 Claim is made 8/2/18

Q: Which policy will respond – Policy A or Policy B?

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Policy Period

- Claims Made Form
 - Incident giving rise to BI/PD must occur or the PI offense must have been committed on or after the retroactive date shown on the Dec Page
 - AND the claim must be made during the policy period or any extended reporting period (Basic ERP is 60 days)
 - No coverage applies if the BI/PD/PI took place before the retroactive date.

Policy X - Retro Date 7/1/2012 Basic ERP: 7/1/17-7/1/18
 Policy Y - Retro Date 7/1/2018 Basic ERP: 7/1/18-7/1/19


Injury occurs on 1/12/2018
 Claim is made 11/2/18

Q: Which policy will respond – Policy X or Policy Y?

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Declarations - Revisited

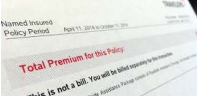


- Introduce coverage
- Identify
 - Insurer
 - Named Insured
 - Mailing Address
 - Policy number
- Define
 - properties or risks covered
 - ~~policy period~~
- Outline financial considerations
 - premiums
 - limits
 - deductibles

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Financial Considerations - Premium



- Annual Premium (Flat)
- Estimated Premium (Auditable)
- Subject to Minimum Premium

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Financial Considerations – Limits

- Per Occurrence
- Aggregate
- Sublimits

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Limits – How Do They Apply?

COVERAGES **CERTIFICATE NUMBER:** _____ **REVISION NUMBER:** _____
 THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

TYPE OF INSURANCE	ADDL. COVR.	POLICY NUMBER	POLICY EFF. DATE	POLICY EXP. DATE	LIMITS
GENERAL LIABILITY					EACH OCCURRENCE \$
COMMERCIAL GENERAL LIABILITY					TORNADO TO RENTED PREMISES (EA OCCURRENCE) \$
CLASSIS-SABOR <input type="checkbox"/> OCCORR <input type="checkbox"/>					MED EXP (Any one person) \$
					PERSONAL & ADV INJURY \$
					GENERAL AGGREGATE \$
GENL. AGGREGATE LIMIT APPLIES PER POLICY	POLICY <input type="checkbox"/> ADDL. <input type="checkbox"/> LOC. <input type="checkbox"/>				PRODUCTS - COMPOP AGG \$

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Financial Considerations - Sublimits



- Limitation on the amount of coverage available for a specific type of loss
- “Part of” rather than “in addition to”
- Exceptions to the rule (of course)

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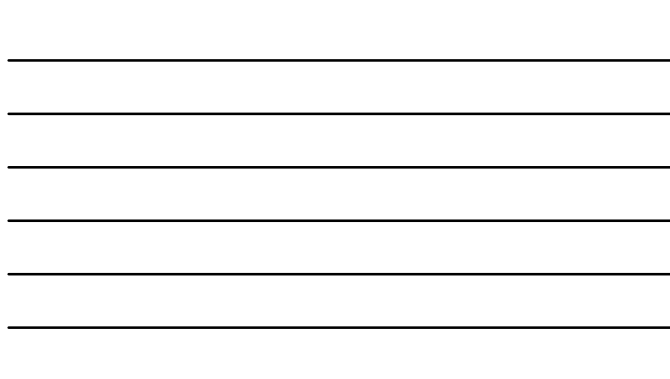


Item 8 - Policy L1

<ul style="list-style-type: none"> 1. Additional Property: \$100,000,000 2. Contingent Time Element: \$100,000,000 3. Rental Truck/Equipment: \$100,000,000 4. Contractual Agreements: \$100,000,000 5. Contractual Period of Insurability: \$100,000,000 6. Inflation for Cost or Value: \$100,000,000 7. Indemnity Extra Costs: \$100,000,000 8. Insured's Equipment: \$100,000,000 9. Additional Insured: \$100,000,000 10. Automobile Liability: \$100,000,000 11. Professional Services: \$100,000,000 12. Contractual Period of Insurability: \$100,000,000 13. Indemnity for Construction: \$100,000,000 14. Auto Liability: \$100,000,000 15. Contractual Period of Insurability: \$100,000,000 16. Additional Insured: \$100,000,000 17. Professional Services: \$100,000,000 18. Contractual Period of Insurability: \$100,000,000 19. Auto Liability: \$100,000,000 20. Contractual Period of Insurability: \$100,000,000 	<ul style="list-style-type: none"> 21. Construction Equipment: \$100,000,000 22. Contractual Period of Insurability: \$100,000,000 23. Indemnity for Construction: \$100,000,000 24. Auto Liability: \$100,000,000 25. Contractual Period of Insurability: \$100,000,000 26. Additional Insured: \$100,000,000 27. Professional Services: \$100,000,000 28. Contractual Period of Insurability: \$100,000,000 29. Auto Liability: \$100,000,000 30. Contractual Period of Insurability: \$100,000,000 	<ul style="list-style-type: none"> 31. Construction Equipment: \$100,000,000 32. Contractual Period of Insurability: \$100,000,000 33. Indemnity for Construction: \$100,000,000 34. Auto Liability: \$100,000,000 35. Contractual Period of Insurability: \$100,000,000 36. Additional Insured: \$100,000,000 37. Professional Services: \$100,000,000 38. Contractual Period of Insurability: \$100,000,000 39. Auto Liability: \$100,000,000 40. Contractual Period of Insurability: \$100,000,000
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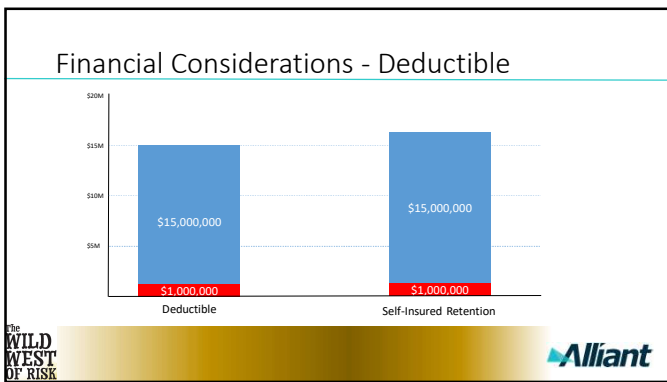


Financial Considerations - Deductible

- Deductible**
An amount the insurer will deduct from the loss before paying up to its policy limits.
- Retention**
A dollar amount specified in an insurance policy that must be paid by the insured before the insurance policy will respond to a loss.
- Major Differences**
 - insurer responsibilities in the event of a loss
 - collateral requirements
 - defense costs (inside or outside)
 - certificates of insurance
 - limits erosion
- How they are applied**
 - Per claim
 - Per incident/occurrence

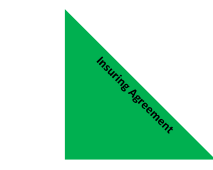



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Insuring Agreement - Revisited




- Summarizes insurer's agreement to pay covered claims**
 - Describes
 - covered perils
 - risks assumed
 - nature of coverage
- Expressly promises to indemnify the insured**
- Only if:**
 - Caused by an occurrence
 - Commercial Property
 - ... will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.



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Insuring Agreement - Revisited




- Summarizes insurer's agreement to pay covered claims
 - Describes
 - covered perils
 - risks assumed
 - nature of coverage
- Expressly promises to indemnify the insured
- Only if:
 - Cause
 - Coverage
 - Policy

CGL
 "The amount we will pay for damages is limited as described"
 Our right and duty to defend ends when we have used up the applicable limit of insurance in payment of judgments or settlements"

CGL
 "... Will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply."

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Insuring Agreement - Revisited




- Summarizes insurer's agreement to pay covered claims
 - Describes
 - covered perils
 - risks assumed
 - nature of coverage
- Expressly promises to indemnify the insured
- Only if:
 - Cause
 - Coverage
 - Policy

CGL
 "This insurance applies to "bodily injury" and "property damage" only if:
 (1) ... Caused by an "occurrence" that takes place in the "coverage territory";
 (2) ... Occurs during the policy period."


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Exclusions




- Limitations to coverage
 - Outlines the types of activities or losses not covered
 - Property—includes certain types of property and specific perils.
 - For example, the standard property policies do not cover you for lost or damaged currency, among other types of personal property. They also do not cover any property destroyed or damaged by earthquake or flood. Coverage needs to be added or purchased under a separate policy.
 - Money is excluded - covered under a crime policy
 - Liability—general liability policies exclude liability for pollution, design error, aircraft, watercraft
 - Can be purchased with separate, specialized policies
 - Exceptions to Exclusions
 - e.g. Pollution exclusion
 - Absolute (includes exceptions)
 - Total (takes away all exceptions)

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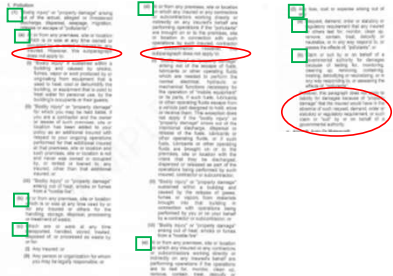
Absolute: not qualified in any way; total.
 Total: complete; absolute.

~ Oxford Dictionary



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COMMERCIAL GENERAL LIABILITY
 CO 21 40 00 00

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

TOTAL POLLUTION EXCLUSION ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

Exclusion 1, under Paragraph 2, Exclusions of Section 1 - Coverage A - Bodily Injury And Property Damage Liability is replaced by the following. This insurance does not apply to:

1. Pollution

(1) "bodily injury" or "property damage" which could not have occurred whole or in part but for the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutant" at any time.

(2) Any loss, cost or expense arising out of any:

(A) Request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, stabilize or remediate, or in any way respond to, or assess the effects of "pollutant" or

(B) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, stabilizing or re-treating, or in any way responding to, or assessing the effects of, "pollutant".

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Conditions

- Outline **your** obligations to the insurer
 - Outline when and how you must notify the insurer of an accident or incident that might be covered by a liability policy
 - your obligation to protect covered property after a loss
 - your obligation to cooperate during the investigation or defense of a liability lawsuit

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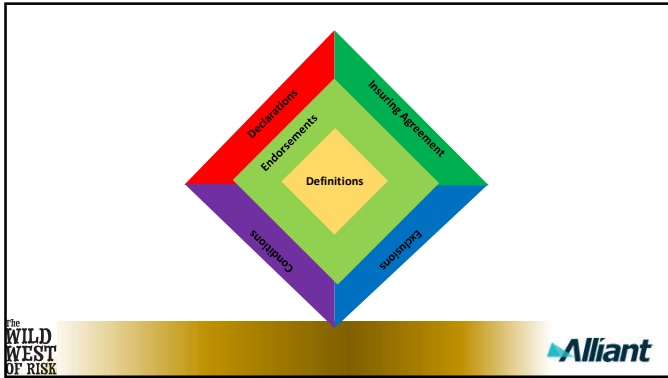
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Conditions

- Common Policy Conditions
- Specific Coverage Form Conditions

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Terminology by Line of Coverage

- Property
- Liability
- Workers Compensation
- Other

The slide features a collage of images: a blue padlock, a black drone flying over a city, a city skyline, and a document titled 'WORKERS' COMPENSATION CLAIM FORM'. The background has a gold gradient bar with the 'The WILD WEST OF RISK' logo and the 'Alliant' logo.

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Property Terminology

- Real Property
- Personal Property
- Equipment Breakdown/Boiler & Machinery
- Valuation
- COPE
- Secondary COPE
- "All Risk"
- Blanket v Scheduled
- Coinsurance
- BI / BI / CBI

The slide features an aerial view of a city skyline. The background has a gold gradient bar with the 'The WILD WEST OF RISK' logo and the 'Alliant' logo.

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Liability Terminology



- First Party
- Third Party
- Property Damage (PD)
- Bodily Injury (BI)
- Personal Injury (PI)
- Additional Insured (AI)
- SAM
- TBI

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Workers Compensation Terminology



- Statutory Limits
- Employers Liability
- All Other States Coverage
- Lost Time
- Medical Only
- Temporary/Permanent Partial
- Temporary/Permanent Total
- Employee Concentrations
- Experience Mod
- Class Code

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Other Terminology – Cyber/Network



- PII/PHI
- Cyber – Third Party Liability
- Cyber – First Party
 - Breach notification
 - Credit monitoring
 - Breach response
 - Defense costs
- Risk Control
 - Pen (Penetration) Testing

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Other Terminology - Aviation



- Airport Operations Liability
- Owned Aircraft Hull & Liability
 - Special Equipment
- Non-owned
 - Economic Development
 - Mosquito spraying
 - Prisoner transport
- Drone (unmanned aircraft)
 - Hull & Liability
 - Owned and Non-owned

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Other Terminology




- Crime / Employee Dishonesty
 - Money/Securities
 - Fraud
 - Social Engineering
- Public Officials Liability
- Educators Legal Liability
- Police Professional Liability
- Medical Professional

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Learning Objectives

- Identify the main parts of an insurance policy
- Policy deep dive
- Discuss various insurance terms

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