



SHISPA
SOUTHERN HISPANIC INSURANCE
SOCIETY OF PROFESSIONAL AGENTS

How to insure Restaurants



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How to insure a Restaurant

This course will follow Toni as she prepares to call on the Que Pasa Grill. The owner is a Personal Lines customer who has asked for her help in revamping the Grill's insurance plan. Toni wants to be prepared for the meeting but is uncomfortable because this is her first commercial lines account opportunity.

5SIC CODE: 5812 Eating Places

NAICS CODE: 722511 Full Service Restaurant

Suggested ISO General Liability Codes: 16900, 16901, 16902, 16910, 16911, 16915, 16916, 16920, 16921, 16930, 16931, 16940, 16941

Suggested Workers Compensation Code: 9082, 9083, 9084

Minimum recommended coverage:

Business Personal Property, Business Income and Extra Expense, Spoilage, Equipment Breakdown, Employee Dishonesty, Money and Securities, Computers, Valuable Papers and Records, General Liability, Employee Benefits, Umbrella, Hired and Nonownership Auto, Workers Compensation

Other coverages to consider:

Building, Accounts Receivables, Bailees Customers, Computers, Fine Arts, Cyberliability, Employment-related Practices, Environmental Impairment, Liquor Liability, Garagekeepers, Stop Gap Liability

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Risk Overview – a description of a particular risk and its potential exposures

Description of operations

Restaurants offer a full menu of food items and may or may not offer alcoholic beverages. A restaurant may specialize in a specific type of cuisine or may serve a general menu. Some entertain customers with music, comedy, various promotions, and special events. Some may have small dance floors.

Property exposures

are substantial from cooking, electrical wiring, and refrigeration units. The more grease laden vapor that is produced, the greater the exposure to fire. All grills and deep fat fryers must have automatic fire extinguishing protection, hoods and filters. There should be fuel shut offs and adequate hand-held fire extinguishers. The kitchen must be kept clean and grease free to prevent the spread of fire. Ammonia used in refrigeration units can explode. Spoilage exposure is very high. A small fire or a power outage of even moderate duration can cause all fresh and frozen goods to be condemned as unfit for consumption or sale. Business income with extended time period coverage should be purchased by any restaurant. Losses can be minimized if there is an alternative location to continue operations and not lose customers. Returning to normal operations after a loss is difficult due to the lag time between reopening and returning to full income as regular customers may have moved to a new "favorite" restaurant.

Equipment breakdown exposures

can be high as operations are dependent on refrigeration and cooking equipment.

Crime exposures

are from employee dishonesty and money and securities. Criminal background checks should be conducted on any employee handling money. If the restaurant uses expensive cuts of meat or serves alcohol, theft of stock could be a problem. If the cash receipts are high, employee dishonesty and holdup are concerns. There must be consistent rules on cash drawer management and job assignments. Money should be regularly stripped from the cash drawer and irregular drops made to the bank during the day to prevent a substantial accumulation of cash.

Inland Marine exposures

include accounts receivables if the restaurant offers credit to customers, computers for tracking inventories and payrolls, and valuable papers and records for supplier and employee information. Duplicates of all records should be kept off-site. Cash registers, cooking equipment and office equipment may have computer applications. Some establishments will have paintings, statues, or other fine arts on premises. Some may have a bailees exposure from offering coat check services to customers or from storing entertainers' property.

Premises liability exposures

are high due to public access to the premises. Servers move throughout the premises with trays of food and beverages, generating spills that can result in slips and falls. Vigilance in cleaning up spills is the only way to prevent falls. Temperatures of hot beverages must be limited to reduce injuries due to scalding. Steps and uneven floor surfaces should be prominently marked. There should be lighted emergency exits available in the case of emergency. Lists of ingredients should be posted to prevent allergic reactions. All employees must be instructed in proper customer handling, including how to deal with disgruntled or overly enthusiastic customers. Parking lots and sidewalks need to be in good repair, with snow and ice removed, and generally level and free of exposure to slips and falls. Outdoor security and lighting must be consistent with the area.

Products liability exposure

is due to food poisoning and allergic reactions. Monitoring the quality of food received, posting lists of ingredients, and maintaining proper storage temperature can reduce this exposure.

Liquor liability exposure

depends on the amount and type of alcohol served. If liquor is served, any failure to comply with state and federal regulations can result in the loss of a liquor permit. There must be a set procedure to check ages of anyone attempting to purchase alcohol, as well as monitoring so customers purchasing alcoholic beverages do not then give them to patrons who are underage or intoxicated. Employees who serve alcohol should complete training courses in recognizing intoxication problems and dealing with customers. A procedure should be in place to deny serving intoxicated patrons. Programs that encourage designated drivers or offer free taxi service can be useful.

Automobile exposure

may be limited to hired or nonownership liability exposures from employees running errands. If the restaurant offers valet parking, garagekeepers coverage should be purchased to cover damage to customers' vehicles. MVRs and driving records should be obtained for any employee driving or parking customers' vehicles. If valet parking services are contracted to another firm, the insured restaurant should be named as additional insured on the contractor's policy.

Workers compensation exposures

come from slips, falls, cuts, burns and heavy and awkward lifting, along with interactions with customers. Employees must be trained on the carrying of heavy dishes between the kitchen and the serving areas. As with all retail businesses, hold-ups are possible so employees should be trained to respond in a prescribed manner. The employees in many restaurants tend to be minimum wage and turnover may be high. Well-trained employees with an incentive to do their best and who have clear direction will have the fewest injuries. Company incentives to encourage long-term employment are positive signs of management control.

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz question, the correct answer will be shown. If you are ready, the first update and quiz is ready.

QUIZ: RISK OVERVIEW

Que Pasa Grill is an established restaurant located close to a university in town. It is popular with the university staff and other local business people for lunch but has strong student clientele in the evening. Elijah and Maria Greene started the restaurant twelve years ago and have witnessed steady growth over the time period.

There is only one General Liability Code to consider when rating a restaurant.

True

False

The major property exposure comes from:

- a. Kitchen
- b. Dining Room
- c. Heating and Air Conditioning System
- d. Inventory

Which of the following is not a major crime exposure?

- a. Employee Theft
- b. Money and Securities
- c. Theft
- d. Customer Goods

General Liability and Workers Compensation coverages have which two loss types in common?

- a. Falls and customer-employee interaction injuries
- b. Burns and cuts
- c. Theft and accounts receivables
- d. Personal Injury and watercraft

If a restaurant has a current liquor license, they do not have an exposure to liquor liability losses.

True

False

GENERAL INFORMATION

Account: _____

Account number: _____

Agency: _____

Agency number: _____

Producer: _____

Producer number: _____

Legal business name(s)

WHY?

The correct legal business name is needed since policy conditions provide for payment only for the financial interest of the insured shown. If the named insured is incorrect, payment could be denied.

But being listed does not guarantee coverage unless the parties have an insurable interest

It's a good idea to confirm that the First Named Insured is the one who should receive all cancellation notices, audit reports, and other important insurance notifications.

Mailing address:

Email: _____

Website: _____

Type of entity:

- Individual Corporation Sub-S Corp.
- Partnership Joint Venture
- Not-for-profit Limited Liability Company

WHY?

The legal entity is used to determine who is an insured in the various commercial general liability coverages. If there are multiple named insureds, there can be multiple types of legal entities.

SIC Code(s): _____

NAICS Code(s): _____

Federal ID Number: _____

When did the applicant start business operations? _____

When did the present management assume control? _____

How many years' experience does the owner have in this type of business? _____

How many years' experience does the manager have in this type of business? _____

WHY?

A business can exist for years but it can be ruined quickly by poor and/or inexperienced management.

Has the applicant ever been involved in a bankruptcy procedure? Yes No

If yes, explain including the type of bankruptcy, the filing date, and the resolution.

Names of subsidiary companies or joint ventures that are not part of this application:

WHY?

An insurance agent, like a risk manager, must identify potential gaps in coverage. A customer may be making assumptions about coverage for its various joint ventures and/or subsidiaries. Identifying these early could prevent potential gaps in coverage. It may open a dialogue on the topics and allow the customer to decide on whether to purchase coverage for its joint ventures and/or subsidiaries.

Important People	Name	Phone Number
Owner/Principal	_____	_____
Other Decision Makers	_____	_____
Plant and Grounds	_____	_____
Financial	_____	_____
Legal	_____	_____
Claims	_____	_____

WHY?

People are what make a business. Successful risk management depends upon knowing who can make decisions and who must be consulted. Interviewing the individuals identified will assist in finding gaps in coverage.

The applicant's primary operations are:

WHY?

A clear understanding of the customer's view of its business is vital for providing risk management services to the customer as well as working with the insurance company on the account.

The applicant's secondary and/or incidental operations are:

WHY?

Many restaurants add attractions and operations to lure customers. These attractions may represent a small portion of the overall revenue but can significantly increase the loss potential.

The applicant used to be involved in the following operations, but they have been discontinued:

WHY?

These operations may have stopped but the related products and completed operations exposures remain active. If the named insured remains on the policy, the exposure must still be considered active.

The hours of operations are: _____

How many days per week is the applicant open? ____

Is this a seasonal operation? ____ Yes ____ No

If yes, what is the season? From: _____ to: _____

WHY?

Seasonal operations have a shorter time frame in which to make a profit and are often dependent on the climate. Poor snowfall in a ski resort town can result in a loss for the year for all its retailers. In addition, any seasonal operation with buildings will have an occupied building for only part of the year, which increases its hazards and loss potential.

Does the applicant have a safety program? ____ Yes ____ No

If yes, answer the following:

Name of safety director: _____

Safety director phone number: _____

Safety director email address: _____

Attach a copy of the safety program.

WHY?

Safety programs are effective in reducing losses when they are actually implemented. Helping an insured develop and implement an effective safety program can help prevent injuries, save lives and save money.

Does the applicant have a disaster plan? ____ Yes ____ No

If yes, answer the following:

Name of disaster coordinator: _____

Disaster coordinator phone number: _____

Disaster coordinator email address: _____

Attach a copy of the disaster plan.

WHY?

Disaster plans must be in place that establishes what should occur in the event of a catastrophe such as a tornado, earthquake, hurricane, fire or cave-in. Pre-planning and training in advance of a disaster can prevent panic and reduce injuries.

Describe the clientele using percentage by age.

____ Under 18 ____ 18-25 ____ 25-35 ____ 35-50 ____ Over 50

Describe the clientele using percentage by origin.

____ Families ____ Business/Professional ____ Students

____ Military ____ Other

Describe other: _____

WHY?

Patrons may provide insight into a restaurant's exposures. Restaurants that cater to college students have significantly different exposures than those catering to senior citizens.

Does the establishment specialize in certain foods or drinks? ____ Yes ____ No

If yes, describe.

Does the establishment draw its customers primarily from the immediate area? ___ Yes ___ No

If no, explain what draws customers to the establishment.

WHY?

The type of food being served provides insight into a given restaurant's potential fire and liability exposures. Fried foods produce the most grease-laden vapors which add to the fire load and housekeeping problems. Restaurants that provide cooking at the table add significant liability exposure to the diners and increase the fire hazard of the property as well.

Local clients are less likely to file a lawsuit against the restaurant because of their relationships with the owners. Restaurants with regular crowds are less prone to accidents because the customers are familiar with the surroundings.

Is the establishment located in a shopping center? ___ Yes ___ No

What are the gross sales for the past 3 years?

Food \$ _____ Liquor \$ _____

Food \$ _____ Liquor \$ _____

Food \$ _____ Liquor \$ _____

WHY?

Shopping center restaurants do not have the parking lot exposures and may gain or lose customers based on the draw of the shopping center.

Optimally, sales should be increasing. A significant change in the ratio between food and liquor sales could indicate a shift in operations.

Is there a separate bar or lounge? ___ Yes ___ No

If yes, answer the following:

Area of bar or lounge: _____ sq. ft.

WHY?

Off premises operations are not contemplated in the usual restaurant operation. While such operations reduce the on-premises exposure, supervising off-premises activity is vital along with proper sanitation methods to prevent food poisoning.

The answer to the bar/lounge question often depends upon local liquor laws. Some locales require all alcohol to be served from a separate room or area that prohibits minors. In states without such codes however, a separate bar area may indicate an operation that is heavily dependent on alcohol for profit.

Indicate how many days each week the following are on the premises:

___ Live bands ___ Male/female reviews ___ Public dancing ___ Disc jockey

___ Dancers ___ Pool tables ___ Bouncers ___ Happy Hour activities

Does the establishment use antennas, satellite dishes or streaming video to provide entertainment for customers?

___ Yes ___ No

If yes, describe any antennas or dishes and also the type of programming: _____

Are there other types of entertainment? ___ Yes ___ No

If yes, describe.

Are operations, such as catering, conducted away from the premises? ___ Yes ___ No

If yes, describe.

WHY?

Any form of entertainment (and related safety measures) must be evaluated. Entertainment tends to encourage customers to linger and drink more alcohol, which can lead to an increased liquor liability exposure.

Quiz questions are good re-enforcers of the material covered. If you were able to answer all of the questions correctly, please continue. If you were not able to answer all of them correctly, feel free to restart the quiz and try again.

QUIZ: GENERAL INFORMATION

The actual named insured for Que Pasa Grill is Fire and Rain Enterprises LLC. King Pieces, LLC is also a named insured. Elijah and Maria started King Pieces LLC, a small import business, so that they can directly import spices, cooking oils and cooking equipment they believe are necessary for the authentic food they prepare. They also sell imported goods to other restaurants but it is a minor part of their operation. They tried to open another restaurant five years ago but closed it two years ago because of difficulty in managing two restaurants. There is no safety or disaster plan in place.

The named insured must be shown as:

- Fire and Rain Enterprises, LLC and King Pieces, LLC dba Que Pasa Grill
- King Pieces, LLC and Fire and Rain Enterprises, LLC
- Elijah and Maria Greene, Fire and Rain Enterprises, LLC and King Pieces, LLC
- Any of the above

All secondary and incidental operations should be listed on the application since they are covered under the policy.

True

False

Elijah and Maria are considering closing during the summer months due to lack of business. How does that affect their loss potential?

- Smaller receipts and shortened exposure time means less loss potential.
- Non-occupied buildings are more subject to losses so the loss potential is increased.
- The expenses are lower so the chance of profit is higher which reduces loss potential.
- Premium is lower so the loss ratio is higher.

Maria wants to have tabletop cooking for select desserts as a new specialty. Will that impact the loss potential for the restaurant?

- Yes, there is an increase in the property hazard when fire moves from the kitchen to the dining room.
- Yes, there is an increase in the liability hazard when customers are exposed to direct flame and hot dishes.
- Yes, there is an increase in the workers compensation hazard when workers carry hot items.
- All of the above.

A Mariachi band is hired to play at Que Pasa every Saturday night. What type of insurance coverage may have increased loss potential?

- Property
- Inland Marine
- Liquor Liability
- Workers Compensation

PROPERTY – BUSINESS PERSONAL PROPERTY

Premises # _____ Building # _____

Location address:

WHY?

The location address must be exact since the coverage is specific to the location. If the location address is incorrect, a loss could be denied.

It is important to know what the insured considers business personal property. This knowledge will help identify coverage gaps.

Describe the business personal property.

Do the applicant's business personal property values fluctuate? ___ Yes ___ No

If yes, is the fluctuation ___ Monthly ___ Seasonal (from _____ to _____)

WHY?

Fluctuating business personal property values can lead to coinsurance and underinsurance issues. Value reporting forms and peak season endorsements can be valuable tools to resolve any problems.

Is the applicant's business personal property:

Highly flammable: ___ Yes ___ No

Susceptible to severe damage from: ___ Smoke ___ Heat ___ Water ___ Temperature

WHY?

Understanding the vulnerability of business personal property's to loss aids in risk management. The Food and Drug Administration (FDA) requires destruction of food and beverage items if there is a chance they were contaminated by smoke, temperature or water. Therefore, all food and beverages should be stored separately and away from heat producing sources and taken out as needed.

Do any other occupancies in this building present a significant exposure hazard to the applicant? Examples are explosion, fire or chemical hazards but are not limited to just them. ___ Yes ___ No

If yes, describe.

WHY?

Other occupants of a building can be the major fire exposure for that location. Understanding the nature of the other occupancies is the first step in the risk management process for your customer. The other occupancies can't be forced to change but the insured has some options, including the option to move to a different location.

Would the applicant's business personal property be damaged if the off-premises supplied heat, light or power failed?

___ Yes ___ No

If yes, answer the following:

Describe what would be damaged and how quickly.

How is the heat, light, or power transmitted to the applicant?

Will alarms sound or will there be other notification if power fails or shuts off? ___ Yes ___ No

Are backup generators available? ___ Yes ___ No

WHY?

Restaurants cannot operate without heat, electricity and water, so their business is dependent on utility services. The utility service coverage available in the unendorsed property coverage form is very limited so endorsements to provide coverage that is more specific should be encouraged.

Are detailed records kept of all of the applicant's inventory, machinery, fixtures, or equipment, including their purchase date and price? ___ Yes ___ No

Does the applicant label and assign inventory numbers to all items? ___ Yes ___ No

WHY?

The time to prepare for a loss is before it occurs. If the insured understands the need for records to document their business personal property, underinsurance problems can be reduced and claim settlements can be handled more expeditiously.

How many of each of the following types of fire extinguishers does the applicant have on the premises?

___ Soda Acid ___ CO2 ___ Dry chemical

When were they last serviced and tagged? ___ Month ___ Year

Are the extinguishers mounted and accessible to cooking areas? ___ Yes ___ No

Does the applicant train employees to properly use the extinguishing equipment? ___ Yes ___ No

WHY?

Fire extinguishers are useful in fighting some small fires but employees must be trained in when and how to use them.

Does the applicant cook or prepare any food at the table? ___ Yes ___ No

If yes, describe the type of food prepared and its percentage of the applicant's total receipts.

WHY?

Tablesideside cooking can be very dangerous and add a significant fire load to areas unprepared for the hazard. Cooking in the midst of combustible carpeting, curtains and tablecloths is much more hazardous than cooking under a hood in a stainless steel kitchen.

Was the building originally built for a restaurant occupancy? ___ Yes ___ No

If no, have any alterations been made for it to be occupied as a restaurant? ___ Yes ___ No

If yes, when were they made? _____

WHY?

Any building with a restaurant occupancy must have electrical, plumbing, heating and air-conditioning systems designed for the heavy usage demanded by that occupancy. In addition, grease-laden vapors can permeate dropped ceilings and partitions and cause a fire hazard from the unseen grease accumulation.

If the restaurant is in a multi-story building, on which floor is the restaurant located? _____

Is smoking permitted? ___ Yes ___ No

If yes, describe how the applicant disposes of smoking materials.

WHY?

Fast response is necessary to contain restaurant fires. A restaurant located on upper floors of a multi-story building hampers the firefighting efforts and a fire can quickly get out of control. Cigarettes should be emptied regularly into a closed metal container.

The restaurant housekeeping is considered:

___ Excellent ___ Good ___ Fair ___ Poor

Describe the type of cooking done on the restaurant premises.

WHY?

Grease-laden vapors accumulate on any surface they touch. This grease acts as an accelerant when a fire starts. Constant cleaning is needed to keep the kitchen clear of grease accumulation.

The fire load of the kitchen depends on the type of cooking. Deep fat frying and broiling produce the most grease-laden vapors. Closed oven cooking produces the least.

Does an automatic extinguishing system protect the following?

Cooking surfaces ___ Yes ___ No

Deep fat fryers ___ Yes ___ No

Exhaust duct work ___ Yes ___ No

Hoods ___ Yes ___ No

All other cooking appliances ___ Yes ___ No

Do all deep fat fryers have high temperature limit switches? ___ Yes ___ No

WHY?

Automatic extinguishing systems stop the fire before it can spread from the cooking area.

Do cooking appliances have automatic fuel shut-off valves? ___ Yes ___ No

Does the automatic extinguishing system have an accessible manual release control? ___ Yes ___ No

WHY?

The automatic extinguishing system only works once and then must be recharged. A fire can be extinguished but if the fuel is not cut off and continues to heat the grease, the fire can be rekindled and quickly become out of control.

Underwriters Laboratories (UL) is an independent testing organization that certifies a product will respond as advertised. Only UL approved automatic extinguishing systems receive rate credit from ISO.

Is the automatic extinguishing system Underwriters Laboratories (UL) listed? ___ Yes ___ No

Is there a written automatic extinguishing system inspection/maintenance agreement? ___ Yes ___ No

How often is the system inspected?

___ Annually ___ Semi-annually ___ Quarterly ___ Other

Explain other.

WHY?

An automatic extinguishing system must be checked on a regular basis and recharged as indicated. It is important to have a maintenance agreement in place to be certain of a regular review so that the system is operational when needed.

Does an outside contractor clean the restaurant's hoods and duct work? ___ Yes ___ No

If yes, how often are they cleaned?

___ Annually ___ Semi-annually ___ Quarterly ___ Other Explain other.

How often are the restaurant's grease filters cleaned?

___ Daily ___ Weekly ___ Monthly ___ Other

Explain other.

Does an outside contractor clean the restaurant's grease filters? ___ Yes ___ No

Provide a copy of all service contracts.

WHY?

A maintenance contractor has the equipment and the expertise to properly clean the hood and ductwork for a restaurant. The frequency of cleaning depends on the type and amount of cooking done.

BURGLAR ALARM

Describe any burglary exposures beyond what is usual to the applicant's type of business.

Describe any special features of the applicant's burglar alarm or safe or vault alarm systems not noted elsewhere.

IMPROVEMENTS AND BETTERMENTS

Is the applicant a tenant? ___ Yes ___ No

If yes, answer the following.

Describe all improvements or betterments that have been added by or for the applicant but that will remain with the building when the applicant leaves.

What is the term of the applicant's lease? _____

What is the applicant's lease renewal option term? _____

WHY?

Restaurants may have more improvements and betterments than business personal property. Improvement and betterments can be combined with the business personal property or listed as a separate item on the Declarations. When combined with the business personal property, the business personal property rate is used to develop the premium but when listed as a separate item; the lower building rate is used.

QUIZ: PROPERTY – BUSINESS PERSONAL PROPERTY

Maria walks Toni through the restaurant as they talk. She notices that there are dropped ceilings and new paneling. Maria explains that the building was originally a warehouse. They converted the building when they started the business. They gutted the building and installed new electrical, heating and plumbing to accommodate the restaurant and meet the health codes. The ceilings are 15 feet and dropped to a warmer 10 feet in the dining area but kept open in the kitchen. There is a large storeroom where the imported products are kept along with the restaurant supplies. There is a separate locked room for all of the alcoholic beverages since they have a full liquor license. The manager on duty holds the key.

When a building is converted to a restaurant occupancy, what is a primary underwriting concern?

- a. Exterior decorations
- b. Interior designs
- c. Electrical
- d. Parking

What type of cooking is the most hazardous from a property exposure?

- a. Baking
- b. Deep fat frying
- c. Pan frying
- d. Boiling

What items should be protected by the automatic extinguishing system?

- a. Cooking surfaces
- b. Hood
- c. Exhaust ductwork
- d. All of the above

One advantage to having an automatic extinguishing system is that you can eliminate all other fire extinguishers in the kitchen.

- True
- False

What one safety measure can prevent most grease fires from spreading?

- a. Excellent housekeeping
- b. Trained serving staff
- c. Paid fire department
- d. Disaster plan

BUSINESS INCOME AND PROPERTY INVENTORY

PROPERTY – BUSINESS INCOME

Premises # _____ Building # _____

Location address:

What expenses of the applicant continue during any business suspension?

\$ _____ preceding 12 months \$ _____ current year

WHY?

It is important for an insured to determine and distinguish between expenses that continue, those that do not and others that are elective or voluntary. Payroll expense is an example of an expense that can be included, included with conditions or totally excluded.

How many days does the applicant need to resume operations? _____

WHY?

There is coverage for only 30 additional days after the business resumes normal operations. The insured should consider how long it may take to rebuild its clientele after an extended business interruption. If it cannot accomplish this within 30 days, purchasing coverage for a longer period should be considered.

Will the applicant's net income equal its pre-loss levels as soon as operations resume? ___ Yes ___ No

If no, how many days will the applicant need before the income returns to its pre-loss level?

___ 30 ___ 60 ___ 90 ___ 120 ___ 150 ___ 180
___ 210 ___ 240 ___ 270 ___ 310 ___ 340 ___ 370

Describe a piece of equipment or type of operation that might force the applicant to suspend operations until it was replaced, repaired, or resumed.

WHY?

Specialty restaurants may have unique equipment, such as a one-of-a-kind coffee maker, a distinctive oven or other rare feature that would have to function properly before they could reopen. The insured must develop an action plan to accommodate such situations before a loss occurs.

PROPERTY – INVENTORY

The purpose of this listing is to provide guidance in two areas:

- a) Placing all items in the proper category
- b) Insuring to value

Complete an inventory for all buildings at each premises.

Premises # _____ Building # _____

Location address:

PROPERTY – BUILDING

Premises # _____ Building # _____

Location address:

WHY?

The location address must be exact since the coverage is specific to the location. If the location address is incorrect, a loss could be denied.

It is important to know what the insured considers business personal property. This knowledge will help identify coverage gaps.

Does the applicant own the building? ___ Yes ___ No

If no, answer the following:

Who owns the building?

Is the applicant contractually obligated to insure the building? ___ Yes ___ No

If yes, attach a copy of the contract.

If the building sustains a major loss, would the applicant replace it with the same type of structure? ___ Yes ___ No

If no, what would the applicant do?

If the building sustains a major loss, what new building codes would be imposed on the applicant in order to rebuild?

Describe any barriers or obstacles that would prevent the fire department from responding to a fire at the applicant's building on a timely basis. These could include locked gates, railroad crossings, and congested or narrow roads.

Describe any barriers or obstacles that would prevent efficiently evacuating the building.

How many fire extinguishers and smoke alarms are on premises?

___ Fire extinguishers ___ Smoke alarms

When was the building built? _____

In what year were the following systems last updated?

_____ Heating _____ Electrical _____ Roof _____ Plumbing

Have any additions been made to the building? ___ Yes ___ No

If yes, describe the addition and the date it was completed.

BUILDING

The applicant might want to consider one of the optional valuation methods available if the market value is considerably less than either the Replacement Cost Valuation (RCV) or the Actual Cash Value (ACV) Valuations. Although there is a surcharge in the pricing, the difference in premium can be significant.

	RCV	ACV	Market Value
Building	\$ _____	\$ _____	\$ _____
Building Additions	\$ _____	\$ _____	\$ _____

Fixtures – include sprinkler systems, irrigation sprinkler lights, security systems, etc.

Description	RCV	ACV	Market Value
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Total Fixtures	\$ _____	\$ _____	\$ _____

Permanently installed machinery and equipment used in production, manufacturing, and processing:

Description	RCV	ACV	Market Value
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Total M&E	\$ _____	\$ _____	\$ _____

WHY?

These items may look like Business Personal Property but if they are permanently installed and anchored to the floor, they are treated as building property.

Machinery and equipment used to maintain or service the premises: (This includes fire extinguishing equipment, outdoor furniture, and appliances used for refrigerating, ventilating, cooking, and dishwashing.)

Description	RCV	ACV	Market Value
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Total M&E	\$ _____	\$ _____	\$ _____

Landlord property in furnished apartments, rooms for rent, and common areas: (This includes appliances, furniture, clothing and bedding, cookware, and consumable supplies including food.)

WHY?

Note: The items listed are considered building under the Business Owners Policy (BOP) but not under the Commercial Property Coverage Form.

Description	RCV	ACV	Market Value
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Total Landlord Property		\$ _____	\$ _____ \$ _____

Add together the building, additions, fixtures, machinery and equipment, service machinery and equipment and, if applicable, landlord property to develop the building value.

	RCV	ACV	Market Value
Total Building	\$ _____	\$ _____	\$ _____

WHY?

There is no requirement that these items be permanently installed. Refrigerators, cooking units and dishwashers are all considered to be part of the building when they are used to maintain or service the building or the premises.

BUSINESS PERSONAL PROPERTY

This is all furnishings that are not listed as building above that the named insured either owns or leases:

WHY?

Note: Do not list business personal property more specifically insured under another policy. Examples are computers, electronic devices, antiques, fine arts, etc. These items can be removed from the limit of insurance because the only coverage provided for it is excess coverage.

Description	RCV	ACV	Market Value
_____	\$ _____	\$ _____	\$ _____
Total Furnishings	\$ _____	\$ _____	\$ _____

WHY?

Listing the items assists in determining how they should be covered. A list eliminates the possibility of including specific property in more than one category and being charged premium more than once.

STOCK

Stock valuation is selling price less discounts and costs that the named insured would not incur if the stock was damaged or lost. It is calculated as follows:

Selling price of stock on hand	\$ _____
Estimated discount (Selling price X average discount %)	
-\$ _____	
Estimated costs that will not be incurred (Shipping, handling, and packaging)	
-\$ _____	
Total Stock Value	\$ _____

WHY?

Note: The amount of stock on hand may vary significantly from month to month. In that case, use the highest monthly value as the starting point and consider using a reporting form.

IMPROVEMENTS AND BETTERMENTS

If improvements and betterments are combined with business personal property as one limit, they are rated as business personal property. If there is a separate limit for improvements and betterments on the declarations, they are rated as building.

Description: _____

Original Cost \$ _____ RCV \$ _____ ACV \$ _____

Term of lease _____

WHY?

Note: If the applicant does not repair the Improvements and Betterments (I&B) at the time of loss, the valuation is determined by dividing the remaining number of days of the lease by the total number of days in the lease and multiplying that factor times the original cost of the improvements and betterments.

Add together the furnishings, stock and, if applicable, improvements and betterments to develop the business personal property value.

	RCV	ACV	Market Value
Total Business Personal Property	\$ _____	\$ _____	\$ _____

WHY?

Many restaurants and other occupancies have extensive amounts of improvements and betterments. These should be itemized and listed separately on the Declarations Page. This permits building rates to be used to determine the premium, instead of the higher business personal property rates.

PERSONAL PROPERTY OF OTHERS

Personal property of others is valued at ACV unless the named insured purchases the PPO RCV extension. This RCV valuation is limited to RCV or the written contract amount value, whichever is less.

Description	RCV	ACV	Contract Value
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
Total PPO	\$ _____	\$ _____	\$ _____

QUIZ: BUSINESS INCOME AND PROPERTY INVENTORY

Que Pasa Grill has never carried business income coverage but Maria and Elijah explained that when they had to close for 30 days following a small loss, they almost lost the business. They are interested in hearing about the coverage and how it works. The building is currently insured for \$225,000, the business personal property for \$175,000. Toni learns that the kitchen equipment is currently insured as business personal property. Using the Property Inventory questionnaire, she shifts \$50,000 from the business personal property limit and adds it to the building limit. This will provide a premium savings that may help pay for the business income coverage.

When does business income coverage cease?

- a. When daily receipts match the daily receipts prior to the loss
- b. Thirty days after operations resume
- c. When all employees return to work
- d. When the utilities are turned back on

Que Pasa is known for their tortilla shells. They are made using a special custom made press only available in Mexico. If the press was damaged they would not be able to reopen until the press was repaired or replaced. What should be done to reduce the amount of the business income loss?

- a. Store the press away from all other equipment to safeguard it.
- b. Purchase additional ones and store them in a warehouse until needed.
- c. Develop an action plan to handle the situation prior to the loss.
- d. Eliminate the press and hand press the tortillas instead.

Which of the following is never defined as building?

- a. Sprinkler system
- b. Refrigerator
- c. Dining room booth
- d. Dining room table

Improvements and Betterments are always defined as personal property.

- ___ True
- ___ False

Which of the following valuation methods should always be used?

- a. Replacement Cost
- b. Actual Cash Value
- c. Market Value
- d. It depends on the situation.

INLAND MARINE, EMPLOYEE DISHONESTY AND MONEY AND SECURITIES

INLAND MARINE – ACCOUNTS RECEIVABLE

Premises # _____ Building # _____

Location address:

What is the average monthly amount of receivables over the past 12 months? _____

What is the maximum monthly amount of receivables during the past 12 months? _____

What is the estimated cost to re-create all records of accounts receivable? \$ _____

WHY?

This coverage is subject to an 80% coinsurance requirement, so an adequate limit is important.

Describe the present disaster plan to reconstruct/re-create records of accounts receivables.

Where are the records of accounts receivables stored?

WHY?

A critical risk management technique is to maintain a complete copy of company financial records off-premises.

What percentage of the records of accounts receivable is duplicated and stored separately? _____%

How long are the duplicates kept? _____

Where, and in what type of receptacle(s), are the duplicate records stored?

WHY?

This information is important in helping a business resume full operations. It provides the documentation used for premium reductions.

INLAND MARINE – BAILEE CUSTOMERS

Describe all property of others that is in the applicant’s care, custody, or control. The property can be at the applicant’s premises or at other processors’ premises for storage, sale, processing, service, or consignment.

Location	Description	Value
_____	_____	_____

How is property of others received, marked, and tracked so that it is returned to the correct owner?

Does the applicant send customer’s property to other processors? ___ Yes ___ No

If yes, describe how the customer’s property is marked, tracked, and returned to the applicant’s premises.

Describe the applicant’s processing and the method it uses to continually identify the customer’s property.

How is property of others returned to the customer and how does the applicant verify ownership?

Does the applicant provide an attended checkroom for coats and other personal property of customers? ___ Yes ___ No

If yes, answer the following:

Is the attendant an employee? ___ Yes ___ No

If no, attach a copy of the contract with the organization that provides the service.

Do checkroom customers receive a claim check? ___ Yes ___ No

Does the applicant rent or short-term lease expensive sound systems? ___ Yes ___ No

Does the applicant allow entertainers to leave equipment on the premises? ___ Yes ___ No

CRIME – EMPLOYEE DISHONESTY

PRIOR POLICY

Provide the policy number, carrier, limits, and the inception and expiration dates of any policy that provided employee dishonesty coverage for the applicant over the past five years.

Policy number dishonesty limit	Carrier Inception date	Employee Expiration date
_____	_____	_____
_____	_____	_____
_____	_____	_____

WHY?

Note: This information is needed when a loss is discovered in the current policy year for an occurrence that took place in prior years.

The Employee Dishonesty policy is unusual since it refers to a previous policy. If a loss occurs, the settlement may depend on information from the previous policy.

EMPLOYEES

Does the applicant employ any person who has committed a theft or dishonest act? ___ Yes ___ No

WHY?

Note: These employees are excluded from coverage and should not be included for rating purposes.

Are all potential employees screened prior to employment? ___ Yes ___ No

Are references required and verified? ___ Yes ___ No

WHY?

The insured must be made aware that the policy does not cover losses caused by any individual who has previously committed a dishonest act. This coverage gap could be significant and expensive for the insured.

Does the applicant contract with another firm to lease employees? ___ Yes ___ No

Does the applicant lease employees without using an outside agency? ___ Yes ___ No

Does the applicant use volunteers? ___ Yes ___ No

WHY?

Note: Temporary leased employees who substitute for regular employees are covered. Others, including volunteers, are excluded and should not be included for rating purposes...

Insureds must be aware that the policy has coverage limitations on losses caused by using leased employees. Identifying these limitations permits a discussion of coverage gaps and solutions (i.e. endorsements) for closing them.

Volunteers can become so useful that they assume increasingly important roles in an organization. When their positions involve financial matters, the potential for uncovered losses increases since employee dishonesty losses caused by volunteers are not covered. The use of volunteers should be evaluated and possible gaps in coverage explained to the insured.

MANAGEMENT CONTROLS

Does a person outside of the applicant's accounts payable unit verify the accuracy of all monthly paid invoices?

___ Yes ___ No

Are invoices marked "paid" at the time payments are made in order to prevent issuing duplicate payments to fictitious entities?

___ Yes ___ No

Does the applicant implement improvements in internal controls that auditors suggest? ___ Yes ___ No

Does the applicant maintain an adequate separation of duties between employees who:

Receive money and those who keep books? ___ Yes ___ No

Disperse money and those who keep books? ___ Yes ___ No

Reconcile bank accounts and those who deposit or withdraw? ___ Yes ___ No

WHY?

Allowing one person to control all of a company's finances is unwise. It creates the potential for an employee to misappropriate funds.

CRIME – MONEY AND SECURITIES

Premises # _____ Building # _____

Location address: _____

INSIDE THE PREMISES

Does the applicant keep money and securities in a locked safe, vault, or other type of receptacle? ___ Yes ___ No

If yes, describe the safe, vault, or other receptacle.

If no, where are they kept?

WHY?

A separate survey is needed for each premises where there is money and securities because the exposures and protective devices will vary by premises. Safes and receptacles, alarms, and amounts of money are unique to each location.

Locked receptacles are great for preventing casual thievery and they also help minimize other types of losses. Safes or other similar receptacles can protect money and securities during fire, windstorm and other causes of loss.

Does this location require a different limit than other locations? ___ Yes ___ No

If yes, what is this location's limit? \$ _____

Does the applicant have any peak periods with significant increases in the amount of cash on hand? ___ Yes ___ No

(Examples: Churches/synagogues – high holy days; nonprofits – fund raising events)

If yes, amount \$ _____ Time period(s) _____

WHY?

A blanket limit is used on all locations unless specifically stated otherwise. This affects the rating and may also require the use of an endorsement.

Identifying peak times for cash amounts on hand alerts you to the need for a peak season endorsement or a possible increase on the overall limit on money and securities.

Does the applicant place all cash registers in well-lit areas that are easily seen from the street and/or other parts of the premises? ___ Yes ___ No

Are customers' credit/debit cards checked for validity? ___ Yes ___ No

Does the applicant accept personal checks? ___ Yes ___ No

Does the applicant have a safe deposit box? ___ Yes ___ No

If yes, answer the following.

Where is the applicant's safe deposit box? Name and address of depository:

What is the minimum value of the contents in the safe deposit box? \$ _____

What is the maximum value of the contents in the safe deposit box? \$ _____

OUTSIDE THE PREMISES

What is the maximum amount of money and securities that any one person can carry off premises?

\$ _____

Do these individuals vary:

the time of day when they go to the bank? ___ Yes ___ No

the conveyance they use to go to the bank? ___ Yes ___ No

the route they take to the bank? ___ Yes ___ No

WHY?

Individuals who regularly deposit money should periodically change routines and routes when going to the bank so that criminals cannot "lie in wait" for them.

Do salespersons, truck drivers, or any other employees keep money or other valuables away from premises at night or on weekends? ___ Yes ___ No

If yes, who does the applicant authorize to do so and what is the maximum amount of money exposed?

Do the applicant's salespersons, delivery persons, or others collect money off premises? ___ Yes ___ No

If yes, what are the average and the maximum amounts any person may carry?

\$ _____ Average \$ _____ Maximum

Does the applicant use an armored car service? ___ Yes ___ No

If yes, describe the armored car service.

WHY?

Establishing and following a single, uniform money-handling procedure can reduce problems. Haphazard money handling procedures can cause either too much or too little money to be on hand.

QUIZ: INLAND MARINE, EMPLOYEE DISHONESTY AND MONEY AND SECURITIES

Que Pasa does not currently carry coverage for accounts receivables or employee dishonesty. They do carry money and securities coverage but only for holdup. They have a bookkeeper who has been with them for 10 years but their kitchen staff turns over on a regular basis. They admit that there have been inventory shortages and that the cash registers don't always balance but thought that was just the price of doing business. They are open to suggestions on how to reduce their exposure. They hold accounts for different university departments and local businesses since they do some catering and large orders for them and it can take a while for the receipts to work through the system.

What is the most critical risk management technique for accounts receivables?

- a. Separation of duties
- b. Fireproof file cabinets
- c. Duplicate of records stored off premises
- d. Regular audits

Which of the following employees are excluded from employee dishonesty coverage?

- a. Bookkeepers and their assistants
- b. Employees with less than 90 days tenure
- c. Employees who have committed a dishonest act
- d. Temporary leased employees

What is the primary risk management technique for controlling employee dishonesty losses?

- a. Hire an outside firm to handle bookkeeping
- b. Limit all cash transactions
- c. Separation of financial duties
- d. Stamp all checks "for deposit only"

The same money and securities limit applies to all locations on a policy, unless endorsed.

- True
- False

The University sponsors a festival every year and Que Pasa's receipts double during that week. What Money and Securities endorsement could be recommended to cover the additional crime exposure?

- a. Blanket
- b. Peak season
- c. Reporting form
- d. Agreed value

What is the most important risk management tool to reduce money and securities losses?

- a. Develop and enforce a written procedure for acceptable money handling.
- b. Allow only the cashier to accept payment
- c. Send deposits to the bank at the same time every day.
- d. Hire an outside security firm.

LIABILITY – GENERAL LIABILITY

ON PREMISES EXPOSURES

Describe the applicant's on-premises operations.

Describe how the applicant disposes of waste.

WHY?

Understanding how a client disposes of waste is necessary when evaluating its environmental impairment exposures.

Does the facility comply with the National Fire Protection Association's (NFPA) Life Safety Code concerning the number, size, and arrangement of exits? Yes No

If no, explain.

Are employees instructed in proper evacuation procedures? Yes No

WHY?

Regardless of the size of an operation, there are concerns on how employees and other can exit the premises during an emergency. Exits must be adequate in number and properly positioned and marked.

Employees should know how to safely exit a structure and how to lead others out.

Does management conduct regular fire drills? ___ Yes ___ No

Are large panes of glass, both inside and outside, properly marked or etched to prevent accidental contact?
___ Yes ___ No

WHY?

Fire drills are important in larger facilities. What appears simple during normal operations is very difficult with the regular lighting out and alarms sounding. Fire drills reduce the chance of panic and injuries in a real fire.

Does the applicant own, jointly own, hire, or lease any watercraft or aircraft? ___ Yes ___ No

WHY?

Note: If yes, there is limited or no coverage for these operations under Commercial General Liability policies. Consider completing the appropriate Aircraft Ownership or Ship or Boat Ownership Supplement.

Does the applicant provide any type of child or adult care on premises? ___ Yes ___ No

WHY?

Note: If yes, consider including the day care supplement.

It is important to identify gaps in coverage, since the general liability policy excludes most watercraft and all aircraft liability exposures.

Are food handlers required to use proper hygiene? ___ Yes ___ No

Has the Board of Health cited the establishment? ___ Yes ___ No

If yes, explain:

Does the applicant store cleaning materials in a separate area at a distance from the food storage area?
___ Yes ___ No

What are the percentages of types of floor covering in public areas?

___% Wood ___% Linoleum ___%Tile ___% Carpet ___% Other

Describe other.

How many exits are in the building? _____

Are all exits free of obstruction, illuminated, and marked with exit signs? ___ Yes ___ No

Is the emergency lighting operable? ___ Yes ___ No

Are all exits equipped with panic door hardware? ___ Yes ___ No

If no, are all exits that do not have panic door hardware kept unlocked during business hours? ___ Yes ___ No

WHY?

Slips and falls are the leading cause of premises losses. Floor coverings contribute significantly to losses if they are not properly maintained. Safety recommendations to prevent slip and fall losses vary depending on the type of floor covering used.

Is an adequate supply of hot water available to ensure that all dishes are properly sanitized? ___ Yes ___ No

What is the posted capacity? _____

Are employees trained in how to properly assist a patron who is choking? ___ Yes ___ No

WHY?

Choking can be stopped by the Heimlich maneuver but employees must be trained in the effective use of the procedure. Post signs and make training available to employees to assist choking customers.

Seating capacity is established by local fire codes. It relates to local ordinances involving fire safety, such as the number of exits, sprinklers, etc. It is important that the insured operate within the maximum capacity. If not, safety measures could be ineffective for helping individuals to exit the premises during an emergency.

Have all food handlers undergone recent health examinations? ___ Yes ___ No

WHY?

Typhoid Mary, worked as a cook for a variety of employers, caused several deaths before she was arrested and stopped from working around food. She was a typhoid carrier but showed no symptoms of the disease. Many employees with contagious diseases appear healthy and are unaware that they are spreading disease. Periodic health examinations with appropriate blood work can identify employees with contagious diseases and help prevent the spread of those diseases.

Are waiters and waitresses instructed to warn customers when plates are hot? ___ Yes ___ No

PARKING LOTS AND SIDEWALKS

Does the applicant own or rent parking facilities that are available for clients, customers, employees, and/or the general public? ___ Yes ___ No

If yes, answer the following:

Does the applicant charge a fee? ___ Yes ___ No

If yes, consider completing the garagekeepers questionnaire.

Does the applicant hire a towing company to remove vehicles parked on the premises without permission? ___ Yes ___ No

If yes, attach a copy of the contractual agreement, if any, with the towing company.

Does the applicant require a certificate of insurance from any towing company that provides services on the premises? ___ Yes ___ No

Describe the parking facility(ies).

Length (Y/N)	Width Proximity to applicant premises	Number of stories	Number of spaces	Attendant
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Has the applicant made arrangements to remove snow and ice from the parking facility(ies) and walkways? ___ Yes ___ No

WHY?

Parking lots increase an operation's loss potential because customers expect them to be safe. However, lots are outside of the premises, so there is less control over them. Customers expect to be able to safely use a lot before and after enjoying the insured's premises. It is the insured's responsibility to eliminate as many hazards as possible in order to protect their customers.

OFF-PREMISES

Do applicant employees interact on a regular basis with customers off premises? ___ Yes ___ No

If yes, answer the following:

Describe the clientele by percentage.

___% Residential ___% Commercial ___% Institutional ___% Public

Do employees travel alone? ___ Yes ___ No

Are employees subject to criminal background checks? ___ Yes ___ No

Describe the procedure to train, monitor, and supervise all such off-premises employees.

CONTRACTUAL EXPOSURES

Does the applicant lease the premises? ___ Yes ___ No

If yes, answer the following:

Does the lease include a written waiver-of-rights provision for damage to property? ___ Yes ___ No

Does the lease include a written waiver of subrogation? ___ Yes ___ No

Does the lease include a written hold harmless agreement? ___ Yes ___ No

Does the lease clearly delineate maintenance responsibilities? ___ Yes ___ No

Indicate under which of the following agreements the applicant has assumed liability of others:

___ Lease agreements for real estate

___ Lease agreements for signs, refrigerators, etc.

___ Sidetrack agreements

___ Contracts for electric power, steam, etc.

___ Easement agreements

___ Elevator maintenance

___ Other contracts such as construction, installation, compliance certificates, etc.

Attach a copy of each contract and/or agreement indicated above.

Is the applicant's insurance policy required to be primary under any of the indicated contracts? ___ Yes ___ No

WHY?

Most businesses use lease agreements. These contracts normally involve an indemnification clause. Not all indemnification agreements are equal so they should be reviewed to prevent potential gaps in coverage.

SUBCONTRACTORS

Does the applicant regularly use subcontractors? ___ Yes ___ No

If yes, answer the following:

Describe the type of work the subcontractors perform.

Describe procedures used to monitor timely receipt of certificates of insurance from subcontractors.

Does the applicant have a written contract with each subcontractor? ___ Yes ___ No

If yes, attach a copy of each contract.

If no, describe the terms and agreements between the applicant and the subcontractor.

WHY?

A written contract prevents the subcontractor from being considered an insured's employee. Subcontractors are hired for their expertise. The insured and the subcontractor should always have a contract that specifies responsibility and clearly defines the role of the subcontractor. Open-ended contracts or no contract at all can substantially complicate a loss.

Certificates of insurance are necessary for audit purposes and proper risk transfer. Under specific circumstances, lack of a certificate of insurance causes subcontracted work to be rated as if it were performed by the insured. Premium earned as a result of such work will be charged to the insured instead of to the subcontractor.

What are the subcontractors' required insurance limits? \$_____

PERSONAL AND ADVERTISING INJURY EXPOSURES

Does the applicant advertise its products, goods, or services? ___ Yes ___ No

If yes, what media does the applicant use and what is that medium's percentage of the overall advertising budget?

___% Television

___% Direct mail

___% Radio

___% Signs

___% Newspaper

___% Yellow Pages

___% Magazine

___% Internet

___% Other

Describe other.

Does the applicant have a web page? ___ Yes ___ No

Does the applicant use an advertising firm and/or outside web designer? ___ Yes ___ No

PRODUCTS

Describe all of the applicant's products or services.

If the product is a component part, describe the items of which it might become a part.

If the product or service is defective or used improperly, describe the possible damage that could occur.

WHY?

The insured is in the best position to describe potential losses. The loss description can aid in evaluating the limits to recommend. The knowledge gained from the insured can be used to properly explain the details of the operation to the insurance company.

LIQUOR

Does the applicant ever serve, sell, or furnish alcoholic beverages to employees, customers, or the general public? ___ Yes ___ No

If yes, is the applicant in the business of selling, distributing, or serving liquor? ___ Yes ___ No

WHY?

Note: If yes, there is no liquor coverage under the General Liability policy. Consider completing the liquor liability questionnaire.

If no, what precautions does the applicant take to prevent guests from driving when they are intoxicated?

OTHER PROFESSIONAL SERVICES

Is there any exposure for professional services performed by the applicant's own personnel or through the use of subcontractors (i.e., beauty/barber shops, accounting, notary public, druggists, data processing, etc.)?

___ Yes ___ No

WHY?

Note: If yes, consider completing the Professional Liability Questionnaire.

QUIZ: GENERAL LIABILITY

Que Pasa caters for the university and some of the local businesses. While this is not an advertised service, it does provide a steady income flow and increases customer loyalty. Next to the restaurant is a small parking lot for customers but there is also on street parking and public parking available. Although Maria and Elijah own the building and all the contents, they lease the land from the University under a long-term lease that was established by the prior owners.

All of the filter, hood and duct cleaning is handled by a subcontractor. The extinguishing system and fire extinguishers are also under a service contract.

Elijah is an artist so he designs his own ads for the university newspaper, yearbook and yellow pages. They are considering setting up a web page to be developed by one of the student employees who happens to be a computer science major.

The restaurant prepares all meals from fresh ingredients purchased locally. The only packaged items that are used in the preparation are spices and sauces imported from Mexico.

Maria and Elijah also sell the packaged items along with the tortilla press and other kitchen appliances from Mexico to other restaurants and some of the preferred customers.

Toni becomes confused as she walks through the restaurant and is unsure of how to exit. What can Maria and Elijah do to help with life safety?

- a. Have all exits clearly marked and visible.
- b. Make sure employees know how to exit and lead others to safety.
- c. Make sure the number of exits is adequate for the capacity of the restaurant.
- d. All of the above.

What can be done to prevent choking injuries at the restaurant?

- a. Cut all meat into very small pieces
- b. Encourage customers to eat slowly
- c. Train employees in the Heimlich maneuver
- d. Create a quiet restful atmosphere

Toni knows the direct importing of products from Mexico will be a concern for any underwriter. How can she find out about the different products?

- a. Ask Maria and Elijah.
- b. Research using the internet.
- c. Contact the manufacturers in Mexico.
- d. Contact the customers who use the products.

An owned parking lot is the responsibility of the restaurant owners. What is their responsibility to their customers?

- a. Parking anytime they want to park
- b. Safe environment
- c. Easy access
- d. Valet service

What important information does Toni need to know about the contracts Que Pasa has signed?

- a. Who are the parties to the agreement
- b. What does the indemnification agreement obligate Que Pasa to do
- c. When does the agreement become effective
- d. When does the agreement end

LIQUOR LIABILITY AND EMPLOYEE BENEFITS

LIABILITY – LIQUOR

Describe the applicant's liquor license.

Type of license	License No.	Date issued	Next renewal date, if any
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

WHY?

The type of liquor license indicates the type(s) of alcohol that can be sold and whether it can be served on premises. Each state is different in their licensing and it is important to make sure that the license issued matches the operation's liquor activity.

Has the applicant's liquor license ever been revoked? ___ Yes ___ No

If yes, explain all circumstances and include the dates it was revoked and reinstated. .

WHY?

Liquor license revocation is very serious. If the insured has had a revocation, a complete explanation of the circumstances must be obtained. Revocations can indicate a willingness to "bend the rules" and that might create liquor liability lawsuits.

Describe the applicant's liquor-related business operations.

What is the breakdown of the applicant's annual receipts?

	Estimate Next 12 mos.	Actual Past 12 mos.
On-premises consumption - liquor	\$ _____	\$ _____
Off-premises consumption - liquor	\$ _____	\$ _____
Food	\$ _____	\$ _____
Cover charge	\$ _____	\$ _____
Other sales	\$ _____	\$ _____
Total sales	\$ _____	\$ _____

Describe other.

WHY?

The higher the ratio between drink and food sales, the higher the loss potential for liquor liability. Any changes expected in the upcoming 12 months should be discussed, because it could indicate significant changes in this exposure.

What are the applicant's standard hours of operation? (show a.m. or p.m. after time)

	Sun.	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.
Open:	_____	_____	_____	_____	_____	_____	_____
Close:	_____	_____	_____	_____	_____	_____	_____

What is the establishment's capacity?

_____ Dining room seating _____ Bar seating _____ Maximum legal occupancy

How many employees can serve alcoholic beverages during peak periods? _____

How many employees who serve are in each of the following categories?

_____ Bartenders _____ Owners _____ Waiters/waitresses

How many security personnel are on site during peak periods (include bouncers)? _____

Does the applicant provide servers with training or guidance in how to handle minors or intoxicated customers?
___ Yes ___ No

If yes, describe.

Does a professional training organization certify this training? ___ Yes ___ No

If yes, attach a copy of the certificate.

Are all employees who serve alcoholic beverages required to take such training? ___ Yes ___ No

If no, what percentage of servers have received such training? _____%

WHY?

Training is most important when liquor is consumed on the premises, since it is difficult to turn away a paying customer. The inability of a server to spot an intoxicated person or minor and/or to stop service is at the heart of many liquor liability claims.

There should be a written policy that prevents patrons from leaving and driving while intoxicated, such as taxi service or designated driver initiatives.

Describe the applicant's policy on serving intoxicated customers.

Are customers ever served alcoholic beverages before they produce age-documenting identification?
___ Yes ___ No

If yes, explain.

WHY?

Require positive identification and age verification from every customer. Underage drinking combined with driving is a leading cause of death. It is important that no one is ever served without positive identification and verification of age. Many establishments have rules that require everyone to be checked while others stop checking if the person appears to be over 30.

What amusement devices and how many are located on the applicant's premises?

___ Gambling machines # _____ ___ Video games # _____
___ Pool tables # _____ ___ Dart boards # _____
___ Pinball machines # _____ ___ Other # _____

Describe other.

What entertainment does the applicant provide?

___ Juke box ___ Individual musician ___ Live band
___ Piano/organ ___ Comedian/comedienne ___ Dancers
___ Other

Describe other.

Does the applicant permit dancing? ___ Yes ___ No

If yes, answer the following:

How many days per week? _____

What is the size of the dance floor? _____ sq.ft.

Does the applicant offer special alcoholic consumption promotions? ___ Yes ___ No

If yes, describe the promotion(s).

Does the applicant dispense or provide alcoholic beverages for off-premises events? ___ Yes ___ No

If yes, provide the following information for each event.

Event name	Event location	Start date	Number of days	Expected attendance
------------	----------------	------------	----------------	---------------------

_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

WHY?

When liquor is served away from the premises, there is a tendency to be more lax with the rules. If the insured is hired to provide off-premises liquor service, a contract should be in place that transfers the liquor liability exposure to the event's host. When in doubt, the bartenders and servers must use the same strategies at the off-premises event that they would use at the premises location.

Has the applicant or its owners ever been fined or cited for violation(s) of a law or ordinance related to selling alcoholic beverages? ___ Yes ___ No

If yes, explain.

Has the applicant or its owners incurred any claim for liquor liability in the past five years? ___ Yes ___ No

If yes, explain and include the dates of the incident and the claim, the description, its current status, and the amount paid, if any.

WHY?

Any violation of liquor laws must be carefully reviewed including documented assurance that the insured has complied with implementing any required corrective action. Even if the violation did not lead to a liquor liability suit, it must be considered as seriously as a claim.

Does the applicant know about any incident not described above that may become a liquor liability claim? ___ Yes ___ No

If yes, describe the incident(s).

Have fights between patrons occurred within the applicant's establishment or in its parking area in the last five years? ___ Yes ___ No

If yes, describe the fight(s).

Does a contract or agreement require that the applicant provide insurance protection for its landlord?
___ Yes ___ No

If yes, provide the landlord's name and address.

WHY?

Some building owners require tenants who serve alcohol to provide extra protection under the Liquor Liability policy. While this is not uncommon, the contract should be reviewed to limit the amount of protection to that which is required by the contract.

LIABILITY – EMPLOYEE BENEFITS

Does the applicant provide benefits to its employees? ___ Yes ___ No

If yes, describe the benefits offered.

___ Health ___ Life ___ Disability ___ Stock purchase

___ Pension ___ 401(k) ___ Workers Compensation ___ Other

Describe other.

Are all benefits listed above available to all employees? ___ Yes ___ No

If no, identify the employees who do qualify and explain how the applicant advises its employees of their eligibility for benefits.

Who administers the benefit programs?

If an outside party provides services, provide a copy of the contract between that party and the applicant.

What is the employee turnover rate? _____

Does the applicant's termination procedure require that the terminated employee sign an agreement stating that available benefits have been explained? ___ Yes ___ No

QUIZ: LIQUOR LIABILITY AND EMPLOYEE BENEFITS

Que Pasa has a license to sell beer, wine and spirits. They have a bar area separate from the dining room that includes seating at the bar. All tables are located in the dining area. Since they are very popular with the college crowd they are closely monitored by the authorities in case there is underage drinking. All bartenders and serving staff have been trained to check ID before providing any alcohol. Their vigilance has prevented problems with their license.

Food and alcohol receipts are about equal.

They only sell for on-site consumption and will not include alcohol when they cater off premises.

What must every business that serves alcohol have in place?

- a. Training plan for individuals who serve the alcohol
- b. Security on premises
- c. Valid liquor license
- d. Cooking facilities

Who are not allowed to be served alcohol?

- a. College students
- b. Intoxicated Individuals
- c. Military personnel
- d. Pregnant women

Underage drinking combined with driving is a leading cause of death.

- True
- False

If alcohol is served as part of catering, what should the insured have in place, to limit liquor liability exposure?

- a. An assumption of liability agreement with the host of the event.
- b. Liquor license
- c. Equal amount of wine, beer and spirits
- d. Appetizers, coffee and other nonalcoholic beverages

Employee benefits coverage applies only to unemployment benefits.

- True
- False

**UMBRELLA AND BUSINESS AUTO
LIABILITY – COMMERCIAL UMBRELLA**

List all policies that provide liability coverages for the applicant.

Insurance coverage	Primary carrier	Limits of Insurance
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

WHY?

Umbrella coverage is only over the policies that are listed in the underlying coverage section of the umbrella policy. No umbrella coverage applies over an underlying policy that has not been listed.

List countries where the applicant has locations and/or where employees regularly travel.

WHY?

Umbrella policies have territorial definitions that may differ from those of the underlying policies. Listing the countries helps to identify the possible need for a territorial endorsement.

UNDERLYING GENERAL LIABILITY INFORMATION

List all of the exclusion endorsements attached to the applicant's underlying policy(ies).

List or describe any amendments or endorsements attached to the applicant's underlying policy(ies).

Check the coverages that the underlying policy(ies) provide.

- Employee Benefits Care Custody and Control Product Recall Expense
 Employment-related Practice Underground Storage Tank Stop Gap

WHY?

The Umbrella is a separate policy and requires similar endorsements to match the underlying policies and their endorsements.

The Umbrella Policy must be modified with special amendments that match those of the underlying primary policies if coverage is to apply at all limits.

Does the applicant have any owned, hired, or leased watercraft exposures? Yes No

If yes, describe the watercraft including where it is kept and/or used and the duration of exposure.

Does the applicant have any owned, hired, or leased aircraft exposures? Yes No

If yes, describe the aircraft including its hanger location and/or where it is used and the duration of exposure.

What are the applicant's total annual receipts? \$ _____

What is the applicant's annual cost for subcontractors? \$ _____

WHY?

These are significant exposures that need to be brought to the insurance company's attention. If coverage is not needed, the exposures should be excluded.

UNDERLYING AUTOMOBILE LIABILITY INFORMATION

List all exclusion endorsements attached to the applicant's underlying policy(ies).

List and/or describe any amendments or endorsements attached to the applicant's underlying policy(ies).

WHY?

The Umbrella Policy is not a following form product so exclusions, extensions and special amendments used on the underlying primary policies must be arranged to apply to the umbrella as well. If the underlying coverages are unique, purchasing an excess policy may be the most effective way to address coverage gaps.

How many vehicles of the following types does the applicant own or lease?

____ Private passenger ____ Small trucks ____ Medium trucks ____ Heavy trucks
____ Extra heavy ____ Bus ____ Mobile equipment subject to financial responsibility law

Are vehicles ever hired? ____ Yes ____ No

If yes, describe the vehicles hired, the annual cost, and the duration.

Type of vehicle	Annual cost of hire	Estimated time of hire
_____	_____	_____
_____	_____	_____
_____	_____	_____

WHY?

Neither individual vehicles or classes of vehicles are listed on the Umbrella Policy. Underwriting and rating need to know this information in order to determine exposures and develop premium charges.

UNDERLYING WORKERS COMPENSATION – EMPLOYERS LIABILITY INFORMATION

List all exclusion endorsements attached to the applicant's policy(ies).

List and/or describe amendments and endorsements attached to the applicant's policy(ies).

WHY?

This section is not about Workers Compensation coverage. It is about Employers Liability or the Stop Gap Liability coverage on this part of the underlying policy. Umbrella coverage does not apply to Workers

Compensation coverage, since the benefits are set by each state. However, there are limits for Employers Liability coverage and, as a result, a need for Umbrella coverage above those limits.

Provide the number of the applicant's employees by state.

State	# of employees	State	# of employees	State	# of employees
_____	_____	_____	_____	_____	_____

What is the applicant's total annual payroll? _____

WHY?

Monopolistic states are of greater concern. Their plans do not include Employers Liability coverage, so no standard for writing the coverage exists in those states. The underlying Employers Liability provisions can vary considerably from one another in those states.

AUTOMOBILE – HIRED AND NONOWNERSHIP

HIRED/BORROWED AUTO

Is the applicant required to provide primary coverage for any hired or borrowed vehicles?

___ Yes ___ No

If yes, answer the following:

Will the applicant hire or borrow the same vehicle for more than six months? ___ Yes ___ No

WHY?

Note: If yes, the auto should be covered in the same way as an owned vehicle is covered.

Does an employee of the applicant own the vehicle? ___ Yes ___ No

Does the applicant's employee hire the vehicle in his or her own name to perform the applicant's business?

___ Yes ___ No

List the states where the applicant may hire or borrow vehicles. Provide the estimated annual cost (enter "if any" if unknown).

State	Estimated cost	State	Estimated cost	State	Estimated cost
_____	_____	_____	_____	_____	_____

Does the applicant require hired auto physical damage coverage? ___ Yes ___ No

Does the applicant hire vehicles with drivers? ___ Yes ___ No

Describe the types of vehicles the applicant hires or borrows and the reason(s) why the applicant hires or borrows them.

NON-OWNED

What is the total number of the applicant's employees at all locations? _____

If the applicant is a partnership, what is the total number of active and inactive partners? _____

What percentage of employees regularly use their personal vehicles in the applicant's business? _____%

Does the applicant want to have employees covered as insureds when they are using their automobiles for the applicant's business? ___ Yes ___ No

Do the applicant's employees use their personal vehicles to provide "on demand" deliveries to homes and/or businesses? ___ Yes ___ No

WHY?

Employees should never be given a reason to ignore traffic laws and safety issues, such as an incentive or an "on time" delivery guarantee.

QUIZ: UMBRELLA AND BUSINESS AUTO

Que Pasa has started a limited amount of delivery to the dormitories, fraternities and sororities. Elijah or one of his employees uses their personal vehicles to make the deliveries. The response has been positive but now Elijah is concerned about the liability exposure. It appears that his Personal Lines policy does not cover this so commercial policy may be necessary. He doesn't have a commercial auto policy and needs help in understanding the coverage that is available. He does have a Commercial Umbrella policy and he is hoping that coverage might be available under that since he really does not understand what an Umbrella policy does.

What policies must be listed on the Umbrella policy?

- a. General Liability
- b. Automobile Liability
- c. Workers Compensation
- d. Any policy the umbrella is to cover

Employees will be more careful in observing safety rules when they are using their own vehicles in deliveries if there is a guaranteed time delivery rule in effect.

- True
- False

Adding an individual to your underlying policy as an additional insured will not impact your umbrella limits.

- True
- False

An Umbrella policy automatically includes all of the amendments and exclusions that are part of the underlying policies.

True

False

Liquor liability is covered by an excess policy:

- a. If it is not excluded in the underlying general liability policy
- b. There is a scheduled underlying liquor liability policy
- c. The application specifically requests the coverage and the underwriter does not reject it
- d. Any of the above.

WORKERS COMPENSATION

OPERATIONS

List all states where the applicant expects to work during the next twelve (12) months.

Does the applicant perform operations on public works projects outside of the United States? Yes No

If yes, describe such public works projects.

WHY?

Note: Consider completing the Foreign Operations Supplement.

Does the applicant perform operations on docks, piers, wharves, etc. that are on navigable waters? Yes No

If yes, describe such operations.

Does the applicant perform any work on barges, vessels, or bridges that span navigable waters? Yes No

WHY?

Note: Consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Does the applicant perform operations on fixed platforms on the outer continental shelf? Yes No

If yes, answer the following:

What is the nearest governing state? _____

Where is the work located?

Describe the type of work.

WHY?

Note: The Outer Continental Shelf Lands Act extends the Longshore and Harbor Workers Compensation Act to apply to employees who work on fixed platforms on outer continental shelves. Consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Working over water may subject an insured to the United States Longshore and Harbor Workers Act. Its benefits are dramatically higher than normal state benefit levels.

Does the applicant perform operations on U.S. defense bases? ___ Yes ___ No

If yes, describe such operations.

WHY?

Note: Consider completing the Defense Base Act and Federal Employers Liability Act Coverages Questionnaire.

Does the applicant perform operations in monopolistic workers compensation states? ___ Yes ___ No

WHY?

Note: If yes, consider completing the Employer's Liability - Stop Gap Questionnaire.

Does the applicant own or jointly own, operate, or lease aircraft and/or watercraft? ___ Yes ___ No

WHY?

Note: Consider completing the Aircraft Ownership Supplement if the applicant has an aircraft exposure. Consider completing the Ship or Boat Ownership Supplement if the applicant has a watercraft exposure.

Employees working, or operations performed, in a monopolistic state must be covered under that state's workers compensation plan or arrangement. Employers liability coverage must be written separately in monopolistic states.

EMPLOYEES

Does the applicant employ migrant laborers? ___ Yes ___ No

If yes, describe the operation, the duties they perform, and the duration of their employment.

Type of operation migrant employees	Job duties performed by Number of days migrant workers are employed	
_____	_____	_____
_____	_____	_____
_____	_____	_____

Do any of the applicant's employees travel outside the United States to work? ___ Yes ___ No

If yes, identify the countries involved and indicate the average length of time they are out of country.

WHY?

Note: If yes, consider completing the Foreign Operations Supplement.

Are any of the applicant's employees considered exempt from workers compensation statutes in the jurisdiction where they work? ___ Yes ___ No

If yes, identify the types of employees and the jurisdiction where they are exempt.

Do any of the applicant's employees telecommute or otherwise work out of their homes? ___ Yes ___ No

If yes, describe the employees' job functions and the applicant's safety procedures for those employees.

Do the employees of the applicant's establishment provide any entertainment? ___ Yes ___ No

WHY?

Employees who provide entertainment in a restaurant may be at an increased risk of being injured. It is important to understand the type of entertainment and the potential for additional accidents.

MANAGEMENT

Does the applicant obtain work permits as local, state, or federal statutes require? ___ Yes ___ No

Does the applicant have an organizational policy that specifies the maximum number of key employees who may travel together? ___ Yes ___ No

If yes, attach a copy of the organizational policy.

WHY?

The potential of losing several key employees in a single accident creates a significant workers compensation exposure. Such a loss would also negatively impact the ability of the company to continue operations.

If the applicant employs subcontractors, how does it monitor their certificates of insurance and ensure that it receives them on a timely basis?

Are all of the applicant's machinery and equipment properly guarded and secured? ___ Yes ___ No

Does the applicant train employees before they operate any machinery and equipment? ___ Yes ___ No

Does the applicant train employees in the proper way to clean machinery and equipment? ___ Yes ___ No

If the answer to the training questions above is yes, attach a copy of the applicant's training manual plus the documentation it uses to ensure that the training is appropriate.

Are the doors on all walk-in freezers, cold storage boxes, and other automatic locking storage area equipped with a pass-type latch that can be opened from the inside? ___ Yes ___ No

WHY?

Training is the key to effective loss prevention in workers compensation. There should be a formal training program manual that outlines the proper use of all equipment. Employees should be trained and supervised before they begin working with any equipment.

Are first aid kits provided? ___ Yes ___ No

Is at least one employee (on duty) trained in administering first aid? ___ Yes ___ No

Are swinging doors equipped with see-through safety glass? ___ Yes ___ No

Does the applicant instruct employees in the proper way to use microwave ovens and infrared lights? ___ Yes ___ No

Are trash compactors equipped with a safety device that renders them inoperable when the unit is opened?
___ Yes ___ No

Are all water faucets equipped with scald guards? ___ Yes ___ No

Are employees instructed in how to handle unruly customers? ___ Yes ___ No

Is all cutting equipment properly guarded and secured? ___ Yes ___ No

Does the applicant require that all employees wear wire mesh gloves when they clean the slicer? ___ Yes ___ No

WHY?

Unruly customers are an unwelcome part of dealing with the public. The insured should have specific guidelines for how employees should handle unruly customers.

QUIZ: WORKERS COMPENSATION

The serving staff at Que Pasa is primarily students working part-time. When the Mariachi band plays on Saturday nights, all of the serving staff are expected to dance and sing to encourage participation by the customers. Some of the students are foreign born and must have work permits which are kept on file. The staff turns over on a frequent basis as students graduate or school hours change.

It is important to have specific guidelines and training in dealing with unruly customers.

- True
- False

If one of the waiters is injured while dancing to the Mariachi band, there is no coverage.

- True
- False

Que Pasa has been asked to cater a riverboat excursion boat twice a week. What additional coverage may he need?

- a. Employers Liability
- b. United States Longshore and Harborworkers Act
- c. Federal Workers Coverage
- d. Foreign Operations Coverage

What risk management technique should be used when key employees travel?

- a. Spread the risk by not all traveling in the same vehicle
- b. Time management by using the travel time as an opportunity to plan
- c. Encourage healthy living by requiring all hotels have a workout gym
- d. Evaluation of new food items by eating together at restaurants

Once an employee is taught the proper way to work with dangerous equipment, there is no need to supervise the activity.

- True
- False

Toni is now ready to develop a Client/Agent Coverage Agreement to take with her to the client. This will allow her to recommend coverages and allow Que Pasa to accept or reject the recommendations. Before making recommendation, she selects the Supplement so that she can review the various coverage definitions.

Minimum Recommended Coverages Analysis

PROPERTY COVERAGES

Property coverage insures the insured's tangible assets against a variety of causes of loss. There are many coverage forms and approaches, beginning with the general and moving to the specific. This range of options allows an agent to work with a customer to develop a specific approach that is customized for that customer.

Building and Personal Property Coverage Form

Four types of property are associated with every structure:

- The building or structure itself
- Business personal property inside the building
- Personal property of others in the building
- Improvements and betterments added to a building space for the benefit of a named insured tenant

The Building and Personal Property Coverage Form insures all four types of property. Each can be written with its own specific limit or can be combined in various ways on a blanket basis. A separate causes of loss form must be attached. The causes of loss form selected can vary by type of property.

Most service businesses will use this coverage form unless they are eligible for a Businessowners policy.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis \(18,475 words\)](#)

Building and Business Personal Property Coinsurance

Coinurance is a technique that encourages the named insured to insure to the proper value. The commercial fire rating in the ISO manuals contemplates 80% coinsurance. Higher coinsurance percentages receive a credit. Lower percentages are debited. The insured selects a coinsurance percentage that is entered on the declarations. Failure to carry sufficient limits to satisfy the coinsurance requirement results in a penalty when the loss is settled.

Related Article: [Coinsurance Clause \(1,668 words\)](#)

Building and Business Personal Property Alternatives to Coinsurance:

Agreed value

This approach suspends coinsurance but requires the insured to submit annual signed statements of the 100% value of the property insured. The insured must purchase limits of insurance that equal or exceed 90% of that value.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis](#)

Functional replacement cost

This approach allows the insured to purchase only the limits it needs to rebuild or replace building and/or business personal property based on utilitarian needs. Examples include replacing a three-story building that occupies only the first floor with a one-story building or replacing wood office furniture with cubicles.

Related Article: [Functional Property Valuations \(1,783 words\)](#)

Peak season

This approach allows the insured to increase business personal property limits at peak times while keeping them lower at other times of the year. The insured picks the time period and the increased limit it needs.

Related Article: [Peak Season Coverage \(889 words\)](#)

Reporting forms

This approach allows the insured to pay for only the business personal property limit it needs while still maintaining insurance to value. The insured schedules the highest limit it needs for the year and pays deposit premium based on 75% of that limit. The insured reports the actual values at selected periods. At the end of the year, the insurance company calculates the premium based on the reports and issues either a bill or a refund to the insured. The insured has the exact coverage it needs for the time period.

Related Article: [CP 13 10-Value Reporting Form \(3,531 words\)](#)

Optional Property Coverage Forms

The Building and Personal Property Coverage Form is available for all commercial insureds. However, it may not be the best approach in all cases. The following coverage forms should be considered for certain insureds or when a different approach is in order.

Builders Risk

A building under construction does not have any value when the project begins but reaches its full value at the end of the project. This coverage form's rating structure takes that fact into consideration so that pricing is equitable and frequently endorsing the policy to change limits or periodically reporting values at risk is not required. This coverage form also insures materials that await installation. Any of the causes of loss forms may be attached so coverage can be customized to fit the project's specific needs.

Service businesses that are remodeling or adding a building or structure to their premises should consider using this form because of the coverage provided and the pricing methodology.

Related Article: [CP 00 20-Builders Risk Coverage Form Analysis \(7,778 words\)](#)

Commercial or Manufacturers Output Policy

A commercial output policy is a property coverage form originally designed for automobile manufacturers but it is appropriate for any property exposure with large values. The coverage is broader and more flexible than the coverage in standard Property Coverage Forms. There are several built-in coverages but the deductibles also tend to be higher. Most commercial output policies are unique to each company, but both AAIS and ISO have developed their own coverage forms for their members.

Comparing forms is necessary to determine their advantages and disadvantages. Exclusions, property included and excluded, inland marine extensions, property at other locations, and any special limitations must be examined carefully. Rating is unique and a decision on whether the rate can be changed during the year is usually necessary.

Larger, multi-location service businesses should consider this policy because of the location flexibility and the broad coverages.

Related Articles:

[OP 00 01-ISO Capital Assets Program Coverage Form \(Output Policy\) Analysis \(33,152 words\)](#)

[CO1000-AAIS Commercial Output Program Property Coverage Part Analysis \(26,812 words\)](#)

Equipment Breakdown Coverage Form

This coverage has ten separate parts:

- Property Damage
- Expediting Expense
- Business Income/Extra Expense
- Spoilage Damage
- Utility Interruption
- Newly Acquired Premises
- Ordinance or Law
- Errors and Omissions
- Brands and Labels
- Contingent Business Income/Extra Expense

Coverage applies to equipment under pressure in addition to mechanical or electrical equipment that generates energy. Communication and computer equipment is also covered. All are subject to certain restrictions. The major carriers that write this coverage use their own coverage forms but the structure is similar to ISO's version.

All building owners and tenants responsible for operating the above types of equipment should seriously consider purchasing this coverage because it resolves a significant gap in coverage in standard Commercial Property Coverage forms.

Related Article: [ISO Equipment Breakdown Protection Coverage Form Analysis \(14,657 words\)](#)

Legal Liability Coverage Form

This coverage form insures against direct physical loss or damage including loss of use of property of others in the insured's care, custody, and control for which it is legally liable. Coverage is for the property owner's benefit, not for the insured's benefit. That owner must file the claim for damages. A standard ISO coverage form provides this coverage. The insured chooses basic, broad, or special causes of loss. Determining the causes of loss form to use is based on the wording of the contract or agreement between the property owner and the insured. Because this is legal liability only, the causes of loss actually covered are the ones the contract or agreement requires. As a result, purchasing broader causes of loss than what the contract requires wastes money.

Related Article: [CP 00 40-Legal Liability Coverage Form Analysis \(3,002 words\)](#)

Standard Property Policy

This is a limited option version of the ISO Building and Personal Property Coverage Form. Because the causes of loss and the conditions are written into the policy, only a declarations is required to complete this policy. The significant restrictions in this policy place a heavy burden on the named insured. As a result, its use is usually limited to only risks that cannot be insured under a more conventional coverage form.

This may be the only policy offered for some service businesses. It is highly restrictive and differs from other commercial property policies but it does provide essential coverage.

Related Article: [CP 00 99-Standard Property Policy Analysis \(19,042 words\)](#)

Optional Property Endorsements

There are a number of endorsements available to modify the commercial property coverage forms. Many of the endorsements are appropriate for specific types of insureds. The ones this list includes could apply to almost any insured.

Related Article: [ISO Commercial Property Program Available Endorsements and Their Uses \(6,670 words\)](#)

Additional Debris Removal

Debris is created whenever there is a building or business personal property loss. It must be removed in order for the reconstruction to begin. Payment for debris removal in the ISO Building and Personal Property Coverage Form is limited to 25% of the loss plus an additional \$25,000 if needed.

The \$25,000 may not be sufficient for some insureds so there is an option to purchase a higher limit. Limits are purchased on a per-location basis instead of the standard per-building basis. This allows insureds to consider their entire location and determine potential debris removal considerations.

Unusual construction or places that are difficult to access can contribute to increased debris removal expense.

Related Article: [Debris Removal Concerns \(1,307 words\)](#)

Ordinance or Law Coverage

The ISO Building and Personal Property Coverage Form does not pay for increases in a loss due to local ordinances that require improvements to a building following a loss. This coverage insures three specific situations when ordinances increase rebuilding costs:

- The first deals with laws that require a building to be torn down if more than a certain percentage is destroyed and the building does not meet current codes. There is no coverage for destruction of the undamaged portion of the building. Coverage A pays for this.

- Second, there is no coverage for the costs to demolish undamaged portions of the building and clear the site. Coverage B pays for this.
- Third, there is no coverage to bring a building up to code in order to obtain permits to build. Coverage C pays for this.

Coverage may be purchased under ISO CP 04 05. Some insurance companies offer this coverage slightly differently.

Related Article: [CP 04 05-Ordinance or Law Coverage \(3,139 words\)](#)

Outdoor Trees, Shrubs, and Plants Enhancement

The ISO Building and Personal Property Coverage Form excludes outdoor trees, shrubs, and plants. A coverage extension provides a small amount of coverage but for only limited causes of loss and for small limits. CP 14 30–Outdoor Trees, Shrubs, and Plants provides broader causes of loss and higher limits. There is an option to include or exclude vehicle damage.

Vegetated roofs are not subject to the limitations for trees, shrubs, and plants.

Related Article: [ISO Commercial Property Program Available Endorsements and Their Uses](#)

Replacement Cost Valuation

Actual cash value is the standard valuation on insurance coverage forms and policies. Actual cash value is replacement cost on the date of loss less depreciation. While this valuation basis indemnifies the insured and returns it to the same condition after the loss as before, it creates problems because it is virtually impossible to rebuild old for old. Replacement cost valuation provides new for old coverage and is available in many property and inland marine coverage forms as well as some auto coverage forms. It is an important tool but is only effective if the insured purchases sufficient limits.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis](#)

Spoilage

Spoilage is a consequential loss that the ISO Building and Personal Property Coverage Form excludes. However, CP 04 40 insures against spoilage of perishable stock within the building at the described premises. The insured must own the stock or the stock must be in its care, custody, or control. Spoilage can be caused by power outage and/or breakdown/contamination.

Service operations with perishable stock should seriously consider purchasing this coverage unless they plan on having a backup generator or keep very low stocks of perishables.

Related Article: [ISO Commercial Property Program Available Endorsements and Their Uses](#)

Utility Services–Direct Damage

When covered property is damaged because a utility service supplied by an off-site provider fails, coverage applies only if CP 04 17–Utility Services - Direct Damage is attached to the policy. The failure must be due to the off-premises utility being damaged by a scheduled cause of loss. The only utility services covered are those scheduled in the endorsement and only the covered property described in the endorsement is covered. The covered utility services can be water, communication and/or power as defined in the endorsement.

Related Article: [Utility Services Coverage \(2,435 words\)](#)

TIME ELEMENT COVERAGES

Time Element Coverage Forms cover the intangible economic losses that follow direct damage losses to tangible property. These coverage forms are forward-looking and coverage is based on loss of anticipated future economic benefits.

Business Income With Extra Expense

Business income with extra expense covers the loss of income a business sustains after direct damage to covered property. Coverage also applies to extra expenses that the insured incurs to remain in operation or to resume operations more quickly above and beyond the amount necessary to reduce the business income loss.

This coverage should be mandatory if the service business would be unable to operate following a direct damage loss to the building or business personal property.

Related Article: [ISO Time Element Coverage Forms Analysis \(10,167 words\)](#)

Business Income Without Extra Expense

Business income without extra expense covers the loss of income a business sustains after direct damage to covered property. It covers expenses the insured incurs in order to reduce the business income loss but only up to the amount by which they reduce the business income loss. There is no coverage for extraordinary measures the insured takes to maintain operations without regard to the impact the expenses have on reducing the loss of income. Most service businesses will need coverage for extraordinary expenses but if not, this coverage should be considered.

Related Article: [ISO Time Element Coverage Forms Analysis](#)

Extra Expense Coverage Form

This coverage provides a way to pay for funds the insured must spend to continue operations or resume operations as soon as possible without regard to income to be generated by doing so. These include, but are not limited to:

- Transportation fees when using next-day service instead of normal shipping schedules
- Any surcharge to put a rush on a purchase order
- Special set-up fees that may be charged for a manufacturing order

This coverage form also covers money legally spent to continue or resume operations.

This coverage should be considered for risks that do not sustain a business income loss but that incur considerable extra expenses to remain open and operating.

Many service businesses can quickly move to another location following a direct damage loss. If so, this coverage may be more important than business income coverage.

Related Articles:

[ISO Time Element Coverage Forms Analysis](#)

[Extra Expense Worksheet](#)

Leasehold Interest

This coverage form insures the named insured tenant that has a favorable long-term lease. It covers the difference between the rate in that lease and the prevailing rate in the area. Coverage applies only when the favorable lease is cancelled because a covered cause of loss causes loss or damage to the building. Coverage includes the value of up-front amortized costs. The limit of insurance decreases automatically based on the length of the lease.

The insured can choose basic, broad, or special causes of loss. It is important to review the insured's lease agreement to determine the type of loss that would break the lease and trigger coverage in order to select the appropriate causes of loss form.

Any service business with a long-term lease should consider this coverage.

Related Article: [ISO Time Element Coverage Forms Analysis](#)

Business Income Coinsurance

Coinurance is a technique that encourages proper insurance to value. Values that reflect higher coinsurance percentages are subject to lower rates. The lowest rate is at 125% coinsurance. This unusual percentage is used to encourage the insured to cover both the business income and the extra expense that must be incurred beyond the business income loss. Business income coinsurance is based on time and the insured should base limits on the

consecutive months that generate the highest income. For example, retailers should consider using winter months instead of summer months. Contractors that do exterior work should use summer months instead of winter months.

Business Income Alternatives to Coinsurance

Agreed value

This approach suspends coinsurance but requires that the insured submit annual signed statements that show both the prior 12 months business income and the anticipated business income for the next 12 months. The insured must then carry a limit that equals at least 50% of the anticipated business income for the next 12 months.

Related Article: [Business Income Alternatives to Coinsurance \(1,290 words\)](#)

Maximum period of indemnity

This approach suspends coinsurance and pays the least of the business income loss incurred for up to 120 days following the date of loss or the limit of insurance. Coverage ends after the 120th day even if the limits have not been used up.

Related Article: [Business Income Alternatives to Coinsurance](#)

Monthly limit of indemnity

This approach suspends coinsurance and pays the monthly business income loss incurred up to 1/3, 1/4 or 1/6 of the business income limit, depending on the percentage on the declarations. Payment continues until business operations resume or the limit of insurance is used up, whichever occurs first. For example, if an insured chose the 1/3 option with a \$60,000 limit, \$20,000 would be available each month. If there was a loss and the loss in the first month was \$10,000, it would be paid in full. The next month's loss was also \$20,000 and would also be paid in full. The loss in the third month was \$30,000 but only \$20,000 would be paid. The loss in the fourth month was \$20,000 but only \$10,000 was paid because this amount used up the limit of insurance.

Related Articles:

[Business Income Alternatives to Coinsurance](#)

[Business Income-Sample Monthly Limitation Worksheet](#)

Premium adjustment

This approach suspends coinsurance while ensuring that the insured pays only for the coverage needed. It is similar to a personal property reporting option except that the full premium is paid in advance and the insured receives only a refund, never an additional premium. The insured submits a statement of estimated business income at the beginning of the policy period, chooses a coinsurance percentage and limit, and pays the appropriate premium. At expiration, the insured submits the statement of actual business income and the premium is recalculated. The insured receives a refund if the actual business income is less than the estimate. However, there is no additional premium charged if the actual income exceeds the estimate because the most the insurance company pays is the estimated business income limit.

Related Article: [CP 15 20-Business Income Premium Adjustment \(Reporting Form\) \(973 words\)](#)

Optional Time Element Endorsements

There are a number of endorsements available to modify the time element coverage forms. Many of the endorsements are appropriate for specific types of insureds. The ones this list includes could apply to almost any insured.

Related Article: [ISO Time Element Coverage Forms Available Endorsements and Their Uses](#)

Business Income from Dependent Properties

This endorsement covers loss sustained at dependent properties that cause the insured's operations to be suspended. A dependent property can be a supplier or a customer of the insured. It can also be the lead store at a shopping center that draws customers to the insured. This endorsement is attached to the policy that provides business income coverage. Business income coverage on the insured's premises is not a prerequisite to purchasing this coverage.

When a service business derives a significant amount of business from one particular client, this coverage should be purchased to protect that service business's loss of income if that client should have a direct damage loss.

Related Article: [CP 15 08, CP 15 09, CP 15 01, CP 15 34, AND CP 15 02–Time Element Dependent Properties Coverage Forms](#)

Ordinance or Law–Increased Period of Restoration

Standard ISO Time Element Coverage Forms do not pay for increases to the time needed to rebuild following a loss due to local ordinances that require making improvements to a building following a loss. This endorsement provides coverage for that increase in time.

Coverage may be purchased under ISO CP 15 31. Other insurance companies may provide this coverage through extensions of coverage.

This endorsement should be attached when CP 04 05–Ordinance or Law Coverage is attached to the Building and Personal Property Coverage Form.

Related Article: [CP 15 31-Ordinance or Law-Increased Period of Restoration](#)

Utility Services

When business operations are interrupted because a utility service supplied by an off-site provider fails, coverage applies only if CP 15 45 17–Utility Services - Time Element is attached to the policy. The failure must be due to the off-premises utility being damaged by a scheduled cause of loss. The only utility services covered are those scheduled in the endorsement. The covered utility services can be water, communication, wastewater removal and/or power as defined in the endorsement.

Related Article: [CP 15 45-Utility Services-Time Element](#)

PROPERTY AND TIME ELEMENT CAUSES OF LOSS

ISO property policies are assembled form-by-form so they can be customized. Once the insured selects the appropriate coverage form or forms, it must then select the causes of loss form or forms. There are three primary options to choose from. Earthquake and flood coverage also should be considered.

Basic

This causes of loss form insures against fire, lightning, explosion, smoke, windstorm or hail, smoke, damage from aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action.

Sinkhole collapse does not include the cost to refill the sinkhole. Volcanic action is damage that particulate matter, dust, ash, and lava flow causes. It is also the damage caused by airborne shockwaves and blasts but not from any movement of the ground.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis 12,109 words\)](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms \(822 words\)](#)

Broad

This causes of loss form insures against all of the basic causes of loss plus falling objects, weight of ice, snow, or sleet, and water damage from plumbing, heating, ventilating, air conditioning, or appliances breaking or cracking. It also covers collapse due to any of the causes of loss in the basic causes of loss form and the broad causes of loss form.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms](#)

Special

This causes of loss form insures against direct physical loss or damage except as the coverage form limits or excludes. This causes of loss form provides the broadest coverage of the three forms available.

Related Articles:

[Basic, Broad, and Special Causes of Loss Forms Analysis](#)

[Compare: ISO Commercial Property Program Causes of Loss Forms](#)

Earthquake

All three primary causes of loss forms exclude earth movement. Coverage for earthquake damage can be provided by any one of three different ways:

- Include this cause of loss by using CP 10 40–Earthquake and Volcanic Eruption Endorsement
- Purchase a Difference in Conditions (DIC) policy that includes earthquake as a covered cause of loss
- Purchase a separate earthquake policy from a nonstandard market

The first two options are the most positive way to obtain this coverage. However, a nonstandard market may be the only place to obtain coverage for this cause of loss in certain earthquake-prone areas and with certain types of properties. Deductibles are a percentage of the limit of insurance and usually range from 1% to 10%.

Related Article: [CP 10 40-Earthquake and Volcanic Eruption Endorsement \(2,419 words\)](#)

Flood

All three primary causes of loss forms exclude flood. Coverage for flood can be provided by any one of three different ways:

- Include this cause of loss by using CP 10 65–Flood Coverage Endorsement
- Purchase a Difference in Conditions (DIC) policy that includes flood as a covered cause of loss
- Purchase a separate flood policy from the National Flood Insurance Program (NFIP)

When coverage under the NFIP is available, flood carriers usually require that the insured purchase the NFIP policy as primary and it then provides excess limits over it.

Any service operation located in flood-prone areas should consider purchasing flood insurance through the federal program and then purchase excess amounts from the private market.

Related Articles:

[CP 10 65-Flood Coverage Endorsement \(1,917 words\)](#)

[Overview of the National Flood Insurance Program \(1,654 words\)](#)

INLAND MARINE COVERAGES

Inland marine traditionally has been less regulated than other types of insurance because of the unique nature of the property covered. In order to be consistent in treating it, insurance regulators adopted the Nationwide Marine Definition in 1933. While the basic definition has not changed, amendments have been added over the years that recognize changes in technology and the economy. Inland marine coverage can be provided by standard ISO coverage forms and by independent coverage forms from various inland marine carriers. While there are many common forms, inland marine insurance is known for recognizing and insuring unique exposures. When "it has never been done before" and needs to be insured, the inland marine market comes into play.

Related Articles:

[Nationwide Inland Marine Definition \(3,966 words\)](#)

[Who Needs Inland Marine Coverage? \(1,214 words\)](#)

Accounts Receivable

This coverage protects against loss resulting from an inability to collect accounts receivable due to the loss, damage or destruction of books or records of accounts. This coverage may be written using a standard ISO or AAIS Inland Marine Form.

Related Articles:

[.ISO Accounts Receivable Coverage Form \(4,665 words\)](#)

Bailees Customers

A Bailee Customer policy covers bailment situations. In a bailment, one person accepts goods from another and promises to return them to that person in the condition received or better. There is both a contractual and a goodwill obligation. The bailees coverage is a nonstandard form offered by various inland marine markets. Coverage can be limited to only the legal liability but many insureds purchase full coverage (called goodwill coverage) to better serve their clients. The valuation may be on an actual cash value or replacement cost basis. Coverage can be purchased for the item while in process or not. Coverage may be "risks of direct physical damage" or named perils only. Coverage is provided while the goods are at the insured's premises, in transit or while at another person's premises who is performing services to the goods on behalf of the insured.

Related Articles:

[ISO Bailees Customers Coverage Form \(5,174 words\)](#)

Commercial Articles

The Commercial Articles policy provides coverage for the commercial user of cameras and musical instruments. Property is covered wherever it is located and does not require scheduling of locations or property.

Cameras can be very important part of many service operations.

Related Articles:

[Commercial Articles Coverage Form](#)

Difference in Conditions (DIC)

Difference in Conditions (DIC) coverage is occasionally referred to as umbrella coverage for property lines of insurance. It does not provide excess coverage for existing insurance coverages; instead, it provides coverage that is not in underlying coverage forms and policies. Its name derives from the difference in coverage provisions between it and the underlying coverage forms and policies. The greater the number of differences in coverage between the underlying coverage and the DIC, the greater the coverage the DIC provides. It is used primarily to provide earthquake and flood coverage and then insureds are pleasantly surprised to discover that the DIC covers certain perils that their underlying coverage forms and policies exclude.

DIC insurance coverage is designed to close specific gaps in standard insurance policies and is usually available only for larger industrial or commercial risks. DIC coverage is usually provided by a separate coverage form or policy but in some cases is available as an endorsement to the underlying coverage form or policy.

There is no standard form to provide this coverage, but generally it is offered through both inland marine and property markets. The keys to comparison are the limits, deductibles, exclusions, territory, and method of capping.

The broad aspects of the DIC can prove helpful for the unforeseen.

Related Articles:

[ISO Difference in Conditions Coverage Form](#)

Electronic Data Processing

Covers loss to electronic data processing equipment, software and media owned, leased or used by the insured.

Computerized production equipment may be insured as well as conventional computer equipment. Coverage may include or exclude breakdown and power interruption. This coverage is available through the inland marine markets and coverage is not standardized. Comparisons must be made as to exclusions, on- and off-premises coverage, and transit. Valuation basis is a consideration because most computer systems will not be replaced with like and quality due to changes in technology.

Service businesses may work on computers or may use computers to provide services to their clients. This coverage is vital to either type or operation.

Related Articles:

[ISO Computer Systems Coverage Form \(4,726 words\)](#)

Fine Arts

Property coverage forms either exclude fine arts or limit payment to their utilitarian value. This coverage provides a valuation clause based on a piece of art's specified value. The art including paintings, etchings, statuary, stained or etched glass windows are covered against risk of direct physical loss. The key for comparison is the on-premises limit, off-premises limit and transit. The breakage exclusion is common but can be bought back for a significant surcharge.

Many service businesses display artwork in their offices or as part of their landscaping.

Related Articles:

[ISO Commercial Fine Arts Coverage Form \(3,359 words\)](#)

Signs (Neon and Electric)

Neon, fluorescent, automatic or mechanical electric signs are covered against a risk of direct physical loss or damage. This is offered using standard AAIS or ISO Inland Marine Forms. If regular wooden sign coverage is needed, the Building and Personal Property Coverage Form must be used.

Related Articles:

[ISO Signs Coverage Form \(3,076 words\)](#)

Valuable Papers and Records

The policy insures on a risk of direct physical loss basis, including misplacement or mysterious or unexplained disappearance. It covers the costs to research and replicate damaged important documents, books, and records or to replace them. Coverage is provided using standard ISO or AAIS Inland Marine Forms. There is a limited amount of coverage provided in property forms, but it is not as broad as the Inland Marine Form.

Service operations may have valuable papers relating to mortgages, union contracts, lease agreements, service contract and warranties and more. It is important to review the types of papers kept in order to evaluate the coverage need.

Related Articles:

[ISO Valuable Papers and Records Coverage Form \(4,678 words\)](#)

CRIME COVERAGES

The need for crime coverages is due to exclusions in commercial property coverage forms and policies. Most risks of physical loss of commercial property forms cover theft of merchandise and business personal property by other than employees. Theft of money, computer fraud, and employee dishonesty are usually excluded except for minimal amounts in Businessowners Policies and similar products. Crime coverage forms fill in the gaps in coverage.

Money, Securities and Other Property

The coverage forms in this section provide coverage for securities, other property, and in all but one coverage, money.

Computer Fraud

Money, securities, and other property are covered when any computer is used to fraudulently cause a transfer of the insured's property to another person located off the premises. The ISO Commercial Crime Coverage Form provides this coverage.

Related Article: [Commercial Crime Coverage Analysis \(14,540 words\)](#)

Destruction of Electronic Data or Programs

This coverage applies to loss or damage when a computer virus is introduced or a person who is not authorized to access the system damages the insured's electronic data or programs within the computer.

Related Article: [CR 04 13-Destruction of Electronic Data or Computer Programs \(899 words\)](#)

Employee Dishonesty

Most property coverage forms exclude employee dishonesty. As a result, this coverage is very important because employees have the potential to cause the most damage to an insured. They have access to all of the money, products, and information about the company. Employees who have more authority and access have greater potential to cause loss or damage. Coverage applies to loss of money, securities, and property that the insured owns or leases, or to property of others in its possession. Coverage may be provided under either standard ISO coverage forms or Surety and Fidelity Association of America forms.

Each service business will have unique opportunities for employees to steal property, money or securities from the business. It is important to review the potential opportunities and purchase a limit that reflects the exposure.

Related Article: [Commercial Crime Coverage Analysis](#)

Employee Dishonesty Including Customer's Property

Most property coverage forms exclude employee dishonesty. As a result, this coverage form is very important because employees have the potential to cause the most damage to an insured. They have access to all of the money, products, and information about the company. Employees who have more authority and access have greater potential to cause loss or damage. Coverage applies to loss of money, securities, and property that the insured owns or leases or to property of others in its possession. Coverage also applies to loss of money, securities, or property situated on a client's premises caused by an employee of the insured but only if that employee can be identified.

Many service businesses operate on clients premise so this coverage extension if very important.

Related Article: [CR 04 01-Client's Property \(914 words\)](#)

Extortion

Money, securities, and other property that is lost because of an extortion demand is covered by this coverage form. The definition of territory is very important and the insured can select the countries that are included within the definition. Coverage applies to threats of bodily harm to directors, officers, employees, and any of their family members. Threats of damage to the insured's property or premises are also covered. Coverage is available through standard ISO coverage forms and from specialty markets if the territory(ies) are especially dangerous.

Service business employees often work away from the premises so potential for kidnap and extortion can be considerable.

Related Article: [CR 04 03-Extortion-Commercial Entities and CR 04 04-Extortion-Government Entities](#)

Forgery or Alteration

Covers when someone – not an employee or owner – forges a signature on a check or other monetary instrument in order to obtain money that belongs to the insured. Forgery caused by an employee is covered as part of employee dishonesty.

Coverage may be provided using either a standard ISO form or a Surety and Fidelity Association form.

Related Article: [Commercial Crime Coverage Analysis](#)

Identity Fraud Expense

The cost to restore a company or individual to normal after its identify is stolen can be very high. This coverage pays nine specific types of expenses for both the insured business and its employees, directors, officers, trustees, and their family members.

Related Article: [CR 04 15-Identity Fraud Expense \(1,308 words\)](#)

Kidnap and Ransom

This coverage applies to expenses related to the kidnap of a covered person. The expenses include the ransom, the cost to transport the ransom and the rescued person, the security and intermediaries in the negotiations, and more. Coverage applies to employees, directors, trustees, officers, and their relatives. Coverage territory is anywhere in the world except for specifically listed countries.

Related Article: [CR 00 40 and CR 00 41-Kidnap/Ransom and Extortion Form and Policy](#)

Lessees of Safe Deposit Boxes

This coverage insures property the insured keeps in a safe deposit box. Theft, destruction, and disappearance causes of loss apply to securities. Burglary, robbery, or vandalism causes of loss apply to all other property. This coverage form does not insure money.

Related Article: [CR 04 09-Lessees of Safe Deposit Boxes](#)

Telephone Toll Fraud

When an unauthorized person accesses a phone system and uses it to make outgoing calls, that person is not charged any toll. Instead, the telephone system's owner must pay the bill. This can be very expensive so this coverage is available to pay those fraudulent charges. There are two important conditions. The first is that protective measures must be in place to prevent such fraud. The second is that coverage applies for only 30 days after the initial fraudulent call.

Related Article: [CR 04 16-Telephone Toll Fraud](#)

Unauthorized Reproduction of Computer Software by Employees

Software manufacturers have the right to collect penalties and fines from any company that uses its computer software without authorization. If an employee of the insured adds software that the insured does not know about, this coverage pays those penalties and fines.

Related Article: [CR 04 14-Unauthorized Reproduction of Computer Software by Employees](#)

Money and/or Securities Only

The coverage forms in this section insure only money and/or securities. There is no coverage for other property.

Theft, Disappearance, and Destruction

Money and securities inside the insured's premises or at a banking premises is covered for theft, disappearance, or destruction causes of loss. Similar coverage is provided outside the premises when money and securities are in a messenger's custody.

Related Article: [Commercial Crime Coverage Analysis](#)

Robbery and Safe Burglary

Money and securities inside the insured's premises or banking premises that are in a safe or vault are covered against robbery and safe burglary. Money and securities are also covered against robbery while outside the premises and in the care of a messenger.

Related Article: [CR 04 07-Inside the Premises-Robbery of a Custodian or Safe Burglary of Money and Securities](#)

Securities Deposited With Others

This coverage insures securities against loss caused by theft, disappearance, or destruction while inside a custodian's premises, while transported by a custodian, or while on deposit in a depository. The custodian must be named and the

depository must be specifically scheduled. Coverage is provided by entering a limit, a custodian, and a depository on the declarations.

Related Article: [CR 04 10-Securities Deposited With Others](#)

Property Other than Money and Securities

The coverage forms in this section insure only property. There is no coverage for money or securities.

Premises Burglary

Covers property **other than money and securities**, inside the premises, against loss caused by robbery of a watchperson or by burglary. This is covered using the ISO Standard Crime Form.

Related Article: [Commercial Crime Coverage Analysis](#)

Premises Theft

Covers for loss by theft of property, **other than money and securities**, while it is inside the premises. This is covered using the ISO CR 04 05. This should not be attached if property coverage is provided using the CP 10 30–Causes of Loss Special Form because it would provide duplicate coverage.

Related Article: [CR 04 05-Inside the Premises–Theft of Other Property](#)

Robbery and Safe Burglary

Covers **property other than money** from actual or attempted robbery or safe burglary. Coverage inside the premises may be written to cover both robbery and safe burglary or be limited to either robbery or safe burglary. Coverage outside applies to robbery of property other than money in a messenger's care and custody.

Related Article: [CR 04 06-Inside the Premises-Robbery of A Watchperson or Burglary of Other Property](#)

LIABILITY COVERAGES

Liability coverages include both commercial general liability coverage and common liability coverages that relate to the business's premises or operations.

Commercial General Liability–Occurrence Basis

This coverage pays for damages the insured becomes legally obligated to pay due to bodily injury, property damage, or personal and advertising injury that arises from its premises, operations, completed operations, and products. The occurrence basis means that occurrences that take place during the policy period are covered, regardless of when a claim for injury that results from the occurrence is presented.

The potential for off premises injuries to others are considerable because of the interaction most service businesses have with clients. This coverage is vital.

Related Article: [CG 00 01 and CG 00 02-Commercial General Liability Coverage Forms Analysis \(21,833 words\)](#)

Commercial General Liability–Claims-Made Basis

This coverage pays for damages the insured becomes legally obligated to pay due to bodily injury, property damage, or personal and advertising injury that arises from its premises, operations, completed operations, and products. The claims-made basis means that only claims presented during the policy period are covered regardless of when the occurrence that resulted in injury took place. A retroactive date often limits the time the occurrence could have taken place.

Some service businesses may be able to purchase CGL coverage only on a claims-made basis.

Related Articles:

[CG 00 01 and CG 00 02-Commercial General Liability Coverage Forms Analysis](#)

[Compare: ISO Commercial General Liability Coverage Forms-CG 00 01 \(Occurrence Basis\) To CG 00 02 \(Claims-Made Basis\)](#),

Optional Liability Coverages

The ISO Commercial General Liability Coverage Forms cover bodily injury, property damage, and personal and advertising injury from operations, premises, completed operations, and products. This may be sufficient for many insureds but others have liability exposures that these coverage forms exclude. The coverages described in this section are options that should be discussed with most insureds.

Cyber Liability

This is the most rapidly changing liability area today. The growth in the number of persons who use the Internet regularly has led to businesses promoting and marketing their products and services online. Most companies have home pages and communicate with others via text, email, chat, blogs, Facebook, and other social media. Exclusions are being added to liability coverage to restrict coverage for many cyber liability-related activities. A number of carriers are responding to the need for this cyber liability coverage. Comparing coverage forms is important because there is no standard coverage form. The following coverages should be part of any cyber liability coverage:

- Security and privacy liability
- Website content coverage/intellectual property and domain name coverage
- Virus coverage
- Civil regulatory actions
- First-party coverage for breach notifications, forensics, and credit monitoring expenses
- Cyber extortion
- Loss of data
- Loss of income due to loss of network resources

Almost every service business should consider its exposure to cyber-attacks and purchase coverage accordingly.

Directors and Officers

This coverage insures corporate directors and officers against claims usually brought by stockholders that allege loss that arises from mismanagement. Claims may also be made against the corporation for mismanagement by other than stockholders, which is also covered. An Outside Directorship Liability Policy Form is available as supplementary protection to insure that there are sufficient limits for the exposure created when a company's director, officer, or employee serves in an outside director position at the company's request. This coverage is not standard and may vary significantly between carriers and by type of business - i.e., for-profit, not-for-profit, closely-held, or publicly-traded.

Any service operation with outside directors will need this coverage or risk losing the outside directors.

Related Article: [Directors and Officers Liability Insurance Overview](#)

Employee Benefits

Mistakes by the insured in administering its employee benefits program can cost employees. This coverage insures those situations. This DOES NOT INCLUDE fiduciary responsibilities or any situations that involve discrimination or harassment. A simple example is when the insured does not provide the employee with the appropriate COBRA information following termination that results in the former employee losing benefits. Most carriers provide this coverage on their own filed forms by either a separate coverage form or as an endorsement to the commercial general liability coverage. Comparisons should address the types of benefits covered, claims-made versus occurrence, and the employer's contribution. ISO provides a standard endorsement to attach to the Commercial General Liability Coverage Forms.

Related Article: [ISO Commercial General Liability Coverage Forms Available Endorsements and Their Uses](#)

Employment-related Practices

Commercial General Liability Coverage Forms do not insure lawsuits that past, present, and prospective employees or governmental entities bring against the insured employer that allege wrongful discharge, discrimination, or certain types of harassment. A separate coverage form that insures employment-related practices is available. ISO developed its own coverage form but many insurance carriers have their own versions. Using the ISO standard as a starting point to compare coverages can help agents advise their customers on the best coverage form to use for their particular situation.

Service operations should have procedures and processes in place to prevent harassment and discrimination. This coverage is important because allegations can still arise.

Related Article: [Employment-related Practices Liability Coverage Form Analysis](#)

Liquor

Commercial General Liability Coverage Forms exclude liquor liability coverage for any insured in the business of selling, manufacturing, or serving alcoholic beverages. The liquor liability coverage form provides the coverage these types of operations need for the legal liability imposed on them because of providing such beverages to underage persons, those already intoxicated, or because of violations of state liquor statutes. Coverage can be provided on either an occurrence or claims-made basis.

Service businesses may serve or sell alcoholic beverages and be considered in the business of doing so and therefore subject to the liquor exclusion. This coverage should be purchased of the general liability should be modified to eliminate the liquor exclusion.

Related Article: [CG 00 33 & CG 00 34-Liquor Liability Coverage Forms Analysis](#)

Owners and Contractors Protective

This liability coverage is designed to protect either a property owner or a general contractor for the potential liability exposure that results from the hired contractor's negligent acts to perform work on the property owner's or general contractor's behalf. The contractor actually purchases the coverage, but the insurance is for the property owner or general contractor for whom the work is being done. Coverage is limited to a specific location and project.

An unusual feature is that the named insured is the property owner or general contractor who hired the contractor but the contractor pays the premium. Only the named insured property owner or general contractor can cancel.

Using this separate policy instead of being added as an additional insured to the contractor's Commercial General Liability Coverage Form allows the building owner or general contractor to better control the policy and ensure that other claims against the contractor do not dilute the limits.

Any service operation that is having extensive work done on their premises may want to consider requesting a contractor obtain an OCP policy in their name rather than just requiring a certificate of insurance. The cost may be slightly higher, but the added protection may prove invaluable.

Related Article: [CG 00 09-Owners and Contractors Protective Liability Coverage Form-Coverage for Operations of Designated Contractor Analysis](#)

Railroad Protective

This liability coverage protects a railroad against potential liability exposures that result from negligent acts of a designated contractor that any party hires to perform work on or near a railroad. The contractor actually purchases the coverage but it protects the railroad. Coverage is limited to a specific location and project. Commercial General Liability Coverage Forms exclude construction or demolition projects that are at or near railroad properties including railroad tracks, beds, trestles, tunnels, and similar property. This is a limited liability coverage form that buys back coverage.

Related Article: [CG 00 35-Railroad Protective Liability Coverage Form Analysis](#)

Special Events

Special events generate many exposures an underwriter does not anticipate when covering a particular business. A business that participates in special events may need special coverage during that event. In other cases, businesses may sponsor special events and be exposed to unexpected hazards that must also be addressed. Commercial General Liability Coverage Forms can insure special events. The insured may decide to purchase separate coverage in order to participate in the event and to avoid diluting its limits.

Service operations that sponsor special events should consider purchasing a special policy to protect the limits on their regular policy.

BUSINESSOWNERS POLICY

Property, time element, inland marine, crime, and liability coverages can be combined together in businessowners policies. This is a restricted option policy but it provides most of the coverages many small- to medium-size insureds need. Time element coverage is provided for up to 12 months without a specific limit of insurance.

Related Articles:

[ISO Businessowners Program Overview \(799 words\)](#)

COMMERCIAL AUTO COVERAGES

These forms provide all of the coverages the insured needs for its owned, leased, or hired vehicles. They also cover the insured for non-owned use of a vehicle when an employee or volunteer uses his or her vehicle on company business. The insured can customize the coverage it needs by entering symbols on the schedule. Coverage can apply to all owned, leased, hired, and non-owned autos or just on selected vehicles.

Related Article: [ISO Business Auto Coverage Form Overview \(778 words\)](#)

Liability

This coverage applies to bodily injury and property damage to others that an insured vehicle causes.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis \(12,961 words\)](#)

Physical Damage

This consists of two different coverages.

Collision

This coverage applies to covered vehicles damaged by impact with another vehicle, object, or animal.

Other than collision

This coverage applies to covered vehicles damaged by any cause of loss other than collision, unless specifically excluded.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Hired Car

This coverage applies to bodily injury and property damage caused by any vehicle the insured hires. Physical damage coverage may also be purchased. Vehicles hired for less than six months are considered hired vehicles, not leased vehicles. This coverage is available with owned auto coverage or as stand-alone coverage.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Non-Ownership Automobile Liability

This coverage insures the employer when its employee or volunteer causes bodily injury or property damage to others while using their vehicle on the employer's business. Coverage is only for the insured's benefit, but it may be extended by endorsement to also benefit the employee.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Personal Injury Protection/No-Fault

This coverage is designed to meet the requirements of state-mandated "no-fault" coverage laws.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Optional Automobile Coverages

The Business Auto Coverage Form can be used for any insured. However, ISO has designed coverage forms that more precisely cover specific types of insureds.

Garagekeepers

Garagekeepers coverage insures against loss or damage to customers' vehicles. Coverage may apply on a legal liability basis or without regard to legal liability. It may be offered as direct coverage that is excess over insurance carried by customers or as direct primary coverage. It is a standard part of the Auto Dealers Coverage Form or can be endorsed to the Business Auto Coverage Form.

This coverage is important to any service operation that offers valet parking or attended parking of any kind. While general liability does provide some coverage, as soon as the vehicle leaves the premises, general liability ceases and if there is no garagekeepers coverage, all coverage ceases.

Related Article: [CA 99 37-Garagekeepers Coverage](#)

Medical Payments

This coverage pays the medical expenses of an insured injured in a motor vehicle accident. It follows the insured inside any vehicle and when struck by another vehicle when he or she is outside the vehicle. Coverage also applies to family members and any other persons who occupy a covered vehicle at the time of an accident.

Related Article: [CA 99 03-Auto Medical Payments Coverage](#)

Uninsured Motorists

This is coverage for the insured that is struck by an uninsured motorist. It is a mandatory coverage in many states. It extends to family members and passengers in the covered vehicles. This coverage is usually restricted to bodily injury but some states also require property damage coverage. The limit should be the same as the bodily injury liability limit on the coverage form.

This coverage does not respond if the other driver is underinsured.

Related Articles:

[CA 00 01-Business Auto Coverage Form Analysis](#)

[CA 21 Endorsements-Uninsured and/or Underinsured Motorists \(UM/UIM\) Coverage](#)

[Auto Uninsured/Underinsured Motorists Coverage Requirements](#)

Underinsured Motorists

This is excess coverage provided to the insured. It applies when the party that causes the accident does not carry adequate limits to fully cover the insured's injuries. The limit should be to the same as the bodily injury liability limit on the coverage form. This coverage does not respond if the other driver is uninsured.

Related Articles:

[CA 21 Endorsements-Uninsured and/or Underinsured Motorists \(UM/UIM\) Coverage](#)

[Auto Uninsured/Underinsured Motorists Coverage Requirements](#)

WORKERS COMPENSATION COVERAGES

Workers compensation coverage is standardized but what benefits employees receive vary considerably from state to state because coverage refers directly to each particular state's workers compensation statutes. In addition, certain locations and activities allow non-federal employees to avoid state statutes and instead come under various federally mandated programs.

Workers Compensation and Employers Liability

Part A covers all injuries and diseases that individual state workers compensation statutes require be covered. Benefits are paid according to schedules each state provides. Part B covers liability that an employer may have imposed on it beyond the state statutes. The National Council of Compensation Insurance (NCCI) provides a standard form that is a model for all member companies to use. Certain states have alternatives to NCCI but all are fairly similar. Part A is compulsory with benefits the state mandates. Part B is liability coverage and is subject to standard tort liability.

Any service operation with employees must purchase this coverage. Service operations that utilize independent contractors rather than employees may choose to not purchase this coverage which could be very costly if the service operation is deemed to be an employer.

Related Articles:

[WC 00 00 00 B-Workers Compensation and Employers Liability Insurance Policy Analysis](#) (9,453 words)

Stop Gap or Employers Liability Coverage

There are gaps in coverage between workers compensation and commercial general liability coverages that can leave an insured uncovered. Part B of the Workers Compensation and Employers Liability Insurance Policy fills the gaps in most states. However, the state covers only Part A in monopolistic states. Another mechanism must provide the equivalent of Part B. Coverage may be offered on a monoline basis, as a stand-alone policy through a workers compensation carrier, or as an endorsement to the commercial general liability coverage.

Related Article: [Stop Gap-Employers Liability Coverage](#)

Federal Employers' Liability Act (FELA)

This coverage ensures employees who work for or on railroads that cross interstate lines who are not subject to state workers compensation coverages. This coverage is provided by an endorsement to the Workers Compensation and Employers Liability Insurance Policy.

Related Article: [The Federal Employers' Liability Act \(FELA\) Of 1908](#)

Longshore and Harbor Workers Coverage

This endorsement to the Workers Compensation and Employers Liability Insurance Policy covers workers or maritime employees such as longshore workers, harbor workers, shipbuilders, ship-breakers, ship repairers, or other employees engaged in loading, unloading, repairing, or building vessels. It also covers employees who work on navigable waters, adjoining piers, wharves, dry docks, terminals, building ways, and marine railways. Masters, captains, or crews of vessels are not covered because they are subject to the Jones Act.

Service operations that operate on the water, especially on navigable waters, such as rivers and oceans, may be required to purchase this coverage.

Related Articles:

[The United States Longshore and Harbor Workers' Compensation Act \(USL&HWCA\)](#)

[The Merchant Marine Act Of 1920 \(The Jones Act\)](#)

Voluntary Compensation

Each state defines who must be covered and who is exempt under workers compensation statutes. The employer then has the opportunity to include the exempt employees using the voluntary compensation endorsement.

Service operations should consider including all exempt employees by using this form in order to eliminate coverage gaps.

Related Article: [Voluntary Compensation Insurance](#)

EXCESS LIABILITY COVERAGES

Excess liability coverage supplements the limits of an insured's commercial general liability, commercial automobile liability, and employer's liability coverage. Excess liability coverage is triggered when the limits of the underlying insurance are used up. Also it covers an underlying loss that the underlying coverage excludes, subject to the self-insured retention.

Excess Liability Policy

In its purest form, excess liability policies do not have any exclusions or coverage. They track 100% with the scheduled underlying coverages and simply extend limits. Excess policies never provide additional coverage. Many carriers use their own coverage forms and add exclusions and language that make them look more like restricted umbrella policies instead of excess liability policies. Key areas to compare are exclusions and following-form terms.

Service operations should carry either an umbrella or an excess policy. If unusual terms have been negotiated in the underlying policy, the excess liability could provide the most complete coverage; but if the underlying is standard, the umbrella may provide some gap coverage not available in the excess.

Related Article: [What Is The Difference Between Umbrella Policies and Excess Policies? \(674 words\)](#)

Umbrella Policy

These policies serve two purposes. First, they provide excess liability limits over the limits in scheduled underlying policies. Second, they fill some gaps in coverage in the underlying coverage. ISO and AAIS have developed standard liability umbrella coverage forms, but many carriers use their own independently filed forms to provide coverage. As a result, comparing coverages is essential. Key areas that should be compared are exclusions, deductibles, whether a follow-form is offered over unusual underlying exposures, limits, and defense costs (included inside or outside the limits).

Service operations should carry either an umbrella or an excess liability policy because of the potential for catastrophic loss.

Related Article: [CU 00 01-Commercial Liability Umbrella Coverage Form Analysis \(18,894 words\)](#)

AVIATION COVERAGES

Specialty markets provide aviation coverages. Any operation that utilizes aircraft in its business needs these coverages. The applications are extensive and coverage is unique and more closely related to Ocean Marine Insurance than other types of coverage.

Aircraft Policy

Aircraft policies are business auto policies for vehicles that fly. Four coverages are available:

- Liability for bodily injury or property damage to parties the aircraft injures
- Passenger liability for bodily injury or property damage to parties in the aircraft
- Medical expense coverage for the aircraft's passengers and crew
- Hull coverage or physical damage coverage on the aircraft itself

Aircraft coverage is very specialized. The marketplace is limited and there are few standardized forms.

Service operations that require officers or employees to fly on a regular basis may find that a small airplane is more convenient than commercial airline flight.

Related Article: [Aircraft Insurance Coverage Analysis](#)

Passenger Liability

Bodily injury to passengers on aircraft is written on a per seat/aggregate basis. All aircraft coverage is written by non-admitted carriers on forms they developed. Key points to compare are the limits by type of coverage and exclusions.

This coverage should be purchased when an aircraft is owned to protect any passengers who may be aboard.

Related Article: [Aircraft Insurance Coverage Analysis](#)

SPECIALTY COVERAGES

These are unique coverages for particular types of insureds. The coverage forms used to provide the coverage are not standardized and are usually written with excess and surplus lines markets.

Electronic Data Liability

Electronic data liability occurs when businesses that supply computer and technology-related services cause electronic data to be damaged, deleted, or unusable. The loss must be due to an error, omission, or other type of accident or negligent act.

Service operations that are supplying electronic data support or services should purchase this coverage.

Related Article: [Electronic Data Liability Insurance](#)

Environmental Impairment Liability Policy

Standard liability insurance policies exclude most damage that pollution causes. This coverage form insures a business's pollution exposure associated with its property and operations. It can also cover cleanup costs and remedial action a third-party demands or a governmental entity orders. Coverage varies by carrier, and comparing coverage forms based on items covered, exclusions, definitions, and defense costs inside or outside the limit is important.

Fiduciary Liability Insurance

A fiduciary that manages a pension or employee benefit plan faces substantial liabilities that are primarily framed by the Employee Retirement Income Security Act (ERISA.). Private pension and employee benefit plans are subject to ERISA, whether sponsored by single employers, multi-employers, unions, or joint labor-management trusts.

The insured is a trust or employee benefit plan, any trustee, officer, or employee of the trust or employee benefit plan, employer who is sole sponsor of a plan, and any other individual or organization designated as a fiduciary. The coverage provided uses nonstandard forms. The most important information to obtain in any coverage form is that it conforms to current pension law.

Related Article: [Trustees and Fiduciaries Liability Insurance](#)

International/Foreign Operations Insurance

Policies written in the United States usually define territory to include only the United States of America, its territories, Puerto Rico, and Canada. Some provide limited worldwide coverage for incidental travel and some products liability losses.

Many companies have international exposures that exceed the limited coverage that standard policies provide. Companies that have physical assets outside of the United States need international coverage for property, liability, automobile, appropriate workers compensation, and inland marine. Many major insurance companies have facilities to provide international coverage or can assist in placing the coverage.

There are two kinds of policies for property located and land operations conducted abroad. Non-admitted insurance policies are written in English in the United States or a branch office of the company abroad. Protection may apply to more than one country and premiums and losses are paid in dollars.

Admitted insurance policies are products of the insurance market of the country involved with which the American underwriter has a working agreement. They are written in that country's language and premiums and losses are paid in the local currency. American businesses that do not establish facilities abroad but still import or export products require international coverage for risks that arise from using certain of their products. Many major carriers have developed the international equivalent of Businessowners Policies to cover these risks.

Many service operations have employees who regularly travel outside of the country and may have international exposures. Exposures should be analyzed and appropriate coverage purchased.

Related Article: [International Insurance](#)

Media/Communication Liability

Any company that distributes information to the public via a website or other means of communication faces the exposures of a traditional publisher. Easy access to electronic technology is contributing to a huge influx of newsletters, periodicals, and educational services.

Media liability errors and omissions claims seek to impose liability on the publisher for physical injuries or economic loss allegedly caused by some error or negligent publication in the ideas or expressions that the published material contains. A claim or lawsuit may not involve a clear error or omission in some cases. A client who is unhappy with the result of a firm's efforts may file a claim to obtain a different result or avoid paying a fee. Media liability insurance usually pays the costs to defend spoken statements by a publisher or broadcaster, and infringements of copyright, slander, libel, and false light suits are a few of the areas covered. Commercial general liability usually excludes personal and advertising injury claims against publishers or broadcasters and this coverage is used to provide it. This coverage is nonstandard and comparing coverages is important, especially with respect to definitions and exclusions.

Many service operations publish newsletters, blogs and other information to draw potential customers to their website and to provide information to existing customers. This coverage should be considered when material published is not created by outside sources that would have this coverage. Related Article: [Media/Communications Liability Coverage Analysis](#)

Rain or Weather Insurance

There are often nonrefundable fees and other expenses that must be paid up front when someone sponsors a special event, come rain or shine. Sponsors of such events need some hedge against the weather. Rain or weather insurance may be purchased from various specialty markets to cover a variety of expenses associated with a special event. They are very precise with respect to the type of weather and/or amount of rain or snowfall that must occur.

Service operations that hold or sponsor events that require an outlay of fixed expense regardless of the outcome of the event should consider this insurance.

Related Article: [Weather Insurance](#)

Terrorism Insurance

Standard ISO coverage forms do not specifically exclude terrorism. However, many companies exclude both domestic and foreign terrorism by endorsement. Terrorism coverage must be offered. An endorsement is issued if the insured rejects coverage. When terrorism coverage is accepted, the insurance company that provides the other coverage also provides terrorism coverage.

The terrorism coverage most carriers offer was initially based on the 2002 federal legislation called T.R.I.A. It is now based on the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) that extends federal backup coverage until 2014.

Related Article: [Terrorism and Insurance](#)

Underground Storage Tank Liability (UST)

The United States Environmental Protection Agency (EPA) requires property owners or business operators with underground storage tanks on their premises that contain petroleum products to prove that they are financially responsible. It requires that the owner of the tank be able to pay for any bodily injury or property damage may result from the tank leaking as well as the expenses to take corrective action. Covered underground storage tanks include ones designed to store fuel for the insured's motor vehicles as well as heating fuels.

ISO designed the UST Policy with the EPA's approval to meet those financial responsibility requirements. Other carriers have developed their own forms that should be examined carefully to ensure they meet or exceed EPA standards and requirements.

Any service operation with a UST exposure must secure this coverage.

Related Article: [CG 00 42-Underground Storage Tank Policy Analysis](#)

BONDS

The surety market offers many types of bonds. The two primary categories are Contract and Non-contract bonds. Contract bonds include bid, contract, and payment bonds and are used when there is a contractual obligation with respect to a specific contract. Non-contract bonds include license, permit, and judicial bonds and relate to obligations and performances that must be met that are not due to a contract.

Related Article: [Surety Bonds Overview \(1,381 words\)](#)

Bid Bond

The bid process can take a long time. When it is complete, the customer expects the contractor or supplier to deliver as promised. In many cases, a bid bond is required that obligates the surety to honor the bid bond either by issuing a contract bond if the contractor or supplier receives the contract or paying a penalty that offsets the cost of reopening the bid process.

Related Article: [Construction Contract Bonds](#)

Contract Bond

Contracts are a way of doing business. One way to guarantee that a contract will be performed is to require posting a bond that guarantees its successful performance. The bond provides a level of security beyond the signature on the contract. The purchaser of the services is assured that the surety will either carry out the contract or provide compensation.

Related Article: [Construction Contract Bonds](#)

License and Permit Bond

Most municipalities and states require that businesses provide license or permit bonds to a governmental entity as part of their application to obtain needed permits or licenses. The bond guarantees that the entity will abide by the conditions of the license or permit. If the business violates the conditions, the surety pays the bond penalty to the governmental authority and then collects the penalty from the business.

Related Article: [License and Permit Bonds](#)

ANSWERS: RISK OVERVIEW

Que Pasa Grill is an established restaurant located close to a university in town. It is popular with the university staff and other local business people for lunch but has strong student clientele in the evening. Elijah and Maria Greene started the restaurant twelve years ago and have witnessed steady growth over the time period.

There is only one General Liability Code to consider when rating a restaurant.

False The correct answer is false.

The major property exposure comes from:

a. Kitchen - Yes, That's correct! Very good!

Which of the following is not a major crime exposure?

d. Customer Goods - Yes, That's correct! Very good!

General Liability and Workers Compensation coverages have which two loss types in common?

a. Falls and customer-employee interaction injuries The correct answer is a.

If a restaurant has a current liquor license, they do not have an exposure to liquor liability losses.

False - Yes, That's correct! Very good!

ANSWERS: GENERAL INFORMATION

The actual named insured for Que Pasa Grill is Fire and Rain Enterprises LLC. King Pieces, LLC is also a named insured. Elijah and Maria started King Pieces LLC, a small import business, so that they can directly import spices, cooking oils and cooking equipment they believe are necessary for the authentic food they prepare. They also sell imported goods to other restaurants but it is a minor part of their operation. They tried to open another restaurant five years ago but closed it two years ago because of difficulty in managing two restaurants. There is no safety or disaster plan in place.

The named insured must be shown as:

d. Any of the above - Yes, That's correct! Very good!

All secondary and incidental operations should be listed on the application since they are covered under the policy.

___ True - Yes, That's correct! Very good!

Elijah and Maria are considering closing during the summer months due to lack of business. How does that affect their loss potential?

b. Non-occupied buildings are more subject to losses so the loss potential is increased. - Yes, That's correct! Very good!

Maria wants to have tabletop cooking for select desserts as a new specialty. Will that impact the loss potential for the restaurant?

d. All of the above. - Yes, That's correct! Very good!

A Mariachi band is hired to play at Que Pasa every Saturday night. What type of insurance coverage may have increased loss potential?

c. Liquor Liability The correct answer is c.

ANSWERS: PROPERTY – BUSINESS PERSONAL PROPERTY

Maria walks Toni through the restaurant as they talk. She notices that there are dropped ceilings and new paneling. Maria explains that the building was originally a warehouse. They converted the building when they started the business. They gutted the building and installed new electrical, heating and plumbing to accommodate the restaurant and meet the health codes. The ceilings are 15 feet and dropped to a warmer 10 feet in the dining area but kept open in the kitchen. There is a large storeroom where the imported products are kept along with the restaurant supplies. There is a separate locked room for all of the alcoholic beverages since they have a full liquor license. The manager on duty holds the key.

When a building is converted to a restaurant occupancy, what is a primary underwriting concern?

c. Electrical - Yes, That's correct! Very good!

What type of cooking is the most hazardous from a property exposure?

b. Deep fat frying - Yes, That's correct! Very good!

What items should be protected by the automatic extinguishing system?

d. All of the above - Yes, That's correct! Very good!

One advantage to having an automatic extinguishing system is that you can eliminate all other fire extinguishers in the kitchen.

___ False - Yes, That's correct! Very good!

What one safety measure can prevent most grease fires from spreading?

a. Excellent housekeeping - The correct answer is a.

ANSWERS: BUSINESS INCOME AND PROPERTY INVENTORY

Que Pasa Grill has never carried business income coverage but Maria and Elijah explained that when they had to close for 30 days following a small loss, they almost lost the business. They are interested in hearing about the coverage and how it works. The building is currently insured for \$225,000, the business personal property for \$175,000. Toni learns that the kitchen equipment is currently insured as business personal property. Using the Property Inventory questionnaire, she shifts \$50,000 from the business personal property limit and adds it to the building limit. This will provide a premium savings that may help pay for the business income coverage.

When does business income coverage cease?

b. Thirty days after operations resume The correct answer is b.

Que Pasa is known for their tortilla shells. They are made using a special custom made press only available in Mexico. If the press was damaged they would not be able to reopen until the press was repaired or replaced. What should be done to reduce the amount of the business income loss?

c. Develop an action plan to handle the situation prior to the loss. - Yes, That's correct! Very good!

Which of the following is never defined as building?

d. Dining room table - Yes, That's correct! Very good!

Improvements and Betterments are always defined as personal property.

___ False - Yes, That's correct! Very good!

Which of the following valuation methods should always be used?

d. It depends on the situation. - Yes, That's correct! Very good!

ANSWERS: INLAND MARINE, EMPLOYEE DISHONESTY AND MONEY AND SECURITIES

Que Pasa does not currently carry coverage for accounts receivables or employee dishonesty. They do carry money and securities coverage but only for holdup. They have a bookkeeper who has been with them for 10 years but their kitchen staff turns over on a regular basis. They admit that there have been inventory shortages and that the cash registers don't always balance but thought that was just the price of doing business. They are open to suggestions on how to reduce their exposure. They hold accounts for different university departments and local businesses since they do some catering and large orders for them and it can take a while for the receipts to work through the system.

What is the most critical risk management technique for accounts receivables?

c. Duplicate of records stored off premises The correct answer is c.

Which of the following employees are excluded from employee dishonesty coverage?

c. Employees who have committed a dishonest act - Yes, That's correct! Very good!

What is the primary risk management technique for controlling employee dishonesty losses?

c. Separation of financial duties - Yes, That's correct! Very good!

The same money and securities limit applies to all locations on a policy, unless endorsed.

__ True - Yes, That's correct! Very good!

The University sponsors a festival every year and Que Pasa's receipts double during that week. What Money and Securities endorsement could be recommended to cover the additional crime exposure?

b. Peak season - Yes, That's correct! Very good!

What is the most important risk management tool to reduce money and securities losses?

a. Develop and enforce a written procedure for acceptable money handling. - Yes, That's correct! Very good!

ANSWERS: PROPERTY

Que Pasa caters for the university and some of the local businesses. While this is not an advertised service, it does provide a steady income flow and increases customer loyalty. Next to the restaurant is a small parking lot for customers but there is also on street parking and public parking available. Although Maria and Elijah own the building and all the contents, they lease the land from the University under a long-term lease that was established by the prior owners.

All of the filter, hood and duct cleaning is handled by a subcontractor. The extinguishing system and fire extinguishers are also under a service contract.

Elijah is an artist so he designs his own ads for the university newspaper, yearbook and yellow pages. They are considering setting up a web page to be developed by one of the student employees who happens to be a computer science major.

The restaurant prepares all meals from fresh ingredients purchased locally. The only packaged items that are used in the preparation are spices and sauces imported from Mexico.

Maria and Elijah also sell the packaged items along with the tortilla press and other kitchen appliances from Mexico to other restaurants and some of the preferred customers.

Toni becomes confused as she walks through the restaurant and is unsure of how to exit. What can Maria and Elijah do to help with life safety?

d. All of the above. The correct answer is d.

What can be done to prevent choking injuries at the restaurant?

c. Train employees in the Heimlich maneuver - Yes, That's correct! Very good!

Toni knows the direct importing of products from Mexico will be a concern for any underwriter. How can she find out about the different products?

a. Ask Maria and Elijah. - Yes, That's correct! Very good!

An owned parking lot is the responsibility of the restaurant owners. What is their responsibility to their customers?

b. Safe environment - Yes, That's correct! Very good!

What important information does Toni need to know about the contracts Que Pasa has signed?

b. What does the indemnification agreement obligate Que Pasa to do - Yes, That's correct! Very good!

ANSWERS: LIQUOR LIABILITY AND EMPLOYEE BENEFITS

Que Pasa has a license to sell beer, wine and spirits. They have a bar area separate from the dining room that includes seating at the bar. All tables are located in the dining area. Since they are very popular with the college crowd they are

closely monitored by the authorities in case there is underage drinking. All bartenders and serving staff have been trained to check ID before providing any alcohol. Their vigilance has prevented problems with their license.

Food and alcohol receipts are about equal.

They only sell for on-site consumption and will not include alcohol when they cater off premises.

What must every business that serves alcohol have in place?

c. Valid liquor license The correct answer is c.

Who are not allowed to be served alcohol?

b. Intoxicated Individuals - Yes, That's correct! Very good!

Underage drinking combined with driving is a leading cause of death.

___ True - Yes, That's correct! Very good!

If alcohol is served as part of catering, what should the insured have in place, to limit liquor liability exposure?

a. An assumption of liability agreement with the host of the event. The correct answer is a.

Employee benefits coverage applies only to unemployment benefits.

___ False - Yes, That's correct! Very good!

ANSWERS: UMBRELLA AND BUSINESS AUTO

Que Pasa has started a limited amount of delivery to the dormitories, fraternities and sororities. Elijah or one of his employees uses their personal vehicles to make the deliveries. The response has been positive but now Elijah is concerned about the liability exposure. It appears that his Personal Lines policy does not cover this so commercial policy may be necessary. He doesn't have a commercial auto policy and needs help in understanding the coverage that is available. He does have a Commercial Umbrella policy and he is hoping that coverage might be available under that since he really does not understand what an Umbrella policy does.

What policies must be listed on the Umbrella policy?

d. Any policy the umbrella is to cover - Yes, That's correct! Very good!

Employees will be more careful in observing safety rules when they are using their own vehicles in deliveries if there is a guaranteed time delivery rule in effect.

___ False The correct answer is false.

Adding an individual to your underlying policy as an additional insured will not impact your umbrella limits.

___ False - Yes, That's correct! Very good!

An Umbrella policy automatically includes all of the amendments and exclusions that are part of the underlying policies.

___ False The correct answer is false

Liquor liability is covered by an excess policy:

d. Any of the above. - Yes, That's correct! Very good!

ANSWERS: WORKERS COMPENSATION

The serving staff at Que Pasa is primarily students working part-time. When the Mariachi band plays on Saturday nights, all of the serving staff are expected to dance and sing to encourage participation by the customers. Some of the students are foreign born and must have work permits which are kept on file. The staff turns over on a frequent basis as students graduate or school hours change.

It is important to have specific guidelines and training in dealing with unruly customers.

___ True - Yes, That's correct! Very good!

If one of the waiters is injured while dancing to the Mariachi band, there is no coverage.

___ False - Yes, That's correct! Very good!

Que Pasa has been asked to cater a riverboat excursion boat twice a week. What additional coverage may he need?

b. United States Longshore and Harborworkers Act - Yes, That's correct! Very good!

What risk management technique should be used when key employees travel?

a. Spread the risk by not all traveling in the same vehicle - Yes, That's correct! Very good!

Once an employee is taught the proper way to work with dangerous equipment, there is no need to supervise the activity.

___ False - Yes, That's correct! Very good!

Total word count is 314,641