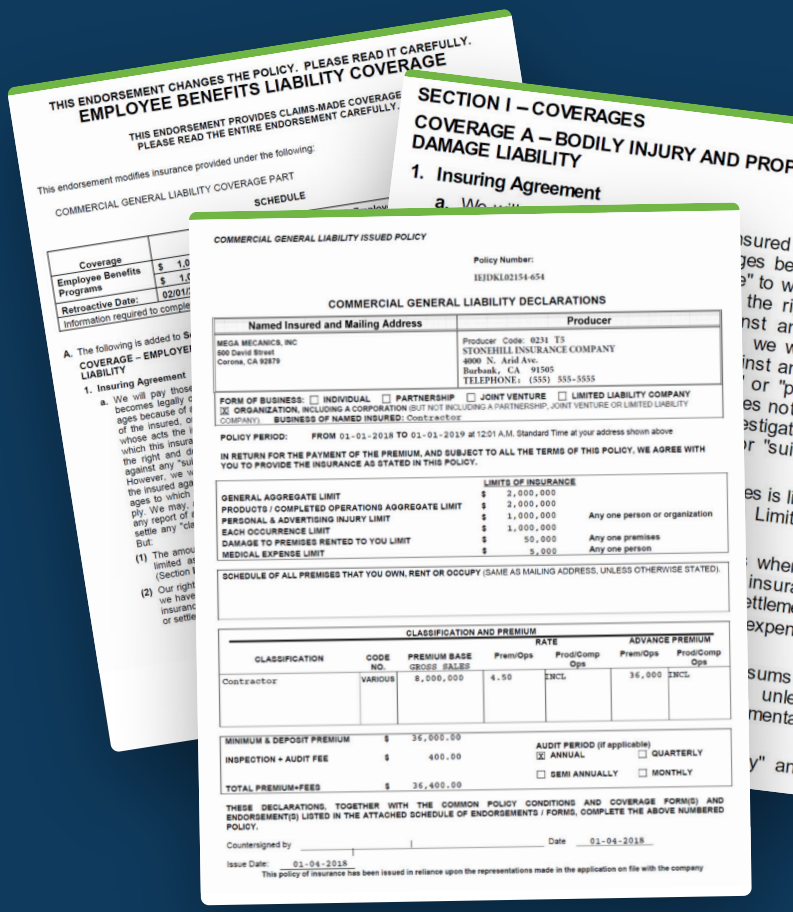
TOTAL CSR

A STEP BY STEP GUIDE FOR AGENTS

How to Read Any Insurance Policy

Is it Covered?

The six parts of every policy, ten steps for reading one, and the questions to ask before you answer a client.



Inside This Guide

01
THE SIX PARTS OF A POLICY

- Every Policy Has Six Parts 3
- Part 1: Declarations Page 4
- Part 2: Insuring Agreements 5
- Part 3: Definitions 7
- Part 4: Exclusions 8
- Part 5: Conditions 10
- Part 6: Endorsements 11

02
TEN STEPS TO DETERMINE COVERAGE

- Steps 1 to 5: Start With the Basics 12
- Steps 6 and 7: References and Grammar 13
- Step 8: Key Words That Change Coverage 14
- Steps 8 to 10: Definitions and Conditions 15

03
BEFORE YOU ANSWER

- Questions to Ask Before You Answer a Client 16

Start With the Policy Structure

When it comes to an insurance policy, reading it and understanding it are two very different things. Most insurance policies contain complex terminology and a word count that will make your head spin.

When your client comes to you with a hypothetical question of whether their insurance policy covers a certain type of loss, don't be like most agents who tend to shy away from answering the question, or worse yet, shoot from the hip with their best guess.

> A more effective approach is to actually sit down and read the policy. But where do you begin?
>
> **The first step is to understand the basic structure of an insurance policy.**

THE STRUCTURE

Every Insurance Policy Has Six Parts

1 Page 4

Declarations

The declarations page summarizes key information specific to the policy.

2 Page 5

Insuring Agreements

The insuring agreements clearly spell out and detail the instances that the insurance company has agreed to provide payments for.

3 Page 7

Definitions

Insurance policies contain many common words that have special meanings within the context of insurance.

4 Page 8

Exclusions

Every insurance policy has exclusions or policy provisions that eliminate coverage for specified exposures.

5 Page 10

Conditions

Conditions within an insurance policy qualify the various promises made by the insurance company.

6 Page 11

Endorsements

Endorsements are policy forms that modify the main coverage form.

Each part should serve as a guidepost.

Declarations Page

The declarations page summarizes key information specific to the policy. It is usually the first page of the policy.

FROM THE POLICY

IT SHOWS

- The insured's name and address
- The policy dates
- A brief description of the business
- Coverages provided
- Coverage limits
- Premiums
- The forms applicable to the policy

ITS SCHEDULES IDENTIFY

- The location(s) of the insured's operations
- The various assigned rating classifications
- The rates and rating basis
- Any special property covered by the policy (cameras, fine arts, construction equipment, etc.)

COMMERCIAL GENERAL LIABILITY ISSUED POLICY

Policy Number:
IEJDKL02154-654

COMMERCIAL GENERAL LIABILITY DECLARATIONS

Named Insured and Mailing Address	Producer
MEGA MECANICS, INC 500 David Street Corona, CA 92879	Producer Code: 0231 T5 STONEHILL INSURANCE COMPANY 4000 N. Arid Ave. Burbank, CA 91505 TELEPHONE: (555) 555-5555

FORM OF BUSINESS: ☐ INDIVIDUAL ☐ PARTNERSHIP ☐ JOINT VENTURE ☐ LIMITED LIABILITY COMPANY
☒ ORGANIZATION, INCLUDING A CORPORATION (BUT NOT INCLUDING A PARTNERSHIP, JOINT VENTURE OR LIMITED LIABILITY COMPANY). BUSINESS OF NAMED INSURED: Contractor

POLICY PERIOD: FROM 01-01-2018 TO 01-01-2019 at 12:01 A.M. Standard Time at your address shown above

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

	LIMITS OF INSURANCE	
GENERAL AGGREGATE LIMIT	$ 2,000,000	
PRODUCTS / COMPLETED OPERATIONS AGGREGATE LIMIT	$ 2,000,000	
PERSONAL & ADVERTISING INJURY LIMIT	$ 1,000,000	Any one person or organization
EACH OCCURRENCE LIMIT	$ 1,000,000	
DAMAGE TO PREMISES RENTED TO YOU LIMIT	$ 50,000	Any one premises
MEDICAL EXPENSE LIMIT	$ 5,000	Any one person

SCHEDULE OF ALL PREMISES THAT YOU OWN, RENT OR OCCUPY (SAME AS MAILING ADDRESS, UNLESS OTHERWISE STATED).

CLASSIFICATION AND PREMIUM

CLASSIFICATION	CODE NO.	PREMIUM BASE GROSS SALES	RATE Prem/Ops	RATE Prod/Comp Ops	ADVANCE PREMIUM Prem/Ops	ADVANCE PREMIUM Prod/Comp Ops
Contractor	VARIOUS	8,000,000	4.50	INCL	36,000	INCL

MINIMUM & DEPOSIT PREMIUM	$	36,000.00
INSPECTION + AUDIT FEE	$	400.00
TOTAL PREMIUM+FEES	$	36,400.00

AUDIT PERIOD (if applicable)
☒ ANNUAL ☐ QUARTERLY
☐ SEMI ANNUALLY ☐ MONTHLY

THESE DECLARATIONS, TOGETHER WITH THE COMMON POLICY CONDITIONS AND COVERAGE FORM(S) AND ENDORSEMENT(S) LISTED IN THE ATTACHED SCHEDULE OF ENDORSEMENTS / FORMS, COMPLETE THE ABOVE NUMBERED POLICY.

Countersigned by _____ Date 01-04-2018

Issue Date: 01-04-2018

This policy of insurance has been issued in reliance upon the representations made in the application on file with the company

Insuring Agreements

The insuring agreements clearly spell out and detail the instances that the insurance company has agreed to provide payments for. In addition, they detail what the insurance company is willing to provide in exchange for the premium.

KEEP IN MIND

- Usually, the policy contains a section clearly marked “insuring agreements,” although there may be additional agreements in the policy that are not as obvious.
- The policy may label an insuring agreement as a coverage, and many policies include more than one coverage.

FROM THE POLICY

SECTION I – COVERAGES

COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in Section **III** – Limits Of Insurance; and

(2) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages **A** or **B** or medical expenses under Coverage **C.**

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages **A** and **B.**

b. This insurance applies to "bodily injury" and "property damage" only if:

(1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";

Insuring Agreements Continued

For example, a commercial general liability policy may provide:

Coverage A
Bodily Injury and Property Damage

Coverage B
Personal and Advertising Injury

Coverage C
Medical Payments

Some policies, such as commercial general liability, contain separate insuring agreements for each coverage area. Insuring agreements can also be referred to as supplemental, additional, or extended coverages.

> **The insuring agreement begins by stating what it covers and then proceeds to restrict, limit, and exclude coverages.**

RESEARCH THESE DEFINITIONS

As you read the policy, you must research the definitions of these terms to determine if the policy will cover the incident and for which parties:

- “insured”
- “loss”
- “claim”
- “policy period”
- “wrongful act”

READ THE WHOLE POLICY

You cannot simply read the insuring agreements to understand the coverage. Read the entire policy and refer back to the various insuring agreements and other provisions to understand the coverages and limitations.

Definitions

Insurance policies contain many common words that have special meanings within the context of insurance.

HOW TO SPOT THEM

- The policy usually identifies these words by bold print or quotation marks.
- Most policies contain a section entitled “Definitions,” where they explain the special meaning of the designated words.

Since definitions may contribute to restricting or limiting coverage, read definitions carefully and seek clarification from an underwriter whenever a definition is unclear.

FROM THE POLICY

SECTION V – DEFINITIONS

1. "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters. For the purposes of this definition:
   a. Notices that are published include material placed on the Internet or on similar electronic means of communication; and
   b. Regarding web sites, only that part of a web site that is about your goods, products or services for the purposes of attracting customers or supporters is considered an advertisement.
2. "Auto" means:
   a. A land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment; or
   b. 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.

Exclusions

Every insurance policy has exclusions or policy provisions that eliminate coverage for specified exposures. Exclusions serve as a way to clarify the coverages granted by the policy.

KEEP IN MIND

- Most policies have a section entitled “Exclusions.” However, an exclusionary provision can be located anywhere in the policy.
- An exclusion may also contain a broadening provision, as in these examples.

COMMERCIAL GENERAL LIABILITY

The Aircraft, Auto, or Watercraft Exclusion eliminates coverage for the ownership, maintenance, use, or entrustment of these vehicles or vessels.

However, the exclusion has five exceptions where the policy covers watercraft, such as while ashore on the insured’s premises and for certain non-owned watercraft.

DIRECTORS’ AND OFFICERS’ LIABILITY

A contractual exclusion can also serve as a broadening provision when it indicates that the exclusion does not apply to an employment practices claim.

Always read the policy carefully and note the provisions that apply to your insured.

FROM THE POLICY

2. Exclusions

This insurance does not apply to:

a. Expected Or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

Exclusions Continued

FROM THE POLICY

b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) That the insured would have in the absence of the contract or agreement; or

(2) Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorneys' fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage", provided:

(a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and

(b) Such attorneys' fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

Conditions

Conditions within an insurance policy qualify the various promises made by the insurance company. The insurer does not promise to cover all losses.

THE COMPANY WILL IMPOSE CONDITIONS ON THE INSURED, SUCH AS

- Premium payment
- Duties to follow after a loss
- Paying and providing other services only if the insured event occurs and the insured has fulfilled its contractual obligations

Review the policy to identify the conditions that the organization must follow.

Should your insured fail to meet their obligations, their policy could become void or otherwise restricted.

FROM THE POLICY

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS

1. Bankruptcy

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.

2. Duties In The Event Of Occurrence, Offense, Claim Or Suit

a. You must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:

(1) How, when and where the "occurrence" or offense took place;

(2) The names and addresses of any injured persons and witnesses; and

Endorsements

Most policies also contain endorsements. Endorsements are policy forms that modify the main coverage form.

AN ENDORSEMENT CAN

Add coverage

For example, adding employee benefits liability.

Modify coverage

By revising a definition, such as providing coverage for non-monetary claims.

Restrict or exclude coverage

Such as an endorsement that excludes claims from pending and prior litigation.

FROM THE POLICY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EMPLOYEE BENEFITS LIABILITY COVERAGE

**THIS ENDORSEMENT PROVIDES CLAIMS-MADE COVERAGE.
PLEASE READ THE ENTIRE ENDORSEMENT CAREFULLY.**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Coverage	Limit Of Insurance	Each Employee Deductible	Premium
Employee Benefits Programs	$ 1,000,000 each employee $ 1,000,000 aggregate	$ 1,000	$ Included
Retroactive Date:	02/01/2018		
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

A. The following is added to **Section I – Coverages:**

COVERAGE – EMPLOYEE BENEFITS LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of any act, error or omission, of the insured, or of any other person for whose acts the insured is legally liable, to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages to which this insurance does not apply. We may, at our discretion, investigate any report of an act, error or omission and settle any "claim" or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in Paragraph **D.** (Section **III** – Limits Of Insurance); and

(2) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgments or settlements.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments.

b. This insurance applies to damages only if:

(1) The act, error or omission, is negligently committed in the "administration" of your "employee benefit program";

(2) The act, error or omission, did not take place before the Retroactive Date, if any, shown in the Schedule nor after the end of the policy period; and

(3) A "claim" for damages, because of an act, error or omission, is first made against any insured, in accordance with Paragraph **c.** below, during the policy period or an Extended Reporting Period we provide under Paragraph **F.** of this endorsement.

c. A "claim" seeking damages will be deemed to have been made at the earlier of the following times:

(1) When notice of such "claim" is received and recorded by any insured or by us, whichever comes first; or

Ten Steps to Determine Coverage

Now that you understand the structure of an insurance policy, in addition to the language used throughout the policy, you will want to follow some guidelines that can assist while you read it to determine if coverage exists for a certain type of loss. Let's take a look at some practical steps down below to help get you started:

1

Find out who qualifies as an insured.

If the person or entity suffering or causing the loss, injury, or damage is not an insured, there is no reason to go any further, there is no coverage.

2

Compare the forms and endorsements listed on the declarations page with the forms and endorsements attached

to ensure that the entire policy is available. This includes confirming that the edition dates match.

3

Read the insuring agreement first

to ensure that the loss or occurrence is explicitly listed.

4

After the insuring agreement, read the exclusions.

In most liability and special form property policies, coverage exists unless specifically excluded.

5

Read the exceptions to the exclusions.

Exceptions give coverage back in specific amounts or circumstances. For example, an exception to the commercial general liability policy's watercraft and aircraft exclusion leaves coverage in place for liability assumed by an insured contract.

References and Grammar

6

Anytime the policy refers to another section, read that section immediately.

7

Grammar matters.

Pay close attention to the conjunctions used in a list. “And” is inclusive; “Or” is exclusive. If there is a list of three qualifiers, the use of “and” means that all three must be satisfied. “Or” means that if any of the five apply, coverage is granted or excluded.

FROM THE POLICY

Subject to Paragraph **2.** or **3.** above, whichever applies, the Each Occurrence Limit is the most we will pay for the sum of:

a. Damages under Coverage **A;** and

b. Medical expenses under Coverage **C**

because of all "bodily injury" and "property damage" arising out of any one "occurrence".

Subject to Paragraph **5.** above, the Damage To Premises Rented To You Limit is the most we will pay under Coverage **A** for damages because of "property damage" to any one premises, while rented to you, or in the case of damage by fire, while rented to you or temporarily occupied by you with permission of the owner.

Key Words That Change Coverage

8

There are certain key words that should not be overlooked.

These words and phrases create, delete, or alter coverage and limits. Here are some examples:

a "Unless," "except," "only if..." or "subject to..." each denotes a change in condition, an added requirement or an alternative.

FROM THE POLICY

"Residential project" does not include:

- apartments, assisted living facilities, military housing, military barracks and student housing unless "your work" involves converting apartments, assisted living facilities, military housing, military barracks or student housing into condominiums or cooperatives or into any other type of domicile intended for individual or collective residential ownership; or
- "your work" which was not conducted as part of the conversion operations or related in any way to the conversion operations or included within those conversion operations.

We shall have no duty or obligation to provide or pay for the investigation or defense of any loss, cost, expense, claim or "suit" excluded by this endorsement.

b "However" discounts everything that came before it. This is a qualifying term that creates coverage or condition parameters.

FROM THE POLICY

A. This insurance does not apply to "bodily injury," "property damage," "personal and advertising injury" or "damages" arising out of, related to, caused by, or associated with, in whole or in part, "your work," ownership or financial interest in any building which is converted to "residential property" during the Policy Period set forth in the Declarations. This exclusion applies regardless of whether the conversion was performed by you or on your behalf.

However, this exclusion does not apply to:

1. "Your work" on "residential property" which meets all of the following criteria:
   - **a.** The work has been for repair and/or renovation only;
   - **b.** The work has been performed on an existing structure that already has a Certificate of Occupancy at the time that such operations first commenced; and
   - **c.** The repair and/or renovation work is contracted directly with an individual unit owner or individual home owner.

Key Words, Definitions and Conditions

8

Key words, continued.

c

“Must” and “regardless” are terms used when there is no alternative and surrounding circumstances are of no consideration in meeting the requirement.

FROM THE POLICY

2. Duties In The Event Of Occurrence, Offense, Claim Or Suit

a. You must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:

(1) How, when and where the "occurrence" or offense took place;

(2) The names and addresses of any injured persons and witnesses; and

9

Definitions can limit or explain the extent of coverage.

Take a few extra minutes to understand the definitions of specifically defined terms.

10

Failure to meet policy conditions can result in a denial of coverage.

As such, it is important to confirm that your client has met all policy conditions.

Questions to Ask Before You Answer

Armed with basic policy structure knowledge and the guidelines above, ask yourself the following questions in the context of the claims issue of which your insured is asking.

CHECK EACH ONE

- [ ] Does the insuring agreement cover the expected claim?
- [ ] Is there any exclusion or other provision that eliminates or restricts coverage?
- [ ] Are there any exclusion exceptions that restore coverage?
- [ ] What policy conditions must your client comply with?
- [ ] If the loss is covered, is there a deductible? How much is it?
- [ ] How much will the policy pay for each loss?

CONFER WITH YOUR UNDERWRITER

In the end, it is always best to confer with your underwriter. Equipped with the understanding of the policy form in the context of your insured's potential claim concern, you should be able to provide the underwriter with the necessary information to confirm that a certain exposure is going to be covered by the policy.