

# CISR

COMMERCIAL  
CASUALTY II

## STUDY GUIDE

EXAM PREP AND ANSWER KEY

- Knowledge Checks
- Check-Ins
- Self-Quizzes
- Sample Exam Questions
- Glossary of Terms



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EDUCATION ALLIANCE

© 2021 by Risk & Insurance Education Alliance

Published in the United States by

Risk & Insurance Education Alliance

P.O. Box 27027

Austin, Texas 78755-2027

Telephones: 512.345.7932

800.633.2165

[RiskEducation.org](http://RiskEducation.org)

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# CISR

## COMMERCIAL CASUALTY II

# STUDY GUIDE

## EXAM PREP AND ANSWER KEY

This Study Guide has been prepared to enhance your learning experience. It contains all of the Check-In questions, Knowledge Checks, and Self-Quizzes contained within the course, along with an Answer Key and Glossary. Use it as a tool to help practice and assess your knowledge of the course material, but *do not* mistake it for a comprehensive "short-cut" to preparing for the final exam.

Be sure to take a look at the Appendix that follows the Answer Key in this Study Guide. It contains valuable suggestions for test preparation and study techniques, as well as some sample exam questions and a glossary of terms.

Your path to success in passing the final exam will come from your attentiveness during the course and the effort you put into preparation.



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# **Tools to Assess Your Knowledge**

Check-Ins, Knowledge Checks,  
and Self-Quizzes by Topic





# Section 1: Workers Compensation and Employers Liability

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## Workers Compensation and Employers Liability

### Check-In



**Directions:** Read each statement, then select True or False.

1. State workers compensation laws are no-fault systems.

True

False

2. Employer purchase of workers compensation insurance is voluntary in all states but Texas and New Jersey.

True

False

3. One advantage of workers compensation to employers is predictable costs.

True

False

## Knowledge Check



**Directions:** List four states that have monopolistic state funds. List two states where workers compensation is elective for employers.

Monopolistic State Funds

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

Elective Workers Compensation

1. \_\_\_\_\_
2. \_\_\_\_\_

## The Information Page

### Check-In



**Directions:** Match each kind of declarative information on the right to its Item location on the Information Page. Some sections have more than one correct answer.

Item 1: \_\_\_\_\_

Item 2: \_\_\_\_\_

Item 3: \_\_\_\_\_

Item 4: \_\_\_\_\_

- A. the policy's effective date
- B. the employer's type of organization
- C. the list of states in which an insured has or expects to have operations
- D. provides information used to calculate an estimated premium
- E. the policy's expiration date
- F. details the limits of insurance for employers liability
- G. description of the employers liability coverage



## Knowledge Check



**Directions:** Both Item 3.A. and Item 3.C. of the Information Page list the states that the policy covers. Explain the difference between these two items.

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## Knowledge Check



**Directions:** What is the experience modifier? Explain its purpose.

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# The Workers Compensation and Employers Liability Coverage Form

## Check-In



**Directions:** Match each description on the right to the correct General Section part. Answers can be used more than once.

- |                         |  |
|-------------------------|--|
| _____ General Section A | 1. Describes workers compensation law                    |
| _____ General Section B | 2. Identifies workplace locations where coverage applies |
| _____ General Section C | 3. Clarifies Who Is An Insured                           |
| _____ General Section D | 4. Explains the policy's role as an insurance contract   |
| _____ General Section E | 5. Explains in which states coverage applies             |



## Knowledge Check



**Directions:** Explain what Paragraph C. in the General Section of the Workers Compensation and Employers Liability Insurance Policy does *not* apply to.

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## Check-In



**Directions:** Use the following terms to fill in the blanks.

One	Two	Three
endorsements	insurance	an employer's interests
negligence	accident	employment type
before	during	after
caused or aggravated	ignored	overlooked

Part \_\_\_\_\_ of the Workers Compensation Insurance Form outlines how the \_\_\_\_\_ applies. It applies to a bodily injury by \_\_\_\_\_, or a bodily injury by disease, that occurred \_\_\_\_\_ the policy period and which was \_\_\_\_\_ by the conditions of employment.

## Check-In



**Directions:** Match each benefit on the right to its correct compensation category on the left. A category may have more than one benefit.

- |                      |   |
|----------------------|---|
| _____ Medical        | A. compensation for types of permanent injury       |
| _____ Disability     | B. reasonable and necessary treatment for an injury |
| _____ Rehabilitation | C. compensation for lost wages                      |
|                      | D. financial support for beneficiaries              |
| _____ Death          | E. restoration of an employee's physical capacity   |



## Knowledge Check



**Directions:** What are the medical and disability benefits that are associated with workers compensation based on? What are their time limits?

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## Knowledge Check



**Directions:** Summarize the purpose of paragraph B. in Part One of the Workers Compensation and Employers Liability Insurance Policy.

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## Employers Liability Insurance

### Check-In



**Directions:** Check each exclusion that applies to Employers Liability Insurance.

- ☐ an accident that occurs during a policy period
- ☐ intentional injury caused by an employer
- ☐ federal compensation act claims
- ☐ a legal suit
- ☐ maritime claims
- ☐ punitive damages



### Knowledge Check



**Directions:** Name the kind of claim this scenario represents. Justify your answer.

A bakery employee was able to reduce the amount of time required to transfer dough from industrial mixers to baking pans by removing splatter shields around the mixers' bowls. The employee's supervisor was aware of the employee's decision to remove the shields and did not require the employee to restore them.

A mixing paddle snapped, sending debris toward the employee. A piece of the paddle struck him in the eye and the bodily injury by accident required medical attention. The employee was compensated for medical costs by the Workers Compensation Policy. The employee also sued the mixing bowl manufacturer for damages. The manufacturer, in turn, made a claim against the employer.

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## Other States Insurance

### ▶▶ Knowledge Check



**Directions:** Read the following example and identify which of the following types of employers liability claim applies. Circle the type of claim that applies.

Some key safety rules are being ignored at Company XYZ—the insured. A company employee is fatally injured in a job-site accident. The employee’s widow and children sue the employer for loss of the care and companionship of their husband and father.

Third-Party Action  
Over Claim

Care and Loss of  
Services Claim

Consequential  
Bodily Injury  
Claim

Dual Capacity  
Claim

## Workers Compensation Endorsements

### ▶▶ Knowledge Check



**Directions:** Enter the endorsement you would use for each situation. Refer back to the endorsements you have just been introduced to.

Which endorsement would you use to:

1. cover employees who are the masters or crew of a vessel?

---

2. cover employees who load or unload ships?

---

3. cover employees who are not explicitly covered by the workers compensation law?

---

4. cover repatriation expenses of an employee injured overseas?

---



## Section 1 Self-Quiz

**Directions:** Use the following terms to fill in the blanks.

classification codes	higher	monopolistic	provisions
defined	Information Page	negligence	rehabilitation
disability	insurance company	no-fault system	severity
employee payroll	lawsuits	organization	tangible
exclusions	lifetime	period	workers compensation law
federal	mandatory	predictable	
frequency	manufacturer	premium	

- Workers compensation is a(n) \_\_\_\_\_ in which employees who incur workplace injuries receive benefits by law, while employers are protected from employee lawsuits.
- With the exceptions of Texas and New Jersey, all states have made employer purchase of workers compensation coverage \_\_\_\_\_.

### Employee—Advantages of WC (questions 3 through 5)

- \_\_\_\_\_ benefits if injured on the job
- Benefits regardless of \_\_\_\_\_
- Some benefits last a(n) \_\_\_\_\_.

## Section 1: Workers Compensation and Employers Liability

classification codes	higher	monopolistic	provisions
defined	Information Page	negligence	rehabilitation
disability	insurance company	no-fault system	severity
employee payroll	lawsuits	organization	tangible
exclusions	lifetime	period	workers compensation law
federal	mandatory	predictable	
frequency	manufacturer	premium	

### Employer—Advantages of WC (questions 6 through 8)

6. No \_\_\_\_\_ from injured employees
7. Cost of insurance is \_\_\_\_\_.
8. \_\_\_\_\_ benefit to employees
9. The most common funding option for the purchase of a Workers Compensation Policy is from a(n) \_\_\_\_\_ that sells the coverage.
10. A(n) \_\_\_\_\_ state fund is a state-created, state-owned, and state-operated workers compensation insurance facility that writes all workers compensation insurance in the state.
11. The \_\_\_\_\_ attached to a Workers Compensation Policy identifies Who Is An Insured, the type of \_\_\_\_\_, the policy \_\_\_\_\_, the coverage provided by the policy, and where coverage exists.
12. Job \_\_\_\_\_ describe the types of work done by employees in those businesses or organizations.

## Section 1: Workers Compensation and Employers Liability

13. Classifications in Item 3.A. of the Information Page have specific rates that apply to each \$100 of \_\_\_\_\_.
14. Rates and payrolls are used to determine \_\_\_\_\_.
15. The Experience Rating Plan measures accident \_\_\_\_\_ and \_\_\_\_\_.
16. An experience modifier of greater than 1.00 indicates that an employer has a(n) \_\_\_\_\_ than average claims payment history among similar employers.
17. The General Section clarifies Who Is An Insured, \_\_\_\_\_, and locations in which coverage is provided.
18. Part One of the Workers Compensation and Employers Liability Insurance Policy explains how the insurance applies, as well as \_\_\_\_\_, such as the insurer's right and duty to defend against any claim.
19. The four categories of workers compensation benefits are medical benefits, \_\_\_\_\_ benefits, \_\_\_\_\_ benefits, and death benefits.
20. In a dual capacity claim, an employer is both the employer and the \_\_\_\_\_ of the product that injured an employee during the course of employment.
21. Employers Liability Insurance has twelve \_\_\_\_\_, including liability assumed under a contract and punitive or exemplary damages.
22. Endorsements can amend a Workers Compensation and Employers Liability Insurance Policy to add coverage that responds to \_\_\_\_\_ compensation laws or to amend the application of existing coverage.



## Section 2: Introduction to Business Auto Coverage

---

### The Parts of a Business Auto Policy

#### Check-In



**Directions:** Check each definition of an “auto.”

- ☐ A land motor vehicle designed for travel on public roads
- ☐ A land motor vehicle designed for off-road travel
- ☐ A semitrailer
- ☐ Mobile equipment required for business operations
- ☐ A land vehicle subject to insurance laws wherever the vehicle is licensed
- ☐ A land vehicle subject to insurance laws in the states in which it travels for the sake of business

## Check-In



**Directions:** Read each statement about the Declarations.  
Select True or False.

1. There are five items on the Declarations.

True

False

2. Item One includes the policy period, form of business, premium, and endorsements.

True

False

3. Item Four is the schedule of hired or borrowed covered auto coverage.

True

False

4. The items on the Declaration Page basically answer four questions: Who? What? When? and Where?

True

False

## Check-In



**Directions:** Write a short response to the following question.

What does Symbol 7 in Item Two of the Declarations indicate?

---

---

---

---

## Check-In



**Directions:** Explain the difference between Covered Autos Liability Coverage and Physical Damage Coverage. Write a short response below.

---

---

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---



## Knowledge Check



**Directions:** Explain the following parts of a Business Auto Policy:

**Declarations:** \_\_\_\_\_

\_\_\_\_\_

**Coverage Form:** \_\_\_\_\_

\_\_\_\_\_

**Conditions:** \_\_\_\_\_

\_\_\_\_\_

**Definitions:** \_\_\_\_\_

\_\_\_\_\_

**Endorsements:** \_\_\_\_\_

\_\_\_\_\_

# Definitions

## Check-In



**Directions:** Define each term.

1. “accident”

---

2. “auto”

---

3. “insured”

---



## Knowledge Check



**Directions:** Explain each of the following terms:

1. owned auto

---

---

2. hired auto

---

---

3. non-owned auto

---

---



# BAP Coverage Symbols

## Check-In



**Directions:** Match each symbol to its meaning.

- |                 |   |
|-----------------|---|
| _____ Symbol 1  | <b>A.</b> Triggers coverage only for private passenger “autos” owned by the insured   |
| _____ Symbol 2  | <b>B.</b> Triggers coverage for specifically described “autos” that are scheduled on the Declarations   |
| _____ Symbol 3  | <b>C.</b> Applies only to those “autos” the insured leases, hires, rents, or borrows  |
| _____ Symbol 4  | <b>D.</b> Triggers coverage for non-owned “autos” that are not hired or borrowed by the insured and that are used in connection with the insured’s business, including employee-owned autos                 |
| _____ Symbol 5  | <b>E.</b> Triggers coverage only for owned “autos” that are not private passenger type vehicle  |
| _____ Symbol 6  | <b>F.</b> Represents any “auto”; applies only to liability coverage   |
| _____ Symbol 7  | <b>G.</b> Triggers coverage for owned “autos” when the insured is required to have, and cannot reject, no-fault benefits because of the law in the state where the vehicles are licensed or garaged         |
| _____ Symbol 8  | <b>H.</b> Represents owned “autos”; triggers coverage for “autos” owned by the insured and “autos” acquired during a policy period  |
| _____ Symbol 9  | <b>I.</b> Triggers coverage for any “auto” that would qualify as mobile equipment if it were not subject to compulsory or financial responsibility by state law where it is licensed or principally garaged |
| _____ Symbol 19 | <b>J.</b> Triggers coverage for owned “autos” when the insured is required to have, and cannot reject, an Uninsured Motorists Law in the state where the “autos” are licensed or garaged                    |

## Check-In



**Directions:** Refer to the Description Of Covered Auto Designation Symbols on the facing page to identify the symbol that represents the following categories of autos:

- \_\_\_\_\_ Any owned auto
- \_\_\_\_\_ Hired autos
- \_\_\_\_\_ Any owned private passenger auto
- \_\_\_\_\_ Non-owned autos
- \_\_\_\_\_ Any auto

## Section 2: Introduction to Business Auto Coverage

Symbol	Description Of Covered Auto Designation Symbols	
1	Any "Auto"	
2	Owned "Autos" Only	Only those "autos" you own (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" you acquire ownership of after the Policy begins.
3	Owned Private Passenger "Autos" Only	Only the private passenger "autos" you own. This includes those private passenger "autos" you acquire ownership of after the Policy begins.
4	Owned "Autos" Other Than Private Passenger "Autos" Only	Only those "autos" you own that are not of the private passenger type (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" not of the private passenger type you acquire ownership of after the Policy begins.
5	Owned "Autos" Subject To No-fault	Only those "autos" you own that are required to have no-fault benefits in the state where they are licensed or principally garaged. This includes those "autos" you acquire ownership of after the Policy begins provided they are required to have no-fault benefits in the state where they are licensed or principally garaged.
6	Owned "Autos" Subject To A Compulsory Uninsured Motorists Law	Only those "autos" you own that because of the law in the state where they are licensed or principally garaged are required to have and cannot reject Uninsured Motorists Coverage. This includes those "autos" you acquire ownership of after the Policy begins provided they are subject to the same state uninsured motorists requirement.
7	Specifically Described "Autos"	Only those "autos" described in Item Three of the Declarations for which a premium charge is shown (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to any power unit described in Item Three).
8	Hired "Autos" Only	Only those "autos" you lease, hire, rent or borrow. This does not include any "auto" you lease, hire, rent or borrow from any of your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households.
9	Non-owned "Autos" Only	Only those "autos" you do not own, lease, hire, rent or borrow that are used in connection with your business. This includes "autos" owned by your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households but only while used in your business or your personal affairs.
19	Mobile Equipment Subject To Compulsory Or Financial Responsibility Or Other Motor Vehicle Insurance Law Only	Only those "autos" that are land vehicles and that would qualify under the definition of "mobile equipment" under this Policy if they were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where they are licensed or principally garaged.

## Covered Persons

### Check-In



**Directions:** Read each statement. Then select True or False.

1. Members of LLCs are the same as the LLC themselves.

True

False

2. An employee using a covered auto that they own is an insured.

True

False

3. A person using a covered auto in an auto-type business is insured if the business is the Named Insured's business.

True

False

4. Non-employees loading or unloading vehicles are insureds.

True

False

5. Partners are insureds while driving their own autos.

True

False



## Knowledge Check



**Directions:** Read each example and answer the questions.

1. A business employee has an accident in his personal auto on the way to the post office during an errand for the business. The BAP does not cover the employee.

Why not?

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What can be done?

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2. A business owner has all but one of her family vehicles titled in the name of the business and all of them insured by the business. How can the insured and her family be protected for the use of other non-owned vehicles?

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3. A valuable employee of the business is provided a company vehicle for business and personal use. What endorsement would provide him with additional personal protection?

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## Covered Autos Liability Coverage

### Check-In



**Directions:** Put a check (✓) next to each example of negligence.

- ☐ A driver fails to come to a complete stop at a stop sign and continues driving.
- ☐ A driver backs out of his driveway without looking in the car's rear-view mirror and strikes a pedestrian at the end of his driveway.
- ☐ A driver is using a hand-held phone to make a call while driving and is rear-ended by another driver.
- ☐ A driver swerves to avoid debris on the road, strikes a series of traffic cones, and regains control.

## Check-In

**Directions:** Use the following terms to fill in the blanks. Some terms may be used more than once.



accident	"covered pollution cost or expense"	investigate	ownership	to which this insurance applies
bodily injury	damages	legally	"property damage"	
caused by an "accident"	defend	maintenance	right and duty	
covered "auto"	ends	only pay	settle	

### SECTION II – COVERED AUTOS LIABILITY COVERAGE

#### A. Coverage

We will pay all sums an "insured" \_\_\_\_\_ must pay as damages because of \_\_\_\_\_ or \_\_\_\_\_ to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance, or use of a(n) \_\_\_\_\_.

We will also pay all sums an "insured" \_\_\_\_\_ must pay as a(n) \_\_\_\_\_ to which this insurance applies, \_\_\_\_\_ and resulting from the \_\_\_\_\_, \_\_\_\_\_, or use of covered "autos." However, we will \_\_\_\_\_ for the "covered pollution cost or expense" if there is either "bodily injury" or "property damage" \_\_\_\_\_ that is caused by the same "accident."

We have the \_\_\_\_\_ to \_\_\_\_\_ any "insured" against a "suit" asking for such \_\_\_\_\_ or a(n) \_\_\_\_\_. However, we have no duty to defend any "insured" against a "suit" seeking damages for "bodily injury" or "property damage" or a "covered pollution cost or expense" to which this insurance does not apply.

We may \_\_\_\_\_ and \_\_\_\_\_ any claim or "suit" as we consider appropriate. Our duty to defend or settle \_\_\_\_\_ when the Covered Autos Liability Coverage Limit of Insurance has been exhausted by payment of judgments or settlements.

## Check-In



**Directions:** Write the letter that matches each description to the correct exclusion. Then select Yes or No to indicate whether each example is covered.

Covered?		
Yes No	_____ Contractual Liability	A. An insured strikes a gasoline tanker truck on a local street and causes a spill.
Yes No	_____ Care, Custody, Or Control	B. An insured contracts with a shopping center to maintain lights in the parking lot. In the course of working on the lights, the insured is driving in the parking lot and injures a pedestrian. The pedestrian sues the shopping center.
Yes No	_____ Handling Of Property	C. An insured employee is unloading a truck and drops a box, injuring a customer.
Yes No	_____ Pollution	D. An insured agrees to pick up a customer's property for processing, and the property is damaged in an accident.



## Knowledge Check



**Directions:** Give two examples of a driver breaching a duty owed. Then explain why a driver who breaches a duty owed might *not* be considered negligent.

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## Physical Damage Coverage

### Check-In



**Directions:** Check each peril that is covered by specified causes of loss.

- ☐ theft
- ☐ hail
- ☐ flood
- ☐ vandalism
- ☐ glass breakage



### Knowledge Check



**Directions:** Describe a scenario that applies to each coverage type.

Comprehensive coverage:

---

---

Specified Causes of Loss coverage:

---

---

Collision coverage:

---

---

## Business Auto Conditions

### Check-In



**Directions:** Match each loss condition to its description.

- |   |   |
|---|---|
| _____ Appraisal For Physical Damage Loss                    | <b>A.</b> explains the rules regarding the payment of physical damage losses  |
| _____ Duties In The Event Of Accident, Claim, Suit, Or Loss | <b>B.</b> states if any person or organization to or for whom the insurance company makes payment has rights to recover damages from another, those rights are transferred to the insurance company |
| _____ Legal Action Against Us                               | <b>C.</b> states the rules regarding appraisal of the loss and what the insured and the insurance company do if they disagree on the amount of "loss"   |
| _____ Loss Payment – Physical Damage Coverages              | <b>D.</b> explains the conditions under which the insured can start legal proceedings against the company   |
| _____ Transfer Of Rights Of Recovery Against Others To Us   | <b>E.</b> describes the duties the insured has in the event of a loss   |



## Knowledge Check



**Directions:** Explain primary and excess coverage under the General Conditions Other Insurance in the BAP.

---

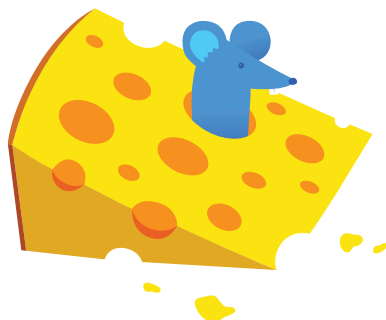
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## Test Your Instincts

### Using Endorsements to Fill Coverage Holes

There are many situations where the Business Auto Policy won't respond to a particular loss. These can be based upon who is an insured, in response to an exclusion, or upon whether a specific vehicle is a covered auto. Inadequate coverage can be sort of like Swiss cheese with lots of holes, leaving the insured open to uncovered losses. There are a variety of endorsements that can be used to fill those holes.

Consider these endorsements that can be added to BAP coverage to respond to the following situations. See endorsement examples provided after the activity page.

Drive Other Car Coverage	CA 99 10 10 13
Individual Named Insured	CA 99 17 10 13
Employees As Insureds	CA 99 33 10 13
Garagekeepers Coverage	CA 99 37 10 13
Employee As Lessor	CA 99 47 10 13
Mobile Equipment	CA 20 15 11 20
Employee Hired Autos	CA 20 54 11 20
Auto Loan/Lease Gap Coverage	CA 20 71 11 20

## Section 2: Introduction to Business Auto Coverage

**Directions:** Fill in the blanks with the form number of the appropriate endorsement for each situation.

1. When the Named Insured wants to be certain the Business Auto Policy will respond to employees renting vehicles in their own names while on business trips.

Use this endorsement to fill the gap: \_\_\_\_\_.

2. When the Named Insured on the Business Auto Policy has their family vehicles owned by and insured in the name of the business.

Use this Endorsement to fill the gap: \_\_\_\_\_.

3. When the Named Insured wants to extend liability coverage to employees driving their own vehicles for business purposes.

Use this Endorsement to fill the gap: \_\_\_\_\_.

4. When an organization wishes to extend liability coverage to an employee who doesn't own an auto and drives a company vehicle for their personal use.

Use this Endorsement to fill the gap: \_\_\_\_\_.

5. When the business wishes to provide physical damage protection to customers' autos while in the care and control of business employees.

Use this Endorsement to fill the gap: \_\_\_\_\_.

6. When the Named Insured wants to insure the gap in valuation between an auto loan or lease payoff and the actual cash value of a totaled auto.

Use this Endorsement to fill the gap:

\_\_\_\_\_.

7. When an employee of the Named Insured is leasing their personal auto to the business in lieu of driving a company car.

Use this Endorsement to fill the gap:

\_\_\_\_\_.



## Section 2 Self-Quiz

**Directions:** Use the following terms to fill in the blanks. Some terms may be used more than once.

accident	insured contract	mobile equipment	temporary worker	2
actual cash value	leased worker	Motor Carrier	tort	4
Auto Dealers	liability coverage	negligence	cost to repair or replace	7
bodily injury	Limit of Insurance	property damage		8

- The three types of auto coverage forms are the Business Auto Coverage Form, the \_\_\_\_\_ Coverage Form, and the \_\_\_\_\_ Coverage Form.
- A(n) \_\_\_\_\_ includes continuous or repeated exposure to the same condition.
- The part of a contract that pertains to an insured's business under which the insured assumes tort liability of another to pay for "bodily injury" or "property damage" to a third party is a(n) \_\_\_\_\_.
- A(n) \_\_\_\_\_ works for an insured under the terms of a contractual agreement between a labor leasing firm and the insured.
- \_\_\_\_\_ includes vehicles and equipment designed for purposes other than the transportation of persons or cargo.
- Damage to or loss of use of tangible property is \_\_\_\_\_.
- A(n) \_\_\_\_\_ substitutes for a permanent employee who is on leave or fulfills an insured's short-term or seasonal workforce need.

## Section 2: Introduction to Business Auto Coverage

8. Symbol \_\_\_\_\_ on the Declarations triggers coverage for “autos” described in Item Three for which a premium charge is shown (and for Covered Autos Liability Coverage, any “trailers” the insured doesn’t own while attached to any power unit described in Item Three).
9. Symbol \_\_\_\_\_ on the Declarations triggers coverage for “autos” owned by the insured that are not of the private passenger type.
10. Symbol \_\_\_\_\_ on the Declarations triggers coverage for “autos” the insured leases, hires, rents, or borrows, but not “autos” the insured leases, hires, rents, or borrows from “employees,” partners, members, or someone in members’ households.
11. Symbol \_\_\_\_\_ applies to “autos” the insured owns (and for Covered Autos Liability Coverage, any “trailers” the insured doesn’t own while attached to power units the insured does own). This coverage includes owned “autos” acquired after the policy begins.
12. A vehicle that travels on crawler treads is classified as \_\_\_\_\_.
13. Liability is created when an insured commits a(n) \_\_\_\_\_, or a legal wrong done to others.
14. The legal principle of negligence is used to determine whether the operator of an auto is responsible for a(n) \_\_\_\_\_.
15. The insurer’s broad promise to pay damages is restricted only to bodily injury or property damage and must apply to an event that qualifies as a(n) \_\_\_\_\_.
16. The Care, Custody Or Control Exclusion eliminates \_\_\_\_\_ for damage to property that belongs to the insured, is being transported by the insured, or that the insured has in their custody, care, or control.

## Section 2: Introduction to Business Auto Coverage

accident	insured contract	mobile equipment	temporary worker	2
actual cash value	leased worker	Motor Carrier	tort	4
Auto Dealers'	liability coverage	negligence	cost to repair or replace	7
bodily injury	Limit of Insurance	property damage		8

17. The Limit of Insurance shown in the Declarations is the most that would be paid for any one \_\_\_\_\_, regardless of the number of covered autos involved, insureds, or claims made.

18. Under the Physical Damage Limits of Insurance, the BAP will pay the lesser of the \_\_\_\_\_ or the \_\_\_\_\_ the damaged or stolen property at the time of a loss.

**Directions:** Read each statement. Select True or False.

1. A “covered pollution cost or expense” includes costs or expenses arising from the actual, alleged, or threatened release of “pollutants” in the course of transit by the insured.

True

False

2. If the BAP provides liability coverage, it extends liability coverage automatically to a non-owned auto being used as a temporary substitute for an owned auto that is out of service because of breakdown, repair, servicing, loss, or destruction.

True

False

3. The BAP considers anyone other than the insured using a covered auto with the permission of the insured to be an insured, with some exceptions.

True

False

4. The BAP extends coverage as an insured to persons or organizations that are held liable for the conduct of the insured.

True

False



## Section 2: Introduction to Business Auto Coverage

5. In addition to paying what it is legally obligated to pay on behalf of an insured, the insurer agrees to pay all court costs and post-judgment interest.

**True**

**False**

6. The Business Auto Coverage Form has 15 liability exclusions, and others may be added by endorsement.

**True**

**False**

7. The Fellow Employee Exclusion removes coverage for liability of one insured employee negligently injuring another insured employee.

**True**

**False**

8. The Movement Of Property By A Mechanical Device Exclusion removes coverage if loading or unloading of vehicles is performed using a mechanical device other than a hand truck.

**True**

**False**

9. One condition of the BAP is that the insured must notify the insurer of a loss within the policy period if the insurer is to meet its promise to defend and pay.

**True**

**False**

## Section 2: Introduction to Business Auto Coverage

**Directions:** Name the four parts of negligence.

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

**Directions:** List the three main types of physical damage coverage.

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

## Section 3: Excess Liability and Commercial Umbrella Policies

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### Excess Liability and Commercial Umbrella Policies



#### Knowledge Check

**Directions:** Identify the three functions of a Commercial Umbrella Policy.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

### Excess Coverage Forms



#### Knowledge Check

**Directions:** Define the term “buffer layer,” as it applies to an insured.



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# Self-Insured Retention (SIR)

## Check-In



**Directions:** Use the example to explain what happens if a Named Insured suffers a liability auto policy claim of \$1.5 million that is covered by the underlying policy.

Self-insured retention (SIR)	\$	10,000
Schedule of underlying insurance:		
<u>Commercial General Liability</u>		
General aggregate	\$	2,000,000
Products-completed operations aggregate	\$	2,000,000
Each occurrence	\$	1,000,000
<u>Business Auto Liability</u>		
Each accident	\$	1,000,000
<u>Employers Liability</u>		
Bodily injury by accident	\$	500,000 each accident
Bodily injury by disease	\$	500,000 each employee
Bodily injury by disease	\$	500,000 policy limit

Underlying policies pay:	\$ _____
Umbrella Policy pays:	\$ _____
Named Insured pays:	\$ _____

## Key Terms and Conditions



### Knowledge Check



**Directions:** Describe how the underlying insurance requirement works and the dangers of non-concurrent policies.

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## Section 3 Self-Quiz

**Directions:** Check each item that describes a function of an Excess Liability Policy.

- ☐ To provide excess limits above underlying liability insurance limits
- ☐ To replace underlying insurance limits as aggregate limits are exhausted
- ☐ To provide broader insurance protection than the underlying insurance

**Directions:** Read each statement. Select True or False.

1. The coverage territory of an Umbrella Policy is typically broader than the territory in an underlying policy.

True

False

2. Umbrella Policies may change the definitions in underlying policies.

True

False

3. A “true” Umbrella Policy tends to be more restrictive than Excess Liability policies.

True

False

4. A Follow Form Excess Policy provides the same coverage as the underlying policies but at higher limits.

True

False

5. A Stand-Alone Excess Policy has its own terms and conditions and may or may not cover losses that are covered by the underlying policies.

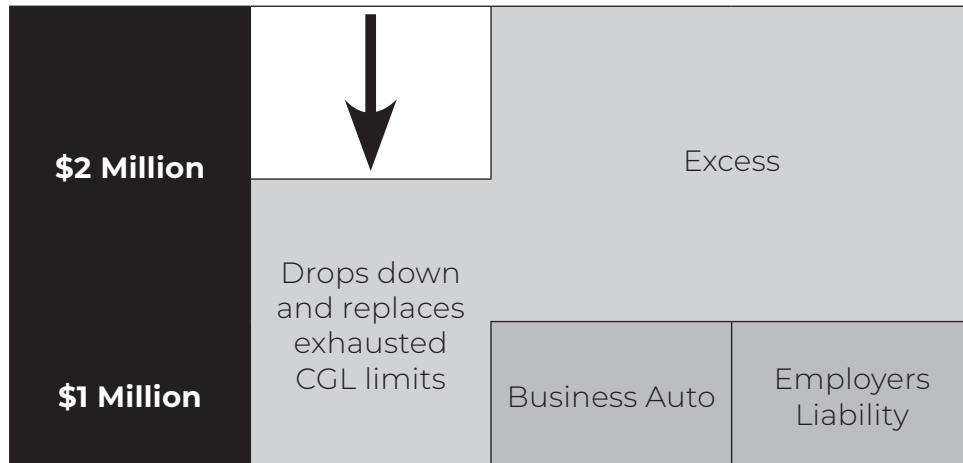
True

False

### Section 3: Excess Liability and Commercial Umbrella Policies

**Directions:** Answer the following questions.

1. Explain what an Excess/Umbrella Policy will do in the event of a covered liability claim.



2. Explain the difference between Monoline and Multiline Coverage Forms.

### Section 3: Excess Liability and Commercial Umbrella Policies

**Directions:** Use the following terms to fill in the blanks.

Buffer Liability	coverage territory	ultimate net loss
Excess	indemnify	underlying insurance condition
concurrency	self-insured retention	unimpaired

1. A(n) \_\_\_\_\_ Policy exists between primary underlying insurance and the \_\_\_\_\_ Policy layer.
2. A(n) \_\_\_\_\_ is an amount an insured must pay before an excess insurance policy will respond to a loss that is not covered by the underlying policy.
3. Umbrella Policies may state they will \_\_\_\_\_ an insured, meaning the insured pays for the covered claim and then asks for reimbursement from the insurance company.
4. The \_\_\_\_\_ is the geographic area in which insurance applies.
5. The \_\_\_\_\_ describes the total of amounts paid or amounts payable in the settlement of claims or suits.
6. The \_\_\_\_\_ described on the Declarations outlines the obligations of an insured regarding the underlying insurance policies.
7. When the policy periods of underlying and excess policies are the same, \_\_\_\_\_ exists.
8. An underlying, \_\_\_\_\_ limit is one that has not been reduced or exhausted by claims prior to the effective date of the Excess Policy.



# **Answer Key**



# Section 1: Workers Compensation and Employers Liability

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## Workers Compensation and Employers Liability

### Check-In



**Directions:** Read each statement, then select True or False.

1. State workers compensation laws are no-fault systems.

True

False

2. Employer purchase of workers compensation insurance is voluntary in all states but Texas and New Jersey.

True

False

With the exception of Texas and New Jersey, all states have made employer purchase of workers compensation insurance mandatory.

3. One advantage of workers compensation to employers is predictable costs.

True

False

## ▶▶ Knowledge Check



**Directions:** List four states that have monopolistic state funds. List two states where workers compensation is elective for employers.

Monopolistic State Funds

1. ND
2. OH
3. WY
4. WA

Elective Workers Compensation

1. TX
2. NJ

## The Information Page

### Check-In



**Directions:** Match each kind of declarative information on the right to its Item location on the Information Page. Some sections have more than one correct answer.

Item 1: B

Item 2: A, E

Item 3: C, G, F

Item 4: D

- A. the policy's effective date
- B. the employer's type of organization
- C. the list of states in which an insured has or expects to have operations
- D. provides information used to calculate an estimated premium
- E. the policy's expiration date
- F. details the limits of insurance for employers liability
- G. description of the employers liability coverage



## Knowledge Check



**Directions:** Both Item 3.A. and Item 3.C. of the Information Page list the states the policy covers. Explain the difference between these two items.

**Sample Answer:**

Item 3.A. triggers Workers Compensation Insurance for the state or states listed in which the policyholder has ongoing operations. In item 3.C., all the other states in the U.S., except those shown in item 3.A. and the monopolistic states, are shown or listed to trigger Other States Insurance for claims that could be made in that state by employees who are there on a temporary basis. For example, in item 3.C., a business located only in Oklahoma might have listed: "All states except OK, ND, OH, WA, WY."



## Knowledge Check



**Directions:** What is the experience modifier? Explain its purpose.

**Sample Answer:**

The experience modifier reflects employers claims experience, that is, the frequency and severity, or cost, of claims. The experience modifier—a value that is normally more or less than 1.0—is used to calculate an employer's premium.

# The Workers Compensation and Employers Liability Coverage Form

## Check-In



**Directions:** Match each description on the right to the correct General Section part. Answers can be used more than once.

- |                               |  |
|-------------------------------|--|
| <u>4</u> General Section A    | 1. Describes workers compensation law                    |
| <u>3</u> General Section B    | 2. Identifies workplace locations where coverage applies |
| <u>1</u> General Section C    | 3. Clarifies who is insured                              |
| <u>5</u> General Section D    | 4. Explains the policy's role as an insurance contract   |
| <u>5, 2</u> General Section E | 5. Explains in which states coverage applies             |

## ▶▶ Knowledge Check



**Directions:** Explain what Paragraph C. in the General Section of the Workers Compensation and Employers Liability Insurance Policy does *not* apply to.

**Sample answer:**

Paragraph C. does not focus on federal workers or federal workers compensation laws.

## Check-In



**Directions:** Use the following terms to fill in the blanks.

One	Two	Three
endorsements	insurance	an employer's interests
negligence	accident	employment type
before	during	after
caused or aggravated	ignored	overlooked

Part One of the Workers Compensation Insurance Form outlines how the insurance applies. It applies to a bodily injury by accident, or a bodily injury by disease, that occurred during the policy period and which was caused or aggravated by the conditions of employment.

## Check-In



**Directions:** Match each benefit on the right to its correct compensation category on the left. A category may have more than one benefit.

B Medical

A, C Disability

E Rehabilitation

D Death

A. compensation for types of permanent injury

B. reasonable and necessary treatment for an injury

C. compensation for lost wages

D. financial support for beneficiaries

E. restoration of an employee's physical capacity



## Knowledge Check



**Directions:** What are the medical and disability benefits that are associated with workers compensation based on? What are their time limits?

**Sample Answer:**

Workers compensation would pay medical costs for all reasonable injuries, with no time limit. Disability benefits are based on an injured employee's income and are limited to the extent of their disability.



## Knowledge Check



**Directions:** Summarize the purpose of paragraph B. in Part One of the Workers Compensation and Employers Liability Insurance Policy.

**Sample answer:**

Following the workers compensation law that applies, paragraph B. expresses the insurer's promise to pay required benefits promptly.

# Employers Liability Insurance

## Check-In



**Directions:** Check each exclusion that applies to Employers Liability Insurance.

- ☐ an accident that occurs during a policy period
- ☒ intentional injury caused by an employer
- ☒ federal compensation act claims
- ☐ a legal suit
- ☒ maritime claims
- ☒ punitive damages



## ▶▶ Knowledge Check



**Directions:** Name the kind of claim this scenario represents. Justify your answer.

A bakery employee was able to reduce the amount of time required to transfer dough from industrial mixers to baking pans by removing splatter shields around the mixers' bowls. The employee's supervisor was aware of the employee's decision to remove the shields and did not require the employee to restore them.

A mixing paddle snapped, sending debris toward the employee. A piece of the paddle struck him in the eye and the bodily injury by accident required medical attention. The employee was compensated for medical costs by the Workers Compensation Policy. The employee also sued the mixing bowl manufacturer for damages. The manufacturer, in turn, made a claim against the employer.

**Sample Answer:**

This scenario is an example of a third-party action over claim.

The mixing bowl manufacturer is a third party. The employee made a claim against his employer and a claim against the third party. The third party then made a claim against the employer, claiming the employer's supervisor was aware that the shields around the mixers had been removed and that the negligence contributed to the claim.

## Other States Insurance

### ▶▶ Knowledge Check



**Directions:** Read the following example and identify which of the following types of employers liability claim applies. Circle the type of claim that applies.

Some key safety rules are being ignored at Company XYZ—the insured. A company employee is fatally injured in a job-site accident. The employee's widow and children sue the employer for loss of the care and companionship of their husband and father.

Third-Party Action  
Over Claim

Care and Loss of  
Services Claim

Consequential  
Bodily Injury  
Claim

Dual Capacity  
Claim

# Workers Compensation Endorsements

## ▶▶ Knowledge Check



**Directions:** Enter the endorsement you would use for each situation. Refer back to the endorsements you have just been introduced to.

Which endorsement would you use to:

1. cover employees who are the masters or crew of a vessel?

Maritime Coverage Endorsement

2. cover employees who load or unload ships?

Longshore and Harbor Worker Coverage Endorsement

3. cover employees who are not explicitly covered by the workers compensation law?

Voluntary Compensation Endorsement

4. cover repatriation expenses of an employee injured overseas?

Foreign Workers Compensation Coverage Endorsement

## Section 1 Self-Quiz

**Directions:** Use the following terms to fill in the blanks.

classification codes	higher	monopolistic	provisions
defined	Information Page	negligence	rehabilitation
disability	insurance company	no-fault system	severity
employee payroll	lawsuits	organization	tangible
exclusions	lifetime	period	workers compensation law
federal	mandatory	predictable	
frequency	manufacturer	premium	

- Workers compensation is a(n) no-fault system in which employees who incur workplace injuries receive benefits by law, while employers are protected from employee lawsuits.
- With the exceptions of Texas and New Jersey, all states have made employer purchase of workers compensation coverage mandatory.

### Employee—Advantages of WC (questions 3 through 5)

- Defined benefits if injured on the job
- Benefits regardless of negligence
- Some benefits last a(n) lifetime.

## Section 1: Workers Compensation and Employers Liability

classification codes	higher	monopolistic	provisions
defined	Information Page	negligence	rehabilitation
disability	insurance company	no-fault system	severity
employee payroll	lawsuits	organization	tangible
exclusions	lifetime	period	workers compensation law
federal	mandatory	predictable	
frequency	manufacturer	premium	

### Employer—Advantages of WC (questions 6 through 8)

6. No lawsuits from injured employees
7. Cost of insurance is predictable.
8. Tangible benefit to employees
9. The most common funding option for the purchase of a Workers Compensation Policy is from a(n) insurance company that sells the coverage.
10. A(n) monopolistic state fund is a state-created, state-owned, and state-operated workers compensation insurance facility that writes all workers compensation insurance in the state.
11. The Information Page attached to a Workers Compensation Policy identifies Who Is An Insured, the type of organization, the policy period, the coverage provided by the policy, and where coverage exists.
12. Job classification codes describe the types of work done by employees in those businesses or organizations.

## Section 1: Workers Compensation and Employers Liability

13. Classifications in Item 3.A. of the Information Page have specific rates that apply to each \$100 of employee payroll.
14. Rates and payrolls are used to determine premium.
15. The Experience Rating Plan measures accident frequency and severity.
16. An experience modifier of greater than 1.00 indicates that an employer has a(n) higher than average claims payment history among similar employers.
17. The General Section clarifies Who Is An Insured, workers compensation law, and locations in which coverage is provided.
18. Part One of the Workers Compensation and Employers Liability Insurance Policy explains how the insurance applies, as well as provisions, such as the insurer's right and duty to defend against any claim.
19. The four categories of workers compensation benefits are medical benefits, disability benefits, rehabilitation benefits, and death benefits.
20. In a dual capacity claim, an employer is both the employer and the manufacturer of the product that injured an employee during the course of employment.
21. Employers Liability Insurance has twelve exclusions, including liability assumed under a contract and punitive or exemplary damages.
22. Endorsements can amend a Workers Compensation and Employers Liability Insurance Policy to add coverage that responds to federal compensation laws or to amend the application of existing coverage.



## Section 2: Introduction to Business Auto Coverage

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### The Parts of a Business Auto Policy

#### Check-In



**Directions:** Check each definition of an “auto.”

- ☒ A land motor vehicle designed for travel on public roads
- ☐ A land motor vehicle designed for off-road travel
- ☒ A semitrailer
- ☐ Mobile equipment required for business operations
- ☒ A land vehicle subject to insurance laws wherever the vehicle is licensed
- ☐ A land vehicle subject to insurance laws in the states in which it travels for the sake of business

## Check-In



**Directions:** Read each statement about the Declarations.  
Select True or False.

1. There are five items on the Declarations.

True

False

There are six items on the Declarations.

2. Item One includes the policy period, form of business, premium, and endorsements.

True

False

3. Item Four is the schedule of hired or borrowed covered auto coverage.

True

False

4. The items on the Declaration Page basically answer four questions: Who? What? When? and Where?

True

False

## Check-In



**Directions:** Write a short response to the following question.

What does Symbol 7 in Item Two of the Declarations indicate?

If Symbol 7 is present, an "auto" the insured acquires after a policy begins will be a covered "auto" only if the insurance company already covers all of the insured's owned "autos," or the new "auto" replaces a previously owned and covered "auto," and the insured notifies the insurance company within 30 days following acquisition that coverage is wanted.



## Check-In



**Directions:** Explain the difference between Covered Autos Liability Coverage and Physical Damage Coverage. Write a short response below.

**Sample Answer:**

Covered Autos Liability Coverage provides protection from claims for bodily injury and property damage for which the insured is legally responsible. Physical Damage Coverage provides coverage for damage to or loss of the insured's covered auto.



## Knowledge Check



**Directions:** Explain the following parts of a Business Auto Policy:

**Sample Answer:**

**Declarations:** The policy's Declarations shows the who, what, when, and where.

**Coverage Form:** The heart of the insurance coverage form where the promises the insurance company is making to the insured are outlined in detail.

**Conditions:** The section in the insurance coverage form that states the rules for the insured and the insurance company under the contract.

**Definitions:** The section in the policy that explains the meaning of the words in quotation marks that appear throughout the policy.

**Endorsements:** Additions to a policy that amend the coverage provided in the coverage form.

# Definitions

## Check-In



**Directions:** Define each term.

**Sample answers:**

1. “accident”

A repeated or continuous exposure to the same conditions that results in “bodily injury” or “property damage”

2. “auto”

A land motor vehicle, “trailer,” semitrailer, or other land vehicle that is subject to the laws where it is licensed and principally garaged

3. “insured”

A person or organization qualifying as an insured in the Who Is An Insured provision of the coverage

## ▶▶ Knowledge Check



**Directions:** Explain each of the following terms:

**Sample Answer:**

1. owned auto

Owned autos are autos that are owned (titled/leased) in the name of a business or organization, or owned by a sole proprietor and being used for business purposes.

2. hired auto

Hired autos are autos that a business organization or sole proprietor leases, hires, rents, or borrows, but does not include employee owned autos.

3. non-owned auto

Non-owned autos are autos that a business organization or sole proprietor doesn't own, hire, rent or borrow in connection to the business, but does include employee owned autos.

# BAP Coverage Symbols

## Check-In



**Directions:** Match each symbol to its meaning.

- |                    |  |
|--------------------|--|
| <u>F</u> Symbol 1  | A. Triggers coverage only for private passenger “autos” owned by the insured   |
| <u>H</u> Symbol 2  | B. Triggers coverage for specifically described “autos” that are scheduled on the Declarations   |
| <u>A</u> Symbol 3  | C. Applies only to those “autos” the insured leases, hires, rents, or borrows  |
| <u>E</u> Symbol 4  | D. Triggers coverage for non-owned “autos” that are not hired or borrowed by the insured and that are used in connection with the insured’s business, including employee-owned autos                 |
| <u>G</u> Symbol 5  | E. Triggers coverage only for owned “autos” that are not private passenger type vehicle  |
| <u>J</u> Symbol 6  | F. Represents any “auto”; applies only to liability coverage   |
| <u>B</u> Symbol 7  | G. Triggers coverage for owned “autos” when the insured is required to have, and cannot reject, no-fault benefits because of the law in the state where the vehicles are licensed or garaged         |
| <u>C</u> Symbol 8  | H. Represents owned “autos”; triggers coverage for “autos” owned by the insured and “autos” acquired during a policy period  |
| <u>D</u> Symbol 9  | I. Triggers coverage for any “auto” that would qualify as mobile equipment if it were not subject to compulsory or financial responsibility by state law where it is licensed or principally garaged |
| <u>I</u> Symbol 19 | J. Triggers coverage for owned “autos” when the insured is required to have, and cannot reject, an Uninsured Motorists Law in the state where the “autos” are licensed or garaged                    |

## Check-In



**Directions:** Refer to the Description Of Covered Auto Designation Symbols on the facing page to identify the symbol that represents the following categories of autos:

- \_\_\_2\_\_\_ Any owned auto
- \_\_\_8\_\_\_ Hired autos
- \_\_\_3\_\_\_ Any owned private passenger auto
- \_\_\_9\_\_\_ Non-owned autos
- \_\_\_1\_\_\_ Any auto

## Section 2: Introduction to Business Auto Coverage

Symbol	Description Of Covered Auto Designation Symbols	
1	Any "Auto"	
2	Owned "Autos" Only	Only those "autos" you own (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" you acquire ownership of after the Policy begins.
3	Owned Private Passenger "Autos" Only	Only the private passenger "autos" you own. This includes those private passenger "autos" you acquire ownership of after the Policy begins.
4	Owned "Autos" Other Than Private Passenger "Autos" Only	Only those "autos" you own that are not of the private passenger type (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" not of the private passenger type you acquire ownership of after the Policy begins.
5	Owned "Autos" Subject To No-fault	Only those "autos" you own that are required to have no-fault benefits in the state where they are licensed or principally garaged. This includes those "autos" you acquire ownership of after the Policy begins provided they are required to have no-fault benefits in the state where they are licensed or principally garaged.
6	Owned "Autos" Subject To A Compulsory Uninsured Motorists Law	Only those "autos" you own that because of the law in the state where they are licensed or principally garaged are required to have and cannot reject Uninsured Motorists Coverage. This includes those "autos" you acquire ownership of after the Policy begins provided they are subject to the same state uninsured motorists requirement.
7	Specifically Described "Autos"	Only those "autos" described in Item Three of the Declarations for which a premium charge is shown (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to any power unit described in Item Three).
8	Hired "Autos" Only	Only those "autos" you lease, hire, rent or borrow. This does not include any "auto" you lease, hire, rent or borrow from any of your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households.
9	Non-owned "Autos" Only	Only those "autos" you do not own, lease, hire, rent or borrow that are used in connection with your business. This includes "autos" owned by your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households but only while used in your business or your personal affairs.
19	Mobile Equipment Subject To Compulsory Or Financial Responsibility Or Other Motor Vehicle Insurance Law Only	Only those "autos" that are land vehicles and that would qualify under the definition of "mobile equipment" under this Policy if they were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where they are licensed or principally garaged.

## Covered Persons

### Check-In



**Directions:** Read each statement. Then select True or False.

1. Members of LLCs are the same as the LLC themselves.

True

False

Members of LLCs are not the same as the LLCs themselves. Under the law, organizations are "non-natural persons" and may be the Named Insured, but they do not operate autos—their employees and others do.

2. An employee using a covered auto that they own is an insured.

True

False

An employee using a covered auto that they, or a member of their household, owns is not an insured. However, employees may be considered an insured through endorsement "Employees As Insureds CA 99 33."

3. A person using a covered auto in an auto-type business is insured if the business is the Named Insured's business.

True

False

4. Non-employees loading or unloading vehicles are insureds.

True

False

This is one of five exceptions to A.1.b. Others Using Covered Auto.

5. Partners are insureds while driving their own autos.

True

False

Partners using a covered auto that they or a member of their households own are not insureds.

## Knowledge Check



**Directions:** Read each example and answer the questions.

1. A business employee has an accident in his personal auto on the way to the post office during an errand for the business. The BAP does not cover the employee.

Why not?

**Sample answer:**

Employees operating their own vehicles for a business are not insureds.

What can be done?

**Sample answer:**

An Employees As Insureds Endorsement (CA 99 33) can be added to the BAP.

2. A business owner has all but one of her family vehicles titled in the name of the business and all of them insured by the business. How can the insured and her family be protected for the use of other non-owned vehicles?

**Sample answer:**

An Individual Named Insured Endorsement (CA 99 17) can be added to the BAP.

3. A valuable employee of the business is provided a company vehicle for business and personal use. What endorsement would provide him with additional personal protection?

**Sample answer:**

The Drive Other Car Endorsement (CA 99 10) can be added to the BAP.



## Covered Autos Liability Coverage

### Check-In



**Directions:** Put a check (✓) next to each example of negligence.

- ☐ A driver fails to come to a complete stop at a stop sign and continues driving.
- ☒ A driver backs out of his driveway without looking in the car's rear-view mirror and strikes a pedestrian at the end of his driveway.
- ☐ A driver is using a hand-held phone to make a call while driving and is rear-ended by another driver.
- ☐ A driver swerves to avoid debris on the road, strikes a series of traffic cones, and regains control.

## Check-In



**Directions:** Use the following terms to fill in the blanks. Some terms may be used more than once.

accident	"covered pollution cost or expense"	investigate	ownership	to which this insurance applies
bodily injury	damages	legally	"property damage"	
caused by an "accident"	defend	maintenance	right and duty	
covered "auto"	ends	only pay	settle	

### SECTION II – COVERED AUTOS LIABILITY COVERAGE

#### A. Coverage

We will pay all sums an "insured" legally must pay as damages because of "bodily injury" or "property damage" to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance, or use of a(n) covered "auto".

We will also pay all sums an "insured" legally must pay as a(n) "covered pollution cost or expense" to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance, or use of covered "autos." However, we will only pay for the "covered pollution cost or expense" if there is either "bodily injury" or "property damage" to which this insurance applies that is caused by the same "accident."

We have the right and duty to defend any "insured" against a "suit" asking for such damages or a(n) "covered pollution cost or expense". However, we have no duty to defend any "insured" against a "suit" seeking damages for "bodily injury" or "property damage" or a "covered pollution cost or expense" to which this insurance does not apply.

We may investigate and settle any claim or "suit" as we consider appropriate. Our duty to defend or settle ends when the Covered Autos Liability Coverage Limit of Insurance has been exhausted by payment of judgments or settlements.

## Check-In



**Directions:** Write the letter that matches each description to the correct exclusion. Then select Yes or No to indicate whether each example is covered.

Covered?		
<input checked="" type="radio"/> Yes <input type="radio"/> No	<u>  B  </u> Contractual Liability	A. An insured strikes a gasoline tanker truck on a local street and causes a spill.
<input type="radio"/> Yes <input checked="" type="radio"/> No	<u>  D  </u> Care, Custody, Or Control	B. An insured contracts with a shopping center to maintain lights in the parking lot. While working on the lights, the insured injures a pedestrian in the parking lot, and the pedestrian sues the shopping center.
<input checked="" type="radio"/> Yes <input type="radio"/> No	<u>  C  </u> Handling Of Property	C. An insured employee is unloading a truck and drops a box, injuring a customer.
<input checked="" type="radio"/> Yes <input type="radio"/> No	<u>  A  </u> Pollution	D. An insured agrees to pick up a customer's property for processing, and the property is damaged in an accident.



## Knowledge Check



**Directions:** Give two examples of a driver breaching a duty owed. Then explain why a driver who breaches a duty owed might *not* be considered negligent.

**Sample Answer:**

A driver who makes a phone call or sends a text message is breaching a duty owed. So is a driver who grooms herself or eats a take-out meal while driving. These drivers are not considered negligent unless the breaches they commit are directly related to damages caused in accidents. Breaches of duty must be the proximate cause of an injury or damage.

# Physical Damage Coverage

## Check-In



**Directions:** Check each peril that is covered by specified causes of loss.

- ☒ theft
- ☒ hail
- ☒ flood
- ☒ vandalism
- ☐ glass breakage



## Knowledge Check



**Directions:** Describe a scenario that applies to each coverage type.

Comprehensive coverage:

**Sample Answer:**

A scenario in which Comprehensive coverage applies would be a covered “auto” being driven during a severe storm and experiencing hail damage to the vehicle’s body and a broken windshield.

Specified Causes of Loss coverage:

**Sample Answer:**

Specified Causes of Loss coverage would apply to the same scenario in which Comprehensive coverage applied—the damage caused by hail.

Collision coverage:

**Sample Answer:**

Collision coverage would apply in a scenario in which a driver loses control of a covered “auto” on a slick highway and overturns along an embankment.

## Business Auto Conditions

### Check-In



**Directions:** Match each loss condition to its description.

- |  |   |
|--|---|
| ___ <b>C</b> ___ Appraisal For Physical Damage Loss                    | <b>A.</b> explains the rules regarding the payment of physical damage losses  |
| ___ <b>E</b> ___ Duties In The Event Of Accident, Claim, Suit, Or Loss | <b>B.</b> states if any person or organization to or for whom the insurance company makes payment has rights to recover damages from another, those rights are transferred to the insurance company |
| ___ <b>D</b> ___ Legal Action Against Us                               | <b>C.</b> states the rules regarding appraisal of the loss and what the insured and the insurance company do if they disagree on the amount of "loss"   |
| ___ <b>A</b> ___ Loss Payment – Physical Damage Coverages              | <b>D.</b> explains the conditions under which the insured can start legal proceedings against the company   |
| ___ <b>B</b> ___ Transfer Of Rights Of Recovery Against Others To Us   | <b>E.</b> describes the duties the insured has in the event of a loss   |



## Knowledge Check



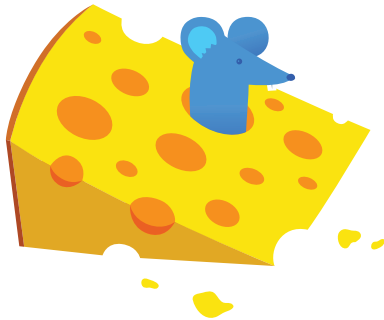
**Directions:** Explain primary and excess coverage under the General Conditions Other Insurance in the BAP.

**Sample answers:**

If an auto is owned by the insured, the BAP coverage is primary (pays first). If a trailer is attached to a covered owned auto, the BAP coverage is primary.

For a covered "auto" not owned by the insured, the BAP is excess (pays second). If a trailer is attached to a covered non-owned auto, the BAP is excess.

For hired car physical damage, any hired auto is considered owned and the BAP is primary. Any liability the insured assumed under an insured contract is also primary.



## Test Your Instincts

### Using Endorsements to Fill Coverage Holes

There are many situations where the Business Auto Policy won't respond to a particular loss. These can be based upon who is an insured, in response to an exclusion, or upon whether a specific vehicle is a covered auto. Inadequate coverage can be sort of like Swiss cheese with lots of holes, leaving the insured open to uncovered losses. There are a variety of endorsements that can be used to fill those holes.

Consider these endorsements that can be added to BAP coverage to respond to the following situations. See endorsement examples provided after the activity page.

Drive Other Car Coverage	CA 99 10 10 13
Individual Named Insured	CA 99 17 10 13
Employees As Insureds	CA 99 33 10 13
Garagekeepers Coverage	CA 99 37 10 13
Employee As Lessor	CA 99 47 10 13
Mobile Equipment	CA 20 15 11 20
Employee Hired Autos	CA 20 54 11 20
Auto Loan/Lease Gap Coverage	CA 20 71 11 20

## Section 2: Introduction to Business Auto Coverage

**Directions:** Fill in the blanks with the form number of the appropriate endorsement for each situation.

1. When the Named Insured wants to be certain the Business Auto Policy will respond to employees renting vehicles in their own names while on business trips.

Use this endorsement to fill the gap: Employee Hired Autos CA 20 54 11 20.

2. When the Named Insured on the Business Auto Policy has their family vehicles owned by and insured in the name of the business.

Use this Endorsement to fill the gap: Individual Named Insured CA 99 17 10 13.

3. When the Named Insured wants to extend liability coverage to employees driving their own vehicles for business purposes.

Use this Endorsement to fill the gap: Employees As Insureds CA 99 33 10 13.

4. When an organization wishes to extend liability coverage to an employee who doesn't own an auto and drives a company vehicle for their personal use.

Use this Endorsement to fill the gap: Drive Other Car Coverage CA 99 10 10 13.

5. When the business wishes to provide physical damage protection to customers' autos while in the care and control of business employees.

Use this Endorsement to fill the gap: Garagekeepers Coverage CA 99 37 10 13.

6. When the Named Insured wants to insure the gap in valuation between an auto loan or lease payoff and the actual cash value of a totaled auto.

Use this Endorsement to fill the gap: Auto Loan/  
Lease Gap Coverage CA 20 71 11 20.

7. When an employee of the Named Insured is leasing their personal auto to the business in lieu of driving a company car.

Use this Endorsement to fill the gap: Employee As  
Lessor CA 99 47 10 13.





## Section 2 Self-Quiz

**Directions:** Use the following terms to fill in the blanks. Some terms may be used more than once.

accident	insured contract	mobile equipment	temporary worker	2
actual cash value	leased worker	Motor Carrier	tort	4
Auto Dealers	liability coverage	negligence	cost to repair or replace	7
bodily injury	Limit of Insurance	property damage		8

- The three types of auto coverage forms are the Business Auto Coverage Form, the Motor Carrier Coverage Form, and the Auto Dealers Coverage Form.
- A(n) accident includes continuous or repeated exposure to the same condition.
- The part of a contract that pertains to an insured's business under which the insured assumes tort liability of another to pay for "bodily injury" or "property damage" to a third party is a(n) insured contract.
- A(n) leased worker works for an insured under the terms of a contractual agreement between a labor leasing firm and the insured.
- Mobile equipment includes vehicles and equipment designed for purposes other than the transportation of persons or cargo.
- Damage to or loss of use of tangible property is property damage.
- A(n) temporary worker substitutes for a permanent employee who is on leave or fulfills an insured's short-term or seasonal workforce need.

## Section 2: Introduction to Business Auto Coverage

accident	insured contract	mobile equipment	temporary worker	2
actual cash value	leased worker	Motor Carrier	tort	4
Auto Dealers'	liability coverage	negligence	cost to repair or replace	7
bodily injury	Limit of Insurance	property damage		8

8. Symbol 7 on the Declarations triggers coverage for “autos” described in Item Three of the Declarations for which a premium charge is shown (and for Covered Autos Liability Coverage, any “trailers” the insured doesn’t own while attached to any power unit described in Item Three).
9. Symbol 4 on the Declarations triggers coverage for “autos” owned by the insured that are not of the private passenger type.
10. Symbol 8 on the Declarations triggers coverage for “autos” the insured leases, hires, rents, or borrows, but not “autos” the insured leases, hires, rents, or borrows from “employees,” partners, members, or someone in members’ households.
11. Symbol 2 applies to “autos” the insured owns (and for Covered Autos Liability Coverage, any “trailers” the insured doesn’t own while attached to power units the insured does own.) This coverage includes owned “autos” acquired after the policy begins.
12. A vehicle that travels on crawler treads is classified as mobile equipment.
13. Liability is created when an insured commits a(n) tort, or a legal wrong done to others.
14. The legal principle of negligence is used to determine whether the operator of an auto is responsible for a(n) accident.
15. The insurer’s broad promise to pay damages is restricted only to bodily injury or property damage and must apply to an event that qualifies as a(n) accident.

## Section 2: Introduction to Business Auto Coverage

16. The Care, Custody, Or Control Exclusion eliminates liability coverage for damage to property that belongs to the insured, is being transported by the insured, or that the insured has in their custody, care, or control.
17. The Limit of Insurance shown in the Declarations is the most that would be paid for any one accident, regardless of the number of covered autos involved, insureds, or claims made.
18. Under the Physical Damage Limits of Insurance, the BAP will pay the lesser of the actual cash value or the cost to repair or replace the damaged or stolen property at the time of a loss.

**Directions:** Read each statement. Select True or False.

1. A “covered pollution cost or expense” includes costs or expenses arising from the actual, alleged, or threatened release of “pollutants” in the course of transit by the insured.

True

False

There is no coverage for costs or expenses related to actual, alleged, or threatened release of “pollutants.”

2. If the BAP provides liability coverage, it extends liability coverage automatically to a non-owned auto being used as a temporary substitute for an owned auto that is out of service because of breakdown, repair, servicing, loss, or destruction.

True

False

3. The BAP considers anyone other than the insured using a covered auto with the permission of the insured to be an insured, with some exceptions.

True

False

4. The BAP extends coverage as an insured to persons or organizations that are held liable for the conduct of the insured.

True

False

5. In addition to paying what it is legally obligated to pay on behalf of an insured, the insurer agrees to pay all court costs and post-judgment interest.

True

False

## Section 2: Introduction to Business Auto Coverage

6. The Business Auto Coverage Form has 15 liability exclusions, and others may be added by endorsement.

True

False

There are 13 liability exclusions.

7. The Fellow Employee Exclusion removes coverage for liability of one insured employee negligently injuring another insured employee.

True

False

8. The Movement Of Property By A Mechanical Device Exclusion removes coverage if loading or unloading of vehicles is performed using a mechanical device other than a hand truck.

True

False

9. One condition of the BAP is that the insured must notify the insurer of a loss within the policy period if the insurer is to meet its promise to defend and pay.

True

False

The insured must notify both the insurer and the police promptly.

**Directions:** Name the four parts of negligence.

1. A duty is owed to others.
2. That duty is breached.
3. Injury or damage results.
4. The breach of duty is the proximate cause of an injury or damage.

**Directions:** List the three main types of physical damage coverage.

1. Comprehensive coverage
2. Specified Causes of Loss coverage
3. Collision coverage

## Section 3: Excess Liability and Commercial Umbrella Policies

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### Excess Liability and Commercial Umbrella Policies

#### Knowledge Check

**Directions:** Identify the three functions of a Commercial Umbrella Policy.

**Sample Answers:**

1. To provide excess limits above underlying liability insurance limits
2. To replace underlying insurance limits as aggregate limits are exhausted
3. To provide broader insurance protection than the underlying insurance

### Excess Coverage Forms

#### Knowledge Check

**Directions:** Define the term “buffer layer,” as it applies to an insured.

**Sample Answer:**

A buffer layer is an amount of insurance above underlying insurance and beneath other excess insurance. A buffer layer could be \$5,000,000 of liability insurance in excess of \$1,000,000, and also underlying a layer of \$5,000,000 above it.



# Self-Insured Retention (SIR)

## Check-In



**Directions:** Use the example to explain what happens if a Named Insured suffers a liability auto policy claim of \$1.5 million that is covered by the underlying policy.

Self-insured retention (SIR)	\$	10,000
Schedule of underlying insurance:		
<u>Commercial General Liability</u>		
General aggregate	\$	2,000,000
Products-completed operations aggregate	\$	2,000,000
Each occurrence	\$	1,000,000
<u>Business Auto Liability</u>		
Each accident	\$	1,000,000
<u>Employers Liability</u>		
Bodily injury by accident	\$	500,000 each accident
Bodily injury by disease	\$	500,000 each employee
Bodily injury by disease	\$	500,000 policy limit

Underlying policies pay:	\$ <u>1,000,000</u>
Umbrella Policy pays:	\$ <u>500,000</u>
Named Insured pays:	\$ <u>0</u>

## Key Terms and Conditions



### Knowledge Check



**Directions:** Describe how the underlying insurance requirement works and the dangers of non-concurrent policies.

**Sample Answer:**

The Excess/Umbrella Policy will perform, assuming the underlying policies are maintained.  
When the underlying policies are not concurrent with the Excess/Umbrella Policy, serious coverage gaps can arise.

## Section 3 Self-Quiz

**Directions:** Check each item that describes a function of an Excess Liability Policy.

- ☒ To provide excess limits above underlying liability insurance limits
- ☒ To replace underlying insurance limits as aggregate limits are exhausted
- ☐ To provide broader insurance protection than the underlying insurance

**Directions:** Read each statement. Select True or False.

1. The coverage territory of an Umbrella Policy is typically broader than the territory in an underlying policy.

True

False

2. Umbrella Policies may change the definitions in underlying policies.

True

False

3. A "true" Umbrella Policy tends to be more restrictive than Excess Liability Policies.

True

False

A "true" Umbrella typically has broader coverage with fewer exclusions.

4. A Follow Form Excess Policy provides the same coverage as the underlying policies but at higher limits.

True

False

5. A Stand-Alone Excess Policy has its own terms and conditions and may or may not cover losses that are covered by the underlying policies.

True

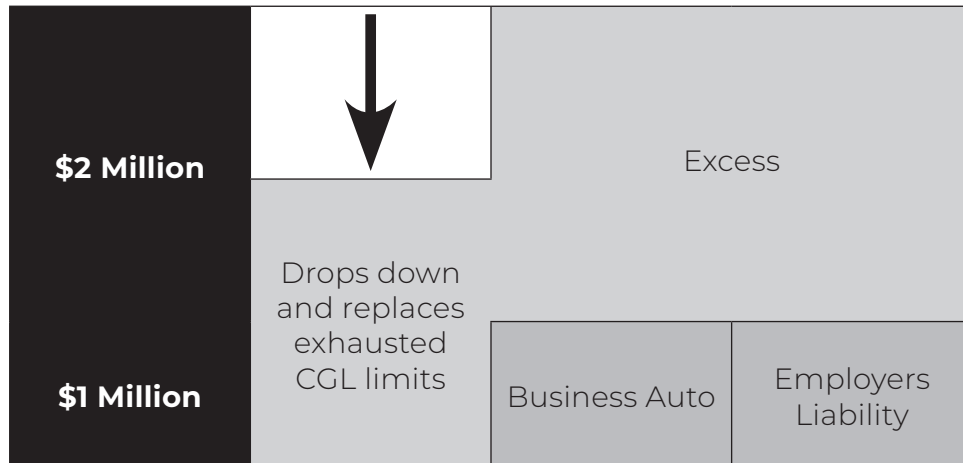
False



### Section 3: Excess Liability and Commercial Umbrella Policies

**Directions:** Answer the following questions.

1. Explain what an Excess/Umbrella Policy will do in the event of a covered liability claim.



**Sample Answer:**

The Excess/Umbrella Policy will drop down to provide primary coverage when aggregate limits are exhausted by a prior liability claim(s).

2. Explain the difference between Monoline and Multiline Coverage Forms.

**Sample Answer:**

A Monoline Excess Policy covers one type of underlying insurance, while a Multiline Excess Policy covers more than one type of insurance.

### Section 3: Excess Liability and Commercial Umbrella Policies

**Directions:** Use the following terms to fill in the blanks.

Buffer Liability	coverage territory	ultimate net loss
Excess	indemnify	underlying insurance condition
concurrency	self-insured retention	unimpaired

1. A(n) Buffer Liability Policy exists between primary underlying insurance and the Excess Policy layer.
2. A(n) self-insured retention is an amount an insured must pay before an excess insurance policy will respond to a loss that is not covered by the underlying.
3. Umbrella Policies may state they will indemnify an insured, meaning the insured pays for the covered claim and then asks for reimbursement from the insurance company.
4. The coverage territory is the geographic area in which insurance applies.
5. The ultimate net loss describes the total of amounts paid or amounts payable in the settlement of claims or suits.
6. The underlying insurance condition described on the Declarations outlines the obligations of an insured regarding the underlying insurance policies.
7. When the policy periods of underlying and excess policies are the same, concurrency exists.
8. An underlying, unimpaired limit is one that has not been reduced or exhausted by claims prior to the effective date of the Excess Policy.

# Appendix



# Preparing for the Final Exam

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For many learners, test preparation is stressful. Please keep in mind that the most important measure of your knowledge will be witnessed in your service to your organization. Think of a test as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period for the Final Exam is sixty-five minutes long. The test itself is composed of 50 multiple-choice questions that ask you to demonstrate what you know. Each question is worth two points. To pass, you are required to earn a minimum of 70 out of 100 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the test. Pace yourself and be aware that unanswered questions are considered incorrect.

## Study Techniques

There are some techniques you can use to help you prepare for the end-of-course test. Apply the same techniques to each chapter in your Learning Guide.

1. Review the Section Goal.
2. Review each Learning Objective.
3. Change each header and subhead into a question. Then answer the question. For example:  
Header: Characteristics of Whole life insurance  
Question: What are some characteristics of Whole life insurance?
4. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific learning objective.
5. Check your answers to each Check-In. Correct your original answers, if necessary.
6. Check your answers to each Knowledge Check. Consider ways to improve your original answers.
7. Re-read the summary at the end of each section.
8. Check your answers to each question in the Self-Quizzes at the end of each section. Correct your original answers, if necessary.
9. Review any comments, highlights, or notes you made in each section.

10. Rewrite important ideas in your own words. Find ways to connect those ideas to your own work experiences.
11. Make flash cards to help you review important vocabulary.

## Sample Exam Questions

The Final Exam has a variety of questions similar to the ones you see below. Correct answers have been provided.

The Douglas Insurance Agency provides their producers with agency-owned autos which are insured on a Business Auto Policy for liability and physical damage.

1. A Douglas Agency producer takes his company car to a local brake repair shop to get new brakes. After replacing the brakes, the brake shop employee takes the car for a brief test drive. The brakes fail, resulting in an accident that causes property damage and bodily injury. The injured third party sues the agency, the brake shop, and the brake shop employee. For whom would the BAP provide coverage and defense?
  - A) the agency and the brake shop, but not the brake shop employee
  - B) the agency, the brake shop, and the brake shop employee
  - C) the agency and the brake shop employee only
  - D) the agency only
2. Assume the brake failure didn't occur until after the employee took delivery of the car and was driving away. Who would be covered under the BAP for the accident?
  - A) the agency and the agency producer
  - B) the agency and the brake shop only
  - C) the agency producer only
  - D) the agency only

**Sample 1:** The correct answer is D, the agency only.

**Sample 2:** The correct answer is A, the agency and the agency producer.

# Glossary of Terms

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**accident** an event or continuous or repeated exposure to the same conditions resulting in bodily injury or property damage

**auto** a land motor vehicle; “trailer” or semitrailer designed for travel on public roads; or any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged. An auto does not include “mobile equipment.”

**bodily injury** injury, sickness, or death sustained by a person

**concurrency** when the dates of an Excess/Umbrella Policy and an underlying policy or policies are the same

**conditions** the rules of a contract for an insured and insurance company

**coverage territory** the geographic area where insurance applies

**Declarations** the part of a policy that shows the who, what, when, and where

**deductible** the amount the insurance company reduces its payment for a loss, and it is shown in the Declarations for each coverage

**depreciation** the amount of value an auto has lost due to its age, mileage, or wear and tear

**diminution** perceived loss in market or resale value resulting from a direct and accidental “loss”

**duty to defend** an insurance company’s assumed obligation to defend an insured for any covered claim

**employee** includes a “leased worker;” does not include a “temporary worker”

**endorsements** additions to a policy that amend the coverage provided in the coverage form

**exclusions** provisions that specify situations where coverage does not apply

**experience modifier** an indicator of an employer’s claims experience; a factor used in premium computation

**hired autos** autos that a business organization or sole proprietor leases, hires, rents, or borrows; does not include autos belonging to employees or partners or any of their family members

**indemnify** an Umbrella Policy that allows an insurance company to reimburse an insured who pays for a covered claim

## Glossary of Terms

**Information Page** a page of declaratory information found in Workers Compensation Policies. The page outlines the employer being insured, the policy period (when the coverage begins and ends), and the coverage provided by the policy.

**insured** a person or organization qualifying as an insured in the Who Is An Insured provision of the coverage

**insurance coverage form** the part of a policy in which the promises an insurance company makes to an insured are outlined in detail

**insured contract** a contract where the insured has assumed tort liabilities of another party, subject to the limits of the insurance policy

**Insuring Agreement** a promise the insurance company makes to pay sums the insured is obligated to pay as damages and to defend the insured

**leased worker** someone leased to the insured by a labor leasing firm under the terms of a contractual agreement.

**limit** the most that would be paid for any one accident or loss; the limit is shown in the declarations

**loss** a direct or accidental loss or damage

**mobile equipment** equipment that is designed for travel off public roads, including specific types of equipment and vehicles as described in the policy

**monopolistic state fund** a state-created, state-owned, and state-operated workers compensation insurance facility; it writes all workers compensation insurance for the state.

**Named Insured** the person or organization shown on the Declarations

**negligence** used to determine whether the operator of an auto is responsible for an accident. Negligence has four elements: 1) a duty is owed to others; 2) that duty is breached; 3) injury or damage results; 4) the breach of the duty is the proximate cause of the injury or damage.

**non-owned auto** autos that a business organization or sole proprietor doesn't own, hire, rent or borrow in connection to the business; includes autos belonging to employees or partners or any of their family members

**owned autos** autos that are owned (titled/leased) in the name of a business or organization, or owned by a sole proprietor, and being used for business purposes.

**pollutant** any solid, liquid, gaseous, or thermal irritant or contaminant

**property damage** damage to or loss of use of tangible property

**SIR (self-insured retention)** the amount an insured must pay before an insurance policy will respond to a loss; the SIR is shown on a policy's Declarations



## Glossary of Terms

**temporary worker** one furnished to the insured as a substitute for a permanent “employee” who is on leave or someone who works for the insured to meet seasonal or short-term workload conditions

**tort** a legal wrong done to others

**underlying insurance condition** a requirement in Excess and Umbrella Policies where the insured must maintain underlying insurance as described in the declarations during the policy period of the Excess or Umbrella Policy

**ultimate net loss** the total of amounts paid or payable in the settlement of claims or suits

**vicarious liability** when one party is held responsible for the actions of another party due to the nature of their relationship