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PROPERTY & CASUALTY INSURANCE & PUBLIC ADJUSTING DISCUSSION

PRESENTED BY
RICHARD MICHELSON, CIC, CRM
FOR
SOCIETY OF EXCHANGE
COUNSELORS

QUALIFICATIONS

- LICENSED PUBLIC ADJUSTER
- CERTIFIED RISK MANAGER
- CERTIFIED INSURANCE COUNSELOR
- LICENSED PROPERTY & CASUALTY
INSURANCE CONSULTANT
- LICENSED PROPERTY & CASUALTY
INSURANCE AGENT

DISCUSSION OBJECTIVES

- UNDERSTANDING OF THE BENEFITS OF USING A PUBLIC ADJUSTER TO HANDLE PROPERTY CLAIMS
- EXPOSURE TO BASIC INSURANCE COVERAGE ISSUES & PROBLEMS

WHAT IS A PUBLIC ADJUSTER?

- WHEREAS THE INSURER USES THEIR ADJUSTER TO COMPUTE THE VALUE OF YOUR PROPERTY INSURANCE CLAIM, A PUBLIC ADJUSTER WORKS EXCLUSIVELY FOR THE PROPERTY OWNER AND ADVOCATES FOR THEM. A PUBLIC ADJUSTER IS THE PROPERTY OWNER'S ADJUSTER.



LICENSING REQUIREMENTS

- PUBLIC ADJUSTERS HAVE TO BE LICENSED IN THE STATES IN WHICH THEY OPERATE. A SURETY BOND & BACKGROUND CHECK IS ALSO REQUIRED. STATES REGULATE THE PUBLIC ACJUSTING BUSINESS THROUGH THEIR DEPARTMENT OF INSURANCE.

NO UNAUTHORIZED PRACTICE OF LAW!!

- A PUBLIC ADJUSTER IS NOT AN ATTORNEY, HOWEVER, IN SOME CASES, PUBLIC ADJUSTERS WORK WITH ATTORNEYS. SOMETIMES I HIRE ATTORNEYS, SOMETIMES THEY HIRE ME!!

WHY HIRE MY OWN ADJUSTER?

- THE INSURER'S ADJUSTER WORKS FOR THE INSURER AND TELLS THE PROPERTY OWNER HOW MUCH THEIR CLAIM IS WORTH, THEN FACILITATES PAYMENT. THIS SEEMS LIKE A CONFLICT OF INTEREST. A PUBLIC ADJUSTER WILL DO MANY THINGS TO BENEFIT THE INSURED.



HOW THE PUBLIC ADJUSTER BENEFITS YOU

- EVALUATES INSURANCE COVERAGES
- EVALUATES ADJUSTER ESTIMATES
- ADVISES ON THE ADJUSTER'S ANALYSIS
- WRITES ESTIMATES TO YOUR BENEFIT
- INVOLVES CONTRACTORS AND EXPERTS LIKE ARCHITECTS AND ENGINEERS

BENEFITS CONTINUED

- NEGOTIATES PROPERTY DEPRECIATION AND REPLACEMENT COST SETTLEMENTS
- HELPS DETERMINE COVERAGE
- ANALYZES AND CLAIMS ALL BENEFITS DUE THE PROPERTY OWNER UNDER THE TERMS & CONSIDITONS OF THE APPLICABLE INSURANCE POLICY.

WHAT KIND OF CLAIMS DO P.A.'S HANDLE?

- ANY FIRST PARTY PROPERTY CLAIM, SUCH AS:
 - FIRE
 - WINDSTORM
 - HAIL
 - VANDALISM
 - BURGLARY
- THEFT
- VEHICLE V. BUILDING
- WATER DAMAGE
- EMPLOYEE DISHONESTY
- ANY PROPERTY CLAIM INVOLVING REAL OR PERSONAL PROPERTY. HOMEOWNERS OR COMMERCIAL PROPERTY



TYPES OF PROPERTY HANDLED

- I HANDLE LOSS TO REAL PROPERTY, WHETHER RESIDENTIAL OR COMMERCIAL.
- IT COULD INVOLVE LOSS TO BUILDING, CONTENTS, JEWELRY, FINE ARTS, INVENTORY, MACHINERY, EQUIPMENT, ETC...

BUSINESS INCOME/LOSS OF USE

- COMMERCIAL LOSSES MAY INVOLVE LOSS TO BUSINESS INCOME OR LOSS OF RENTS.
- RESIDENTIAL CLAIMS MAY INVOLVE LOSS OF USE/ADDITIONAL LIVING EXPENSES.

PUBLIC ADJUSTER COMPENSATION

- FIRST DOLLAR DEAL – A CLAIM OCCURS AND THE PUBLIC ADJUSTER IS RETAINED BEFORE MONEY IS PAID BY THE INSURER. THE PUBLIC ADJUSTER TYPICALLY CHARGES A SMALL PERCENTAGE OF THE TOTAL RECOVERY.

PUBLIC ADJUSTER COMPENSATION

- NEW MONEY – A CLAIM OCCURRED PREVIOUSLY AND THE PUBLIC ADJUSTER IS RETAINED TO FIND NEW MONEY, PREVIOUSLY UNKNOWN TO THE PROPERTY OWNER. THE PUBLIC ADJUSTER CHARGES A PERCENTAGE OF FOUND MONEY, TYPICALLY NOT TO EXCEED 10% OF THE TOTAL CLAIM.

COMPENSATION....

- FIRST DOLLAR DEAL – TYPICALLY 10% OF THE RECOVERY. THE BETTER FINANCIAL RECOVERY ACHIEVED BY THE PUBLIC ADJUSTER FAR OUTWEIGHS THE 10%.
- NEW MONEY DEAL – CHARGING 25% OF NEW MONEY NOT TO EXCEED 10% OF THE CLAIM IS A TYPICAL DEAL.

NEW MONEY DEAL...FOUND MONEY!!

- PROPERTY OWNER HAS A FIRE AND IS PAID \$250,000 EIGHT MONTHS EARLIER. THEY HIRE ME TO FIND MONEY. I RECOVER AN ADDITIONAL \$75,000. WITH A 25% NEW MONEY COMPENSATION PLAN, NOT TO EXCEED 10%...THE PUBLIC ADJUSTER GETS \$18,750.

NEW MONEY DEAL COMPENSATION CONTINUED...

- IF THE PUBLIC ADJUSTER RECOVERED \$300,000 OF NEW MONEY, THE PUBLIC ADJUSTER COMPENSATION WOULD BE CAPPED AT 10% OF THE \$550,000 = \$55,000.

WHEN SHOULD A PUBLIC ADJUSTER GET INVOLVED

- AS SOON AS A LOSS OCCURS TO PROPERTY, I SHOULD BE CONTACTED. I CAN COORDINATE FIRE AND WATER RESTORATION SERVICES AS MITIGATING YOUR LOSS IS A POLICY REQUIREMENT. I CAN ALSO BEGIN ADVISING AND STRATEGIZING TO MAXIMIZE YOUR FINANCIAL RECOVERY.

DOESN'T MY AGENT DO WHAT YOU DO?

- NO – I UNDERSTAND THE COVERAGE FORMS AND MY BUSINESS IS TO NEGOTIATE WITH INSURERS PRACTICALLY DAILY. AN AGENT IS TYPICALLY AN AGENT FOR THE INSURANCE COMPANY. I'M NOT. I'M ON THE PROPERTY OWNER'S PAYROLL.

HOW DO I RESOLVE CLAIMS?

- STRATEGIES MAY INVOLVE “APPRAISAL CLAUSE”
- MEDIATION
- LITIGATION/ATTORNEY INVOLVEMENT
- INSURANCE DEPARTMENT
- INVOLVING EXPERTS
- SIMPLY OUTSMARTING THE ADJUSTER

2. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a.** Pay its chosen appraiser; and
 - b.** Bear the other expenses of the appraisal and umpire equally.
- If there is an appraisal, we will still retain our right to deny the claim.

WHAT IS BAD FAITH?

1. Unfair Insurance Claim Settlement Practices are generally defined as "if the Insurer knowingly commits or performs with such frequency as to indicate a general business practice" according to the following:
 1. Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;
 2. Failing to acknowledge and act with reasonable promptness upon communications with respect to claims arising under insurance policies;
 3. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies;
 4. Refusing to pay claims without conducting a reasonable investigation based upon all available information;
 5. Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed;
 6. Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;
 7. Compelling insureds to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insureds;

BAD FAITH CONTINUED....

8. Attempting to settle a claim for less than the amount to which a reasonable man would have believed he was entitled by reference to written or printed advertising material accompanying or made part of an application;
9. Attempting to settle claims on the basis of an application which was altered without notice to, or knowledge or consent of the insured;
10. Making claims payments to insureds or beneficiaries not accompanied by statements setting forth the coverage under which the payments are being made;
11. Making known to insureds or claimants a policy of appealing from arbitration awards in favor of insureds or claimants for the purpose of compelling them to accept settlements or compromises less than the amount awarded in arbitration;
12. Delaying the investigation or payment of claims by requiring an insured, claimant, or the physician of either to submit a preliminary claim report and then requiring the subsequent submission of formal proof of loss forms, both of which submissions contain substantially the same information;
13. Failing to promptly settle claims, where liability has become reasonably clear, under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage;
14. Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement;
15. Using as a basis for cash settlement with a first party automobile insurance claimant an amount which is less than the amount which the insurer would pay if repairs were made unless such amount is agreed to by the insured or provided for by the insurance policy.

WHO I'VE HELPED...

- OFFICE/WAREHOUSE FIRE. CAUSE & ORIGIN – LIGHTNING. INSURER – WESTFIELD. TOTAL LOSS TO OFFICE/WAREHOUSE FACILITY EXHAUSTED POLICY LIMITS OF APPROXIMATELY \$750,000 FOR BUILDING & CONTENTS. I NEGOTIATED DEPRECIATION DOWN SIGNIFICANTLY AND FOUND COVERAGE UNKNOWN TO THE ADJUSTER, AGENT & CLAIMANT. THIS RESULTED IN FOUND MONEY TO THE CLAIMANT OF APPROXIMATELY \$250,000. MY FEE WAS APPROXIMATELY \$36,000.



WHO I'VE HELPED...

- GOODWILL INDUSTRIES OF SOUTHERN INDIANA FIRE LOSS. CAUSE & ORIGIN – HOMELESS BURNING MATTRESS TO STAY WARM. I WAS HIRED BY AN ATTORNEY FOR THE CLAIMANT TO NAVIGATE COMPLICATED CONTENTS ISSUES INVOLVING VALUATION OF DONATED STOCK, BUILDING COVERAGE INVOLVING ISSUES LIKE CODE UPGRADE, VALUATION & DEPRECIATION AS WELL AS LOSS OF INCOME. THIS CLAIM INVOLVES A RECOVERY OF OVER \$3,000,000



CONTINUED...

HURRICANE WILMA CLAIM. INITIAL CLAIM APPROXIMATELY \$47,000,000. \$7,000,000 DEDUCTIBLE. BANKRUPT INSURER TAKEN OVER BY FLORIDA GUARANTY FUND. I WAS HIRED THROUGH LEGAL COUNSEL FOR CONDO. ASSOCIATION AND WE RECOVERED SOME \$5,500,000 OF NEW MONEY INVOLVING MANY OF THE 254 BUILDINGS AND 8,500 + UNITS..

CONTINUED...

- FLORIDA HI-RISE OCEANSIDE CONDO COMPLEX DAMAGED BY HURRICANE WILMA. RECOVERED AN ADDITIONAL \$1,800,000 + BRINING TOTAL CLAIM SETTLEMENT TO SOME \$14,000,000. CLAIM INVOLVED BANKRUPT INSURER AND FLORIDA INSURANCE GUARANTY ASSOCIATION.

CONTINUED...

- WAREHOUSE WIND DAMAGE. CAUSE & ORIGIN – HURRICANE IKE. ROOF DAMAGED WITH SIGNIFICANT INTERIOR WATER DAMAGE. I WAS HIRED ON A NEW MONEY DEAL AND NEGOTIATED THE CLAIM FROM APPROXIMATELY \$19,000 TO \$144,000.



CONTINUED...

AN INSURANCE AGENT SUFFERED A THEFT LOSS INVOLVING THEATRE SCREENING ROOM AUDIO VISUAL EQUIPMENT & OTHER ITEMS. HE WAS UNABLE TO RECOVER FROM INSURANCE & HIRED ME. I SETTLED THE CLAIM TO HIS SATISFACTION FOR APPROXIMATELY \$21,000.

CONTINUED...

- AN INSURANCE ADJUSTER SUFFERED A MAJOR WATER LOSS AT HIS HOME. THE INITIAL ADJUSTER ESTIMATED DAMAGES AT \$10,000. I WAS HIRED ALMOST TWO YEARS INTO THE CLAIM AND IT RECENTLY SETTLED FOR ALMOST \$250,000.





CONTINUED...

- HISTORIC CHURCH, CONVERTED TO OFFICE SPACE SUFFERED MAJOR WATER DAMAGE DUE TO FROZEN PIPE. I WAS HIRED AT ONSET OF CLAIM AND OVERCAME VACANCY EXCLUSION. IN EXCESS OF \$232,000 HAS BEEN PAID AND ADDITIONAL MONEY WILL BE NEGOTIATED AT “APPRAISAL”.

HURRICANE KATRINA & RITA - 2005

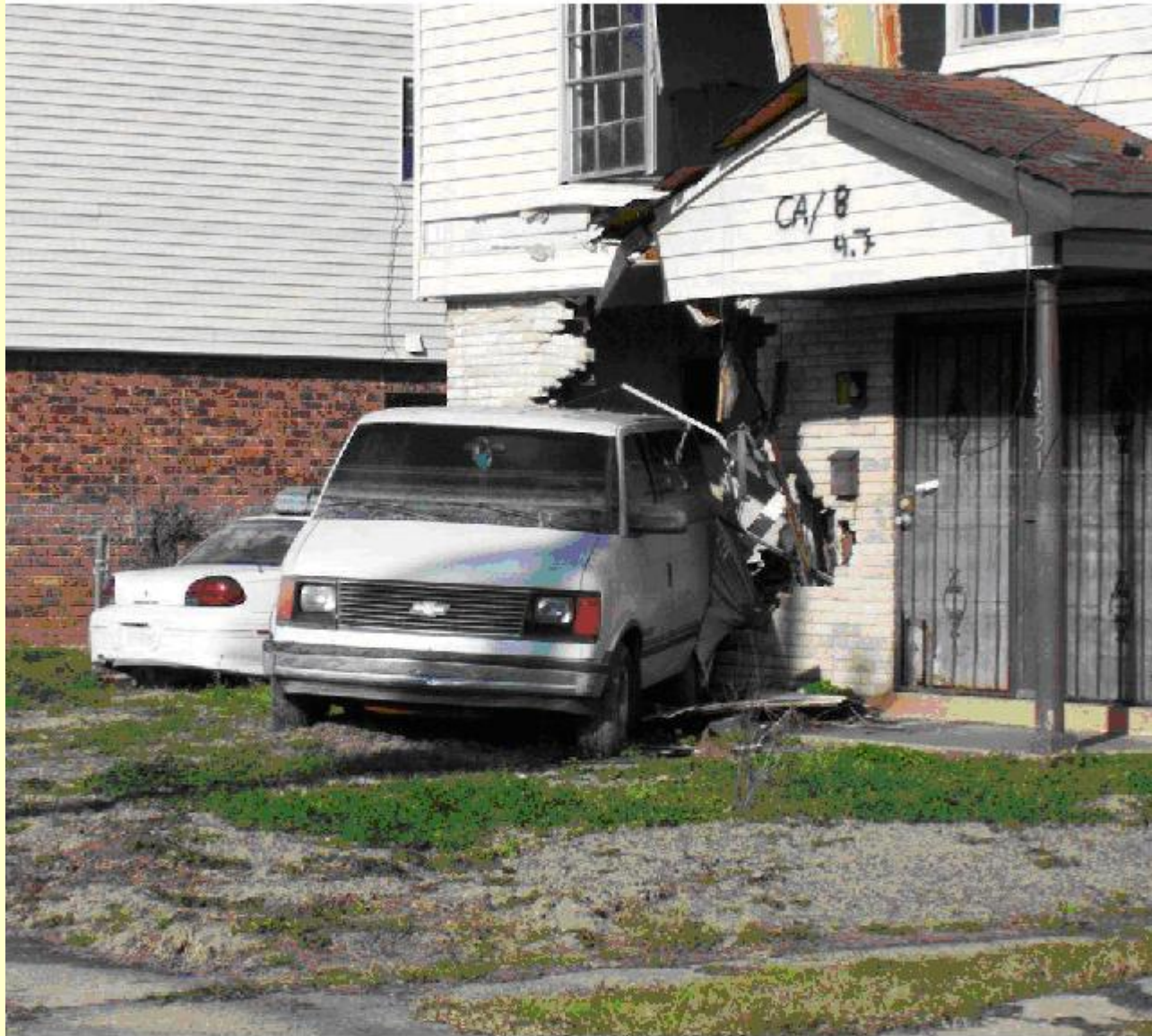
- IN THE FALL OF 2005, THE GULF COAST WAS DEVASTED BY HURRICANE'S KATRINA AND RITA. TENS OF BILLIONS OF DOLLARS IN DAMAGE WERE INCURRED AND MANY LIVES LOST.
- I WORKED SOME 500 + CLAIMS STARTING 6 WEEKS AFTER HURRICANE KATRINA HIT NEW ORLEANS. BEFORE THE CITY OF NEW ORLEANS WAS RE-OPENED, I WAS ON THE GROUND WORKING CLAIMS.

KATRINA & RITA...

- MUCH OF MY WORK WAS DONE ON BEHALF OF INSURANCE COMPANIES. WHILE INVOLVED IN THE AMERICAN ARBITRATION ASSOCIATION'S COORDINATED PROGRAM TO MEDIATE CLAIMS THROUGH A LOUISIANA DEPT. OF INSURANCE HURRICANE MEDIATION PROGRAM, I DISCOVERED THE PUBLIC ADJUSTING BUSINESS. I STOPPED REPRESENTING INSURANCE CARRIERS AND STARTED REPRESENTING PROPERTY OWNERS.





























BASIC INSURANCE COVERAGE ISSUES

CRASH COURSE.....

TRY NOT TO FALL A SLEEP!!



1. Building – The Building or Structure Described in the Declarations including:

- a. Completed additions**
- b. Fixtures, including outdoor fixtures and equipment**
- c. Permanently installed machinery and equipment**
- d. Personal Property owned by the insured that is used in the maintenance or service of the building or its premises including:**
 - (1) Fire extinguishing equipment**
 - (2) Outdoor furniture**
 - (3) Floor coverings**
 - (4) Appliances**
- e. If not covered by other insurance:**
 - (1) Additions under construction**
 - (2) Materials, equipment, supplies**

D. Property Not Covered

1. Accounts, bills, currency ...
2. Animals
3. Automobiles held for sale
4. Bridges, roadways, walks, patios or other paved surfaces
5. Contraband
6. Cost of excavations, gradings, backfilling ...
7. Foundations of buildings if
8. Land
9. Personal property while airborne or waterborne
10. Bulkheads, pilings, piers, wharves or docks
11. Property covered under another form
12. Retaining walls not a part of building
13. Underground pipes, flues, or drains
14. Electronic data
15. Cost to research or restore valuable papers
16. Vehicles or self propelled machines – except
 - a. Vehicles you manufacture, process or warehouse
 - b. Vehicles you hold for sale – other than automobiles
 - c. Rowboats or canoes out of the water at premises described
 - d. Trailers

A. Covered Cause of Loss - Risk of Direct Physical Loss or Damage Unless Otherwise Excluded or Limited

Note: Windstorm, Vandalism, Sprinkler Leakage, Theft, and Watercraft MAY BE EXCLUDED BY ENDORSEMENT

B. Exclusions

1. No coverage for loss or damage caused directly or indirectly, regardless of other causes for:

- a. Ordinance or Law (Same as CP 10 10 & CP 10 20)**
 - **Ordinance or Law Endorsement (CP 04 0)**
- b. Earth Movement (Same as CP 10 10 & CP 10 20)**
 - **Causes of Loss - Earthquake Form (CP 10 40)**
- c. Governmental Action (Same as CP 10 10 & CP 10 20)**
- d. Nuclear Hazard (Same as CP 10 10 & CP 10 20)**
 - **Radioactive Contamination (CP 10 37)**
- e. Utility Services (Same as CP 10 10 & CP 10 20)**
 - **Off Premises Services - Direct Damage (CP 04 17)**
 - **Spoilage Coverage (CP 04 40)**
- f. War and Military Action (Same as CP 10 10 & CP 10 20)**
- g. Water (Same as CP 10 10 & CP 10 20)**
- h. "Fungus", Wet Rot, Dry Rot and Bacteria (same as CP 10 10 & CP 10 20)**

- 2. No coverage for loss or damage caused by or resulting from any of the following:**
- a. Artificially generated electrical current, except for ensuing fire**
 - b. Delay, loss of use or loss of market**
 - c. Smoke, vapor or gas from agricultural smudging or industrial operations**
 - d. “Special” exclusions limited to the Special Causes of Loss:**
 - (1) Wear & tear**
 - (2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect**
 - (3) Smog**
 - (4) Settling, cracking, shrinking or expansion**
 - (5) Insects, birds, rodents or other animals**
 - (6) Mechanical breakdown, including rupture or bursting caused by centrifugal force - except for loss resulting from elevator collision**
 - (7) To personal property caused by:**
 - (a) Dampness or dryness of atmosphere**
 - (b) Changes in or extremes of temperature**
 - (c) Marring or scratching**
 - e. Steam boiler and machinery risks**
 - f. Seepage or leakage for 14 days or more**
 - g. Freezing of plumbing, heating or air conditioning equipment**

- h. Dishonest or criminal acts of the insured, employees, directors or trustees**
- i. False pretense - trick or scheme**
- j. Rain, snow, ice or sleet to personal property in the open**
- k. Collapse - except as covered in “Additional Coverage Collapse”**
- l. Pollution - will pay for resulting “specified causes of loss,” and will pay for pollution caused by a “specified cause of loss”**
- m. Neglect of the insured ----**

3. Additional exclusions (concurrent causation's)

- a. Weather conditions**
- b. Acts or decisions - including failure to act or decide**
- c. Faulty, inadequate or defective**
 - (1) Planning, zoning, development, surveying, siting**
 - (2) Design, specifications, workmanship, repair, etc**
 - (3) Materials used in repair, construction, renovation**
 - (4) Maintenance**

A. Ordinance or Law (CP 04 05)

- 1. Coverage may be obtained for the following types of losses which are not directly caused by a Covered Cause of Loss, but are a consequence of a Covered Cause of Loss. These types of losses result from enforcement of laws or ordinances, which do not permit restoring property insured covered under the building item(s) to the same condition as existed prior to damage. These types of losses may result from:**
 - a. Loss of value of an undamaged portion of existing property**
 - b. Costs of demolition of the undamaged portion of the property**
 - c. Increased expenses to:**
 - (1) Replace the property so as to comply with current building, zoning, or land use laws or ordinances**
 - (2) Repair the damaged property so as to comply with current building, zoning, or land use laws or ordinances**

ORDINANCE OR LAW COVERAGE

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE*

Bldg. No./ Prem. No.	Cov. A	Cov. B Limit Of Insur.	Cov. C Limit Of Insur.	Cov. B And C Combined Limit Of Insur.
/	<input type="checkbox"/>	\$	\$	\$ **
/	<input type="checkbox"/>	\$	\$	\$ **
/	<input type="checkbox"/>	\$	\$	\$ **

*Information required to complete the Schedule, if not shown on this endorsement, will be shown in the Declarations.

Do **not enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverage B and C, or if one of these Coverages is not applicable.

A. Each Coverage – Coverage A, Coverage B and Coverage C – is provided under this endorsement only if that Coverage(s) is chosen by entry in the above Schedule and then only with respect to the building identified for that Coverage(s) in the Schedule.

B. Application Of Coverage(s)

The Coverage(s) provided by this endorsement apply only if both **B.1.** and **B.2.** are satisfied and are then subject to the qualifications set forth in **B.3.**

1. The ordinance or law:

- a. Regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
- b. Is in force at the time of loss.

But coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.

- 2.a. The building sustains direct physical damage that is covered under this policy and such damage results in enforcement of the ordinance or law; or
- b. The building sustains both direct physical damage that is covered under this policy and direct physical damage that is not covered under this policy, and the building damage in its entirety results in enforcement of the ordinance or law.
- c. But if the building sustains direct physical damage that is not covered under this policy, and such damage is the subject of the ordinance or law, then there is no coverage under this endorsement even if the building has also sustained covered direct physical damage.

3. In the situation described in **B.2.b.** above, we will not pay the full amount of loss otherwise payable under the terms of Coverages A, B, and/or C of this endorsement. Instead, we will pay a proportion of such loss; meaning the proportion that the covered direct physical damage bears to the total direct physical damage.

(Section H. of this endorsement provides an example of this procedure.)

However, if the covered direct physical damage, alone, would have resulted in enforcement of the ordinance or law, then we will pay the full amount of loss otherwise payable under the terms of Coverages A, B and/or C of this endorsement.

C. We will not pay under Coverage A, B or C of this endorsement for:

1. Enforcement of any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
2. The costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.

D. Coverage

1. Coverage A – Coverage For Loss To The Undamaged Portion Of The Building

With respect to the building that has sustained covered direct physical damage, we will pay under Coverage A for the loss in value of the undamaged portion of the building as a consequence of enforcement of an ordinance or law that requires demolition of undamaged parts of the same building.

Coverage A is included within the Limit of Insurance shown in the Declarations as applicable to the covered building. Coverage A does not increase the Limit of Insurance.

2. Coverage B – Demolition Cost Coverage

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building, as a consequence of enforcement of an ordinance or law that requires demolition of such undamaged property.

The Coinsurance Additional Condition does not apply to Demolition Cost Coverage.

3. Coverage C – Increased Cost Of Construction Coverage

a. With respect to the building that has sustained covered direct physical damage, we will pay the increased cost to:

- (1) Repair or reconstruct damaged portions of that building; and/or
- (2) Reconstruct or remodel undamaged portions of that building, whether or not demolition is required;

when the increased cost is a consequence of enforcement of the minimum requirements of the ordinance or law.

However:

- (1) This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.
- (2) We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

The Coinsurance Additional Condition does not apply to Increased Cost of Construction Coverage.

b. When a building is damaged or destroyed and Coverage C applies to that building in accordance with 3.a. above, coverage for the increased cost of construction also applies to repair or reconstruction of the following, subject to the same conditions stated in 3.a.:

- (1) The cost of excavations, grading, backfilling and filling;
- (2) Foundation of the building;
- (3) Piling; and

A. Business Income

1. Net Income (Profit or Loss before taxes)
2. Would have been earned
3. Continuing normal operating expenses
4. Includes payroll
 - So let's put you back into a place as though you're loss has never happened!
5. Must be a direct physical loss
6. Must be from a covered cause of loss
 - The cause of loss from you bought determines the coverage trigger for Loss of Business Income and Extra Expense!
7. Loss and damage to property must be at the premises described in the declarations page

1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to property at premises which are described in the Declarations and for which a Business Income Limit of Insurance is shown in the Declarations. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

B. Suspension

- Things don't have to come to a screeching halt in order to have a suspension!
- Could just be a slowdown!
- If Rental Value applies, part or all is rendered untenable

6. "Suspension" means:

- a. The slowdown or cessation of your business activities; or
- b. That a part or all of the described premises is rendered untenable, if coverage for Business Income including "Rental Value" or "Rental Value" applies.

C. Period of Restoration

1. For **Business Income**, the Period of Restoration begins **72 hrs after** the direct physical loss to your property. In other words, the policy contains a 72 hour deductible.
2. For **Extra Expense**, the Period of Restoration begins **immediately** after the direct physical loss to your property.
 - a. There is no time deductible!
 - b. We want to help you get back in business as fast as possible
3. **Period of Restoration ends when**
 - a. Property *should be* repaired or relocated
 - b. The date when the business is resumed at a new permanent location
 - c. Policy expiration will not limit the Period of Restoration
 - d. Period of Restoration does not include extra time required due to building laws (ordinance or law) or pollution cleanup

3. "Period of Restoration" means the period of time that:

a. Begins:

- (1) 72 hours after the time of direct physical loss or damage for Business Income Coverage; or
- (2) Immediately after the time of direct physical loss or damage for Extra Expense Coverage;

caused by or resulting from any Covered Cause of Loss at the described premises; and

b. Ends on the earlier of:

- (1) The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or

- (2) The date when business is resumed at a new permanent location.

"Period of restoration" does not include any increased period required due to the enforcement of any ordinance or law that:

- (1) Regulates the construction, use or repair, or requires the tearing down of any property; or
- (2) Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

The expiration date of this policy will not cut short the "period of restoration".

D. Rental Value – What does this include?

1. Anticipated rental income from tenant's
2. Other charges which would have been the legal obligation of the tenant.

Example: The lease requires the tenant to pay utilities, taxes, snow removal, etc.

3. Fair Rental Value of portion occupied by insured

5. "Rental Value" means Business Income that consists of:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred as rental income from tenant occupancy of the premises described in the Declarations as furnished and equipped by you, including fair rental value of any portion of the described premises which is occupied by you; and

- b. Continuing normal operating expenses incurred in connection with that premises, including:

(1) Payroll; and

- (2) The amount of charges which are the legal obligation of the tenant(s) but would otherwise be your obligations.

D. Utility Services - Time Element (CP 15 45)

1. Covers loss when Utility Services to an insured premises are interrupted by a covered cause of loss at the site where the utility owned equipment is located.
 - Loss must occur to property of the supplier and not on the insured premises.
 - Must be Direct Physical loss AND a Covered Cause of Loss

You must choose what type of utility interruption to insure for:

2. Water Supply
3. Communication Supply - Including or Not including overhead transmission lines
4. Power Supply – Including or Not including overhead transmission lines
6. Coinsurance does not apply
7. Covers both Business Income and Extra Expense
8. Does not cover loss to electronic data
9. Coinsurance does not apply
10. The limit of insurance shown on the endorsement is all that's available

ORDINANCE OR LAW – INCREASED PERIOD OF RESTORATION

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM
EXTRA EXPENSE COVERAGE FORM

- A. If a Covered Cause of Loss occurs to property at the premises described in the Declarations, coverage is extended to include the amount of actual and necessary loss you sustain during the increased period of "suspension" of "operations" caused by or resulting from the enforcement of any ordinance or law that:

1. Regulates the construction or repair of any property;
2. Requires the tearing down of parts of any property not damaged by a Covered Cause of Loss; and
3. Is in force at the time of loss.

However, coverage is not extended under this endorsement to include loss caused by or resulting from the enforcement of any ordinance or law which requires:

1. The demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
2. Any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.

- B. The **Period of Restoration** definition is replaced by the following:

3. "Period of Restoration" means the period of time that:
 - a. Begins:

- (1) 72 hours after the time of direct physical loss or damage for Business Income coverage; or

- (2) Immediately after the time of direct physical loss or damage for Extra Expense coverage;

caused by or resulting from any Covered Cause of Loss at the described premises; and

- b. Ends on the earlier of:

- (1) The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or

- (2) The date when business is resumed at a new permanent location.

"Period of restoration" includes any increased period required to repair or reconstruct the property to comply with the minimum standards of any ordinance or law, in force at the time of loss, that regulates the construction or repair, or requires the tearing down of any property.

The expiration date of this policy will not cut short the "period of restoration".

- C. The following definition is added:

"Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

This endorsement changes the policy. Please read it carefully.

Civil Authority Change(s)

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM
EXTRA EXPENSE COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Schedule Part A Coverage Period (Number Of Days)	Schedule Part B Radius (Number Of Miles)
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

A. Coverage Period

Under the Additional Coverage – Civil Authority, the four-week coverage period is replaced by the number of days indicated in Part A of the Schedule, subject to all other provisions of that Additional Coverage. If there is no entry in Part A of the Schedule, the four-week coverage period continues to apply, subject to all other provisions of the Additional Coverage – Civil Authority.

B. Radius

The Additional Coverage – Civil Authority includes a requirement that the described premises are not more than one mile from the damaged property. Such one-mile radius is replaced by the number of miles indicated in Part B of the Schedule, subject to all other provisions of that Additional Coverage. If there is no entry in Part B of the Schedule, the one-mile radius continues to apply, subject to all other provisions of the Additional Coverage – Civil Authority.

C. The coverage provided under this endorsement does not increase the applicable Limit of Insurance.

3. Duties In The Event Of Loss Or Damage

a. You must see that the following are done in the event of loss or damage to Covered Property:

- (1)** Notify the police if a law may have been broken.
- (2)** Give us prompt notice of the loss or damage. Include a description of the property involved.
- (3)** As soon as possible, give us a description of how, when and where the loss or damage occurred.
- (4)** Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5)** At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- (6)** As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (7)** Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (8)** Cooperate with us in the investigation or settlement of the claim.

b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

4. Loss Payment

- a.** In the event of loss or damage covered by this Coverage Form, at our option, we will either:

- (1)** Pay the value of lost or damaged property;
- (2)** Pay the cost of repairing or replacing the lost or damaged property, subject to **b.** below;
- (3)** Take all or any part of the property at an agreed or appraised value; or
- (4)** Repair, rebuild or replace the property with other property of like kind and quality, subject to **b.** below.

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or supersedes the Valuation Condition.

- b.** The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.
- c.** We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- d.** We will not pay you more than your financial interest in the Covered Property.
- e.** We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- f.** We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- g.** We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:
- (1)** We have reached agreement with you on the amount of loss; or
 - (2)** An appraisal award has been made.

D. Coinsurance

1. Definition – a mechanism where the insurer agrees to give the insured a reduced rate IF the insured carries a specific percent of insurance to value of the property.

2. Explanation and examples

a. If insured does not carry an amount of insurance sufficient to satisfy the amount of insurance needed, the following formula will be applied to the loss:

$$\frac{\text{AMOUNT OF INSURANCE CARRIED}}{\text{AMOUNT OF INSURANCE SHOULD CARRY}} \times \text{LOSS} = \text{PMT}$$

Value of building at the time of loss = \$500,000

Amount of insurance carried = \$300,000

Coinsurance clause bought = 80 %

Amount of loss = \$200,000

$$\frac{\$300,000}{\$400,000} \times \$200,000 = \$150,000$$

b. Advantages of coinsurance

(1) To the insured – Lower rate per \$100 of insurance bought

(2) To the insurer – Proper premium for risk taken

c. Coinsurance options – 80 %, 90 %, and 100 %

d. Coinsurance Realities

(1) Difficult to compute “Should Carry”

F. Additional Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

1. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

- a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

- (1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;
- (2) Divide the Limit of Insurance of the property by the figure determined in Step (1);
- (3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in Step (2); and
- (4) Subtract the deductible from the figure determined in Step (3).

We will pay the amount determined in Step (4) or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

When:	The value of the property is	\$ 250,000
	The Coinsurance percentage for it is	80%
	The Limit of Insurance for it is	\$ 100,000
	The Deductible is	\$ 250
	The amount of loss is	\$ 40,000

Step (1): $\$250,000 \times 80\% = \$200,000$
(the minimum amount of insurance to meet your Coinsurance requirements)

Step (2): $\$100,000 \div \$200,000 = .50$

Step (3): $\$40,000 \times .50 = \$20,000$

Step (4): $\$20,000 - \$250 = \$19,750$

We will pay no more than \$19,750. The remaining \$20,250 is not covered.

7. Valuation

We will determine the value of Covered Property in the event of loss or damage as follows:

a. At actual cash value as of the time of loss or damage, except as provided in **b.**, **c.**, **d.** and **e.** below.

b. If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.

The cost of building repairs or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property. However, the following property will be valued at the actual cash value even when attached to the building:

(1) Awnings or floor coverings;

(2) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or

(3) Outdoor equipment or furniture.

c. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had

d. Glass at the cost of replacement with safety glazing material if required by law.

e. Tenants' Improvements and Betterments at:

(1) Actual cash value of the lost or damaged property if you make repairs promptly.

(2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:

(a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and

(b) Divide the amount determined in **(a)** above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

(3) Nothing if others pay for repairs or replacement.

6. Vacancy

a. Description Of Terms

- (1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1)(a) and (1)(b) below:
 - (a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.
 - (b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:
 - (i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or
 - (ii) Used by the building owner to conduct customary operations.
- (2) Buildings under construction or renovation are not considered vacant.

b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

- (1) We will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:
 - (a) Vandalism;
 - (b) Sprinkler leakage, unless you have protected the system against freezing;
 - (c) Building glass breakage;

PROTECTIVE SAFEGUARDS

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
FARM COVERAGE PART

SCHEDULE*

Prem. No.	Bldg. No.	Protective Safeguards Symbols Applicable
Describe any "P-9":		
* Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.		

PROTECTIVE SAFEGUARDS

1. As a condition of this insurance, you are required to maintain the protective devices or services listed in the Schedule above.
2. The protective safeguards to which this endorsement applies are identified by the following symbols:

"P-1" Automatic Sprinkler System, including related supervisory services.

Automatic Sprinkler System means:

- a. Any automatic fire protective or extinguishing system, including connected:
 - (1) Sprinklers and discharge nozzles;
 - (2) Ducts, pipes, valves and fittings;
 - (3) Tanks, their component parts and supports; and
 - (4) Pumps and private fire protection mains.
- b. When supplied from an automatic fire protective system:
 - (1) Non-automatic fire protective systems; and
 - (2) Hydrants, standpipes and outlets.

"P-2" Automatic Fire Alarm, protecting the entire building, that is:

- a. Connected to a central station; or
- b. Reporting to a public or private fire alarm station.

We will not pay for loss or damage caused by or resulting from fire if, prior to the fire, you:

1. Knew of any suspension or impairment in any protective safeguard listed in the Schedule above and failed to notify us of that fact; or
2. Failed to maintain any protective safeguard listed in the Schedule above, and over which you had control, in complete working order.

If part of an Automatic Sprinkler System is shut off due to breakage, leakage, freezing conditions or opening of sprinkler heads, notification to us will not be necessary if you can restore full protection within 48 hours.

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