

Insurance Dynamics / Ann Krilanovich

27 Farnum, SF, CA 94131 415-452-8664 akrilanovich@earthlink.net

The Wonderful World of Insurance

Topic	Important Characteristics	Notes:
Property i.e. Buildings		
Valuation		
	Replacement Cost + (replaces the building "as is" - no improvement due to building codes, etc.)	
	Guaranteed Replacement Cost++	
	Actual Cash Value - (not "market value")	
	Inflation protection	
	Coinsurance -- very negative policy feature.	
	Agreed Amount + (does not remove coinsurance)	
	No coinsurance ++	
	Increased Cost of Construction due to building codes +++	
	Blanket whenever possible with other buildings or business personal property and time element.	
Perils	Special Form Perils ("direct damage" not excluded; formerly called "all risk") ++	
	Broad Form Perils - Basic perils named below plus breakage of glass, falling objects, weight of snow ice or sleet, water damage, limited collapse)	
	Basic Form (fire, lightning, wind, hail, smoke, aircraft, vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, volcanic action)	
	Terrorism - foreign only (waste of money for most insureds)	
	Spoilage	
	Earthquake++	
	deductible per building +	
	occurrence is 72 hours for deductible purposes+	
	deductible is usually a percentage I.e. 10% or more likely 20%	
	needs to include foundations, pools, utilities, pipes, etc.	
	Landslide / earth movement / flood / other perils (this may be purchased on a "difference in conditions" policy	
	Broad Form Water Damage (i.e.. backing up of sewers and drains, water below the surface, BUT NEVER FLOOD)+	
	Wind / hail damage to interior by endorsement+	

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Topic	Important Characteristics	Notes:
	Collapse covered (no exclusion for) + (if excluded, ensuing loss covered for the perils of what?)	
	Contingent Liability from Building Laws +	
	Demolition necessitated by building laws +	
	Design error / building defect covered I.e. no exclusion ++ (if excluded, ensuing loss covered for perils of what?)	
	Employee vandalism covered++	
	Continuous or repeated seepage of water over time is covered	
	Equipment breakdown (nearly the same as boiler & machinery policy.) Remember air conditioning and heating equipment.	
	Cost to tear undamaged wall if water peril is covered	
	Mold, mildew, fungus+++	
	Flood (can be purchased through a difference in conditions policy or through the National Flood Program)	
	Cost of inventory and appraisal to prove the loss can be huge. Get something more than \$25,000 to cover it.	
	Downsizing - requires that building be smaller than before. Economic loss unless insured.	
Items of Property Covered		
	Appliances owned in common (condo type need)	
	Appliances inside the units (condo type need - only if governing documents require - know what you want)	
	Appurtenant structures (define what those are)	
	Arbors	
	Awning or canopies	
	Bridges	
	Bulkheads	
	Drains above ground and under ground	
	Fences - check valuation	
	Fixtures, yard	
	Foundation above ground	
	Foundation below ground+ (not usually covered)	
	Glass (is it limited, what perils, vandalism included?)	

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Topic	Important Characteristics	Notes:
	Gutters and downspouts (damage by weight of snow, ice, sleet, is not usually covered.)	
	Land ++ (not usually covered)	
	Lights and light poles	
	Marble	
	Metal smokestacks	
	Paving, roads, walks, courts ++ (policies are not clear)	
	Piers and pilings (not usually covered)	
	Pipes, underground + (not usually covered)	
	Plants, trees, shrubs increased limits	
	Retaining walls that are not part of buildings not usually covered)	
	Sprinklers for landscaping	
	Swimming pool, spa and their equipment	
	Utilities - underground"	
	Wharves or docks	
Location of Property Covered		
	Usually only covered AT THE LOCATION named in the policy. Property elsewhere or in transit needs to be dealt with directly with coverage's so designed.	
	Can property be rebuilt at any site other than "same site?"	
Tips	No coinsurance	
	Full building ordinance loss including "down zoning" (limits the insured's ability to rebuild damaged property at the described property location to the current density, use, size or number of units.)	
	Soft cost covered, including but not limited to architects' surveyors', engineers' and legal fees incurred in the reinstatement of property insured.	
	Cost of reclaiming, restoring or repairing land improvements (any alteration to the natural condition of land by grading, landscaping, and additions to land such as pavements, roadways, or similar work.	

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Topic	Important Characteristics	Notes:
	Back up of sewers and drains	
	Definition of building to include foundations, underground utilities, fences, glass, watering systems, retaining walls whether attached to building or not.	

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Topic	Important Characteristics	Notes:
Business Personal Property		
	Stock	
	Equipment	
	Finished Inventory - insure at selling price.	
	Inventory in progress	
	Contents	
	Furniture and fixtures	
	Tenants Improvements or Betterments (Leasehold improvements)	
	Raw Materials	
	Property of Others? (for processing, while building, etc.)	
	Does the value fluctuate greatly or move from location to location during the year? Reporting?	
	Patterns, dies and molds - need special coverage	
	Brand & Label clause - prevents insurer from selling your brand name product for salvage after they pay a loss.	
Tips	Always have inventory at selling price. Finished inventory will not be included in time element per se.	
	Computers need equipment breakdown. So if you have equipment breakdown, no need for a separate computer policy.	
Auto Physical Damage		
	Comprehensive - all but collision	
	Collision	
	extend to hired autos and save rental money	
	Take large deductibles	
	Symbol #1 - any auto +++	
	Symbol #2 - all owned autos	
	- may not cover autos under long term lease - double check	
	Special equipment must be specifically insured if not installed at the factory.	
	High valued vehicles should not be left to the definition of actual cash value. Lock in the value with your insurer.	
	Refrigeration trucks/trailers need special attention.	

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Topic	Important Characteristics	Notes:
Inland Marine (property that moves, aka "floaters.")		
	Accounts Receivable	
	Computer Policies called Electronic Data Processing policies	
	Exhibition Risks	
	Fine Arts	
	Motor Truck Cargo	
	Salesperson Samples	
	Transportation I.e. property in transit	
	Personal Property at any location not named in the policy	
Time Element		
General Items		
	Any site or no stipulation+	
Types	Valued (very rare..would have a per day, month, or yearly limit -no need to prove amount of loss, only that damage to the property occurred.	
	Actual Loss Sustained (means you have to prove your loss)	
	Business Interruption	
	Gross Earnings	
	Extra Expense	
	Combined Business Interruption and Extra Expense++	
	Rents	

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Topic	Important Characteristics	Notes:
Deductibles	Dollar Amounts	
	Time (in days or hours)	
	Percentage of loss	
	Percentage of limit	
Specialty Endorsements or types		
	Reporting (monthly, quarterly, etc) - negative - avoid	
	Tuition and Fees - think two years of coverage here.	
	Boiler and Machinery Outages	
	Leasehold Interest	
	Loss of Profits (English, rare here)	
	Delayed Opening Use & Occupancy (for construction projects I.e. builders risk)	
	Research and Development	
	Tax Interruption (public entity)	
	Commission of selling agents	
	Increased TIME to rebuild due to building codes.	
	Features and Extensions	
Coinsurance (is a penalty and can also reduce the length of time recoverable) - -		
Ways to suspend coinsurance		
- deleted coinsurance entirely +++		
-Agreed amount + (note: it ends on a certain day)		
-Maximum period of indemnity form		
- Monthly limit of indemnity		

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Topic	Important Characteristics	Notes:
Extensions that do not increase limits		
	Contributing properties	
	Recipient properties	
Extensions that DO / SHOULD increase limits		
	Extended Period of Indemnity ____ days (90 days minimum up to a year or more)	
	Increased time to rebuild due to building codes ++	
	Peak Season (can need over a year to repeat)	
Perils		
	Must match building and business personal property	
	Others of particular interest	
	Utilities	
	Power	
	Communications	
	Water	
	Overhead transmission lines	
Adverse publicity		
Specific Exclusions that you need to think about		
	EDP Media (software, tapes, etc.)	
	Time to remake finished stock	
	Exhibits or fairs	
	Research and Development (hard to duplicate...can be a huge loss)	

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Topic	Important Characteristics	Notes:
	Suspension, lapse, cancellation of license, lease or contract - remedy called leasehold insurance.	
	Any other location	
	Loss in connection with radio or television antennas and satellite dishes	
	Time beyond the restoration - see extended period of indemnity above..... This is underutilized.	
	Utilities off premises	
Tips	Loss of income should include off premises property if large amount are at locations not named in the policy.	
	Civil authority extended beyond the one or two weeks in the policy.	
	Make sure any DIC (Difference in Conditions policies) track with time element.	
	Strikers	
	Business Interruption and Extra Expense should always come out of one number because it is hard to determine which is which.	
	Loss due to ingress / egress resulting from a covered cause of loss.	
	Remember, if the property isn't insured, the time element isn't insured. The property can be insured but not connected to the time element.	
	The peril can be insured but not connected to the time element.	
	There can be a time element loss without property being damaged!!!	
	Always look twice	
	Rule of thumb....Sales minus cost of goods sold is the 12 month insurable number.	

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Topic	Important Characteristics	Notes:
Primary Liability Policy		
Scope of Coverage		
	Comprehensive General Liability ++	
	Liability tied to a premises or project --- (very negative)	
	Bodily Injury	
	Property Damage	
	-arising out of premises, pool, etc.	
	-arising out of products, or completed operations	
	-arising out of non owned auto and hired auto	
	-very important if NO OWNED AUTOS IN NAME OF BIZ	
	Extended Supplement or equivalent	
	Personal Injury	
	-including arising out of employment	
	-including contracts	
	Advertising Liability	
	Broad Form Property Damage (work of your subs)	
	Fire or all perils legal liability	
	Incidental Medical Malpractice	
	Host Liquor Liability	
	Written and ORAL contractual	
	Med pay	
	Intentional bodily injury to protect person or property	
	Cross Liability suits covered +++	
	Employee Benefit liability ++	
	Severability of interests	
	Developer covered as any other unit owner (condo)	
	Smoke or pollution from a hostile fire covered.	
	Coverage for mold, fungi, etc. bodily injury even if there is a sublimit!++ THIS IS GOING TO BE A BIG DEAL.	
	Limits	
	Aggregates apply throughout	
	No aggregates+++++	

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Topic	Important Characteristics	Notes:
	Defense costs are in addition to policy limits+++	
	Company has a right and DUTY to defend++	
	- unless you have in house council and want this amended	
Tips	Get blanket waiver of subrogation	
	Get waiver of subrogation against unit owners (condos)	
	Named insured should include volunteers while acting within the scope for their duties (non-profits, condos, etc.)	
	Try not to accept the pre existing damage exclusion	
	The care custody and control exclusion keeps the liability insurer from paying direct damage to property. THIS CAN BE A HUGE PROBLEM for tenants. See fire legal or "all risk legal" as a buy back!	
	Unintentional failure disclose + (coverage won't be denied because of an unintentional failure)	
	Claims Made Considerations	
	- automatic 5 year extended reporting period	
	- more than 5 years may be purchased	
	- aggregate reinstatement option	
	- retro date concurrent with first claims made policy	
	Primary auto liability.	
	Symbol #1 - any auto	
	Symbol #2 - owned auto	
	- may not cover autos under long term lease - double check	
	Symbol #1 includes non-owned and hired auto	
	- if not #1, you must get #8 and #9	
	- autos owned by partners of partnerships may not be covered	
	-waive subrogation if offending auto is owned by officers, employees	
	-hired auto should be on a primary basis; watch contractual exclusion and watch a long term lease.	

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Topic	Important Characteristics	Notes:
	Include Broad Form Drive Other Car	
	- for those that DO NOT HAVE A PERSONAL AUTO	
	Must include contractual to really cover hired autos	
	Obtain blanket additional insured	
	Obtain waiver of subrogation	
	Remove the fellow employee exclusion	
	-if employees travel together in owned vehicles	
	Uninsured auto liability - pays you!!!	
	Underinsured auto liability - pays you!!!	
	- neither of two above needed if all covered by Work Comp.	
	Bridging endorsement if TEXAS auto are involved.	
	Non owned auto is for the company only. Employees are protected by their own insurance policy.	
Workers Compensation - domestic		
	Covers Employees in the State written	
	- check if you have volunteers or board members	
	- if you do, have policy endorsed or pay them even \$10	
	Broad Form All States	
	- if your local hire gets hurt in another state and the benefits are higher in the other state	
	Monopolistic States	
	- Nevada, North Dakota, Ohio, Washington, Wyoming and West Virginia.	
	- do not write employers liability	
	- you need stop gap Endorsement on GL or WC	
	Employers Liability should be at least \$1,000,000	
	Voluntary Comp. Endorsement	
	- means EMPLOYER can volunteer coverage for questionable cases	
	USL & H endorsement needed if workers involved in maritime work.	
	Safety is the name of the game	
	Experience Modifications will penalize or reward you	
	Foreign WC is needed for workers in other countries. Note, repatriation coverage is very important.	

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Topic	Important Characteristics	Notes:
	Make sure you can waive subrogation if biz contracts demand.	
Umbrella Policy aka Excess or Straight Excess (watch out)		
Applic-ability		
	Over General Liability	
	Over Auto Liability	
	Over Employers Liability (Work Comp)	
	Over Underinsured Auto and Uninsured Auto++	
	Over Stop Gap liability in Work Comp or Gen. Liab.	
	Over Professional Liability or Dir. & Officers +++	
Type of Form		
	Umbrella ++	
	- is broader than primary ++	
	- subject to a SIR - \$0 is best!!!	
	- "self insured retention"	
	- First Dollar Defense is important in SIR	
	Following Form +	
	- ideally is the SAME as the primary	
	- get a "broad as primary rider" every time ++	
	Excess --	
	- can be narrower than primary liability	
How it pays		
	Indemnity Contract -	
	Pay on Behalf of +++	
	Defense Costs in addition to policy limits	
	-- if you can't get, buy higher limits	
	No requirement that insured has to reinstate underlying insurance that has been diminished or exhausted by claim payment.	
Get these things covered		
	Fellow employee exclusion deleted	

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Topic	Important Characteristics	Notes:
	Occurrence defined as:	
	- accident ----	
	- offenses ++ (need for personal injury and advertising liability)	
	- happening	
	- event	
	Cross Liability Suits	
	Definition of Property Damage includes	
	- injury to and destruction of tangible property	
	- loss of use of property which has not been injured or destroyed if such loss was caused by an occurrence during the policy period	
	- loss of use of injured or destroyed property	
	Definition of Bodily Injury to include mental injury, anguish or shock without a requirement that the damage result from bodily injury+	
	Broad Named Insured:	
	- Any company newly acquired or formed by the Insured during the policy period and in which the Insured has an ownership (no mention of majority interest)	
	- Any partnership, joint venture or other entity which is owned, controlled or managed or operated by the Insured	
	- Covers the legal owner of any property managed by the Insured which the Insured is contractually obligated to insure as per any management contract.	
Limits		
	The higher the limits the less expensive the coverage. \$5M is not enough.	
Problems with what it pays		
	Advertising Liabilities are often narrower than primary liab.	
	Oral contracts specifically excluded --	
	Excludes suits between insureds --	

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Topic	Important Characteristics	Notes:
	Excludes suits between insured --	
	Workers Compensation exclusion - absolute	
	- except for liability assumed under contract+++	
	- coverage for a leased worker not excluded+	
Misc. Coverages		
	Credit Insurance - Only type of insurance that will make money for you! Allows you to use credit as a strategic tool. Relieves buyers of your product the expense and administration of making their purchased with letter of credit or cash-in-advance without the company incurring much risk.	
	Non-owned aircraft - renting a plane for biz purposes	
	Non-owned watercraft - renting a boat for office party?	
	Employment Practices covers:	
	- Title VII, Wrongful Termination, EEOC Enforcement, Title VII Discrimination, ADA, Sexual Harassment, ADEA (Age), Pregnancy Discrim Act., Employment Contracts.	
	-Does not cover Fair Labor Standard Act., DOL Enforcement, Child Labor, Family Medical Leave, COBRA mistakes, Work Comp. Requirements, ERISA.	
	Fiduciary Liability Insurance covers those persons who have discretionary authority or control regarding management or disposition of plan assets; those who render investment advice for a fee regarding plan assets or administration.	
	Merger & Acquisitions Insurance Products I.e. Representation & Warranty Ins. Protects buyer against the seller's breach of representation or warranty. Tax Liability Ins., Aborted Bid Cost, Hostile Takeover Coverage, Alternative Litigation Risk Solution.	
	Fidelity Insurance - covers employees stealing money or property. Important to extend to third parties if your employees are on the premises of others or have control of the property of others.	

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Topic	Important Characteristics	Notes:
Insurer Concerns		
	Insurer Best Rating of A - at least	
	Admitted in CA or the state in which you operate	
	Insurer provides services in addition to those from the agent	
Agent Concerns		
	Provides good written explanations	
	Is the agent a CPCU?	
	Speaks honestly, realistically, and follows through on time	
	Reviews program with you, in person at least yearly	
	Has experience with your type of business	
	Completes all obligations in a timely fashion	
	Recommends coverages even if they can't provide!	
	Acts as a resource.	
	Will put service promises in writing and will credit commission if these promises are not met ++	
	Will record and monitor if those promises are being met	
	Can help you with a written recovery and safety plan	
	Will direct and help with risk transfer I.e. getting certificates of insurance from service providers, contractors, tenants, suppliers, Agent has reviewed your contracts, leases, etc. and knows your business.	
	At over \$500 per hour, you should be getting some services from your agent.	
	THIS IS NOT A PASSIVE ACTIVITY. You have an obligation to disclose, ask and engage the SELLER OF INSURANCE.	
	Ask for written reports of how the account was marketed. Get actual letters from the insurance companies that decline, provided	

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Topic	Important Characteristics	Notes:
	Accountants Professional Liability	
	Named insured can include LLCs, predecessor firms, and individuals, officers, directors, partners, etc.	
	The insurer pays on behalf of the insured all damages that the insured becomes legally obligated to pay because of claims... arising out of the performance of professional services for others.	
	Damages are compensatory damages and do not include punitive, exemplary or treble damages. Check this wording carefully.	
	Claims made, meaning that the negligent act, error or omission took place on or after the retroactive date stated in the declarations.	
	Always subject to an aggregate limit	
	Deductible - make sure it is "eaten up" by anything the insured pays.	
	Exclusions:	
	- known act, error, omission or circumstance likely to give rise to a claim prior to the inception of the policy - must be listed on the application to be covered.	
	- Dishonest, fraudulent, criminal, or malicious act, etc.	
	- Bodily Injury and property damage (except damage to clients records) (Remember, this is covered by the General Liability Policy)	
	Wrongful hiring, employment practice, humiliation, harassment, misconduct or discrimination of any kind by any insured, etc.	
	Work for financial institutions like banks (yes this can be negotiated out)	
	Work for any organization not named in the policy	

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Topic	Important Characteristics	Notes:
	Fiduciary duties under ERISA	
	Notarization of signature when the signatory has not appeared in person	
	Formation of syndicates, operations, private placements, limited partnerships, etc.	
	Development of computers or software	
	Libel, slander	
	Insolvency or bankruptcy of an insured	
Problems	These policies afford little or no coverage with respect to the contractual assumption of another party's liability.	
	Funds stolen from clients by employees of the accounting firm are not covered here. Special Fidelity coverage must be purchased that protects THIRD PARTIES.	
	No Directors & Officers Coverage - must purchase separately. Would cover mismanagement of funds, acting for personal advantage, etc.	
	Must be broadened if accounting firm has lawyers and other staff members who provide support services for the insured.	
	Make sure it covers accountants who retire from the firm and those who join the firm after the inception date of the policy.	
	How is client information protected on computer?	
	How is privacy protected	