



COMMERCIAL
CASUALTY

STUDY GUIDE

EXAM PREP AND ANSWER KEY

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



RISK & INSURANCE
EDUCATION ALLIANCE

© 2024 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

Disclaimer:

This publication is intended for general use and may not apply to every professional situation. For any legal and/or tax-related issues, consult with competent counsel or advisors in the appropriate jurisdiction or location.

Risk & Insurance Education Alliance and any organization for which this seminar is conducted shall have neither liability nor responsibility to any person or entity with respect to any loss or damage alleged to be caused directly or indirectly as a result of the information contained in this publication.

Insurance policy forms, clauses, rules, court decisions, and laws constantly change. Policy forms and underwriting rules vary across companies.

The use of this publication or its contents is prohibited without the express permission of Risk & Insurance Education Alliance.

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.



RISK & INSURANCE
EDUCATION ALLIANCE

Contents

Tools to Assess Your Knowledgeix

Section 1: Commercial General Liability Concepts and Coverage..... 1

Types of Liability Exposures Covered under a CGL Policy 1

Insured Status Under the CGL Coverage Form..... 2

Coverage A – Bodily Injury and Property Damage Liability 4

Coverage A – Exclusions 6

Coverage B – Personal And Advertising Injury Liability 12

Coverage B – Exclusions 13

Coverage C – Medical Payments 14

Supplementary Payments – Coverages A and B..... 16

Limits Of Insurance 17

Section 1 Self-Quiz 18

Section 2: Additional Insured Concepts and Endorsements..... 27

Waiver of Subrogation Contract Requirement..... 28

Additional Insured Status Under a CGL Policy 29

Disadvantages of Additional Insured Status 30

Commonly Used CGL Policy Additional Insured Endorsements 32

Primary and Noncontributory 34

Section 2 Self-Quiz 35

Section 3: Business Automobile Coverages and Endorsements.....39

Business Auto Coverage Form.....	39
Covered Autos – Designated	40
Newly Acquired Autos.....	42
Who Has Insured Status?	43
Liability Insuring Agreement	46
Physical Damage Coverage.....	52
Business Auto Conditions.....	54
Section 3 Self-Quiz.....	56

Section 4: Workers Compensation and Employers Liability63

The Workers Compensation System	63
Covered Vs. Exempt Employments.....	65
The Information Page	66
Part One – Workers Compensation Insurance.....	68
Part Two – Employers Liability Insurance.....	69
Part Three – Other States Insurance.....	70
Workers Compensation And Employers Liability Insurance Policy Endorsements	72
Section 4 Self-Quiz.....	73

Answer Key 79

Section 1: Commercial General Liability Concepts and Coverage.....81

Types of Liability Exposures Covered under a CGL Policy.....	81
Insured Status Under the CGL Coverage Form.....	82
Coverage A – Bodily Injury and Property Damage Liability	84
Coverage A – Exclusions.....	86
Coverage B – Personal And Advertising Injury Liability	92
Coverage B – Exclusions.....	93
Coverage C – Medical Payments.....	94
Supplementary Payments – Coverages A and B.....	96
Limits Of Insurance	97
Section 1 Self-Quiz.....	99

Section 2: Additional Insured Concepts and Endorsements..... 113

Waiver of Subrogation Contract Requirement.....	114
Additional Insured Status Under a CGL Policy	115
Disadvantages of Additional Insured Status	116
Commonly Used CGL Policy Additional Insured Endorsements	118
Primary and Noncontributory	120
Section 2 Self-Quiz.....	121

Section 3: Business Automobile Coverages and Endorsements.....	127
Business Auto Coverage Form.....	127
Covered Autos – Designated	128
Newly Acquired Autos.....	130
Who Has Insured Status?	131
Liability Insuring Agreement	134
Physical Damage Coverage.....	139
Business Auto Conditions.....	141
Section 3 Self-Quiz.....	143
 Section 4: Workers Compensation and Employers Liability	 153
The Workers Compensation System	153
Covered Vs. Exempt Employments.....	154
The Information Page	155
Part One – Workers Compensation Insurance.....	156
Part Two – Employers Liability Insurance.....	157
Part Three – Other States Insurance.....	158
Workers Compensation And Employers Liability Insurance Policy Endorsements	160
Section 4 Self-Quiz.....	161
 Appendix.....	 167
 Preparing for the Final Exam	 169
Study Techniques.....	169
Sample Exam Questions.....	170
 Glossary of Terms.....	 171

Tools to Assess Your Knowledge

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

Section 1: Commercial General Liability Concepts and Coverage

Types of Liability Exposures Covered under a CGL Policy

Check-In



Directions: Match each category of liability with its description.

A. Premises	_____ Arises out of activities that typically occur away from the premises of a business
B. Business Operations	_____ Arises when a business accepts that it should be responsible if others are sued because of their work
C. Completed Operations	_____ Arises from activities involved in the operation of an organization after the activity has concluded
D. Contractual Liability	_____ Arises out of bodily injury or property damage because of ownership, maintenance, or use of a specific location

Insured Status Under the CGL Coverage Form

Check-In



Directions: Read the scenario and respond to the question.

The spouse of one of the partners in a joint venture accidentally bumps into a customer and injures them after delivering a package on behalf of the joint venture. Will the spouse have automatic insured status?

Yes

No

Check-In



Directions: Select whether the following statement is true or false.

Make Stuff, Inc., a manufacturing company, forms a partnership with Sell Stuff, Inc. Since this is a newly formed partnership, automatic coverage is granted.

True

False

» Knowledge Check



Directions: Read and respond to the scenario below.

Stella, a Named Insured, recently acquired a corporation called Bright Future Inc. just 30 days before her Commercial General Liability (CGL) policy's expiration date. Stella wonders how long Bright Future Inc. would be automatically covered under her policy. How would you advise her?

Coverage A – Bodily Injury and Property Damage Liability

Check-In



Directions: Select the correct answer choice for the following:

Indicate which of the following is FALSE regarding the meaning of “property damage” as defined in the CGL Coverage Form.

- ☐ Physical injury to tangible property, including all resulting loss of use of that property
- ☐ Includes the loss of use of tangible property that is not physically injured
- ☐ Electronic data is considered tangible property.

» Knowledge Check



Directions: Read and respond to the two questions below. The following scenario applies to both questions.

A Named Insured operates in the fashion industry and lives in New York. Evaluate whether coverage is applicable for bodily injury or property damage resulting from an employee's actions while conducting the Named Insured's business in Europe under an unendorsed CGL policy. Provide reasoning for your assessment.

1. A salesperson who resides in New York travels to Europe for ten days on business. A suit is filed in New York.

2. A New York employee decides to move to France as a permanent resident to conduct the European sales for the Named Insured. A suit is filed in New York.

3. A New York cosmetic company sells make up in Europe. A European customer suffers bodily injury from a reaction to a product from the cosmetic company and files a suit in Europe.

Coverage A – Exclusions

Check-In



Directions: Match the type of insured contract with the definition or example.

A. Lease of Premises	_____	An agreement used when maintenance work is being done on an elevator
B. Easement	_____	A cable company with an agreement to access cable lines that cross over your property
C. An obligation to indemnify a municipality	_____	An office equipment lease
D. Sidetrack Agreement	_____	A contract to rent an apartment
E. Elevator maintenance agreement	_____	Agreement between a railroad company and property owner whose property is used as part of the company's railroad track
F. Any other business contract	_____	Indemnifying a city-owned building being rented

Check-In



Directions: Which of the following is an example of a host liquor exposure?

- ☐ The Named Insured, a tavern, allows employees to purchase alcoholic beverages after their shift.
- ☐ The Named Insured, a hotel, includes alcoholic beverages as part of their room service menu.
- ☐ The Named Insured, a grocery store, sells beer and wine.
- ☐ The Named Insured, an insurance agency, serves wine at an office holiday party for their clients.

Check-In



Directions: Indicate whether the following are COVERED or EXCLUDED under Coverage A of an unendorsed CGL policy.

1. Chemicals leak from a storage tank at the Named Insured's location, causing damage to a neighboring business.

Covered

Excluded

2. A furnace at the Named Insured's hotel malfunctions, emitting fumes and causing several guests to become ill.

Covered

Excluded

3. The Named Insured's bulldozer overturns at a job site, causing diesel fuel to flow out of its tank and damage the neighbor's property.

Covered

Excluded

4. Waste being treated at the Named Insured's manufacturing plant escapes, causing property damage to several nearby businesses.

Covered

Excluded

Check-In



Directions: Indicate whether the following scenarios would be covered under Coverage A of the unendorsed CGL policy:

1. While operating a backhoe, the Named Insured's employee causes damage to underground utilities at a job site.

Covered

Excluded

2. While valet parking a customer's auto, an employee of the Named Insured hits a concrete post, damaging the customer's auto.

Covered

Excluded

3. A snowplow destroys a fire hydrant, causing property damage to the sidewalk.

Covered

Excluded

4. A small crane being transported by the insured from one job site to another is damaged en route to the site.

Covered

Excluded

Check-In



Directions: Indicate whether Coverage A would apply to the following claims situations.

1. A battery-operated toy manufactured by the Named Insured explodes, causing injury to a child.

Covered

Excluded

2. A balcony constructed by the Named Insured collapses, causing bodily injury to those standing on it.

Covered

Excluded

3. Appliances that contain a defective switch manufactured by the Named Insured do not work and therefore cannot be sold.

Covered

Excluded

4. The Named Insured, an infant car seat manufacturer, turns in a claim for the expenses incurred to recall certain models that contain a defective harness.

Covered

Excluded

5. The Named Insured who uses an automatic pre-recorded message dialing system to sell their product has a claim filed against them by a person on their "do not call" list.

Covered

Excluded

» Knowledge Check

Directions: Explain what coverage will be provided to the Named Insured in the scenario outlined below.



Frita's Fried Fish, a tenant in a shopping center, experienced a fire. This fire was accidentally caused by an employee on the premises, damaging part of the space leased by Frita's. Unfortunately, the fire also damaged several tables and chairs inside the restaurant.

Coverage B – Personal And Advertising Injury Liability

Check-In



Directions: Indicate which of the following intentional acts qualify as “personal and advertising injury” as defined under Coverage B of the CGL Coverage Form.

1. The Named Insured’s employee discriminates against a customer.

Yes

No

2. The Named Insured orders the eviction of a tenant without giving proper notice.

Yes

No

3. The Named Insured’s website contains material that disparages a person’s or organization’s goods, products, or services.

Yes

No

4. The Named Insured’s employee wrongfully detains a customer for shoplifting.

Yes

No

Coverage B – Exclusions

» Knowledge Check



Directions: Read and respond to the following scenario.

Woz Web Design advertises and promises its clients that it can build fully functional websites with specific features, such as online sales capabilities, social media integration, and high security. After delivering a site, a client complains that it does not function properly. The site frequently crashes, the online sales feature glitches, and social media links are broken. A suit is filed against Woz Web Design. Will they have coverage under Coverage B? Why or why not?

Coverage C – Medical Payments

Check-In

Directions: Indicate whether each of the following is a true or false statement regarding Coverage C – Medical Payments of the CGL Coverage Form.



1. Must be caused by an accident because of operations or products completed operations exposures on or next to the Named Insured's premises.

True

False

2. Pays reasonable medical expenses, up to the available limit of insurance, even when it is not the Named Insured's fault.

True

False

3. Pays for reasonable medical expenses, up to the available limit of insurance, for an injured tenant, caused by an accident on the tenant's occupied premises.

True

False

» Knowledge Check



Directions: Read the following claim scenarios and answer the corresponding questions. Explain your answers.

1. Reginald works for Ms. Hatti's Clothes Emporium. While setting up a display for a new shipment of clothes, Reginald slips off a ladder and needs immediate medical attention. The medical bill for Reginald was \$6,000. Sherry Hatti, the owner of Ms. Hatti's, remembers her policy provides \$5,000 for Medical Payments coverage. How much will her CGL policy pay for Reginald's injury?

2. Don Stapleton owns Donatello's Painting Co. His company has a softball team that plays in a local league. Don's friend, Juan, agrees to play softball for Donatello's Painting. During a softball game, Juan pulls a muscle requiring a trip to the hospital. Since the softball game involved Don's company, he wants to provide medical payments to Juan using his CGL policy. How much will Donatello's policy pay?

Supplementary Payments – Coverages A and B

» Knowledge Check



Directions: Read and respond to the question below. Be sure to explain your answer.

Walt's Auto Shop was recently sued for negligence while working on a customer's vehicle. The court ruled in favor of the customer, and the judgment eroded Walt's Per Occurrence Limit and remaining General Aggregate Limit due to a prior claim in the same policy term. In addition to the judgment, the judge also ruled for pre-judgment interest to be paid to the customer as well. How will Walt's policy respond?

Limits Of Insurance

Check-In



Directions: Select the statement that most accurately describes how the Limits Of Insurance apply under the CGL Coverage Form.

- ☐ Other than products-completed operations claims or suits, the Each Occurrence Limit is the most paid for Coverage A, Coverage B, and Coverage C because of one occurrence, subject to the available General Aggregate Limit.
- ☐ The Damage To Premises Rented To You Limit also applies to fire damage caused by the Named Insured to neighboring premises.
- ☐ The Personal And Advertising Injury Limit has its own limit that applies to any one person or organization, subject to the available General Aggregate Limit.

» Knowledge Check



Directions: Read the following scenario and respond to the corresponding prompt.

Eloise Duncan, operating as a sole proprietor, along with her spouse, Taylor Duncan, and their employee, Alex Smith, are on their premises when the employee intentionally pushes a customer into a store display, resulting in serious injury to the customer. Subsequently, the customer files a lawsuit against all three individuals. Describe how the insurance policy would address this situation.

Section 1 Self-Quiz

Directions: Read and respond to the following questions.

1. Sarah owns a repair business and performs most of her work at her clients' locations. Her Business Operations Liability insurance will cover her activities while she is working on her clients' premises.

True

False

2. Christopher's company agrees to accept responsibility for any damages or injuries that occur due to their actions while working on a client's project, as part of the project's written agreement. This is an example of contractual liability.

True

False

3. Identify the three categories of insureds under the CGL policy.

- ☐ Named Insureds, Automatic Insureds, Non-Automatic Insureds
- ☐ Named Insureds, Non-Automatic Insureds, Partial Insureds
- ☐ Partial Insureds, Named Insureds, Automatic Insureds

4. Who is automatically covered under a business insurance policy if the Named Insured is designated as an individual on the Declarations?

- ☐ The individual and their children, with respect to all activities
- ☐ The individual and their spouse, but only with respect to the conduct of the Named Insured's business
- ☐ The individual and their business partners, regardless of business activities
- ☐ Only the individual, with no automatic coverage for others

Section 1: Commercial General Liability Concepts and Coverage

5. Who are automatic insureds if the Named Insured is a limited liability company (LLC)?

- ☐ Only the named entity
- ☐ The named entity and its executive officers
- ☐ The named entity, its members, partners, and spouses
- ☐ The named entity, its members, and managers

6. Under what circumstances are employees and volunteer workers considered insureds according to the policy?

- ☐ Only when they are compensated for their work
- ☐ Only for acts within the scope of their employment or while performing duties related to the Named Insured's business
- ☐ For any act they perform, whether work-related or not
- ☐ For any acts, as long as they do not cause bodily injury or property damage

7. Partnerships, joint ventures, and limited liability companies (LLCs) not listed as Named Insureds in the Declarations are automatically covered under the policy.

True

False

8. The insurer is obligated to provide legal defense for the insured in any lawsuit seeking damages for bodily injury or property damage, regardless of whether the insurance policy applies to the claims made in the lawsuit.

True

False

Section 1: Commercial General Liability Concepts and Coverage

9. Which of the following scenarios would be covered under Coverage A – Bodily Injury and Property Damage Liability?

- ☐ A customer trips over loose tile in the insured's bakery and gets injured.
- ☐ A customer is dissatisfied with the insured's product quality, but no injury or property damage occurred.
- ☐ A customer sues for emotional distress without any physical injury.
- ☐ A customer loses data due to issues with the insured's software.

10. Which of the following is NOT included in the definition of “property damage” under Coverage A?

- ☐ Structural damage to a building
- ☐ Electronic data loss
- ☐ Loss of use of damaged tangible property
- ☐ Physical injury to a vehicle

11. What does the term “coverage territory” include under Coverage A?

- ☐ Only the insured's home country
- ☐ Worldwide, regardless of the origin of the product
- ☐ Only the countries where the insured sells products
- ☐ The United States, its territories, possessions, Puerto Rico, and Canada

12. Coverage A – Bodily Injury and Property Damage Liability includes coverage for electronic data loss.

True

False

13. The insurer has no obligation to defend the insured in a lawsuit if the allegations fall outside the scope of coverage.

True

False

Section 1: Commercial General Liability Concepts and Coverage

14. Coverage A will still respond to bodily injury or property damage that continues or worsens after the policy period ends if the initial occurrence was within the policy period.

True

False

15. What does the Damage To Your Product exclusion primarily intend to avoid covering?

- ☐ Bodily injury to third parties
- ☐ Damage to a subcontractor's work
- ☐ Damage to the insured's own products due to defects or poor workmanship
- ☐ Property damage to real property

16. Under the Damage To Your Work exclusion, when does coverage apply?

- ☐ When the Named Insured performs the work themselves
- ☐ When the Named Insured's work damages their own property
- ☐ When the Named Insured's work is intentionally damaged
- ☐ When a subcontractor performs the work on behalf of the Named Insured

17. What is defined as "Impaired Property" under the CGL policy?

- ☐ Property that is physically injured by the Named Insured's work
- ☐ Tangible property that cannot be used because it incorporates defective work or product by the Named Insured
- ☐ Any property owned by the Named Insured
- ☐ Property temporarily occupied by the Named Insured

Section 1: Commercial General Liability Concepts and Coverage

18. Which endorsement removes coverage exceptions for subcontractors' work under the CGL policy?

- ☐ CG 22 94
- ☐ CG 21 06
- ☐ CG 00 69
- ☐ CP 00 40

19. What does the mandatory endorsement CG 21 06 primarily exclude from the CGL policy?

- ☐ Personal and advertising injury
- ☐ Coverage for bodily injury
- ☐ Damage To premises Rented To You
- ☐ Coverage for damages related to the access or disclosure of confidential information

20. The CGL policy covers damage to the Named Insured's product if it is caused by a malfunctioning component supplied by a third party.

True

False

21. The Damage To Your Work exclusion in the CGL policy does not apply if the damaged work was performed by a subcontractor.

True

False

22. Impaired property refers to property that is physically injured and cannot be used.

True

False

23. A Product Recall insurance policy is necessary to cover costs associated with recalling defective products.

True

False

Section 1: Commercial General Liability Concepts and Coverage

24. The CGL policy covers liabilities arising from data breaches and privacy violations.

True

False

25. What does the mandatory endorsement CG 21 06 primarily exclude under Coverage B in the CGL policy?

- ☐ Negligent operation of a vehicle resulting in bodily injury
- ☐ Violation of a person's right to privacy through unauthorized surveillance
- ☐ Damage to a rented premises due to fire
- ☐ Accidental damage to a customer's property during business operations

26. Under Coverage B, which scenario would likely be covered?

- ☐ A customer slips and falls due to a wet floor in the insured's grocery store.
- ☐ An employee accidentally damages a neighboring business's property while moving equipment.
- ☐ The insured's vehicle was stolen from the company parking lot.
- ☐ The insured falsely accuses a competitor of illegal activities in an advertising campaign.

27. Coverage B – Personal And Advertising Injury Liability provides coverage for bodily injury resulting from accidents within the insured premises.

True

False

28. The Coverage B Insuring Agreement includes worldwide coverage for personal and advertising injury offenses if the legal action arises in the U.S., its territories, Puerto Rico, or Canada.

True

False

Section 1: Commercial General Liability Concepts and Coverage

29. Under Coverage B, which scenario would likely be covered?

- ☐ A business owner accidentally uses a similar advertising style as a competitor for their own product.
- ☐ A company fails to fulfill its contractual obligation to distribute marketing flyers.
- ☐ A manufacturer's product fails to meet the quality standards advertised.
- ☐ An insured knowingly spreads false rumors about a competitor to harm their reputation.

30. Which of the following is true regarding Coverage B of a General Liability Insurance policy?

- ☐ It covers pollution-related claims arising from the insured's business operations.
- ☐ It excludes liability assumed under contract, except for specific exceptions noted in endorsements.
- ☐ Coverage extends to criminal acts committed by the insured, regardless of intent.
- ☐ Claims related to breach of contract are covered unless explicitly stated otherwise.

31. Coverage B of a General Liability Insurance policy covers claims arising from the failure of goods or services to meet quality or performance standards advertised by the insured.

True

False

32. Claims related to the access or disclosure of confidential or personal information are typically covered under Coverage B of a General Liability Insurance policy.

True

False

Section 1: Commercial General Liability Concepts and Coverage

33. Which of the following individuals would typically be covered under Coverage C – Medical Payments?

- ☐ An employee injured during work hours
- ☐ A tenant who sustains an injury while working in their rented office
- ☐ A volunteer who twists their ankle during a company-sponsored kickball tournament
- ☐ A customer who slips and falls on the insured's premises.

34. Under what circumstance would Coverage C – Medical Payments NOT apply?

- ☐ A customer requires first aid treatment after being punched by a rowdy teenager at a sandwich shop.
- ☐ An employee injures themselves while hammering a nail at work.
- ☐ A passerby is injured by debris near the insured's construction site.
- ☐ A volunteer worker is injured while assisting at the insured's charity event.

35. Coverage C – Medical Payments will cover medical expenses for injuries sustained by a tenant in their rented office space within the insured's premises.

True

False

36. What type of expenses are covered under Supplementary Payments in a Commercial General Liability (CGL) policy?

- ☐ Costs of bail bonds required due to traffic violations
- ☐ Costs of repairing damaged property
- ☐ Costs of purchasing additional insurance coverage
- ☐ Costs of medical treatment for injured parties

Section 1: Commercial General Liability Concepts and Coverage

37. Which expenses related to a lawsuit are covered under Supplementary Payments but do not include attorney's fees taxed against the insured?
- ☐ Costs of medical examinations for the injured parties
 - ☐ Costs of printing trial exhibits
 - ☐ Costs of filing forms with the court
 - ☐ Costs of legal representation for the opposing party
38. What does the Each Occurrence Limit in a Commercial General Liability (CGL) policy cover?
- ☐ Personal and advertising injury claims
 - ☐ Medical expenses for injuries sustained by individuals
 - ☐ Property damage to premises rented to the Named Insured
 - ☐ Bodily injury and property damage liability
39. Which endorsement allows for a separate aggregate limit designated specifically for a construction project listed in the policy schedule?
- ☐ CG 25 04 Endorsement
 - ☐ CG 25 03 Endorsement
 - ☐ Damage To Premises Rented To You Limit
 - ☐ Products/Completed Operations Aggregate Limit
40. Once the general aggregate limit of a CGL policy is exhausted by payments for covered losses, the insurer may continue to cover claims under that aggregate for the remainder of the policy period.

True

False

Section 2: Additional Insured Concepts and Endorsements

Indemnification and Hold Harmless Agreements

Check-In



Directions: Respond to the following prompt.

Describe the difference between a hold harmless agreement and indemnification.

Waiver of Subrogation Contract Requirement

» Knowledge Check



Directions: Read the following scenario and respond.

Once Upon A Lime is a fruit stand that is insured with an ISO CGL policy. It buys fruit from a local vendor, Limes-R-Us. The vendor's fruit causes several customers to become ill. After the customers became ill, Once Upon A Lime assures Limes-R-Us that they will not subrogate against them for the loss. Has Once Upon A Lime violated the CGL policy? Explain your answer.

Additional Insured Status Under a CGL Policy

» Knowledge Check



Directions: Read the following scenario and answer the question.



Cara buys a rocking chair from West Coast Furniture Factory. After bringing it home, the chair collapses the first time Cara sits in it, causing her to break her hip. Cara sues the discount store and the manufacturer for damages. West Coast Furniture Factory is listed as an additional insured on the manufacturer's CGL policy. How will each entity's policy respond to the suit?

Disadvantages of Additional Insured Status

Check-In



Directions: Indicate whether the following statements are true or false regarding additional insured status.

1. It is not needed as all hold harmless/indemnification agreements are enforceable as a “safety net.”

True

False

2. It grants the additional insured direct rights to defense costs inside the limits of insurance.

True

False

3. It protects the additional insured from subrogation.

True

False

4. It may provide higher total limits for the additional insured.

True

False

5. It may reduce direct insurance costs for the additional insured.

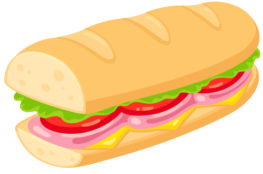
True

False

» Knowledge Check



Directions: Read the scenario and answer the following questions.



Jimmy Jam's Sandwich Shop wants to add a vendor, Bread Time, Inc., to their CGL policy. What are some potential problems Jimmy Jam's may face as a Named Insured when adding Bread Time, Inc., as additional insured to their CGL policy?

Referencing the question above, what are some potential problems Bread Time, Inc., may face as an additional insured when relying on coverage from Jimmy Jam's policy?

Commonly Used CGL Policy Additional Insured Endorsements

Check-In



Directions: Read the scenario and answer the following questions.

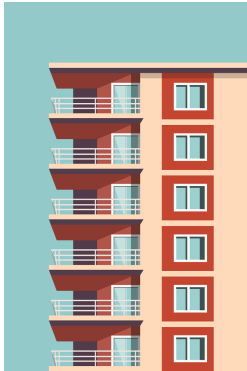
1. What are the differences between the CG 20 10 and CG 20 37 Additional Insured endorsements?

2. When a specific Additional Insured endorsement does not exist, such as for vendors or mortgagees, which Additional Insured endorsement should be used and why?

» Knowledge Check



Directions: Read the scenario and answer the question.



Bernie B. Construction is a subcontractor that has added the Additional Insured – Owners, Lessees or Contractors – Scheduled Person or Organization CG 20 10 and the Additional Insured – Owners, Lessees Or Contractors – Completed Operations CG 20 37 endorsements to their CGL policy and named High Tower Construction, a general contractor, as an additional insured. At renewal, Bernie B. Construction removes both Additional Insured endorsements. A balcony collapses two years after the project is completed. Will High Tower Construction have any coverage as an additional insured for this loss? Explain your answer.

Primary and Noncontributory

» Knowledge Check



Directions: Read the scenario and answer the questions.

Springfield Wall Repair has accepted a project to replace a rotting wall in a commercial building. The building owner’s contract with Springfield stipulates that Springfield’s insurance will be primary and noncontributory in relation to work on the walls. Does Springfield’s unendorsed CGL policy satisfy this requirement? If not, how can they satisfy this requirement?

Section 2 Self-Quiz

Directions: Read and respond to the following questions.

1. What is subrogation in the context of insurance?
 - ☐ The process by which an insurance company creates a new policy for an insured party
 - ☐ The legal right of an insurance company to collect from the party originally responsible for a loss after paying the insured for the covered loss
 - ☐ The responsibility of an insurance professional to draft contracts and insurance policies with identical language and requirements
 - ☐ The process of negotiating the terms of a contract between an insurance professional and the insured party
2. Which statement about a waiver of subrogation is correct?
 - ☐ It is an agreement where one party waives the right to pursue action to recover monies against another party, typically before a loss occurs.
 - ☐ It allows an insurer to recover from a third party even if subrogation is waived after a loss.
 - ☐ It is required for an insured to list all additional insured parties after a loss has occurred.
 - ☐ It ensures that an insurer cannot recover from any third party responsible for the loss.
3. What is a key feature of the Waiver Of Transfer Of Rights Of Recovery Against Others To Us (Waiver of Subrogation) – Automatic CG 24 53 12 19 endorsement?
 - ☐ It names a specific person or organization in the waiver.
 - ☐ It requires the insured to waive their right of recovery after a loss.
 - ☐ It provides automatic waiver of subrogation if a written contract or agreement is in place.
 - ☐ It is identical to the CG 24 04 endorsement without any differences.

Section 2: Additional Insured Concepts and Endorsements

4. List five reasons for requesting additional insured status. Note: Answers may be listed in any order.

A. _____

B. _____

C. _____

D. _____

E. _____

5. List three contractual relationships that may result in the provision of additional insured status.

A. _____

B. _____

C. _____

6. Sylvia, a landlord, may request to be an additional insured on her tenant Rob's policy to protect against possible negligence.

True

False

7. When adding an additional insured, the CGL policy limits do not automatically increase or multiply, and there is no priority for the Named Insured over the additional insured, which can lead to a diminution of policy limits.

True

False

Section 2: Additional Insured Concepts and Endorsements

8. An additional insured has direct involvement in defense decisions and can control the defense process.

True

False

9. Which of the following statements about the CG 20 10 Additional Insured endorsement is FALSE?

- ☐ The endorsement provides coverage for bodily injury, property damage, or personal and advertising injury.
- ☐ The injury or damage must be caused by the Named Insured's acts or omissions during ongoing operations.
- ☐ The endorsement requires a written contract or agreement to add an additional insured.
- ☐ The endorsement does not provide coverage for completed operations.

10. Which type of operations does the CG 20 37 Additional Insured endorsement primarily provide coverage for?

- ☐ Ongoing operations
- ☐ Completed operations
- ☐ Emergency operations
- ☐ Temporary operations

11. Which type of relationship is the CG 20 26 Additional Insured endorsement most suitable for?

- ☐ Contractor/Subcontractor
- ☐ Manufacturer/Vendor
- ☐ Employer/Employee
- ☐ Landlord/Tenant

Section 2: Additional Insured Concepts and Endorsements

12. Noncontributory insurance is issued on the basis that it will not seek contributions from other insurance policies that apply to a covered loss on the same basis.

True

False

13. The CGL policy's "Other Insurance" condition outlines that if other valid and collectible insurance is available, the insured's policy will be excess over any other insurance coverage available on other policies, regardless of whether they are primary, excess, contingent, or on any other basis.

True

False

14. An additional insured typically will not want to share limits in the event of a loss and may request the Named Insured's insurance to be primary and noncontributory. This is achieved by adding the Primary and Noncontributory – Other Insurance Condition CG 20 01 12 19 endorsement.

True

False

Section 3: Business Automobile Coverages and Endorsements

Business Auto Coverage Form

» Knowledge Check



Directions: Summarize the difference between the CGL and BAP definitions of “auto.”

Covered Autos – Designated

Check-In



Directions: Read the question and select the best answer choice.

1. Which symbol designates Hired “Autos” Only?
 - ☐ Symbol 1
 - ☐ Symbol 9
 - ☐ Symbol 7
 - ☐ Symbol 8

2. Which symbol designates Specifically Described “Autos”?
 - ☐ Symbol 7
 - ☐ Symbol 1
 - ☐ Symbol 9
 - ☐ Symbol 8

3. Which symbol designates Any “Auto”?
 - ☐ Symbol 7
 - ☐ Symbol 9
 - ☐ Symbol 8
 - ☐ Symbol 1

» Knowledge Check



Directions: Identify the best endorsement for the following scenario.

Brightway Insurance Services is conducting a comprehensive review of the BAP for their client, Elite Couriers. The client has recently expanded its fleet to include a variety of new vehicles, all manufactured within the last five years, ranging from sedans for quick local deliveries to larger trucks for more substantial cargo.

With such a diverse fleet of vehicles, Brightway Insurance wants to ensure that an Auto Designation Symbol is used that includes only these new vehicle types for both liability and physical damage, while the older vehicles only have liability coverage. What endorsement can be used to accomplish this?

Newly Acquired Autos

» Knowledge Check



Directions: Write a short response to the following questions.

Ed's Basket Emporium has a Business Auto Policy with three autos scheduled using symbol 7 for Liability and Physical Damage Coverage. All three autos have Comprehensive and Collision coverage as well. Ed purchases a new vehicle during the policy term. Will this vehicle have any automatic coverage? Why or why not? What coverage would apply if coverage were extended?

Who Has Insured Status?

Check-In



Directions: Read each statement and select whether the statement is true or false.

1. Owners of autos the Named Insured borrows have insured status.

True

False

2. A friend of the Named Insured using a covered auto with permission has insured status.

True

False

3. A customer helping unload from the Named Insured's delivery truck has insured status.

True

False

4. Members of LLCs have separate legal identities from the LLC itself.

True

False

Check-In



Directions: Read each of the following statements and ment is being described.

Indicate either the Drive Other Car Coverage – Broadened Coverage For Named Individuals CA 99 10 endorsement or the Individual Named Insured CA 99 17 endorsement, and provide reasoning for your answer.

1. All business auto coverage exclusions still apply.

2. Only the named individual and their spouse are insured for Covered Auto Liability.

3. Coverage extended to an individual mirrors the coverage listed in the PAP.

4. The individual Named Insured must be shown on the Declarations.

Section 3: Business Automobile Coverages and Endorsements

5. A premium charge applies for use of this endorsement.

» Knowledge Check



Directions: Read each scenario and answer the questions.

Lawn Care, Inc., has a BAP with several vehicles scheduled on the policy. One of its employees has an accident in their personal auto while picking up supplies for Lawn Care, Inc. Who will have insured status in this scenario? Can any specific endorsement help in this situation?

Lawn Care, Inc. wants their employee to pick up supplies from a location two hours away. With permission from Lawn Care, Inc., the employee rents an auto under their own name to run this errand. How can Lawn Care, Inc., provide insured status for their employee in this situation?

Liability Insuring Agreement

Check-In



Directions: Select the best response for each of the following questions.

1. All of the following must occur for pollution costs to be covered under the BAP except:
 - ☐ Damage must be caused by an accident.
 - ☐ A requirement to address a pollution cost or expense must be made.
 - ☐ Bodily injury or property damage must apply to the accident.
 - ☐ The damage caused by an accident can be from any auto as long as the driver has insured status under the BAP.

2. How much is available to cover the cost of bail bonds under the BAP Supplementary Payments?
 - ☐ \$2,000
 - ☐ \$250
 - ☐ No coverage is available.
 - ☐ Up to the policy limit

» Knowledge Check



Directions: Read the scenario and answer the question that follows.

Samantha, a project manager at ConstructCo, is driving a company-owned vehicle to a job site with two colleagues as passengers. While en route, Samantha is distracted by a phone call and negligently causes an accident, resulting in injuries to her colleagues.

Will ConstructCo's BAP provide coverage for the injured employees? Why or why not? Make sure to list any endorsements that may be applicable.

Check-In



Directions: Write the letter that matches each example to the correct exclusion.

A. Care, Custody, Or Control	_____ An insured landscaper signs a contract to maintain trees and shrubs for a shopping mall. In the course of working on the trees, the insured injures a pedestrian while driving in the parking lot. The pedestrian sues the shopping center.
B. Contractual Liability	_____ An employee knocks over a stack of boxes after finishing unloading a delivery, injuring a customer.
C. Movement Of Property By Mechanical Device	_____ An insured agrees to pick up a customer's property for processing, and after pick up, the property is damaged in an accident.
D. Handling Of Property	_____ An employee uses a forklift to unload boxes from a covered auto.

» Knowledge Check



Directions: For each of the following examples, circle the checkmark if the loading and unloading exposure would be covered by the BAP and the “X” if it would not be covered by the BAP. Explain your answer in the box provided. **The first two examples have been completed for you.**

Exposure



Ozzie’s Office Supply has stacked boxes on shelves inside the store for customer purchase. Two of the top boxes fall, injuring a customer.

Policy



Ozzie’s CGL policy provides coverage for the injury to the customer because the goods have not been accepted for movement onto an auto.



Ozzie’s driver begins moving the boxes with the use of hand truck onto a covered company delivery truck. He drops one of the boxes and injures a pedestrian.



Ozzie’s BAP provides coverage for the injury to the pedestrian because the goods have been accepted for movement onto a covered auto with the use of a hand truck.



Section 3: Business Automobile Coverages and Endorsements

Exposure

Policy



One of the customers purchased a large desk and shelves. Ozzie’s driver uses a front-end loader to load the goods into the covered company delivery truck; however, while loading the goods into the truck, a pedestrian is injured.



While driving across town, one of the boxes falls off the delivery truck, causing extensive damage to a parked vehicle.



After the final delivery of the shipment, the improperly stacked boxes fall and damage some computer equipment at the customer’s office.



» Knowledge Check



Directions: For each of the following examples, circle the **checkmark** if the pollution exposure would be covered, and the **“X”** if it would not be covered. Explain your answer in the box provided. **The first example has been completed for you.**

Exposure

Policy



The Named Insured has a covered gasoline tanker truck. The truck hits an ice patch and overturns, releasing gasoline from its cargo tank.



The BAP excludes bodily injury or property damage arising out of the release or escape of pollutants that are being transported by the Named Insured's covered auto.



A Named Insured unloading barrels of liquid fertilizer accidentally drops a barrel, causing it to rupture and release the fertilizer.



The Named Insured, driving a covered delivery truck, hits a gasoline tanker truck, causing the tanker truck to overturn and spill gasoline.



The Named Insured's covered delivery truck makes a sharp turn and overturns. The fuel tank splits open, releasing diesel fuel.



The Named Insured accidentally backs his covered truck into a storage tank at a customer's location, causing the tank to release pollutants.



Physical Damage Coverage

Check-In



Directions: Read the following questions and select the best answer.

1. Which type of Physical Damage Coverage applies to everything except collision or overturn?
 - ☐ Loss Of Use
 - ☐ Collision
 - ☐ Specified Causes Of Loss
 - ☐ Comprehensive

2. Which of the following must apply for the Transportation Expenses extension to be provided?
 - ☐ A Specified Cause Of Loss must occur for coverage to apply.
 - ☐ Collision coverage must be selected for the covered auto.
 - ☐ The loss can apply to any auto type.
 - ☐ The loss must be from a total theft.

» Knowledge Check



Directions: Read the following scenario and answer the question.

Southwest Insurance Group carries a Business Auto Policy with symbol 2 (Owned “Autos” Only) and symbol 8 (Hired “Autos” Only) for Comprehensive and Collision coverage. One of their insurance producers rents a luxury rental car for a business trip under Southwest Insurance Group’s name. While traveling on this trip, the producer damages the rental in a collision with a light post. The rental agency is asking for the auto to be repaired, along with \$6,000 for the loss of market value. How will Southwest Insurance Group’s BAP respond?

Business Auto Conditions

Check-In



Directions: Select the correct answer for the following questions.

1. Which of the following is NOT a duty of the insured in the event of a loss?
 - ☐ Notify the insurance company representative promptly.
 - ☐ Make payment directly to another party until the claim is resolved.
 - ☐ Cooperate with the insurance company's investigation of the loss.
 - ☐ Submit to examination by physician of the company's choice.

2. How can an insured remove the condition of the Transfer Of Rights Of Recovery Against Others To Us to meet contract compliance?
 - ☐ Add a person or organization as an additional insured.
 - ☐ Through legal action against the insurer
 - ☐ Send a request to the insurer after a loss has occurred.
 - ☐ Add a Waiver of Subrogation endorsement to the policy.

» Knowledge Check



Directions: Read the following and respond.

Under the Other Insurance General Condition in the Business Auto Policy, several situations are listed in which the policy will provide either primary or excess coverage. Name two situations where the BAP will provide primary coverage and two situations where the BAP will be excess.

Section 3 Self-Quiz

Directions: Select the best response for each of the following questions.

1. Which of the following is the correct definition of “auto” as described in the Business Auto Policy?
 - ☐ A land motor vehicle, trailer, or semitrailer designed for travel on public roads
 - ☐ A land motor vehicle, trailer, or semi-trailer designed for travel on public roads, including attached machinery or equipment
 - ☐ A land motor vehicle, trailer, or semitrailer designed for travel on public roads, as well as watercraft and aircraft
 - ☐ A land motor vehicle, trailer, or semitrailer designed for travel on public roads or over any other terrain

2. Which of the following types of “mobile equipment” are included in the BAP definition of “auto”?
 - ☐ “Mobile equipment” is never classified as “auto” under the BAP and is solely a CGL exposure.
 - ☐ Vehicles with permanently attached equipment (such as a cherry picker) while being used at a construction site are considered autos.
 - ☐ Self-propelled vehicles used primarily for road construction or resurfacing are considered autos.
 - ☐ Self-propelled vehicles with permanently attached equipment, primarily designed for either snow removal, road maintenance, or street cleaning, are considered autos.

Section 3: Business Automobile Coverages and Endorsements

3. Which of the following is true about Symbols 3 and 4 when used in the BAP?
- ☐ These symbols provide automatic coverage for "autos" of the same type that are acquired during the policy period.
 - ☐ These symbols provide automatic coverage for hired "autos" of the same type.
 - ☐ These symbols are basically the same.
 - ☐ These symbols would never be used together on the same policy.
4. Marcia owns a business that is insured on a BAP. She travels regularly and routinely hires rental cars to conduct sales calls while traveling. Marcia wants to ensure that she has Physical Damage Coverage for any hired autos she uses during her business travels. Which symbol can be used to trigger this type of coverage?
- ☐ Symbol 7
 - ☐ Symbol 8
 - ☐ Symbol 9
 - ☐ Symbol 19
5. Which of the following is true regarding symbol 7?
- ☐ It provides the broadest liability coverage available on the BAP.
 - ☐ It provides automatic coverage to all vehicles of a described category.
 - ☐ Item Three of the Declarations must be reviewed when using this symbol to determine what coverages are triggered for a scheduled auto.
 - ☐ Symbol 7 can be added using endorsement CA 99 54 10 13 to customize coverage to meet the insured's needs.

Section 3: Business Automobile Coverages and Endorsements

6. Which coverage solution is ideal for situations when equipment such as a forklift or a front-end loader is used on public roads?
- ☐ Symbol 9
 - ☐ Symbol 19
 - ☐ Exclusion Or Excess Coverage Hazards Otherwise Insured CA 99 40 10 13
 - ☐ Mobile Equipment CA 20 15 11 20
7. Micah has all three of his owned trucks insured on a BAP, with symbol 7 triggering coverage. He has Liability coverage on all three vehicles and Comprehensive on one pick-up truck. He owns no other vehicles. Micah trades in the pick-up truck that has Liability and Comprehensive and replaces it with a new pick-up truck. What type of automatic coverage does Micah have for the new pick-up truck under his BAP?
- ☐ No coverage
 - ☐ Liability and Comprehensive for up to 30 days
 - ☐ Liability until the end of the policy period, but Comprehensive for only 30 days
 - ☐ Liability and Comprehensive until the end of the policy period
8. Stella owns several vehicles that are insured on a BAP. She acquires a new trailer that will be used for her business. The trailer is designed for use on public roads and has a gross vehicle weight of 2,500 lbs. Which of the following best describes how coverage will apply to her newly acquired trailer?
- ☐ The trailer will be covered, but only for 30 days.
 - ☐ The trailer will have automatic Liability coverage.
 - ☐ The trailer will have automatic Liability coverage, but only if it is located at the premises described in the Declarations.
 - ☐ The trailer will need to be added to the BAP in order for Liability coverage to apply.

Section 3: Business Automobile Coverages and Endorsements

9. Diane has a BAP with Comprehensive and Collision coverage on all her company-owned vehicles. She is involved in an at-fault accident in one of the covered autos. Which of the following is a covered loss under her BAP?
- ☐ There is a diminution in value due to the collision.
 - ☐ There is damage to a portable GPS device used while driving to job sites.
 - ☐ There is damage to the stereo system permanently installed in the covered auto.
 - ☐ There is damage to the radar detector permanently installed in the covered auto.
10. Sandra has a BAP with Comprehensive and Collision coverage on all her company-owned vehicles. Which of the following losses is covered under her BAP?
- ☐ A vehicle's electrical system suffers a breakdown due to the auto being stolen and later recovered.
 - ☐ A company phone is damaged when it hits the dashboard after the brakes are slammed to avoid a collision accident.
 - ☐ The steering column on a company-owned auto is damaged when an employee turns the wheel too abruptly.
 - ☐ Temporary transportation expenses are incurred when one of the delivery trucks is stolen.
11. Gus, a Named Insured, has a BAP with Liability and Physical Damage Coverage on all the company-owned autos. Gus is involved in an auto accident in one of the company trucks. Which of the following is a condition that applies to his situation under the BAP?
- ☐ Gus cannot demand an appraisal if he disagrees with the insurance company on the amount of loss to the truck.
 - ☐ Gus has the right to choose from the available options to pay for a physical damage loss.
 - ☐ Gus is released from assisting the insurance company in subrogating against the person who caused or contributed to the loss.
 - ☐ Gus must comply with certain duties, such as prompt notice of a loss, or the insurance company has no duty to provide coverage.

Section 3: Business Automobile Coverages and Endorsements

12. Which of the following statements is TRUE regarding the Other Insurance Condition?

- ☐ The policy will provide primary coverage for any non-owned covered autos.
- ☐ Coverage will be provided on an excess basis for a covered trailer when it is connected to a non-owned covered auto.
- ☐ Coverage will be provided on an excess basis for a non-owned covered trailer when it is connected to an owned covered auto.
- ☐ The policy will provide primary coverage for all covered autos, regardless of ownership status.

Directions: Indicate whether each of the described individuals has insured status under the BAP. If they do not have insured status, list any endorsements that could provide insured status.

13. Francis is an employee of XYZ, Inc., and has been asked to run an errand using an insured company car.

Insured Status

No Insured Status

14. Francis is an employee of XYZ, Inc. After work one day, he decides to run an errand using his personal vehicle.

Insured Status

No Insured Status

15. Julie is a volunteer for an animal rescue. She uses her personal vehicle to pick up donations and deliver them to the shelter.

Insured Status

No Insured Status

Section 3: Business Automobile Coverages and Endorsements

Directions: For each of the following scenarios, determine whether liability coverage applies under an unendorsed BAP. Where applicable, list any endorsements or other coverage solutions that could be used to cover the exposure.

16. Marcus operates a furniture repair shop and is the Named Insured on the company's BAP. While transporting repaired furniture from his shop to a client's home, he gets into an accident, and the furniture is damaged beyond repair.

Coverage Applies

Coverage Does Not Apply

17. Paul has a drill attached to the front of his insured truck. While operating the drill, he causes damage to a water line.

Coverage Applies

Coverage Does Not Apply

18. Stoneage Stoneworkers, Inc., loads and unloads marble and granite onto an insured delivery truck using a boom that is attached to the truck. While unloading a granite slab at a worksite, the worker operating the boom drops a slab of granite, damaging the client's property.

Coverage Applies

Coverage Does Not Apply

19. Fiona is loading boxes onto an insured delivery truck in an alley behind the warehouse using a forklift. A box slips off the truck and damages a parked car.

Coverage Applies

Coverage Does Not Apply

Section 3: Business Automobile Coverages and Endorsements

Directions: Respond to the following.

20. Name three exceptions to the pollution exclusion in the BAP.

- a. _____
- b. _____
- c. _____

21. What endorsement can be added to modify the pollution exclusion in the BAP?

Section 4: Workers Compensation and Employers Liability

The Workers Compensation System

Check-In



Directions: Read each statement and select whether the statement is true or false.

1. Prior to the introduction of workers compensation, employers used common law defenses, such as the assumption of risk, to prevail in employee lawsuits.

True

False

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

True

False

3. One advantage of workers compensation for employees is predictable insurance costs.

True

False

» Knowledge Check



Directions: Read the scenario and answer the questions that follow.

Scott's Paper Manufacturing has employees in Oregon and Ohio. Because Ohio is a monopolistic state, Scott has two policies: a Workers Compensation policy for Ohio through the state fund and a Workers Compensation And Employers Liability Insurance Policy for Oregon. Does Scott have Employers Liability coverage in Ohio? If not, how can he obtain coverage?

Covered Vs. Exempt Employments

» Knowledge Check



Directions: Provide a potential solution for the following scenario.

A high-profile family running a large estate firm employs several domestic workers, including housekeepers, gardeners, and a chef. Given the scale of operations and the essential services these employees provide, the family decides to ensure their well-being and safety while on duty. How can the family accomplish this?

The Information Page

» Knowledge Check



Directions: Read the scenario and, based on the information provided, answer the questions that follow.



Jason's Cookie Cafe is a small but growing business with operations in two locations in Texas. Jason's has a Workers Compensation And Employers Liability Insurance Policy with Texas listed in 3.A. on the Information Page and no states listed in 3.C. Jason would like to branch out and start operations in Arizona within the next 12 months, but may wait for another time, depending on economic conditions. Jason's agent recommends adding Arizona to item 3.C. of the Information Page. The policy's effective date is May 1.

1. A work-related injury occurs to one of Jason's employees in Texas on May 22. Will Jason's policy provide coverage for Texas WC benefits? Explain your answer.

2. Jason begins operations and hires employees in Arizona after all, starting September 12. Will Jason's policy provide coverage for Arizona WC benefits for a worker injured in Arizona on September 30th? Explain your answer.

Section 4: Workers Compensation and Employers Liability

3. Business is great for Jason's Cookie Café. Jason expands even further to Colorado, starting operations with Colorado employees on February 14 of the next year. Will Jason's policy provide coverage for Colorado benefits for a worker injured in Colorado on March 8? Explain your answer.

Part One – Workers Compensation Insurance

» Knowledge Check



Directions: Workers compensation benefits typically fall into four categories. Describe which category each of the following scenarios would fall under and any relevant subcategory (for example, the type of disability benefit).

1. Wanda was working on an assembly line when a product with a sharp edge accidentally made it onto the conveyor belt. Wanda's finger was sliced off and unable to be reattached. She received a lump sum from the insurance carrier and eventually returned to work but has been reassigned to office tasks.

2. Russell's father, Gerald, was working from high scaffolding when he slipped and fell. Gerald passed away from his injuries. The workers compensation insurance policy for Gerald's employer paid for the burial expenses and additional support for Russell.

3. Ron works at Cloud 9 Superstore. While cleaning a spill, Ron slips and hurts his back. He is rushed to the hospital for emergency care. Ron must start physical therapy and take pain medication for his back pain. These expenses are covered by Cloud 9's Workers Compensation Policy.

Part Two – Employers Liability Insurance



» Knowledge Check

Directions: Name the type of employers liability claim described in each scenario and justify your answer.

1. An employee of Sedona Safe Makers is fatally injured in a job-site accident. The employee's widow and children sue Sedona Safe Makers for the loss of companionship.

2. A shield protecting employees from sparks on an industrial metal grinder was removed to allow easier access to the grinder. The employee's supervisor was aware of the employee's decision to remove the shield and did not require the employee to restore it. A spark flew into the employee's face, causing severe burns. The employee was compensated for medical costs by the Workers Compensation Policy. The employee also sued the metal grinder manufacturer, who then in turn, made a claim against the employer.

3. Larry's wife suffered a severe injury to her leg while working, causing her to be taken to the emergency room at the local hospital. Due to the stress of the injury to his wife, Larry suffers a heart attack. Once recovered, Larry sues his wife's employer due to the heart attack.

Part Three – Other States Insurance

►► Knowledge Check



Directions: Respond to the following.

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.

Section 4: Workers Compensation and Employers Liability

Check-In



Directions: Use the following terms to fill in the blanks. Terms may be used only once, and not all terms will be used.

other	audit	indemnify	extraterritorial	accident
monopolistic	noncompliance	notify	cancellation	short term

1. An insured has 30 days to _____ the carrier of operations existing on the effective date in any state not listed in Item 3.A.
2. Part Three of the Workers Compensation And Employers Liability Insurance Policy triggers coverage for _____ states.
3. Most workers compensation laws are _____, which is helpful for employees who travel out of state.
4. The final premium at the end of a policy term may be calculated subject to a(n) _____.
5. Policy _____ is one of five conditions of Part Six of the Workers Compensation And Employers Liability Insurance Policy.

Workers Compensation And Employers Liability Insurance Policy Endorsements

» Knowledge Check



Directions: Explain whether there would be coverage provided in the following scenario.

Mario's Winery has an employee, Luigi, who plans to work for them while living in London, England, for the next two years. Mario adds a Foreign Workers Compensation Coverage Endorsement to their policy in case something were to happen to Luigi while doing work for Mario in London. One year after living in London, Luigi is injured severely while delivering wine to a new client and must be brought back to the United States for care. Will Mario's Workers Compensation Policy cover Luigi's injuries along with the cost of returning him home?

Section 4 Self-Quiz

Directions: Select the best answer to the following questions.

1. Identify the statement that is TRUE regarding workers compensation laws.
 - ☐ Negligence is the primary basis for determining liability or recovery.
 - ☐ Employees receive payments for pain and suffering in addition to their medical benefits.
 - ☐ Workers compensation laws mandate prompt and reasonable payment of benefits to injured employees.
 - ☐ Compensation is only provided if the injury was caused by an unavoidable accident.
2. Which of the following describes how workers compensation laws benefit employers?
 - ☐ They allow employees to sue their employers for work-related injuries.
 - ☐ They provide some predictability in the cost of workers compensation benefits through job classification and experience modification factors.
 - ☐ They exclude co-workers (fellow-servants) from the exclusive remedy protection.
 - ☐ They ensure that employees receive compensation only when they can prove employer negligence.
3. Which of the following accurately describes an exemption to workers compensation laws?
 - ☐ Employers with fewer than a specified number of employees may be exempt from providing workers compensation coverage in some states.
 - ☐ Employers must provide workers compensation coverage to all domestic employees.
 - ☐ Sole proprietors and partners are typically considered employees and must be covered under workers compensation law.
 - ☐ Real estate salespersons are required to be covered under workers compensation policies in all states.

Section 4: Workers Compensation and Employers Liability

4. Dorothy is the sole proprietor of a small commercial farm and is insured with a Workers Compensation And Employers Liability Policy. In addition to several traditional employees, Dorothy employs both domestic workers and agricultural workers and wishes to provide these workers with statutory benefits. Which coverage solution will best suit Dorothy's needs in this scenario?
- ☐ These workers will be covered by an unendorsed Workers Compensation And Employers Liability Insurance Policy.
 - ☐ Voluntary Compensation And Employers Liability WC 00 03 11 A
 - ☐ Partners, Officers, And Others Exclusion WC 00 03 08
 - ☐ Sole Proprietors, Partners, Officers, And Others Coverage WC 00 03 10
5. Which one of the following scenarios meets the IRS criteria for independent contractor status?
- ☐ Jane is a seasonal server for a catering company. The company sets Jane's schedule and determines her pay, including mileage reimbursement.
 - ☐ Yolanda is a live-in nanny for a family. She works a set weekly schedule and receives benefits, including a 401(k) and paid time off.
 - ☐ Alejandro is an accountant who prepares tax filings for a restaurant during tax season every year. Alejandro sets his own hours and rate of pay, and the restaurant is one of several clients.
 - ☐ Manuel is a custodian who is employed by a local school district. He is paid an hourly wage according to district policy and receives full benefits, including retirement, healthcare, and paid time off.

Section 4: Workers Compensation and Employers Liability

6. Which item of the Information Page activates coverage for states where work begins after the effective dates of the Workers Compensation And Employers Liability Insurance Policy?

☐ 3.A.

☐ 3.B.

☐ 3.C.

☐ 3.D.

Directions: Use the following terms to fill in the blanks. Terms may be used only once, and not all terms will be used.

medical	excess	rehabilitation	supplementary
care and loss of services	disability	consequential bodily injury	death
third-party action over	dual capacity	\$100,000	\$500,00

7. Workers compensation _____ benefits pay for the care to treat a compensable work-related injury or occupational disease and can include costs such as hospital stays, prescription drugs, or physical therapy.
8. There are four types of _____ benefits: temporary partial, permanent partial, temporary total, and permanent total. The level of benefits paid by the Workers Compensation Policy will depend on the severity of the work-related injury or disease.
9. Paragraph F. of Part One of the Workers Compensation And Employers Liability Insurance Policy states that the employer will make payments in _____ of what is required by law for actions and/or omissions that fall outside the scope of workers compensation coverage.
10. _____ refers to an employers liability claim in which a family member of an employee files a lawsuit for an injury or disease that was suffered as an after-effect of the employee's work-related injury or disease.

Section 4: Workers Compensation and Employers Liability

Directions: Use the following terms to fill in the blanks. Terms may be used only once, and not all terms will be used.

medical	excess	rehabilitation	supplementary
care and loss of services	disability	consequential bodily injury	death
third-party action over	dual capacity	\$100,000	\$500,00

11. _____ refers to an employers liability claim in which an insured employee brings a lawsuit against the employer for an injury that arose from the activities of the employer in a role other than as an employer.
12. Item 3.B. of the Information Page states that the most that will be paid toward employers liability for any one accident is _____.

Directions: Indicate whether each statement is true or false.

13. Part 3.A. Workers Compensation Insurance provides coverage for known and expected operations in that state, but only if listed under 3.A.

True

False

14. A state must explicitly be named in item 3.C. in order for that state to be covered.

True

False

15. Even when an employee is traveling out of state, the workers compensation laws for their home state will automatically apply in the event of an injury.

True

False

Section 4: Workers Compensation and Employers Liability

16. The Maritime Coverage Endorsement provides employers liability coverage for the employer for bodily injury to masters and crews of vessels sailing anywhere in the world.

True

False

17. There is limited foreign coverage under the unendorsed Workers Compensation And Employer Liability Insurance Policy for U.S. employers with employees working outside the country.

True

False

Answer Key

Section 1: Commercial General Liability Concepts and Coverage

Types of Liability Exposures Covered under a CGL Policy

Check-In



Directions: Match each category of liability with its description.

A. Premises	<u>B</u> Arises out of activities that typically occur away from the premises of a business
B. Business Operations	<u>D</u> Arises when a business accepts that it should be responsible if others are sued because of their work
C. Completed Operations	<u>C</u> Arises from activities involved in the operation of an organization after the activity has concluded
D. Contractual Liability	<u>A</u> Arises out of bodily injury or property damage because of ownership, maintenance, or use of a specific location

Insured Status Under the CGL Coverage Form

Check-In



Directions: Read and respond to the following question.

The spouse of one of the partners in a joint venture accidentally bumps into a customer and injures them after delivering a package on behalf of the joint venture. Will the spouse have automatic insured status?

Yes

No

Yes. Individuals, partnerships, and joint ventures include spouses as automatic insureds for actions related to the business.

Check-In



Directions: Select whether the following statement is true or false.

Make Stuff, Inc., a manufacturing company, forms a partnership with Sell Stuff, Inc. Since this is a newly formed partnership, automatic coverage is granted.

True

False

False. While organizations newly acquired and/or newly formed by the Named Insured qualify as Named Insureds on the CGL policy, this does NOT include partnerships, joint ventures, or LLCs, as they have unique ownership structures.

» Knowledge Check



Directions: Read the scenario and respond to the question.

Stella, a Named Insured, recently acquired a corporation called Bright Future Inc. just 30 days before her Commercial General Liability (CGL) policy's expiration date. Stella wonders how long Bright Future Inc. would be automatically covered under her policy. How would you advise her?

In this scenario, the newly acquired corporation automatically qualifies as a Named Insured but only until the end of the policy period. Qualified newly acquired organizations have automatic coverage for either 90 days or until the end of the policy period, whichever occurs first.

Coverage A – Bodily Injury and Property Damage Liability

Check-In



Directions: Select the correct answer choice for the following:

Indicate which of the following is FALSE regarding the meaning of “property damage” as defined in the CGL Coverage Form.

- ☐ Physical injury to tangible property, including all resulting loss of use of that property
- ☐ Includes the loss of use of tangible property that is not physically injured
- ☒ Electronic data is considered tangible property.

Electronic data is NOT considered tangible property.

» Knowledge Check



Directions: Read and respond to the two questions below. The following scenario applies to both questions.

A Named Insured operates in the fashion industry and lives in New York. Evaluate whether coverage is applicable for bodily injury or property damage resulting from an employee's actions while conducting the Named Insured's business in Europe under an unendorsed CGL policy. Provide reasoning for your assessment.

1. A salesperson who resides in New York travels to Europe for ten days on business. A suit is filed in New York.

Yes, coverage is applicable because the salesperson is on temporary business travel and resides in the U.S.

2. A New York employee decides to move to France as a permanent resident to conduct the European sales for the Named Insured. A suit is filed in New York.

No, coverage is not available because while the suit is brought in the U.S., the employee is not a resident of the United States, its territories and possessions, Puerto Rico, or Canada. They reside in France.

3. A New York cosmetic company sells make up in Europe. A European customer suffers bodily injury from a reaction to a product from the cosmetic company and files a suit in Europe.

No, coverage is not available because while the product is manufactured in the U.S., which is part of the coverage territory, the suit would also have to be brought in the U.S., which is not in this scenario.

Coverage A – Exclusions

Check-In



Directions: Match the type of insured contract with the definition or example.

A. Lease of Premises	<u>E</u>	An agreement used when maintenance work is being done on an elevator
B. Easement	<u>B</u>	A cable company with an agreement to access cable lines that cross over your property
C. An obligation to indemnify a municipality	<u>F</u>	An office equipment lease
D. Sidetrack Agreement	<u>A</u>	A contract to rent an apartment
E. Elevator maintenance agreement	<u>D</u>	Agreement between a railroad company and property owner whose property is used as part of the company's railroad track
F. Any other business contract	<u>C</u>	Indemnifying a city-owned building being rented

Check-In



Directions: Which of the following is an example of a host liquor exposure?

- ☐ The Named Insured, a tavern, allows employees to purchase alcoholic beverages after their shift.
- ☐ The Named Insured, a hotel, includes alcoholic beverages as part of their room service menu.
- ☐ The Named Insured, a grocery store, sells beer and wine.
- ☒ The Named Insured, an insurance agency, serves wine at an office holiday party for their clients.

The Named Insured is not selling, nor are they in the business of selling alcohol.

Check-In



Directions: Indicate whether the following are COVERED or EXCLUDED under Coverage A of an unendorsed CGL policy.

1. Chemicals leak from a storage tank at the Named Insured's location, causing damage to a neighboring business.

Covered

Excluded

Pollutants from the insured's premises are excluded.

2. A furnace at the Named Insured's hotel malfunctions, emitting fumes and causing several guests to become ill.

Covered

Excluded

Bodily injury from fumes emitting from a heating system in the insured's building are an exception to the premises Pollution exclusion.

3. The Named Insured's bulldozer overturns at a job site, causing diesel fuel to flow out of its tank and damage the neighbor's property.

Covered

Excluded

Fluids and fuels accidentally escaping mobile equipment used in the insured's operations are an exception to the Pollution exclusion if the fluids were central to the operation of the equipment.

4. Waste being treated at the Named Insured's manufacturing plant escapes, causing property damage to several nearby businesses.

Covered

Excluded

The treatment of pollution is excluded.

Check-In



Directions: Indicate whether the following scenarios would be covered under Coverage A of the unendorsed CGL policy:

1. While operating a backhoe, the Named Insured's employee causes damage to underground utilities at a job site.

Covered

Excluded

Liability from the use of mobile equipment is covered.

2. While valet parking a customer's auto, an employee of the Named Insured hits a concrete post, damaging the customer's auto.

Covered

Excluded

There is a give-back for liability arising out of parking an auto on or next to the Named Insured's premises. However, it does NOT apply to property damage coverage to an auto being parked, or any other property in the care, custody, or control of the insured.

3. A snowplow destroys a fire hydrant, causing property damage to the sidewalk.

Covered

Excluded

A snowplow would be considered an "auto" and, thus, not covered on the CGL policy.

4. A small crane being transported by the insured from one job site to another is damaged en route to the site.

Covered

Excluded

Transportation of mobile equipment is excluded.

Check-In



Directions: Indicate whether Coverage A would apply to the following claim situations.

1. A battery-operated toy manufactured by the Named Insured explodes, causing injury to a child.

Covered

Excluded

Resultant bodily injury or property damage from your product is NOT excluded.

2. A balcony constructed by the Named Insured collapses, causing bodily injury to those standing on it.

Covered

Excluded

Resultant damage from your work is NOT excluded.

3. Appliances that contain a defective switch manufactured by the Named Insured do not work and therefore cannot be sold.

Covered

Excluded

Damage to impaired property or property not physically injured is excluded.

4. The Named Insured, an infant car seat manufacturer, turns in a claim for the expenses incurred to recall certain models that contain a defective harness.

Covered

Excluded

Coverage for the recall of your products is excluded.

Section 1: Commercial General Liability Concepts and Coverage

5. The Named Insured who uses an automatic pre-recorded message dialing system to sell their product has a claim filed against them by a person on their “do not call” list.

Covered

Excluded

Violation of any statutes governing phone calls or other methods of sending information is excluded.

» Knowledge Check



Directions: Explain what coverage will be provided to the Named Insured in the scenario outlined below.

Frita’s Fried Fish, a tenant in a shopping center, experienced a fire. This fire was accidentally caused by an employee on the premises, damaging part of the space leased by Frita’s. Unfortunately, the fire also damaged several tables and chairs inside the restaurant.

Damage to the Named Insured’s premises is covered for fire no matter how long the insured has rented the location.

Coverage B – Personal And Advertising Injury Liability

Check-In



Directions: Indicate which of the following intentional acts qualify as “personal and advertising injury” as defined under Coverage B of the CGL Coverage Form.

1. The Named Insured’s employee discriminates against a customer.

Yes

No

No, a knowing violation of the rights of others is excluded.

2. The Named Insured orders the eviction of a tenant without giving proper notice.

Yes

No

Yes, wrongful eviction falls under personal and advertising injury.

3. The Named Insured’s website contains material that disparages a person’s or organization’s goods, products, or services.

Yes

No

Yes, slander, libel, and disparagement are offenses covered under personal and advertising injury.

4. The Named Insured’s employee wrongfully detains a customer for shoplifting.

Yes

No

Yes, false detention, arrest, or imprisonment is covered under personal and advertising injury.

Coverage B – Exclusions

» Knowledge Check



Directions: Read and respond to the following scenario.

Woz Web Design advertises and promises its clients that it can build fully functional websites with specific features, such as online sales capabilities, social media integration, and high security. After delivering a site, a client complains that it does not function properly. The site frequently crashes, the online sales feature glitches, and social media links are broken. A suit is filed against Woz Web Design. Will they have coverage under Coverage B? Why or why not?

No, coverage for a situation such as this is excluded. Under exclusion g. Quality Or Performance Of Goods – Failure To Conform To Statements, failure of your product to conform to statements of quality or performance made in your advertisement is excluded.

Coverage C – Medical Payments

Check-In

Directions: Indicate whether each of the following is a true or false statement regarding Coverage C – Medical Payments of the CGL Coverage Form.



1. Must be caused by an accident because of operations or products completed operations exposures on or next to the Named Insured's premises

True

False

Coverage is provided for ANY accident on or next to the Named Insured's premises.

2. Pays reasonable medical expenses, up to the available limit of insurance, even when it is not the Named Insured's fault

True

False

3. Pays for reasonable medical expenses, up to the available limit of insurance, for an injured tenant, caused by an accident on the tenant's occupied premises

True

False

Tenants are excluded from Medical Payments coverage.

» Knowledge Check



Directions: Read the following claim scenarios and answer the corresponding questions. Explain your answers.

1. Reginald works for Ms. Hatti's Clothes Emporium. While setting up a display for a new shipment of clothes, Reginald slips off a ladder and needs immediate medical attention. The medical bill for Reginald was \$6,000. Sherry Hatti, the owner of Ms. Hatti's, remembers her policy provides \$5,000 for Medical Payments coverage. How much will her CGL policy pay for Reginald's injury?

\$0 will be paid as this is excluded. Medical Payments does not cover employees. They would look for coverage in a workers compensation policy.

2. Don Stapleton owns Donatello's Painting Co. His company has a softball team that plays in a local league. Don's friend, Juan, agrees to play softball for Donatello's Painting. During a softball game, Juan pulls a muscle requiring a trip to the hospital. Since the softball game involved Don's company, he wants to provide medical payments to Juan using his CGL policy. How much will Donatello's policy pay?

\$0. This is excluded due to athletic activities being excluded from Medical Payments coverage.

Supplementary Payments – Coverages A and B

» Knowledge Check



Directions: Read and respond to the question below. Be sure to explain your answer.

1. Walt's Auto Shop was recently sued for negligence while working on a customer's vehicle. The court ruled in favor of the customer, and the judgment eroded Walt's Per Occurrence Limit and remaining General Aggregate Limit due to a prior claim in the same policy term. In addition to the judgment, the judge also ruled for pre-judgment interest to be paid to the customer as well. How will Walt's policy respond?

The pre-judgment payment will be paid under the Supplementary Payments, which typically include expenses such as investigation costs, defense costs, and interest on judgments. These payments are in addition to the limits of insurance, so they do not erode the coverage nor require the limit to be available for payment.

Limits Of Insurance

Check-In



Directions: Select the statement that most accurately describes how the Limits Of Insurance apply under the CGL Coverage Form.

- ☐ Other than products-completed operations claims or suits, the Each Occurrence Limit is the most paid for Coverage A, Coverage B, and Coverage C because of one occurrence subject to the available General Aggregate Limit.
- ☐ The Damage To Premises Rented To You Limit also applies to fire damage caused by the Named Insured to neighboring premises.
- ☒ The Personal And Advertising Injury Limit has its own limit that applies to any one person or organization, subject to the available General Aggregate Limit.

The Each Occurrence limit also applies to products-completed operations claims and the Damage To Premises Rented To You Limit only applies to the premises the insured rents, not the neighboring premises. The Each Occurrence limit would apply for neighboring premises, subject to the General Aggregate.

» Knowledge Check



Directions: Read the following scenario and respond to the corresponding prompt.

Eloise Duncan, operating as a sole proprietor, along with her spouse, Taylor Duncan, and their employee, Alex Smith, are on their premises when the employee intentionally pushes a customer into a store display, resulting in serious injury to the customer. Subsequently, the customer files a lawsuit against all three individuals. Describe how the insurance policy would address this situation.

The policy will still defend (and pay on behalf of) the Named Insured (sole proprietor) and their spouse, but not the employee who intentionally injured a customer, due to the Separation Of Insureds condition.

Section 1 Self-Quiz

Directions: Read and respond to the following questions.

1. Sarah owns a repair business and performs most of her work at her clients' locations. Her Business Operations Liability insurance will cover her activities while she is working on her clients' premises.

True

False

Business Operations Liability covers activities performed on the premises of others.

2. Christopher's company agrees to accept responsibility for any damages or injuries that occur due to their actions while working on a client's project, as part of the project's written agreement. This is an example of contractual liability.

True

False

Contractual liability arises when a business accepts responsibility for damages or injuries through a contract, often to meet project requirements or leasing agreements. In Christopher's case, by agreeing to be financially responsible for any damages or injuries caused during the client's project, his company has accepted a contractual liability.

3. Identify the three categories of insureds under the CGL policy.

☒ Named Insureds, Automatic Insureds, Non-Automatic Insureds

☐ Named Insureds, Non-Automatic Insureds, Partial Insureds

☐ Partial Insureds, Named Insureds, Automatic Insureds

The three categories of insureds under the CGL policy are: Named Insureds, Automatic Insureds, and Non-Automatic Insureds.

Section 1: Commercial General Liability Concepts and Coverage

4. Who is automatically covered under a business insurance policy if the Named Insured is designated as an individual on the Declarations?

- ☐ The individual and their children, with respect to all activities
- ☒ The individual and their spouse, but only with respect to the conduct of the Named Insured's business
- ☐ The individual and their business partners, regardless of business activities
- ☐ Only the individual, with no automatic coverage for others

If the Named Insured is an individual, the policy automatically covers the individual and their spouse, but only for business-related activities. This simplifies coverage by eliminating the need to list each person involved in the business.

5. Who are automatic insureds if the Named Insured is a limited liability company (LLC)?

- ☐ Only the named entity
- ☐ The named entity and its executive officers
- ☐ The named entity, its members, partners, and spouses
- ☒ The named entity, its members, and managers

For an LLC, the policy automatically covers the named entity, its members, and managers. This reflects the structure of an LLC, where members are the owners and managers serve as executive officers.

Section 1: Commercial General Liability Concepts and Coverage

6. Under what circumstances are employees and volunteer workers considered insureds according to the policy?

- ☐ Only when they are compensated for their work
- ☒ Only for acts within the scope of their employment or while performing duties related to the Named Insured's business
- ☐ For any act they perform, whether work-related or not
- ☐ For any acts, as long as they do not cause bodily injury or property damage

Employees and volunteer workers are considered insureds only when their actions fall within the scope of their employment or when performing duties related to the Named Insured's business. This coverage does not extend to actions outside of these parameters.

7. Partnerships, joint ventures, and limited liability companies (LLCs) not listed as Named Insureds in the Declarations are automatically covered under the policy.

True

False

Individuals or organizations not listed as Named Insureds in the Declarations, such as partnerships, joint ventures, or LLCs, are not automatically covered under the policy. This lack of automatic coverage can lead to potential coverage gaps, requiring separate policies to address these entities' insurance needs.

8. The insurer is obligated to provide legal defense for the insured in any lawsuit seeking damages for bodily injury or property damage, regardless of whether the insurance policy applies to the claims made in the lawsuit.

True

False

The insurer is obligated to provide legal defense for the insured only in lawsuits seeking damages for bodily injury or property damage to which the insurance policy applies. If the damages being sought are for bodily injury or property damage that the insurance does not cover, the insurer has no duty to defend the insured against such suits.

Section 1: Commercial General Liability Concepts and Coverage

9. Which of the following scenarios would be covered under Coverage A – Bodily Injury and Property Damage Liability?

- ☒ A customer trips over loose tile in the insured's bakery and gets injured.
- ☐ A customer is dissatisfied with the insured's product quality, but no injury or property damage occurred.
- ☐ A customer sues for emotional distress without any physical injury.
- ☐ A customer loses data due to issues with the insured's software.

Coverage A protects against bodily injury or property damage that occurs on the insured's premises, such as a customer tripping and getting injured.

10. Which of the following is NOT included in the definition of "property damage" under Coverage A?

- ☐ Structural damage to a building
- ☒ Electronic data loss
- ☐ Loss of use of damaged tangible property
- ☐ Physical injury to a vehicle

Property Damage includes physical injury to tangible property and loss of such property, but electronic data loss is generally not covered.

11. What does the term "coverage territory" include under Coverage A?

- ☐ Only the insured's home country
- ☐ Worldwide, regardless of the origin of the product
- ☐ Only the countries where the insured sells products
- ☒ The United States, its territories and possessions, Puerto Rico, and Canada

Coverage territory includes the United States, its territories and possessions, Puerto Rico, and Canada, with some global extensions under specific conditions.

Section 1: Commercial General Liability Concepts and Coverage

12. Coverage A – Bodily Injury and Property Damage Liability includes coverage for electronic data loss.

True

False

Electronic data loss is not typically covered under Coverage A, as it does not meet the definition of tangible property damage.

13. The insurer has no obligation to defend the insured in a lawsuit if the allegations fall outside the scope of coverage.

True

False

The insurer's duty to defend applies only to suits seeking damages for bodily injury or property damage to which the insurance applies. If the allegations are outside the scope, the insurer is not obligated to defend.

14. Coverage A will still respond to bodily injury or property damage that continues or worsens after the policy period ends if the initial occurrence was within the policy period.

True

False

Coverage A includes any continuation, change, or resumption of bodily injury or property damage that began within the policy period, ensuring ongoing protection.

15. What does the Damage To Your Product exclusion primarily intend to avoid covering?

- ☐ Bodily injury to third parties
- ☐ Damage to a subcontractor's work
- ☒ Damage to the insured's own products due to defects or poor workmanship
- ☐ Property damage to real property

The Damage To Your Product exclusion is meant to avoid covering damage to the insured's own products caused by defects or poor workmanship.

Section 1: Commercial General Liability Concepts and Coverage

16. Under the Damage To Your Work exclusion, when does coverage apply?

- ☐ When the Named Insured performs the work themselves
- ☐ When the Named Insured's work damages their own property
- ☐ When the Named Insured's work is intentionally damaged
- ☒ When a subcontractor performs the work on behalf of the Named Insured

Coverage applies if the damaged work is performed by a subcontractor on behalf of the Named Insured.

17. What is defined as "impaired property" under the CGL policy?

- ☐ Property that is physically injured by the Named Insured's work
- ☒ Tangible property that cannot be used because it incorporates defective work or product by the Named Insured
- ☐ Any property owned by the Named Insured
- ☐ Property temporarily occupied by the Named Insured

Impaired property is tangible property that cannot be used or is less useful because it incorporates defective work or products by the Named Insured.

18. Which endorsement removes coverage exceptions for subcontractors' work under the CGL policy?

- ☒ CG 22 94
- ☐ CG 21 06
- ☐ CG 00 69
- ☐ CP 00 40

The CG 22 94 endorsement removes all exceptions for subcontractors' work under the Damage To Your Work exclusion.

Section 1: Commercial General Liability Concepts and Coverage

19. What does the mandatory endorsement CG 21 06 primarily exclude from the CGL policy?

- ☐ Personal and advertising injury
- ☐ Coverage for bodily injury
- ☐ Damage To Premises Rented To You
- ☒ Coverage for damages related to the access or disclosure of confidential information

The mandatory endorsement CG 21 06 excludes coverage for damages related to the access or disclosure of confidential or personal information.

20. The CGL policy covers damage to the Named Insured's product if it is caused by a malfunctioning component supplied by a third party.

True

False

The CGL policy does not cover the Named Insured's product itself but may cover resultant damage or bodily injury caused by the product.

21. The Damage To Your Work exclusion in the CGL policy does not apply if the damaged work was performed by a subcontractor.

True

False

The exclusion does not apply if the damaged work was performed by a subcontractor on behalf of the Named Insured.

22. Impaired property refers to property that is physically injured and cannot be used.

True

False

Impaired property refers to tangible property that cannot be used because it incorporates defective work or product but is not physically injured.

Section 1: Commercial General Liability Concepts and Coverage

23. A Product Recall insurance policy is necessary to cover costs associated with recalling defective products.

True

False

The CGL policy does not cover recall costs; a separate Product Recall insurance policy is required for such expenses.

24. The CGL policy covers liabilities arising from data breaches and privacy violations.

True

False

The CGL policy, particularly with the CG 21 06 endorsement, does not cover liabilities arising from data breaches and privacy violations; cyber insurance is required for such coverage.

25. What does the mandatory endorsement CG 21 06 primarily exclude under Coverage B in the CGL policy?

☐ Negligent operation of a vehicle resulting in bodily injury

☒ Violation of a person's right to privacy through unauthorized surveillance

☐ Damage to a rented premises due to fire

☐ Accidental damage to a customer's property during business operations

Coverage B specifically covers offenses such as violation of privacy through unauthorized surveillance, which falls under personal injury liability.

Section 1: Commercial General Liability Concepts and Coverage

26. Under Coverage B, which scenario would likely be covered?

- ☐ A customer slips and falls due to a wet floor in the insured's grocery store.
- ☐ An employee accidentally damages a neighboring business's property while moving equipment.
- ☐ The insured's vehicle was stolen from the company parking lot.
- ☒ The insured falsely accuses a competitor of illegal activities in an advertising campaign.

Coverage B covers personal and advertising injury, including claims related to defamation (slander/libel) such as falsely accusing a competitor of illegal activities.

27. Coverage B – Personal And Advertising Injury Liability provides coverage for bodily injury resulting from accidents within the insured premises.

True

False

Coverage B does not cover bodily injury; it specifically covers non-physical injuries arising from specified offenses like defamation, privacy violations, etc. Bodily injury would fall under Coverage A.

28. The Coverage B Insuring Agreement includes worldwide coverage for personal and advertising injury offenses if the legal action arises in the U.S., its territories, Puerto Rico, or Canada.

True

False

The Coverage B Insuring Agreement extends coverage worldwide for personal and advertising injury offenses, provided that legal action regarding these offenses occurs in specified regions.

Section 1: Commercial General Liability Concepts and Coverage

29. Under Coverage B, which scenario would likely be covered?

- ☒ A business owner accidentally uses a similar advertising style as a competitor for their own product.
- ☐ A company fails to fulfill its contractual obligation to distribute marketing flyers.
- ☐ A manufacturer's product fails to meet the quality standards advertised.
- ☐ An insured knowingly spreads false rumors about a competitor to harm their reputation.

Unintentional emulation of another's advertising style or idea is covered under Coverage B provided it occurs in the Named Insured's advertisement.

30. Which of the following is true regarding Coverage B of a General Liability Insurance policy?

- ☐ It covers pollution-related claims arising from the insured's business operations.
- ☒ It excludes liability assumed under contract, except for specific exceptions noted in endorsements.
- ☐ Coverage extends to criminal acts committed by the insured, regardless of intent.
- ☐ Claims related to breach of contract are covered unless explicitly stated otherwise.

Coverage B generally excludes contractual liability, except for limited exceptions as specified in endorsements or policy provisions.

31. Coverage B of a General Liability Insurance policy covers claims arising from the failure of goods or services to meet quality or performance standards advertised by the insured.

True

False

Coverage B excludes claims arising from the failure of goods, products, or services to meet the quality or performance standards stated by the insured.

Section 1: Commercial General Liability Concepts and Coverage

32. Claims related to the access or disclosure of confidential or personal information are typically covered under Coverage B of a General Liability Insurance policy.

True

False

Such claims are specifically excluded under a mandatory endorsement (CG 21 06), redirecting coverage for these liabilities to cyber liability insurance instead of Coverage B.

33. Which of the following individuals would typically be covered under Coverage C – Medical Payments?

- ☐ An employee injured during work hours
- ☐ A tenant who sustains an injury while working in their rented office
- ☐ A volunteer who twists their ankle during a company-sponsored kickball tournament
- ☒ A customer who slips and falls on the insured's premises.

Coverage C – Medical Payments covers individuals who are not the insured, employees, or tenants. It includes customers injured on the insured's premises, regardless of fault.

34. Under what circumstance would Coverage C – Medical Payments NOT apply?

- ☐ A customer requires first aid treatment after being punched by a rowdy teenager at a sandwich shop.
- ☒ An employee injures themselves while hammering a nail at work.
- ☐ A passerby is injured by debris near the insured's construction site.
- ☐ A volunteer worker is injured while assisting at the insured's charity event.

Employees are excluded from Coverage C – Medical Payments, as they are covered under workers compensation insurance for work-related injuries.

Section 1: Commercial General Liability Concepts and Coverage

35. Coverage C – Medical Payments will cover medical expenses for injuries sustained by a tenant in their rented office space within the insured’s premises.

True

False

Coverage C – Medical Payments excludes injuries to tenants on parts of the premises they normally occupy, whether rented or owned by the insured. This ensures coverage is limited to third parties like customers or guests.

36. What type of expenses are covered under Supplementary Payments in a Commercial General Liability (CGL) policy?

☒ Costs of bail bonds required due to traffic violations

☐ Costs of repairing damaged property

☐ Costs of purchasing additional insurance coverage

☐ Costs of medical treatment for injured parties

Supplementary Payments cover up to \$250 for bail bonds required due to accidents or traffic law violations involving vehicles covered by Bodily Injury Liability. This expense is specifically mentioned as part of the supplementary coverage under the policy.

37. Which expenses related to a lawsuit are covered under Supplementary Payments but do not include attorney’s fees taxed against the insured?

☐ Costs of medical examinations for the injured parties

☐ Costs of printing trial exhibits

☒ Costs of filing forms with the court

☐ Costs of legal representation for the opposing party

Supplementary Payments cover all court costs taxed against the insured in a suit, including fees for filing forms, motions, and administrative costs. However, they do not cover attorney’s fees that may be taxed against the insured to cover the opposing party’s legal representation.

Section 1: Commercial General Liability Concepts and Coverage

38. What does the Each Occurrence Limit in a Commercial General Liability (CGL) policy cover?

- ☐ Personal and advertising injury claims
- ☐ Medical expenses for injuries sustained by individuals
- ☐ Property damage to premises rented to the Named Insured

☒ Bodily injury and property damage liability

The Each Occurrence Limit applies to bodily injury and property damage liability claims under Coverage A of the CGL policy. It sets the maximum amount the insurer will pay for any single occurrence involving bodily injury or property damage.

39. Which endorsement allows for a separate aggregate limit designated specifically for a construction project listed in the policy schedule?

- ☐ CG 25 04 Endorsement
- ☒ CG 25 03 Endorsement
- ☐ Damage To Premises Rented To You Limit
- ☐ Products/Completed Operations Aggregate Limit

The CG 25 03 Endorsement designates a separate aggregate limit for a designated construction project listed in the endorsement schedule. This allows for project-specific coverage within the broader CGL policy.

40. Once the general aggregate limit of a CGL policy is exhausted by payments for covered losses, the insurer may continue to cover claims under that aggregate for the remainder of the policy period.

True

False

Once the general aggregate limit (or Products-Completed Operations Aggregate Limit) is exhausted by payments for covered losses, the insurer has no further obligation to cover claims under that aggregate for the remainder of the policy period.

Section 1: Commercial General Liability Concepts and Coverage

Section 2: Additional Insured Concepts and Endorsements

Indemnification and Hold Harmless Agreements

Check-In



Directions: Respond to the following prompt.

Describe the difference between a hold harmless agreement and indemnification.

A hold harmless agreement transfers risk from one party to another. To indemnify is to "make whole" or compensate a party. Indemnification is the actual payment of a loss.

Waiver of Subrogation Contract Requirement

» Knowledge Check



Directions: Read the following scenario and respond.

Once Upon A Lime is a fruit stand that is insured with an ISO CGL policy. It buys fruit from a local vendor, Limes-R-Us. The vendor's fruit causes several customers to become ill. After the customers became ill, Once Upon A Lime assures Limes-R-Us that they will not subrogate against them for the loss. Has Once Upon A Lime violated the CGL policy? Explain your answer.

Yes, they have violated the policy as subrogation can only be waived PRIOR to a loss. Since the loss already occurred, the Named Insured cannot retroactively waive subrogation.

Additional Insured Status Under a CGL Policy



» Knowledge Check

Directions: Read the following scenario and answer the question.



Cara buys a rocking chair from West Coast Furniture Factory. After bringing it home, the chair collapses the first time Cara sits in it, causing her to break her hip. Cara sues the discount store and the manufacturer for damages. West Coast Furniture Factory is listed as an additional insured on the manufacturer's CGL policy. How will each entity's policy respond to the suit?

Because West Coast Furniture was listed as an additional insured on the manufacturer's CGL policy, the manufacturer's policy will cover the defense of both entities. West Coast Furniture's policy would only respond if the manufacturer's limits are exhausted and only for West Coast Furniture.

Disadvantages of Additional Insured Status

Check-In



Directions: Indicate whether the following statements are true or false regarding additional insured status.

1. It is not needed as all hold harmless/indemnification agreements are enforceable as a “safety net.”

True

False

Hold harmless and/or indemnification agreements don’t always stand up in court or other factors may preclude coverage. The AI status adds a “belts and suspenders” approach.

2. It grants the additional insured direct rights to defense costs inside the limits of insurance.

True

False

Additional insured status gives direct rights, and as long as conditions and duties are met, defense costs are outside the limit.

3. It protects the additional insured from subrogation.

True

False

In most cases, it will protect the insured from subrogation as policies tend to avoid insureds subrogating against other insureds on the same policy.

4. It may provide higher total limits for the additional insured.

True

False

The additional insured has access to the Named Insured’s limits as well as their own should the Named Insured’s limits be exhausted.

5. It may reduce direct insurance costs for the additional insured.

True

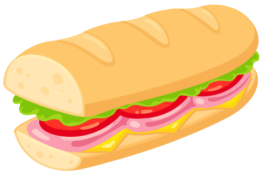
False

The additional insured may not need to acquire as much coverage or as high limits if they can rely on another's policy for some coverage. It could also reduce claim frequency and severity on the additional insured's policy if these are filed on the Named Insured's policy.

» Knowledge Check



Directions: Read the scenario and answer the following questions.



Jimmy Jam's Sandwich Shop wants to add a vendor, Bread Time, Inc., to their CGL policy. What are some potential problems Jimmy Jam's may face as a Named Insured as a Named Insured when adding Bread Time, Inc., as additional insured to their CGL policy?

Potential problems are unintended coverage provided, a defense conflict of interest when the insurer has the responsibility to defend both parties, diminution of policy limits, and varying edition dates, all of which could cause a compliance problem.

Referencing the question above, what are some potential problems Bread Time, Inc., may face as an additional insured when relying on coverage from Jimmy Jam's policy?

Problems include loss of defense control, increased probability of coverage disputes, dependence on someone else's insurance, and limited coverage under the current forms.

Commonly Used CGL Policy Additional Insured Endorsements

Check-In



Directions: Read the scenario and answer the following questions.

1. What are the differences between the CG 20 10 and CG 20 37 Additional Insured endorsements?

The CG 20 10 endorsement is related to ongoing operations, while CG 20 37 relates to completed operations.

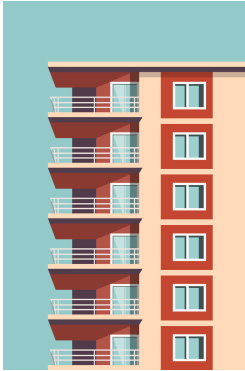
2. When a specific Additional Insured endorsement does not exist, such as for vendors or mortgagees, which Additional Insured endorsement should be used and why?

Additional Insured – Designated Person Or Organization is used to designate a specific person or organization for ongoing operations. It's suitable when a more specific endorsement is not available, including for landlord-tenant relationships where a lease does not exist.

» Knowledge Check



Directions: Read the scenario and answer the question.



Bernie B. Construction is a subcontractor that has added the Additional Insured – Owners, Lessees or Contractors – Scheduled Person or Organization CG 20 10 and the Additional Insured – Owners, Lessees Or Contractors – Completed Operations CG 20 37 endorsements to their CGL policy and named High Tower Construction, a general contractor, as an additional insured. At renewal, Bernie B. Construction removes both Additional Insured endorsements. A balcony collapses two years after the project is completed. Will High Tower Construction have any coverage as an additional insured for this loss? Explain your answer.

The CGL policy in force at the time of the collapse will **not** provide additional insured coverage to High Tower Construction. The occurrence date is going to determine which policy is triggered. Since the balcony collapse was two years after the project was completed, the policy in force at the time of the collapse would respond. The previous CGL policy would not respond, and the current policy in force no longer has the necessary endorsements to provide additional insured status since they were removed at the renewal following the completion of the project. Therefore, no coverage will be provided for High Tower Construction since they are no longer an additional insured.

Primary and Noncontributory



» Knowledge Check

Directions: Read the scenario and answer the questions.

Springfield Wall Repair has accepted a project to replace a rotting wall in a commercial building. The building owner's contract with Springfield stipulates that Springfield's insurance will be primary and noncontributory in relation to work on the walls. Does Springfield's unendorsed CGL policy satisfy this requirement? If not, how can they satisfy this requirement?

The unendorsed CGL does not provide primary and noncontributory status to the insured's policy in relation to others. Springfield Wall Repair could add Primary and Noncontributory – Other Insurance Condition CG 20 01 12 19 to satisfy this requirement.

Section 2 Self-Quiz

Directions: Read and respond to the following questions.

1. What is subrogation in the context of insurance?

- ☐ The process by which an insurance company creates a new policy for an insured party
- ☒ The legal right of an insurance company to collect from the party originally responsible for a loss after paying the insured for the covered loss
- ☐ The responsibility of an insurance professional to draft contracts and insurance policies with identical language and requirements
- ☐ The process of negotiating the terms of a contract between an insurance professional and the insured party

Subrogation is the legal right of an insurance company to collect from the party originally responsible for a loss after paying the insured for the covered loss.

2. Which statement about a waiver of subrogation is correct?

- ☒ It is an agreement where one party waives the right to pursue action to recover monies against another party, typically before a loss occurs.
- ☐ It allows an insurer to recover from a third party even if subrogation is waived after a loss.
- ☐ It is required for an insured to list all additional insured parties after a loss has occurred.
- ☐ It ensures that an insurer cannot recover from any third party responsible for the loss.

A waiver of subrogation is an agreement between two parties in which one party intentionally or voluntarily relinquishes a known right, claim, privilege, or opportunity to subrogate against another in the event of a loss.

Section 2: Additional Insured Concepts and Endorsements

3. What is a key feature of the Waiver Of Transfer Of Rights Of Recovery Against Others To Us (Waiver of Subrogation) – Automatic CG 24 53 12 19 endorsement?

- ☐ It names a specific person or organization in the waiver.
- ☐ It requires the insured to waive their right of recovery after a loss.
- ☒ It provides automatic waiver of subrogation if a written contract or agreement is in place.
- ☐ It is identical to the CG 24 04 endorsement without any differences.

A key feature of the Waiver Of Transfer Of Rights Of Recovery Against Others To Us (Waiver of Subrogation) – Automatic CG 24 53 12 19 endorsement is that it provides automatic waiver of subrogation if a written contract or agreement is in place.

4. List five reasons for requesting additional insured status. Note: Answers may be listed in any order.

Note: Answers may be listed in any order.

- A. May assure greater safety in risk transfer.
- B. Grants direct rights under the Named Insured's CGL policy.
- C. Provides protection from subrogation.
- D. May provide for higher total available limits of insurance.
- E. May reduce direct insurance costs.

Section 2: Additional Insured Concepts and Endorsements

5. List three contractual relationships that may result in the provision of additional insured status.

Note: Answers will vary and may include any of the following:

- A. Tenant/Landlord
- B. Subcontractor/General Contractor
- C. General Contractor/Project Owner
- D. Lessee/Rental Company or Equipment Owner
- E. Manufacturer/Vendor

6. Sylvia, a landlord, may request to be an additional insured on her tenant Rob's policy to protect against possible negligence.

True

False

In a tenant-landlord relationship, the landlord may request to be added as an additional insured on the tenant's policy. This is done as a precaution to protect the landlord from potential claims arising due to the tenant's negligence.

7. When adding an additional insured, the CGL policy limits do not automatically increase or multiply, and there is no priority for the Named Insured over the additional insured, which can lead to a diminution of policy limits.

True

False

The policy limits do not automatically increase or multiply, and there is no priority for the Named Insured over the additional insured. This can lead to a diminution of policy limits, where the coverage available to the Named Insured may be reduced because it is being shared with the additional insured.

Section 2: Additional Insured Concepts and Endorsements

8. An additional insured has direct involvement in defense decisions and can control the defense process.

True

False

When an additional insured is added to another party's insurance policy, they cede control of the defense process to the Named Insured's insurer.

9. Which of the following statements about the CG 20 10 Additional Insured endorsement is FALSE?

- ☐ The endorsement provides coverage for bodily injury, property damage, or personal and advertising injury.
- ☐ The injury or damage must be caused by the Named Insured's acts or omissions during ongoing operations.
- ☒ The endorsement requires a written contract or agreement to add an additional insured.
- ☐ The endorsement does not provide coverage for completed operations.

The CG 20 10 Additional Insured endorsement does NOT require a written contract or agreement to add an additional insured.

10. Which type of operations does the CG 20 37 Additional Insured endorsement primarily provide coverage for?

- ☐ Ongoing operations
- ☒ Completed operations
- ☐ Emergency operations
- ☐ Temporary operations

The CG 20 37 Additional Insured endorsement primarily provides coverage for completed operations.

Section 2: Additional Insured Concepts and Endorsements

11. Which type of relationship is the CG 20 26 Additional Insured endorsement most suitable for?

- ☐ Contractor/Subcontractor
- ☐ Manufacturer/Vendor
- ☐ Employer/Employee
- ☒ Landlord/Tenant

The CG 20 26 Additional Insured endorsement is primarily used when no other suitable Additional Insured endorsement is available. The other choices have more suitable additional insured options available.

12. Noncontributory insurance is issued on the basis that it will not seek contributions from other insurance policies that apply to a covered loss on the same basis.

True

False

Noncontributory insurance is issued on the basis that it will not seek contributions from other insurance policies that apply to a covered loss on the same basis.

13. The CGL policy's "Other Insurance" condition outlines that if other valid and collectible insurance is available, the insured's policy will be excess over any other insurance coverage available on other policies, regardless of whether they are primary, excess, contingent, or on any other basis.

True

False

The "Other Insurance" condition in the CGL policy specifies that if other valid and collectible insurance is available for a loss covered under the policy, the obligations of the insured's policy will depend on whether it is deemed primary or excess insurance.

Section 2: Additional Insured Concepts and Endorsements

14. An additional insured typically will not want to share limits in the event of a loss and may request the Named Insured's insurance to be primary and noncontributory. This is achieved by adding the Primary and Noncontributory – Other Insurance Condition CG 20 01 12 19 endorsement.

True

False

This endorsement modifies the Other Insurance Condition to meet contractual requirements, ensuring that the Named Insured's insurance is primary and noncontributory, provided there is a written contract or agreement specifying this arrangement.

Section 3: Business Automobile Coverages and Endorsements

Business Auto Coverage Form

» Knowledge Check



Directions: Summarize the difference between the CGL and BAP definitions of “auto.”

The CGL definition of auto specifies that autos are designed for travel on public roads, including attached machinery or equipment. The reason for the distinction is to account for the operation of that equipment. Thus, attached machinery or equipment will not be covered for operations in the Business Auto Policy but will be covered in the CGL policy. However, certain types of mobile equipment that are subject to compulsory state insurance law will be considered autos under the BAP.

Covered Autos – Designated

Check-In



Directions: Read the question and select the best answer choice.

1. Which symbol designates Hired “Autos” Only?

- ☐ Symbol 1
- ☐ Symbol 9
- ☐ Symbol 7
- ☒ Symbol 8

Symbol 8 is used to designate Hired “Autos” in the BAP.

2. Which symbol designates Specifically Described “Autos”?

- ☒ Symbol 7
- ☐ Symbol 1
- ☐ Symbol 9
- ☐ Symbol 8

Symbol 7 is used to designate Specifically Described Autos in the BAP, meaning the autos must be listed on the policy for coverage to apply.

3. Which symbol designates Any “Auto”?

- ☐ Symbol 7
- ☐ Symbol 9
- ☐ Symbol 8
- ☒ Symbol 1

Symbol 1 refers to Any “Auto.”

» Knowledge Check



Directions: Identify the best endorsement for the following scenario.

Brightway Insurance Services is conducting a comprehensive review of the BAP for their client, Elite Couriers. The client has recently expanded its fleet to include a variety of new vehicles, all manufactured within the last five years, ranging from sedans for quick local deliveries to larger trucks for more substantial cargo.

With such a diverse fleet of vehicles, Brightway Insurance wants to ensure that an Auto Designation Symbol is used that includes only these new vehicle types for both liability and physical damage, while the older vehicles only have liability coverage. What endorsement can be used to accomplish this?

Covered Auto Designation Symbol CA 99 54 10 13 expands the definition of covered autos beyond the standard coverage provided under the BAP. The insured cannot use symbol 1 for physical damage coverage, so symbol 10, used by this endorsement, can help alleviate the issue.

Newly Acquired Autos

» Knowledge Check



Directions: Write a short response to the following questions.

Ed's Basket Emporium has a Business Auto Policy with three autos scheduled using symbol 7 for Liability and Physical Damage Coverage. All three autos have Comprehensive and Collision coverage as well. Ed purchases a new vehicle during the policy term. Will this vehicle have any automatic coverage? Why or why not? What coverage would apply if coverage were extended?

This vehicle will have automatic coverage IF it is reported within 30 days of acquisition or before the policy period ends, whichever is first. Coverage for Liability and Physical Damage is extended since all vehicles have this coverage currently.

Who Has Insured Status?

Check-In



Directions: Read each statement and select whether the statement is true or false.

1. Owners of autos the Named Insured borrows have insured status.

True

False

The owners of borrowed or hired autos are an exception to the permissive user section of Who Is An Insured.

2. A friend of the Named Insured using a covered auto with permission has insured status.

True

False

The friend that doesn't fall into one of the five exceptions is a permissive user.

3. A customer helping unload from the Named Insured's delivery truck has insured status.

True

False

Only employees, partners, members, and lessees have insured status while moving property to and from a covered auto.

4. Members of LLCs have separate legal identities from the LLC itself.

True

False

The individual members of the LLC have separate legal identities from the LLC. Members can be protected from liabilities of the LLC beyond their investment in the company.

Check-In



Directions: Read each of the following statements and indicate which endorsement is being described.

Indicate either the Drive Other Car Coverage – Broadened Coverage For Named Individuals CA 99 10 endorsement or the Individual Named Insured CA 99 17 endorsement, and provide reasoning for your answer.

1. All business auto coverage exclusions still apply.

Drive Other Car Coverage – Broadened Covered for Named Individuals – (The other endorsement “gives back” fellow employee and pollution.)

2. Only the named individual and their spouse are insured for Covered Auto Liability.

Drive Other Car Coverage Broadened Covered For Named Individuals – (The other endorsement includes resident family members.)

3. Coverage extended to an individual mirrors the coverage listed in the PAP.

Individual Named Insured – (The other endorsement only has five coverages.)

4. The individual Named Insured must be shown on the Declarations.

Individual Named Insured – (The other endorsement lists names on the endorsement Schedule.)

5. A premium charge applies for use of this endorsement.

Drive Other Car Coverage – Broadened Covered for Named Individuals – (The other endorsement has no premium charge.)

» Knowledge Check



Directions: Read each scenario and answer the questions.

Lawn Care, Inc., has a BAP with several vehicles scheduled on the policy. One of its employees has an accident in their personal auto while picking up supplies for Lawn Care, Inc. Who will have insured status in this scenario? Can any specific endorsement help in this situation?

Lawn Care, Inc., will have insured status as the Named Insured, but the employee will not due to the exception for employees using autos they own. The Employee As Insureds CA 99 33 endorsement can be added, giving insured status to the employee while using their personal auto to conduct business.

Lawn Care, Inc. wants their employee to pick up supplies from a location two hours away. With permission from Lawn Care, Inc., the employee rents an auto under their own name to run this errand. How can Lawn Care, Inc., provide insured status for their employee in this situation?

To provide the employee insured status when renting a vehicle under their own name for company business, the Named Insured will need to add the Employee Hired Autos CA 20 54 11 20 endorsement.

Liability Insuring Agreement

Check-In



Directions: Select the best response for each of the following questions.

1. All of the following must occur for pollution costs to be covered under the BAP except:

- ☐ Damage must be caused by an accident.
- ☐ A requirement to address a pollution cost or expense must be made.
- ☐ Bodily injury or property damage must apply to the accident.
- ☒ The damage caused by an accident can be from any auto as long as the driver has insured status under the BAP.

The auto must be a covered auto, not any auto.

2. How much is available to cover the cost of bail bonds under the BAP Supplementary Payments?

- ☒ \$2,000
- ☐ \$250
- ☐ No coverage is available.
- ☐ Up to the policy limit

Unlike the CGL policy, which only has up to \$250 available for bail bonds, the BAP offers up to \$2,000 for bail bonds under Supplementary Payments.

» Knowledge Check



Directions: Read the scenario and answer the question that follows.

Samantha, a project manager at ConstructCo, is driving a company-owned vehicle to a job site with two colleagues as passengers. While en route, Samantha is distracted by a phone call and negligently causes an accident, resulting in injuries to her colleagues.

Will ConstructCo's BAP provide coverage for the injured employees? Why or why not? Make sure to list any endorsements that may be applicable.

No coverage is available due to the Fellow Employee exclusion found in the BAP. For coverage to apply, the insured would have needed to add the Fellow Employee Coverage CA 20 55 endorsement or the Fellow Employee Coverage For Designated Employees/Positions CA 20 56 endorsement. Otherwise, the employees would need to seek coverage through ConstructCo's Workers Compensation policy.

Section 3: Business Automobile Coverages and Endorsements

Check-In



Directions: Write the letter that matches each example to the correct exclusion.

A. Care, Custody, Or Control	<u>B</u> An insured landscaper signs a contract to maintain trees and shrubs for a shopping mall. In the course of working on the trees, the insured injures a pedestrian while driving in the parking lot. The pedestrian sues the shopping center.
B. Contractual Liability	<u>D</u> An employee knocks over a stack of boxes after finishing unloading a delivery, injuring a customer.
C. Movement Of Property By Mechanical Device	<u>A</u> An insured agrees to pick up a customer's property for processing, and after pick up, the property is damaged in an accident.
D. Handling Of Property	<u>C</u> An employee uses a forklift to unload boxes from a covered auto.

» Knowledge Check



Directions: For each of the following examples, circle the checkmark if the loading and unloading exposure would be covered by the BAP and the “X” if it would not be covered by the BAP. Explain your answer in the box provided. **The first two examples have been completed for you.**



Exposure

One of the customers purchased a large desk and shelves. Ozzie’s driver uses a front-end loader to load the goods into the covered company delivery truck; however, while loading the goods into the truck, a pedestrian is injured.

Policy



Even though the goods have been accepted for movement onto the covered truck, Ozzie’s BAP excludes coverage because the injury was caused by the movement of property by a mechanical device. Look to the CGL policy for coverage.



While driving across town, one of the boxes falls off the delivery truck, causing extensive damage to a parked vehicle.



Ozzie’s BAP provides coverage for the damage to the parked vehicle because the goods have been accepted for movement onto a covered auto, are in transit, and have not been finally delivered.



After the final delivery of the shipment, the improperly stacked boxes fall and damage some computer equipment at the customer’s office.



The CGL policy provides coverage because the boxes have been already been delivered to their final destination.

» Knowledge Check



Directions: For each of the following examples, circle the **checkmark** if the pollution exposure would be covered, and the **“X”** if it would not be covered. Explain your answer in the box provided. **The first example has been completed for you.**

Exposure

Policy



The Named Insured has a covered gasoline tanker truck. The truck hits an ice patch and overturns, releasing gasoline from its cargo tank.



The BAP excludes bodily injury or property damage arising out of the release or escape of pollutants that are being transported by the Named Insured's covered auto.



A Named Insured unloading barrels of liquid fertilizer accidentally drops a barrel, causing it to rupture and release the fertilizer.



The BAP excludes bodily injury or property damage arising out of the release or escape of pollutants that are being handled or handled for movement into, onto, or from the Named Insured's covered auto.



The Named Insured, driving a covered delivery truck, hits a gasoline tanker truck, causing the tanker truck to overturn and spill gasoline.



An exception gives back coverage for accidents that occur away from the premises if the pollutants were not in or on the covered auto.



The Named Insured's covered delivery truck makes a sharp turn and overturns. The fuel tank splits open, releasing diesel fuel.



An exception gives back coverage for fuels that are needed for the normal functioning of the covered auto if the pollutants are released directly from an auto part designed to hold such pollutants.



The Named Insured accidentally backs his covered truck into a storage tank at a customer's location, causing the tank to release pollutants.



An exception gives back coverage for accidents that occur away from the premises, and the pollutants were not in/on the covered auto.



Physical Damage Coverage

Check-In



Directions: Read the following questions and select the best answer.

1. Which type of Physical Damage Coverage applies to everything except collision or overturn?

- ☐ Loss Of Use
- ☐ Collision
- ☐ Specified Causes Of Loss

☒ Comprehensive

Comprehensive coverage provides Physical Damage Coverage to an auto unless it is excluded or a result of collision or overturn.

2. Which of the following must apply for the Transportation Expenses extension to be provided?

- ☐ A Specified Cause Of Loss must occur for coverage to apply.
- ☐ Collision coverage must be selected for the covered auto.
- ☐ The loss can apply to any auto type.

☒ The loss must be from a total theft.

The vehicle loss must be a total theft, with Comp or SCOL coverage selected on the covered auto, and only applies to private passenger autos.

» Knowledge Check



Directions: Read the following scenario and answer the question.

Southwest Insurance Group carries a Business Auto Policy with symbol 2 (Owned “Autos” Only) and symbol 8 (Hired “Autos” Only) for Comprehensive and Collision coverage. One of their insurance producers rents a luxury rental car for a business trip under Southwest Insurance Group’s name. While traveling on this trip, the producer damages the rental in a collision with a light post. The rental agency is asking for the auto to be repaired, along with \$6,000 for the loss of market value. How will Southwest Insurance Group’s BAP respond?

Collision coverage will be provided for the physical damage, but no coverage for the diminution of value due to the exclusion.

Business Auto Conditions

Check-In



Directions: Select the correct answer for the following questions.

1. Which of the following is NOT a duty of the insured in the event of a loss?

- ☐ Notify the insurance company representative promptly.
- ☒ Make a payment directly to another party until the claim is resolved.
- ☐ Cooperate with the insurance company's investigation of the loss.
- ☐ Submit to examination by physician of the company's choice.

The insured must not make payment directly to another party while the claim is ongoing.

2. How can an insured remove the condition of the Transfer Of Rights Of Recovery Against Others To Us to meet contract compliance?

- ☐ Add a person or organization as an additional insured.
- ☐ Through legal action against the insurer
- ☐ Send a request to the insurer after a loss has occurred.
- ☒ Add a Waiver of Subrogation endorsement to the policy.

The Waiver Of Transfer Of Rights Of Recovery Against Others To Us endorsement removes the condition. No subrogation action will be taken against the person or organization listed in the Schedule.

» Knowledge Check



Directions: Read the following and respond.

Under the Other Insurance General Condition in the Business Auto Policy, several situations are listed in which the policy will provide either primary or excess coverage. Name two situations where the BAP will provide primary coverage and two situations where the BAP will be excess.

The BAP will be primary for any owned autos and for non-owned trailers attached to covered owned autos. The BAP will be excess for covered autos not owned by the insured and owned trailers attached to covered non-owned autos. The BAP will also be primary for Hired Auto Physical Damage when symbol 8 is used.

Section 3 Self-Quiz

Directions: Select the best response for each of the following questions.

1. Which of the following is the correct definition of “auto” as described in the Business Auto Policy?

- ☒ A land motor vehicle, trailer, or semitrailer designed for travel on public roads
- ☐ A land motor vehicle, trailer, or semi-trailer designed for travel on public roads, including attached machinery or equipment
- ☐ A land motor vehicle, trailer, or semitrailer designed for travel on public roads, as well as watercraft and aircraft
- ☐ A land motor vehicle, trailer, or semitrailer designed for travel on public roads or over any other terrain

The Business Auto Policy describes “auto” as a land motor vehicle, trailer, or semitrailer designed for travel on public roads. The CGL definition of “auto” specifies that autos are designed for travel on public roads, including attached machinery or equipment, but the BAP does not.

2. Which of the following types of “mobile equipment” are included in the BAP definition of “auto”?

- ☐ “Mobile equipment” is never classified as “auto” under the BAP and is solely a CGL exposure.
- ☐ Vehicles with permanently attached equipment (such as a cherry picker) while being used at a construction site are considered autos.
- ☐ Self-propelled vehicles used primarily for road construction or resurfacing are considered autos.
- ☒ Self-propelled vehicles with permanently attached equipment, primarily designed for either snow removal, road maintenance, or street cleaning, are considered autos.

Self-propelled vehicles with permanently attached equipment primarily designed for either snow removal, road maintenance (not construction or resurfacing), or street cleaning are among the types of “mobile equipment” considered “autos” under the BAP.

Section 3: Business Automobile Coverages and Endorsements

3. Which of the following is true about Symbols 3 and 4 when used in the BAP?

- ☒ These symbols provide automatic coverage for "autos" of the same type that are acquired during the policy period.
- ☐ These symbols provide automatic coverage for hired "autos" of the same type.
- ☐ These symbols are basically the same.
- ☐ These symbols would never be used together on the same policy.

Symbol 3 provides automatic coverage for all owned private passenger autos, while symbol 4 provides coverage for owned autos other than the private-passenger type.

4. Marcia owns a business that is insured on a BAP. She travels regularly and routinely hires rental cars to conduct sales calls while traveling. Marcia wants to ensure that she has Physical Damage Coverage for any hired autos she uses during her business travels. Which symbol can be used to trigger this type of coverage?

- ☐ Symbol 7
- ☒ Symbol 8
- ☐ Symbol 9
- ☐ Symbol 19

Symbol 8 applies to autos leased, hired, rented, or borrowed by the Named Insured. For insureds who rent cars, symbol 8 can be applied under comprehensive coverage or specified causes of loss and collision coverage to obtain hired auto Physical Damage Coverage.

Section 3: Business Automobile Coverages and Endorsements

5. Which of the following is true regarding symbol 7?

- ☐ It provides the broadest liability coverage available on the BAP.
- ☐ It provides automatic coverage to all vehicles of a described category.
- ☒ Item Three of the Declarations must be reviewed when using this symbol to determine what coverages are triggered for a scheduled auto.
- ☐ Symbol 7 can be added using endorsement CA 99 54 10 13 to customize coverage to meet the insured's needs.

Symbol 7 is used to trigger coverage for specifically described autos scheduled in the Declarations.

6. Which coverage solution is ideal for situations when equipment such as a forklift or a front-end loader is used on public roads?

- ☐ Symbol 9
- ☐ Symbol 19
- ☐ Exclusion Or Excess Coverage Hazards Otherwise Insured CA 99 40 10 13

☒ Mobile Equipment CA 20 15 11 20

The Mobile Equipment endorsement applies when equipment is not subject to compulsory or financial responsibility law or other motor vehicle insurance law. Mobile equipment listed in the endorsement Schedule will be considered covered autos under the BAP.

Section 3: Business Automobile Coverages and Endorsements

7. Micah has all three of his owned trucks insured on a BAP, with symbol 7 triggering coverage. He has Liability coverage on all three vehicles and Comprehensive on one pick-up truck. He owns no other vehicles. Micah trades in the pick-up truck that has Liability and Comprehensive and replaces it with a new pick-up truck. What type of automatic coverage does Micah have for the new pick-up truck under his BAP?

☐ No coverage

☒ Liability and Comprehensive for up to 30 days

☐ Liability until the end of the policy period, but Comprehensive for only 30 days

☐ Liability and Comprehensive until the end of the policy period

A vehicle that replaces an auto previously owned by the insured that has a specific coverage will receive the same coverage that applied to the replaced vehicle. However, the insured must inform the insurer within 30 days (or by policy expiration, whichever comes first) after they acquire the vehicle to be insured for that coverage.

8. Stella owns several vehicles that are insured on a BAP. She acquires a new trailer that will be used for her business. The trailer is designed for use on public roads and has a gross vehicle weight of 2,500 lbs. Which of the following best describes how coverage will apply to her newly acquired trailer?

☐ The trailer will be covered, but only for 30 days.

☒ The trailer will have automatic Liability coverage.

☐ The trailer will have automatic Liability coverage, but only if it is located at the premises described in the Declarations.

☐ The trailer will need to be added to the BAP in order for Liability coverage to apply.

Any utility trailers with a gross vehicle weight of 3,000 pounds or less, designed primarily for travel on public roads, will have automatic Liability coverage. They can be located anywhere within the coverage territory, and there can be any number of trailers. If the trailer is more than 3,000 pounds GVW, it would need to be added to the BAP for coverage to apply.

Section 3: Business Automobile Coverages and Endorsements

9. Diane has a BAP with Comprehensive and Collision coverage on all her company-owned vehicles. She is involved in an at-fault accident in one of the covered autos. Which of the following is a covered loss under her BAP?

- ☐ There is a diminution in value due to the collision.
- ☐ There is damage to a portable GPS device used while driving to job sites.
- ☒ There is damage to the stereo system permanently installed in the covered auto.
- ☐ There is damage to the radar detector permanently installed in the covered auto.

Diminution in value, along with electronic equipment and speed measuring equipment, is excluded from Physical Damage Coverage on the BAP. However, an exception is made for electronic equipment that reproduces, receives, or transmits audio, visual, or data signals permanently installed and which is solely powered by the auto's electrical system.

10. Sandra has a BAP with Comprehensive and Collision coverage on all her company-owned vehicles. Which of the following losses is covered under her BAP?

- ☒ A vehicle's electrical system suffers a breakdown due to the auto being stolen and later recovered.
- ☐ A company phone is damaged when it hits the dashboard after the brakes are slammed to avoid a collision accident.
- ☐ The steering column on a company-owned auto is damaged when an employee turns the wheel too abruptly.
- ☐ Temporary transportation expenses are incurred when one of the delivery trucks is stolen.

While mechanical or electrical breakdown is typically excluded from Physical Damage Coverage, an exception is made when the loss results from the total theft of a covered auto.

Section 3: Business Automobile Coverages and Endorsements

11. Gus, a Named Insured, has a BAP with Liability and Physical Damage Coverage on all the company-owned autos. Gus is involved in an auto accident in one of the company trucks. Which of the following is a condition that applies to his situation under the BAP?

- ☐ Gus cannot demand an appraisal if he disagrees with the insurance company on the amount of loss to the truck.
- ☐ Gus has the right to choose from the available options to pay for a physical damage loss.
- ☐ Gus is released from assisting the insurance company in subrogating against the person who caused or contributed to the loss.
- ☒ Gus must comply with certain duties, such as prompt notice of a loss, or the insurance company has no duty to provide coverage.

As outlined in the BAP Loss Conditions, an insured has a set of duties that must be performed in the event of an accident, loss, suit, or claim. Prompt notice of a loss is one of those duties.

12. Which of the following statements is TRUE regarding the Other Insurance Condition?

- ☐ The policy will provide primary coverage for any non-owned covered autos.
- ☒ Coverage will be provided on an excess basis for a covered trailer when it is connected to a non-owned covered auto.
- ☐ Coverage will be provided on an excess basis for a non-owned covered trailer when it is connected to an owned covered auto.
- ☐ The policy will provide primary coverage for all covered autos, regardless of ownership status.

The BAP provides primary coverage for a Named Insured's owned covered autos and excess coverage for any non-owned covered autos. Coverage will be provided on an excess basis for a covered trailer when it is connected to a non-owned covered auto, but coverage is provided on a primary basis if a covered trailer—owned or non-owned—is connected to an owned covered auto.

Section 3: Business Automobile Coverages and Endorsements

Directions: Indicate whether each of the described individuals has insured status under the BAP. If they do not have insured status, list any endorsements that could provide insured status.

13. Francis is an employee of XYZ, Inc., and has been asked to run an errand using an insured company car.

Insured Status

No Insured Status

Francis is a permissive user, and therefore has insured status. No endorsement is necessary.

14. Francis is an employee of XYZ, Inc. After work one day, he decides to run an errand using his personal vehicle.

Insured Status

No Insured Status

Even if the company has activated symbol 9 on its BAP, an employee still does not have insured status when using their personal vehicle for company business. The Employee As Insureds CA 99 33 10 13 endorsement can provide excess liability coverage beyond Francis's Personal Auto Policy.

15. Julie is a volunteer for an animal rescue. She uses her personal vehicle to pick up donations and deliver them to the shelter.

Insured Status

No Insured Status

Julie is using a vehicle that is not insured on the organization's BAP, so she does not have insured status. The endorsement Non-ownership Liability Coverage For Volunteers CA 05 24 11 20 provides insured status for Julie while using her own vehicle for activities listed on the Schedule or volunteer work performed on the Named Insured's behalf.

Section 3: Business Automobile Coverages and Endorsements

Directions: For each of the following scenarios, determine whether liability coverage applies under an unendorsed BAP. Where applicable, list any endorsements or other coverage solutions that could be used to cover the exposure.

16. Marcus operates a furniture repair shop and is the Named Insured on the company's BAP. While transporting repaired furniture from his shop to a client's home, he gets into an accident, and the furniture is damaged beyond repair.

Coverage Applies

Coverage Does Not Apply

Coverage for damage to property in the insured's care, custody, or control is excluded. A Bailee's Customer Coverage or Policy could be used to address this coverage gap.

17. Paul has a drill attached to the front of his insured truck. While operating the drill, he causes damage to a water line.

Coverage Applies

Coverage Does Not Apply

While the attached drill is considered "auto" according to the BAP, when it is being operated, it becomes a CGL exposure.

18. Stoneage Stoneworkers, Inc., loads and unloads marble and granite onto an insured delivery truck using a boom that is attached to the truck. While unloading a granite slab at a worksite, the worker operating the boom drops a slab of granite, damaging the client's property.

Coverage Applies

Coverage Does Not Apply

Coverage applies because the BAP provides an exception to the exclusion for Movement Of Property By Mechanical Device for devices that are attached to an insured vehicle.

19. Fiona is loading boxes onto an insured delivery truck in an alley behind the warehouse using a forklift. A box slips off the truck and damages a parked car.

Coverage Applies

Coverage Does Not Apply

Coverage does not apply because the property is being loaded onto the truck using a mechanical device other than a hand truck or a device that is attached to a truck

Section 3: Business Automobile Coverages and Endorsements

Directions: Answer the following questions.

20. Name three exceptions to the Pollution exclusion in the BAP.

- A. The normal operating fluid of a vehicle needed for or results from the normal electrical, hydraulic, or mechanical function of an auto
- B. An accident that occurs away from the insured's premises. Pollutants cannot be in or on, or transported by the covered auto itself. This is third-party coverage.
- C. An insured on someone else's premises where they did not bring the pollutant on the premises

21. What endorsement can be added to modify the Pollution exclusion in the BAP?

Pollution Liability – Broadened Coverage For Covered Autos – Business Auto and Motor Carrier Forms CA 99 48 10 13

Section 4: Workers Compensation and Employers Liability

The Workers Compensation System

Check-In



Directions: Read each statement and select whether the statement is true or false.

1. Prior to the introduction of workers compensation, employers used common law defenses, such as the assumption of risk, to prevail in employee lawsuits.

True

False

Assumption of risk, contributory negligence, and fellow-servant rule were the common law defenses.

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

True

False

Although New Jersey has laws that almost make it compulsory, it, along with Texas, is an elective state.

3. One advantage of workers compensation for employees is predictable insurance costs.

True

False

This is an advantage for an employer, not an employee.

» Knowledge Check



Directions: Read the scenario and answer the questions that follow.

Scott's Paper Manufacturing has employees in Oregon and Ohio. Because Ohio is a monopolistic state, Scott has two policies: a Workers Compensation policy for Ohio through the state fund and a Workers Compensation And Employers Liability Insurance Policy for Oregon. Does Scott have Employers Liability coverage in Ohio? If not, how can he obtain coverage?

No, there is no Employers Liability coverage in place for Ohio. The policy from the state fund is only for Workers Compensation. To acquire EL coverage, Scott must add the Ohio Employers Liability Coverage Endorsement WC 34 03 01 C to the Oregon policy OR add a Stop Gap - Employers Liability Endorsement to their Commercial General Liability policy.

Covered Vs. Exempt Employments

» Knowledge Check



Directions: Provide a potential solution for the following scenario.

A high-profile family running a large estate firm employs several domestic workers, including housekeepers, gardeners, and a chef. Given the scale of operations and the essential services these employees provide, the family decides to ensure their well-being and safety while on duty. How can the family accomplish this?

Add the Voluntary Compensation And Employers Liability WC 00 03 11 endorsement. This allows an employer to voluntarily choose to provide statutory benefits for employees not covered under a WC act because of exemption due to their occupation.

The Information Page

» Knowledge Check



Directions: Read the scenario and, based on the information provided, answer the questions that follow.



Jason's Cookie Cafe is a small but growing business with operations in two locations in Texas. Jason's has a Workers Compensation And Employers Liability Insurance Policy with Texas listed in 3.A. on the Information Page and no states listed in 3.C. Jason would like to branch out and start operations in Arizona within the next 12 months, but may wait for another time, depending on economic conditions. Jason's agent recommends adding Arizona to item 3.C. of the Information Page. The policy's effective date is May 1.

1. A work-related injury occurs to one of Jason's employees in Texas on May 22. Will Jason's policy provide coverage for Texas WC benefits? Explain your answer.

Yes, coverage applies automatically since Texas is already listed in 3.A. WC coverage is state-based, not location-based.

2. Jason begins operations and hires employees in Arizona after all, starting September 12. Will Jason's policy provide coverage for Arizona WC benefits for a worker injured in Arizona on September 30th? Explain your answer.

Yes, coverage applies automatically until the policy renewal since Arizona is listed in 3.C. AND the operations started after the effective date of the policy. The carrier should be notified once operations begin in another state not listed in 3.A., and the state should be moved to 3.A. at renewal. Otherwise, coverage is not afforded for that state unless the carrier is notified within 30 days of the renewal.

3. Business is great for Jason's Cookie Café. Jason expands even further to Colorado, starting operations with Colorado employees on February 14 of the next year. Will Jason's policy provide coverage for Colorado benefits for a worker injured in Colorado on March 8? Explain your answer.

Colorado benefits are not provided since Colorado is not listed in 3.A. or in 3.C.

Part One – Workers Compensation Insurance

►► Knowledge Check



Directions: Workers compensation benefits typically fall into four categories. Describe which category each of the following scenarios would fall under and any relevant subcategory (for example, the type of disability benefit).

1. Wanda was working on an assembly line when a product with a sharp edge accidentally made it onto the conveyor belt. Wanda's finger was sliced off and unable to be reattached. She received a lump sum from the insurance carrier and eventually returned to work but has been reassigned to office tasks.

The category is disability benefits (permanent partial disability).

2. Russell's father, Gerald, was working from high scaffolding when he slipped and fell. Gerald passed away from his injuries. The workers compensation insurance policy for Gerald's employer paid for the burial expenses and additional support for Russell.

The category is death or survivorship benefits.

3. Ron works at Cloud 9 Superstore. While cleaning a spill, Ron slips and hurts his back. He is rushed to the hospital for emergency care. Ron must start physical therapy and take pain medication for his back pain. These expenses are covered by Cloud 9's Workers Compensation Policy.

The category is medical benefits.

Part Two – Employers Liability Insurance



» Knowledge Check

Directions: Name the type of employers liability claim described in each scenario and justify your answer.

1. An employee of Sedona Safe Makers is fatally injured in a job-site accident. The employee's widow and children sue Sedona Safe Makers for the loss of companionship.

Care and Loss of Services Claim – The widow and children have suffered loss of services as their husband and father can no longer provide help and support.

2. A shield protecting employees from sparks on an industrial metal grinder was removed to allow easier access to the grinder. The employee's supervisor was aware of the employee's decision to remove the shield and did not require the employee to restore it. A spark flew into the employee's face, causing severe burns. The employee was compensated for medical costs by the Workers Compensation Policy. The employee also sued the metal grinder manufacturer, who then, in turn, made a claim against the employer.

Third-Party Action Over Claim – A third party was held liable for a claim by an employee of an employer that was contributorily negligent, causing the accident.

3. Larry's wife suffered a severe injury to her leg while working, causing her to be taken to the emergency room at the local hospital. Due to the stress of the injury to his wife, Larry suffers a heart attack. Once recovered, Larry sues his wife's employer due to the heart attack.

Consequential Bodily Injury claim – Larry's heart attack was the consequence of stress from his wife's work-related injury.

Part Three – Other States Insurance

►► Knowledge Check



Directions: Respond to the following.

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.

3.A. only provides benefits according to the law in the states listed, while 3.C. provides coverage for states listed as well but can also include language such as “all states except monopolistic, and those states listed in item 3.A.” allowing multiple states to have potential coverage without listing every state. Item 3.A. provides coverage for known and expected operations only if listed in 3.A., while 3.C. provides coverage for unknown or unexpected operations that develop during the policy period, after the effective date, in states encompassed in 3.C.

Check-In



Directions: Use the following terms to fill in the blanks. Terms may be used only once, and not all terms will be used.

other	audit	indemnify	extraterritorial	accident
monopolistic	noncompliance	notify	cancellation	short term

1. An insured has 30 days to notify the carrier of operations existing on the effective date in any state not listed in Item 3.A.
2. Part Three of the Workers Compensation And Employers Liability Insurance Policy triggers coverage for other states.
3. Most workers compensation laws are extraterritorial, which is helpful for employees who travel out of state.
4. The final premium at the end of a policy term may be calculated subject to a(n) audit.
5. Policy cancellation is one of five conditions of Part Six of the Workers Compensation And Employers Liability Insurance Policy.

Workers Compensation And Employers Liability Insurance Policy Endorsements

» Knowledge Check



Directions: Explain whether there would be coverage provided in the following scenario.

Mario's Winery has an employee, Luigi, who plans to work for them while living in London, England, for the next two years. Mario adds a Foreign Workers Compensation Coverage Endorsement to their policy in case something were to happen to Luigi while doing work for Mario in London. One year after living in London, Luigi is injured severely while delivering wine to a new client and must be brought back to the United States for care. Will Mario's Workers Compensation Policy cover Luigi's injuries along with the cost of returning him home?

No, the Foreign Coverage Endorsements are for employees TEMPORARILY outside the coverage territory, typically 90 days or less. One to two years is not considered a temporary basis.

Section 4 Self-Quiz

Directions: Select the best answer to the following questions.

1. Identify the statement that is TRUE regarding workers compensation laws.

- ☐ Negligence is the primary basis for determining liability or recovery.
- ☐ Employees receive payments for pain and suffering in addition to their medical benefits.
- ☒ Workers compensation laws mandate prompt and reasonable payment of benefits to injured employees.
- ☐ Compensation is only provided if the injury was caused by an unavoidable accident.

One of the key purposes of workers compensation laws is to ensure that injured employees receive prompt and reasonable payments of benefits as prescribed by statute.

2. Which of the following describes how workers compensation laws benefit employers?

- ☐ They allow employees to sue their employers for work-related injuries.
- ☒ They provide some predictability in the cost of workers compensation benefits through job classification and experience modification factors.
- ☐ They exclude coworkers (fellow-servants) from the exclusive remedy protection.
- ☐ They ensure that employees receive compensation only when they can prove employer negligence.

Workers compensation laws serve several purposes to benefit both employers and employees. One key purpose is to provide employers with predictability in the cost of workers compensation benefits. Premium rates are based on job classification, and the experience modification factor enables employers to exert some control over costs by promoting safety and loss prevention.

Section 4: Workers Compensation and Employers Liability

3. Which of the following accurately describes an exemption to workers compensation laws?

- ☒ Employers with fewer than a specified number of employees may be exempt from providing workers compensation coverage in some states.
- ☐ Employers must provide workers compensation coverage to all domestic employees.
- ☐ Sole proprietors and partners are typically considered employees and must be covered under workers compensation law.
- ☐ Real estate salespersons are required to be covered under workers compensation policies in all states.

Workers compensation laws include several exemptions that can relieve employers from the requirement to provide coverage. One such exemption is the numeric exemption, where employers with fewer than a specific number of employees may be exempt from providing workers compensation coverage in some states.

4. Dorothy is the sole proprietor of a small commercial farm and is insured with a Workers Compensation And Employers Liability Policy. In addition to several traditional employees, Dorothy employs both domestic workers and agricultural workers and wishes to provide these workers with statutory benefits. Which coverage solution will best suit Dorothy's needs in this scenario?

- ☐ These workers will be covered by an unendorsed Workers Compensation And Employers Liability Insurance Policy.

☒ Voluntary Compensation And Employers Liability WC 00 03 11 A

☐ Partners, Officers, And Others Exclusion WC 00 03 08

☐ Sole Proprietors, Partners, Officers, And Others Coverage WC 00 03 10

Domestic and agricultural workers are generally exempt from workers compensation coverage. Endorsement WC 00 03 11 A will allow Dorothy to voluntarily provide statutory benefits to these categories of workers.

Section 4: Workers Compensation and Employers Liability

5. Which one of the following scenarios meets the IRS criteria for independent contractor status?

- ☐ Jane is a seasonal server for a catering company. The company sets Jane's schedule and determines her pay, including mileage reimbursement.
- ☐ Yolanda is a live-in nanny for a family. She works a set weekly schedule and receives benefits, including a 401(k) and paid time off.
- ☒ Alejandro is an accountant who prepares tax filings for a restaurant during tax season every year. Alejandro sets his own hours and rate of pay, and the restaurant is one of several clients.
- ☐ Manuel is a custodian who is employed by a local school district. He is paid an hourly wage according to district policy and receives full benefits, including retirement, healthcare, and paid time off.

Alejandro meets the IRS criteria for an independent contractor because he is not regularly employed by the restaurant, his work is not key to the restaurant's main business, and he has control over the financial and business aspects of his job.

6. Which item of the Information Page activates coverage for states where work begins after the effective dates of the Workers Compensation And Employers Liability Insurance Policy?

- ☐ 3.A.
- ☐ 3.B.
- ☒ 3.C.
- ☐ 3.D.

States listed in item 3.C. activate both workers compensation and employers liability insurance for states where work begins after the effective date. The purpose of listing states under item 3.C. is to activate coverage where unexpected or unknown operations could develop.

Section 4: Workers Compensation and Employers Liability

Directions: Use the following terms to fill in the blanks. Terms may be used only once, and not all terms will be used.

medical	excess	rehabilitation	supplementary
care and loss of services	disability	consequential bodily injury	death
third-party action over	dual capacity	\$100,000	\$500,00

7. Workers compensation medical benefits pay for the care to treat a compensable work-related injury or occupational disease and can include costs such as hospital stays, prescription drugs, or physical therapy.
8. There are four types of disability benefits: temporary partial, permanent partial, temporary total, and permanent total. The level of benefits paid by the Workers Compensation Policy will depend on the severity of the work-related injury or disease.
9. Paragraph F. of Part One of the Workers Compensation And Employers Liability Insurance Policy states that the employer will make payments in excess of what is required by law for actions and/or omissions that fall outside the scope of workers compensation coverage.
10. Consequential bodily injury refers to an employers liability claim in which a family member of an employee files a lawsuit for an injury or disease that was suffered as an after-effect of the employee's work-related injury or disease.
11. Dual capacity refers to an employers liability claim in which an insured employee brings a lawsuit against the employer for an injury that arose from the activities of the employer in a role other than as an employer.
12. Item 3.B. of the Information Page states that the standard liability limit for employers liability is \$100,000.

Section 4: Workers Compensation and Employers Liability

Directions: Indicate whether each statement is true or false.

13. Part 3.A. Workers Compensation Insurance provides coverage for known and expected operations in that state, but only if listed under 3.A.

True

False

In Part 3.A., the insured lists states in which regular operations occur.

14. A state must explicitly be named in item 3.C. in order for that state to be covered.

True

False

3.C. can include language such as “all states except monopolistic and those states listed in Item 3.A.,” allowing for multiple states to have potential coverage without expressly listing every state.

15. Even when an employee is traveling out of state, the workers compensation laws for their home state will automatically apply in the event of an injury.

True

False

Many states have an extraterritorial provision in the law that determines how that state’s workers compensation law will apply when an employee is injured out of state. Depending on the circumstances, some of these workers compensation statutes will extend coverage to pay the benefit level of a state other than where an employee was hired.

16. The Maritime Coverage Endorsement provides employers liability coverage for the employer for bodily injury to masters and crews of vessels sailing anywhere in the world.

True

False

Coverage for this endorsement only applies to vessels sailing directly between ports of the continental U.S., Alaska, Hawaii, or Canada

Section 4: Workers Compensation and Employers Liability

17. There is limited foreign coverage under the unendorsed Workers Compensation And Employer Liability Insurance Policy for U.S. employers with employees working outside the country.

True

False

The Foreign Workers Compensation Coverage Endorsement can be used to provide workers compensation and employers liability coverage for employees who were hired in the U.S., while traveling or temporarily residing (typically 90 days or less) outside the U.S., its territories, or Canada.

Appendix

Appendix

Preparing for the Final Exam

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 two hours long. The test itself is composed of 18-20 questions that ask you to demonstrate what you know. You are required to earn a minimum of 140 out of 200 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 head and subhead into a question. Then answer the question. For example, header: Risk Financing Plans
4. Question: What are some examples of risk financing plans?
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.

Appendix

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

1. The Commercial General Liability Coverage (CGL) Form is designed to protect businesses from a variety of claims. Name three types of liability exposures covered by the CGL Coverage Form.

Sample Answers: (only need three)

- Premises Liability
- Business Operations Liability
- Products Liability
- Completed Operations Liability
- Contractual Liability
- Contingent (Vicarious) Liability
- Personal Injury Liability
- Advertising Injury Liability

2. The Named Insured with a CGL Policy manufactures fidget spinners in the United States. A customer residing in Spain is severely cut by an poorly-made spinner while using the product. The customer files a lawsuit against the Named Insured. Explain if this scenario is covered by the CGL Policy. Explain your answer.

Sample Answer:

Coverage would apply anywhere in the world if the product is sold or made in the coverage territory (U.S., its territories, Puerto Rico, or Canada). The suit must be brought in the coverage territory as well.

Glossary of Terms

SECTION 1

advertisement – a notice that is broadcast or published to the general public or to specific market segments to attract customers

auto – any land motor vehicle designed to travel on public roads, including any attached machinery or equipment, 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

automatic insured – a person or organization given insured status in the policy as determined by the type of entity the Named Insured operates as. Automatic insureds may have the authority to act on behalf of the Named Insured or may be closely involved or related to the Named Insured.

bodily injury – bodily injury, sickness, or disease sustained by a person, including death resulting from any of these at any time

business operations liability – a type of liability exposure that arises from an organization's activities, including service and repair activities. These services or repairs are typically performed on others' premises while the activity is ongoing or being conducted.

completed operations liability – a type of liability exposure that exists on completed work. Completed Operations Liability Insurance protects the insured for losses that arise after the service or repair work has been completed and put to its intended use.

Consent to Settle – a provision in an insurance contract requiring the insurer to have the Named Insured's consent to settle

contingent liability – a type of liability exposure also known as vicarious liability that occurs when the Named Insured is held responsible for the actions of others over whom it may exercise control, such as employees. Actions by independent contractors, vendors, and others can create contingent or vicarious exposures for the Named Insured.

contractual liability – a distinct responsibility the insured assumes through a contract. The obligation emerges when a business acknowledges its duty to be accountable if legal actions are taken against others due to its actions or work.

Glossary of Terms

coverage territory – outlines the geographical area where coverage will be in effect; the area where losses or damages must occur to be covered

electronic data – information, facts, or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices, or any other media which are used with electronically controlled equipment

endorsement – used by an insurer to clarify or make revisions to particular provisions of a policy

executive officer – a person holding any officer position created by your charter, constitution, bylaws, or any other similar governing document

exposure – a situation, practice, or condition that may lead to an adverse financial consequence; an activity or resource; people or assets

“host” liquor liability – an implied exception to the liquor liability exclusion when an insured is not in the business of manufacturing, distributing, selling, serving, or furnishing alcoholic beverages but does provide alcohol for a party or event and does not charge for said alcohol

hostile fire – a fire occurring in a location where a fire should not exist or be occurring

impaired property – tangible property other than “your product” or “your work” that cannot be used or is less useful because it incorporates “your product” or “your work” that is known or thought to be defective, deficient, inadequate, or dangerous, or you have failed to fulfill the terms of a contract or agreement

Insuring Agreement – the promise given in the insurance contract for payment to or on behalf of the insured

ISO – Insurance Services Offices; provides numerous types of information to various entities in the insurance industry, including policy language and forms

mobile equipment – any land vehicle, including any attached machinery or equipment designed, for use principally off public roads. It also includes items maintained for use solely on or next to premises you own or rent.

Named Insured – a person or organization named in the Declarations; the “you” referred to in the policy language

Non-Automatic Insureds – a person or organization not given insured status in the policy but may need to be given insured status for business reasons

Glossary of Terms

occurrence – an accident, including continuous or repeated exposure to substantially the same general harmful conditions

partnership or joint venture – created when two or more business entities join for a specific project. Once the project is complete, the partnership or joint venture is dissolved.

personal and advertising liability – Personal injury arises from intentional torts such as libel, slander, and wrongful eviction; advertising liability can stem from the misappropriation of advertising ideas, business style or design, or copyright infringement. Advertising liability coverage grants more incidental coverage related to an insured's advertising ideas rather than broad infringement coverage.

pollutant – any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste

premises liability – arises from the operations and activities of the insured's business on their premises; property owners and lessees are held responsible for maintaining their premises in a reasonably safe condition. This liability applies to owners, landlords, and tenants and arises from the ownership or use of the insured's premises.

product liability – arises from the sale, distribution, or manufacture of the insured's product. Coverage begins when a product leaves the insured's premises and injures a third party because of a defect.

property damage – physical injury of tangible property, including all resulting loss of use or loss of use of tangible property that is not physically injured

Separation of Insureds – a policy condition that clarifies that insurance coverage will apply separately to each insured against whom the claim is made or the suit is brought

sole proprietorship – a business organization in which a sole person is entitled to all profits and will bear all losses generated by the business, free of the regulatory reporting required of other business organizations

suit – a civil proceeding in which damages because of “bodily injury,” “property damage,” or “personal and advertising injury” to which the insurance coverage applies are alleged

temporary worker – a person who is furnished to you to substitute for a permanent “employee” on leave or to meet seasonal or short-term workload conditions

tort – a private or civil wrong other than a breach of contract for which the courts will provide a remedy in the form of an action for damages

Glossary of Terms

trust – an entity created to own property to be used for a purpose designated by the trust's creator. The trust can be charitable or have other purposes. Since a trust can own property and act vicariously through others, it can incur liability.

trustee – an individual who carries out the purpose or purposes of the trust

unmanned aircraft – commonly known as a drone; aircraft designed to be operated without any human pilot, crew, or passengers on board

vicarious liability – accepting someone else's risk for work performed on your behalf, also referred to as contingent liability

"your work" – work or operations performed by you or on your behalf; includes materials, parts, or equipment furnished in connection with such work or operations

SECTION 2

additional insured – a third party granted insured status through deliberate endorsement; generally not done automatically but is based on the relationship between the Named Insured and another business or organization, an owner of premises or equipment, or a party with a financial interest

anti-indemnification statutes – statutes in some states that may challenge and nullify "hold harmless" agreements by declaring them unenforceable because they violate state laws that prohibit agreements that purport to indemnify one party for its own negligence

coverage enhancement – additional coverages provided in addition to the base policy form, typically issued by insurers who use their own insurance forms

hold harmless agreement – a contract used to transfer risk from one party (the indemnitor) to another party (the indemnitee)

indemnification – the actual payment of a loss that is covered by the "hold harmless" agreement

indemnify – to compensate, or make whole, a person or organization for damages

indemnitee – the person who, in a contract of indemnity, is to be indemnified or protected by the other party

indemnitor – the person who provides the hold harmless agreement and agrees to "hold harmless" the other party from any liability or legal claims related to a specific activity. The protected party will not be held responsible for damages or losses arising from particular circumstances involving the actions or negligence of the indemnitor.

Glossary of Terms

negligence – the omission to do something that a reasonable person, guided by those considerations that ordinarily regulate the conduct of human affairs, would do or by doing something a prudent and reasonable person would not do. Negligence is determined in all cases by reference to the situation, knowledge of the parties, and attendant circumstances.

sovereign immunity – clarifies that a state, government, or municipality cannot be sued or commit a legal wrong

statutes – laws written by legislative bodies; laws which modify common law

subrogation – the legal right of one who has paid another's obligation to collect from the party originally owing the obligation (e.g., the insurer's right to recover from another the amount that the insurer paid to its insured for a covered loss)

waiver of subrogation – an agreement between two parties in which one party intentionally or voluntarily relinquishes a known right, claim, privilege, or opportunity to subrogate against another in the event of a loss

SECTION 3

Collision coverage – insurance for a covered auto that provides payment for loss due to colliding or crashing into an object or another vehicle; includes the overturning of a vehicle, as well

Comprehensive coverage – broad insurance for a covered auto that provides payment for any loss or damage that is a consequence of any cause, aside from collision and the overturning of a vehicle and other exclusions and conditions

Declarations – the part of a policy that indicates to whom the policy is issued. It includes specific coverage provided by the policy, effective dates, and primary location where coverage applies. It can also include additional information, such as policy numbers and the insurance company's name.

deductible – the amount the insured pays out of pocket before the policy begins to pay; the amount the insurance company reduces its payment for a loss, shown in the Declarations for each coverage

depreciation – the amount of value an asset has lost due to its age and/or wear and tear

diminution – the perceived loss in market or resale value resulting from a direct and accidental "loss"

Glossary of Terms

duty to defend – an insurance company's assumed obligation to defend an insured for any covered claim

exclusion – a provision that specifies situations where coverage does not apply

Fellow Employee exclusion – removes coverage for the liability of one insured employee negligently injuring another employee arising out of and in the course of employment

hired auto – an auto that a business organization or sole proprietor leases, hires, rents, or borrows; does not include any auto belonging to an employee or partner or any of their family members

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 the tort liabilities of another party, subject to the limits of the insurance policy

newly acquired auto – an auto that is an additional auto or a replacement auto. An additional auto increases the total number of vehicles an insured possesses; a replacement vehicle does not since this is when an insured trades in one vehicle for another.

no-fault state – a jurisdiction in which drivers are required to carry their own protection coverage (Personal Injury Protection, or PIP) to pay for their medical expenses in case of an auto accident, regardless of who was at fault in causing the accident

non-owned auto – an auto that a business organization or sole proprietor does not own, hire, rent, or borrow in connection to the business; includes any auto belonging to an employee or partner or any of their family members

owned auto – an auto that is owned in the name of a business or organization or is owned by a sole proprietor and is being used for business purposes

permissive user – a person who is granted the Named Insured's permission to use a covered auto that is owned, hired, or borrowed and to whom, consequently, is extended coverage

Physical Damage Coverage – three types of Physical Damage Coverages can be triggered by the designation symbol or symbols listed under Item Two in the BAP Declarations: Comprehensive, Specified Causes of Loss, and Collision. The BAP only includes liability and physical damage, so any other coverage must be added by endorsement.

policy period – found under Item One in the BAP Declarations, this information includes the policy inception and expiration dates

Glossary of Terms

premium audit – a financial audit calculated at the end of the policy period that compares the estimated initial rating amount (based on selected Symbols and other variables such as number of employees, cost of hire, gross mileage, or gross receipts) to actual exposures to determine the final premium. The insured will receive a balance owed or a credit.

Specified Causes Of Loss coverage – an alternative option to the “all risks” nature of comprehensive coverage; instead, losses are covered by the “perils” listed

Supplementary Payments – those provided in addition to the limits of insurance and which include all expenses the insured incurs, primarily for defense costs. The BAP and CGL are similar in what is provided, with a few exceptions, such as the amount paid for bail bonds.

symbols – numeric designations found in Section I of the BAP that define the various categories of covered autos. Under Item Two in the BAP Declarations, Symbols 1-9 and 19 are listed in the Covered Auto Designations table, indicating the type of covered auto and the coverage that may be triggered for each.

SECTION 4

assumption of risk – a common law doctrine that finds that by doing certain acts, an employee assumes the risk of injury, as when an employee agrees to take a hazardous job and seems to understand the risks. The employer may use this as a defense to demonstrate that the employee assumed the risk.

common law – the body of law derived from court decisions based on custom and precedent

competitive state funds – Employers in many states have the option of purchasing Workers Compensation And Employers Liability Insurance from a state fund that competes with private carriers. For some employers, the competitive state fund may be the market of last resort if a private carrier refuses coverage for various reasons.

compulsory states – states in which workers compensation insurance is mandatory. This accounts for all states except Texas and New Jersey. In Texas, if an employer does not accept or non-subscribes, they are denied the use of the common law defenses.

contributory negligence – a common law doctrine that negates the ability to recover damages if the injured party is even slightly negligent in the situation causing injury; used as a defense by an employer if the employee contributed in any way to the injury

Glossary of Terms

de facto employer – from Latin, meaning in fact or reality. Employers have an obligation to provide workers compensation to *de facto* employees, who are often classified as independent contractors when, in fact, they qualify as employees. *De facto* is based on the actual conditions and practices of the working relationship, emphasizing the control and treatment of the worker.

disability benefits – one category of benefits afforded by workers compensation insurance. There are four types of compensation for lost wages under disability benefits: temporary partial, where the employee can do part of the job or specific tasks for a limited duration; permanent partial, where the employee can do only part of the job on certain tasks, and there is some degree of permanent injury; temporary total, where the employee is unable to work, but only temporarily; and permanent total, where the employee is unable to work for the rest of their life.

dual capacity – one of four common types of liability claims specified in Part Two – Employers Liability. The policy protects against lawsuits brought by an injured employee against the employer when the injury arises from the employer's activities in a capacity other than that of an employer. It indicates a situation in which the employer is liable not only as an employer for workers compensation benefits but also as an entity acting in a different capacity.

elective states – Texas and New Jersey have elective workers compensation laws, meaning that workers compensation is not compulsory in those states. In Texas, employers can either provide coverage or choose not to provide coverage. In New Jersey, statutory laws allow choice, but industrial boards require coverage in most circumstances.

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

employers liability insurance – protects the employer against claims for employee work-related injuries and occupational diseases not covered under a state's workers compensation law

exemptions – exceptions that some states make to workers compensation law that may exempt employers from having to provide coverage for certain workers. The four exemptions to workers compensation law that may apply are numeric exemptions (the employer has less than a specific number of employees), general exemptions such as domestic workers or agricultural workers, specific positions like sole proprietors and partners, and others such as independent contractors, volunteers, and leased workers.

experience modifier – an indicator of an employer's claims experience; a factor used in premium computation

Glossary of Terms

extraterritorial – occurring outside territorial limits of jurisdiction

fellow-servant rule – a common law defense used by an employer if an injury to a worker was the result of another worker's carelessness

general employer and special employer – A general employer is a person or organization that lends, rents, or leases an employee to another employer; the other employer is referred to as the special employer.

Information Page – a page of declaratory information found in workers compensation policies. The page outlines the employer who is being insured, the policy period (when the coverage begins and ends), and the coverage provided by the policy.

leased worker – a worker leased to the insured by a labor leasing firm under the terms of a contractual agreement

loss history – a summary of losses and claims related to an insured's line of coverage, used primarily for underwriting purposes, focusing on frequency, severity, and paid amounts

monopolistic state fund – a state-created, state-owned, and state-operated workers compensation insurance facility. It writes all workers compensation insurance for the state.

primary or direct employer – a traditional employer/employee relationship in which the employer directly hires an employee, including part-time or seasonal employees. Under workers compensation law, the employer has an obligation to provide workers compensation benefits to an injured employee.

sole remedy – categorized by workers compensation law; the exclusive remedy to a work-related injury in exchange for the employee giving up their right to sue their employer

statutory employer or de jure employer – the employer with the legal obligation to provide workers compensation benefits to an injured worker. When statutes are silent in certain employment situations, common law is used to determine who has this legal obligation. Such employers are called *de jure* (from the Latin for "by right or according to the law") employers or statutory employers.

third-party action over claim – one of four types of common liability claims specified in Part Two – Employers Liability. If a worker is injured because of a third party's negligence, that worker has the right to take legal action against the third party; if the employer could also be negligent, the third party has the right to enjoin the employer by suing it for comparative negligence. The employers liability insurance defends and pays on the employer's behalf.

Glossary of Terms

workers compensation insurance – provides coverage for the statutory benefits required of an employer by workers compensation law. This insurance provides the benefits owed to an employee who has suffered a work-related injury or occupational disease, including medical payments, disability payments, death or survivorship payments, and coverage for rehabilitation expenses.