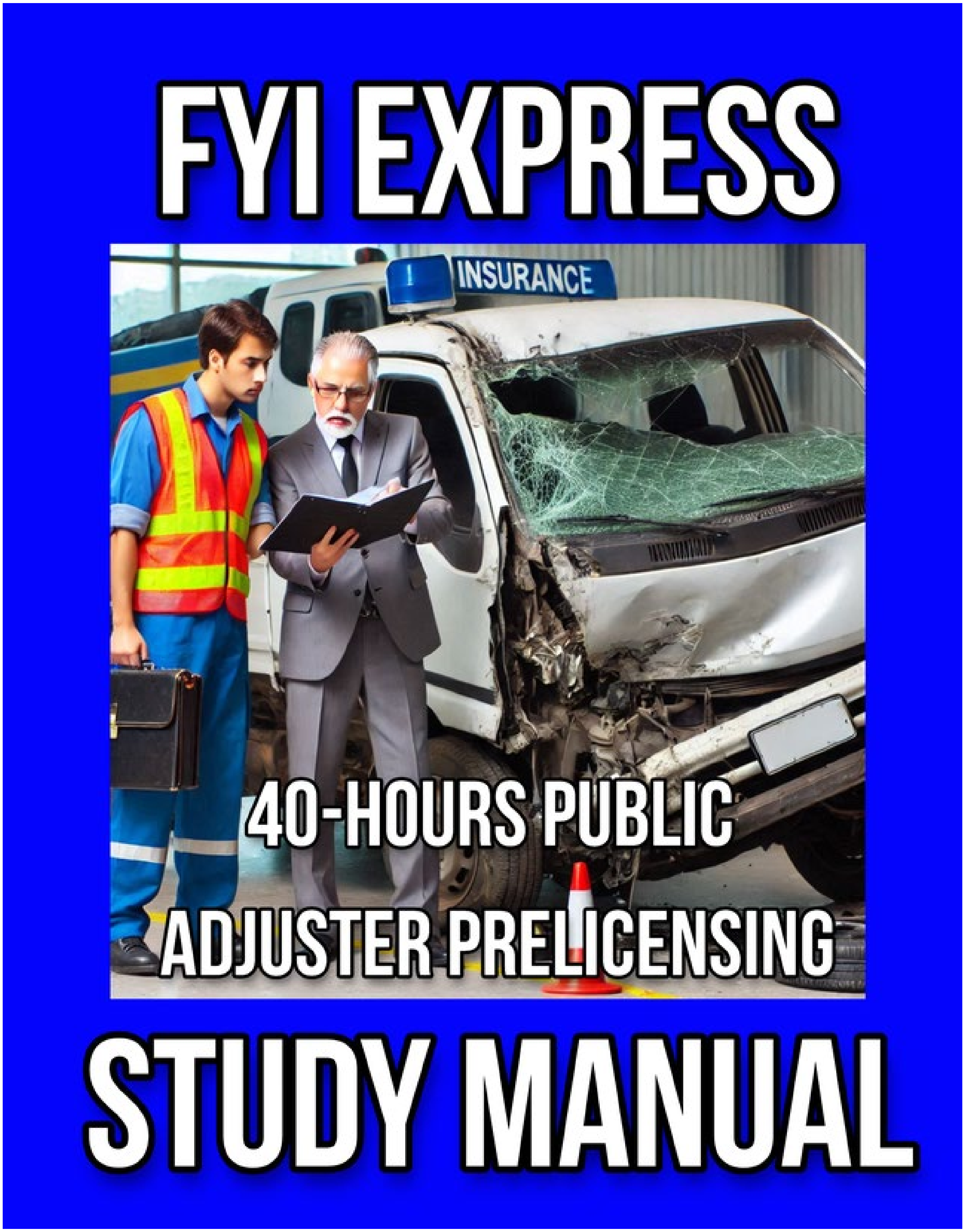
FYI EXPRESS
INSURANCE
40-HOURS PUBLIC
ADJUSTER PRELICENSING
STUDY MANUAL

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This ebook covers everything insurance adjusters need to know to pass the state exam, including different types of coverage, common risks, and best practices for helping policyholders adjust a claim.

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It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects.

To get the most out of this eBook, you need to sign up for a FREE account at https://quizizz.com/


INSURANCE

I. PROPERTY AND CASUALTY INSURANCE TERMS AND RELATED CONCEPTS

Objectives: In this section we'll cover the key insurance terms and concepts. These terms and concepts form the foundation for the remainder of the course material, so please pay attention to this section.

A. Risk

Definition: The possibility of loss or injury.

Example: Driving a car involves the risk of getting into an accident.

B. Insurance

Definition: A contract (policy) in which an individual or entity receives financial protection or reimbursement against losses from an insurance company.

Example: Purchasing homeowners insurance to cover damages from a fire.

C. Insurable Interest

Definition: A financial interest in the subject of the insurance policy, such that loss or damage would cause a financial loss to the policyholder.

Example: A homeowner has an insurable interest in their house.

D. Peril

Definition: The cause of a potential loss.

Example: Fire is a peril that can cause damage to property.

E. Hazard

Definition: A condition that increases the likelihood of a loss occurring.

Example: Leaving candles unattended is a fire hazard.

F. Loss

1. **Direct**

   Direct Definition: Physical damage or destruction of the insured property by a covered peril.

   Example: Fire damage to a house.

2. **Indirect**

   Indirect Definition: Consequential losses that occur as a result of a direct loss.

   Example: Loss of rental income due to fire damage to a rental property.

G. Proximate Cause

Definition: The primary cause of a loss in a chain of events.

Example: A windstorm causes a tree to fall on a house, making the windstorm the proximate cause of the damage.

H. Deductible

Definition: The amount the policyholder must pay out-of-pocket before the insurance company pays a claim.

Example: An auto insurance policy with a $500 deductible means the policyholder pays the first $500 of a repair bill.

I. Indemnity

Definition: The principle of restoring the insured to the financial position they were in before the loss.

Example: Paying to repair a damaged car to its pre-accident condition.

J. Actual Cash Value (ACV)

Definition: The replacement cost of damaged property minus depreciation.

Example: A five-year-old laptop with an ACV of $200, considering its depreciation from its original cost of $1,000.

K. Replacement Cost

Definition: The cost to replace damaged property with new property of similar kind and quality without deducting for depreciation.

Example: Replacing a destroyed roof at today's prices, regardless of its age.

L. Limits of Liability

Definition: The maximum amount an insurance company will pay for a covered loss.

Example: An auto liability policy with a limit of $100,000 per accident.

M. Coinsurance

Definition: A clause requiring the policyholder to carry insurance equal to a certain percentage of the property's value to receive full reimbursement on a claim.

Example: A commercial property with a $1 million value requiring 80% coinsurance must be insured for at least $800,000.

N. Pair and Set Clause

Definition: A provision stating that if part of a pair or set is damaged, the insurance company will pay to repair or replace the entire pair or set or the difference in value.

Example: One of a pair of diamond earrings is lost, and the insurance covers the value of the lost earring or the pair's total value.

O. Extensions of Coverage

Definition: Additional coverages provided under a standard insurance policy.

Example: A homeowners policy extending coverage to personal property while traveling.

P. Additional Coverages

Definition: Specific coverages added to the policy, often for an additional premium.

Example: Adding coverage for valuable jewelry to a homeowners insurance policy.

Q. Accident

Definition: An unforeseen and unintentional event causing loss or damage.

Example: A car collision resulting in vehicle damage and injuries.

R. Occurrence

Definition: An event, including continuous or repeated exposure to conditions, that results in injury or damage during the policy period.

Example: Continuous water leakage causing mold over time.

S. Vacancy and Unoccupancy

Definition: Vacancy refers to a property being empty of both people and personal property, while unoccupancy means the absence of people but not personal property.

Example: A vacant house is completely empty, whereas an unoccupied house still has furniture but no residents for a period.

T. Right of Salvage

Definition: The insurer's right to take possession of damaged property after compensating the insured for a total loss.

Example: The insurance company takes possession of a totaled car after paying the claim.

U. Abandonment

Definition: Prohibits the insured from abandoning damaged property to the insurer and demanding payment for a total loss.

Example: A policyholder cannot abandon a damaged car to the insurer and claim a total loss payment.

V. Liability

Definition: Legal responsibility for causing harm or damage to another person or property.

Example: A homeowner's liability for injuries sustained by a guest slipping on their icy sidewalk.

W. Negligence

Definition: Failure to take reasonable care to avoid causing injury or loss to another person.

Example: A driver running a red light and causing an accident.

X. Theft

Definition: The unlawful taking of someone's property with the intent to deprive them of it permanently.

Example: A thief steals a bicycle from a garage.

Y. Burglary

Definition: The unlawful entry into a building with intent to commit theft or another felony.

Example: A burglar breaks into a home to steal electronics.

Z. Robbery

Definition: The taking of property from a person by force or threat of force.

Example: A robber holds up a convenience store at gunpoint.

AA. Mysterious Disappearance

Definition: The unexplained disappearance of insured property without evidence of theft.

Example: A piece of jewelry goes missing from a hotel room without any signs of forced entry.

BB. Binders

Definition: Temporary insurance contracts providing coverage until a permanent policy is issued.

Example: An auto insurance binder gives immediate coverage when purchasing a new car.

CC. Pro-rata Liability Clause

Definition: A clause specifying how losses will be shared among multiple insurance policies covering the same risk.

Example: Two insurance policies covering the same property divide the loss proportionally based on their coverage limits.

DD. Waiver and Estoppel

Definition:

- **Waiver:** The voluntary relinquishment of a known right.
- **Estoppel:** Preventing a party from asserting a right or fact that contradicts previous statements or behavior.

  Example: An insurer waives the right to deny a claim by accepting late premium payments without penalty (waiver), and later cannot deny coverage based on those late payments (estoppel).

EE. Valued Policy

Definition: A policy that pays a pre-determined amount in the event of a total loss, regardless of the property's actual value at the time of the loss.

Example: A valued policy insures a painting for $10,000, paying this amount in a total loss, even if its current market value is different.

FF. Law of Large Numbers

Definition: A principle stating that the larger the number of exposure units, the more predictable the overall loss experience.

Example: Insurers use the law of large numbers to predict the likelihood of claims by analyzing a large pool of policyholders.

GG. Application

Definition: The form or document used to request insurance coverage, providing necessary details about the applicant and the risk.

Example: Filling out an auto insurance application with information about the driver, vehicle, and driving history.

II. GENERAL PROPERTY INSURANCE PRODUCT KNOWLEDGE PERTINENT TO ADJUSTERS

A. Standard Fire Policy

The Standard Fire policy forms the basis for most property policies. This is also known as the 165-line policy. The Standard Fire policy was developed in New York in 1943. In most states, fire insurance policies or property insurance must at minimum meet the provisions of the Standard Fire policy.

The Standard Fire policy is not complete and additional forms and endorsements are added to this basis to provide coverage to cover both direct and indirect losses.

The Standard Fire policy has four sections, as described earlier:

- Declarations
- Insuring agreement
- Conditions
- Exclusions

The Standard File Property has two main sections: We include a link to the Standard Fire Policy below:

https://www.nfa.com/wp-content/uploads/standard-fire-policy.pdf

1. Basic coverages, provisions, and clauses

The Standard Fire policy is a named peril form, that is, only those perils named in the Insuring Agreement are covered. The perils covered in the Standard Fire policy are:

- **Fire**. Insurance will only cover loss as the result of a hostile fire. A hostile fire is a fire that was not started intentionally or has escaped from its intended confines.
- **Lightning**
- **Removal**. This provides coverage to property that is removed from the residence premises to protect it from a covered peril.

As expected, the provisions and clauses included in the Standard Fire policy can be found in the property insurance policies we discuss in more detail below. The key areas are included below, but you can see the detail in the exhibit above.

The policy can be voided if the insured has willfully concealed or misrepresented any material fact or circumstance

The insured can cancel the policy at any time and the insurer will be required to refund any unearned premium based on the customary short rates for the expired time

The insurer can cancel the policy at any time but is required to give the insured five days' written notice. The insurer has the option to refund excess premium paid above the pro rate premium for the expired time. If the insurer does not refund the premium, they are required to inform the insured that this will be refunded on demand.

2. Limitations and restrictions

The following limitations and restrictions apply to the Standard Fire policy:

- Coverage will not be provided for accounts, bills, currency, deeds, evidences of debt, money or securities, and, unless specifically included, bullion and manuscripts
- The insurer will not cover loss as a result of fire or any other peril that is the result of certain actions or conditions such as war, neglect of the insured to protect or preserve property that is endangered, or loss by theft
- The insurer will not cover losses where the insured is responsible to create or increase the hazard or has knowledge of this, if a building is vacant for more than 60 consecutive days, or is the result of an explosion or riot, unless this causes a fire and the fire is the only cause of loss

3. Proof of loss

The insured is required to submit to the insurer a signed and sworn proof of loss within 60 days of the loss, unless this time is extended by the insurance company, that includes the following:

- the time and origin of the loss
- the interest of the insured and others in the property
- the actual cash value and the amount of loss of each item
- any encumbrances on the property
- any other insurance contracts covering the property
- any circumstances that have changed since the inception of the policy

4. Loss requirements and inventories

In case of a loss the insured is required to:

- Notify the insured immediately in writing of a loss
- Protect the property from further damage
- Separate the damaged from undamaged property
- Furnish a complete inventory of destroyed, damaged and undamaged property showing in detail quantities, costs, actual cash value, and amounts claimed

5. Appraisal

If the insured and insurer do not agree on the amount covered for a loss, each may hire an appraiser for which they will pay. The appraisers will select a disinterested third party, the umpire. The amount to be covered will be decided when two of the three (two appraisers and umpire) agree. The cost of the umpire will be split between the insured and the insurer.

6. Company options

The insurance company has the option to repair, rebuild, or replace the property destroyed or damaged with other of like kind and quality within a reasonable time. The insurance company also has the option to take all or any part of the property at the agreed or appraised value.

7. Valuation

The policy must provide, at a minimum, coverage for the actual cash value of the property at the time of loss.

Types of Property Policies

Objectives: In this section we'll cover property policies applicable to personal lines, that is, insurance for loss or damage to property that belongs to individuals. The following will be covered in this chapter:

- Dwelling policies
- Homeowners policies
- Mobile homes
- Nationwide definition

- Personal floaters that cover personal property
- Specific coverage for flood and earthquake
- Coverage for personal watercraft

Key Terms:

Basic Form: The Basic Form is a standard coverage form where the perils covered are specifically named. Without endorsement, this provides very basic coverage for the perils of fire, lightning, and internal explosion only.

Broad Form: The Broad form is a standard coverage form where the perils covered are specifically named. The perils covered are broader than those covered in the basic form. In addition to the added perils, there are some other coverages provided that are broader than those in the basic form.

Special Form: The Special form is a standard coverage form that covers all perils other than those specifically excluded.

2. DP Forms:

Dwelling Property forms that provide coverage for residential property.

B. Personal Lines

1. Dwelling and Contents (DP forms)

The Dwelling Policy provides insurance coverage for the structure of your home and its contents, that is, personal property. A Dwelling Policy can be purchased for a home that you own but do not live in or do not live in on a permanent basis. For example, a Dwelling Policy would apply for a home that you own and rent out to a tenant or to a second home that you own and do not live in on a permanent basis such as a beach home or a cottage up in the mountains that you use over weekends.

Eligibility

The following types of property are eligible to be insured on a Dwelling Policy:

- A single-family dwelling used as a residence
- A dwelling with 1 to 4 single family units used as residences such as apartments or townhouses
- Rental property limited to no more than 5 boarders or tenants
- A mobile home if it is secured to the ground and has its wheels removed, that is, it is a permanent home

- Specified secondary uses other than residential (eligibility varies by insurer):
- Incidental business use, non-retail, for example, a dwelling used for music lessons or home schooling
- Studio or home office for a professional
- Farm property is not eligible to be insured using a Dwelling Policy.

Dwelling Policy forms

There are three Dwelling Policy forms:

- DP-1 – Basic form
- DP-2 – Broad form
- DP-3 – Special form
- DP-1 - Basic Form

The DP-1 form is the Basic form. It provides the most basic coverage as follows:

The DP-1 is a named peril form, that is, only those perils named on the policy are covered

The DP-1, without endorsements, covers only three perils – fire, lightning and internal explosion. Additional perils can be covered by endorsement. The insured can elect to be covered for Extended Coverage (EC) perils. In addition to this, if they have Extended Coverage, they can get coverage for Vandalism and Malicious Mischief (V&MM). More detail on the perils covered is provided below.

Provides for:

- Coverage A (Dwelling)
- Coverage B (Other Structures)
- Coverage C (Personal Property)
- Coverage D (Fair Rental Value).

The insured does not need to obtain all available coverage. For example, the insured can select coverage for only the dwelling and fair rental value and not for contents or personal property. The coverages must be specifically selected. Each coverage will have its own limit of liability and premiums which will be specified in the Declarations section of the policy.

Coverage E (Additional Living Expenses) is available on the DP-1 by endorsement. More details on the Coverages is provided below.

Claims are paid based on actual cash value (ACV) for dwelling, other structures, and contents.

DP-2 - Broad Form

The DP-2 form is the Broad form. As its name implies, it provides for broader coverage than the DP-1.

The DP-2 is a named peril form, that is, only those perils named on the policy are covered.

Provides for:

- Coverage A (Dwelling)
- Coverage B (Other Structures)
- Coverage C (Personal Property)
- Coverage D (Fair Rental Value)
- Coverage E (Additional Living Expenses)

In order to obtain coverage, the coverage must be specifically selected. Each coverage will have its own limits of liability and premiums which will be specified in the Declarations section of the policy. More details on the coverages is provided below.

Claims are paid based on replacement cost for the dwelling and structures and based on actual cash value (ACV) for the contents.

Losses will only be paid at Replacement Cost on the dwelling and other structures if the insured carries insurance for at least 80% of the replacement cost at time of loss. This is the coinsurance requirement. If the insured does not meet this coinsurance requirement, payment for the loss will be the greater of Actual Cash Value or the proportion applicable of the Replacement Cost based on the coinsurance formula.

DP-3 – Special Form

The DP-3 form is the Special form. This is also known as an All Risk form.

The DP-3 is an open peril form, that is, the dwelling and other structures are covered for all perils except those that are specifically excluded in the Exclusions section of the policy.

Personal Property or contents is covered on a named peril basis, based on the broad form perils.

Provides for:

- Coverage A (Dwelling)
- Coverage B (Other Structures)
- Coverage C (Personal Property)
- Coverage D (Fair Rental Value)
- Coverage E (Additional Living Expenses)

In order to obtain coverage, the coverage must be specifically selected. Each coverage will have its own limits of liability and premiums which will be specified in the Declarations section of the policy. More details on the Coverages is provided below.

Claims are paid based on replacement Cost for the dwelling and structures and based on actual cash value (ACV) for the contents.

Dwelling Policy Coverages

The following coverages are available under the Dwelling Policies:

- Coverage A – Dwelling
- Coverage B – Other structures
- Coverage C – Personal property
- Coverage D – Fair rental value
- Coverage E – Additional living expenses

Coverage A - Dwelling

Coverage A – Dwelling covers:

- the dwelling
- structures attached to the dwelling such as a garage
- materials and supplies for use in the construction, alteration, or repair of the dwelling or other structures on this location
- building equipment, such as air conditioning units, and outdoor equipment used to service the premises
- Land associated with the covered dwelling is excluded

Coverage B - Other Structures,

Coverage B – Other Structures:

- Covers other structures on the property separated from the dwelling by a clear space or connected to the dwelling by only a fence, utility line or similar connection. Examples of other structures are carports, fences, or sheds.
- Does not cover structures that are used in whole or in part for commercial, manufacturing or farming purposes. If the other structures are used only to store commercial, manufacturing or farming property owned by the property owner or a tenant, they would be covered as long as it is not gaseous or liquid fuel.
- If separated property, such as a garage, is rented to a non-resident of the household, it is covered.
- The coverage provided on other structures is 10% of Coverage A.
- Under the DP-1, 10% of the limit of Coverage A can be applied to other structures.
- Under DP-2 and DP-3 an additional 10% of Coverage A is available to cover other structures.
- Coverage B is an automatic extension of Coverage A and does not require an additional premium.

Coverage C – Personal Property

Coverage C – Personal Property:

- Covers the personal property or contents usual to the occupancy as a dwelling and owned and used by the insured or a family member. The personal property of guests and servants may be covered by request. Personal property includes such things as furniture, clothing, and TVs.

- Does not cover animals, birds or fish, aircraft, motor vehicles, boats (other than row boats or canoes), or money, currency, securities, deeds, manuscripts, bills, accounts, electronic data, computers, grave markers.

- Coverage is provided for up to 10% of the Coverage C limit for personal property off premises and is covered anywhere in the world.

Coverage D – Fair Rental Value

Coverage D – Fair Rental Value:

- If the dwelling is damaged as a result of a peril covered by the policy and the property is rented, the loss of rental income to the insured is covered by Coverage D, Fair Rental Value, while the property is repaired.

- This is an indirect or consequential loss. It is also known as a Time Element loss because the coverage applies only for a period of time until the property is restored.

- The insurer will reimburse up to two weeks of rental income if the rental loss is due to civil action that prohibits the use of the property by renters.

- The insured may apply up to 20% of Coverage A to cover the fair rental value.

- Under the DP-1, fair rental value is not in addition to the Coverage A limit.

- Under DP-2 and DP-3 an additional 20% of Coverage A is available to cover fair rental value.

- Note: a total amount of 20% of Coverage A may be applied to cover both fair rental value and additional living expenses.

- Does not cover loss of rental income due to a cancelled lease or rental agreement.

Coverage E – Additional living expenses

Coverage E – Additional Living Expenses:

- Pays for additional living expenses the insured incurs as a result of a covered loss. This includes such expenses as hotel or apartment costs, dining, laundry and transportation expenses. Note that this covers an increase in living expenses over the regular household expenses. It does not cover what the insured would normally pay towards these expenses.
- This coverage is also categorized as a time element coverage because it is paid for a period of time until the damaged property is restored or until the insured has a new permanent living arrangement.
- Coverage E is available under DP-2 and DP-3. It is not part of DP-1 without endorsement.
- The insured may apply up to 20% of Coverage A to cover additional living expenses.
- Note: a total amount of 20% of Coverage A may be applied to cover both fair rental value and additional living expenses.

Summary of Dwelling Policy Coverages, Settlements, and Limits of Liability

Coverage	DP-1 – Basic Form		DP-2 – Broad Form		DP-3 – Special Form	
	Settlement	Limit	Settlement	Limit	Settlement	Limit
Coverage A – Dwelling	Actual Cash Value	Amount dwelling insured for	Replacement Cost	Amount dwelling insured for	Replacement Cost	Amount dwelling insured for
Coverage B – Other Structures	Actual Cash Value	10% of Coverage A (not additional)	Replacement Cost	10% of Coverage A (additional)	Replacement Cost	10% of Coverage A (additional)
Coverage C – Personal Property (Contents)	Actual Cash Value	Insured selects	Actual Cash Value	Insured selects	Actual Cash Value	Insured selects

Coverage D – Fair Rental Value	Time Element	20% of Coverage A (not additional)	Time Element	20% of Coverage A (additional – total for Fair Rental Value and Additional Living Expenses)	Time Element	20% of Coverage A (additional – total for Fair Rental Value and Additional Living Expenses)
Coverage E – Additional Living Expenses	N/A	N/A	Time Element	20% of Coverage A (additional – total for Fair Rental Value and Additional Living Expenses)	Time Element	20% of Coverage A (additional – total for Fair Rental Value and Additional Living Expenses)

Perils Covered

The following perils are covered by the Dwelling Policies:

Note 1: The DP-1 policy, without endorsement, covers only the perils of fire, lightning and internal explosion. The insured may choose to have coverage for additional perils on a DP-1 with an endorsement for Extended Coverage (EC) perils and Vandalism and Malicious Mischief (V&MM). An additional premium would be required for this coverage.

Note 2: The DP-3 policy covers the dwelling and other structures for all perils except those specifically excluded in the Exclusions section of the policy. Personal Property is still covered on a named peril basis.

	Peril	Description	DP-1	DP-2	DP-3
F	Fire	Fire	x	x	x
L	Lightning	Lightning	x	x	x
I	Internal Explosion	Includes explosion of furnace, stove or hot water heater. Steam explosions are excluded. Replaced by the Explosion peril in the DP-2 and DP-3 policies and in the DP-1 policy if Extended Coverage is	x	x	x

		selected.			
W	Windstorm	Covers damage to the building caused by a windstorm. Does not cover damage to awnings, signs, antennae.	EC	x	x
H	Hail	Covers damage to the building caused by hail. Does not cover damage to awnings, signs, antennae.	EC	x	x
A	Aircraft	Damage caused by an aircraft hitting a building or structure.	EC	x	x
R	Riot and Civil Commotion	Damage caused by civil unrest or riots.	EC	x	x
V	Vehicles	Damage caused by a vehicle hitting a building or structure. Does not cover damage to buildings or structures caused by a vehicle owned or operated by the insured or a resident of the household under the DP-1, but will cover this damage under a DP-2 or DP-3. Does not cover damage to fences, driveways and walks under the DP-1, and under the DP- 2 or DP-3 damage to fences, driveways and walks will not be covered if caused by the insured or a resident of the household.	EC	x	x

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

A tip to help you remember the perils is to remember the acronym made up of the first letter of each of the perils:

Basic form perils: FLI

Basic form Extended Coverage perils: WHARVVES

Additional broad form perils: BFWFFCEW

V	Volcanic Eruption	Damage caused by volcanic ash or lava. Does not cover loss caused by an earthquake, shockwave or tremor.	EC	x	
E	Explosion	Covers explosions that occur either inside or outside the building. Replaces Internal Explosion when selected as Extended Coverage under a DP-1.	EC	x	
S	Smoke	Damage caused by the release of soot, vapor or fumes from a furnace, boiler, stove or similar equipment. Does not cover smoke damage from agricultural or industrial operations. Does not cover smoke damage from a fireplace under the DP-1, but does cover smoke damage from a fireplace under the broad form, or DP-2, and DP-3.	EC	x	
	Vandalism and Malicious Mischief	Damage caused by vandals. Does not cover damage to glass or losses by theft from the vandals. This coverage no longer applies to a building that has been vacant for more than 60 consecutive days.	V&MM	x	
B	Burglars	Damage caused to property by burglars. Does not cover theft. Is not covered if the building has been vacant for more than 60 consecutive days.		x	

W	Weight of ice, snow or sleet	Covers structure only. Does not cover damage to awnings, fences, patios, decks, swimming pools, foundations, retaining walls, piers, docks, wharves.		x	
F	Falling objects	Covers structure only if the falling object damages the roof or exterior wall. Does not cover damage to awnings, fences, patios, decks, swimming pools, foundations, retaining walls, piers, docks, wharves.		x	
F	Freezing	Freezing of plumbing, heating, air conditioning or automatic fire protection system and household appliances. Coverage only applies if the insured takes reasonable care to heat the building or shut off the water supply and drain the appliances.		x	

C	Cracking or burning	Sudden and accidental tearing apart, cracking or burning of steam or hot water heating, air conditioning, or automatic fire protection sprinkler systems and water heaters		x	x
E	Electrical current	Sudden and accidental damage from artificially generated electrical current such as a generator		x	x

W	Discharge of water or steam	Accidental discharge of water or steam from within a plumbing, heating, air conditioning or automatic fire protection sprinkler system, or household appliance. Does not include continuous or repeated leakage or seepage, freezing, or damage to the system or appliance itself. Is not covered if the building has been vacant for more than 60 consecutive days.		x	x

The DP-3 or Special form provides all peril coverage on the dwelling (Coverage A) and other structures (Coverage B) with the following specific exclusions:

- Property, losses and perils not covered due to limitations in the general exclusions and insuring agreement.
- A loss resulting from collapse other than that provided in the coverage section
- Freezing of a plumbing, heating, air conditioning or automatic fire protection sprinkler system or household appliance or overflow due to freezing unless reasonable care was taken to maintain heat in the building or to shut off the water supply and drain the systems and appliances
- Freezing, thawing, pressure or weight of water or ice to fences, pavements, patios, swimming pools, foundations, retaining walls, piers, wharves, docks
- Theft from a dwelling under construction or theft from a building or structure that is not covered
- Damage by wind, hail, ice, snow, or sleet to outdoor antennae and aerials, or lawns, plants, trees and shrubs
- Vandalism, malicious mischief or theft if the building has been vacant for more than 60 consecutive days at time of loss
- Constant or repeated seepage or leakage of water or steam over time from a plumbing, heating, air conditioning, fire protective sprinkler system, or household appliance
- Gradual and expected losses such as wear and tear, inherent vice, latent defect, mechanical breakdown, smog, rust, corrosion, mold, wet or dry rot, and smoke from agricultural smudging or industrial operations
- Discharge, dispersal, seepage, migration, release or escape of pollutants (smoke, vapor, soot, fumes, acids, alkalis, chemicals, waste)

- Settling, shrinking, bulging or expansion, resulting in cracking, of pavements, foundations, walls, floors, roofs or ceilings
- Loss caused by vermin, birds, insects or domestic animals.

Other Coverages

In addition to coverage provided for the listed perils, the insurer will provide other coverages for DP-1, DP-2 and DP-3:

- **Debris removal**: Pays for the expense to remove debris resulting from a loss covered by the policy
- **Property removed**: Covers the loss of property that is removed from the covered property to prevent it from further damage or loss from a covered peril. For example, if your house has fire damage and needs to be repaired, you may have to remove your personal property for the time required to repair the property. In this case the personal property is protected off premises and for all perils. Under a DP-1 the personal property is covered for 5 days. Under a DP-2 or DP-3, the personal property is covered for 30 days.
- **Reasonable repairs**: Pays for the reasonable costs to make necessary repairs to prevent further damage to the covered property following a covered loss. The cost is included in the limit of liability that applies to the property being repaired.
- **Fire department service charge**: Pays up to $500 for fire department charges when the fire department is called to protect covered property from a peril that is insured against. No deductible applies to this coverage.
- **Improvements, Alterations and Additions**: Provides coverage for insureds who are tenants for improvements or alterations they have made at their expense. Up to 10% of the Coverage C limit is available for this.

Other coverages are available for DP-2 and DP-3:

Trees, shrubs and other plants:

- Covers trees, shrubs and plants from fire, lightning, explosion, riot or civil commotion, aircraft, vehicular damage by other than the insured's vehicle, vandalism and malicious mischief.
- Does not cover damage or loss due to wind, hail, weight of snow, ice or sleet, or theft
- Limit up to 5% of Coverage A and a maximum of $500 per tree, shrub or plant

Collapse:

- Pays for the collapse of a building caused by the list of perils included in the policy or other perils such as weight of snow, ice, sleet or rain, or hidden decay, insect damage, poor construction or material used in construction, or collapse during construction or renovation.
- Does not cover collapse due to non-covered perils such as earthquake and flood or settling, shrinking or expanding
- Collapse is any sudden drop or falling down of a building or section of a building making that building uninhabitable. The same applies to structures.
- Losses paid are not in addition to the limit of liability
- Glass or safety glazing material:
- Pays for breakage of glass or safety glazing material or damage caused to covered property by glass breakage.
- Losses paid are not in addition to the limit of liability
- Not covered if the building has been vacant for more than 60 consecutive days

Ordinance or law:

- Covers the increased cost of repair due to enforcement of local, city, state or federal ordinances or laws regulating the construction, demolition, remodeling, renovation or repair of a covered building damaged by a covered peril.
- Pays up to 10% of Coverage A and is in addition to the Coverage A limit

Exclusions

Losses due the following are excluded from coverage:

- **Ordinance or law**: Loss caused by enforcement of a law or ordinance that regulates the use, construction, repair or demolition of the structure. This exclusion applies only to the DP-1.
- **Earth movement**: Loss caused by earth movement, including mudslides, sinkholes, and subsidence. The policy would cover loss due to a volcanic eruption but will not cover loss due to shockwaves or tremors related to the volcanic eruption. The policy will cover loss due to fire or explosion as a result of the earth movement.
- **Water damage**: Loss due to flood, tidal wave, or water that backs up through sewers or drains or comes up from underground. Note: water damage is covered if it is the result of explosive eruptions causing an inside sprinkler system to discharge or damage caused by the fire department spraying water or retardants.
- **Power failure**: Power failure that occurs away from the insured location. If the insured peril causes power outage on the premises, coverage will apply.

- **Neglect**: Loss caused by the insured's failure to save or preserve property after a loss or to protect it from a loss. Examples include not calling the fire department in case of a fire, not removing property in case of a fire or when the dwelling is damaged in a windstorm, or not covering up a roof after a tree falls on the roof during a storm.

- **War and nuclear hazard**: Loss caused by war, military action, nuclear reaction, radiation spillage, or radiation contamination. Fire caused by nuclear hazards would be covered.

- **Intentional loss**

Endorsements

The following endorsements are available to be added to Dwelling Policies at an additional cost:

- Broad theft coverage
- Provides coverage for theft of personal property related to the dwelling policy
- Covers theft, attempted theft, and vandalism and malicious mischief as a result of theft or attempted theft
- Vandalism and malicious mischief is not covered if the dwelling has been vacant for more than 60 consecutive days prior to the loss
- Broad theft coverage covers personal property both on- or off-premises. Different limits of liability apply to on- and off-premises losses.
- The insured is required to notify the police when a theft loss occurs.
- Certain exclusions apply: Animals, birds and fish; credit cards and fund transfer cards; property in the mail; aircraft and parts (model aircraft are not excluded); property held for sale or delivery after a sale; property covered specifically by other insurance; property of roomers, boarders or tenants not related to the insured; business property; motor vehicles or parts (other than those used to service the property or used by those with disabilities); property in the custody of a laundry, tailor or cleaner.

There are default limits of liability applicable to certain classes of personal property:

Property category	Limit
Money or related property, coins, and precious metals	$200
Securities, manuscripts, and other valuable paper property	$1,500
Watercraft, including trailers and equipment	$1,500
Trailers not used with watercraft	$1,500
Jewelry, watches, furs, and precious and semiprecious	$1,500

stones	
Firearms	$2,500
Silverware, goldware, or pewterware	$2,500

2. **Personal Liability and Medical Payments to Others**

Provides personal liability and medical payments to others coverage (similar to Section II in the Homeowners policy) as an endorsement to the Dwelling Policy. This can also be written on a separate policy.

Coverage L - Personal Liability: Provides coverage for damages the insured becomes legally obligated to pay for bodily injury or property damage for an occurrence to which the policy applies. The insurer will cover defense costs in addition to the limit of liability. The limit of liability is $100,000.

Coverage M - Medical Payments to Others: Provides coverage for necessary medical expenses for bodily injury incurred within three years of an accident. Coverage is provided on the insured location with the insured's permission and off the insured location caused by the insured or an animal in the insured's care. There is a per person limit of liability of $1,000. The insured does not have to be legally liable for payment to be made. The insured or members of the insured's family are not covered. This is medical payment to "others".

The endorsement also covers first aid expenses, damage to the property of others (up to $500 per occurrence), and claim expenses.

Certain exclusions apply: intended or expected injury, business or professional services, war, controlled substances, physical and mental abuse, corporal punishment, sexual molestation, transmission of a communicable disease by the insured.

Automatic increase in insurance

Provides an annual increase in the Coverage A limit of liability, for example 3%.

Dwelling under construction

- Provides coverage to the dwelling owner during construction.
- The limit of liability for Coverage A is provisional until construction is complete
- The limit of liability that applies at any given time is the percentage of the policy limit based on the value of the partially completed dwelling. The available policy limit increases as the construction of the home progresses.
- Coverage ends when construction is completed, and notification has been given to the insurer
- The dwelling must become occupied by either the owner or the tenant within 30 days of completion

Deductible

The standard deductible of a Dwelling Policy is $250 per occurrence but can be higher at the request of the insured.

3. HO Forms:

Homeowner's insurance forms that provide coverage for homeowners.

- **Homeowners (HO forms)**

Prior to the 1950s a homeowner would have to purchase separate policies to cover fire losses, theft, personal property, and the like. During the 1950s policy forms were developed allowing the homeowner to purchase the insurance they needed on one complete policy, but these policies varied by insurance company and were difficult to understand. The first Homeowners policy was introduced in September 1950.

The Homeowners policy is referred to as a multiline policy because it provides both property and liability coverages in a single policy. There are several advantages to combining these coverages into a single policy. Possible gaps and / or duplication of coverage can be avoided. In addition to this, the insurer reduces their administrative effort and costs and can pass these savings on to the insured in the form of lower premiums.

The standard homeowners' forms divide the coverages into several categories and the coverage is typically based on a percentage of Coverage A, the coverage for the main dwelling.

Eligibility

The following are eligible to be insured on a homeowners policy:

- The named insured must be an owner-occupant of the dwelling or condominium or a renter who maintains a residential occupancy
- The home cannot have more than four families. A home can have 1- to 4-residential units. One additional family or two roomers or boarders are allowed per 'family'.
- The dwelling must be used exclusively as a residence, except for certain incidental occupancies such as offices, professional or private schools, or studios.
- Dwellings under construction
- Mobile homes can be covered with an endorsement
- Farm property is not eligible to be insured using a homeowners policy.

Definitions

The homeowners policy includes a section on definitions. It is important to understand these definitions in order to understand what coverage is provided and what coverage is not provided.

Following are the key definitions:

Named Insured: The person named on the Declarations page and their spouse as long as the spouse is a resident of the same household.

Insured: The named insured plus:

- Any relatives living in the named insured's household who are related by blood or adoption, including children, grandparents, uncles, aunts, and so on
- Any children under the age of 24 living away at school as long as they have lived continuously with you until they left for school
- Any persons under age 21 in the care of the named insured, such as foster children or foreign exchange students
- Under Section II, Liability coverage, the insured includes a person or organization legally responsible for covered animals or watercraft owned by the insured, as long as these are not related to a business

Insured Location: The residence premises specified in the declarations plus:

- Any part of a premises where the insured is temporarily residing
- Vacant land, other than farmland, owned by the insured
- Land owned by the insured on which a 1- to 4-family dwelling is being built for the insured
- Individual or family cemetery plots or burial vaults of the insured

Residence Premises: Up to four family dwellings plus other buildings and the land where the insured resides and that is shown in the declarations of the policy

Homeowners policy structure and coverage forms

The Homeowners policy comprises two sections:

- **Section I: Property**. Provides coverage for homeowner's or renter's property. This will be covered in more detail below.
- **Section II: Liability**. Provides coverage of the homeowner's (the insured's) personal liability to others for bodily injury or property damage. This will be covered in more detail below.

We will focus here on the homeowners' forms that are generally in use, but want to mention two additional forms:

HO-0 – Dwelling standard fire form:

- Provided coverage on a home against fire, smoke, windstorm, hail, lightning, explosion, vehicles, and civil unrest.

- It does not cover the insured's personal property, personal liability, or medical payments.
- This minimal coverage may be used by a mortgage lender to cover property in which they have an interest if the homeowner's property policy lapses.

HO-1 – Basic form:

- The basic homeowners form has been discontinued in most states because homeowners look for the broader coverage in the other homeowners forms
- The HO-1 – Basic form provides named peril coverage for direct damage to property for the perils of fire, lightning, windstorm, hail, vandalism and malicious mischief, theft, damage from vehicles and aircraft, explosion, riot or civil commotion, glass breakage, smoke, and volcanic eruption.
- Damage or loss due to flood and earthquake were excluded, as they are on the current homeowners' forms.
- The HO-1 also provided coverage for personal liability and medical payments to others.
- The HO-1 Basic form has been discontinued because buyers required broader coverage. This was similar to the DP-1 and provided basic coverage on a named peril basis for direct damage to property, personal liability coverage, and medical payments to others coverage.

There are six Homeowners forms in current use:

HO-2: The HO-2 form is the Broad form.

- The HO-2 is a named peril form, that is, only those perils named on the policy are covered.
- Provides for Coverage A (Dwelling), Coverage B (Other Structures), Coverage C (Personal Property), and Coverage D (Loss of Use). More details on the coverages is provided below.
- Claims are paid based on replacement cost for the dwelling and other structures and based on actual cash value (ACV) for the contents (personal property).
- Losses will only be paid at replacement cost on the dwelling and other structures if the insured carries insurance for at least 80% of the replacement cost at time of loss. This is the coinsurance requirement. If the insured does not meet this coinsurance requirement, payment for the loss will be the greater of actual cash value or the proportion applicable of the replacement cost based on the coinsurance formula.

HO-3: The HO-3 form is the Special form. This is also known as an All Risk form.

- The HO-3 is an open peril form, that is, the dwelling and other structures are covered for all perils except those that are specifically excluded in the Exclusions section of the policy.
- Personal property or contents is covered on a named peril basis, based on the broad form perils.
- Provides for Coverage A (Dwelling), Coverage B (Other Structures), Coverage C (Personal Property), and Coverage D (Loss of Use). More details on the coverages is provided below.
- Claims are paid based on replacement cost for the dwelling and other structures and based on actual cash value (ACV) for the contents or personal property.

HO-4: Contents Broad form. This is also known as the Renters or Tenants / Renters form.

- This form is used for people who do not own their residence and are renting a property. The form, therefore, does not include coverage for the dwelling (Coverage A) or other structures (Coverage B).
- Provides for Coverage C (Personal Property) and Coverage D (Loss of Use). More details on the coverages is provided below.
- Covers personal property against the same perils as the contents form of the HO-2 and HO-3, that is, broad form coverage.
- Claims are paid based on actual cash value (ACV).
- Generally, includes liability coverage for bodily injury or property damage for which the insured becomes legally liable

HO-5: Comprehensive form.

- The HO-5, as it is called, provides the most comprehensive or broadest property coverage.
- The dwelling and other structures and personal property are covered for all perils except those that are specifically excluded in the Exclusions section of the policy.
- Provides for Coverage A (Dwelling), Coverage B (Other Structures), Coverage C (Personal Property), and Coverage D (Loss of Use). More details on the coverages is provided below.
- Claims are paid based on replacement cost for the dwelling and other structures and based on actual cash value (ACV) for the contents or personal property.

HO-6: Unit-owners form.

- This form is used for people who own a condominium. Generally the actual condominium is covered by the owner of the building or the condominium association. Unit owners are responsible for coverage of their personal property and some limited coverage for the dwelling. For example, fixtures and appliances such as furnaces and air conditioning units are the responsibility of the unit owner. In addition to this, improvements made to the unit by the owner would need to be covered by the owner.

- The HO-6 is a named peril form, that is, only those perils named on the policy are covered.

- Provides for Coverage A (Dwelling), Coverage C (Personal Property), and Coverage D (Loss of Use). More details on the coverages is provided below.

- Claims are paid based on replacement cost for the dwelling and based on actual cash value (ACV) for the contents (personal property).

H0-8: Modified coverage form.

- This form is used for an owner-occupied older home whose replacement cost far exceeds the property's market value or where these are disproportionate. This would apply, for example, to an historic home or an older home in an area where market values have declined because of the location.

- The HO-8 is a named peril form, that is, only those perils named on the policy are covered.

- The perils covered are similar to those on the DP-1 Basic form with Extended Coverage and Vandalism and Malicious Mischief for the dwelling, other structures, and personal property.

- Provides for Coverage A (Dwelling), Coverage B (Other Structures), Coverage C (Personal Property), and Coverage D (Loss of Use). More details on the coverages is provided below.

- Claims are paid based on Functional Replacement Cost for the dwelling and other structures. If, for example, the home had an original mantel piece that was destroyed, the insurer would not pay to replace it with another original piece, but with a mantel made of current-day material that provided the same functionality.

- Claims are based on actual cash value (ACV) for the contents (personal property).

The following table summarizes the HO property coverage:

HO Form	Coverage A and B Dwelling and Other Structures	Coverage C Personal Property
HO-2	Broad form	Broad form

HO-3	Special form	Broad form
HO-4	Not applicable	Broad form
HO-5	Special form	Special form
HO-6	Broad form for dwelling only	Broad form
HO-8	Basic form	Basic form

Section I Property Coverages

The homeowners' coverages are broken down into two major sections:

Section I – Property as shown below:

Section II: Liability as shown below:

Section I - Property	Section II - Liability
Coverage A - Dwelling	Coverage E - Liability
Coverage B – Other Structures	Coverage F – Medical Payments
Coverage C – Personal Property	
Coverage D – Loss of Use	
Standard deductible $250	No deductible

The coverages available under the homeowners' policies for Section I Property are described in more detail below.

Coverage A - Dwelling

Coverage A – Dwelling covers:

- the dwelling described in the Declarations page
- structures attached to the dwelling such as a garage
- materials and supplies for use in the construction, alteration, or repair of the dwelling or other structures on this location
- building equipment, such as air conditioning units, and outdoor equipment used to service the premises

Coverage is not provided for:

- Land associated with the covered dwelling

- Theft if the dwelling is under construction
- Vandalism and malicious mischief if the dwelling was vacant for more than 60 consecutive days prior to a loss
- There is automatic coverage for Coverages B, C, and D based on a percentage of the Coverage A limit of liability specified in the Declarations. If these limits are not adequate, the coverage can be increased.
- Coverage A does not apply to the HO-4 Renters form
- Coverage A is limited for the HO-6 Unit-owners form. The standard Coverage A limit for the HO-6 form is $1,000.

Coverage B – Other Structures:

- Covers other structures on the property separated from the dwelling by a clear space or connected to the dwelling by only a fence, utility line or similar connection. Examples of other structures are carports, fences, or sheds.
- Other structures used to conduct business are not covered.
- If separated property is rented to a non-resident of the household as a private garage, it is covered.
- The coverage provided on other structures is 10% of Coverage A.
- If this is not adequate, the percentage of Coverage B may be increased by endorsement.
- The Coverage B limit is in addition to the Coverage A limit. In case of a loss, both would apply.
- Coverage B is an automatic extension of Coverage A and does not require an additional premium.
- Coverage B does not apply to the HO-4 Renters form or the HO-6 Unit-owners form.

Coverage C – Personal Property:

- Covers the personal property or contents usual to the occupancy as a dwelling and owned and used by the insured or a family member anywhere in the world. The personal property of guests and residence employees may be covered by request. Personal property includes such things as furniture, clothing, and TVs.
- Does not cover animals, birds or fish, aircraft, motorized vehicles unless they are used to service the premises or assist the handicapped, hovercraft, paper or electronic records containing business data, credit cards, or water or steam.

- Does not cover property of boarders or roomers not related to the insured, property in an apartment held for rental by the insured, or property rented to others off the residence premises.
- Coverage C coverage is 50% of the Coverage A limit by default. This can be increased if required by endorsement.
- Coverage is provided for up to 10% of the Coverage C limit for personal property or $1,000, whichever is more, at a residence other than the residence specified in the Declarations. This coverage would apply, for example, to the personal property of a student in a dormitory.
- Personal property that is being moved from one permanent residence to a newly acquired permanent residence would be fully covered for up to 30 days.
- Personal property that is moved to a temporary residence or storage while the residence is being repaired or restored or is unfit to live in would be fully covered for up to 30 days.
- Special liability limits apply to certain categories of personal property. If the limits of liability for these are inadequate, the insured can obtain this coverage either through an endorsement on the homeowners policy or with a Personal Articles Floater, described later.

Following is a table that shows the special limits of liability:

Coverage Limit	Property
$200	Money, coins and precious metals
$500	Property away from the residence premises used for business purposes
$1,500	Securities, manuscripts, and other valuable paper property
$1,500	Watercraft, including trailers and equipment
$1,500	Trailers not used with a watercraft
$1,500	Portable electronic apparatus while it is in a motor vehicle
$1,500	Electronic apparatus and accessories used primarily for business purposes away from the residence premises and not in a motor vehicle
$2,500	Property on the residence premises used for business purposes

The following table shows the special limits of liability applicable to loss by theft for specific categories of personal property:

Coverage D – Loss of Use

Coverage Limit	Property
$1,500	Jewelry, watches, furs, and precious and semi-precious stones
$2,500	Silverware, goldware, or pewterware
$2,500	Firearms

Coverage D – Loss of Use provides coverage if the residence becomes uninhabitable due to a covered direct loss. **There are two loss of use coverages:**

- Additional living expense
- Fair rental value

The limit of liability specified in the Declarations is the total amount the insurer will pay for loss of use applicable to these coverages.

The limits of liability differ dependent on the coverage form:

- 30% of Coverage A for forms HO-2, HO-3, and HO-5
- 30% of Coverage C for form HO-4
- 50% of Coverage C for form HO-6
- 10% of Coverage A for form HO-8

The coverages provided under Coverage D – Loss of Use are described in more detail below:

Additional Living Expenses:

- Pays for additional living expenses the insured incurs as a result of a covered loss. This includes such expenses as hotel or apartment costs, dining, laundry and transportation expenses.
- Note that this covers an increase in living expenses over the regular household expenses. It does not cover what the insured would normally pay towards these expenses.

Fair Rental Value:

- If a portion of the residence is rented and the residence is damaged as a result of a peril covered by the policy, the loss of rental income to the insured is covered by Coverage D – Loss of Use, Fair Rental Value, while the property is repaired. The insured will be reimbursed for the loss of rental income less any of the expenses not incurred because the property is not in use.
- Does not cover loss of rental income due to a cancelled lease or rental agreement.

Summary of Homeowners Policy Coverages. Settlements, and Limits of Liability

Coverage	HO-2 – Broad Form		HO-3 – Special Form		HO-5 - Comprehensive	
	Settlement	Limit	Settlement	Limit	Settlement	Limit
Coverage A – Dwelling	Replacement Cost	Amount dwelling insured for	Replacement Cost	Amount dwelling insured for	Replacement Cost	Amount dwelling insured for
Coverage B – Other Structures	Replacement Cost	10% of Coverage A (additional)	Replacement Cost	10% of Coverage A (additional)	Replacement Cost	10% of Coverage A (additional)
Coverage C – Personal Property (Contents)	Actual Cash Value	50% of Coverage A	Actual Cash Value	50% of Coverage A	Actual Cash Value	50% of Coverage A
Coverage D – Loss of Use	Time Element	30% of Coverage A (additional)	Time Element	30% of Coverage A (additional)	Time Element	30% of Coverage A (additional)

Coverage	HO-4 – Tenant's Form		HO-6 – Condo Owner's Form		HO-8 - Comprehensive	
	Settlement	Limit	Settlement	Limit	Settlement	Limit
Coverage A – Dwelling	Not applicable	Not applicable	Replacement Cost	Limited coverage ($1,000)	Functional Replacement Cost	Amount dwelling insured for
Coverage B – Other Structures	Not applicable	Not applicable	Not applicable	Not applicable	Functional Replacement Cost	10% of Coverage A (additional)
Coverage C – Personal Property (Contents)	Actual Cash Value	Insured selects	Actual Cash Value	Insured selects	Actual Cash Value	50% of Coverage A
Coverage D – Loss of Use	Time Element	30% of Coverage C (additional)	Time Element	50% of Coverage C (additional)	Time Element	10% of Coverage A (additional)

Section I Property Perils Covered

The following basic perils are covered by all homeowners policies:

Peril	Description
Fire	Fire
Lightning	Lightning
Windstorm	Covers damage to the building caused by a windstorm. Interior damage is only covered if the windstorm makes a hole in the building.
Hail	Covers damage to the building caused by hail. Interior damage is only covered if the hail makes a hole in the building.
Aircraft	Damage caused by an aircraft hitting a building or structure.
Riot and Civil Commotion	Damage caused by civil unrest or riots.
Vehicles	Damage caused by a vehicle hitting a building or structure. Does not cover damage to buildings or structures caused by a vehicle owned or operated by the insured or a resident of the household.
Volcanic Eruption	Damage caused by volcanic ash or lava. Does not cover loss caused by an earthquake, shockwave or tremor.
Explosion	Covers explosions that occur either inside or outside the building.
Smoke	Damage caused the release of soot, vapor or fumes from a furnace, boiler, stove or similar equipment. Smoke from fireplaces, agricultural smudging, or industrial operations is not covered.

Vandalism and Malicious Mischief	Damage caused by vandals. This coverage no longer applies to a building that has been vacant for more than 60 consecutive days.
Theft	Covers theft or attempted theft of property. Does not cover theft by the insured, from a dwelling under construction, from a part of the premises rented out by the insured, of watercraft or equipment, trailers or campers while off the premises, or mysterious disappearance (no explanation of the loss).

The HO-2 Broad form includes some additional named perils and broadens the definition of some of the basic perils. These are described below:

	Peril	Description
V	Vehicles	Under the Broad form, covers damage to fences, driveways and walks even if caused by the insured or a resident of the household.
S	Smoke	Under the Broad form, covers loss caused by smoke from a fireplace.
W	Weight of ice, snow or sleet	Covers structure only. Does not cover damage to awnings, fences, patios, decks, swimming pools, foundations, retaining walls, piers, docks, wharves.
F	Falling objects	Covers structure only if the falling object damages the roof or exterior wall. Does not cover damage to awnings, fences, patios, decks, swimming pools, foundations, retaining walls, piers, docks, wharves.
F	Freezing	Freezing of plumbing or related systems. Coverage does not apply if the residence is unoccupied and the insured has not taken reasonable care to heat the building or shut off the water supply and drain the appliances.
C	Cracking or burning	Sudden and accidental tearing apart, cracking or burning of steam or hot water heating, air conditioning, or automatic fire protection sprinkler systems and water heaters

E	Electrical current	Sudden and accidental damage from artificially generated electrical current such as a generator
W	Discharge of water or steam	Accidental discharge of water or steam from within a plumbing, heating, air conditioning or automatic fire protection sprinkler system, or household appliance.

The HO-3 or Special form provides all peril coverage on the dwelling (Coverage A) and other structures (Coverage B) with the following specific exclusions:

- Property, losses and perils not covered due to limitations in the general exclusions and insuring agreement.
- A loss resulting from collapse other than that provided in the coverage section
- Freezing of a plumbing, heating, air conditioning or automatic fire protection sprinkler system or household appliance or overflow due to freezing while the dwelling is vacant, unoccupied, or under construction unless reasonable care was taken to maintain heat in the building or to shut off the water supply and drain the systems and appliances
- Freezing, thawing, pressure or weight of water or ice to fences, pavements, patios, swimming pools, foundations, retaining walls, piers, wharves, docks
- Theft from a dwelling under construction
- Damage by wind, hail, ice, snow, or sleet to outdoor antennae and aerials, or lawns, plants, trees and shrubs
- Vandalism, malicious mischief or theft if the building has been vacant for more than 60 consecutive days at time of loss
- Constant or repeated seepage or leakage of water or steam over time from a plumbing, heating, air conditioning, fire protective sprinkler system, or household appliance
- Gradual and expected losses such as wear and tear, inherent vice, latent defect, mechanical breakdown, smog, rust, corrosion, mold, wet or dry rot, and smoke from agricultural smudging or industrial operations
- Discharge, dispersal, seepage, migration, release or escape of pollutants (smoke, vapor, soot, fumes, acids, alkalis, chemicals, waste)
- Settling, shrinking, bulging or expansion, resulting in cracking, of pavements, foundations, walls, floors, roofs or ceilings
- Loss caused by vermin, birds, insects or domestic animals.

Section I Property - Additional Coverages

In addition to the coverages described above, the insurer provides additional coverages. Some additional coverages apply to all homeowners' forms. Others apply only to certain of the homeowners' forms.

Additional Coverages applicable to all homeowners' forms

Debris removal: Pays for the expense to remove debris resulting from a loss for property damage covered by the policy

- This applies to property covered under Coverage A (Dwelling) and Coverage B (Other structures)
- This is included in the policy limit unless the limit of liability is reached
- If the limit of liability is reached under the applicable coverage, the insurer will pay up to an additional 5% of the limit of liability for debris removal
- Will cover the cost of removal of trees under specified conditions. The trees must have damaged covered property, be blocking a driveway, or be blocking a handicap access. The trees must have fallen as a result of windstorm, hail, or weight of ice, snow, or sleet. The limit for removal of trees is $1,000 per occurrence or $500 per tree.

Property removed: Covers the loss of property that is removed from the covered property to prevent it from further damage or loss from a covered peril. For example, if your house has fire damage and needs to be repaired, you may have to remove your personal property for the time required to repair the property. In this case the personal property is protected off premises and for all perils for 30 days.

Reasonable repairs: Pays for the reasonable costs to make necessary repairs to prevent further damage to the covered property following a covered loss. The cost is included in the limit of liability that applies to the property being repaired.

Fire department service charge:

- Pays up to $500 for fire department charges when the fire department is called to protect covered property from a peril that is insured against.
- This is in addition to the limit of liability. No deductible applies to this coverage.
- This does not apply if the dwelling is located within the city limits.

Trees, shrubs and other plants:

- Covers trees, shrubs and plants from fire, lightning, explosion, riot or civil commotion, aircraft, vehicular damage by other than the insured's vehicle, theft, or vandalism and malicious mischief.

- Does not cover damage or loss due to wind, hail, weight of snow, ice or sleet
- Limit up to 5% of Coverage A and a maximum of $500 per tree, shrub or plant
- For the HO-4 and HO-6 forms the limit is 10% of the Coverage C limit and a maximum of $500 per tree, shrub or plant

Glass or safety glazing material:

- Pays for breakage of glass or safety glazing material or damage caused to covered property by glass breakage.
- Not covered if the building has been vacant for more than 60 consecutive days

Credit Card, Electronic Fund Transfer Card or Access Device, Forgery, and Counterfeit Money:

- Pays if the insured becomes legally obligated to pay losses resulting from theft or unauthorized use of one of these cards or losses the insured incurs as a result of forgery or alteration of the insured's check.
- Pays up to $500 in addition to the limits of liability. No deductible applies.
- Coverage will not apply to business use or dishonesty of the insured.

Loss Assessment:

- Pays towards a loss the insured has been assessed for as part of an association of property owners. For example, if a condominium owner is required to pay towards a loss for property damage that is common property, the insurer will reimburse the insured for this up to the limit specified.
- The limit of liability for loss assessment is $1,000.
- The loss must be the result of a covered peril.

Additional Coverages applicable to select homeowners forms

Collapse :

- Applies to HO-2, HO-3, HO-4, HO-5, and HO-6
- Pays for direct physical loss to covered property that is the result of the collapse of a building caused by a covered peril or one of the perils included in the additional coverages.
- Collapse is any sudden drop or falling down of a building or section of a building making that building uninhabitable. The same applies to structures.
- The loss must be the result of a Coverage C named peril, hidden decay, hidden insect or vermin damage, weight of contents, equipment, animals, people, weight of rain collecting on the roof, or the use of defective materials or construction methods.
- Losses paid are not in addition to the limit of liability

- Coverage does not include the collapse of awnings, fences, patios, swimming pools, underground pipes, or cesspools unless the damage is a direct result of the collapse.

Landlord's Furnishings:

Applies to HO-2, HO-3, and HO-5

- Provides coverage for loss of appliances, carpeting, and other household furnishings owned by the insured in each apartment on the residence premises regularly rented or for rent to others.
- Perils covered are specifically stated in the endorsement. These are the Coverage C perils. Theft is not covered.
- Will cover up to $2,500.
- Building Additions and Alterations:
- Applies to HO-4
- Covers fixtures, improvements and additions made or paid for by the insured in a rental residence.
- Coverage is limited to 10% of the Coverage C limit.

Ordinance or Law:

Applies to HO-2, HO-3, HO-4, HO-5, and HO-6

- Pays for the increased cost to repair or rebuild a dwelling or structure to comply with ordinances or laws regulating construction and repair of damaged buildings. Older structures that are damaged may need upgraded electrical, heating, ventilating and air conditioning, roofing materials, fences, and plumbing unit based on city codes. Some communities stipulate that, if a structure has been damaged beyond a specified extent, it must be demolished and rebuilt with current building codes, rather than being repaired.
- Pays up to 10% of the Coverage A or Coverage B limit in addition to the limit of liability on Coverage A or Coverage B.

Grave Markers:

Applies to HO-2, HO-3, HO-4, HO-5, and HO-6

- Pays for damage to grave markers and mausoleums caused by perils included under Coverage C.
- Relocation of markers is included
- Limit of liability is $5,000

Section I Property - Exclusions

Losses due to the following are excluded from coverage:

- **Ordinance or law**: Loss caused by enforcement of a law or ordinance that regulates the use, construction, repair or demolition of the structure except what is covered in the Additional Coverage, Ordinance and Law.
- **Earth movement**: Loss caused by earth movement, including earthquake and resulting land shocks and tremors, mudslides, sinkholes, and subsidence. The policy will cover loss due to fire or explosion as a result of the earth movement.
- **Water damage**: Loss due to flood, tidal wave, water overflow, water that backs up through sewers or drains or comes up from a swimming pool or underground. Note: Water damage is covered if it is the result of explosive eruptions causing an inside sprinkler system to discharge or damage caused by the fire department spraying water or retardants.
- **Power failure**: Power failure that occurs away from the insured location. If the insured peril causes power outage on the premises, coverage will apply.
- **Neglect**: Loss caused by the insured's failure to save or preserve property after a loss or to protect it from a loss. Examples include not calling the fire department in case of a fire, not removing property in case of a fire or when the dwelling is damaged in a windstorm, or not covering up a roof after a tree falls on the roof during a storm.
- **War and nuclear hazard**: Loss caused by war, military action, nuclear reaction, radiation spillage, radiation contamination. Fire caused by nuclear hazards would be covered.
- **Intentional loss**
- **Governmental action**: Destruction, confiscation, or seizure of covered property by order of a government or public authority. The exclusion does not apply if the action taken is to prevent the spread of a fire and the fire loss is covered under the policy.

Section II Liability Coverages

The homeowners' coverages are broken down into two major sections as shown below:

Section I - Property	Section II - Liability
Coverage A - Dwelling	Coverage E - Liability
Coverage B – Other Structures	Coverage F – Medical Payments

Coverage C – Personal Property	
Coverage D – Loss of Use	
Standard deductible $250	No deductible

Section II Liability coverage provides insurance claims for which the insured becomes legally liable. This includes liability related to the insured's home or yard such as when a guest slips and falls in the insured's home and the insured becomes legally liable for damages. This also covers liability arising as the result of an action of the insured's child or animal. For example, if the insured's child breaks a neighbor's window or the insured's dog bites a passerby, the insured may become legally liable for the damages. The insured may also become legally liable for damages when away from the premises. For example, if the insured is on a trip to New York and causes bodily injury to someone by tripping them by mistake, the insured may become legally liable for damages. Liability coverage under the homeowners policy would cover these instances.

The coverages available under the homeowners policies for Section II Liability are described in more detail below.

Coverage E – Personal Liability:

- Provides coverage in the event a suit is brought against the insured for bodily injury or property damage caused by an occurrence to which coverage applies.
- Coverage is provided for damages for bodily injury or property damage for which the insured becomes legally liable up to the limit of liability.
- Coverage also provides for defense costs for the insured at the insurer's expense even if the charges are groundless. The insurer will not continue to pay defense costs once payment of damages based on a judgement or settlement has reached the limit of liability.
- Coverage is provided for the broad definition of "the insured" that includes the insured, the insured's spouse, relatives living with the insured, and those under the age of 21 in the insured's care.
- The standard limit of liability for Coverage E is $100,000 per occurrence.
- Defense costs are separate and are in addition to the limit of liability in the policy.

Coverage F – Medical Payments to Others:

- Provides coverage for medical expenses for bodily injury to others as a result of an accident or medical expenses as a result of the accident incurred within 3 years of the accident.
- Coverage applies to injuries incurred while the injured person is on the insured's premises with their permission or if the injury occurs off the insured's premises but is the result of a condition of the insured location, or the activities of an insured, a resident employee, or an animal owned or in the care of the insured.

- Medical expenses due to bodily injury **are not covered** for the insured or regular residents, other than resident employees.
- Coverage is not based on the insured being found legally liable for the bodily injury.
- The purpose behind this coverage is to cover reasonable medical expenses for bodily injury without expensive legal costs.
- The standard limit of liability for Coverage F is $1,000 per person.

Section II Liability - Additional Coverages

In addition to the coverages described above, the insurer provides additional coverages.

These additional coverages are paid in addition to the limits of liability.

Claim Expenses

Provides coverage for:

- Defense costs
- Premiums for bonds required in a suit the insurer defends
- Post judgment interest
- Reasonable expenses incurred by the insured at the request of the insurer, including loss of earnings up to $250 per day

Loss Assessment

- Pays up to $1,000 of the insured's loss assessment charged to the insured during the policy period by a corporation or association of homeowners.
- The loss assessment must be the result of an occurrence to which liability applies or as a result of liability for the act of an officer acting on behalf of the corporation or association.

First Aid Expenses

- Provides coverage for first aid expenses incurred by the insured for others who sustain bodily injury covered by the policy.
- This coverage does not apply to "the insured", but to others.

Damage to Property of Others

- Pays up to $1,000 per occurrence for damage to property the insured rents or borrows without regard to legal liability.
- Coverage for property in the care, custody, or control of the insured is covered.
- Property owned by the insured is not covered.

- If the property damage is covered by Section I, property coverage, the property coverage will apply first and this coverage will provide coverage on an excess basis.

Section II Liability - Exclusions

There are certain exclusions that apply to both Coverage E and Coverage F and certain exclusions that apply only to Coverage E or only to Coverage F.

Exclusions that apply to both Coverage E (Personal Liability) and Coverage F (Medical Payments to Others)

The following are excluded from Coverage E and Coverage F:

- Bodily injury or property damage that is intentional or expected by the insured
- Bodily injury or property damage arising out of business pursuits or failure to render professional services
- Bodily injury or property damage arising out of the rental of any part of the premises unless it is rented as a residence
- Bodily injury or property damage arising out of the ownership, maintenance, use, loading, or unloading of aircraft, watercraft, or motor vehicles
- Bodily injury or property damage arising out of war or warlike acts
- Liability arising out of the transmission of a communicable disease by an insured
- Liability arising out of sexual molestation, corporal punishment, or physical or mental abuse
- Liability arising out of the use, sale, manufacture, transfer, or possession of a controlled substance
- Bodily injury or property damage as a result of the operation of a watercraft that is a sailing vessel greater than 26 feet in length, or has an outboard motor with more than 25 horsepower, or has an inboard motor with more than 50 horsepower

Exclusions that apply only to Coverage E (Personal Liability)

- For any loss assessment charged against the insured as a member of an association, corporation, or community of property owners
- Property damage to property owned by the insured
- Liability assumed under a contract or agreement
- Liability for bodily injury to anyone eligible to receive workers' compensation
- Bodily injury or property damage for which the insured is covered under a nuclear energy liability policy

Exclusions that apply only to Coverage F (Medical Payments to Others)

- Liability for bodily injury to anyone eligible to receive workers' compensation
- Bodily injury to a residence employee that occurs off the residence premises and is not related to the work the employee performs for the insured

- Bodily injury due to nuclear reaction, radiation or radioactive contamination

Homeowners Conditions

The homeowner's policy includes conditions that have been described earlier. Some of these conditions are described in some detail within the descriptions of the forms.

- A policy can be voided in the case of concealment or fraud.
- The insurer can cancel the policy for any reason within the first 60 days of the policy period as long as they notify the named insured in writing at least 10 days in advance. After the policy has been in effect for 60 days, the insurer can cancel the policy for the following reasons:
- Material misstatement by the insured; requires 30 days' written notice
- Substantial change in risk; requires 30 days' written notice
- Non-payment of premium; requires 10 days' written notice
- The insurer can elect not to renew the policy but must provide the insured with at least 30 days' written notice.
- Duties in the event of loss: Specifies the duties of the insured after a loss. The insured must:
- Notify the insurer about the loss or damage as soon as possible
- Notify the police if a law may have been broken
- Take reasonable steps to protect the property from further damage and keep a record of expenses incurred to protect the property
- Provide proof of loss that includes a description of the property and how, when and where the loss occurred
- Provide an inventory of the damaged or lost property if requested by the insurer
- Allow the insurer to inspect the property, examine books and records, and take samples of the property

Homeowners Endorsements

Endorsements can be added to the homeowner's policy to increase either property or liability coverage. The following endorsements are available to be added to the homeowner's policy at an additional cost:

Scheduled Personal Property

- Provides property coverage for the nine categories of personal property if the limits of liability are inadequate. The categories of personal property that may be included are jewelry, furs and fur- trimmed garments, cameras, projectors, films and equipment, musical instruments, silverware, golfers' equipment, fine arts, postage stamps, and rare and current coins.
- The insured specifies the limits of liability for each category.
- Coverage is provided on an open peril basis and is covered worldwide.
- Newly acquired property is covered for up to 30 days for all categories, other than fine arts. Newly acquired fine art is covered for up to 90 days.
- Losses may be paid based on actual cash value, repair or replacement cost, market value, or agreed value depending on the property covered.
- The Section I deductible does not apply to this endorsement.
- This coverage can also be provided in a separate policy, a Personal Articles Floater.

Personal Property Replacement Cost

- Changes the loss valuation for personal property from actual cash value to replacement cost.
- This endorsement applies mostly to personal property covered under Coverage C.
- Certain property that cannot easily be replaced is excluded from this endorsement. Examples include antique furniture, fine arts, and paintings.

Other Structures – Increased Limits

- If the amount of property coverage for other structures provided by Coverage B, which is by default 10% of Coverage A, is inadequate to cover the other structures on the residence premises, this limit may be increased by endorsement.

Permitted Incidental Occupancies

- Overrides the exclusions in the homeowners policy related to business activities conducted on the residence premises.
- Specifically, this eliminates the Coverage B exclusion related to business use of an 'other structure', the $2,500 limit for business property on the residence premises related to the business specified in the endorsement, and the Section II liability and medical payments exclusion for the business specified in the endorsement.

Earthquake

- Earthquake coverage is excluded from homeowners policies but can be added by endorsement.

- A detailed description of earthquake coverage is provided under Other Property Insurance.

Home Day Care

- This endorsement extends the homeowners policy to include coverage for a home day care business conducted on the residence premises.
- The additional premium charged is based on the number of children taken care of in the home day care.
- The Home Day Care endorsement includes property and liability coverage.

Home Business Endorsement

- Under the homeowners policy without endorsement, there is no property or liability coverage for business-related activity.
- The home business endorsement provides business property and liability coverage for a business conducted from the home.
- The business must be owned by the insured or a family member or be a partnership or organization where only the insured and resident family members have an interest.
- Coverage includes premises operations, bodily injury, property damage, personal injury, and advertising injury.
- The business must be named in the endorsement.

Limited Fungi, Wet or Dry Rot, or Bacteria Coverage Endorsement

- Covers the property for loss or damage due to fungi, wet or dry rot, or bacteria or liability arising as a result of fungi, wet or dry rot, or bacteria.
- Under Section I, Property, coverage includes the cost to remove the fungi, rot, or bacteria from the property, to tear out and replace any part of the property needed to gain access to the fungi, rot, or bacteria, and to test the property or air to confirm the existence of fungi, wet or dry rot, or bacteria.
- The loss or damage must be the result of a covered peril and the damage must have occurred during the policy period.
- The insured must have taken all reasonable means to protect and preserve the property from further damage when the covered loss occurred.
- Section II, liability coverage, covers the insured if someone claims they have contracted an illness as a result of the mold, rot, or bacteria in the property and the insured is found to be liable.

Personal Injury Endorsement

- Provides liability coverage if the insured or anyone within the definition of "the insured" becomes liable for personal injury.
- Personal injury liability is liability that is the result of libel, slander, false arrest, or invasion of privacy. Personal injury liability has to do with the character of the injured person, not physical bodily injury.
- The limit of liability is specified on a per person basis.

Watercraft Liability Endorsement

- The watercraft liability endorsement replaces the exclusions for bodily injury and property damage related to a watercraft.
- The watercraft liability endorsement provides coverage for bodily injury and property damage for activity related to a watercraft.
- There are limitations with respect to the definition of a watercraft covered.

Business Pursuits Endorsement

- Under the homeowners policy without endorsement, there is no liability coverage for business-related activity.
- The business pursuits endorsement provides coverage for bodily injury and property damage for business pursuits conducted away from the residence premises.
- This does not cover business pursuits related to a business the insured owns, in which the insured is a partner, or has financial control.
- The business pursuit must be named in the endorsement.

4. Mobile Homes

Mobile homes can be covered on a standalone policy or as an endorsement to a Homeowners policy. Definition of a mobile home:

- 40 feet or more in length and 10 feet or more in width
- Must have been mobile, but the wheels are removed
- Must be securely tied down
- A mobile home can be covered for property damage using a DP-1 (Dwelling Policy Basic Form) provided it is permanently placed on a foundation.

Alternatively, a mobile home can be covered on an HO-2 or HO-3 Homeowners policy with an endorsement specifying coverage is for a mobile home. The policy is very similar to the Homeowners policy including the following:

Section I: Property

- **Coverage A**: Includes the mobile home, attached structures, equipment and accessories originally built into the unit

- **Coverage B**: Other structures: 10% of coverage A. Includes such things as shelters, awnings, and carports
- **Coverage C**: Personal property: 50% of Coverage A
- **Coverage D**: Loss of use: 30% of Coverage A

Section II: Liability

Coverage E: Personal liability

Coverage F: Medical payments

There are, however, some specific requirements and modifications:

- The mobile home must be owner-occupied
- The mobile home is insured on an actual cash value basis, not replacement cost
- Damage to the mobile home from collision or upset while it is in transit is available as an optional coverage
- The Additional Coverage, Property Removed, is generally expanded to include up to $500 for reasonable expenses incurred while moving the mobile home while threatened by a covered peril.
- Discounts are available, as they are in a regular Homeowners policy, for alarm systems, fire prevention, sprinkler systems, and tie-downs.
- The Transportation / Permission to Move endorsement is available for mobile homes. With this endorsement coverage is provided for collision, upset, stranding, or sinking for up to 30 days while the mobile home is being moved to a new location.
- An HO-4 form can be used to cover the personal property of an insured renting a mobile home.

C. Commercial lines

Businessowners policy (BOP)

Objectives: In this section we'll cover the details of the Businessowners policy. The following are covered:

Eligibility for the Businessowners policy

The contents of a Businessowners policy

- Property coverage under the Businessowners policy
- Liability and medical expense coverage under the Businessowners policy
- Endorsements available to the Businessowners policy

The Businessowners policy is a package policy, similar to the Homeowners policy, that provides property and liability coverage for small and medium low-risk businesses. The Businessowners policy provides this coverage at more competitive rates than the Commercial Package Policy. The property coverage is similar to the Commercial Property coverage provided by the Commercial Package Policy.

The liability coverage is similar to the Commercial General Liability coverage provided by the Commercial Package Policy. The Businessowners policy is applicable to both the owners of property used for commercial purposes or a business that rents or leases property for commercial purposes.

Eligibility

Eligible risks include:

- Apartment buildings, including residential condominium buildings
- Office buildings no more than six stories in height or 100,000 square feet
- Retail or services businesses no more than 25,000 square feet or $3,000,000 in annual sales
- Office condominium associations The following are specifically excluded:
- Auto dealerships
- Auto repair shops
- Taverns
- Banks and credit unions
- Manufacturing companies
- Contractors

The Businessowners Policy

The Businessowners policy comprises:

Declarations:

- Policy number, name of insurer, name and address of the insured, and the policy period
- A description of the business, locations of described premises, and mortgage holders, if applicable
- Limits of insurance for buildings and business personal property
- Optional coverages the insured has selected with their limits of insurance

Property coverage, which includes:

- Coverage A – Buildings. This would not be required if the insured rents the building.
- Coverage B – Business personal property

Liability coverage, which includes:

- Bodily injury and property damage
- Personal and advertising injury

Conditions

- The property coverage provides coverage on an all-risk basis for both the buildings and the business personal property. This covers all perils except those that are specifically excluded. Property coverage provides insurance for property in or on the premises described in the declarations, in a vehicle, or in the open within 100 feet from the described premises. Note that this coverage includes theft to business personal property.
- The insured can choose to have coverage on a named peril basis by endorsement. If this option is selected only the specified, named perils are covered.

Property Coverage

Building Coverage

Building coverage applies to the building and structures at the premises described in the Declarations and includes the following:

Completed additions

- Permanently installed machinery and equipment
- Fixtures, including outdoor fixtures
- Personal property owned by the insured used to maintain or service buildings, structures, or the premises, including portable fire extinguishing equipment, outdoor furniture, floor coverings, and appliances used for refrigerating, ventilating, cooking, dishwashing, or laundering
- Personal property furnished by the insured in apartments, rooms, or common areas that are rented to others

If not covered by other insurance, building coverage will also cover:

- Additions under construction
- Alterations and repairs to the buildings or structures
- Materials, equipment, supplies, and temporary structures on or within 100 feet of the premises and being used for additions, alterations, or repairs

Business Personal Property Coverage

Business personal property coverage includes:

- Property owned and used by the insured in the business
- Property of others in the care, custody, or control of the insured

- Tenant's improvements or betterments. This covers fixtures, alterations, additions, or additions to buildings made by tenants. The items must be permanently attached to the building, acquired or made at the insured's expense, and unable to be legally removed. Examples include carpeting or cabinets.
- Leased personal property that the insured has a contractual responsibility to insure. An example is computer equipment leased by the insured where the contract specifies the insured is required to insure the equipment.
- Exterior building glass. This covers exterior building glass in a building that is leased or rented by the insured, that is, the insured does not have building coverage. The glass must be owned by the insured or in the care, custody, or control of the insured.

Property Exclusions and Limitations

The following property **is not covered** under a Businessowners policy:

- Aircraft
- Motor vehicles and other vehicles subject to motor vehicle registration
- Land, including land on which the property is located, water, growing crops, and lawns
- Contraband and property being illegally traded or transported
- Outdoor fences, trees, shrubs, and plants unless they are covered by optional coverage or coverage extensions
- Outdoor radio or television antennas, including satellite dishes, and their lead-in wiring, masts, or towers unless they are covered by optional coverage or coverage extensions
- Money and securities unless they are covered by optional coverage or coverage extensions
- Watercraft including motors, equipment, and accessories while afloat
- Outdoor signs not attached to buildings unless they are covered by optional coverage or coverage extensions
- Accounts, bills, food stamps, other evidences of debt, accounts receivable, and valuable papers and records
- Computers that are permanently installed or designed to be permanently installed in an aircraft, watercraft, motor truck, or other vehicle subject to motor vehicle registration
- Electronic data unless they are covered by optional coverage or coverage extensions
- Property transferred outside the premises without authorization The following limitations apply to the Businessowners policy:

- Damage to steam equipment (boilers, pipes, engines, or turbines) is not covered if it is the result of a condition that originates inside the equipment, an equipment breakdown. Damage as the result of an explosion of gas inside the furnace of a fired vessel or passages through which gas passes is covered.
- Loss or damage to property is not covered if the only evidence of loss is from an inventory reconciliation or where there is no physical evidence showing what happened to the property
- Loss or damage to fragile articles is not covered unless it is caused by building glass breakage or specified causes of loss in the policy
- Loss to the interior of the building is covered only if the exterior of the building sustains damage

The limit of liability is $2,500 for theft of the following types of property:

- Furs, fur garments, and garments trimmed with fur
- Jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals
- Patterns, dies, molds, and forms
- Property is covered when it is on the premises described in the Declarations, in a vehicle, or in the open within 100 feet of the premises.

Additional Coverages

Additional coverages are available on a Businessowners policy. These coverages may have specified limitations or conditions. Additional coverages can include:

Debris removal:

- The most the insurer will pay for the direct loss plus debris removal is the limit of insurance on the property covered. The most the insurer will pay for debris removal is 25% of the amount paid for the direct loss to the covered property plus the deductible. If the amount of the direct loss plus the debris removal payment exceeds the policy limit, a maximum of $10,000 is available for debris removal.

Business income:

- The insurer will pay for loss of business income that is the result of a direct physical loss or damage while the property is being restored for up to 12 consecutive months after the loss. This is not subject to the limits of insurance specified under the property coverage.

Extra Expense:

- The insurer will pay for additional costs the insured incurs to keep the business operational or minimize disruption to business operations as a result of a direct physical loss or damage while the property is being restored for up to 12 consecutive months after the loss. This is not subject to the limits of insurance specified under the property coverage.

Collapse:

- Collapse of a building or part of a building is covered when it is caused by a specified cause of loss, building glass breakage, hidden decay, hidden insect or vermin damage, weight of people or personal property, weight of rain that collects on the roof, or use of defective materials or methods.

- Collapse is defined as an abrupt falling down or caving in of the building or part of the building that results in the building becoming unusable.

- Losses due to collapse are subject to the limits of insurance specified under the property coverage.

Increased cost of construction:

- This coverage will pay additional costs required to comply with ordinances or laws in repairing or replacing damaged property after a covered loss.

- This additional coverage applies only to property insured on a replacement cost basis.

- The limit of liability for this coverage is $10,000 for each building.

Civil authority:

- This coverage provides insurance for loss of business income or extra expense the insured incurs if the civil authorities deny access to covered property after a covered loss.

- Coverage for business income begins 72 hours after the action taken by the civil authority. Coverage for extra expense begins immediately after the action taken by the civil authority. Coverage ends after four consecutive weeks.

Forgery and alteration:

- Covers losses the insured incurs as the result of forgery or alteration of a check or similar instrument.

- The insurer will pay reasonable defense costs incurred if the insured is sued for refusing to pay for the items with these instruments and the insurer agrees to cover legal expenses.

- The standard limit of liability is $2,500 including any defense costs. A higher limit can be specified and will be indicated in the Declarations.

Business income from dependent properties:

- Covers loss of business income due to physical loss or damage at a dependent property from a covered cause of loss.

- A dependent property is a business that delivers materials or services to the insured, accepts the insured's products or services, manufactures products for the insured's customers, or attracts customers to the insured's business.
- The standard limit of liability is $5,000. A higher limit can be specified and will be indicated in the Declarations.
- Coverage begins 72 hours after the loss at the dependent property and continues till the property is repaired, rebuilt, or replaced within a reasonable time and quality. If alternative sources are available so that operations can resume in whole or in part, the amount paid for the loss will be reduced.

Electronic data:

- Covers the cost to replace or restore electronic data destroyed or corrupted as the result of a covered cause of loss. This also covers the loss or corruption of electronic data due to a computer virus or other means intended to destroy electronic data or disrupt computer operations. It does not cover this loss caused by an employee, contractor, or organization responsible to inspect, design, install, maintain, or replace the system.
- The limit of liability is $10,000 in the policy period.

Limited coverage for fungi, wet rot, dry rot, and bacteria:

- Covers fungus or mold, wet or dry rot, or bacteria that result from a covered cause of loss, other than fire or lightning.
- The loss must occur during the policy period and the insured must use all reasonable means to protect the property from further damage.
- The insurer will cover the direct loss or damage to the property from these sources, costs to tear out or replace any part of the building to gain access to the mold, rot, or bacteria, and the cost to test that this has been removed.
- The limit of liability is $15,000 in the policy period. This additional coverage does not increase the limit of insurance on the covered property.

Money orders and counterfeit money:

- Covers loss when the insured accepts money orders and counterfeit money in good faith as part of a business transaction.
- The limit of liability is $1,000 for any one loss.

Pollutant cleanup and removal:

- Covers the cost to clean up pollutants on land or in the water caused by a covered cause of loss on the insured's premises.
- The limit of liability is $10,000 in the policy period.

Preservation of property:

- Covers property that is moved to protect it from further damage or loss due to a covered peril. Coverage applies while the property is in transit or in temporary storage.

- Coverage is on an all peril basis for 30 days.

Fire department service charges:

- Covers the cost of fire department service charges when they are called out to protect covered property from a covered cause of loss if these costs are assumed by contract or agreement prior to the loss or required by local ordinance.

- The standard limit is $2,500.

Water or other liquid, powder, or molten materials:

- Covers the cost to tear out and replace any part of the building in order to repair the system or appliance from which the water, liquid, powder, or material escaped. This does not cover the repair of the system or the appliance.

Glass expenses:

- Covers expenses incurred to put up temporary plates or board up openings or to remove or replace obstructions when repairing or replacing glass that is part of a building.

Interruption of computer operations:

- Extends the coverage of loss of business income or extra expense incurred as the result of suspension of operations due to interruption of computer operations caused by covered causes of loss or destruction or corruption of electronic data.

- The limit of liability is $10,000 in the policy period.

Fire extinguisher systems recharge expense:

- Covers the cost to recharge or replace the insured's fire extinguishers or systems if they are discharged. It will also cover loss or damage to covered property caused by accidental discharge of chemicals from fire extinguishers or systems.

- The limit of liability is $5,000 per occurrence.

Coverage Extensions

Coverage extensions allow the insured to extend the coverage provided. Possible coverage extensions include:

- Newly acquired or constructed property:

- The insured can extend coverage to newly acquired property or property being constructed.

- The limit is $250,000 for buildings and $100,000 for business personal property at each new location.

- Coverage is provided for up to 30 days after the property is acquired or after construction begins.

Personal property off premises:

- The insured can extend business personal property coverage to property that is in transit or at premises that the insured does not own, lease, or operate.

- The limit is $10,000 and coverage does not apply to money and securities, valuable papers and records, or accounts receivable.

Outdoor property:

- The insured can extend coverage to include outdoor property including fences, radio and television antennae, satellite dishes, outdoor signs not attached to the building, and trees, shrubs, and plants.
- Coverage applies to losses due only to fire, explosion, aircraft, lightning, riot or civil commotion.
- Coverage includes debris removal costs.
- The limit is $2,500, with a limit of $1,000 for any one tree, shrub, or plant.

Personal effects:

- The insured can extend business personal property coverage to include the personal effects of the insured or the insured's officers, partners, or employees.
- The limit is $2,500 at each of the described premises.

Valuable papers and records:

- The insured can extend business personal property coverage to include loss of valuable papers and records owned by the insured or in the care, custody, or control of the insured as the result of a covered loss. This covers the cost to research, replace, or restore information on lost or damaged valuable papers and electronic or magnetic records for which there are no duplicates.
- The limit is $10,000 for loss of valuable papers and records on the described premises and $5,000 for valuable papers and records not on the described premises.

Accounts receivable:

- The insured can extend business personal property coverage to include accounts receivable amounts that cannot be collected due to the loss of accounts receivable records as the result of a covered loss. This coverage will also include interest charges on loans required to offset these amounts, excess collection expenses incurred due to the loss, and reasonable expenses to reestablish the accounts receivable accounts.
- The limit is $10,000 for loss of accounts receivable records on the described premises and $5,000 for accounts receivable records not on the described premises.

Optional Coverages

- Optional coverages are available. These must be specified in the Declarations and usually require an additional premium.

Optional coverages include:

Employee dishonesty:

- Covers loss to business personal property or money and securities as the result of an act or acts of employee dishonesty whether acting alone or in collusion with others.
- This does not cover loss as the result of inventory reconciliation or profit and loss computation.
- The limit of liability is included in the Declarations.
- Losses will only be covered if discovered during the policy period or within one year (12 months) after the end of the policy period.
- Coverage for an employee is cancelled immediately when the insured or an officer of the company discovers that the employee has been dishonest either before or after he has been hired by the company.

Mechanical breakdown:

- Covers mechanical or equipment breakdown to pressure vessels, mechanical or electrical machinery or equipment that is either owned by the insured or in the care, custody, or control of the insured at the described premises.

Outdoor signs:

- Covers direct physical damage to outdoor signs on the described premises either owned by the insured or in the care, custody, or control of the insured.
- The limit of liability is specified in the Declarations.

Money and securities:

- Covers loss of money or securities used in the insured's business due to theft, disappearance or destruction.
- Coverage applies if these are at a bank or savings institution, at the living quarters of the insured, a partner, or an employee who has custody of the property, at the described premises, or in transit between any of these places.

Policy Exclusions

The following are excluded from coverage in a Businessowners policy:

- Ordinance or law
- Earth movement
- Government action
- Nuclear hazard
- Failure of power or other utility services occurring away from the insured's premises
- War and military action

- Water, including flood, sewer backup, mudslides, or seepage of ground water
- Failure of computers to recognize a particular date or time such as the year 2000
- Mold, wet rot, dry rot, and bacteria unless covered as an additional coverage
- Artificially generated electrical current
- Delay, loss of use, or loss of market
- Smoke, vapor, or gas from agricultural smudging or industrial operations
- Explosion of steam boilers, pipes, engines, or turbines
- Water, liquids, powder, or molten material that leaks or flows from any equipment other than fire protective systems as the result of freezing unless the insured has done his best to maintain heat in the building or has drained the equipment and shut off the supply
- Dishonest or criminal acts of the insured or employees
- Voluntary parting with property if induced to do so by fraud or trick
- Rain, snow, sleet, or ice damage to personal property left in the open
- Any type of collapse other than that provided as an additional coverage by the policy
- Pollution
- Failure of the insured to use all reasonable means to save and preserve property at the time or after the loss
- Errors and omissions in programming, processing, or storing data or in any computer operations, or in processing or copying valuable papers and records
- Errors or deficiencies in design, installation, testing, maintenance, modification, or repair of the insured's computer system, including electronic media and records
- Electrical or magnetic injury, disturbance, or erasure of electronic media and records unless it is provided as a coverage extension in the policy
- Weather conditions that contribute to causing a loss
- Loss resulting from acts or decisions, or failure to act or decide
- Faulty planning, development, design, specifications, workmanship, or repair
- Rust, corrosion, decay, deterioration, and hidden or latent defects
- Smog
- Settling, cracking, shrinking, or expansion
- Damage caused by insects, birds, rodents, or other animals
- Wear and tear
- Continuous or repeated seepage or leakage or water that occurs over 14 or more

days

Limits of Insurance and Deductibles

- The limit of insurance for any loss is specified in the Declarations. The most the insurer will pay for any one occurrence is shown for each coverage and the per occurrence rule applies separately to each.

- Some coverages have specified limits, as covered, for example, in the additional coverages, or coverage extensions.

- The limit of insurance for buildings will automatically increase by a specified percentage to provide for inflation.

- The Businessowners policy will automatically increase the limit of insurance by 25% on business personal property to provide for seasonal variations if the limit of insurance specified in the Declarations is at least 100% of the insured's monthly values over the 12-month policy period or the period the insured was in business before the loss, whichever is less.

- The standard deductible for property losses is $500. A base deductible applies to all building and business personal property coverages. No deductible applies to the fire department service charge, business income, extra expense, civil authority, and fire extinguisher systems recharge expense.

- A separate deductible applies to money and securities, employee, and outdoor signs optional coverages and the glass expenses additional coverage. These deductibles are not in addition to the base deductible.

Liability and Medical Expense Coverage

Liability Coverage

- The liability protection covers the insured's legal liability for bodily injury, property damage, and personal and advertising injury. It also covers specified medical expenses without admission of fault and without proof of negligence.

- The insurer will only cover bodily injury and property damage caused by an occurrence that takes place within the coverage territory and within the policy period. Coverage for personal and advertising injury applies to an offense arising out of the insured's business only if it takes place in the coverage territory and within the policy period.

The coverage territory is:

- The United States, its territories and possessions (including Puerto Rico), or Canada

- International waters or airspace between the United States, its territories and possessions, or Canada

All parts of the world if the injury or damage arises out of:

- Goods or services normally made or sold by the insured in the United States, its territories and possessions, or Canada
- The activities of a person away from home on business in any of these places
- Personal and advertising injury offenses that take place through the Internet or similar electronic means of communication

Supplementary Payments

- In addition to the limits of insurance paid for legal liability, the insurer will cover the following supplementary payments:
- Expenses the insurance company incurs
- Up to $250 for the cost of bail bonds related to violations that arise from vehicles to which bodily injury liability coverage applies
- Cost of bonds to release attachments, up to the limit of insurance
- Reasonable expenses the insured incurs at the insurance company's request to assist in investigating or defending a claim or suit, including $250 a day for lost earnings because of time off work
- Costs the insured is required to pay because of a suit
- Prejudgment interest the insured is required to pay, unless the insurance company makes an offer to pay the limit of insurance, and then it will not pay prejudgment interest based on the period after the offer
- Interest that accrues after a judgment and before it is paid, offered, or deposited in court

Medical Expense Coverage

Medical expense coverage is provided on the following basis:

- It covers necessary medical expenses that are the result of bodily injury that occurs on or next to the premises the insured owns or rents or injury that occurs as a result of the insured's business operations
- The accident must occur in the coverage territory and during the policy period

Medical expenses must be incurred and reported to the insurer within one year after the accident Medical expenses are paid to "others" and so would generally not be paid for the following:

- Any insured
- Anyone hired to work for or on behalf on any insured or any insured's tenant

- A person injured on premises the insured owns or rents and who normally occupies the premises
- A person whose injury is covered by other insurance such as workers' compensation, disability insurance, or other insurance specified by law
- A person injured while taking part in athletics Medical expense will pay reasonable expenses for:
- First aid when the accident occurs
- Medical and surgical services
- Hospital expenses
- X-ray services
- Ambulance services
- Professional nursing services
- Dental services
- Funeral services

Definition of "the insured"

- The definition of who "the insured" is depends on the designation of the named insured in the Declarations of the Businessowners policy. The following table provides the definition of "the insured" by designation:

Designation	Definition of the insured	Restrictions
Individual or sole proprietor	Named insured Named insured's spouse	
Partnership or joint venture	Named insured Named insured's spouse Named insured's partners and their spouses Named insured's members and their spouses	Only in connection with conducting the business
Limited liability company	Named insured Members Managers	Members are considered insured only in connection with conducting the business and managers are considered insured only in connection with their

		duties as managers of the business
Organization other than partnership, joint venture, or limited liability company	Named insured Executive officers and directors Stockholders	Executive officers and directors are considered insured only in connection with conducting the business and stockholders are considered insureds only in connection with their liability as stockholders

In addition to the above, the following are also included as insured under the Businessowners policy:

- Named insured's employees when acting within the scope of their employment
- Organization or individual acting as the insured's real estate manager

If the named insured dies:

- A person or organization who has temporary custody of the insured's property until a legal representative has been appointed while acting within this capacity
- The insured's legal representative while acting within this capacity

Exclusions

The following exclusions apply to the liability coverage for bodily injury and property damage:

- Expected or intended injury
- Liability assumed under contracts or agreements unless this meets the definition of an insured contract in the policy
- Liquor liability
- Workers' compensation or similar laws

- Employer's liability
- Pollution and associated cleanup costs
- Arising out of the ownership, maintenance, or use of aircraft, autos, or watercraft
- Arising out of the use of mobile equipment
- War or warlike acts
- Professional services
- Damage to the insured's own property or work
- Damage to impaired property or property that has been damaged arising out of a defect or deficiency in the insured's product or a delay or failure to perform a contract or agreement
- Recall of products, work, or impaired property
- For business liability or medical expenses arising from hazardous properties or nuclear materials
- Arising out of loss of electronic data
- Arising out of violations related to distribution of material or information, including the Telephone Consumer Protection Act and the CAN-SPAM Act.

The following exclusions apply to the liability coverage for personal and advertising injury:

- Caused by or at the direction of the insured with the knowledge that the act would violate the rights of others and inflict personal or advertising injury
- Caused by oral or written publication of material known to be false
- Offenses that took place before the start of the policy period
- Arising out of a criminal act by or at the direction of the insured
- Arising out of an assumed liability in a contract or agreement
- Arising out of a breach of contract
- Arising from the failure of goods, products, or services that do not meet the advertised quality or performance
- Arising from an incorrect price quote
- Committed by insureds who are in the business of advertising, broadcasting, publishing, telecasting, designing websites, or providing internet search, access, content, or service
- Arising out of an electronic chat room or bulletin board the insured hosts, owns, or controls
- Arising out of infringement of copyright, trademark, patent, trade secret, or other intellectual property rights

- Arising out of the unauthorized use of another's name or product in the insured's email address, domain name, or metatags

The following exclusions apply to Medical Expenses coverage:

- To any insured other than volunteer workers
- To a person hired to do work for or on behalf of an insured or tenant of the insured
- To a person if benefits for bodily injury are payable
- To a person if benefits are payable by workers' compensation
- To a person injured on the premises the insured owns or rents and which the person normally occupies
- To a person participating in athletics
- To bodily injury incurred within the products and completed operations hazard
- To bodily injury excluded under business liability coverage
- Due to war and acts of war

Limits of Insurance

- The limits of insurance are the most the insurer will pay for the specific coverages regardless of the number of insureds, claims made, or suits. These limits of insurance are specified in the policy's Declarations.
- The liability limit applies per occurrence for bodily injury and property damage.
- The liability limit applies per person or organization for personal and advertising injury.
- The medical expense limit applies for bodily injury to any one person.
- The damage to premises rented to you limit applies to property damage to property the insured rents or temporarily occupies from one fire or explosion.

There are two aggregate limits:

- Products and completed operations
- Other injury, property damage, and medical expenses except fire legal liability.
- The aggregate limits do not apply to losses for damages to premises rented to you.
- Both of the aggregates are two times the limit shown in the Declarations for liability and medical expenses shown in the declarations.

Conditions

The Businessowners policy includes conditions, called Common Policy Conditions, that apply to the whole policy. These conditions are very much like the conditions in other commercial property and liability policies. They cover such things as cancellation, changes, concealment, misrepresentation, and fraud, examination of you books and records, inspection and surveys, insurance under two or more coverages, liberalization, other insurance, premiums, transfer of rights of recovery against others to us, and transfer of your rights and duties under the policy.

In addition to this there are conditions that apply to property coverage and liability and medical expenses general conditions.

Endorsements

The following endorsements are among those available under the Businessowners' policy:

Utility Services – direct damage coverage endorsement:

- Covers loss or damage to property caused by an interruption in water, power supply, or communication service. The property covered must be scheduled on the endorsement and the service interruption must be caused by a covered cause of loss.

Utility Services – time element coverage endorsement:

- Covers loss of business income or extra expense if damage to utility services property outside covered premises results in an interruption in water, power supply, or communication services to the described premises. The service interruption must be caused by a covered cause of loss.

Hired auto and non-owned auto liability endorsement:

- This provides business auto coverage for the insured when they do not own autos.

This covers the insured's liability for:

- Bodily injury and property damage arising out of the maintenance or use of a hired auto by the insured and the insured's employees in the course of doing the insured's business.
- Bodily injury and property damage arising out of the use of any non-owned auto in the insured's business by any person.

Named peril coverage:

- This endorsement provides named peril coverage rather than open peril coverage. Coverage is limited to the named perils.

Protective safeguards endorsement:

- This endorsement requires the insured to maintain protective devices or services specified in the endorsement on the specified property. Protective safeguards can include an automatic sprinkler system, an automatic fire alarm system, a security service that guards the premises while the business is closed, or a service contract that provides a private fire protection service. Coverage for fire damage would not apply if the specified protective safeguards were not in working order. The insured is required to notify the insurer if an automatic sprinkler system is out of order for more than 48 hours.

Commercial Property

Objectives: In this section we'll cover the various Commercial Property coverage forms. The following key concepts are covered:

- Commercial Property Coverage forms
- Commercial Property Causes of Loss forms
- Time Element Coverage: Business Income and Extra Expense
- Legal Liability Coverage form
- Commercial Property Endorsements

Commercial property insurance provides coverage for loss or damage to property related to a business or commercial enterprise. This insurance provides coverage for damage or loss of:

- real property such as office buildings, factories, stores, and warehouses
- business personal property such as furniture, fixtures, machinery, and inventory
- personal property of others relating to the loss of business property
- Commercial property coverage can be provided as part of a Commercial Package Policy or as a monoline policy.

Commercial Property Coverage Forms

In addition to the Commercial Property Package Common Declarations and Conditions and any interline endorsements, each Commercial Property coverage form includes the following:

Declarations page: Provides information about the premises to be insured, what coverage forms apply, and, if applicable, the names and addresses of mortgage holders.

The Property Conditions form: The Conditions specify the rights and obligations of both the insured and the insurer. The Property Conditions form includes the conditions that are applicable specifically to the commercial property coverage forms. These apply in addition to the Common Conditions specified in the Commercial Package Policy. There are nine conditions included in the Property Conditions form:

- **The Control of Property** condition states that any act by someone other than the insured and beyond the control of the insured will not affect coverage. Also, if the insured violates a condition of the policy related to a specific location, it will not affect the coverage applicable to other locations.

- **The Legal Action Against Us** condition states that the insured can only file a lawsuit against the insurer if the insured has complied with all conditions in the policy and that the lawsuit must be filed within two years of the date of the direct physical loss.

- **The Other Insurance** condition states that if there are two or more policies that apply to a loss, the policy will pro-rate their payment with the other policies whether or not the insured is able to collect from the other policy.

- **The Insurance Under Two or More Coverages** condition states that if two or more policies' coverages apply to the same loss, that is, there is duplicate coverage, the insurer will not pay more than the actual loss.

- **The Policy Period, Territory Coverage** condition states that coverage applies only during the policy period and within the coverage territory. The coverage territory is the United States, its territories and possessions, Puerto Rico and Canada.

- **The Transfer of rights of recovery against others to us** condition provides the insurer with subrogation rights. This allows the insurer to attempt to recover any amounts paid for the loss from the negligent party.

- **The Concealment or Fraud** condition states that the policy is void if the insured intentionally conceals or misrepresents a material fact related to the coverage part, the covered property, the insured's interest in the covered property, or a claim.

- **The No Benefit to Bailee** condition states that no one other than the insured may benefit from the policy. If the insured's property is damaged or destroyed while in the bailee's custody, the bailee would not be reimbursed by the insured's commercial property insurance.

- **The Liberalization** condition states that any revision of the policy that broadens the coverage without an additional premium will apply immediately.

One or more Property coverage forms:

- The Commercial Property coverage forms contain descriptions of the specific coverages provided to the business.

- Each property coverage form defines what property is covered, what property is not covered, how limits and deductibles apply, and any special conditions that apply

- Note that the commercial property coverage forms provide descriptions of the property coverage. The perils insured against are covered in separate Causes of Loss forms (see below)
- There are several commonly used Commercial Property coverage forms – Building and Personal Property, Builders Risk, Condominium Association, Condominium Commercial Unit Owners, Business Income with Extra Expense, Business Income without Extra Expense, Extra Expense, and Legal Liability. These will be described in more detail below.

One or more Causes of Loss forms:

- List the perils that the property is insured against.
- There are three causes of loss forms – Basic, Broad, and Special forms

Any applicable endorsements related to the property coverage

The following commercial property forms will be covered in more detail below:

- Commercial Building and Personal Property form
- Builders Risk form
- Condominium Association form
- Condominium Commercial Unit Owners form

Commercial Building and Personal Property Form:

- The Commercial Building and Personal Property form is the most commonly used commercial property coverage form.
- Covered Property

This provides coverage for direct loss to:

Coverage A - Buildings: Covers damage or loss to the actual buildings described and:

- Completed additions
- Fixtures, including outdoor fixtures
- Permanently installed machinery and equipment such as air conditioning units
- Personal property used to maintain or service the premises, such as fire extinguishers
- Outdoor furniture, floor coverings, and certain appliances
- If not otherwise covered, additions under construction and alterations or repairs to the building, including materials, equipment, supplies, and temporary structures within 100 feet of the described premises

Coverage B - The insured's business personal property: Covers business personal property while it is in the building, in the open, or in a vehicle within 100 feet of the premises. Business personal property includes:

- Furniture
- Fixtures
- Machinery
- Equipment
- Stock: The insured's merchandise stored or offered for sale, raw materials used in manufacturing, materials in the process of being manufactured, manufactured items, and supplies used in packaging and shipping.
- Other owned personal property used in the business
- The value of labor, parts, or services on the personal property of others
- If the insured is a tenant, the improvements and betterments added by the insured at their expense and that cannot be legally removed
- Leased personal property that the insured has a contractual obligation to insure, unless it is covered elsewhere

Coverage C The personal property of others located at the insured's premises: Pays for damage to property of others in the care, custody, or control of the insured whether or not the insured is legally liable for the loss. The owner of the property receives the payment for the loss.

The insured can select any combination of Coverages A, B and C. In order to be covered, the buildings and personal property must be listed on the declarations page with the applicable limits of insurance and premiums. No coverage is provided if these are not included in the declarations.

Exclusions

The following property is excluded from coverage:

- Money, accounts, food stamps, notes, securities and related property
- Animals unless they are owned by others and are boarded or owned by the insured and held for sale
- Autos held for sale
- Bridges, roads, walks, patios, and other paved surfaces
- Contraband, stolen property or property being illegally transported or traded
- Cost of excavations and other ground preparation such as grading or filling
- Foundations of buildings, structures, machinery, or boilers if their foundation is below the basement level or below ground level if there is no basement

- Land (including the land on which covered buildings and structures are located), water, growing crops, and lawns
- Personal property while it is being transported by air or water
- Bulkheads, pilings, piers, wharves, and docks
- Property specifically covered under another policy or another coverage part on this policy
- Retaining walls that are not part of a building in the declarations
- Underground pipes, flues, and drains
- The cost to replace or restore information contained in valuable papers or records, including electronic data, unless they are covered in the coverage extensions
- Vehicles and self-propelled machines, including watercraft and aircraft, that are licensed for use on public roads or are principally operated away from the premises.

This exclusion does not apply to:

- Vehicles manufactured, processed, or warehoused by the insured
- Vehicles held for sale, other than autos
- Rowboats or canoes out of water at the described premises

The following property if it is outside the buildings, unless it is covered by coverage extensions:

- Grain, hay, straw or other crops
- Fences
- Antennas, including satellite dishes, masts, or towers and their wiring
- Signs not attached to the building
- Trees, shrubs, or plants not held for sale, that is not part of the business stock
- Electronic data unless it is covered as an additional coverage

Additional Coverages

In addition to the property coverages provided, the insurer will provide additional coverages without charging additional premiums. The additional coverages provided are:

Debris Removal: Covers the expenses for debris removal that is the result of a covered loss.

- Payment is subject to a maximum of 25% of the total amount paid for the loss
- If the total amount payable for the direct loss to the property plus debris removal expenses exceeds the limit of insurance, the insurer will pay an additional $10,000 towards debris removal per location.

Removal of property: Covers property that is removed from the insured location to protect it from loss or further damage in the event of a covered loss.

- Coverage applies on an open peril basis for a period of 30 days
- Fire department service charge: Pays up to $1,000 towards fire department service charges if the fire department is called in to protect the covered building.
- This is in addition to the policy limit and no deductible applies

Pollutant cleanup and removal: Covers the cost to remove pollutants from the land or water at the insured's premises provided the pollution was the result of a covered loss.

- The limit of insurance is $10,000 per policy period, that is, there is an aggregate limit of $10,000
- This is in addition to the policy limit
- The expenses must be reported to the insurer in writing within 180 days of the loss

Coverage Extensions

Coverage extensions are available under the Commercial Building and Personal Property coverage as long as the coinsurance percentage specified in the declarations is at least 80%. No additional premium is charged for the coverage extensions. The coverage extensions provide an additional amount of insurance over and above the limits of insurance.

Under Commercial Property coverage the insured can select their coinsurance percentage unlike personal lines property insurance where the coinsurance percentage is set at 80%. The insured can select a coinsurance percentage anywhere from 50% to 100%. If the insured selects a coinsurance percentage of 50%, they are obliged to pay for insurance coverage of at least 50% of the replacement cost of the building if they want to be paid out fully in the case of a partial loss. If they meet this condition, the insurer will pay up to the limit of liability for any partial loss. If they do not meet this condition, the insurer will pay only a proportion of the partial loss. The lower the coinsurance percentage, the lower the premium.

If the insured selects a coinsurance percentage of at least 80%, they would be obliged to carry insurance for at least 80% of the replacement cost of the building if they wish to be paid out fully in case of a partial loss. The premium would be higher for this scenario. In addition to having a higher level of coverage, though, coverage extensions automatically apply with no additional premium due.

Coverage extensions include:

Newly acquired or constructed property: Applies to Coverages A (Buildings) and B (Business personal property) and extends these coverages to newly acquired property.

- The limit for Coverage A (Buildings) is 25% of the Coverage A limit or $250,000, whichever is lower, for each new building constructed on an existing location or acquired at a new location
- The limit for Coverage B (Business personal property) is 10% of the Coverage B limit or
- $100,000, whichever is lower
- Coverage is extended for up to 30 days, to the end of the policy period, or when the property is reported to the insurer, whichever occurs first

Personal property of others: Provides limited coverage for the personal property of others under Coverage B (Business Personal Property).

- Provides coverage for the personal effects of the named insured, partners, or employees or personal property of others in the insured's care, custody, or control up to $2,500 at each described premise
- This does not cover loss by theft
- This would be used to provide incidental coverage for the property of others.
- If additional coverage is required for the personal property of others, the insured should purchase Coverage C.
- Valuable papers and records: Provides coverage to research, replace or restore valuable papers and records, including electronic data if the insured has Coverage B.
- The limit is $2,500 per insured premises unless a higher amount is specified in the declarations
- Business personal property (other than stock) while temporarily off the premises: Provides coverage for the insured's covered property while it is temporarily off the insured's premises.
- The limit is $10,000
- Coverage is provided while the property is temporarily at a location the insured does not own, lease, or operate, in storage at the location the insured leases, or at a fair, trade show or exhibition
- Coverage will not apply while the property is in or on a vehicle or in the care of a salesperson unless the salesperson is at a fair, trade show, or exhibition

Outdoor property: Provides limited coverage for outdoor property

- Extends coverage for fences, antennas, satellite dishes, signs, trees, plants, and shrubs
- The limit is $2,500 with a limit of $250 for any one tree, plant, or shrub
- Perils covered under this extension are fire, lightning, explosion, riot or civil commotion, and aircraft

Non-owned detached trailers: Provides coverage for trailers the insured does not own but for which they have responsibility in case of a loss.

- This type of coverage would be required under two circumstances: 1) If a delivery organization leaves a detached trailer on the insured's premises for them to unload and the insured is responsible for any damage to the trailer, or 2) if the insured rents a trailer as a storage unit that is located on the insured's premises and the insured is responsible for any damage to the trailer
- Coverage does not apply if the trailer is attached to a motor vehicle or during hitching or unhitching operations
- The limit is $5,000 unless a higher amount is specified in the declarations

Conditions

In addition to the Common Policy Conditions specified in the Commercial Package Policy and those specified in the commercial property forms, the Commercial Building and Personal Property form includes some important conditions:

Duties in the event of loss: Specifies the duties of the insured after a loss. The insured must:

- Notify the insurer about the loss or damage as soon as possible
- Notify the police if a law may have been broken
- Take reasonable steps to protect the property from further damage and keep a record of expenses incurred to protect the property
- Provide proof of loss that includes a description of the property and how, when and where the loss occurred
- Provide an inventory of the damaged or lost property if requested by the insurer
- Allow the insurer to inspect the property, examine books and records, and take samples of the property

Loss Payment: States that the insurer will notify the insured of how it intends to settle the loss after receiving the insured's sworn notification of loss. The insurer has the option to make a payment for the damage or loss based on the value of the property or the cost to repair or replace it. The insurer also has the option to take the property at an agreed or appraised value or to arrange for the repair or replacement of the damaged property.

Provided the insured has complied with the conditions of the policy and the insured and the insurer agree on the settlement amount, the insurer will pay for the loss within 30 days after it receives the required proof of loss.

Vacancy: States that coverage does not apply if the property is vacant for more than 60 days prior to the loss if the loss is the result of any of six perils - vandalism, water damage, theft or attempted theft, building glass breakage, or sprinkler leakage unless the sprinkler system has been protected against freezing.

- For losses that are the result of any other covered cause of loss, payment for the loss will be reduced by 15%
- Buildings under construction are not considered vacant
- The insured can request a vacancy permit endorsement to the policy where loss due to vandalism, water damage, theft or attempted theft, building glass breakage, or sprinkler leakage is covered for a specified permit period. A separate specialty vacancy policy is also available.

Valuation: Specifies how losses will be valued and settled by the insured.

- Generally, the insurer will settle the loss based on actual cash value with some exceptions
- If the coinsurance requirement is met and the loss is less than $2,500, the policy will pay the cost to repair or replace the property without taking into account depreciation
- Stock the insured has already sold will be valued at its net selling price, that is, the selling price less discounts and the insured's expenses.
- Glass is valued at the cost of replacement with safety glazing material if this is required by law
- Valuable papers and records are valued at the cost of blank materials needed to replace lost records and the labor required to transcribe or copy the records
- Tenants' improvements and betterments are valued at actual cash value if the repairs are made promptly or at a proportion of the original cost of the improvements if the repairs are not made promptly. If the loss is covered by someone else, for example, the owner of the building, the insurer will not pay for the loss.

Mortgage holders: This condition states that the insurer will pay any mortgage holder or mortgage holders in the declarations in order of precedence based on their interest in the property.

- To protect a mortgage holder, the insurer must notify the mortgage holder if it intends to cancel the policy. If cancellation is due to non-payment of premium by the insured, the insurer must provide notification at least 10 days prior to cancellation. The insurer must provide at least 30 days' notice to a mortgage holder if it intends to cancel the policy for any other reason allowed by the conditions.
- If the insurer intends not to renew the policy they are required to provide at least 10 days' notification

- If the insured has not paid the premium, payment for a loss will be made to the mortgage holder if they pay the premium, submit a signed, sworn proof of loss to the insurer within 60 days of being notified that the insured did not submit a proof of loss, and notifies the insurer of any change in ownership, occupancy, or risk of which the insurer was not aware.
- If the insurer pays a mortgage holder for a loss, the mortgage holder must assign its rights of recovery and rights under the terms of the mortgage to the insurer.

Coinsurance: The coinsurance condition states that the insured is required to insure the covered property to at least a specified percentage of the replacement if they want to be paid out fully in the event of a partial loss.

Deductible

The standard deductible on a Commercial Building and Personal Property form is $250. The deductible applies per occurrence. If multiple buildings are covered under a single policy and damaged by a single occurrence, the deductible is applied only once. The deductible is applied after the coinsurance penalty has been applied, if any. The insured may select a higher deductible, and this would reduce the premium.

Optional Coverages

The Commercial Building and Property coverage form includes some Optional Coverages, but these must be specifically selected and listed in the declarations to be activated. An additional premium is charged for each optional coverage selected. The following optional coverages are available:

Agreed Value: Any loss will be paid out based on an agreed value stated in the declarations.

- The coinsurance clause is suspended while this option is in effect. The agreed amount is specified and there is both an effective and expiration date.
- The insured must provide a valuation of the property to the insurer and the insurer will pay for a loss based on the proportion of the limit of insurance specified, that is, the agreed value and the value of the property.
- For example, if the property valuation is $100,000 and the agreed value of coverage on the policy is $75,000, the insurer will pay 75% of the loss.

Inflation Guard: The limit of insurance for the described property increases by a specified percentage through the year.

- The insured and the insurer agree on a percentage that the insured amount of the property will increase during the year.

- The increase is automatically applied throughout the year so that, if there is a loss during the policy period, the limit of insurance will include this additional amount.
- For example, if a property is insured for $100,000 in the declarations and the inflation guard is 5%, at the end of the year, the insurance amount will be $105,000. If there is a loss six months into the year, the insurance amount will be $102,500.
- This ensures that the insurance for the property keeps up with inflation and that the coinsurance requirement will be met.

Replacement Cost: Provides for payment for damage to or loss of property on a replacement cost basis

- Without this optional coverage, the Commercial Building and Property coverage pays out on an actual cash value basis. This optional coverage provides for payment on a replacement cost basis.
- The coinsurance percentage still applies
- The optional coverage does not apply to the personal property of others, works of art, antiques and so on, and stock unless this is included in the declarations

Extension of Replacement Cost to Personal Property of Others: Provides for payment of damage or loss to personal property of others based on replacement cost rather than actual cash value.

Builders Risk Form: The Builders Risk Coverage form provides property coverage to commercial, residential, or farm buildings that are under construction.

Coverage

- Coverage begins on the date of construction if the building does not have a basement or on the date construction begins above the basement if the building has a basement

Coverage ends when any one of the following events occurs:

- The policy expires or is cancelled
- The property is accepted by the purchaser
- 90 days after construction is complete
- 60 days after the building is partially or completely occupied and put to its intended use
- The insured's interest in the property ceases
- The insured abandons the construction and does not intend to complete the construction

Coverage includes:

- The building under construction and its foundations
- Fixtures, machinery, and equipment used to service the building

- The insured's building materials and supplies used for construction on the described premises or within 100 feet of the building
- Coverage may be extended to cover building materials and supplies owned by others in the care, custody, or control of the insured that are within 100 feet of the building. The most that will be paid is $5,000.

Exclusions

The following property is not covered:

- Land or water
- Lawns, trees, shrubs, or plants outside of the buildings
- Radio and television antennas outside of the buildings, including lead-in wiring, masts, and towers
- Signs outside the buildings and not attached to the buildings. Signs attached to the buildings are covered.

Payment for a loss

- The amount of coverage available under the Builders Risk coverage form is usually based on the anticipated replacement cost of the building at time of completion.
- Payment for a loss is based on actual cash value. Since the building is newly constructed, depreciation would not be a significant factor.
- A coinsurance clause is not included, but the conditions state that the insured must provide for adequate insurance coverage if they wish to paid out fully for a loss.

Conditions

There are some conditions that are variations of the standard Building and Personal Property Coverage conditions:

- There is no vacancy condition since buildings under construction are not considered vacant
- All property is valued at actual cash value at time of loss
- There is no coinsurance condition. The Need for Adequate Insurance condition states that the insured must have adequate coverage if they wish to be paid out fully for a loss. If they do not have adequate coverage they will be penalized based on the amount of coverage they have.

Value Reporting Form

- There is an option for a builder to pay for insurance coverage based on the progress of construction of the building. This will allow the insured to have smaller coverage at the start of a project and have the coverage increase as the construction progresses. If this option is chosen the builder is required to complete a Builders Risk Reporting form and submit it to the insurer on a regular basis, such as once a month. In the case of a loss, the insurer will pay for damages based on the last report submitted.

Condominium Association Form:

- The Condominium Association coverage form is used to insure a Condominium Association against direct physical loss to buildings, business personal property, and personal property of others in the care, custody or control of the association while it is at the premises.
- Coverage can apply to either commercial or residential condominiums
- Perils insured against are covered by the selected causes of loss forms
- The building coverage includes the building itself, permanently installed machinery and equipment, outdoor fixtures that are part of the building and other specifically named property.
- Business personal property includes only property owned by the association or owned indivisibly by all unit owners.
- The definition of building does not include personal property owned, used, or controlled by a unit owner.
- If coverage is provided by both the Condominium Association coverage and the Condominium Unit Owner’s coverage, the Condominium Association coverage is primary and the Condominium Unit Owner’s coverage is excess.

Condominium Commercial Unit Owners Form:

- The Condominium Commercial Unit Owners form provides coverage for the contents of a commercially- owned condominium. This is the equivalent of the HO-6 coverage for condominium content coverage provided for a non-commercial entity or homeowner.
- Coverage applies to the unit owner’s business personal property and the personal property of others in the insured’s care, custody, or control.
- Business personal property includes fixtures, improvements and alterations, and appliances owned by the insured and making up part of the building.
- This coverage does not cover the condominium building. The building would typically be covered under the Condominium Association’s coverage.
- If coverage is provided by both the Condominium Association coverage and the Condominium Unit Owner’s coverage, the Condominium Association coverage is primary and the Condominium Unit Owner’s coverage is excess.

Causes of Loss Forms

All of the Commercial Property coverage forms mentioned above must have one or more Causes of Loss forms attached that describe the perils covered and any applicable exclusions.

Basic Form:

- This is a named peril form that covers the following perils: fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage (automatic leakage or discharge from an automatic sprinkler system), sinkhole collapse, and volcanic action.
- Volcanic action includes airborne volcanic blast or shockwaves, ash, dust, particulate matter, and lava flow. Removal of ash, dust, or particulate matter is not covered if it does not cause direct physical loss to the described premises. Land shock waves caused by volcanic eruption are not covered.
- Smoke from agricultural smudging or industrial operations is specifically excluded.
- The windstorm or hail peril does not include damage caused by frost, cold weather, snow, sleet, or ice. Damage to the interior of a building or its contents is covered only when the wind or hail creates an opening in the roof or walls.
- Vandalism does not include coverage for theft but does include damage to the building caused by the breaking in or exiting of burglars.
- The explosion peril includes explosion of gases or fuel within the furnace or flues of any fired vessel.
- Vehicle damage caused by vehicles owned or operated by the insured in the course of the insured's business is not covered.

The following exclusions apply:

- Ordinance or law
- Earth movement (does not include a fire or explosion that is the result of earth movement)
- Fungus, wet rot, dry rot, and bacteria (unless this is provided as an additional coverage); this does not apply if they are the result of fire or lightning
- Failure of power or other utility services occurring away from the insured's premises
- Government action
- Nuclear hazard
- War and military action
- Water, including flooding, sewer backup, mudslides, or seepage of ground water
- Artificially generated current

- Rupture or bursting of water pipes (other than automatic sprinklers)
- Leakage or discharge of water or steam resulting from breaking of water or steam system or appliance (does not apply to automatic sprinklers), including continuous or repeated seepage or leakage or the presence or condensation of humidity, moisture, or vapor that occurs over 14 days or more
- Explosions of steam boilers, pipes, engines, or turbines
- Mechanical breakdown

The Basic form includes Limited Coverage for fungus, wet rot, dry rot, and bacteria additional coverage.

- This additional coverage provides limited coverage for mold that results from a covered loss other than fire or lightning.
- The loss must occur during the policy period and all reasonable means must have been taken to preserve the property from further damage at the time of or after the occurrence.
- The limit of insurance is $15,000 for all covered losses that take place during a 12-month period, starting with the beginning of the policy present annual policy period. If a particular loss results in mold that continues to be present or active or recurs in a later policy period, the insurer will not pay more than the $15,000 limit.
- The additional coverage does not increase the applicable limit of insurance on the covered property.
- The insurer will pay for direct physical loss or damage to covered property caused by mold, including the cost to remove the mold, costs to tear out and replace any part of the building or other property if needed to gain access to the mold, and cost of testing performed after removal, repair, replacement, or restoration of the damaged property is completed provided there is reason to believe the mold is still present.

Broad Form:

This is a named peril form that covers the same perils as the Basic form and an additional four perils.

The following four perils are included:

- Falling objects. Damage to interior property is not covered unless the exterior of the building is damaged first
- Weight of ice, snow, or sleet
- Water damage other than flood. This includes the accidental discharge or leakage of water or steam that is the result of the cracking or breaking of a water or steam system or appliance. These systems or appliances are plumbing, heating, air conditioning or other systems or appliances that are located on the described premises and contain water or steam. Coverage includes the cost of tearing out or replacing any part of the building to repair damage to the system from which the water or steam escaped, and costs to repair the system itself. It does not cover the costs to repair the

defect that caused the loss, loss resulting from continuous seepage over 14 days or more, or loss caused by freezing unless proper precautions were taken to prevent freezing.

- Glass breakage is limited to $100 per pane and $500 per occurrence
- The same exclusions and additional coverages as on the Basic form apply

The Broad form Additional coverage for Collapse.

- Collapse is defined as an abrupt falling down or caving in of the building or part of the building that results in the building being unusable. Settling, shrinkage, expansion, cracking, bulging, leaning, sagging, or bending are not considered to be collapse.
- Collapse is covered only when it is caused by one of the specified broad form perils or one of the following additional perils – breakage of glass, hidden decay, hidden insect or vermin damage, weight of people or personal property, weight of rain that collects on the roof, or use of defective material or methods in construction, remodeling, or renovation if the collapse occurs while this is in progress.
- The following types of outdoor property are covered for collapse only when they are damaged directly by a collapsed building even if they are covered for other perils under the policy – outdoor radio or television antennas, including satellite dishes, and their lead-in wiring, masts, or towers, awnings, gutters, and downspouts, yard fixtures, outdoor swimming pools, fences, piers, wharves, and docks, beach or diving platforms or appurtenances, retaining walls, and walks, roadways, and other paved surfaces.
- Under certain conditions, loss or damage that occurs when personal property falls down or caves in even when there is no building collapse. The property must be inside a building, the collapse must be the result of the specified causes of loss, and the property that collapses must not be one of the outdoor property items specified above.
- The additional coverage does not increase the applicable limit of insurance on the covered property.

Special Form:

This is an open peril form that covers all perils except those that are specifically excluded.

The additional coverages provided under the Basic and Broad forms for limited mold coverage and collapse are included.

In addition to the exclusions in the Basic and Broad forms, the following exclusions apply:

- Wear and tear
- Rust, corrosion, fungus, decay, deterioration, and hidden or latent defects
- Smog
- Pollutants (unless caused by a specified cause of loss)
- Settling, cracking, shrinking, or expansion
- Damage caused by insects, birds, rodents, or other animals
- Mechanical breakdown
- Explosion of steam boilers, pipes, and engines
- Dishonest or criminal acts of the insured or the insured's employees
- Voluntary parting with property if induced to do so by fraud or a trick
- Rain, snow, ice or sleet damage to personal property that is not in a building
- Loss resulting from acts or decisions, or the failure to act or decide
- Collapse (other than that specifically included under the additional coverage)
- Faulty planning, development, design, specifications, workmanship, or repair

The Special form covers theft, but coverage is subject to limits for different categories of business personal property as follows:

- $2,500 for furs, fur garments, and garments trimmed with fur
- $2,500 for jewelry, watches, jewels, pearls, precious and semi-precious stones, gold, silver and platinum
- $2,500 for patterns, dies, molds, and forms
- $250 for stamps, tickets, lottery tickets held for sale, and letters of credit

Earthquake and Volcanic Eruption

- Earthquake and Volcanic Eruption are not covered under the Causes of Loss forms. These perils can be added to one of the Causes of Loss forms by endorsement.
- Volcanic eruption is the eruption, explosion, or effusion of a volcano.
- All earthquake shocks or volcanic eruptions that occur within any 168-hour period (one week, that is, 7 days multiplied by 24 hours) constitute a single earthquake or volcanic eruption. The 168-hour period applies even after the policy expiration period.
- An additional premium is charged for this endorsement.
- The deductible on earthquake coverage is expressed as a percentage of the policy limit.

Time Element Coverage: Business Income and Extra Expense

Business Income

- If a business suffers a direct loss such as a fire at their premises, their business operations may be suspended while they restore their premises. Commercial property insurance can provide coverage for loss of business income that is the result of the direct loss. This is an indirect or consequential loss.
- Business income coverage (and extra expense coverage addressed later) is known as time element coverage because it provides coverage for a period of time while the premises are restored.
- In order to receive coverage, the suspension of operations must be the result of a direct loss to the property described in the declarations and caused by a peril in the cause of loss form. Suspension includes both a slowing down in operations or a complete stoppage of operations.
- The period of restoration begins 72 hours after the date of the direct physical loss and ends on the date on which the property can be repaired, rebuilt, or replaced with reasonable speed or the date when the business resumes at a new permanent location.
- Business income includes net profit before tax that would have been earned had the direct loss not occurred plus any ongoing operating expenses the business incurs such as utility costs, and includes payroll.
- The Business Income coverage form contains a coinsurance clause. If the insured does not meet the coinsurance percentage specified in the declarations, the insured will not be paid out fully for the loss.

There are two Business Income coverage forms:

Business Income with Extra Expense coverage form:

- This covers loss of business income as described above plus extra expenses the insured incurs to avoid or minimize disruption to business operations. These are expenses the insured would not have incurred if they had not suffered the direct loss.

Business Income without Extra Expense coverage form:

- This covers loss of income as described above but the extra expenses coverage is replaced with Expenses to Reduce Loss coverage and covers expenses the insured incurs to reduce loss up to the amount the loss is reduced.
- The Business Income coverage forms may include coverage for rental income the insured loses as a result of the direct loss to the premises.

Additional Coverages

Some additional coverages apply to the Business Income coverage form. These are as follows:

Extended Business Income: This pays for loss of business income even after business operations have resumed until the business is restored, up to 30 days after the business resumes operations.

Order of Civil Authority: This pays for loss of business income and extra expenses incurred when civil authorities prohibit use of the insured premises as the result of a direct loss from a covered cause of loss. Business income and extra expenses losses are paid for up to three weeks. Payment for business losses begins 72 hours after the action of the civil authority.

Alterations and New Buildings: This pays for loss of business income and extra expenses incurred when a covered cause of loss damages a new building or an alteration or addition to a new building. This also provides coverage for damage to machinery, equipment, supplies, or building materials on or within 100 feet of the described premises if these are being used in construction, alterations, or additions or are incidental to the occupancy of the new building. If the loss delays the start of business operations, the period of restoration begins on the date operations were due to start if the loss had not occurred.

Optional Coverages

The Business Income coverage form offers several optional coverages, including:

- **Extended Period of Indemnity**: This provides the insured with extended business income coverage for the number of days stated in the declarations rather than the 30 days provided by the Extended Business Income coverage provided under the Additional Coverages.
- **Maximum Period of Indemnity**: Limits the payment for loss of business income and extra expenses incurred for a period of no more than 120 days after the date of the direct loss. The coinsurance percentage is waived if this optional coverage is selected.
- **Monthly Limit of Indemnity**: This allows the insured to establish the amount to be paid for loss of business income for each 30 day period. The insured selects a proportion of the limit of insurance to determine the maximum that can be paid for a 30 day period. The coinsurance percentage is waived if this optional coverage is selected.
- **Agreed Value**: This states that the insurer will pay an agreed value in case of a loss. The insured is required to submit a business income report every 12 months showing the last 12 months' income and the following 12 months' projected income. If the insured submits this information, the coinsurance percentage does not apply. The insured is required to carry insurance to value or the agreed value specified in the submitted report. If the insured does not submit this information, the coinsurance percentage will apply.

Business Income from Dependent Properties

Some businesses are dependent on others for their business operations and, therefore, their business income. A business can purchase Business Income from Dependent Properties coverage to cover loss of business income that is the result of a loss suffered by a business on which the insured is dependent.

These include:

- Businesses that are the sole suppliers of merchandise or raw materials sold or used by the insured. The Business Income from Dependent Properties Broad form protects the insured against loss from this Contributing Location. Coverage applies if the Contributing Location suffers a direct loss and is unable to produce or ship merchandise or raw materials.

- Businesses that are the primary buyer for their products. The Business Income from Dependent Properties Broad form protects the insured against loss from this Recipient Location. Coverage applies if the Recipient Location suffers a direct loss and is unable to buy the products from the insured.

- Businesses that manufacture and deliver products or components to the insured's customers under a sales contract. The Business Income from Dependent Properties Broad form protects the insured against loss from this Manufacturing Location. Coverage applies if the Manufacturing Location suffers a direct loss and is unable to manufacture and deliver products or components to the insured's customers as stipulated in the sales contract.

- Businesses that attract customers to their own business. The Business Income from Dependent Properties Broad form protects the insured against loss from this Leader Location. Coverage applies if the Leader Location suffers a direct loss and is unable to perform its business operations to attract customers to the insured's business.

Extra Expense

Extra expense coverage is a Time Element coverage that will cover extra expenses the insured incurs to keep its business operating after a direct loss to its property. Extra expense coverage can be provided with coverage for loss of business income as we saw earlier, but there are some types of businesses that are not dependent on the specific property and can relocate and continue business operations relatively easily, although there may be costs to doing this.

For example, a service organization such as a tax consulting firm can move to a temporary location fairly easily and get up and running after a direct loss fairly easily. Their costs to operate the business may be higher due to higher rental or lease rates, for example, and so they would look for extra expense coverage only and not combine this with loss of business income coverage.

Legal Liability Coverage Form

One final coverage form that is available under the Commercial property coverage forms is the Legal Liability coverage form. Under the Commercial Building and Personal Property coverage form coverage is provided for damage to property of others in the insured's care, custody, or control whether or not the insured is legally liable for these damages. The Legal Liability coverage form provides coverage for damages to the property of others under the insured's control, but only if the insured is legally liable for damages.

This coverage can be used if the insured rents or leases premises to run its business and is legally liable for any damage to the property. The Legal Liability coverage form covers loss of use of the property and defense costs.

Endorsements

There are several endorsements available that can be added to the Commercial Property Coverage form:

Ordinance or Law Coverage: This endorsement provides coverage if the insured's loss is increased due to ordinances or laws.

- Additional costs due to building restrictions, ordinances, or laws, or demolition ordinances or laws are excluded from the Commercial Property coverage
- This endorsement will provide coverage for the loss in value of the undamaged portion of a building due to the enforcement of an ordinance or law that requires demolition of the undamaged parts of the building, demolition site and clearance of the undamaged parts of the building, and increased cost of repairing or reconstructing damaged parts of the building.
- This endorsement does not provide coverage for pollutant cleanup or removal

Spoilage: This endorsement provides coverage for the insured's perishable stock.

- This is business personal property that has to be maintained under controlled conditions to protect it from loss or damage.
- This endorsement can be applied to the Building and Personal Property Coverage form or the Condominium Commercial Unit Owners Coverage form.

Value Reporting Form: This endorsement is used to determine the value of personal property that fluctuates over time or that is moved from one location to another.

- The insured purchases coverage at the beginning of the policy period.
- The insured then reports the actual value of the property insured on a regular basis, for example, monthly. The report provides the details of the property, including the locations of the property.
- Coverage amounts are adjusted for each location based on the reporting value and details
- The final premium is determined at the end of the policy period.

- This endorsement can be applied to the Building and Personal Property Coverage form or the Condominium Commercial Unit Owners Coverage form.

Peak Season Limit of Insurance: This endorsement provides additional coverage for businesses that have higher inventories during a peak season.

The insured selects what property will be covered during the peak season, the value of this property, and the time period that this will apply to.

Other Property Coverage

Earthquake

Definition of an earthquake

An earthquake is a sudden and rapid shaking of the earth caused by the breaking and shifting of rock beneath the earth's surface. This shaking can sometimes trigger landslides, avalanches, flash floods, fires, and tsunamis. There are no specific seasons for earthquakes.

Earthquake coverage

- Earthquake coverage can be added to Commercial property insurance with an endorsement. This can be added to a Basic, Broad or Special form. It cannot be purchased alone.
- The Earthquake form provides coverage for Earthquake and Volcanic Eruption. Any earthquake, shock or volcanic eruption that occurs within 168 hours is considered a single event.
- The deductible is based on a percentage of the overall policy limit. Separate deductibles apply to each building and personal property located at each building, and personal property in the open. The deductible does not apply to business income and extra expense coverage.

1. The Commercial Package Policy (CPP)

Objectives: In this section we'll cover the use of the Commercial Package Policy (CPP) and its structure. The following will be covered:

- The Commercial Package Policy coverage parts
- The structure of the Commercial Package Policy, including the six Commercial Policy Common Conditions

Commercial Package Policy (CPP)

The Commercial Package Policy is a packaged policy that is used for large businesses or commercial enterprises. It packages one or more lines of coverage into a single policy specifically tailored for the needs of the particular business. By creating a single package, you are eliminating considerable redundancy and reducing administrative and processing costs, providing benefits to the insured and the insurer.

Coverage Parts

The Commercial Package Policy can include one or more of the following coverage parts:

- Commercial Property
- Commercial General Liability
- Commercial Auto
- Commercial Crime
- Commercial Inland Marine
- Boiler and Machinery or Equipment Breakdown
- Professional Liability
- Employment Practices Liability
- Farm
- Some more specialized coverages such as Employment Practices Liability, Liquor Liability and Pollution Liability

The following coverages cannot be included in a Commercial Package Policy:

- Workers' compensation
- Ocean marine insurance
- Aviation insurance
- Business owner's policy
- Personal lines insurance

Structure of the Commercial Package Policy

The Commercial Package Policy is made up of four sections:

THE COMMERCIAL PACKAGE POLICY (CPP)

Common Policy Declarations: This includes the name(s) of the insured, the address, the policy period, the nature of the business, and a schedule of the coverage parts and their premiums, with a total premium amount. The first named insured is responsible to meet the contractual obligations specified in the conditions of the policy.

Common Policy Conditions: This covers conditions applicable to the entire policy. There are six common conditions that apply to all the coverage parts:

- **Cancellation**: This specifies who may cancel the policy, how any unearned premium will be handled and the requirements related to cancelling the policy. The first named insured would have to cancel the policy in writing, if the insured wanted to cancel. If the insurer cancels the policy, they are required to notify the first named insured in writing. If the cancellation is due to non-payment of the premium, the insurer is required to give 10 days' notice. The conditions will specify how any unearned premium will be refunded.

- **Policy Changes**: Only the first named insured can make changes to the policy and these have to be in writing and with the approval of the insurer. An endorsement would include any changes in the terms of the policy.

- **Examination of Books and Records**: This condition gives the insurer the right to examine the books and records of the insured at any time during the policy period and for up to three (3) years after the end of the policy period. The insurer has the right to adjust premiums based on this examination.

- **Inspection by Insurer**: This condition gives the insurer the right to inspect or survey the property of the insured in order to establish insurability and the appropriate rates.

- **Premium**: The first named insured would be responsible for the payment of premiums and would receive any refunds from premiums paid.

- **Transfer of Rights and Duties**: This condition stipulates that the ownership of the policy cannot be transferred or assigned to another party without the consent of the insurer. There is one exception. If the insured dies, the rights of the insured are automatically transferred to their legal representative.

Interline Endorsements: If applicable, endorsements that apply to the entire policy, that is, all the coverage parts, are included here. This eliminates the need to repeat these endorsements in each of the individual coverage forms.

Coverage Parts: These are specified in the Common Declarations page with a total premium for each coverage part. Each coverage part provides more detail on the specific coverage, including declarations, conditions, and endorsements if necessary.

Boiler and Machinery insurance

Equipment Breakdown Coverage

Objectives: In this section we'll cover Equipment Breakdown coverage. The following are covered:

- Definition of Equipment Breakdown
- Covered equipment
- Equipment Breakdown Coverages

Introduction

- Equipment Breakdown coverage provides insurance for losses due to the breakdown of covered equipment and / or property damage to covered property of others at the insured's premises.

- Losses due to mechanical breakdown of equipment is not a named peril in named peril forms and is specifically excluded in open peril forms. Commercial General Liability insurance covers damage to the property of others but specifically excludes coverage for property belonging to others in the care, custody or control of the insured. Without this equipment breakdown coverage, losses due to these circumstances would not be covered.

- Equipment breakdown coverage can also be known as Boiler and Machinery insurance. This type of insurance coverage started as a result of incidents related to boilers which were used to produce steam for various uses. The coverage then extended to other types of machinery and has now been further extended to what we now know as Equipment Breakdown coverage.

- Equipment Breakdown coverage can be provided either as a monoline policy or as part of a package. It provides coverage for loss due to mechanical or electrical breakdown of nearly any type of equipment, including electrical systems, air conditioning and refrigeration, boiler and pressure vessels, electronic technology systems or computers, and mechanical equipment. Coverage applies to the cost to repair or replace the equipment and any other property damaged as a result of the equipment breakdown.

- Resulting business income loss and extra expense is often covered as well while the equipment is being repaired or replaced. It does not cover normal wear and tear.

The Equipment Breakdown Coverage form

The Equipment Breakdown coverage part includes the following:

- Equipment Breakdown Declarations page
- Equipment Breakdown Protection Coverage Form
- Any applicable endorsements

If the Equipment Breakdown Coverage is included as part of a Commercial Package Policy, Common Declarations, Common Conditions, and any applicable Interline endorsements apply.

Declarations

The Equipment Breakdown Declarations includes the following:

- A description of each of the covered premises
- A schedule of the limits of insurance that apply to each of the coverages. These may be dollar limitations or time limitations.
- A schedule of sub-limits that may apply to certain exposures
- Deductibles that apply to various coverages
- A list of the names and addresses of any additional insureds
- A list of the forms and endorsements attached to the coverage form
- Deductibles can be specified separately for each of the coverages. In some instances, a single deductible can be specified for two or more coverages. There are different types of deductibles that can apply to the Equipment Breakdown coverage form:
- A dollar deductible: A declared amount the insurer will deduct from the amount of the claim
- A time deductible: This is usually expressed in number of days. If a time deductible applies, the insurer would not be responsible for any losses incurred during this time period immediately following an equipment breakdown. This would apply, for example, to loss of business income as a result of an equipment breakdown. If the time deductible is specified as three days, any loss of income during this three day period would not be covered by the insurer.
- Percentage of loss deductible: The insurer would pay only a certain percentage of the total loss, the difference between 100% and the deductible percentage applied to the total loss. The limits of liability would apply.
- Loss of business income can be covered based on the use of a daily multiplier. For example, five days' loss of income times the multiplier of $250 per day would pay $1,250.

The only cause of loss covered by the Equipment Breakdown Protection Coverage form is breakdown to covered equipment.

Definition of Breakdown

Breakdown is defined as damage to the insured's covered equipment that necessitates its repair or replacement. Breakdown may be due to any one or more of the following:

- Failure of pressure or vacuum equipment
- Mechanical failure, including rupture or bursting caused by centrifugal force
- Electrical failure, including power surges, short circuits, or electrical arcing

Breakdown does not include:

- Malfunction, including malfunction related to adjustment, alignment, calibration, cleaning or modification
- Leakage at any valve, fitting, seal, joint, or connection
- Damage to any vacuum tube, glass tube, or brush
- Damage to any structure or foundation supporting the equipment or any of its parts
- Malfunction of any safety or protective device, such as a device that would turn the equipment off if there were a problem
- The cracking of any part of an internal combustion gas turbine exposed to the products of combustion
- The concept of “One Breakdown” is important in Equipment Breakdown coverage. If an initial breakdown results in or is the cause of additional breakdowns, this would be considered to be one breakdown.

Covered Equipment

Covered equipment can include:

- Equipment built to operate under internal pressure or vacuum
- Electrical or mechanical equipment used in the generation, transmission, or utilization of energy
- Communication equipment
- Computer equipment. This includes programmable electronic equipment that is used to store, retrieve, and process data, and associated peripheral equipment that provides communications, including input and output functions, such as printing, and auxiliary functions, such as data transmission.
- Equipment owned by a public or private utility that is used solely to supply utility services to the insured’s premises.

Coverages

Several coverages are available under the Equipment Breakdown Protection form. These coverages apply only for that portion of loss or damage that is a direct result of a breakdown to covered equipment. Each of the coverages is provided only if there is a limit specified or the word ‘included’ is specified in the Declarations page. The following coverages can be selected by the insured:

- **Property damage**: Covers direct damage to covered property at the premises in the Declarations page. This coverage applies only to damage specifically caused by the equipment breakdown. Damage to the property caused by other perils would be covered by the commercial property coverage. Covered property is described above. It includes the insured’s property and the property of others under the care, custody or control of the insured for which they are legally liable.

- **Expediting expenses**: Covers extra costs for temporary repairs and to expedite the repair or replacement of the damaged property.

- **Business income and / or extra expense**: Covers loss of business income or extra expenses as a result specifically due to the equipment breakdown during the time of repair or replacement of the equipment and for five days after the restoration unless the policy states this is for a longer period. As with property damage coverage, business income and / or extra expense as a result of other perils would be covered by the commercial property coverage.

- **Spoilage damage**: Covers spoilage damage to raw materials, property in process, or finished products if they are in storage or in the process of being manufactured, either owned by the insured or for which the insured is legally liable under contract. The spoilage must be due to the lack or excess of power, light, heat, steam, or refrigeration.

- **Utility interruption**: This coverage may be purchased if there is coverage for business income and extra expense and / or spoilage damage. This coverage extends these coverages to loss resulting from an interruption in utility services due to breakdown of equipment that is not the insured's. It covers breakdown of equipment that is owned, operated or controlled by a public or private utility that directly generates, transmits, distributes or provides utility services to the insured used to supply electrical power, communication services, air conditioning, heating, gas, sewer, water, or steam to the insured's premises. A waiting period is specified in the Declarations page for this coverage. If the waiting period is met, coverage will begin from the initial time of the interruption and will be subject to any relevant deductibles.

- **Newly acquired premises**: Provides coverage at newly purchased or leased premises beginning immediately the premises are acquired. This coverage is provided for the period specified in the Declarations page. The insured is required to notify the insurer of these newly acquired premises immediately and to pay any additional premium.

- **Ordinance or law**: If applicable the exclusion for ordinance and law will not apply and the insurer will pay for increased costs resulting from the enforcement of ordinances or laws that regulate the demolition, construction, repair, or use of the building or structure. This is the same coverage as that provided under commercial property coverage but must be the result of the equipment breakdown.

- **Errors and omissions**: Pays for loss or damage that would not normally be covered due to errors or omissions regarding the description or location of any property or the premises owned. The errors and omissions must be unintentional. Any errors or omissions must be reported and corrected as soon as they are discovered.

- **Brands and labels**: This coverage applies where merchandise that is damaged or lost is branded or labeled. If this property is damaged or lost, the insurer may take the property at an appraised or agreed value and may remove the labels or mark the property as 'salvage'.
- **Contingent business income and / or extra expense**: This covers a loss that is the result of equipment breakdown at premises not owned or operated by the insured. These premises must be specified in the Declarations page. The breakdown of this equipment must prevent the delivery of services or materials to the insured or from the insured to others or result in lost sales at the premises specified in the Declarations page.

Unless a higher limit is specified, the most the insurer will pay for the following losses is $25,000 per breakdown:

- Contamination from ammonia
- Consequential losses causing reduction in value to undamaged stock
- Data and media expenses related to cleanup or disposal
- Cost to clean up or dispose of hazardous materials
- Water damage (no coverage applies to leakage of sprinklers or water pipes)

Conditions

- Most of the conditions included in the Equipment Breakdown Protection form are the same as those found in other forms, but there are some that are specific to this form of which the most important are:
- The insurer may suspend coverage for the Equipment Breakdown Protection if the covered equipment is found to be exposed to a dangerous condition. Suspension would be immediate. The insurer would be required to provide the insured with written notification that coverage had been suspended. Coverage can only be reinstated with a written endorsement. The insured would be eligible to receive a refund of unearned premium for the suspended insurance.
- The insurer has the right to adjust losses with the owner of the property and to settle the loss with the owner of the property.
- Those who select Business Income and / or Extra Expense coverage are required to provide an annual report of values. If the insured does not receive this report within three months of the due date, a coinsurance clause will apply to covered losses.
- Where there is more than one insurer covering the commercial property and the equipment breakdown protection, the conditions specify how losses and disputes will be handled.

Endorsements

Endorsements available under the Equipment Breakdown Protection coverage include:

Actual cash value: Changes the method of valuation for damaged property to the lesser of:

- The cost to repair or replace the damaged property with property of the same kind, capacity, size, or quality on the same or a different site, whichever costs less
- The actual cash value of the damaged property

Refrigeration Interruption Coverage: Provides coverage for spoilage of the insured's owned refrigerated covered property while in storage due to an excess or lack of refrigeration because of a breakdown of covered equipment. The endorsement includes a schedule of covered property and locations where coverage is provided.

Other endorsements are available for Equipment Breakdown Protection policies.

2. Commercial Property

a. Building and Personal Property Form

Definition: This form provides coverage for direct physical loss or damage to buildings, personal property owned by the insured, and the personal property of others.

Example: A manufacturing plant's policy includes a Building and Personal Property form covering the physical plant, machinery, office furniture, and employees' personal items.

b. Causes of Loss Forms

Definition: These forms specify the perils covered under a commercial property policy and can be categorized into Basic, Broad, and Special forms, each providing different levels of coverage.

Example: A retail store chooses a Special Causes of Loss form that covers all risks except those specifically excluded, such as flood and earthquake.

c. Business Income

Definition: This coverage compensates for lost income and ongoing expenses incurred due to a covered loss that disrupts business operations.

Example: A bakery's oven is destroyed by fire, and business income coverage reimburses the lost profits while the oven is replaced and the bakery reopens.

d. Extra Expense

Definition: This coverage pays for additional expenses incurred to avoid or minimize the suspension of business operations after a covered loss.

Example: A law firm rents temporary office space and equipment after a fire damages their main office, and extra expense coverage pays for these additional costs.

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3. Commercial General Liability (CGL)

a. Premises and Operations

Definition: This coverage protects against liability arising from accidents that occur on the insured's premises or as a result of the insured's business operations.

Example: A customer slips and falls in a grocery store, and premises and operations coverage handles the resulting liability claim.

b. Products Completed Operations

Definition: This coverage protects against liability for bodily injury or property damage caused by products manufactured, sold, or distributed by the insured, or work that has been completed.

Example: A construction company completes a building project, and later, a structural defect causes injury. Products Completed Operations coverage handles the liability claim.

c. Personal and Advertising Injury

Definition: This coverage protects against claims of non-physical injuries, such as libel, slander, false arrest, or copyright infringement.

Example: A business is sued for allegedly defaming a competitor in an advertisement, and personal and advertising injury coverage responds to the claim.

d. Fire Legal

Definition: This coverage protects against liability for fire damage to premises rented or leased by the insured.

Example: A tenant accidentally causes a fire in a rented office space, and fire legal coverage pays for the damage to the landlord's property.

e. Medical Payments

Definition: This coverage pays for medical expenses for injuries sustained by third parties on the insured's premises, regardless of fault.

Example: A visitor is injured by a falling object in a warehouse, and medical payments coverage pays for the medical bills.

f. Occurrence Form

Definition: This form covers claims for incidents that occur during the policy period, regardless of when the claim is reported.

Example: An injury occurs in 2023, but the claim is filed in 2025. If the policy was in effect in 2023, the occurrence form will cover the claim.

4. Boiler and Machinery

Definition: Also known as Equipment Breakdown Insurance, this coverage protects against the breakdown of boilers, machinery, and other equipment, covering repairs, replacement, and associated losses.

Example: A factory's steam boiler explodes, and Boiler and Machinery coverage pays for the repair or replacement of the boiler and any damage caused by the explosion.

5. Businessowners Policy (BOP)

Definition: A BOP is a comprehensive insurance package designed for small to medium-sized businesses, combining property, liability, and business interruption coverages in one policy.

Example: A small restaurant purchases a BOP that includes coverage for the building, contents, liability claims, and loss of income due to a covered event, such as a fire.

These definitions and examples provide a clear understanding of various commercial property and liability insurance terms.

D. Inland marine

1. Coverages and policy provisions
2. Commercial and Personal floaters

1. Nationwide Definition

The insurance industry has identified the risks that can be covered by either Ocean or Inland Marine insurance. This is the Nationwide Definition. Only property included in this definition can be covered. There are six categories:

- **Imports**: Covers goods shipped to the United States from another country
- **Exports**: Covers goods shipped to another country
- **Domestic shipments**: Covers property that is being transported within the United States by any form of transportation (truck, auto, or bus, courier, train, boat, or aircraft)
- **Instrumentalities of transportation or communication**: Covers property related to transportation or communication.
  - This category of property is different from the others in that it is usually fixed in location and does not conform to the traditional floater descriptions
  - Transportation and communication coverage includes coverage for bridges, tunnels, piers, docks, wharves, dry-docks, marine railways, pipelines, outdoor cranes, transmission towers, loading barges, radio towers, television towers, and transmitting equipment.
- **Personal Property Floater risks**: Covers several categories of property that is portable
- **Commercial Property Floater risks**: Covers several categories of property that is generally portable
  - Imports and exports are eligible for Ocean Marine insurance. Domestic shipments, Instrumentalities of transportation and communication, and Commercial

property floaters are covered by Commercial inland marine insurance. Personal property floaters are covered by Personal inland marine insurance.

2. Personal coverages

The Homeowners policy has certain exclusions and limitations related to the coverage of personal property. To cover personal property that is particularly valuable or susceptible to loss, insurance is available through personal inland marine forms.

Ocean marine insurance came about to cover property being transported over water. With the development of the railroad system and the transportation of property over land rather than water, inland marine insurance was initiated. The term floater is sometimes used because the insurance can cover the property in different locations.

There are three commonly used personal inland marine forms:

- Personal articles
- Personal property
- Personal effects

Personal articles form

The personal articles form can provide coverage for nine classes of personal property:

- Jewelry
- Furs
- Cameras
- Musical instruments
- Silverware
- Golf equipment
- Fine art
- Stamps
- Coins

Generally, an evaluation is required to determine what the value is of the article to be insured. In the case of a loss, however, the value is determined at the time of loss and the insurer will generally pay the insured the least of:

Actual cash value

- Cost to repair
- Cost to replace with a substantially similar item
- Limit of liability in the policy
- For jewelry and fine art, in the case of a total loss for a scheduled, appraised item, the insurer may pay out based on agreed value.

If the insured is covered for a particular class of personal property, there is automatic coverage for newly acquired personal property in that class. This coverage is provided for the following classes of personal property:

- Jewelry
- Furs
- Cameras
- Musical instruments
- Fine art

Coverage is provided for 30 days for all classes other than fine art. Fine art is covered for 90 days.

The property is covered for 25% of the limit of insurance or $10,000, whichever is less. Coverage for the newly acquired property will lapse if the insured does not specify this in the policy within this time period.

Personal property form

- The Personal property form provides open peril coverage for personal property, generally on a blanket basis. This coverage is similar to the personal property coverage provided on a Homeowners form and is used by apartment or condominium renters who are not able to get this coverage on an HO-4 or HO-6 form. A schedule of personal property to be covered can be included for higher value items.

Personal effects form

- The Personal effects form is used to provide coverage for personal property when the insured or family members are travelling. Coverage is provided on an open peril basis for property that is generally carried by tourists. Coverage can be taken out on a permanent basis if the insured travels a lot, but, generally, coverage is taken out for a specific trip. Typical exclusions include tickets, passports, currency, valuable papers, contact lenses, artificial limbs, and salesperson’s samples.

Pair and Set Condition

There is a specific condition, the Pair and Set condition, that specifies that the insurer will not reimburse the insured for the full value of a pair or set if the entire pair or set is not lost or damaged. If only one of a pair or part of a set is lost or damaged, the insurer has one of two options:

- Replace, repair, or restore the pair or set
- Pay the difference between the actual cash value of the full set and the actual cash value of the remainder of the set

Exclusions

Personal inland marine floaters provide open peril coverage, but there are some specific exclusions. Exclusions include:

- War
- Nuclear hazard
- Wear and tear
- Gradual deterioration
- Insects and vermin

3. Commercial Coverages

Commercial Inland Marine Insurance provides coverage for property used in business operations that is movable or specialized. Examples include:

- Builder's Risk: Coverage for materials and equipment used in construction projects.
- Installation Floaters: Protection for equipment being installed at a job site.
- Tool and Die Coverage: Coverage for specialized tools and molds used in manufacturing.
- Rigger's Liability: Protection for cargo and equipment being transported by crane.

4. Personal Watercraft

Personal Watercraft Coverage is a type of inland marine insurance that provides protection for items like boats, jet skis, and other watercraft. This coverage typically includes protection against damage, theft, and liability while the watercraft is in use or stored.

E. Ocean Marine

1. Hull

Definition: Hull insurance provides coverage for physical damage to a ship or vessel, including its machinery and equipment. This type of insurance protects the vessel itself against risks such as collision, grounding, and other perils of the sea.

Example: A shipping company purchases hull insurance for its cargo ship to cover potential damages caused by a collision with another vessel while navigating the ocean.

2. Cargo

Definition: Cargo insurance protects the goods and merchandise being transported by sea against loss or damage during transit. This coverage can include various perils such as theft, rough handling, and weather-related damage.

Example: An electronics manufacturer buys cargo insurance to cover the shipment of its products from Asia to the United States in case the goods are damaged by a storm during the voyage.

3. Freight

Definition: Freight insurance covers the loss of freight revenue that a shipowner may incur if the goods being transported are lost or damaged. It ensures that the shipowner receives compensation for the shipping fees that would have been earned from delivering the cargo.

Example: A freight forwarder secures freight insurance to protect against the financial loss of freight charges if a shipment of furniture is destroyed by fire during transit.

4. Protection and Indemnity (P&I)

Definition: Protection and Indemnity insurance provides liability coverage for shipowners against third-party claims arising from the operation of the vessel. This includes coverage for bodily injury, property damage, pollution liability, and other legal liabilities.

Example: A shipping company obtains P&I insurance to cover potential legal claims and damages if their vessel accidentally causes an oil spill, resulting in environmental damage and clean-up costs.

Nationwide Definition

The insurance industry has identified the risks that can be covered by either Ocean or Inland Marine insurance. This is the Nationwide Definition. Only property included in this definition can be covered. There are six categories:

Imports: Covers goods shipped to the United States from another country

Exports: Covers goods shipped to another country

Domestic shipments: Covers property that is being transported within the United States by any form of transportation (truck, auto, or bus, courier, train, boat, or aircraft)

Instrumentalities of transportation or communication: Covers property related to transportation or communication.

- This category of property is different from the others in that it is usually fixed in location and does not conform to the traditional floater descriptions
- Transportation and communication coverage includes coverage for bridges, tunnels, piers, docks, wharves, dry-docks, marine railways, pipelines, outdoor cranes, transmission towers, loading barges, radio towers, television towers, and transmitting equipment.

Personal Property Floater risks: Covers several categories of property that is portable

Commercial Property Floater risks: Covers several categories of property that is generally portable

- Imports and exports are eligible for Ocean Marine insurance. Domestic shipments, Instrumentalities of transportation and communication, and Commercial property floaters are covered by Commercial inland marine insurance. Personal property floaters are covered by Personal inland marine insurance.

Commercial floaters

- Commercial property floaters cover a wide variety of categories of business personal property. This property is generally movable or transportable. Because of this variety, different policy forms are used for different categories of property.

Commercial property floaters can be written as part of a Commercial Package Policy or as a monoline policy. The coverage part will include the following:

- A declarations page
- A commercial inland marine conditions form which documents the rights and duties of the insured and the insurer
- One or more commercial inland marine coverage forms
- Endorsements

Controlled and Uncontrolled Forms

There are two main lines of coverage used for Commercial property floaters:

- **Controlled or filed forms**: These forms, endorsements, and rates are submitted to the state's Department of Insurance. These forms can be written under a Commercial Package Policy.
- **Uncontrolled forms**: These forms, endorsements, and rates are not filed with the state's Department of Insurance. They are written by each insurer and, by definition, are not controlled.

Commercial floater risk subcategories

Within the Commercial property floater risks, there are several subcategories of inland marine forms including:

- Bailee's customer forms
- Equipment forms
- Business floaters

- Dealers policies

Controlled forms

Following are the twelve controlled forms:

- **Mail**: Covers property in transit by mail while in the care, custody, or control of a government postal service and while in transit by a common carrier or messenger to or from a government office.

- **Physicians and surgeons equipment**: Covers medical and dental instruments on and off the premises and furniture and fixtures in the office. This is an Equipment floater.

- **Theatrical property**: Covers scenery, props, and costumes used by a theater group for a specific production specified in the declarations page. Coverage is also provided for theatrical property in the care, custody, or control of the insured or for which partial payment has been made. There are several exclusions including jewelry with precious or semi-precious stones, metals, or alloys, and accounts, bills, currency, deeds, money, securities and admission tickets. This is an Equipment floater.

- **Film**: Covers motion picture film, soundtracks, video tapes, and magnetic tapes used in the production specified in the declarations owned by the insured or any of these in the insured's custody or control. This is an Equipment floater.

- **Commercial articles**: Covers the interests of the owner of commercial cameras, musical instruments, and related equipment or similar equipment in the insured's care, custody or control. This is an Equipment floater.

- **Accounts receivable**: Reimburses the insured for amounts that cannot be collected from customers due to damage to the accounts receivable records plus any extra collection expenses and interest on loans the insured must take out to stay in business while they are waiting to collect the amounts due. Only accounts receivable records on the insured premises are covered. Some exclusions apply. For example, losses due to falsification of records or accounting errors and omissions are not covered. This is a Business floater.

- **Valuable papers and records**: Reimburses the insured for the cost of replacing damaged items such as manuscripts, films, maps, drawings, deeds, and books that belong to the insured or are in the insured's care, custody or control. Money and securities are not covered. This is a Business floater.

- **Signs**: Covers damage to neon, fluorescent, and electrical signs and lights. This is a Business floater.

- **Jewelers block**: Covers a jeweler's merchandise held for sale and customers' property in the care, custody, or control of the insured. Optional coverage is available for theft of property displayed in a shop window if the window is broken and for theft of money from a locked safe or vault on the insured's premises. This is a Dealer floater.

- **Floor plan**: Covers property that is subject to a floor plan arrangement in which the dealer borrows money to pay for the merchandise. The coverage can cover the dealer's interest in the merchandise, the lender's interest in the merchandise, or both.

This is a Dealer floater.

- **Equipment dealers**: Covers dealers of mobile equipment and construction equipment either owned by the insured or in the care, custody, or controlled of the insured. This is a Dealer floater.

- **Camera and musical instrument dealers**: Covers cameras and musical instruments owned by the insured or in the care, custody, or control of the insured. This would cover cameras and musical instruments that are being repaired, for example. This is a Dealer floater.

The Mail coverage form falls under the Domestic Shipments category of the Nationwide definition. All other controlled forms fall under the category of Commercial property floater risks.

Property covered under the controlled forms is covered on an all peril basis.

Uncontrolled forms

Property covered under an uncontrolled form can be covered on a named peril basis or on an open peril basis.

Domestic Shipments

- Transit coverage forms fall under the category of Domestic Shipments within the Nationwide definition. Transit coverage provides insurance for shippers and receivers of goods or common and contract carriers to protect them from loss of cargo in their custody.

The liability is specified on a Bill of Lading form. There are several different transit coverage forms:

Annual transit coverage form: Protects the shipper or receiver of goods against loss or damage to property in transit within the year. This may be covered on a named or open peril basis.

Trip transit coverage form: Protects the shipper or receiver of goods against loss or damage to property for a single trip. This may be covered on a named or open peril basis.

Motor truck cargo form: Provides coverage for cargo while it is being transported in a truck and protects the carrier, rather than a shipper, for liability for loss or damage to goods they are responsible to deliver. This is also known as the motor truck cargo – truckers form.

- Motor truck cargo – owner's form or motor truck cargo – shipper's form: Provides coverage for companies that transport their own goods. This covers direct damage to the property.

Commercial Property Floater Risks

There are several non-filed forms that fall under the category of Commercial Property Floaters within the Nationwide definition. The following are examples:

Bailee's customer coverage: Bailees have responsibility for property in their care.

The bailor owns the property. For example, a dry cleaner is a bailee responsible for clothes you, the bailor, leave with them to clean. The bailee's customer coverage will cover loss or damage to property in the bailee's custody that is the result of a covered peril.

Contractors equipment coverage: Provides coverage for equipment, tools, or machinery a contractor owns, rents, or borrows. Coverage is provided while the equipment is on the job site, being transported to or from the job site, or in temporary storage.

Electronic data processing equipment coverage: Provides open peril coverage for computer hardware, software, or data either owned by the insured or in the insured's care, custody, or control. Optional breakdown coverage provides coverage for damage or loss due to mechanical breakdown, electrical disturbances, and temperature changes. Coverage can include business income and extra expense coverage. This is a Business floater.

Dealers coverage: Provides coverage for dealers such as art dealers or antique dealers.

F. Miscellaneous policies

1. Flood

Definition: Flood insurance provides coverage for damage caused by flooding, which is typically excluded from standard homeowners and commercial property policies. It is usually offered through the National Flood Insurance Program (NFIP) or private insurers.

Example: A homeowner purchases flood insurance to cover potential damages from river flooding after heavy rains.

2. FAIR Plans

Definition: FAIR (Fair Access to Insurance Requirements) Plans provide property insurance to individuals and businesses who are unable to obtain coverage through the standard insurance market due to high risk. These plans are state-run programs designed to ensure access to essential insurance coverage.

Example: A homeowner in a wildfire-prone area obtains a FAIR Plan policy because private insurers refuse to cover the property.

3. Aviation

Definition: Aviation insurance provides coverage for the operation and ownership of aircraft. It includes liability coverage for bodily injury and property damage, as well as physical damage coverage for the aircraft itself (hull insurance).

Example: A small private airline purchases aviation insurance to cover its fleet of airplanes and liability for passengers.

4. Farm and Crop

Definition: Farm and crop insurance offers coverage tailored to the unique risks faced by farmers. It includes protection for farm property, equipment, livestock, and crops against various perils such as weather events, pests, and diseases.

Example: A farmer buys crop insurance to cover potential losses from a drought that could devastate the year's harvest.

5. Title

Definition: Title insurance protects property buyers and mortgage lenders against losses due to defects in the title to real property, such as liens, encumbrances, or ownership disputes. It ensures that the title to the property is clear and free of legal issues.

Example: A homebuyer purchases title insurance to protect against potential claims from a third party who might claim ownership of the property.

1. Flood

National Flood Insurance Program (NFIP)

The National Flood Insurance Program (NFIP) is a federal program, created by Congress, aimed at reducing the socio-economic impact of flooding. This is achieved by providing affordable insurance for property owners and by encouraging communities to adopt and enforce floodplain management regulations.

The Federal Insurance Administration (FIA) administers the program, setting rates, coverage limits, and eligibility requirements. The FIA resides under FEMA, the Federal Emergency Management Agency.

Flood insurance is available directly from the NFIP or from private insurers who participate in the Write Your Own (WYO) program. Coverage from either source is identical. Adjusters licensed to sell Property and Casualty insurance can sell Flood insurance from either the NFIP or private insurers.

The NFIP will only provide flood insurance for a community that participates in the program. There are two types of programs available under the NFIP:

- **The Emergency Program:**
- This program goes into effect when a community applies to participate in the NFIP and remains in effect until the FIA completes its review and the rates for the area are finalized.
- During this time, insureds may purchase flood insurance to cover the property and contents at a subsidized rate, but coverage is limited.
- Single family homes can be covered up to a maximum of $35,000. Contents can be covered up to a maximum of $10,000.
- Apartment homes and other residential properties, including commercial

properties, can be covered up to a maximum of $100,000. Contents for commercial properties can be covered up to a maximum of $100.000.

- Coverage is effective after a 30 day waiting period.
- When the FIA study is complete, the community is eligible to participate in the regular program and insureds can increase their coverage up to the limits available under the regular program.
- **The Regular Program:**
- The regular program is available to communities where the FIA has published rate maps.
- Residential properties can be covered up to a maximum of $250,000. Contents can be covered up to a maximum of $100,000.
- Non-residential properties can be covered up to a maximum of $500,000. Contents for non- residential properties can be covered up to a maximum of $500.000.
- Coverage does not go into effect until 30 days after the application and payment of the premium, unless the initial purchase of flood insurance is made in connection with a loan.
- Private insurance companies can sell NFIP policies through the Write Your Own program. The federal government underwrites the risk of loss of flood under these programs. The FIA sets the rates, the eligibility requirements, and the coverage limitations. The participating insurers collect the premiums and pay for flood losses out of these premiums. If they do not have sufficient funds to pay for losses, the federal government pays the difference. If they have excess funds, they pay this to the government.

Definition of a flood

- A flood is an excess of water on land that is normally dry. It is defined as:
- A temporary, partial, or complete inundation of normally dry land by an overflow of inland or tidal waters
- Unusual and rapid accumulation or runoff of surface water from any source, unless general flooding exists, that is, on the surface of normally dry areas
- Mudslides caused by accumulations of water on the ground or underground
- Collapse of land as a result of excessive erosion due to flood
- The flood must involve two or more acres of the insured's land, or the insured's entire property and an adjacent piece of property.
- Sewer backup is not covered under flood insurance.

Flood coverage and provisions

- Coverage is provided for the described property at the described location and its contents against a direct loss as the result of a flood. Almost any building that is walled and roofed, principally above ground, and fixed to a permanent site is eligible for flood coverage.
- If personal property is removed to protect it from flood, it is covered as long as it is in a building, regardless of the location, for a period of 45 days.

Coverage is not provided for:

- Any indirect financial loss or loss of use
- Fences, retaining walls, outdoor swimming pools, bulkheads, wharves, piers, bridges, docks, and other open structures on or over water
- Lawns, trees, shrubs, plants, growing crops, and livestock
- Aircraft, self-propelled vehicles, and motor vehicles
- Accounts, bills, currency, deeds, evidences of debt, money, securities, bullion, and manuscripts
- Underground structures and equipment, such as wells and septic tanks
- Newly constructed buildings that are in, on, or over water
- Structures that are primarily containers, such as gas or liquid storage tanks. This exclusion does not apply to silos, grain storage buildings, or their contents.

The following provisions apply to flood insurance:

- Single-family dwellings, other than mobile homes, are the only buildings that may be covered on a replacement cost basis. Replacement cost coverage is automatically provided when the building is insured for at least 80% of its replacement value or for the maximum amount of insurance allowed by the flood program.
- All other losses are paid on an actual cash value basis
- Debris removal expenses are covered if the expenses plus the direct loss do not exceed the policy limit.
- Both building and contents coverage have deductibles. The standard deductible for each of these is $500. The deductible applies separately to each property and each contents loss per occurrence. That is, if there is a loss of both property and contents, two deductibles apply, one for property and one for contents.

Earthquake

- Earthquake coverage is generally not provided on a Dwelling or Homeowners policy. Earthquake coverage can be provided either as an endorsement to a Dwelling policy or a Homeowners policy or as a separate policy.

Definition of an earthquake and earthquake insurance

- An earthquake is a sudden and rapid shaking of the earth caused by the breaking and shifting of rock beneath the earth's surface. This shaking can sometimes trigger landslides, avalanches, flash floods, fires, and tsunamis. There are no specific seasons for earthquakes.

- Earthquake insurance includes losses due to earth movement, land shock waves or tremors, landslide, mudslide, mudflow, sinkhole, and the rising, sinking, or shifting of the earth.

Earthquake coverage

- Earthquake insurance generally covers damage to a structure, its contents, or both as the result of an earthquake. Rates may be cheaper for homes made of wood, which withstand earthquakes better than homes made of brick.

- The typical earthquake policy does not cover the loss of landscaping, pools, fences, and detached structures. It also generally excludes losses from floods and tidal waves even when caused or compounded by an earthquake.

- All earthquake shocks that occur within 72 hours are considered a single earthquake.

- With earthquake coverage, the deductible is based on a percentage of the overall policy limit. If the structure of your home is insured for $500,000, the earthquake insurance deductible will typically amount to 15% of this limit, or $75,000.

Personal Watercraft

- Limited coverage is available for watercraft on the Homeowners policy. The property coverage for watercraft under a Homeowners policy is limited to $1500. Liability coverage is excluded for boats with motors that exceed a specified horsepower or are larger than a specified length. If additional coverage is required for personal watercraft, this can be added as an endorsement to a Homeowners policy or as a separate policy.

There are two types of coverages available for personal watercraft: a Boatowners policy or a Personal Yacht policy.

Boatowners policy

- Boatowners policies are similar to personal auto policies in that they provide coverage for property, liability, and medical payments.

- Coverage can be provided for the boat, the motor, equipment, and trailers. This is covered under Section I of the policy.

- Coverage is provided on an all peril basis and losses are generally paid out on an actual cash value basis.

- Section II of a Boatowners policy covers Personal Liability, Medical Payments, and Uninsured boaters coverage
- Boatowners policies are limited to boats under a specified length, for example, 26 feet, and under a specified dollar amount, for example, $25,000.
- There are generally exclusions that apply to a Boatowners policy:
- They must be used only for personal pleasure
- They cannot be hired out, chartered, or used to transport people or property for a fee
- Coverage does not apply if they are used in an official race or speed contest

Personal yacht policy

- Personal Yacht policies are written as ocean marine insurance and cover larger vessels that are very often ocean-going.

A complete package of yacht coverages includes the following:

- **Hull insurance**: Covers damage to the yacht and is paid out at replacement cost for a partial loss or on a valued basis for a total loss.
- **Trailer insurance**: Pays out based on actual cash value basis
- **Protection and Indemnity (P&I) insurance**: Covers liability for bodily injury and property damage
- **Medical payments coverage**
- **Federal Longshore and Harbor Workers' Compensation insurance**: Covers benefits for crew members or maritime workers.

The following usually apply to a personal yacht policy:

- Coverage is generally on an all peril basis
- Hull coverage contains a collision clause that will cover the insured's liability for the damage to another vessel as a result of a collision. This is additional coverage and is limited to the hull coverage. P&I coverage for collision damage to another vessel begins after the collision clause is exhausted.
- A discount can be given on the premium while the vessel is laid up for maintenance or repairs and is not in use.
- A water skiing clause excludes coverage for people being towed by the vessel until they are back on board or on land.
- Yacht policies limit the territories in which coverage applies.

G. Additional Coverages

Additional Coverages in a Property Insurance Policy:

1. Business Interruption

Definition: This coverage compensates for the loss of income that a business suffers after a disaster while its facility is being restored. It covers operating expenses, a move to a temporary location if necessary, payroll, taxes, and loan payments.

Example: A fire damages a retail store, forcing it to close for repairs. The business interruption coverage compensates the store for the income lost during the closure.

2. Time Element

Definition: This coverage is similar to business interruption but focuses on losses that occur over a period of time, such as additional expenses incurred during the recovery period and lost income.

Example: After a severe storm damages a factory, time element coverage helps cover ongoing expenses and lost revenue for the three months the factory is under repair.

3. Law and Ordinance

Definition: This coverage helps pay for the increased costs of repairing or rebuilding a structure to comply with current building codes and ordinances, which may be stricter than when the building was originally constructed.

Example: An old building is damaged by an earthquake. The local building codes have changed since it was built, requiring more expensive materials and methods for repairs. Law and ordinance coverage helps pay for these additional costs.

4. Valuable Papers and Records

Definition: This coverage protects the policyholder against loss of important business documents and records due to a covered peril. It often covers the cost to reproduce the papers and records.

Example: A fire in a law office destroys crucial legal documents. Valuable papers and records coverage helps pay the cost to reproduce those documents.

5. Electronic Data Processing (EDP)

Definition: This coverage insures against loss or damage to electronic data processing equipment, software, and valuable data due to covered perils such as fire, theft, or electrical surges.

Example: A power surge damages the computer systems of a graphic design firm, and EDP coverage helps cover the cost to repair the equipment and restore lost data.

6. Others

Definition: This can include a variety of other coverages tailored to the specific needs of the policyholder, such as debris removal, pollutant cleanup, or equipment breakdown.

Example: After a tornado, debris removal coverage helps pay for the costs associated with clearing away the remains of destroyed buildings and structures.

These additional coverages enhance the standard property insurance policy by addressing various risks and expenses that businesses may face, ensuring more comprehensive protection.

H. Surety Bonds

Surety bonds are a type of financial guarantee that is commonly used in the construction industry to ensure that a project will be completed as specified in the contract. They provide protection to the project owner in case the contractor fails to fulfill their obligations.

For example, let's say a company hires a construction contractor to build a new office building. The project owner may require the contractor to obtain a surety bond before starting work. If the contractor fails to complete the project according to the agreed-upon terms, the surety bond will cover the costs of hiring a new contractor to finish the job.

Surety bonds can also be used in other industries, such as in the case of a contractor providing services to a government agency. In this situation, the surety bond serves as a guarantee that the contractor will perform the work as specified in the contract and comply with all regulations.

Overall, surety bonds provide peace of mind to project owners and help ensure that projects are completed successfully and on time.

I. Crime Coverage

Crime coverage is an essential component of insurance policies for businesses, providing protection against various types of criminal activities. Here are some key areas covered under crime coverage:

1. **Employee Dishonesty:**

Employee Dishonesty: This coverage protects businesses from losses caused by dishonest employees engaging in theft or fraud. For example, if an employee steals money from the company's cash register or embezzles funds from the company's accounts, the business can make a claim under this coverage to recover the losses.

2. **Theft, Disappearance, and Destruction:**

Theft, Disappearance, and Destruction: This coverage provides protection against property being stolen, lost, or damaged. For instance, if valuable equipment is stolen from the business premises or inventory goes missing under suspicious circumstances, the business can file a claim to recoup the financial losses.

3. **Robbery and Safe Burglary:**

Robbery and Safe Burglary: This coverage is designed to protect against losses incurred due to theft involving force or breaking into a safe or vault. If armed robbers break into the business premises and steal cash from the safe, the business can utilize this coverage to recover the stolen amount.

4. **Premises Burglary:**

Premises Burglary: This coverage specifically applies to losses due to theft on the insured's premises. For example, if burglars break into the warehouse and steal goods stored there, the business can seek compensation under this coverage for the stolen items.

5. **Custodian:**

Custodian: This coverage safeguards against losses due to theft committed by a custodian on the insured's premises. If a custodian responsible for handling valuable assets steals them, the business can make a claim under this coverage to mitigate the financial impact.

6. **Messenger:**

Messenger: This coverage protects against losses resulting from theft committed by a messenger on the insured's premises. For instance, if a messenger entrusted with delivering cash to a bank absconds with the money, the business can seek reimbursement under this coverage.

7. **Guard or Watchperson:**

Guard or Watchperson: This coverage provides protection against losses due to theft on the insured's premises, where a guard or watchperson is involved in the criminal activity. If a security guard colludes with thieves to steal valuable property from the business premises, the business can invoke this coverage to recover the losses.

8. **Fidelity Bonds:**

Fidelity Bonds: Fidelity bonds offer coverage against losses arising from employee dishonesty, including theft, fraud, and embezzlement. Businesses can purchase fidelity bonds to protect themselves from financial harm caused by unscrupulous employees engaging in criminal activities.

In conclusion, crime coverage is crucial for businesses to mitigate the risks associated with various criminal activities and safeguard their assets against potential losses. By understanding the different types of coverage available under crime insurance, businesses can effectively protect themselves against financial harm resulting from employee dishonesty and theft.

Crime

Objectives: In this section we'll cover Crime coverage. The following are covered:

- Definitions
- Crime coverage forms

The two types of crime coverage forms:

- The Loss sustained form
- The Discovery form

Fidelity bonds

- Commercial crime insurance protects businesses and government entities from property losses due to crimes such as burglary, robbery, theft, and employee dishonesty.
- Commercial crime insurance can be written as part of a Commercial Package Policy or as a standalone monoline policy.

Definitions

It is important to know the definitions of the different types of crimes that can be covered:

Burglary: The taking of property from inside the premises by a person unlawfully entering or leaving the premises with evidence of forcible entry or exit.

Safe burglary: The taking of property from a locked safe or vault inside the premises by a person unlawfully entering the safe or vault with evidence of forcible entry of the safe. This includes the removal of the safe from the premises.

Robbery: The taking of property in the care or custody of a person:

- By force or threat of force, or by putting the victim in fear
- By committing an obviously unlawful act that is witnessed by the person being robbed

Theft or Larceny: This is the broadest crime coverage and includes any act of stealing or unlawfully taking property. Theft includes burglary and robbery.

Forgery: Signing the name of another person or organization with the intent to deceive.

Extortion: The surrender of property away from the premises as a result of a threat communicated to the insured to do bodily harm to the insured, an employee, or relative of either the insured or the employee, who is allegedly being held captive.

The following persons are defined in the crime coverage forms:

- **Custodian**: The insured or any of the insured's partners or employees while having care and custody of covered property while inside the premises. Custodian excludes a person while acting as a watchperson or janitor.

- **Messenger**: The insured or any of the insured's partners or employees while having care and custody of covered property while outside the premises.
- **Watchperson**: Any person the insured retains specifically for the purpose of having care and custody of covered property inside the premises and who has no other duties.
- **Employee**: A person the insured compensates and has the right to direct in relation to the business.

The definition of premises is the interior of any building occupied by the insured for the purpose of conducting business.

The following types of property are specifically defined:

- **Money**: Currency, coins, and bank notes in current use and having a face value, and travelers checks, registered checks, and money orders held for sale to the public.
- **Securities**: Negotiable and non-negotiable instruments or contracts representing either money or other property, including tickets, stamps in current use, and evidences of debt in connection with the credit or charge cards other than cards issued by the insured.
- **Property other than money or securities**: Any tangible property other than money and securities that has intrinsic value.

Coverage forms

The insured can select one or more crime coverage forms from the following:

Employee theft: Also known as employee dishonesty. Covers losses of or damage to money, securities, and other property resulting from the theft or forgery committed by an employee acting alone or in collusion with others.

- This does not cover losses based on inventory shortages or profit and loss computations.
- Losses may be covered on a per loss basis covering a single loss regardless of how many employees are involved in the loss, or on a per employee basis, covering the loss caused by a single employee.
- Employee theft or employee dishonesty can also be covered using a fidelity bond. This is described below.

Forgery or alteration: Covers losses resulting from forgery or alteration of checks, drafts, promissory notes, or similar instruments made or drawn by or on the named insured or the insured's adjuster.

- If the insured is sued for refusing to pay a forged or altered instrument and obtains the insurer's permission to defend the suit, the insurer will pay reasonable defense costs incurred by the insured. These expenses are paid in addition to the limit of liability.

- In addition to the proof of loss, the insured must submit the instrument involved in the loss or an affidavit describing the amount and the cause of loss.

Inside the premises – theft of money and securities: Covers losses resulting from the theft, disappearance, or destruction of money while inside the insured premises or a banking premise.

- If the insured owns the premises or is liable for damage to the premises, the insurer will cover damage to the interior and exterior of the premises that result from the theft or attempted theft. Damage will also be covered to a locked safe or vault inside the premises that result from the actual or attempted theft.

Inside the premises – robbery or safe burglary of other property: Covers loss of two types:

- Loss of property, excluding money and securities, while inside the premises from actual or attempted robbery of a custodian.

- Loss of property from a safe or vault inside the premises from actual or attempted safe burglary.

- If the insured owns the premises or is liable for damage to the premises, the insurer will cover damage to the interior and exterior of the premises that result from the actual or attempted robbery or safe burglary. Damage will also be covered to a locked safe or vault inside the premises that result from the actual or attempted robbery or safe burglary.

- Damage caused by a fire resulting from the burglary or robbery is not covered under the crime protection. This would be covered under the property coverage.

- A $5,000 per occurrence limit applies to losses of precious metals, precious or semiprecious stones, furs, pearls, or other articles that contain these materials.

Outside the premises: Covers two types of losses:

- Theft, disappearance, or destruction of money and securities while outside the premises and in the care and custody of a messenger or an armored car company.

- Loss of property by actual or attempted robbery while outside the premises and in the care and custody of a messenger or an armored car company.

- The insurer will only pay the amount of loss that cannot be recovered under the insured's contract with the armored car company and from any insurance available from the armored car company.

- A $5,000 per occurrence limit applies to losses of precious metals, precious or semiprecious stones, furs, pearls, or other articles that contain these materials.

Computer fraud: Covers theft of property, including money and securities, directly related to the use of a computer to fraudulently cause a transfer from inside the premises to a person or place outside the premises. This coverage does not include employees or inventory shortages.

Money orders and counterfeit paper money: Covers losses when the insured accepts money orders or counterfeit paper money in good faith.

Funds transfer fraud: Covers losses resulting from fraudulent instructions to a financial institution to pay money from an insured's transfer account. This does not cover losses resulting from the use of a computer to transfer funds. This would cover funds transfers that were initiated, for example, by phone or written instruction. Fraudulent instructions are instructions by someone impersonating an insured or an employee to transfer money without the insured's knowledge or consent.

Limit of liability and deductibles

- For each of the coverages selected, the insured must specify the limit of insurance and deductible applicable to the insuring agreement. These are listed in the declarations section of the policy.
- The policy limit and deductible both apply per occurrence.

Exclusions

The following exclusions apply to the crime coverage:

- Theft or dishonest acts committed by the insured, partners or members, whether acting alone or in collusion with others
- Loss caused by an employee if the employee had previously committed theft or a dishonest act prior to the policy period and the insured was aware of this
- Theft or dishonest acts committed by the insured's employees, managers, directors, trustees, or authorized representatives, except as covered under employee theft
- Unauthorized disclosure of the insured's confidential information
- Unauthorized use or disclosure of another party's confidential information that is held by the insured
- Seizure or destruction of property by government authority
- Indirect or consequential losses
- Legal expenses, other than those provided under forgery and alteration coverage
- Nuclear hazard
- Pollution
- War and similar actions

Conditions

Some of the general conditions that apply to crime coverage include:

- For loss or damage to property other than money and securities, the insurer will pay the lesser of the property's replacement cost or the limit of insurance. Replacement cost is the amount needed to repair or replace the property.

- Losses to money are paid at face value.
- Losses to securities are paid at market value at close of business on the day the loss was discovered. The insurer also has the option to replace them in kind.
- If other insurance applies to the loss and the crime coverage is written on a primary basis, the crime policy will pay its proportionate share of the loss if the other policy is written on the same basis as the crime policy. If the other policy was not written on the same basis, the crime policy pays on an excess basis.
- New employees and additional premises obtained through a consolidation, acquisition, or merger are automatically covered for 90 days provided the insured notifies the insurer and pays the additional premium.
- If the loss is covered by more than one coverage in the crime coverage form, the most the insurer will pay is the largest limit applicable to the loss
- The insured cannot take legal action against the insurer for 90 days after filing the proof of loss and legal action must be instigated within two years of the date of loss
- The coverage territory includes the United States and its territories and possessions, Puerto Rico, and Canada

The insured's duties in the event of a loss include:

- Notifying the insurer as soon as possible
- Notifying the police if a law may have been broken. This does not apply to employee theft or forgery and alteration coverage.
- Submitting to examination under oath as the insurer's request
- Providing a sworn proof of loss within 120 days
- Cooperating with the insurer in the investigation and settlement of the claim

Endorsements

Endorsements may be added to the crime protection as follows:

Extortion: Covers losses of money, securities, or property resulting from extortion.

- Coverage includes damage to the insured premises or property inside the premises
- Coverage is excluded if the loss occurs after the extortionist's demands have been made and the insured does not notify the local law enforcement or the FBI

Guests' property: Covers losses of money, securities, and other property owned by hotel guests while they are on the insured's premises, in the insured's possession, or in a safe deposit box on the insured's premises.

Loss sustained form and Discovery form

There are two different types of crime coverage forms. The major differentiator between the two forms is what triggers coverage. The two forms are:

Loss sustained form: Covers losses that are sustained during the policy period and discovered during the policy period or within one year after the policy expires.

- The one-year discovery period terminates when the insured obtains other commercial crime insurance.
- Losses that occur after the policy period would not be covered.

Discovery form: Covers losses that are sustained at any time and are discovered during the policy period or up to 60 days after the policy expires.

- A loss is discovered when the insured first becomes aware that a loss has occurred or will occur even if they do not know the details, or receive notice of a claim or potential claim for a covered loss
- This form is used to cover losses due to such crime losses as extortion or embezzlement that may not be discovered for several months or even years.
- Discovery forms may require the use of a retroactive date, before which losses will not be covered.
- The extended periods to discover losses terminate when the insured obtains other commercial crime insurance

Fidelity Bonds

Fidelity bonds are designed to protect an employer from dishonest acts or theft by an employee. The three parties involved in a Fidelity bond are the following:

The Principal or Obligor: The employee who is required to meet their obligations of honest performance of duties

The Surety or Guarantor: The party who guarantees that the Principal will perform as agreed, generally an insurance company

Obligee: The employer, the party who will be paid by the Surety if the Principal fails to perform as agreed.

- Whereas with Surety bonds, the principal generally initiates the bond, with Fidelity bonds, the obligee, or employer initiates the bond.

Fidelity bonds will cover the following;

- The loss by the employer of real and personal property such as cash, merchandise, autos, manuscripts
- Property covered can be owned by the employer or in the care, custody, or control of the employer

- Only direct losses. No consequential losses are covered by a Fidelity bond.

Losses based solely on inventory shortages or profit and loss statements are not covered. Fidelity bonds can be issued based on the requirements of the employer:

- **Individual bond**: The employer bonds a single employee
- **Scheduled bond**: The employer can name a number of employees or the job titles they wish to bond
- **Blanket bond**: Covers all employees on a blanket basis.

J. Professional Liability

insurance includes coverage for:

Malpractice:

Coverage for claims of negligence or errors in professional services.

1. **Errors and Omissions:**

Coverage for claims of mistakes or omissions in professional services.

As a business professional, it is essential to protect yourself and your business from potential risks and liabilities that may arise in the course of your work. One way to do so is by investing in professional liability insurance, also known as errors and omissions insurance. This type of insurance provides coverage for claims alleging negligence, errors, or omissions in the services you provide to clients.

Definition: Errors and Omissions insurance provides coverage for professionals and businesses against claims of negligence, mistakes, or failures to perform their professional duties. It covers legal defense costs and any settlements or judgments resulting from such claims.

Example: A real estate agent fails to disclose a property's defect to a buyer. The buyer sues for damages, and the agent's E&O insurance covers the legal fees and any settlement.

2. Directors and Officers (D&O)

Definition: Directors and Officers insurance protects corporate directors and officers against claims arising from their decisions and actions taken in their corporate roles. It covers legal fees, settlements, and other costs associated with lawsuits alleging wrongful acts such as breach of duty, mismanagement, or negligence.

Example: A company's board of directors faces a lawsuit from shareholders alleging financial mismanagement. D&O insurance covers the legal expenses and any settlement or judgment.

3. Negligence

Definition: Negligence refers to the failure to exercise the level of care that a reasonably prudent person would in similar circumstances, resulting in harm or damage to another party. In the context of professional liability, it often pertains to the failure to meet professional standards or perform duties adequately.

Example: A financial advisor gives incorrect investment advice, leading to significant financial loss for a client. The client sues the advisor for negligence, claiming that the advisor did not exercise proper care in their professional duties.

These definitions and examples should provide a clear understanding of key professional liability insurance terms.

Who needs Professional Liability Insurance?

Professional liability insurance is particularly crucial for certain professions that are at a higher risk of facing claims from dissatisfied clients. This includes but is not limited to:

- **Consultants**: Consultants provide expert advice to clients, making them susceptible to claims if the advice given leads to financial loss or damages.
- **Accountants**: Accountants are responsible for ensuring the accuracy of financial statements and tax returns, making them vulnerable to claims of errors or negligence.
- **Lawyers**: Lawyers provide legal advice and representation to clients, and any mistakes or oversights in their work can result in malpractice claims.
- **Healthcare Professionals**: Doctors, nurses, and other healthcare professionals are at risk of facing malpractice claims if patients are harmed due to errors in diagnosis or treatment.
- **Architects and Engineers**: These professionals are responsible for designing and constructing buildings and infrastructure, making them liable for any design flaws or construction defects.
- **IT Consultants**: IT consultants who provide software development, network security, or technical support services are at risk of facing claims for data breaches, system failures, or other IT-related issues.

Why do business professionals need Professional Liability Insurance?

Professional liability insurance is essential for business professionals for several reasons:

- **Protection against Lawsuits**: In today's litigious environment, clients are quick to file lawsuits against professionals for alleged errors or negligence. Professional liability insurance helps cover legal fees, court costs, and settlements in the event of a lawsuit.
- **Financial Security**: A lawsuit can be financially devastating for a business professional, potentially leading to bankruptcy or closure of the business. Professional liability insurance provides financial security by covering the costs associated with a claim.
- **Professional Reputation**: Facing a lawsuit can damage a professional's reputation and credibility in the industry. Having professional liability insurance demonstrates to clients that you are committed to protecting their interests and

mitigating risks.

- **Regulatory Compliance**: Some industries require professionals to have professional liability insurance as part of their licensing or regulatory requirements. Failing to have the necessary insurance coverage can result in fines or disciplinary action.

In conclusion, professional liability insurance is a crucial risk management tool for business professionals in high-liability industries. By investing in this type of insurance, professionals can protect themselves, their businesses, and their clients from potential risks and liabilities. It provides financial security, legal protection, and peace of mind, allowing professionals to focus on their work without worrying about the possibility of a costly lawsuit.

K. Umbrella / Excess liability

Understanding Commercial Umbrella and Commercial Excess Liability Insurance for P&C Insurance Adjusters

As a licensed Property and Casualty (P&C) insurance adjuster, it is crucial to have a comprehensive understanding of commercial umbrella and commercial excess liability insurance in order to properly advise your clients and provide them with the necessary coverage. These types of insurance policies offer additional protection beyond the limits of a primary liability policy and are essential for businesses of all sizes to safeguard their assets and mitigate risks.

Commercial umbrella insurance is designed to provide additional liability coverage that goes beyond the limits of a company's primary general liability, commercial auto liability, or employer's liability policies. In the event of a large liability claim or lawsuit, umbrella insurance can help protect a business from financial ruin by covering costs that exceed the limits of the primary policy. This type of policy is particularly valuable for businesses that face high risks of liability claims, such as those in the construction, healthcare, or manufacturing industries.

On the other hand, commercial excess liability insurance functions similarly to umbrella insurance in that it provides additional liability coverage above the limits of primary policies. However, commercial excess liability insurance typically follows the same terms and conditions as the underlying primary policy, whereas umbrella insurance may offer broader coverage. Commercial excess liability insurance is often purchased by businesses that require higher liability limits but do not need the additional coverage offered by umbrella insurance.

It is important for P&C insurance adjusters to educate their clients on the differences between commercial umbrella and commercial excess liability insurance, as well as the benefits of each type of coverage. By understanding the specific needs and risks of each individual business, adjusters can tailor insurance packages that provide the appropriate amount of coverage to protect against potential liabilities.

When advising clients on commercial umbrella and commercial excess liability insurance, P&C insurance adjusters should consider factors such as the size and nature of the business, the industry in which it operates, and the potential risks it faces. Adjusters should also be knowledgeable about the various policy limits, deductibles, and coverage options available, as well as any exclusions or limitations that may apply.

In conclusion, commercial umbrella and commercial excess liability insurance are essential components of a comprehensive risk management strategy for businesses.

By working closely with their clients to assess their specific insurance needs and recommend appropriate coverage options, P&C insurance adjusters can help businesses protect their assets and minimize financial risks in the event of a liability claim or lawsuit.

Directors and Officers Liability

insurance provides coverage for claims against company executives for decisions made while managing the business.

Protecting Your Business: The Importance of Directors and Officers Liability Insurance

In today's complex business environment, the decisions made by directors and officers can have far-reaching consequences for a company and its stakeholders. With increasing regulatory scrutiny and a rise in shareholder activism, the need for Directors and Officers Liability Insurance (D&O insurance) has never been greater. But who exactly needs this type of coverage, and why is it so important?

Directors and officers are entrusted with the responsibility of making critical decisions that can impact the success and reputation of a company. However, with this responsibility comes the risk of being held personally liable for their actions or decisions. D&O insurance provides protection for these individuals in the event that they are sued for alleged wrongful acts, such as breach of fiduciary duty, negligence, or mismanagement.

While many business professionals may believe that their company's indemnification provisions or corporate insurance policies provide sufficient protection, the reality is that these may not always offer comprehensive coverage in the event of a lawsuit. D&O insurance is specifically designed to fill this gap and provide financial protection for directors and officers against legal expenses, settlements, and judgments.

Additionally, D&O insurance can also benefit the company itself by attracting and retaining top talent. Knowing that they are protected by comprehensive insurance coverage, directors and officers are more likely to take on leadership roles and make tough decisions without fear of personal liability. This can ultimately help to safeguard the company's interests and ensure its long-term success.

In today's litigious society, no company or individual is immune from the threat of a lawsuit. Whether you are a small startup or a multinational corporation, having D&O insurance in place is essential for protecting your business and its leadership. By investing in this type of coverage, you can mitigate the financial risks associated with legal actions and safeguard the future of your company.

In conclusion, Directors and Officers Liability Insurance is a valuable tool for protecting both individuals and companies from the risks and uncertainties of the business world. From legal expenses to reputational damage, the benefits of having this coverage in place far outweigh the costs. To learn more about how D&O insurance can benefit your business, speak to a qualified insurance professional today.

I. Employment Practices Liability

insurance covers claims of discrimination, harassment, or wrongful termination by employees.

Protect Your Business: The Importance of Employment Practices Liability Insurance

In today's competitive business environment, companies face a myriad of challenges when it comes to managing their workforce. From hiring and firing decisions to workplace harassment and discrimination claims, employers are constantly navigating potential legal pitfalls. This is where Employment Practices Liability Insurance (EPLI) comes into play.

EPLI is a type of insurance that provides protection to employers against claims made by employees alleging wrongful acts such as discrimination, harassment, wrongful termination, and other employment-related issues. In recent years, the number of employment-related lawsuits has been on the rise, making EPLI an essential safeguard for businesses of all sizes.

Businesses of all types and sizes can benefit from having EPLI coverage in place. However, certain industries are more susceptible to employment-related claims and lawsuits. For example, businesses in the healthcare, hospitality, and retail industries often deal with high turnover rates and diverse workforces, increasing the likelihood of potential disputes. Additionally, small businesses with limited resources may be particularly vulnerable to costly legal battles without EPLI protection.

There are several key reasons why businesses need EPLI coverage. Firstly, defending against an employment-related lawsuit can be a costly and time-consuming process. Legal fees, settlements, and damages can quickly add up, putting a significant financial strain on a business. EPLI can help cover these expenses, minimizing the financial impact of a lawsuit.

Secondly, even if a claim is ultimately found to be without merit, the mere accusation of wrongdoing can damage a company's reputation and brand. EPLI can provide coverage for public relations expenses to help mitigate the reputational damage caused by an employment-related claim.

Lastly, having EPLI coverage in place can also help attract and retain top talent. In today's job market, employees are increasingly aware of their rights and are more likely to seek legal recourse if they feel they have been wronged. By having EPLI coverage, businesses can demonstrate their commitment to creating a fair and inclusive work environment, which can help attract and retain employees.

In conclusion, Employment Practices Liability Insurance is a crucial risk management tool for businesses looking to protect themselves against the growing number of employment-related claims and lawsuits. By investing in EPLI coverage, businesses can safeguard their finances, reputation, and employees, ensuring long-term success and growth.

L. Workers Compensation/Employer's Liability

insurance includes:

1. **Policy Concepts:**

Provides coverage for employees who are injured or become ill on the job.

2. **Rating Plans:**

Methods used to determine premiums based on factors such as type of work and claims history.

3. **NCCI Experience Modifications:**

Adjustments to premiums based on a business's claims history and safety record.

Workers' Compensation Insurance, Employers Liability Insurance, and Related Issues

Objectives: In this section we'll cover workers compensation. The following are covered:

- Workers' compensation laws
- Workers' compensation benefits
- Covered occupations
- Funding
- The workers' compensation and employer liability policy
- Work-related and non-work-related
- Other states' insurance

Workers' compensation laws

Workers' compensation is a benefits program created by state law that gives employees the right to claim medical, rehabilitation, income, death and other benefits from an employer due to injury, illness or death resulting from a work-related claim covered by the law.

Payment of claims under workers' compensation are made regardless of fault or negligence by the employer, the employee, or a fellow employee.

In some states, Georgia included, workers' compensation insurance is compulsory. An employer is required to provide workers' compensation insurance if they regularly employ three (3) or more individuals, part-time or full-time.

In some states the provision of workers' compensation insurance is elective. In this case, the employer opts out of offering workers' compensation but at great risk as they are then open to be sued in case of an employee's injury, disease, or death.

The premiums for workers' compensation insurance depend on the type of occupation. The more hazardous the occupation, the higher the rates. The employer is responsible for the payment of premiums.

The benefits covered under workers' compensation are the only benefits available to an employee against employers for injuries covered under the law. The employee cannot sue the employer or receive any other compensation for the injuries sustained under the workers' compensation law. This is known as exclusive remedy.

Workers' compensation benefits

There are four categories of benefits payable under workers' compensation:

- Disability income
- Medical
- Death / survivor
- Rehabilitation

Disability income benefits

Disability income benefits pay income benefits if the insured has a loss of income due to a disability caused by a work-related injury covered under workers' compensation.

There is a limit to the disability income benefit. Disability income is not taxable.

There are several different categorizations of disability:

- **Permanent disability**: The disability will affect the person for the rest of his or her life.

- **Temporary disability**: The disability is temporary and the individual will recover.

- **Temporary total disability**: The individual is totally disabled and unable to do any work but will recover and be able to go back to the work. The benefit payable is two thirds of the average weekly wage. If the injury is catastrophic, there is no limit on how long the individual can receive benefits. If the injury is non-catastrophic, the benefits are limited to 400 weeks.

- **Temporary partial disability**: The individual is partially disabled and able to perform a job but at a lower income. The benefit payable is the difference between two thirds of the pre-injury wages and the post-injury wages. That is, the maximum income and benefit to the individual is two thirds of their weekly wages. The benefits are limited to 350 weeks.

- **Permanent total disability**: The individual is totally and permanently disabled and will not be able to return to work. The benefits payable are the same as for temporary total disability, that is, two thirds of the individual's average weekly wage, but payable for life.

- **Permanent partial disability**: The individual is partially and permanently disabled. They will not recover from the injury or disease but may be able to do some type of work, even if it is not the type of work they were able to do prior to the disability. The benefit is determined by formula that includes several factors such as percentage of impairment and type of injury.

Medical benefits

Medical benefits pay 100% for the cost of medical services related to the injury. There is no limit on the medical benefit or the period of time medical benefits are provided. Medical benefits include mileage to and from the doctor and prescription drugs.

Death / Survivor benefits

Death / Survivor benefits pay the spouse, children, or other dependents of an employee who dies of a work-related injury or illness covered under workers' compensation.

Dependents will receive two-thirds of the employer's average weekly wage or a maximum of $525.00 per week.

A widowed spouse with no children is limited to a total amount of $150,000.00 unless he or she remarries or cohabitates in a relationship, in which case benefits will end.

In addition to this, there is a one-time benefit to cover funeral and benefit expenses.

Rehabilitation benefits

Rehabilitation benefits pay the cost of physical or psychological therapy and reasonable costs to train the injured employee to do another job.

Covered occupations

There are certain categories of workers for whom employers are exempt from providing workers' compensation insurance:

- Certain seasonal farm and agricultural workers
- Domestic employees
- Independent contractors
- Casual laborers

There are some occupations that cannot meet the underwriting criteria. These occupations can obtain coverage through a state-established fund, the Assigned Risk Pool, a Residual Market Plan, which is funded by all workers' compensation companies.

Coverage for some occupations and benefits can only be provided by endorsement to the workers' compensation policy.

The federal Longshore and Harbor Workers Compensation Act provides benefits to maritime employees injured while working on navigable waters or shore-site areas of the United States and territories and takes precedence over the state laws.

This coverage is provided by an endorsement to the workers' compensation policy.

Some exempt employees, such as domestic and farm workers, can be added to workers' compensation insurance with the Voluntary compensation endorsement.

There are some other categories of employees that are covered by federal, rather than state, workers' compensation laws.

The Federal Employers Liability Act (FELA) allows interstate railroad workers to sue their employers for negligence.

The Jones Act allows members of ships' crews to sue either the employer or shipowner for work- related injuries caused by negligence.

Funding

Workers' compensation insurance can be provided by private insurers or by the state. State insurance can be:

- **Monopolistic**: Workers' compensation insurance is available only through the state fund
- **Competitive**: Workers' compensation insurance is available either through private insurers or through a state fund. They compete with each other in the state.

In Georgia, workers' compensation insurance is typically provided by private insurers. There is no state fund.

Some employers, when state-approved, elect to self-insure their workers' compensation insurance. This may be for a single employer or employers may form a group in order to self-insure. An employer or group of employers who elect to self-insure will have to prove that they have the funds to cover any claims. The state will issue a Certificate of Self Insurance and the self-insurer may have to purchase a surety bond. Some self-insurers will purchase excess insurance or reinsurance. In addition to this, self- insurers will be required to handle the payment of benefits, claim expenses, medical and legal services.

The Secondary Injury Fund was created in 1923 to make benefit payments to totally and permanently disabled workers where the cause of the disability was subsequent to a prior disability rendering the worker permanently and partially disabled. The concept behind the fund is to encourage employers to hire disabled workers by limiting, in the case of further injury, their liability for compensation payments to amounts applicable to the latest injury. The fund assumes liability for any remaining continuing benefits.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

Standard policy concepts

The standard workers' compensation and employer liability policy is based on the National Council on Compensation Insurance (NCCI) policy. This comprises an information page, similar to the Declarations page in other insurance policies and the following sections:

General Section: Contains definitions and conditions that apply to the policy

Part One – Workers' Compensation: Provides benefits as described above required by state law for the state or states covered according to the Information page.

Part Two – Employers Liability: Provides liability insurance for an employer for a work-related injury, disease, or death not covered by workers' compensation insurance.

- Examples include employees exempt from workers' compensation insurance or the spouse of an injured or diseased employee who sues the employer for loss of consortium.
- Limits of liability are specified Per Employee, Per Accident, and Per Policy Period. There is a minimum policy limit of $100,000 per accident.
- In addition to the limits of liability, supplementary payments are covered such as defense costs, expenses incurred by the insured at the request of the insurer, for example, related to the investigation of the claim, and appeal bonds.

Part Three – Other States Insurance: States for which the insured has workers' compensation coverage are included in the Information page. This section allows the insured to specify that they may require coverage in additional states, not specified, in the future. This could, for example, cover employees travelling through or working temporarily in another state. The insured will be required to notify the insurer as soon as work begins in a new state not yet listed in the Information page.

Part Four – Your Duties if Injury Occurs: Covers the procedures to be followed in the case of an employee's injury for which there may be coverage. The insured is required to provide medical services to the injured employee, report the injury to the insurer, and cooperate with the insurer in the investigation and settlement of the claim.

Part Five – Premium: Provides details on how the premiums are calculated. The employer is required to maintain records and the insurer can audit the records.

Part Six – Conditions: Covers the conditions that apply to the policy such as cancellation, subrogation, and the rights of the insurer to inspect the insured's workplace.

Work-related vs. non-work-related

Any injury, illness or death arising out of and in the course of employment is covered by workers' compensation insurance. This means if employees are injured while performing their assigned duties during assigned work hours, workers' compensation will cover the claim. Injuries are covered on the employer's premises and off-premises if the employee is performing assigned duties off-premises.

Injuries are not covered if they are sustained:

- while performing unassigned duties
- during lunch or break times
- during their commute to and from work

Other states' insurance

States for which the insured has workers' compensation coverage are included in the Information page. This section allows the insured to specify that they may require coverage in additional states, not specified, in the future. This could, for example, cover employees travelling through or working temporarily in another state. The insured will be required to notify the insurer as soon as work begins in a new state not yet listed in the Information page.

Monopolistic states are excluded.

III. PROPERTY AND CASUALTY POLICY CONTRACT PROVISION

A. Declarations

Definition: The declarations page of an insurance policy includes essential information about the policy, such as the policyholder's name, address, coverage limits, premium amount, and the policy's effective dates.

Example: The declarations page of a homeowner's insurance policy lists Jane Doe as the policyholder, with a coverage limit of $300,000 for her home and a premium of $1,200 per year.

B. Insuring Agreement

Definition: The insuring agreement outlines the scope of coverage provided by the insurance policy, detailing what risks are covered and under what conditions.

Example: An automobile insurance policy insuring agreement may state that it covers damages caused by collisions, theft, and vandalism.

C. Conditions

Definition: Conditions are the provisions in an insurance policy that specify the obligations of both the insured and the insurer, as well as the procedures to be followed in the event of a claim.

Example: A condition in a home insurance policy might require the policyholder to report a loss within 30 days.

D. Exclusions

Definition: Exclusions are specific situations or circumstances listed in an insurance policy that are not covered.

Example: A homeowner's insurance policy may exclude coverage for flood damage.

E. Definitions

Definition: Definitions are the section of an insurance policy that explains the meaning of specific terms used in the policy.

Example: An automobile insurance policy defines "insured" as the policyholder, their spouse, and any licensed driver using the vehicle with permission.

F. Duties of the Insured After a Loss

Definition: This section outlines the responsibilities of the insured following a loss, such as notifying the insurer, protecting the property from further damage, and providing proof of loss.

Example: After a car accident, the insured must report the accident to the insurer and submit a damage report.

G. Obligations of the Insurance Company

Definition: This section specifies the duties and responsibilities of the insurance company, such as paying covered claims and providing defense in liability cases.

Example: The insurance company is obligated to pay for repairs to the insured's vehicle after an accident.

H. Mortgagee Rights

Definition: Mortgagee rights refer to the rights of the mortgage lender to receive claim payments if the property they have financed is damaged.

Example: If a house with a mortgage is damaged by fire, the insurance company pays the claim to the mortgage lender.

I. Proof of Loss

Definition: Proof of loss is a formal statement made by the policyholder to the insurance company, detailing the extent and cause of the loss.

Example: After a burglary, the insured submits an inventory of stolen items and their values to the insurer.

J. Notice of Claim

Definition: Notice of claim is the policyholder's responsibility to inform the insurer of a loss or an event that may lead to a claim.

Example: After a car accident, the insured must notify the insurance company promptly to initiate the claims process.

K. Appraisal

Definition: Appraisal is a process used to determine the value of a loss when the insured and insurer disagree on the amount.

Example: If the insured and insurer disagree on the cost to repair a damaged roof, an independent appraiser may be hired to assess the damage.

L. Other Insurance

Definition: This clause outlines how claims will be handled if multiple insurance policies cover the same loss.

Example: If both a homeowner's insurance policy and a separate flood insurance policy cover flood damage, the other insurance clause determines how much each policy pays.

M. Assignment

Definition: Assignment refers to the transfer of rights or interests in an insurance policy from one party to another.

Example: An insured assigns their life insurance policy to a bank as collateral for a loan.

N. Subrogation

Definition: Subrogation allows the insurer to pursue a third party that caused an insurance loss to the insured.

Example: If an insured's car is damaged in an accident caused by another driver, the insurer may seek reimbursement from the at-fault driver's insurance company.

O. Elements of a Contract

Definition: The essential elements of an insurance contract include offer and acceptance, consideration, competent parties, and legal purpose.

Example: An insurance policy is a contract where the insurer offers coverage, and the policyholder accepts by paying the premium.

P. Additional (Supplementary) Payments

Definition: These are payments the insurer agrees to make in addition to the policy's regular coverage.

Example: An auto policy may provide supplementary payments for legal defense costs in a liability lawsuit.

Q. Loss Settlement Provisions Including Consent to Settle a Loss

Definition: These provisions outline how losses will be settled and whether the insurer must obtain the insured's consent to settle a claim.

Example: An auto insurance policy may state that the insurer can settle a liability claim without the insured's consent.

R. Representations and Misrepresentations

Definition: Representations are statements made by the insured that are believed to be true, while misrepresentations are false statements that can void the policy.

Example: If an insured misrepresents their driving history on an auto insurance application, the insurer may deny a future claim.

S. Concealment

Definition: Concealment is the intentional withholding of information relevant to the insurance contract.

Example: Failing to disclose a previous fire loss when applying for homeowners insurance can be considered concealment.

T. Endorsements

Definition: Endorsements are amendments or additions to the standard insurance policy that modify coverage.

Example: Adding an earthquake endorsement to a homeowners insurance policy for additional coverage.

U. Loss Payable

Definition: This clause specifies the party to whom the claim payment will be made in the event of a loss.

Example: In an auto loan, the insurance company will pay the claim amount to the lender (loss payee) in case of total loss.

V. Endorsements

Summation: Endorsements are amendments or additions to an existing insurance policy. They modify the terms or coverage of the original policy to address specific needs or circumstances that were not originally covered.

Example: Suppose you have a homeowner's insurance policy. You might add an endorsement to cover your newly built backyard shed. This endorsement ensures that your shed is included in your policy coverage, in addition to your house.

W. Arbitration

Summation: Arbitration is a method of resolving disputes between the policyholder and the insurance company without going to court. An impartial third party, known as an arbitrator, reviews the case and makes a binding decision.

Example: Imagine you file a claim with your car insurance company after an accident, but the insurer disputes the amount to be paid out. Instead of a lengthy court battle, you and the insurance company agree to arbitration. The arbitrator listens to both sides and decides on a fair amount for the settlement.

X. Loss Payable

Summation: Loss payable is a clause in an insurance policy that specifies the party (other than the policyholder) who will receive the insurance payment in the event of a loss. This is often used when a third party, such as a lender or financier, has a financial interest in the insured property.

Example: If you finance your car through a bank, the bank may be listed as a loss payable party on your auto insurance policy. In the event your car is totaled in an accident, the insurance company will pay the bank first to cover the outstanding loan balance before you receive any remaining funds.

IV. RESPONSIBILITIES AND DUTIES OF AN ADJUSTER REPORT

A. Loss

1. Inception/Expiration Date

Definition: The inception date is when the insurance policy becomes effective, while the expiration date is when the coverage ends.

Example: The policy for John Doe's property started on January 1, 2024 (inception) and will end on December 31, 2024 (expiration).

2. Occurrence Date

Definition: The date on which the insured loss or damage actually occurred.

Example: A fire damaged Jane Smith's home on March 15, 2024 (occurrence date).

3. Identification of Parties Involved

Definition: Identifying all individuals or entities involved in the claim, including the insured, claimants, and witnesses.

Example: The parties involved in a car accident claim might include the drivers of both vehicles, their passengers, and any eyewitnesses.

4. Policy Form/Number

Definition: The specific policy form and identification number issued to the policyholder.

Example: Policy number 12345-6789 under form HO-3 covers a homeowner's insurance policy for Mary Johnson.

5. Description of Loss

Definition: A detailed account of what was damaged, stolen, or otherwise affected by the covered event.

Example: A storm caused roof damage and water infiltration at the insured's residence.

6. Coverages

Definition: The specific protections provided under the insurance policy, detailing what types of losses are covered.

Example: The policy covers fire, theft, and liability losses up to specified limits.

7. Deductible

Definition: The amount the policyholder must pay out-of-pocket before the insurance coverage kicks in.

Example: If the policy has a $500 deductible and the damage is $5,000, the insurer pays $4,500.

8. Tort/Joint Tort Feasors

Definition: Determining if the loss involves any legal responsibility from third parties (torts) and whether multiple parties share liability (joint tortfeasors).

Example: In a multi-car pileup, several drivers might be deemed jointly responsible for the accident damages.

B. Loss/Damage Valuation

1. Direct Loss vs. Indirect Loss

Definition:

- **Direct Loss:** Physical damage to property resulting directly from an insured peril.
- **Indirect Loss:** Additional expenses or loss of income resulting from the direct loss. **Example:**
- **Direct Loss:** A fire causes $10,000 in damage to a building.
- **Indirect Loss:** The business loses $3,000 in revenue due to being unable to operate while repairs are made.

2. Damages

Definition: The monetary compensation required to restore the damaged property or compensate for the loss.

Example: The cost to repair a damaged roof or the value of stolen personal property.

V. GEORGIA LAWS, RULES, REGULATIONS PERTINENT TO ALL ADJUSTERS

Objectives: In this section we'll cover the laws, rules and regulations specific to Georgia and pertinent to all adjusters.

A. Insurance Department and Commissioner

The Chief Officer of the Department of Insurance of the State of Georgia is the Insurance Commissioner. The Insurance Commissioner is elected to this office for a term of 4 years.

The Commissioner is responsible for appointing a chief deputy insurance commissioner, and other deputies as necessary, to assist him. In the event of a vacancy in the office of the Commissioner or in his absence or disability, the chief deputy will perform the duties of the Commissioner. The chief deputy Commissioner is required to have a bond of $15,000 to be approved by the Commissioner and is conditional on faithful performance of the duties of the chief deputy Commissioner.

The Commissioner, deputy, or any employee of the department may not have a financial interest in any insurer, agency, or insurance transaction other than as a policyholder or claimant under a policy.

1. Broad powers and duties

The primary responsibility of the Commissioner and the Department of Insurance is to protect the general public.

The broad powers and duties of the Insurance Commissioner include:

- Establishing and running the Department of Insurance
- Maintaining the official records of the Department of Insurance
- Enforcing the insurance code (rules and regulations)
- Creating the annual report and any other required reports
- Examination of insurers and rating organizations authorized to transact business in the State of Georgia
- Examination and investigation of licensed adjusters if required

2. Examination of records

The Commissioner or an examiner appointed by the Commissioner:

- May examine the affairs, transactions, accounts, records, documents, and assets of any insurer authorized to do business in the state and any other facts relative to its business methods, management, and dealings with policyholders, at any time
- Is required to examine a domestic insurer at least once every 5 years
- Will limit examination of an alien insurer to insurance transactions in the United States
- At any time, but at least once every 5 years, examine the rating organizations licensed in the state
- Is required to examine each insurer or rating organization applying for authority to do business in the state
- May examine the affairs, accounts, records, documents, and transactions of any insurance agent, subagent, broker, adjuster, or any other person licensed to conduct the business of insurance in the state
- All accounts, records, documents, and files must be made accessible for examination. If the accounts are inadequate or incorrect, the person has 60 days to correct them. If they fail to correct the accounts within 60 days, the Commissioner may have an expert do this at the expense of the person being examined.

3. Cease and Desist Orders

The Commissioner has the power to investigate the affairs of any person engaged in the business of insurance in the state to determine if they have engaged in any unfair method of competition, unfair or deceptive trade practice, or unfair claims settlement practice.

If the Commissioner has reason to believe that it would be in the public interest to have a proceeding on an unfair trade practice, the following apply:

- He must issue a notice of the hearing with the reason for the hearing, the facts on which the hearing is based, the statute or code on which the investigation is based, and time and place of the hearing
- The hearing must take place no less than 15 days after the notice is served
- The person appearing at the hearing has the right to be heard
- The Commissioner must issue an order related to the findings of the hearing within 30 days of the hearing

If, after the hearing, the Commissioner determines the person charged has engaged in an unfair method of competition, an unfair or deceptive trade practice, or an unfair claims settlement practice, he is required to provide details of the findings in writing and to order the person to cease and desist from the acts or practices.

4. Penalties

If a person has been found to have violated an unfair trade practice, the Commissioner:

- Will issue an order for the person to cease and desist from engaging in the method of competition, or the unfair trade practice
- May require the payment of a monetary penalty of not more than $1,000 for each act or violation or not more than $5,000 for each act or violation if the person knew or should reasonably have known they were in violation
- May suspend or revoke the individual's license
- May request any other relief as appropriate
- If a person violates a cease and desist order, the Commissioner:
- May require the payment of a monetary penalty of not more than $10,000 for each act or violation
- May suspend or revoke the individual's license
- May request any other relief as appropriate

B. General insurance definitions

1. Domestic, foreign and alien

Insurance companies are categorized based under which laws they were formed.

- A domestic (to Georgia) insurer is an insurer formed, or incorporated, under the laws of Georgia
- A foreign (to Georgia) insurer is an insurer formed, or incorporated, under the laws of another state or government of the United States
- An alien insurer is an insurer formed, or incorporated, under the laws of a country other than the United States

This categorization of insurers is important because clearly there would be a much closer relationship with and ability to oversee a domestic insurer. The insurance departments in other states would rely on this knowledge and relationship.

2. Insurance transaction / transacting business

Transacting the business of insurance includes any of the following:

- Soliciting and inducement. This would include marketing, selling, proposing insurance products.
- Preliminary negotiations. This would include presenting proposals, comparing policies, presenting rates.
- Effectuation of a contract of insurance (in simple English this is to sell or put in place a contract of insurance). This would include completing an application, handling the premiums, underwriting, delivering the policy.
- Transaction of matters subsequent to effectuation of the contract and arising out of it. This would include handling changes to the policy, investigating claims, paying claims, making amendments to a policy, renewing a policy.

Mere investigation or adjustment of a claim is not considered transacting insurance.

3. Authorized / unauthorized and certificate of authority

- Any insurer wanting to do business in the state of Georgia is required to apply for and obtain a Certificate of Authority. This authorizes them to conduct business in the state.
- The Commissioner must issue the Certificate of Authority within 90 days of receiving an application. This may be extended for a further 90 days. If the application is not declined by the Commissioner within either of these periods, it is assumed the insurer is authorized.
- The Certificate of Authority expires at midnight on June 30th of the year following the issue or renewal of the certificate.
- Renewal forms must be submitted by 1 March each year.
- The insurer is required to maintain a minimum of $1.5 million in capital stock or surplus.
- The insurer cannot use a name similar to an already authorized insurer such that it will cause confusion.

The Department of Insurance identifies six classes of insurance:

- Life, accident, and sickness
- Property, marine, and transportation
- Casualty
- Surety
- Title
- Health Maintenance Organization

Insurers granted a Certificate of Insurance may conduct insurance in all classes except:

- Reciprocal insurers and Lloyd's insurers may not transact life insurance
- Title insurers may not transact any other type of insurance.

Certificates of authority are not required for the following:

- Surplus lines carriers
- Reinsurance companies

The Commissioner may revoke, suspend, or refuse to renew an insurer's Certificate of Authority if they violate the state's rules and regulations.

In addition to this, the insurer may be fined a penalty for any of the following:

- Failure to process or pay claims in a timely manner.
- Failure to inform claimants of the reason for denying a claim.
- Refusing to pay a claim without cause
- Offering a claimant less than what they are owed.
- Compelling insureds to follow legal recourse for a claim to which they are entitled

An insurer who has not been issued a Certificate of Authority because they have not applied for it, it has been denied, or it has been revoked, is not authorized or is unauthorized to transact insurance in the state of Georgia. This insurer may also be known as a non-admitted insurer.

4. Third Party Administrators (practices, responsibilities, and duties)

A Third Party Administrator is a business entity that, directly or indirectly:

- Collects charges, fees, or premiums.
- Adjusts or settles claims, including investigating or examining claims or receiving, disbursing, handling, or otherwise being responsible for claim funds.
- Provides underwriting or precertification and preauthorization of hospitalizations or medical treatments.

Third Party Administrators can act on behalf of any insurer, including business entities that act on behalf of a single or multiple employer self-insurance health plan or a self-insured municipality or other political subdivision.

Licensure is also required for administrators who act on behalf of self-insured plans providing workers' compensation benefits.

All activities undertaken by the administrator on behalf of an insurer or the client of the administrator is considered a transaction and is subject to the Georgia insurance code.

5. Insurance Services Office (ISO)

The Insurance Services Office (ISO) was founded in 1971. It is the leading source of information about property and casualty insurance risk and provides services related to:

- Statistical, actuarial, underwriting, and claims information and analytics
- Standard policy forms and policy language
- Compliance and fraud identification tools
- Information about specific locations
- Technical services

C. Licensing requirements

The following individuals are required to be licensed:

- An adjuster

Any person applying for a license must meet the following criteria:

To become an insurance adjuster or public adjuster in Georgia, you need to follow these steps:

1. Adjuster

- **Pre-License Education:** Complete 40 hours of pre-license education courses covering claims adjusting, basic insurance information, state laws, and professional ethics.
- **Pass the Exam:** Successfully pass the Georgia insurance adjuster exam, which consists of 100 questions and you have 2 hours to complete it.
- **Background Check:** Submit to a fingerprint and background check for identity verification.
- **Submit Application:** Submit your licensing application to the Georgia Department of Insurance.

1. Public Adjuster

- **Pre-License Education:** Similar to insurance adjusters, complete 40 hours of pre-license education.
- **Pass the Exam:** Pass the public adjuster exam.
- **Background Check:** Submit to a fingerprint and background check.
- **Bond Requirement:** Obtain a $5,000 surety bond in favor of the Commissioner.
- **Contract Approval:** Have your contract pre-approved by the Commissioner before working with consumers.
- **Submit Application:** Submit your licensing application to the Georgia Department of Insurance.

Both types of adjusters must also meet continuing education requirements to maintain their licenses.

2. Agreements

A licensed adjuster is required to:

- Adhere to the Department of Insurance's rules and regulations
- Maintain records of all insurance contracts. Records must be maintained for 5 years or the duration of the contract whichever is longer.
- Maintain a place of business that is accessible to the public
- Notify the Commissioner of any change of address within 30 days
- An adjuster may from time to time act as an adjuster and investigate and report claims without being licensed as an adjuster.

The state departments of insurance have established reciprocity agreements that allow for nonresident licensing of individuals or entities.

If the nonresident applicant holds a license in good standing in their state of residence and that state will grant a nonresident license to a Georgia resident on a reciprocal basis, then the nonresident applicant may apply for a comparable license in Georgia and be exempt from examination, continuing education, and criminal history report requirements.

3. License maintenance

To maintain your license as an adjuster or public adjuster in Georgia, you need to follow these steps:

Continuing Education:

- **Hours Required:** Complete 24 hours of continuing education (CE) every two years.
- **Ethics Requirement:** At least 3 hours of the CE must be in Ethics or Consumer Protection.
- **Carry-Over Hours:** You can carry over up to 50% of the CE hours to the next renewal period, but the same course cannot be taken multiple times within the

same reporting period.

Renewal Process:

- **Renewal Date:** Adjuster licenses renew on the last day of the birth month with the birth year determining the renewal year. For example, if your birth year ends in an even number, you renew in even-numbered years1.
- **Application:** Submit your renewal application and proof of completed CE hours to the Georgia Department of Insurance.

Additional Requirements:

- **Bond Maintenance:** For public adjusters, maintain the $5,000 surety bond in favor of the Commissioner.
- **Contract Approval:** Ensure that any contracts with consumers are pre-approved by the Commissioner.

4. License revocation or suspension

The primary goal of the Commissioner of Insurance is to protect the general public. The Commissioner will not license or will not allow the continuance of licenses if the individual is found to be unethical in any way, including the handling of money.

The Commissioner may refuse to license or revoke or suspend a license, other than a probationary license, if the individual:

- Has violated the state insurance laws or regulations
- Has misrepresented or concealed any material fact on an insurance application or any other form filed with the Commissioner
- Has attempted to obtain a license by misrepresentation, concealment, or fraud
- Has misappropriated or illegally withheld money belonging to an insurer, insured, adjuster, agency, applicant, or beneficiary
- Has committed fraudulent or dishonest practices
- Has materially misrepresented the terms and conditions of an insurance policy or contract
- Has failed to pass a required insurance exam or cheated on any exam required for a license
- Has failed to comply with or has violated any proper order, rule, or regulation, issued by the Commissioner, including any order issued by the Commissioner or the Commissioner's designated representative during the course of any administrative hearing proceeding
- Is not in good faith carrying on business as an adjuster, but, on the contrary, is holding such license for the purpose of securing rebates or commissions or controlled business
- Has shown lack of trustworthiness or lack of competence

- Has failed to provide documentation or records, or refused to appear in response to a written demand by the Commissioner or in support of an application for license or renewal of license
- Has been convicted of any felony or of any crime involving moral turpitude
- Has failed to report to the Commissioner any criminal prosecution of the applicant or licensee
- Has had a license to practice a business or profession licensed under the laws of this state or any other state, territory, country, or the United States revoked, suspended, annulled, declined or not renewed by any lawful licensing authority or had other disciplinary action taken against him or her by any such lawful licensing authority
- Is not in compliance with an order for child support
- Is a borrower in default who is not in satisfactory repayment

An individual whose license application has been declined or whose license has been revoked or suspended may not reapply for a license for five years.

Any person who violates any provision of the insurance code will be guilty of a misdemeanor and the violation will be grounds for suspension or revocation of licenses.

D. Adjuster Practices, Responsibilities, and Duties in Georgia

Adjuster Practices:

- **Investigation:** Conduct thorough investigations of insurance claims to determine the extent of the insurer's liability.
- **Documentation:** Accurately document all findings, including photographs, statements, and reports.
- **Negotiation:** Negotiate settlements with claimants or their representatives to reach a fair resolution.
- **Compliance:** Ensure compliance with all relevant laws, regulations, and company policies.

Adjuster Responsibilities:

- **Assessment:** Assess the validity and value of claims based on policy terms and coverage.
- **Communication:** Maintain clear and consistent communication with all parties involved, including policyholders, claimants, and other stakeholders.

- **Accuracy:** Ensure all assessments and reports are accurate and unbiased.
- **Timeliness:** Handle claims efficiently and within the required timeframes.

Adjuster Duties:

- **Claim Handling:** Handle claims from start to finish, including initial contact, investigation, assessment, and resolution.
- **Policy Interpretation:** Interpret insurance policies to determine coverage and exclusions.
- **Loss Prevention:** Provide guidance on loss prevention measures to policyholders.
- **Record Keeping:** Maintain detailed records of all claims and related activities.

Public Adjuster Practices:

- **Representation:** Represent policyholders in their claims against insurance companies.
- **Advocacy:** Advocate for the policyholder's best interests throughout the claims process.
- **Negotiation:** Negotiate with insurance companies to achieve the best possible settlement for the policyholder.

Public Adjuster Responsibilities:

- **Policyholder Interests:** Serve with objectivity and complete loyalty to the policyholder's interests.
- **Transparency:** Provide clear and transparent communication to the policyholder about the claims process and potential outcomes.
- **Ethical Conduct:** Adhere to ethical standards and avoid conflicts of interest.

Public Adjuster Duties:

- **Claim Preparation:** Prepare and submit detailed claim documentation on behalf of the policyholder.
- **Claim Monitoring:** Monitor the progress of the claim and keep the policyholder informed.
- **Settlement Negotiation:** Negotiate settlements with insurance companies to ensure fair compensation for the policyholder.
- **Contract Approval:** Ensure contracts with policyholders are pre-approved by the Commissioner.

Both adjusters and public adjusters play crucial roles in the insurance claims process, but their responsibilities and duties differ significantly. Adjusters work on behalf of insurance companies, while public adjusters work on behalf of policyholders.

E. Unfair/prohibited practices

The Rules and Regulations that apply to conducting the business of insurance in

Georgia identify certain practices as being unfair and deceptive trade practices or unfair methods of competition.

Violations of the code by anyone conducting the business of insurance may result in the licensee being put on probation or having their license revoked or suspended. They may also be subject to fines and penalties.

The key unfair trade practices are described in more detail below.

1. Rebating

Rebating is offering the applicant some inducement to purchase insurance other than what is plainly expressed in the contract. Rebates may include the following:

- Any rebate of premiums payable on the contract other than was has been filed and approved by the Commissioner
- An offer to sell, purchase or give stocks, bonds, or securities, dividends or profits, or anything of value not specified in the contract
- Services or favors

2. Defamation

Defamation is either orally or in writing making a false or maliciously critical statement or a statement that misrepresents the truth about an insurer's financial condition or anyone in the insurance business with the intent to harm or injure their reputation.

3. Unfair Discrimination

It is considered unfair discrimination to:

- Charge individuals rates or have different benefits or terms and conditions for a life insurance contract that are not based on rates and conditions for the same class, same policy amount, and equal expectation of life.
- Charge individuals rates or fees or have different benefits or terms and conditions for a health insurance contract that are not based on rates and conditions for the same class or essentially the same hazard.
- Charge different rates or fees or refuse to provide coverage, renew a policy, or cancel a policy, for the direct loss to residential property and the contents when this discrimination is based solely on the age or geographical location of the property without regard to objective loss experience.
- Charge different rates for the same coverage, limit the amount of coverage, refuse coverage or renewal of coverage because of race, color, national or ethnic origin of the individual.

4. Unfair Claims Practices

The Rules and Regulations that apply to conducting the business of insurance in Georgia identify certain unfair claims settlement practices.

The following are considered unfair claims settlement practices:

- Knowingly misrepresenting to claimants and insureds relevant facts or policy provisions relating to coverages at issue
- Failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies
- Failing to adopt and implement procedures for the prompt investigation and settlement of claims arising under its policies
- Not attempting in good faith to settle claims promptly, fairly, and equitably in which liability has become reasonably clear
- Compelling insureds or beneficiaries to institute suits to recover amounts due under its policies by offering substantially less than the amounts ultimately recovered in suits brought by them
- Refusing to pay claims without conducting a reasonable investigation
- When requested by the insured in writing, failing to affirm or deny coverage of claims within a reasonable time after having completed its investigation related to the claim or claims
- When requested by the insured in writing, making claims payments to an insured or beneficiary without indicating the coverage under which each payment is being made
- Unreasonably delaying the investigation or payment of claims by requiring both a formal proof of loss and subsequent verification that would result in duplication of information and verification appearing in the formal proof of loss form. This does not preclude an insurer from obtaining sworn statements if permitted under the policy.
- When requested by the insured in writing, failing in the case of claims denial or offers of compromise settlement to provide promptly a reasonable and accurate explanation of the basis for such actions. In the case of claims denials, such denials must be in writing.
- Failing to provide forms necessary to file claims within 15 calendar days of a request with reasonable explanations regarding their use
- Failing to adopt and implement reasonable standards to assure that the repairs of a repairer owned by the insurer are performed in a workmanlike manner
- Indicating to a first-party claimant on a payment, draft check, or accompanying letter that the payment is final or a release of any claim unless the policy limit has been paid or there has been a compromise settlement agreed to by the first-party claimant and the insurer as to coverage and amount payable under the contract
- Issuing checks or drafts in partial settlement of a loss or claim under a specific coverage which contain language which releases the insurer or its insured from its total liability

In summary, if the liability is clear, the insurer is required to settle a claim fully and promptly based on the limits of liability on the policy.

F. Risk Retention Groups (RRGs)

Definition: A Risk Retention Group (RRG) is a liability insurance company that is owned by its members, who are typically businesses from the same industry or with similar risk exposures. RRGs allow members to pool their resources to self-insure against specific risks.

Example: Imagine a group of construction companies in Georgia that frequently face claims related to workplace accidents. These companies might form an RRG to insure against these specific risks. By pooling their resources, they can manage their collective risk more effectively and potentially reduce their insurance costs.

How RRGs Operate:

1. **Formation:** RRGs are typically formed by businesses or professionals within the same industry. They create a mutual insurance company to self-insure their risks.
    - **Example:** A group of hospitals in Georgia might form an RRG to cover medical malpractice liability.
2. **Regulation:** RRGs are regulated primarily by the state in which they are chartered, but they can operate in multiple states without the need for additional state licenses.
    - **Example:** An RRG chartered in Georgia can provide liability insurance to its members in other states without needing separate licenses.
3. **Capitalization:** Members of the RRG contribute capital to fund the group's reserves and cover potential claims.
    - **Example:** If a construction RRG requires $10 million in capital, each member contributes based on their level of risk and exposure.
4. **Policy Issuance:** The RRG issues liability insurance policies to its members, providing coverage tailored to their specific risks.
    - **Example:** A trucking RRG may offer policies that cover cargo loss, accidents, and environmental liability.
5. **Risk Management:** RRGs often implement risk management practices to reduce the likelihood of claims and improve overall safety.
    - **Example:** A manufacturing RRG might conduct regular safety audits and provide training to minimize workplace injuries.

Benefits of RRGs:

1. **Cost Savings:** Members can often save money on insurance premiums compared to traditional insurance because they pool their resources and manage

their own risks.

- **Example:** A professional association for architects may find that forming an RRG reduces their insurance costs by 20%.

2. **Customized Coverage:** RRGs can offer policies specifically tailored to the unique needs of their members, providing more relevant and comprehensive coverage.
    - **Example:** An RRG for dairy farmers could offer specialized coverage for livestock disease outbreaks.
3. **Control:** Members have more control over the underwriting process, claims handling, and risk management practices, which can lead to better outcomes.
    - **Example:** An RRG for real estate agents can design policies that specifically address the risks associated with property transactions.
4. **Stability:** By retaining risk within the group, RRGs can provide more stable and predictable insurance coverage, avoiding market fluctuations.
    - **Example:** An RRG for financial planners can maintain consistent premium rates even when the broader insurance market becomes volatile.
5. **Shared Expertise:** Members can benefit from shared risk management expertise and resources, leading to improved safety and reduced losses.
    - **Example:** A RRG for transportation companies might share best practices for vehicle maintenance and driver training.

Examples of Risk Retention Groups in Georgia:

- **Georgia Medical Malpractice RRG:** Formed by healthcare providers to cover malpractice claims.
- **Georgia Truckers Liability RRG:** Formed by trucking companies to provide coverage for accidents and cargo loss.
- **Georgia Construction Liability RRG:** Formed by construction companies to cover workplace injuries and property damage.

RRGs offer a unique and effective way for businesses with similar risks to manage their liability exposures collaboratively.

G. Georgia Insurance Guaranty Association

The Georgia Insurance Guaranty Association is in place to protect insured's from insurance companies that go insolvent by covering their claims.

The pool is responsible for:

- the investigation, adjustment, compromise, settlement, and payment of covered claims
- the investigation, handling, and denial of noncovered claims
- the management and investment of funds administered by the pool

The pool comes under the immediate supervision of the Commissioner and is subject to the applicable provisions of the Georgia insurance laws. It is run by a Board of Trustees, the Insurers Solvency Board, made up of seven members selected by the Commissioner. At least one member must be a representative from a domestic insurer. Board members serve for a term of three years. The Commissioner must ensure that all member insurers are fairly represented.

All insurance companies authorized to write property or casualty insurance policies in Georgia are required, as a condition of doing business in the state, to be members of the insolvency pool.

These insurance companies are assessed and pay into the pool to cover the funds required to continue coverage and pay claims when an insurance company is unable to do this. Insurers are assessed in proportion to the premiums they have been paid in the state for the kinds of insurance included in each account.

The funds are kept in three separate accounts:

- A workers' compensation account
- An automobile account
- An account for all other covered insurance

Covered claims include claims greater than $50.00 and under $300,000.00 or the policy limit, whichever is less, for first-party or third-party claims. Claims for unearned premiums are also covered.

The following types of policies are not covered by the Georgia Insurers Insolvency Pool:

- Life insurance and annuities
- Accident, health, and disability insurance except where written as part of an automobile insurance contract
- Title insurance
- Credit life
- Credit insurance, vendors' single interest insurance, or collateral protection insurance, or any similar insurance protecting the interests of a creditor arising out of a creditor-debtor transaction
- Mortgage guaranty, financial guaranty, or other forms of insurance offering protection against investment risks
- Fidelity or surety bonds or any other bonding obligations

- Insurance of warranties or service contracts including insurance that provides for the repair, replacement, or service of goods or property, or indemnification for repair, replacement, or service, for the operational or structural failure of the goods or property due to a defect in materials, workmanship, or normal wear and tear, or provides reimbursement for the liability incurred by the issuer of agreements or service contracts that provide such benefits
- Ocean marine insurance
- Any transaction or combination of transactions between a person, including affiliates of such person, and an insurer, including affiliates of such insurer, which involves the transfer of investment or credit risk unaccompanied by the transfer of insurance risk
- Any insurance provided by or guaranteed by government.

No person may use the existence of the pool for the purpose of sales, solicitation, or inducement to purchase insurance. Violation of this may result in a penalty of not more than $1,000.00 per violation, not to exceed an aggregate penalty of $10,000.00 or suspension or revocation on their license or certificate of authority.

The Georgia Life and Health Insurance Guaranty Association is the equivalent body to protect state residents who are policyholders and beneficiaries of life and health policies issued by an insolvent (broke) insurance company authorized to do business in Georgia, up to specified limits.

H. Georgia Automobile Insurance Plan

Residual markets are the market system that serve as the coverage source of last resort for firms and individuals who have been rejected by voluntary market insurers or the regular market. Residual markets include coverage for property insurance, personal automobile insurance, and workers' compensation.

Insurers writing the specific lines in the state must participate in the pools and assume the profits or losses accruing from insuring the state's residual risks in proportion to their share of the total voluntary market premiums written in the state.

The residual market is also known as the shared market.

The Georgia Automobile Insurance Plan was created to provide automobile insurance coverage to eligible risks who seek coverage and are unable to obtain such coverage through the voluntary (ordinary) market.

Eligible Georgia Automobile Insurance Plan risks are shared among companies writing automobile insurance in the state of Georgia. All admitted insurance companies must participate in the pool as a condition of having a Certificate of Authority to do business in the state of Georgia. Risks are apportioned amongst insurers depending on the amount of coverage written in the voluntary market in the state of Georgia.

Coverage through the Georgia Automobile Insurance Plan must comply with the minimum limits of liability required by Georgia law.

An insurance adjuster holding a valid Property and Casualty license for the state of Georgia can write business through the Georgia Automobile Insurance Plan.

Consumers with a valid Georgia driver's license and a vehicle registered in Georgia are eligible to be assigned through the Georgia Automobile Insurance Plan.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

I. Financial Responsibility Law

The Financial Responsibility Law requires an individual to prove that he or she is able to pay for damages resulting from an accident. A financial responsibility law does not specifically require the individual to have insurance coverage. Rather, the law requires the individual to be able to demonstrate the financial capacity to pay, even if they are not at fault.

Many states consider an individual with an insurance policy to be compliant with a financial responsibility law since most insurance policies have a minimum coverage that meets the state standard.

The Motor Vehicle Safety Responsibility Act, in combination with the minimum requirements for personal automobile insurance, address the financial responsibility law.

No owner of a motor vehicle required to be registered in this state or any other person, other than a self- insurer, may operate or authorize any other person to operate the motor vehicle unless the owner has motor vehicle liability insurance equivalent to that required as evidence of security for bodily injury and property damage liability under the Motor Vehicle Safety Responsibility Act.

In Georgia, you are required to have liability insurance when you register your car to cover bodily injury and property damage with the following minimum coverage amounts:

Bodily injury liability:

- $25,000 per person
- $50,000 for multiple people in an accident

Property damage liability

- $25,000 for one incident

Proof of financial responsibility can be satisfied with:

- A written certificate of insurance certifying that there is in effect a liability policy for the vehicle
- A plan of self-insurance accepted by the Commissioner This proof of insurance must be maintained for one year.

If a person is convicted of an offense and their driver's license is suspended, their license cannot be reinstated until they give and maintain proof of financial responsibility for the future.

If this person does not have the required proof of insurance at any time during the one-year period following the date of restoration of their driver's license, their license will be revoked immediately.

J. Cancellation and nonrenewal of policies

1. Cancellation or nonrenewal by the insurer

An insurer is required to provide a notice of cancellation or nonrenewal to the insured. In the case of cancellation of a policy by the insurer:

- Written notice of the cancellation stating the time the cancellation will be effective must be delivered in person or mailed by at least first class mail to the insured's last address on record no less than 30 days before the cancellation date.
- If applicable, a lienholder will receive a notice of cancellation. This may be delivered electronically or by fax if agreed by the lienholder.
- Any unearned premium must be returned on a pro-rata basis either to the insured or to the adjuster. The unearned premium must be returned to the insured or the adjuster no later than the time of cancellation. If the unearned premium is returned via the adjuster, it must be returned to the insured no later than 10 days after the adjuster receives it, within 10 days of notification from the insurer of the amount of the return of unearned premium due, or effective date of cancellation, whichever is later.
- If an audit or rate investigation is required, the refund of premium must be made within 30 days after the conclusion of the audit or rate investigation. If the premiums are financed by a premium finance company, the refund of premium must be made within 10 days after cancellation.
- If the insurer or adjuster does not meet the requirements for the return of unearned premium they will be required to pay to the insured a penalty of 25% of the return amount plus interest of 18% per annum until it is returned, with a maximum of 50% for both the penalty and the interest of the refund. The cancellation, however, will still be effective.
- If the insured fails to pay the premiums or the policy is in effect for less than 60 days, the notification period is 10 days prior to the time of cancellation.

2. Notification of cancellations and nonrenewals and reviews

Notification regarding Cancellations and Nonrenewals and review by the Commissioner:

- The notice of cancellation or nonrenewal must state the reason(s) for this. In the case of a cancellation, the notice of cancellation must include how premiums will be handled.
- The notice of cancellation or nonrenewal must advise the insured that they have the opportunity to review the cancellation or nonrenewal with the Department of Insurance if they believe this was in contravention of the rules and regulations.
- The insured is required to request a review of a cancellation or nonrenewal within 15 days of receiving the notice.

- Prior to filing a review with the Commissioner, the insured must provide written notification to the insurer that they believe the nonrenewal is not valid.

- During the period of review of the cancellation or nonrenewal, the insured should pay, and the insurer should accept, a 30-day pro rata portion of the premiums applicable to the policy at the time the cancellation or nonrenewal is issued. The insured should submit proof of this payment of premium as part of the request for the review by the Commissioner.

- If the Commissioner determines the cancellation or nonrenewal is lawful, termination of the policy is effective as of the original date on the notice of cancellation or nonrenewal. Termination of the interim coverage during the time this is being reviewed is not effective less than five days following the Commissioner's decision. The Commissioner's decision will establish the effective date of the termination of the interim coverage and serve as the official notice of termination of the coverage. The insurer will retain that portion of the pro rata premiums paid for the period beginning with the original date of the cancellation or nonrenewal and ending with the date of the termination of the interim coverage established by the Commissioner. The insurer is required to refund the remaining premiums to the insured within ten (10) working days of receipt of the Commissioner's decision.

- If the Commissioner's decision is that the cancellation or nonrenewal was not lawful, the insurer may be assessed a penalty and will be required to reinstate or renew the policy. The Commissioner may also order other remedies or penalties they deem appropriate or as authorized by law in the event of an abusive cancellation or nonrenewal or in the case where the insurer has followed improper cancellation or nonrenewal procedures.

3. Cancellation by the insured

In the case of cancellation by the insured:

- Unearned premium does not need to be paid on a pro-rata basis if the insured has not paid premiums due or if the policy specifies that a penalty may be charged on unearned premium if the policy is cancelled.

- The insured can cancel the policy by returning the policy to the insurer or by notifying them in writing of the cancellation.

- If there is a lienholder on the policy, the insurer must notify the lienholder of the cancellation.

- If a policy is replaced, it will be cancelled with an effective date of the new policy commencing coverage.

4. Cancellation or nonrenewal of a Commercial Lines policy

In the case of a cancellation or nonrenewal of a commercial lines policy or an increase in rate greater than 15% the insurer must notify the named insured:

- At least 45 days prior to termination or change in rate
- At least 75 days prior to termination for a Workers' compensation policy

- If the insured does not meet these requirements, the insured can purchase an additional 30 days' coverage before the policy is terminated.

An insurer cannot refuse to renew a policy for the following reasons:

- Lack of supporting business
- A change in the insurer's eligibility or underwriting rules unless the change applies uniformly to a specific class or territory and has been approved by the Commissioner
- Two or fewer claims against the policy within the preceding 36 month period if the claims were not due to negligence or intentional acts of the insured or persons residing at the insured premises

5. Cancellation or nonrenewal of Personal Lines property insurance policies

In the case of cancellation or nonrenewal of personal lines property insurance policies – policies that cover direct loss to residential real property and its contents as defined and limited in standard fire policies insuring natural persons as the named insured:

- After coverage has been in effect for more than 60 days, a notice of cancellation can only be issued for one or more of the following reasons:
- Nonpayment of premium
- Discovery of fraud, concealment of a material fact, or material misrepresentation made by or with the knowledge of the insured in obtaining or continuing the policy, or placing a claim under the policy
- The occurrence of a change in the risk which substantially increases any hazard the policy insures against
- The insured violates any of the material terms or conditions of the policy

If a policy is canceled other than for nonpayment of premium or in the event of a refusal to renew or cancel the policy, the insurer is required to notify the named insured that he may be eligible for insurance through the Georgia Fair Access to Insurance Requirements Plan. The notice must include the details for the insured to contact the Georgia Fair Access to Insurance Requirements Plan.

6. Cancellation of a Personal Lines auto or motor cycle policy

In the case of cancellation of a personal lines auto or motor cycle policy – policies that relate to bodily injury and property damage liability, personal injury protection, medical payments, physical damage, and uninsured motorists' coverage, cancellation can only occur for one or more of the following reasons:

- Nonpayment of premium
- Material misrepresentation
- Any insured violated the terms and conditions of the policy
- The named insured failed to fully disclose his record for the preceding 36 months of motor vehicle accidents or moving traffic violations if called for in the application
- The named insured failed to disclose information for the acceptance or proper rating of the risk in the written application or in response to an inquiry by his broker, the insurer, or the adjuster
- The named insured made a false or fraudulent claim or knowingly aided or abetted another in the presentation of the claim

The named insured or any other operator either resident in the same household or who customarily operates an automobile under the policy:

- Has had his driver's license suspended or revoked within 36 months prior to the notice of cancellation
- Is or becomes subject to epilepsy or heart attacks and the individual does not produce a certificate from a physician testifying to his unqualified ability to operate a motor vehicle
- Has an accident record, a conviction record, criminal or traffic, or a physical, mental, or other condition such that his operation of an automobile might endanger the public safety
- Has within a three-year period prior to the notice of cancellation been addicted to the use of narcotics or other drugs

Has been convicted or forfeited bail during the 36 months preceding the notice of cancellation for

- Any felony
- Criminal negligence resulting in death, homicide, or assault arising out of a motor vehicle
- Operating a motor vehicle while in an intoxicated condition or under the influence of drugs
- Being intoxicated while in or about an automobile or while having custody of an automobile
- Leaving the scene of an accident without stopping to report
- Theft or unlawful taking of a motor vehicle
- Making false statements in an application for a driver's license

Has been convicted of or forfeited bail for three or more violations of any law, ordinance, or regulation limiting the speed of motor vehicles or any of the provisions of the motor vehicle laws of any state, violation of which constitutes a misdemeanor, whether or not the violations were repetitions of the same offense or different offenses, within 36 months preceding the notice of cancellation

The insured automobile:

- Is so mechanically defective that its operation might endanger public safety
- Is used in carrying passengers for hire or compensation. Use of an automobile for a car pool is not considered use of an automobile for hire or compensation.
- Is used in the transportation of flammables or explosives
- Is an authorized emergency vehicle
- Has changed in shape or condition during the policy period so as to increase substantially the risk

If a policy is canceled other than for nonpayment of premium or in the event of a refusal to renew or cancel the policy, the insurer is required to notify the named insured that he may be eligible for insurance through the Georgia Automobile Insurance Plan. The notice must include the details for the insured to contact the Georgia Automobile Insurance Plan.

7. Nonrenewal of a Personal Lines auto or motorcycle policy

In the case of nonrenewal of a personal lines auto or motor cycle policy – policies that relate to bodily injury and property damage liability, personal injury protection, medical payments, physical damage, and uninsured motorists' coverage, nonrenewal may not occur for any of the following reasons:

- Lack of, lack of potential for, or failure to agree to writing of supporting insurance business
- A change in the insurer's eligibility rules or underwriting rules unless these apply uniformly within a specific class or territory and the change has been approved by the Commissioner

With respect to any driver or with respect to any automobile or its replacement for two or fewer of the following within the preceding 36 month period:

- Accidents involving two or more motor vehicles in which the driver of the insured automobile under this paragraph was not at fault
- Uninsured or underinsured motorist coverage claims
- Comprehensive coverage claims
- Towing or road service coverage claims

Age, sex, location of residence address within state, race, creed, national origin, ancestry, or marital status

Lawful occupation, provided that the insured automobile is not used in such occupation and that the automobile would have been insured as an original policy risk of the insurer when such occupation is considered together with other relevant underwriting or eligibility rules of the insurer

Military service

Number of years of driving experience of a named insured or of any other operator who is either a resident in the same household or customarily an operator of an automobile insured under the policy

Accidents or violations which occurred more than 36 months prior to the expiration date or anniversary date of the policy or solely for claims paid or payable under the policy during the preceding 36 month period which did not aggregate in an amount in excess of $750.00

One claim against the policy based on fault if the coverage has been in effect continuously for at least 36 preceding months

Two claims against the policy based on fault if the coverage has been in effect continuously for at least 72 preceding months

Factors not relating to the claims record, driving record, or driving ability of the named insured or of any other operator who is either a resident in the same household or customarily an operator of an automobile insured under the policy

If a policy is canceled other than for nonpayment of premium or in the event of a refusal to renew or cancel the policy, the insurer is required to notify the named insured that he may be eligible for insurance through the Georgia Automobile Insurance Plan. The notice must include the details for the insured to contact the Georgia Automobile Insurance Plan.

That's all, folks! The rest of the study manual is just reinforcement information.

Recap of Important Information

What do we mean by insurance and who can insure?

Insurance

Insurance is a contractual relationship that exists when one party (the insurer), for a consideration (the premium), agrees to reimburse another party (the insured) for a loss to a specified subject (the risk) caused by designated contingencies (hazards or perils).

In essence, when an individual takes out insurance to cover a risk they are transferring the risk of loss to the insurer. The insurer pools the insureds' risks, knowing that only a small number of losses will need to be paid and making the payments more affordable for the insured.

In order to take out insurance, a person must have an insurable interest.

Insurable interest

Insurable interest is the interest a person has in the value of the subject of insurance. The owner of property clearly has an insurable interest in the property but insurable interest may include any legal or financial relationship. Insurable interest usually results from property rights, contract rights, and potential legal liability.

For property and casualty insurance, the insurable interest must exist both at the time the insurance policy is purchased and at the time a loss occurs. For life insurance, the insurable interest only needs to exist at the time the policy is purchased.

Law of Large Numbers

The law of large numbers is a statistical axiom that is applied by actuaries when they look at the risk of an insurance product and calculate the applicable rates. The law of large numbers states the larger the number of exposures to a loss, the greater the probability the actual loss experience will equal the expected loss experience.

For example, an auto insurer may study the number of auto accidents caused by males aged between 16 and 21. If they have a large number of incidents in their statistical pool, they will be able to predict with a high probability of accuracy the number of accidents they will have to cover. They will also be able to use this information to determine what premiums they should charge males aged between 16 and 21 for their auto insurance.

When an applicant applies for insurance, the underwriter will determine the probability of loss by reviewing what perils will be covered and if there are any hazards to consider.

Peril

A peril is a cause of loss. Examples of perils include fire, windstorm, flood, hail.

Hazard

Hazards are conditions that increase the possibility of loss. Examples of hazards include poor housekeeping in a factory setting, inadequate lighting in a crime-prone area, or a ripped carpet in the lobby of a hotel.

There are three key categories of hazards:

- **Physical hazard**: A hazard related to the condition, occupancy, or use of the property itself. Examples include a rip in a carpet or a poorly run auto repair shop where the tools are left lying around.
- **Moral hazard**: A hazard related to the morals or habits of a person that may increase the probability of a loss. For example, an applicant who has been convicted of many traffic offenses would be considered a moral hazard when applying for auto insurance. An insured with a history of not paying their credit card bills may indicate they are in a difficult financial position and may be prone to committing insurance fraud.
- **Morale hazard**: A hazard related to an attitude of indifference by the insured. For example, a person decides to leave their car or house unlocked, assuming nothing will happen and, if it does, insurance will pay for the loss.

What is a loss?

Loss

Loss is physical damage to property or bodily injury, including loss of use or loss of income. It is the basis of a claim for damages under the terms of a policy. A loss is the result of damages to property that causes a decrease in or elimination of the value of the property.

A loss can be considered a Direct Loss or an Indirect Loss.

- **Direct**

A Direct Loss is any loss incurred due to direct damage to property. A direct loss would be the result of one or more specific perils. Examples include damages to a home from fire or flood or damage to a car from a collision.

- **Indirect**

Indirect Loss is any loss that is not a direct loss caused by a covered peril but rather the consequence of a direct loss. An indirect loss is also known as a consequential or contingent loss or time element because it very often applies for a specific period of time.

Examples include:

- the cost of having to stay in a hotel for 30 days while your house is being repaired after fire damage
- having to rent a car while your car is being repaired after a collision
- loss of business income and extra expenses incurred as the result of a fire in a business's warehouse

Proximate Cause

The proximate cause is an event which is closest to or immediately responsible for causing the loss.

In property or first-party insurance, the proximate cause is the cause having the most significant impact in bringing about the loss. If the loss was caused by a single peril, such as a fire, the proximate cause would be the fire. When two or more independent perils operate at the same time, that is, concurrently, to produce a loss, the cause having the most significant impact would be considered to be the proximate cause.

For example, if property was damaged by both lightning and wind during a storm, one of these perils would be identified as the proximate cause to determine the insurer's liability. If the peril selected as the proximate cause is covered by the insurance, the loss claim would be paid by the insurer. If the peril selected as the proximate cause is not covered or is excluded from the insurance coverage, the loss will not be covered by the insurer.

In liability or third-party insurance, proximate cause is defined as an act from which an injury results as a natural, direct, and uninterrupted consequence without which the injury would not have occurred.

Proximate cause is also known as legal cause. In a lawsuit for damages due to negligence it is essential to prove that the act of the defendant was the proximate cause of the damages to the plaintiff or claimant.

Sometimes there is an intervening cause which comes between the original act of negligence of the defendant and the injured plaintiff which will either reduce the amount of responsibility or eliminate the liability entirely.

As an example, an individual is injured in an auto accident caused by someone who was texting while driving and claims damages from the driver due to their negligence. Subsequent to the accident, the claimant slips down a flight of stairs and hurts their back. The court may find that the injury to the claimant’s back was the result of the fall down the stairs and not as a result of the auto accident. The fall is an intervening cause. The court may then decide to reduce the damages being claimed from the driver due to the auto accident or, depending on the extent of the injuries due to the auto accident, find that the driver had no liability.

The principle of indemnity and considerations in the payment of losses

Indemnity

The principle of indemnity is the principle applied in insurance that restores the insured to the financial position they were in prior to a loss. Indemnify means to “make whole”.

Remember, insurance covers pure risk where the insured will not gain as a result of the loss.

Deductible

The deductible is the amount the insured will be responsible to pay towards the loss before the insurer will pay any expenses. The insurer will deduct this amount from the loss before paying up to its policy limits.

Deductibles are normally quoted as a fixed amount. For example, an insured’s deductible may be $500, $1000, or $0. Depending on the policy, the deductible may apply per covered incident, or per person, or per year.

Most property insurance policies contain a per-occurrence deductible provision that stipulates that the deductible amount specified in the policy declarations will be subtracted from each covered loss in determining the amount of the insured's loss recovery.

By having the insured pay a deductible, the insured is discouraged from placing claims for small losses, saving the insurer the costs of processing petty claims.

The higher the deductible, the lower the premium the insured pays.

There are several different methods of establishing the value of insured property to determine the amount to be paid in the event of a loss. This basis of loss valuation is specified in the insurance contract. The two most common methods used are actual cash value and replacement cost.

Actual cash value

Actual cash value is one of two primary valuation methods for establishing the value of insured property to determine the amount the insurer will pay in the event of a loss.

Actual cash value can be calculated in one of several ways:

The most common approach is replacement cost minus depreciation

Alternatively, actual cash value paid may be the cost to repair the property

Fair market value

Let's consider an example where the furniture in your home is damaged in a fire. Typically, the insurer will pay replacement cost less depreciation. The insured would be paid more for damaged furniture that was two years old than if it were ten years old. Remember the insured should not gain from the loss, so to pay to replace used furniture with brand new furniture would go against this principle of indemnity.

It may be less expensive for the insurer to pay to repair damaged property than to pay replacement cost less depreciation.

Finally, if a piece of furniture was an antique, for example, the insurer may choose to pay based on fair market value.

Replacement cost

Replacement cost is one of two primary valuation methods for establishing the value of insured property to determine the amount the insurer will pay in the event of a loss.

Replacement cost is usually defined in the policy as the cost to replace the damaged property with materials of like kind and quality, without any deduction for depreciation. Instead of replacing the property, the insurer may have the option to repair it.

The cost of insurance to cover property at replacement cost would be more expensive than that to cover property based on actual cash value.

Limits of liability

The limit of liability is the most that will be paid by the insurer in the event of a covered loss under an insurance policy. This limit of liability is specified in the declarations portion of the insurance policy.

If the property is underinsured, that is, not insured to its full value, the insurer will not pay the full value, but only what they are contractually liable for, that is, the stated limit of liability.

The limits of liability for property insurance can be specified in different ways. They may be:

- **Specific**: States the limit of liability for a specific property at a specific location for a specific amount. For example, your home at your address for $200,000.
- **Scheduled**: States the limits of liabilities on multiple specific properties at a specific location for specific amounts in a single policy. For example, an auto policy

providing insurance coverage for two cars would specify each car and the limit of liability for each car, Car A for $10,000 and Car B for $25,000.

- **Blanket**: States a single limit of liability for multiple properties at a single location or multiple properties at multiple locations, or both. This is also used to cover property insured regardless of location. For example, camera accessories can be covered for a total blanket amount without specifying the individual accessories and a specific limit for each accessory. These would be covered regardless of location. Another example could be an auto dealer who insures all the cars he has for sale at two dealership locations for a single amount.

The limits of liability for liability insurance can be specified as:

Per person: Specifies the most that will be paid per person in the event of an accident or liability claim. Note that Personal Injury has a per person limit of liability.

Per occurrence: Specifies the most that will be paid for a single occurrence. If multiple people are injured in a single occurrence, this is the most that will be paid out in total for the occurrence. For example, if three people are injured in an accident and claim $40,000 each, and the per occurrence limit is $100,000, the insurer will only pay $100,000. Each person would get one third of the $100,000.

- **Split limit**: A policy can state that there are separate limits for bodily injury and property damage. This is known as a split limit.

- **Single limit**: A single limit, or combined limit, can be applied to either bodily injury or property damage or both in any proportion.

- **Aggregate limit**: Aggregate limit is the most the insurer will pay for all losses in a policy period.

Coinsurance / insurance to value

Coinsurance is a property insurance provision that penalizes the insured's loss recovery if the limit of insurance purchased by the insured is not equal to or greater than a specified percentage (commonly 80%) of the value of the insured property.

The purpose of the coinsurance provision is to encourage the property owner to insure the property to its full value so they can be paid the full amount of their loss in case of a loss. Essentially, if the property owner does not insure the property to its full value, they are retaining a proportion of the risk of loss and are “co-insuring” with the insurer.

The coinsurance provision specifies that the insured will recover no more than the following:

the amount of the loss multiplied by the ratio of the amount of insurance purchased (the limit of insurance) to the amount of insurance required (the value of the property on the date of loss multiplied by the coinsurance percentage) less the deductible.

Let’s look at an example.

A property owner has a house with a replacement cost of $100,000. The limit of liability on the policy is $80,000, that is, this is the amount the property is insured for.

The coinsurance percentage required is 80%. The property suffers fire damage, and the loss valuation is $20,000. The deductible on the policy is $1,000.

First, we determine the amount of the loss – in this case it is $20,000

Next, we calculate the ratio that will be applied by the insurer to the amount of the loss.

The limit of liability is $80,000

The amount of insurance required by the coinsurance provision is 80% of the replacement value of the property, that is, 80% of $100,000 = $80,000.

The ratio of the insurance purchased to the required insurance = $80,000 / $80,000 = 1

The loss amount is multiplied by the ratio of 1 calculated above, that is, $20.000 x 1 = $20.000. The insurer calculates that the insured will be paid the full amount of the loss valuation before a deductible is applied.

The final step in calculating what the insurer will pay is to apply the deductible (deduct this amount), that is, $20,000 - $1,000 = $19,000.

The insurer in this example will pay $19,000 to the insured.

Let's look at another example where the property owner does not meet the coinsurance requirement, that is, they are underinsured.

A property owner has a house with a replacement cost of $100,000. The limit of liability on the policy is $60,000, that is, this is the amount the property is insured for. The coinsurance percentage required is 80%. The property suffers fire damage and the loss valuation is $20,000. The deductible on the policy is $1,000.

First, we determine the amount of the loss – in this case it is $20,000

Next, we calculate the ratio that will be applied by the insurer to the amount of the loss.

The limit of liability is $60,000

The amount of insurance required by the coinsurance provision is 80% of the replacement value of the property, that is, 80% of $100,000 = $80,000.

The ratio of the insurance purchased to the required insurance = $60,000 / $80,000 = 3/4 or 75%

The loss amount is multiplied by the ratio of 3/4 calculated above, that is, $20.000 x 3/4 = $15.000. The insurer calculates that the insured will be paid only 75% of the loss valuation before a deductible is applied.

The final step in calculating what the insurer will pay is to apply the deductible (deduct this amount), that is, $15,000 - $1,000 = $14,000.

The insurer in this example will pay $14,000 to the insured. Notice that for the same house with the same loss as in the first example, but with a lower limit of liability, the insured is paid considerably less.

Coinsurance applies only to a partial loss.

The amount of the loss that is not payable to the insured as a result of failure to comply with the coinsurance provision is commonly referred to as a coinsurance penalty.

In commercial property insurance policies, it is sometimes possible to avoid the possibility of a coinsurance penalty with an agreed value provision.

Even if there is not a specified coinsurance provision in an insurance contract, claims paid will take into account insurance to value.

The insurance to value ratio defines the proportion of insurance to the value of the property insured.

If you do not have enough insurance or are underinsured, then your insurance to value ratio is too low. If the insurance to value ratio is too low, the insurer will only pay this proportion towards the loss, and you would have to cover the remainder of the cost to repair or replace the property lost.

If you have too much insurance or are over-insured, the insurance to value ratio is too high. In this case you are paying more for insurance than is necessary. In this case, when you file a claim, the insurer will pay the claim based on the limit of liability, but the extra premium you are paying is simply a waste of money.

Pair and Set Clause

The Pair and Set clause specifies that the insurer will not reimburse the insured for the full value of a pair or set if the entire pair or set is not lost or damaged. If only one of a pair or part of a set is lost or damaged, the insurer has one of two options:

- Replace, repair, or restore the pair or set
- Pay the difference between the actual cash value of the full set and the actual cash value of the remainder of the set

Extensions of Coverage

Extensions of coverage on an insurance policy provides for losses outside the normal circumstances covered by the original policy. There is no specific insurance written on the property.

Examples of coverage extensions on property insurance are newly acquired or constructed property, including buildings and personal property, plants and shrubs, other structures such as fences and sheds, property temporarily off premises for storage, and non-owned detached trailers.

Pro-rata Liability Clause

The pro-rata liability clause specifies that an insurer will not be liable to pay more towards the payment for a loss than their portion of the loss whether or not the payment is collectible.

To apply this in practice, if a liability for a loss is shared or spread among multiple insurers, each insurer will cover the claim on proportion to the insurance coverage they have on the property. Each insurer pays its pro-rate share.

For example, a property has a replacement value of $130,000 at time of loss. The property is covered by three insurers, Company for $60,000 (~46%), Company B for $50,000 (~38%), and Company C for $20,000 (~17%). The property suffers a loss of $25,000 as a result of a fire. Company A's share of the loss would be (60,000 / 130,000) of $25,000 or $11,538, Company B's share of the loss would be (50,000 / 130,000) of $25,000 or $9,615, and Company C's share of the loss would be (20,000 / 130,000) of $25,000 or $3,847.

This clause supports the principal of indemnification and prevents the insured from collecting more than what the cost of the loss. It also ensures the insurers pay only for the risk they cover.

Valued Policy Law

The Valued Policy law is a statute that requires insurers to pay the full value of the insurance of the covered property in the event of a total loss. The actual cash value of the property is not considered at the time of loss in the case of a total loss. The insurer is liable only to pay the limit of liability covered by the insurance and not the total amount required to replace the property.

The Valued Policy law applies in the state of Georgia.

Accidents and Occurrences

Understanding the definitions of accident and occurrence is essential.

Accident

An accident is an unexpected or unplanned event or circumstance resulting in a loss.

Insurance will only cover a loss that is the result of an accident. It will not cover a loss that is intentional.

Occurrence

In insurance policies, you will see limits of liability payable per occurrence.

An occurrence is defined as an accident, including continuous or repeated exposure to substantially the same harmful conditions that occur over an extended period of time, resulting in bodily injury or property damage. As with an accident, the occurrence has to be unexpected or unplanned and cannot be intentional.

Terminating Policies

Cancellation

Cancellation is the termination of an insurance policy before its expiration or the policy end date. The insurance policy can be cancelled by either the insured or the insurer.

If the insurer cancels the insurance policy, they are required to notify the insured in advance, usually 30 days, of canceling a policy and stipulate the manner in which any unearned premium will be returned.

If an insured sells their property, they have no further need to insure the property and would cancel their insurance policy.

There are three methods in which premiums can be refunded if a policy is cancelled:

- **Pro-rata cancellation**: A pro-rata cancellation applies when either the insured or the insurer cancels the policy. In a pro-rata cancellation, the unearned premium is refunded to the insured. For example, if an insurance policy is issued for a period of one year and the policy is cancelled six months into the policy period, 50% of the premium paid for the year would be refunded to the insured. Obviously, if monthly premium payments are the mode of payment, this would not apply.
- **Short rate cancellation**: In a short rate cancellation, the insured cancels the policy and is penalized for cancelling the policy. The insured may not be refunded any premium paid or may be refunded some of the premium, but not all unearned premium. Insurance companies can incur substantial costs to issue a policy and this provision would cover the insurer's costs should the insured cancel the insurance within a specified timeframe.
- **Flat cancellation**: In this case the policy is cancelled before it goes into effect, that is, before the policy start date. A full refund of any premium paid is given to the insured.

Nonrenewal

Nonrenewal of a policy occurs when the insurer does not renew an insured's policy. This occurs at the end of the policy period. The insurer is required to provide the insured with written notice that they do not intend to renew the policy.

Vacancy and unoccupancy

- **Vacant property** is void of any belongings of the owner of the property. Most property insurance will not provide coverage for property that has been vacant for a specified number of days, typically 60 days.
- **Unoccupied property** is property that has the personal belongings of the property owner, but the property owner or someone else is not living there, at least on a permanent basis. For example, a beach house that is used on an occasional basis by the property owner would be considered to be unoccupied. It would have furniture and most likely some of the owner's personal effects.

Liability Insurance Terms and Concepts

Liability

A liability is a legally enforceable obligation to pay a monetary award for injury or damage caused by a person’s negligent or statutory actions.

Liability insurance offers protection for liability claims against the insured. Liability insurance is known as third party insurance. Payment is not typically made to the insured, but to someone suffering a loss who is not a party to the insurance contract.

Liability insurance will not cover damage caused intentionally by the insured. The damage would have to be due to the insured’s negligence. Negligence is generally required to establish legal liability.

There are some exceptions to this, however:

- **Absolute liability**: Absolute liability is imposed by law if an individual is involved in some hazardous activity that causes damage to another even if the individual is not negligent. Examples include handling dangerous materials such as explosives, engaging in hazardous operations, or damages caused by animals.

- **Strict liability**: Strict liability is similar to absolute liability but is generally related to products liability.

- **Vicarious liability**: This occurs where an individual is held responsible for the negligent acts of another person. For example, a parent may be held responsible for the negligent acts of their child or an employer may be held responsible for the negligent acts of an employee.

There are three types of damages that the insured may be responsible to pay:

- **Special damages**: These include direct and specific expenses incurred as a result of the loss or damage. Special damages include such things as medical expenses, cost of repair or replacement of damaged property, lost wages, and funeral expenses.

- **General damages**: General damages are not direct expenses but are subjectively determined. These include compensation for, for example, pain and suffering, loss of a loved one or consortium, loss of vision, and disfigurement.

- **Punitive damages**: When an individual has been grossly negligent or reckless they may be required to pay additional or punitive damages in order to set an example for others.

Bodily injury liability

Bodily injury liability is liability that is the result of injury caused by one person to another through negligence or by accident in which physical harm is caused by the at fault person. Bodily injury includes bodily harm, sickness, or death.

Bodily injury liability coverage can include:

- Medical expenses
- Funeral costs
- Long-term nursing care
- Pain and suffering
- Emotional stress
- Lost income from time off work

Property damage liability

Property damage liability is liability that is the result of physical damage to tangible property belonging to someone else, including loss of use, caused through the negligence of a person. Examples include light poles, a car, fences.

Property damage liability coverage can include:

- repairing or restoring the damaged property
- the cost of the loss of use of the property
- additional expenses incurred due the loss of use of the property

Personal injury liability

Personal injury liability is liability that is the result of libel, slander, false arrest or invasion of privacy. Personal injury liability has to do with the character of the injured person, not physical bodily injury.

Negligence

A tort is a civil wrong that violates the rights of another individual. Torts, or civil wrongs, can be intentional or unintentional.

Liability insurance will cover only unintentional torts. It will not cover intentional torts. Unintentional torts are the result of an individual's negligence.

Negligence is defined as the failure to use a degree of care considered reasonable under a given set of circumstances. Acts of either omission or commission, or both, may constitute negligence. For example, texting while driving would be considered negligent or an unintentional tort. A reasonable, responsible person would understand the risks of texting while driving.

In order for a court of law to find that a person was negligent, four conditions must exist:

- **Legal duty owed**: A person is expected to behave and take reasonable care to protect the rights and property of another person.
- **Breach of that duty**: Failure to behave in this way would be considered to be negligent.
- **Proximate cause**: Any damages caused must be related to the negligent act.
- **Damages**: The claimant must have suffered damages as a result of the negligent act.

There are certain defenses that can be used in a court of law that may result in the claimant either not being paid damages at all or paid only a portion of the damages claimed. The defenses include:

- **Contributory negligence**: Where the claimant is considered to have contributed to his damages in some way and cannot hold another person responsible for them.
- **Comparative negligence**: In some cases, where the claimant has contributed to his damages, the court may determine that he is only eligible to receive a portion of the damages claimed.
- **Assumption of risk**: If the claimant knew or was informed that they may be exposed to some risk, the court of law could deny the claim. For example, this may apply if an individual goes onto a construction site where there is a sign that anyone entering the site must wear a hard hat and is entering a hazardous environment.

Statute of limitations: There is generally a time limit, specified by law, after which an individual cannot lay a claim for damages.

Coverage for theft of property includes burglary and robbery.

- **Burglary**
- Burglary coverage is insurance that covers the theft of or damage to property with visible evidence of entering or leaving a building illegally, that is, without the consent of the owner. Examples of breaking and entering would include broken window panes or breaking a lock by forcing a door open.
- **Robbery**
- Robbery is the crime of taking or attempting to take the property of another by force or threat of force, or by putting the victim in fear. Examples of robbery would include armed robbery involving the use of a weapon or carjacking, which is the act of stealing a car from a victim by force.

Theft

Theft or larceny is the unlawful taking away and transporting of the personal property of another person, without their consent. Simply put, theft is stealing. Theft, in its broadest definition, includes burglary and robbery.

There are many different types of theft. Some of these theft categories include:

- Petty theft (theft of property that is worth a minimal amount of money)
- Robbery (theft through the use or threat of force)
- Embezzlement
- Receipt of stolen property
- Electronic theft, such as identity theft
- Intellectual property theft (plagiarism)

Mysterious Disappearance

Mysterious disappearance is the vanishing of insured property in an unexplained manner. Property insurance may or may not cover loss of property that mysteriously disappears.

If mysterious disappearance is not covered, the policy will specifically exclude coverage for loss of property if the cause of the loss cannot be identified. If this clause is not in the insurance policy, it implicitly insures against mysterious disappearance of property and would pay up to the stated limits even if you do not know how the property was lost.

Binders

A binder is a legal agreement issued by an insurer or adjuster that provides temporary evidence of insurance until a policy can be issued. Binders are issued for a limited period of time. At the end of this period of time, the temporary coverage ceases. The insured will need to get permanent insurance for the property covered before the temporary insurance ends.

The most familiar example we have is when we purchase a new car, we are issued with a binder to cover the required auto insurance for a period of time.

There is no premium paid for this coverage.

Warranties, Representations, Misrepresentations, and Concealment

Application

The insurance application is a formal request by an individual or legal entity, such as a corporation or partnership, for insurance coverage. The application form includes information about the insured and the requested insurance coverage.

The information on the application form should be as accurate and factual as possible. Generally information on the application form are representations. If information on the application is fraudulent, the policy may be voided.

The application becomes part of the entire insurance contract.

How does an insurer view the information provided by the insured when they apply for insurance?

Warranties

A warranty is a statement given to the insurer by the insured in an application that is guaranteed to be true concerning the insured risk. If this statement is untrue, the coverage, and sometimes the policy, will be voided.

An example may be that the property covered has a sprinkler system that is in working order that will be triggered in the case of fire.

Representations

Representations are statements made in an application for insurance that the prospective insured represents as being correct to the best of his or her knowledge.

Information provided by the insured in an application for insurance is considered to be representations.

If the information proves to be false at the time it was made, this would be considered a misrepresentation and, if the misrepresentation is material, the insurer may have legal grounds to void the contract.

Concealment

Concealment is purposefully not reporting or omitting information that would affect the issuance or rate of an insurance contract. If the information that is concealed is considered to be material, the insurer would have grounds to nullify the contract or not pay out on a claim related to that material information.

Certificate of Insurance and Insured Contract

Certificate of Insurance

A certificate of insurance is a document issued by an insurance company that is used to verify the existence of insurance coverage under specific conditions granted to listed individuals. The document lists the insurer, the named insured, the effective date of the policy and policy period, the type of insurance coverage purchased, and the types and dollar amount of applicable liability.

The certificate of insurance does not include the amount of the premium.

Certificates are used by parties entering into an agreement, contract, or transaction to make certain there is appropriate insurance coverage. For example, if you are requesting a mortgage on a property from a bank, the bank would want to know you have adequate insurance coverage on the property to cover the asset they are financing should something happen to it.

Office of Commissioner of Insurance and Safety Fire
Protect | Enforce | Educate | Inform

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BULLETIN 24-EX-4

TO: ALL INSURANCE AGENTS WRITING BUSINESS IN THE STATE OF GEORGIA

FROM: JOHN F. KING
INSURANCE AND SAFETY FIRE COMMISSIONER

CLICK HERE

DATE: MARCH 14, 2024

RE: FREQUENTLY ASKED QUESTIONS REGARDING CERTIFICATES OF INSURANCE IN GEORGIA

This Bulletin is issued by the Office of the Commissioner of Insurance and Safety-Fire to stand in place of and supersede Bulletin 23-EX-9.

Insured contract

Insured contracts are contracts that are covered by liability insurance.

Typically liability insurance does not cover contracts, but there are limited exceptions to the contractually assumed liability exclusion, by stating that the exclusion does not apply to liability assumed in an "insured contract".

Insured contracts include:

- Lease of premises
- Sidetrack agreements
- Easement or license agreements
- Contracts with municipalities required by ordinance
- Elevator maintenance agreements
- Contracts related to the insured's business under which the insured assumes another's liability

Deposit premium / Audit

A deposit premium, also known as provisional premium, is an insurance premium where the insured deposits money with the insurer at the beginning of the policy term to obtain perpetual (property or liability) insurance against the risk of loss. Deposit premiums are unique in that they are refundable should either the insured or the insurer choose to terminate the perpetual insurance. If the insurance is terminated, the balance of the deposit premium is returned to the client.

A deposit premium is used to provide coverage where there is no established history with the client to determine a premium and an estimate is made that may be adjusted.

On an annual, or other regular basis, the insurer will perform an audit of the exposure basis for the insurance policy and will determine the actual, or audited, exposure in order to calculate the final premium. Examples of the exposure basis are payroll, sales, and vehicle counts.

Deposit premiums are used in workers' compensation where the basis of exposure is the employer's payroll.

PRINCIPLES OF RISK MANAGEMENT

Risk Management

Management of the risk of loss is a key consideration in insurance.

Risk management involves analyzing the exposures to the possibility of loss and determining how to handle these exposures.

First of all, what do we mean by risk?

- **Risk**
- Risk is uncertainty arising from the possible occurrence of events to cause a loss. There are two types of risk:
- **Speculative risk**: There is a chance of loss or a chance of gain. For example, if you go to Las Vegas and bet a silver dollar in a one arm bandit, you can lose your dollar or you can make a lot of money. Another example is speculating on the stock market. You can gain or you can lose.
- **Pure risk**: There is only a chance of loss. There is no chance of gain. Insurance covers only pure risk.

There are several methods that can be used to manage risk:

- **Avoiding risk**: Avoid an activity that may lead to risk or eliminate the risk. For example, you may choose not to travel overseas or have a trampoline in your back yard.
- **Reducing risk**: Reduce the chance of loss by taking certain actions or precautions. For example, you can install an alarm system in your home to reduce the risk of burglary or you can install a sprinkler system in a building to reduce the risk of loss due to fire damage.

- **Transferring risk**: Transfer the risk of loss to another entity. This is exactly what insurance does. An individual who takes out insurance with an insurer transfers their risk of loss (for the specified perils) to the insurer.
- **Retaining risk**: Bear the risk of loss yourself. You may decide that the cost of insurance is prohibitive, or you do not feel the need to insure the risk of loss. For example, you may have an old car that you choose not to insure for collision. If you have a deductible, the dollar amount of the deductible represents the risk of loss you are retaining. For example, if the deductible on your homeowner's insurance policy is $500, you are retaining $500 of the risk of loss. If something happened to your house, you would pay $500. The insurer would pay the difference of the claim up to their limit of liability. If you increase the deductible, you are retaining more risk, and the premium would most likely be lower.

Risk management is the process of identifying, analyzing, and handling potential risks to minimize the impact they may have on an organization. There are various principles and terms associated with risk management that are important to understand:

A. Pure risk vs. speculative risk:

Pure risk and speculative risk are two distinct types of risks that individuals and businesses face. Understanding the differences between the two can help in making informed decisions when it comes to risk management.

Pure risk, also known as absolute risk, refers to situations where there is only a chance of loss and no opportunity for gain. This type of risk is typically insurable because it involves events that are beyond the control of the individual or business. Examples of pure risk include natural disasters such as earthquakes or floods, accidents, and illnesses. These events can result in financial loss, but there is no possibility of profiting from them.

On the other hand, **speculative risk** involves the possibility of both loss and gain. This type of risk is typically taken on voluntarily in the hopes of making a profit. Speculative risks are not insurable because they are usually within the control of the individual or business. Examples of speculative risks include investing in the stock market, starting a new business, or betting on sports events. While there is a chance of losing money, there is also the potential for significant gains.

It is important for individuals and businesses to assess the types of risks they are facing and determine the best strategies for managing them. Pure risks may be mitigated through insurance, emergency preparedness, and risk avoidance measures. Speculative risks, on the other hand, may require a different approach, such as diversifying investments, conducting thorough research, and implementing risk management strategies.

In conclusion, pure risk and speculative risk differ in terms of the potential outcomes and the level of control individuals or businesses have over them. By understanding the distinctions between the two, individuals and businesses can make informed decisions to effectively manage their risks.

B. Risk management process:

1. Identifying and analyzing loss exposures:

This involves identifying potential risks that could result in financial loss for the organization.

2. Selecting method to handle each exposure:

Once risks are identified, a method for managing or mitigating them must be chosen.

3. Implementing the risk management strategy:

The chosen risk management strategies are put into action to minimize the impact of potential risks.

4. Monitoring the risk management system and making changes when appropriate:

It is important to continually monitor and evaluate the effectiveness of the risk management strategies in place and make adjustments as needed.

Risk management is a crucial process for organizations to effectively identify, analyze, and manage potential risks that could result in financial loss.

- **Identifying and analyzing loss exposures**: The first step in the risk management process is to identify and analyze potential loss exposures that could impact the organization. This involves conducting a thorough assessment of all possible risks, such as natural disasters, cybersecurity breaches, and economic downturns. By understanding these risks, organizations can better prepare for and mitigate potential financial losses.

- **Selecting method to handle each exposure:** Once risks have been identified, organizations must select a suitable method for managing or mitigating each exposure. This may involve purchasing insurance coverage, implementing safety protocols, or diversifying investments. It is essential to carefully consider each risk and choose the most appropriate method for handling it to minimize financial impact.

- **Implementing the risk management strategy**: After selecting risk management strategies, organizations must put them into action to effectively minimize the impact of potential risks. This may involve training employees on safety procedures, updating security measures, or creating emergency response plans. By implementing these strategies, organizations can better protect their assets and ensure business continuity in the face of unforeseen events.

- **Monitoring the risk management system and making changes when appropriate**: Risk management is an ongoing process that requires continual monitoring and evaluation. Organizations must regularly assess the effectiveness of their risk management strategies and make adjustments as needed. This may involve updating risk assessments, revising insurance coverage, or improving response protocols based on changing circumstances. By staying vigilant and proactive, organizations can adapt to new risks and protect their financial stability.

Overview of Risk Management in Property and Casualty Adjusting

Risk management plays a crucial role in the field of property and casualty adjusting, especially for adjusters in the state of Georgia. Understanding and effectively managing risks can help adjusters protect themselves, their clients, and their practices from potential liabilities and financial losses. In this chapter, we will provide an overview of risk management in property and casualty adjusting, as well as discuss the importance of risk management for adjusters in Georgia.

Risk management in property and casualty adjusting involves identifying, assessing, and mitigating potential risks that could impact adjusters, their clients, and their practices. These risks can come in various forms, including professional liabilities, legal liabilities, financial losses, and reputational damage. By proactively managing these risks, adjusters can minimize the likelihood of adverse events occurring and protect themselves from potential consequences.

One of the key components of risk management in property and casualty adjusting is obtaining appropriate insurance coverage. Adjusters in Georgia should consider obtaining professional liability insurance, also known as malpractice insurance, to protect themselves from claims of negligence, errors, or omissions in their adjusting practice. It is essential for adjusters to carefully review their insurance policies to ensure that they have adequate coverage for their specific practice and services.

In addition to insurance coverage, adjusters should also implement risk management strategies to minimize potential liabilities. This may include maintaining accurate and up-to-date client records, obtaining informed consent from clients before providing services, adhering to ethical standards and legal regulations, and seeking supervision or consultation when needed. By following best practices and guidelines, adjusters can reduce the likelihood of facing legal or ethical issues in their practice.

Furthermore, adjusters should stay informed about potential risks and changes in laws and regulations that could impact their practice. This may include staying up-to-date on licensing requirements, maintaining compliance with HIPAA regulations, and participating in continuing education to enhance their professional knowledge and skills. By staying informed and proactive, adjusters can better protect themselves and their clients from potential risks.

Importance of Risk Management for Georgia Adjusters

Risk management is especially important for adjusters in Georgia due to the unique legal and regulatory landscape in the state. Georgia has specific laws and regulations that govern the practice of adjusting, including requirements for licensure, ethical standards, and professional conduct. By understanding and complying with these laws, adjusters can minimize their exposure to legal liabilities and disciplinary actions.

Furthermore, Georgia adjusters may face risks related to the diverse population they serve, including clients from different cultural backgrounds, socioeconomic statuses, and mental health needs. Adjusters must be aware of potential risks associated with providing services to diverse populations, such as language barriers, cultural misunderstandings, and unique mental health challenges.

By implementing culturally competent practices and seeking supervision or consultation when needed, adjusters can effectively manage these risks and provide quality care to all clients.

In conclusion, risk management is a critical aspect of property and casualty adjusting, especially for adjusters in the state of Georgia. By understanding and effectively managing risks, adjusters can protect themselves, their clients, and their practices from potential liabilities and adverse events. Through proactive risk management strategies, adjusters can enhance the quality of their services, maintain compliance with laws and regulations, and safeguard their professional reputation. In the following chapters, we will delve deeper into specific risk management strategies and best practices for property and casualty adjusters in Georgia.

Understanding Risks in Property and Casualty Insurance

In the world of insurance, risk is a fundamental concept that underpins the entire industry. Understanding and managing risks is crucial for both insurance companies and policyholders in property and casualty (P&C) insurance. This chapter will delve into the definition of risk in insurance, the types of risks encountered in P&C insurance, and the importance of identifying and assessing risks.

Definition of Risk in Insurance

In the context of insurance, risk refers to the potential for loss or damage to property or liability for damages that may arise from unforeseen events. These events can range from natural disasters like hurricanes and earthquakes to accidents such as car crashes or slip and falls. The main purpose of insurance is to protect individuals and businesses from the financial consequences of these risks by transferring the risk to an insurance company in exchange for a premium.

Types of Risks in P&C Insurance

Property and casualty insurance covers a wide range of risks, including both property risks and liability risks. Property risks involve potential damage or loss to physical assets such as homes, cars, and businesses. This can include damage from fires, floods, theft, vandalism, and other perils. Property insurance policies typically cover the cost of repairs or replacement of damaged property.

On the other hand, liability risks involve the potential for an individual or business to be held legally responsible for causing harm to others or their property. This can include bodily injury, property damage, or other types of losses resulting from negligence or misconduct. Liability insurance policies provide coverage for legal defense costs and settlements or judgments in the event of a lawsuit.

Importance of Identifying and Assessing Risks

Identifying and assessing risks is a critical step in the insurance process, both for insurance companies and policyholders. For insurance companies, understanding the risks associated with insuring a particular individual or business allows them to accurately price their policies and ensure they have adequate reserves to cover potential losses. This helps to protect the financial stability of the insurance company and ensure they can meet their obligations to policyholders.

For policyholders, identifying and assessing risks can help them determine the types and amounts of insurance coverage they need to protect their assets and minimize their exposure to financial loss. By conducting a thorough risk assessment, individuals and businesses can identify potential hazards, evaluate the likelihood and severity of potential losses, and take steps to mitigate or avoid those risks.

In conclusion, understanding risks in property and casualty insurance is essential for both insurance companies and policyholders. By defining the concept of risk, identifying the types of risks encountered in P&C insurance, and emphasizing the importance of assessing risks, individuals and businesses can make informed decisions about their insurance needs and protect themselves from financial loss. The next chapter will explore the various types of property and casualty insurance policies available to help mitigate these risks.

Mitigating Risks in Property and Casualty Adjusting

Property and casualty adjusting can be a rewarding career, but it also comes with its fair share of risks. As a adjuster in this field, it is crucial to be aware of these risks and take proactive steps to mitigate them. In this chapter, we will discuss strategies for managing and reducing risks in property and casualty adjusting, risk mitigation techniques in adjusting practice, and legal and ethical considerations that should be taken into account.

Strategies for Managing and Reducing Risks

- **Stay Informed**: Keep yourself updated on the latest laws, regulations, and industry trends in property and casualty adjusting. This will help you identify potential risks and take necessary precautions to prevent them.

- **Conduct thorough assessments**: Before providing adjusting services to clients, conduct a thorough assessment of their needs, goals, and risk tolerance. This will help you tailor your advice to their specific situation and reduce the likelihood of misunderstandings or conflicts.

- **Communicate effectively**: Clear and open communication is key to managing risks in property and casualty adjusting. Make sure to explain complex concepts in simple terms, address any concerns or questions that clients may have, and keep them informed about changes in their policies or investments.

- **Document everything**: Documenting all interactions with clients, including advice given, decisions made, and any agreements reached, is essential for managing risks. This will help protect you in case of disputes or legal challenges down the line.

- **Seek feedback**: Encourage clients to provide feedback on your services and actively seek out ways to improve your practice. By listening to their concerns and addressing any issues that arise, you can build trust and reduce the likelihood of complaints or malpractice claims.

E. Contract law as it relates to insurance:

The legal principles that govern insurance contracts and obligations between insurers and policyholders.

Contract law plays a crucial role in the insurance industry, governing the legal principles that dictate the obligations and responsibilities of both insurers and policyholders. Insurance contracts are legally binding agreements that outline the terms and conditions of coverage, including the premium payments, coverage limits, and claims process. These contracts are subject to various laws and regulations that ensure fairness and transparency in the insurance marketplace. Understanding contract law is essential for both insurers and policyholders to protect their rights and interests in the event of a dispute or claim.

F. Types of insurers:

Different types of insurance companies provide coverage for various risks.

There are various types of insurance companies that provide coverage for different types of risks. Insurance companies can be classified into categories such as life insurance, property and casualty insurance, health insurance, and reinsurance companies. Life insurance companies provide coverage for individuals in the event of death or disability, while property and casualty insurers offer protection against damage or loss to property and liability risks. Health insurance companies provide coverage for medical expenses and healthcare services, while reinsurance companies help primary insurers manage their risk exposure by sharing a portion of the risk. Understanding the different types of insurers can help policyholders choose the right coverage for their specific needs and risks.

G. Reinsurance:

The process by which insurance companies transfer a portion of their risk to another insurance company.

Reinsurance is a vital process in the insurance industry that allows insurance companies to transfer a portion of their risk to another insurer. Reinsurance helps primary insurers manage their risk exposure by sharing the financial burden of large or catastrophic losses. Reinsurance companies provide coverage to primary insurers in exchange for a premium, allowing them to spread their risk over a larger pool of policyholders. Reinsurance can help primary insurers maintain financial stability and solvency in the face of unexpected losses or events. Understanding reinsurance is essential for both insurers and policyholders to ensure the long-term sustainability and resilience of the insurance industry.

Policy Provisions and Contract Law

Objectives: In this section we'll cover the overall structure of the insurance policy, the key provisions in an insurance policy and how contract law applies to insurance. This forms the basis for the course content and some of these items will be covered in considerably more detail in the following chapters. The following will be covered in this chapter:

- The structure of the insurance policy – Declarations, Insuring Agreement, Conditions, Exclusions
- Definition of the insured
- Provisions of the insurance contract

- Contract law as it applies to insurance
- Fair Credit Reporting Act

Structure of the insurance policy

Although there are differences in the forms used, there is a general structure that most insurance policies follow. There are four main sections:

D - Declarations

I – Insuring Agreement

C - Conditions

E - Exclusions

There may also be a section in the policy with definitions of terms. We'll look at each of these sections in more detail below.

Declarations

The Declarations section of the policy is the front page or pages of the policy and specifies:

- The name of the insurance company
- The name of the insured. This may be an individual or a business. (WHO)
- The address of the insured (WHERE)
- The property that is insured and its location, if applicable. (WHAT / WHERE)
- The policy period. This includes the effective date and time and end date and time of coverage. (WHEN)
- The premium
- The policy limits (HOW MUCH). The policy limits specify the most the insurer will pay in case of a loss, also known as the limit of liability. The conditions in the insurance policy may specify different reimbursement amounts based on specific circumstances.

Other key information that varies from insurer to insurer.

The declarations page is also known as the information page.

Insuring Agreement

The insuring agreement is that portion of the insurance policy in which the insurer promises to make payment to or on behalf of the insured. The insuring agreement is usually contained in a coverage form from which a policy is constructed.

Insuring agreements outline what coverages are provided. These coverages may then be narrowed by exclusions and definitions.

In property insurance, the insuring agreement specifies what property is covered and the perils it covers. There are two approaches to specifying what perils are covered:

- **Named peril**: In this policy the perils that are covered by the insurance policy are specifically named in the insuring agreement. Loss from any other perils would not be covered.

- **Open peril**: In this policy all perils are covered except those that are specifically excluded in the exclusions section of the policy. This is known as an all-risk policy.

In addition to specifying the perils covered, the insuring agreement will specify whether the insurer will cover direct losses, indirect losses, or both.

The insuring agreement may also specify that additional coverages apply. These additional coverages are also referred to as extended or other coverages. Specific conditions and separate limits may apply to these additional coverages.

Liability insurance policies agree to pay on behalf of the insured sums for which the insured becomes legally liable to pay as damages.

Most liability coverage includes:

- Bodily injury liability: Injury, sickness or disease, or death as a result of injury, sickness or disease

- Property damage liability: Damage to or destruction of property, including loss of use of the property

Liability coverage may also include:

- Personal injury liability: Slander, libel, false arrest or invasion of privacy

- Advertising injury liability: Use of advertising material or concepts without permission, infringement of copyright

- Other liability, for example, cyber liability is becoming more important today in liability insurance, the insuring agreement states what liabilities the insurer will cover.

- In addition to covering damages the insured becomes liable for, the insuring agreement typically covers supplementary payments. These supplementary payments are paid in addition to the policy's limits of liability.

Conditions

The conditions section of an insurance policy lists the duties and rights of the insured and the insurer. Conditions would include the provisions around:

- Cancellation and nonrenewal of the policy
- Changes to the policy. Changes to the policy must be made in writing.
- Representations and misrepresentations
- Duties in the event of a loss
- How valuation will be determined in the event of a loss
- Coinsurance requirements
- Subrogation rights

- Appraisal and arbitration
- Pair or set clause
- Salvage
- Abandonment
- Other insurance
- Liberalization
- Assignment
- Mortgage condition
- Policy period and policy territory
- Vacancy and unoccupancy
- Reporting forms

Details of the specific provisions are covered below.

The policy conditions are usually stipulated in the coverage form of the insurance policy.

Exclusions and Limitations

The exclusions section of an insurance policy lists hazards, perils, circumstances, or property not covered by the policy.

In a named peril form only the named perils listed in the Insuring Agreement are covered by the policy, but there may still be some exclusions specifically mentioned to call attention to these.

In an open peril form all perils are covered except those that are specifically excluded in the Exclusions section.

Common exclusions in property insurance fall into five major categories and include:

- Non-accidental or intentional losses
- Losses that can be controlled by the insured
- Catastrophic losses such as war or nuclear hazard
- Extra-hazardous perils such as flood or earthquake
- Property covered by another insurance policy
- Common exclusions in liability insurance include:
- Non-accidental or intentional injuries or damages
- Damage to property owned by the insured
- Damage to property in the care, custody or control of the insured
- Bodily injury to the insured

- Losses covered under workers' compensation laws

This section of the policy document may include some specific limitations of coverage. This may, for example, provide limits in terms of time period covered or territory covered.

Endorsements

An endorsement to an insurance policy is an amendment or addition that changes the coverage of the insurance, either adding to it, limiting it, or reducing it.

Endorsements become part of the entire insurance contract.

Definition of the insured

In an insurance policy, the insured is the person, people, business, or organization covered by the policy. Some important definitions include:

The named insured is the person or organization named in the Declarations section of the policy. The named insured is the property owner and has responsibility to meet the conditions of the policy.

The first named insured is the first person listed in the Declarations section where there are more than one named. The first named insured has specific responsibilities, for example, responsibility to pay the premium for the policy.

Additional insureds are people or organizations that are specifically added to a policy. An example of this may be someone you want covered on an auto insurance policy who is not related to you or does not live in your home.

Although there may be just one named insured on the policy, the definition of the insured, those covered by the policy, may include other individuals. This will be addressed in more detail when we discuss some of the specific policies.

Provisions

Duties of the insured

- The insured has certain contractual duties. The key duties include:
- To act in utmost good faith, presenting all information accurately and honestly
- To pay the premiums
- To notify the insurer or adjuster of a change of address or any other changes relevant to the coverage

To follow specific procedures in the event of a loss: For both property and casualty / liability:

- Give prompt notice of claim in the event of a loss or claim to the adjuster or the insurance company
- Complete a proof of loss, giving details of the loss, for example, inventory of property with values and additional costs
- Cooperate with the insurer in an investigation

- Procedures in the event of a loss for a property claim:
- Protect the property from further damage
- Notify the police if the loss was the result of theft
- Make the property available for inspection by the insurer
- Procedures in the event of a loss for a liability claim:
- Forward to the insurer demands, notices or summonses
- Assist with the legal case, including giving testimony
- The insured cannot assume liability or make payment to the claimant without the consent of the insurer

Obligations of the insurance company

The key obligations of the insurance company are included in the Insuring Agreement of the policy. This includes the property and perils covered and any other losses that will be covered.

In addition to this, the insurance company has to fulfill the conditions specified in the policy. An example of this would be their obligation to pay a claim within a specified time.

Cancellation and Nonrenewal provisions

These are provisions in policies mandating that insurers are to provide advance notice of cancellation or nonrenewal of a policy.

Cancellation is the termination of an insurance policy before its expiration or the policy end date. The insurance policy can be cancelled by either the insured or the insurer.

If the insurer cancels the insurance policy, they are required to notify the insured in advance, usually 30 days, of canceling a policy and stipulate the manner in which any unearned premium will be returned.

Nonrenewal of a policy occurs when the insurer does not renew an insured's policy. This occurs at the end of the policy period. The insurer is required to provide the insured with written notice that they do not intend to renew the policy. The notice requirement ranges from 10 to 75 days depending on jurisdiction and circumstances surrounding the nonrenewal.

Mortgagee rights

If there is a mortgagee or lender who has an insurable interest in a property they will generally be named in the declarations section of the policy. In case of a loss, the mortgagee would be paid for their portion of the interest in the property.

The mortgagee has certain rights:

- The mortgagee has the right of notice of cancellation. If the policy is due to be cancelled, the insurer is required to notify the mortgagee.

- If the property owner does not pay the premium, the mortgagee may pay the premium to ensure coverage continues.
- If the insurer fails to provide the mortgagee with a notice of cancellation, the insurer has to provide coverage for the remaining amount on the loan.

Additional and Supplementary Payments

In both property and liability insurance, the insurer will cover additional or supplementary payments the insured may incur as a result of the loss or liability.

In property insurance, the insuring agreement may specify that additional coverages apply. These additional coverages are also referred to as extended or other coverages. Specific conditions and separate limits may apply to these additional coverages.

We will cover specific additional coverages when we discuss the different coverages or types of policies, but typical additional payments include:

- Debris removal
- Fire department service charges
- Trees, shrubs and plants

In liability insurance, the insuring agreement may specify that supplementary payments may apply. These supplementary payments are paid in addition to the policy's limits of liability. They can include:

- Defense costs
- Expenses related to the investigation of a claim
- Premiums for certain types of bonds, such as bail bonds
- First aid to others at the time of an accident
- Loss of earnings of the insured due to, for example, time spent in court

Proof of loss

The proof of loss form is a form that is completed by the insured that provides an inventory and evidence of the damages. On receipt of the notice of a claim, the insurance company should send the insured the proof of loss form to complete and submit to the insurer. If the insurance company does not provide this form, the insured can provide this information in any other form in writing.

Notice of claim

The conditions of the insurance policy state that the insured is required to notify the insurance company of a loss and their intention to claim. This notice of claim should be provided immediately if the loss is sustained or discovered. Immediate is translated to be as soon as possible.

Appraisal and Arbitration

Appraisal is a provision in property insurance allowing either the insurer or the insured to demand a binding appraisal of damaged property in the event of a dispute as to its value. The insurer and the insured each appoint an independent appraiser to appraise the loss. An umpire is appointed to make a final decision that is binding. The insured and the insurer each pay their own appraiser and share the cost of the umpire.

Arbitration is similar in that it is the process used to settle a dispute related to liability insurance. The dispute is not limited to disputes between the insurer and the insured or to the value of the claim. The dispute may be between the insurer and the claimant or two insurance companies and may also be something other than the amount of the claim.

Other Insurance Provision

The Other Insurance provision is found in both property and liability insurance policies and establishes how a loss will be apportioned among insurers when more than one policy covers the same loss. These provisions cover different circumstances:

The first scenario applies where there is more than one primary insurer. If more than one policy covers a single property as a primary insurer, the insurance companies share the risk and would pay towards a loss on a pro rata or proportionate basis. For example, a property is covered by two insurers, Company A and Company B. If Company A provided 40% of the coverage and Company B provided the remaining 60% of the coverage, in case of a loss, Company A would pay 40% towards the loss and Company B would pay 60% towards the loss.

The second scenario applies where one insurer is the primary insurer and a second insurer is the excess insurer. In this scenario, if the insurer suffers a loss or becomes liable to a third party in a liability claim, the primary insurer would pay up to its limit of liability. Any loss or liability to the insured above the limit of liability would be covered by the excess insurer, again up to its limit of liability. The excess insurer would not contribute to the loss if the entire amount is paid by the primary insurer.

The Other Insurance provision is included to comply with the principle of indemnity, which states that an insured should not profit from an insured loss.

Assignment

Assignment is the transfer of the legal rights under, or interest in, an insurance policy to another party. In most instances, the assignment of such rights can only be effected with the written consent of the insurer. If the insured dies, the insurance may be assigned to the legal representative of the insured.

Subrogation

Subrogation is the transfer of the rights of recovery from the insured to the insurer.

This is invoked when the insured suffers a loss for which he is not responsible, but the responsible party or their insurer will not cover the loss. The insured’s insurer will indemnify the insured for their loss.

The insured will then transfer their legal right to their insurer, who has paid for the loss, to recover the loss from the responsible individual or the responsible person's insurer.

This transfer of legal right is important so that the individual who suffered the loss cannot collect twice, from their insurer and the responsible third party. This process also helps insurance companies to keep their costs down and to make those responsible for the loss pay for it.

Claims made policy form

There are two main liability claims forms, the occurrence form and the claims made form. These will be described in more detail when we cover specific liability coverage.

The claims made policy form provides coverage that is triggered when a claim is made against the insured during the policy period, regardless of when the act that gave rise to the claim took place. The policy may include a retroactive date. If the event that gave rise to the liability occurred before this retroactive date, the insurer would not cover the claim.

Salvage and Abandonment

Following payment of a property loss, the insurance company has the right to take the damaged goods as salvage. This property now belongs to the insurance company. The insurer has the right to sell the property to recover some of the costs it has incurred in payment of the claim. Alternatively they may allow the insured to keep the damaged property.

- Abandonment is a condition that states that the insured may not abandon the damaged property to the insurer and request a full reimbursement. In other words, it is not up to the insured whether the insurer will take possession of the damaged property or not.

- Loss settlement provisions including consent to settle a loss

- The loss settlement provision covers how a loss will be covered. For property insurance this will typically state how the insurer will pay for damage or losses to property, such as replacement cost or actual cash value.

- In liability insurance, the insurance company can determine how to settle the claim in the way that is of least cost to them.

- In professional liability insurance policies the consent to settle loss provision states that the insurer is required to seek the insured's approval prior to settling a claim for a specific amount. If the insured does not approve the recommended settlement amount, the insurer will not be liable to pay any additional costs required to settle the claim or additional defense costs after the insurer makes the settlement recommendation.

Loss Payable

The Loss Payable clause allows payment for a claim to be made to a third party rather than the insured. For example, if there is a lien holder on a property, such as a mortgagee, in case of loss or damage to the property, the mortgagee would be paid for their interest in the property.

Contract Law

Elements of a contract

An insurance policy is a contract between the insured and the insurer and is, therefore, subject to contract law. Contract law outlines the requirements of the insurance transaction to ensure its legality.

Four elements are required to ensure a contract is legally binding:

- **Offer**: A definite, clearly stated offer to do something. In insurance this is the application form and payment of the first premium.

- **Acceptance**: Only what is offered can be accepted. This means that the offer must be accepted exactly as offered without conditions. If any new terms are suggested this is regarded as a counter offer which can be accepted or rejected. The acceptance of the final offer establishes the terms and conditions of the contract.

- **Consideration**: There must be an exchange of value between the insured and the insurer for the contract to be valid. Consideration is what each party gives to the other as the agreed price for the other's promises. The consideration on the part of the insured is the application and the payment of the first premium. The consideration on the part of the insurance company is the issued policy with the promise to pay based on the contract.

- **Intention of legal consequences**: The parties intend to enter into a legally binding agreement and understand that the agreement can be enforced by law. All parties must be competent to enter into a legal agreement, that is, of sound mind, not under the influence of drugs or alcohol, and not a minor.

Warranties, representations, and concealment

- A warranty is a guarantee that the information provided is correct.

- A representation is a statement made to the best of the applicant’s knowledge. Information on the application is deemed to be a representation.

- The insurance contract is based on the doctrine of good faith that assumes that all parties, the applicant, the producer, and the insurer, are operating in utmost good faith.

- If the information on an application is incorrect, this is a misrepresentation. If it is a material misrepresentation or misstatement, the policy may be voided. If the misstatement is not material to the underwriting and issuing of the policy, the policy cannot be voided.

- Concealment is purposefully not reporting or omitting information that would affect the issuance or rate of an insurance contract. If the information that is concealed is considered to be material, the insurer would have grounds to nullify the contract or not pay out on a claim related to that material information.

Waiver and Estoppel

A waiver is defined as the voluntary relinquishment or surrender of a particular right or claim or privilege. In insurance a waiver is usually a formal written statement of the relinquishment or a release of an organization, typically the insurer, from a liability.

As an example, an applicant may waive specific insurance coverage. This would be provided in writing to the insurer and, if the insured suffered a loss, the insurer would not be liable to pay the claim.

Estoppel is a legal defense that is used when someone reneges on or contradicts a previous agreement or claim. Estoppel prevents someone from arguing contrary to a claim made or act previously performed by the person.

For example, if an insurer has agreed to payment of a claim, they cannot then pay less than agreed or refuse to pay the claim. Another example is where an insurer has repeatedly accepted late payments for an insured without warning them that this will not be acceptable in the future, the insurer will be estopped from later cancelling the policy on the basis of nonpayment because the insured was reasonably led to believe that it was acceptable to pay their payments late.

Binders

A binder is a legal agreement issued by an insurer or adjuster that provides temporary evidence of insurance until a policy can be issued. Binders are issued for a limited period of time. At the end of this period of time, the temporary coverage ceases.

If the adjuster or insurer issues a binder and the insured suffers a loss within the period of the temporary coverage or before the insurer notifies the insured that they will not provide coverage, the insurer would be required to cover the loss up to the specified limit of liability.

Sources of insurability information

Underwriting is the process of classification, rating, and selection of risks. The underwriter uses several sources of information to determine whether the insurer will accept the risk or not, and, if so, the classification of the risk and rate for the insurance. These sources of insurability information include:

- The application
- An adjuster’s report
- An inspection report based on the inspection of the property to be insured
- Consumer or investigative reports. This includes a credit report. Consumer reports and / or Investigative reports may be used to obtain additional information about the applicant’s finances, employment, criminal background, credit, and so on. Any information obtained is subject to the rules of the Fair Credit Reporting Act.

- The applicant must give permission to the insurer to obtain a consumer report or conduct an investigative report.

Fair Credit Reporting Act

The Fair Credit Reporting Act is a federal law that protects an individual's privacy related to information obtained as part of a consumer report. It also promotes the fairness and accuracy of information contained in consumer reports such as a credit report. The Act requires that the information be used only by entities that have a legitimate purpose for obtaining the information, that the individual has the opportunity to appeal or correct any negative information reported, and that the report is kept confidential and made known only to those with a need to know. No one may order a consumer investigative report, including a credit report, without notifying and getting the permission of the person.

Consumer reports cannot contain information that is obsolete or inaccurate. They cannot contain information on bankruptcies more than 10 years old or negative information, such as convictions, bad debt, arrests, more than 7 years old.

Georgia Insurance Licensing Candidate Handbook

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Quizzes Review
Understanding Insurance Terms and Concepts

Question 1

What is the definition of "Risk" in the context of property and casualty insurance?

A) The cause of a potential loss.

B) The possibility of loss or injury.

C) A financial interest in the subject of the insurance policy.

D) The amount the policyholder must pay out-of-pocket before the insurance company pays a claim.

Correct Answer: B) The possibility of loss or injury.

Question 2

Which term describes a condition that increases the likelihood of a loss occurring?

A) Peril

B) Hazard

C) Indemnity

D) Deductible

Correct Answer: B) Hazard

Question 3

What is the primary cause of a loss in a chain of events called?

A) Proximate Cause

B) Direct Loss

C) Indirect Loss

D) Occurrence

Correct Answer: A) Proximate Cause

Question 4

Which of the following best describes "Actual Cash Value" (ACV)?

A) The cost to replace damaged property with new property of similar kind and quality without deducting for depreciation.

B) The replacement cost of damaged property minus depreciation.

C) The maximum amount an insurance company will pay for a covered loss.

D) A clause specifying how losses will be shared among multiple insurance policies covering the same risk.

Correct Answer: B) The replacement cost of damaged property minus depreciation.

Question 5

What is the principle of restoring the insured to the financial position they were in before the loss?

A) Indemnity

B) Coinsurance

C) Waiver

D) Estoppel

Correct Answer: A) Indemnity

Question 6

Which term refers to the legal responsibility for causing harm or damage to another person or property?

A) Negligence

B) Liability

C) Theft

D) Burglary

Correct Answer: B) Liability

Question 7

What is the term for the unexplained disappearance of insured property without evidence of theft?

A) Robbery

B) Burglary

C) Mysterious Disappearance

D) Abandonment

Correct Answer: C) Mysterious Disappearance

Question 8

Which clause requires the policyholder to carry insurance equal to a certain percentage of the property's value to receive full reimbursement on a claim?

A) Coinsurance

B) Pair and Set Clause

C) Pro-rata Liability Clause

D) Extensions of Coverage

Correct Answer: A) Coinsurance

Understanding Property Insurance Basics

Question 9

What is the basis for most property insurance policies?

A) Homeowners Policy

B) Standard Fire Policy

C) Dwelling Policy

D) Special Form

Correct Answer: B) Standard Fire Policy

Question 10

Which of the following perils is covered under the Standard Fire Policy?

A) Theft

B) Earthquake

C) Lightning

D) Flood

Correct Answer: C) Lightning

Question 11

What is required from the insured within 60 days of a loss under the Standard Fire Policy?

A) A verbal report of the loss

B) A signed and sworn proof of loss

C) A police report

D) A letter from a lawyer

Correct Answer: B) A signed and sworn proof of loss

Question 12

Under the Standard Fire Policy, what happens if the insured and insurer cannot agree on the amount of loss?

A) The insurer's decision is final

B) The insured's decision is final

C) An appraisal process is initiated

D) The policy is voided

Correct Answer: C) An appraisal process is initiated

Question 13

Which of the following is NOT covered by the Standard Fire Policy?

A) Fire

B) Lightning

C) Removal

D) Theft

Correct Answer: D) Theft

Question 14

What is the minimum coverage provided by the Standard Fire Policy in terms of valuation?

A) Replacement cost

B) Market value

C) Actual cash value

D) Agreed value

Correct Answer: C) Actual cash value

Question 15

Which of the following is a limitation of the Standard Fire Policy?

A) Coverage for all types of personal property

B) Coverage for accounts, bills, and currency

C) No coverage for vacant buildings for more than 60 days

D) Coverage for war-related damages

Correct Answer: C) No coverage for vacant buildings for more than 60 days

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Question 16

What is the insurer required to do if they decide to cancel the Standard Fire Policy?

A) Provide a 30-day written notice

B) Refund the entire premium

C) Give the insured five days' written notice

D) Offer a replacement policy

Correct Answer: C) Give the insured five days' written notice

Understanding Dwelling Policies Quiz

Question 17

What type of property is NOT eligible to be insured under a Dwelling Policy?

A) A single-family dwelling used as a residence

B) A dwelling with 1 to 4 single family units used as residences

C) Farm property

D) A mobile home secured to the ground with wheels removed

Correct Answer: C) Farm property

Question 18

Which Dwelling Policy form is known as the "All Risk" form?

A) DP-1

B) DP-2

C) DP-3

D) DP-4

Correct Answer: C) DP-3

Question 19

Under the DP-1 form, which of the following perils is covered without endorsements?

A) Theft

B) Fire

C) Flood

D) Earthquake

Correct Answer: B) Fire

Question 20

What is the basis for claims payment for the dwelling and structures under the DP-2 form?

A) Actual Cash Value (ACV)

B) Replacement Cost

C) Market Value

D) Agreed Value

Correct Answer: B) Replacement Cost

Question 21

Which coverage under the Dwelling Policy covers the fair rental value of the property?

A) Coverage A

B) Coverage B

C) Coverage C

D) Coverage D

Correct Answer: D) Coverage D

Question 22

What is the coinsurance requirement for the DP-2 form to pay losses at Replacement Cost?

A) 50% of the replacement cost

B) 60% of the replacement cost

C) 80% of the replacement cost

D) 100% of the replacement cost

Correct Answer: C) 80% of the replacement cost

Question 23

Which of the following is NOT covered under Coverage B - Other Structures?

A) A detached garage rented to a non-resident

B) A carport

C) A shed used for commercial purposes

D) A fence

Correct Answer: C) A shed used for commercial purposes

Question 24

Under the DP-3 form, how are claims for personal property or contents paid?

A) Replacement Cost

B) Actual Cash Value (ACV)

C) Market Value

D) Agreed Value

Correct Answer: B) Actual Cash Value (ACV)

Understanding Dwelling Policy Coverages

Question 25

What type of property is covered under Coverage C – Personal Property?

A) Animals, birds, and fish

B) Furniture, clothing, and TVs

C) Motor vehicles and boats

D) Money, currency, and securities

Correct Answer: B) Furniture, clothing, and TVs

Question 26

Which of the following is NOT covered under Coverage C – Personal Property?

A) Personal property of guests and servants

B) Row boats or canoes

C) Electronic data and computers

D) Personal property off premises

Correct Answer: C) Electronic data and computers

Question 27

Under Coverage D – Fair Rental Value, what is the maximum percentage of Coverage A that can be applied to cover fair rental value?

A) 10%

B) 15%

C) 20%

D) 25%

Correct Answer: C) 20%

Question 28

Which of the following is true about Coverage E – Additional Living Expenses?

A) It is available under DP-1 without endorsement.

B) It covers normal household expenses.

C) It is categorized as a time element coverage.

D) It covers loss of rental income due to a cancelled lease.

Correct Answer: C) It is categorized as a time element coverage.

Question 29

What is the settlement type for Coverage A – Dwelling under the DP-3 policy?

A) Actual Cash Value

B) Replacement Cost

C) Time Element

D) Fair Market Value

Correct Answer: B) Replacement Cost

Question 30

Which peril is covered by the DP-1 policy without endorsement?

A) Windstorm

B) Hail

C) Fire

D) Riot and Civil Commotion

Correct Answer: C) Fire

Question 31

Under which policy form is Coverage E – Additional Living Expenses NOT available without endorsement?

A) DP-1

B) DP-2

C) DP-3

D) All of the above

Correct Answer: A) DP-1

Question 32

Which of the following perils is covered under the DP-2 and DP-3 policies but requires an endorsement for DP-1?

A) Lightning

B) Internal Explosion

C) Aircraft

D) Fire

Correct Answer: C) Aircraft

Understanding Property Insurance Perils

Question 33

What does the acronym "FLI" stand for in the context of basic form perils?

A) Fire, Lightning, Internal Explosion

B) Flood, Landslide, Inundation

C) Frost, Lightning, Ice

D) Fire, Landslide, Inundation

Correct Answer: A) Fire, Lightning, Internal Explosion

Question 34

Which peril is covered under the acronym "WHARVVES" in the basic form extended coverage?

A) Water Damage

B) Volcanic Eruption

C) Earthquake

D) Subsidence

Correct Answer: B) Volcanic Eruption

Question 35

Which of the following is NOT covered under the additional broad form perils acronym "BFWFFCEW"?

A) Burglars

B) Freezing

C) Earthquake

D) Weight of ice, snow or sleet

Correct Answer: C) Earthquake

Question 36

What is the coverage limitation for vandalism and malicious mischief under the DP-1 form?

A) It covers all types of vandalism regardless of the building's occupancy status.

B) It does not cover damage to glass or losses by theft from the vandals.

C) It covers theft from the vandals.

D) It applies even if the building has been vacant for more than 60 consecutive days.

Correct Answer: B) It does not cover damage to glass or losses by theft from the vandals.

Question 37

Which of the following is a specific exclusion under the DP-3 or Special form?

A) Damage by wind, hail, ice, snow, or sleet to outdoor antennae and aerials

B) Damage from volcanic eruption

C) Damage from internal explosion

D) Damage from smoke

Correct Answer: A) Damage by wind, hail, ice, snow, or sleet to outdoor antennae and aerials

Question 38

What is the coverage period for personal property removed from a covered property under a DP-2 or DP-3?

A) 5 days

B) 10 days

C) 15 days

D) 30 days

Correct Answer: D) 30 days

Question 39

Which peril is covered under the additional broad form perils but not under the basic form extended coverage?

A) Smoke

B) Freezing

C) Explosion

D) Volcanic Eruption

Correct Answer: B) Freezing

Question 40

What is the maximum amount payable for a fire department service charge under the coverage?

A) $250

B) $500

C) $750

D) $1000

Correct Answer: B) $500

Understanding Dwelling Policy Coverages

Question 41

What is the maximum coverage limit for trees, shrubs, and other plants under DP-2 and DP-3 policies?

A) 10% of Coverage A and a maximum of $1,000 per tree, shrub, or plant

B) 5% of Coverage A and a maximum of $500 per tree, shrub, or plant

C) 15% of Coverage A and a maximum of $750 per tree, shrub, or plant

D) 20% of Coverage A and a maximum of $1,500 per tree, shrub, or plant

Correct Answer: B) 5% of Coverage A and a maximum of $500 per tree, shrub, or plant

Question 42

Which of the following perils is NOT covered under the collapse coverage of a building?

A) Weight of snow, ice, sleet, or rain

B) Hidden decay

C) Earthquake

D) Poor construction

Correct Answer: C) Earthquake

Question 43

What is the limit of liability for personal liability coverage under Coverage L?

A) $50,000

B) $100,000

C) $150,000

D) $200,000

Correct Answer: B) $100,000

Question 44

Which of the following is NOT covered under the broad theft coverage endorsement?

A) Jewelry, watches, furs, and precious stones

B) Property of roomers, boarders, or tenants not related to the insured

C) Firearms

D) Silverware, goldware, or pewterware

Correct Answer: B) Property of roomers, boarders, or tenants not related to the insured

Question 45

What is the standard deductible for a Dwelling Policy per occurrence?

A) $100

B) $250

C) $500

D) $1,000

Correct Answer: B) $250

Question 46

Which of the following is an exclusion under the DP-2 and DP-3 policies?

A) Loss due to fire caused by nuclear hazards

B) Loss due to volcanic eruption

C) Loss due to flood

D) Loss due to fire department spraying water

Correct Answer: C) Loss due to flood

Question 47

What is the maximum limit for medical payments to others under Coverage M?

A) $500 per person

B) $1,000 per person

C) $1,500 per person

D) $2,000 per person

Correct Answer: B) $1,000 per person

Question 48

Which of the following is NOT a default limit of liability for personal property under the broad theft coverage?

A) Money or related property, coins, and precious metals: $200

B) Watercraft, including trailers and equipment: $1,500

C) Firearms: $3,000

D) Silverware, goldware, or pewterware: $2,500

Correct Answer: C) Firearms: $3,000

Understanding Homeowners Insurance Forms

Question 49

What is the primary advantage of a multiline homeowner's policy?

A) It provides coverage for only one type of peril.

B) It combines property and liability coverages into a single policy.

C) It is more expensive than separate policies.

D) It only covers fire and theft.

Correct Answer: B) It combines property and liability coverages into a single policy.

Question 50

Which of the following is NOT eligible to be insured under a homeowner's policy?

A) A dwelling with four families.

B) A farm property.

C) A mobile home with an endorsement.

D) A dwelling under construction.

Correct Answer: B) A farm property.

Question 51

Who is considered an "Insured" under a homeowner's policy?

A) Only the named insured.

B) The named insured and their spouse, if residing in the same household.

C) Any person legally responsible for covered animals or watercraft.

D) All of the above.

Correct Answer: D) All of the above.

Question 52

What does the HO-0 Dwelling standard fire form NOT cover?

A) Fire and smoke.

B) Personal property.

C) Windstorm and hail.

D) Civil unrest.

Correct Answer: B) Personal property.

Question 53

Why has the HO-1 Basic form been discontinued in most states?

A) It was too expensive.

B) It provided broader coverage than needed.

C) Homeowners required broader coverage than it offered.

D) It covered too many perils.

Correct Answer: C) Homeowners required broader coverage than it offered.

Question 54

What is the coinsurance requirement for the HO-2 Broad form?

A) 50% of the replacement cost.

B) 60% of the replacement cost.

C) 80% of the replacement cost.

D) 100% of the replacement cost.

Correct Answer: C) 80% of the replacement cost.

Question 55

Which of the following is covered under Section II of a homeowners policy?

A) Personal property.

B) Liability to others for bodily injury or property damage.

C) Loss of use.

D) Dwelling coverage.

Correct Answer: B) Liability to others for bodily injury or property damage.

Question 56

What is the basis for claims payment for personal property under the HO-2 form?

A) Replacement cost.

B) Actual cash value (ACV).

C) Market value.

D) Appraised value.

Correct Answer: B) Actual cash value (ACV).

Understanding Homeowners Insurance Policies

Question 57

What type of coverage does the HO-3 form provide for the dwelling and other structures?

A) Named peril coverage

B) Open peril coverage

C) Basic form coverage

D) Broad form coverage

Correct Answer: B) Open peril coverage

Question 58

Which HO form is specifically designed for renters or tenants?

A) HO-3

B) HO-4

C) HO-5

D) HO-6

Correct Answer: B) HO-4

Question 59

How are claims for personal property paid under the HO-5 form?

A) Replacement cost

B) Functional replacement cost

C) Actual cash value (ACV)

D) Market value

Correct Answer: C) Actual cash value (ACV)

Question 60

Which HO form is suitable for a condominium owner?

A) HO-2

B) HO-3

C) HO-6

D) HO-8

Correct Answer: C) HO-6

Question 60

What is the standard deductible for Section I Property Coverages?

A) $100

B) $250

C) $500

D) $1,000

Correct Answer: B) $250

Question 61

Which of the following is NOT covered under Coverage A - Dwelling?

A) Structures attached to the dwelling

B) Materials and supplies for construction

C) Land associated with the dwelling

D) Building equipment

Correct Answer: C) Land associated with the dwelling

Question 62

What is the coverage limit for Coverage A in the HO-6 form?

A) $500

B) $1,000

C) $2,500

D) $5,000

Correct Answer: B) $1,000

Question 63

Which HO form provides coverage based on Functional Replacement Cost for the dwelling?

A) HO-3

B) HO-4

C) HO-5

D) HO-8

Correct Answer: D) HO-8

Understanding Homeowners Insurance Coverage

Question 64

What is the default coverage limit for Coverage C – Personal Property as a percentage of Coverage A?

A) 30%

B) 50%

C) 70%

D) 100%

Correct Answer: B) 50%

Question 65

Which of the following is NOT covered under Coverage C – Personal Property?

A) Furniture

B) Clothing

C) Motorized vehicles used to assist the handicapped

D) Animals, birds, or fish

Correct Answer: D) Animals, birds, or fish

Question 66

What is the special limit of liability for jewelry, watches, furs, and precious and semi-precious stones in case of theft?

A) $1,000

B) $1,500

C) $2,000

D) $2,500

Correct Answer: B) $1,500

Question 67

Under Coverage D – Loss of Use, what percentage of Coverage A is the limit for forms HO-2, HO-3, and HO-5?

A) 10%

B) 20%

C) 30%

D) 50%

Correct Answer: C) 30%

Question 68

Which of the following is covered under Additional Living Expenses in Coverage D – Loss of Use?

A) Regular household expenses

B) Loss of rental income

C) Hotel or apartment costs

D) Cancelled lease or rental agreement

Correct Answer: C) Hotel or apartment costs

Question 69

What is the special limit of liability for money, coins, and precious metals under Coverage C?

A) $100

B) $200

C) $300

D) $400

Correct Answer: B) $200

Question 70

For Coverage C – Personal Property, what is the coverage limit for property on the residence premises used for business purposes?

A) $500

B) $1,000

C) $2,500

D) $5,000

Correct Answer: C) $2,500

Question 71

What is the coverage limit for personal property at a residence other than the one specified in the Declarations?

A) 5% of Coverage C limit or $500, whichever is more

B) 10% of Coverage C limit or $1,000, whichever is more

C) 15% of Coverage C limit or $1,500, whichever is more

D) 20% of Coverage C limit or $2,000, whichever is more

Correct Answer: B) 10% of Coverage C limit or $1,000, whichever is more

Understanding Homeowners Insurance Perils

Question 72

Which peril is covered by all homeowners' policies and involves damage caused by a vehicle hitting a building or structure?

A) Fire

B) Vehicles

C) Vandalism and Malicious Mischief

D) Theft

Correct Answer: B) Vehicles

Question 73

Under the HO-2 Broad form, which additional peril is covered that involves damage from smoke?

A) Smoke from fireplaces

B) Smoke from industrial operations

C) Smoke from agricultural smudging

D) Smoke from a furnace

Correct Answer: A) Smoke from fireplaces

Question 74

Which of the following is NOT covered under the HO-3 Special form due to specific exclusions?

A) Theft from a dwelling under construction

B) Damage by wind to outdoor antennae

C) Vandalism if the building has been vacant for more than 60 days

D) All of the above

Correct Answer: D) All of the above

Question 75

What is the maximum amount covered for the removal of trees under the additional coverages applicable to all homeowners' forms?

A) $500 per occurrence

B) $1,000 per occurrence

C) $500 per tree

D) $1,000 per tree

Correct Answer: C) $500 per tree

Question 76

Which peril under the HO-2 Broad form covers damage to fences, driveways, and walks even if caused by the insured?

A) Fire

B) Vehicles

C) Hail

D) Riot and Civil Commotion

Correct Answer: B) Vehicles

Question 77

Which peril is covered under the HO-2 Broad form and involves accidental discharge of water or steam?

A) Freezing

B) Discharge of water or steam

C) Electrical current

D) Falling objects

Correct Answer: B) Discharge of water or steam

Question 78

Which of the following is a condition for debris removal coverage under all homeowners' forms?

A) The tree must have fallen due to an earthquake.

B) The tree must be blocking a driveway.

C) The tree must have fallen due to a volcanic eruption.

D) The tree must be blocking a sidewalk.

Correct Answer: B) The tree must be blocking a driveway.

Question 79

What is the coverage period for property removed to prevent further damage under the additional coverages?

A) 15 days

B) 30 days

C) 45 days

D) 60 days

Correct Answer: B) 30 days

Question 80

What is the maximum amount the fire department service charge will pay for fire department charges when called to protect covered property from an insured peril?

A) $250

B) $500

C) $1,000

D) $1,500

Correct Answer: B) $500

Question 81

Which of the following is NOT covered under the "Trees, shrubs, and other plants" coverage?

A) Fire

B) Theft

C) Wind

D) Vandalism

Correct Answer: C) Wind

Question 82

For the HO-4 and HO-6 forms, what is the limit for coverage of trees, shrubs, and plants?

A) 5% of Coverage A limit

B) 10% of Coverage C limit

C) 15% of Coverage C limit

D) 20% of Coverage A limit

Correct Answer: B) 10% of Coverage C limit

Question 83

Under the "Credit Card, Electronic Fund Transfer Card or Access Device, Forgery, and Counterfeit Money" coverage, what is the maximum amount payable for losses?

A) $250

B) $500

C) $750

D) $1,000

Correct Answer: B) $500

Question 84

Which of the following is a condition for the "Glass or safety glazing material" coverage to be applicable?

A) The building must be vacant for more than 60 consecutive days.

B) The building must not be vacant for more than 60 consecutive days.

C) The building must be within city limits.

D) The building must be outside city limits.

Correct Answer: B) The building must not be vacant for more than 60 consecutive days.

Question 85

What is the limit of liability for "Loss Assessment" coverage?

A) $500

B) $1,000

C) $2,500

D) $5,000

Correct Answer: B) $1,000

Question 86

Which of the following perils is NOT covered under the "Collapse" coverage?

A) Hidden decay

B) Weight of rain collecting on the roof

C) Collapse of awnings

D) Hidden insect or vermin damage

Correct Answer: C) Collapse of awnings

Question 87

What is the maximum coverage amount for "Landlord's Furnishings" under the applicable homeowners forms?

A) $1,000

B) $2,500

C) $5,000

D) $10,000

Correct Answer: B) $2,500

Understanding Homeowners Liability Coverage

Question 88

What is the standard limit of liability for Coverage E - Personal Liability per occurrence?

A) $50,000

B) $100,000

C) $150,000

D) $200,000

Correct Answer: B) $100,000

Question 89

Which of the following is NOT covered under Coverage F - Medical Payments to Others?

A) Medical expenses for bodily injury to a guest on the insured's premises

B) Medical expenses for bodily injury to a resident employee

C) Medical expenses for bodily injury to the insured

D) Medical expenses for bodily injury to a passerby bitten by the insured's dog

Correct Answer: C) Medical expenses for bodily injury to the insured

Question 90

Which of the following is an exclusion that applies to both Coverage E and Coverage F?

A) Bodily injury arising out of the use of a controlled substance

B) Property damage to property owned by the insured

C) Liability assumed under a contract or agreement

D) Bodily injury to a residence employee off the premises

Correct Answer: A) Bodily injury arising out of the use of a controlled substance

Question 91

What is the purpose of Coverage F - Medical Payments to Others?

A) To cover legal defense costs for the insured

B) To cover reasonable medical expenses for bodily injury without expensive legal costs

C) To cover property damage caused by the insured

D) To cover loss of use of the insured's property

Correct Answer: B) To cover reasonable medical expenses for bodily injury without expensive legal costs

Question 92

Which of the following additional coverages pays for reasonable expenses incurred by the insured at the request of the insurer, including loss of earnings up to $250 per day?

A) Loss Assessment

B) Claim Expenses

C) First Aid Expenses

D) Damage to Property of Others

Correct Answer: B) Claim Expenses

Question 93

What is the maximum amount payable under the Damage to Property of Others coverage per occurrence?

A) $500

B) $750

C) $1,000

D) $1,500

Correct Answer: C) $1,000

Question 94

Which of the following is an exclusion that applies only to Coverage E - Personal Liability?

A) Bodily injury to a residence employee that occurs off the residence premises

B) Liability for bodily injury to anyone eligible to receive workers' compensation

C) Property damage to property owned by the insured

D) Bodily injury due to nuclear reaction

Correct Answer: C) Property damage to property owned by the insured

Question 95

Which of the following scenarios would be covered under Coverage E - Personal Liability?

A) The insured intentionally damages a neighbor's fence

B) The insured's child accidentally breaks a neighbor's window

C) The insured rents out a part of their home for business purposes

D) The insured is involved in a car accident while driving their personal vehicle

Correct Answer: B) The insured's child accidentally breaks a neighbor's window

Understanding Homeowners Insurance Policies

Question 96

Under what condition can a homeowner's policy be voided?

A) If the insured fails to notify the police after a loss

B)In the case of concealment or fraud

C) If the insured does not provide an inventory of damaged property

D) If the insured does not allow the insurer to inspect the property

Correct Answer: B) In the case of concealment or fraud

Question 97

How many days' written notice is required for an insurer to cancel a policy due to non-payment of premium?

A) 5 days

B) 10 days

C) 20 days

D) 30 days

Correct Answer: B) 10 days

Question 98

Which endorsement provides coverage for business activities conducted on the residence premises?

A) Scheduled Personal Property

B) Home Day Care

C) Permitted Incidental Occupancies

D) Earthquake

Correct Answer: C) Permitted Incidental Occupancies

Question 99

What is the default percentage of Coverage A that is provided for other structures under Coverage B?

A) 5%

B) 10%

C) 15%

D) 20%

Correct Answer: B) 10%

Question 100

Which of the following is NOT covered under the Personal Property Replacement Cost endorsement?

A) Antique furniture

B) Jewelry

C) Cameras

D) Musical instruments

Correct Answer: A) Antique furniture

Question 101

For how many days is newly acquired fine art covered under the Scheduled Personal Property endorsement?

A) 15 days

B) 30 days

C) 60 days

D) 90 days

Correct Answer: D) 90 days

Question 102

What must the insured do in the event of a loss according to the homeowner's policy conditions?

A) Notify the insurer within 30 days

B) Take reasonable steps to protect the property from further damage

C) Wait for the insurer to contact them

D) Only notify the police if the loss exceeds a certain amount

Correct Answer: B) Take reasonable steps to protect the property from further damage

Question 103

Which endorsement provides coverage for loss or damage due to fungi, wet or dry rot, or bacteria?

A) Home Business Endorsement

B) Limited Fungi, Wet or Dry Rot, or Bacteria Coverage Endorsement

C) Earthquake Endorsement

D) Scheduled Personal Property

Correct Answer: B) Limited Fungi, Wet or Dry Rot, or Bacteria Coverage Endorsement

Understanding Insurance Endorsements

Question 104

What type of liability does the Personal Injury Endorsement cover?

A) Bodily injury liability

B) Personal injury liability

C) Property damage liability

D) Medical payments liability

Correct Answer: B) Personal injury liability

Question 105

Which of the following is NOT covered under the Watercraft Liability Endorsement?

A) Bodily injury related to a watercraft

B) Property damage related to a watercraft

C) Personal injury unrelated to a watercraft

D) Bodily injury unrelated to a watercraft

Correct Answer: C) Personal injury unrelated to a watercraft

Question 106

What is a requirement for a mobile home to be covered under a Homeowners policy with an endorsement?

A) It must be less than 40 feet in length

B) It must be owner-occupied

C) It must be rented out

D) It must be on wheels

Correct Answer: B) It must be owner-occupied

Question 107

Which of the following businesses is eligible for a Businessowners policy?

A) Auto dealership

B) Manufacturing company

C) Office building no more than six stories in height

D) Tavern

Correct Answer: C) Office building no more than six stories in height

Question 108

What is the maximum annual sales limit for a retail business to be eligible for a Businessowners policy?

A) $1,000,000

B) $2,000,000

C) $3,000,000

D) $4,000,000

Correct Answer: C) $3,000,000

Question 109

Under the Businessowners policy, what type of coverage is provided for property?

A) Named peril basis only

B) All-risk basis only

C) All-risk basis with an option for named peril basis by endorsement

D) Named peril basis with an option for all-risk basis by endorsement

Correct Answer: C) All-risk basis with an option for named peril basis by endorsement

Question 110

Which of the following is NOT a condition for a mobile home to be covered under a DP-1 (Dwelling Policy Basic Form)?

A) It must be securely tied down

B) It must have wheels removed

C) It must be less than 10 feet in width

D) It must be permanently placed on a foundation

Correct Answer: C) It must be less than 10 feet in width

Question 110

What is the purpose of the Transportation / Permission to Move endorsement for mobile homes?

A) To provide coverage for theft while in transit

B) To provide coverage for collision, upset, stranding, or sinking while being moved

C) To provide coverage for fire damage while in transit

D) To provide coverage for water damage while in transit

Correct Answer: B) To provide coverage for collision, upset, stranding, or sinking while being moved

Understanding Property Coverage Basics

Question 111

What does building coverage include according to the property coverage description?

A) Aircraft and motor vehicles

B) Completed additions and permanently installed machinery

C) Money and securities

D) Outdoor fences and trees

Correct Answer: B) Completed additions and permanently installed machinery

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Question 112

Which of the following is covered under business personal property coverage?

A) Land and water

B) Tenant's improvements or betterments

C) Outdoor signs not attached to buildings

D) Aircraft

Correct Answer: B) Tenant's improvements or betterments

Question 113

Which of the following is NOT covered under a Businessowners policy?

A) Personal property owned by the insured

B) Motor vehicles subject to registration

C) Personal property furnished by the insured in rented apartments

D) Exterior building glass

Correct Answer: B) Motor vehicles subject to registration

Question 114

What is the limit of liability for theft of jewelry and precious metals?

A) $1,000

B) $2,500

C) $5,000

D) $10,000

Correct Answer: B) $2,500

Question 115

What is the maximum amount available for debris removal if the direct loss plus debris removal exceeds the policy limit?

A) $5,000

B) $7,500

C) $10,000

D) $15,000

Correct Answer: C) $10,000

Question 116

For how long will the insurer pay for loss of business income due to a direct physical loss?

A) Up to 6 consecutive months

B) Up to 9 consecutive months

C) Up to 12 consecutive months

D) Up to 18 consecutive months

Correct Answer: C) Up to 12 consecutive months

Question 117

Which of the following is a cause of collapse covered under additional coverages?

A) Earthquake

B) Hidden decay

C) Flood

D) War

Correct Answer: B) Hidden decay

Question 118

What is the definition of collapse as per the additional coverages?

A) A gradual settling of the building

B) An abrupt falling down or caving in of the building

C) A minor structural damage

D) A temporary displacement of the building

Correct Answer: B) An abrupt falling down or caving in of the building

Understanding Additional Coverage Options

Question 119

What is the limit of liability for increased cost of construction coverage for each building?

A) $5,000

B) $10,000

C) $15,000

D) $20,000

Correct Answer: B) $10,000

Question 120

How long does coverage for business income last under the civil authority coverage?

A) 72 hours

B) 1 week

C) 2 weeks

D) 4 weeks

Correct Answer: D) 4 weeks

Question 121

What is the standard limit of liability for forgery and alteration coverage, including defense costs?

A) $1,000

B) $2,500

C) $5,000

D) $10,000

Correct Answer: B) $2,500

Question 122

What is the limit of liability for electronic data coverage in the policy period?

A) $5,000

B) $7,500

C) $10,000

D) $15,000

Correct Answer: C) $10,000

Question 123

Which of the following is NOT covered under the limited coverage for fungi, wet rot, dry rot, and bacteria?

A) Direct loss or damage to property

B) Costs to tear out or replace parts of the building

C) Testing costs to ensure removal

D) Loss caused by fire or lightning

Correct Answer: D) Loss caused by fire or lightning

Question 124

What is the limit of liability for pollutant cleanup and removal in the policy period?

A) $1,000

B) $5,000

C) $10,000

D) $15,000

Correct Answer: C) $10,000

Question 125

How long is coverage provided for newly acquired or constructed property?

A) 15 days

B) 30 days

C) 45 days

D) 60 days

Correct Answer: B) 30 days

Question 126

What is the limit of liability for fire extinguisher systems recharge expense per occurrence?

A) $2,500

B) $3,500

C) $5,000

D) $7,500

Correct Answer: C) $5,000

Understanding Business Insurance Coverage

Question 127

What is the maximum coverage limit for outdoor property, including trees, shrubs, and plants?

A) $1,000

B) $2,500

C) $5,000

D) $10,000

Correct Answer: B) $2,500

Question 128

Which of the following is NOT a covered cause of loss for outdoor property?

A) Fire

B) Explosion

C) Theft

D) Riot or civil commotion

Correct Answer: C) Theft

Question 129

What is the coverage limit for valuable papers and records on the described premises?

A) $2,500

B) $5,000

C) $10,000

D) $15,000

Correct Answer: C) $10,000

Question 130

Which of the following is an optional coverage that can be added to the policy?

A) Ordinance or law

B) Employee dishonesty

C) Earth movement

D) Nuclear hazard

Correct Answer: B) Employee dishonesty

Question 131

What is the coverage limit for accounts receivable records not on the described premises?

A) $2,500

B) $5,000

C) $7,500

D) $10,000

Correct Answer: B) $5,000

Question 132

Which of the following is excluded from coverage in a Businessowners policy?

A) Fire

B) Explosion

C) Water, including flood

D) Riot or civil commotion

Correct Answer: C) Water, including flood

Question 133

What is the maximum coverage limit for personal effects at each described premises?

A) $1,000

B) $2,500

C) $5,000

D) $10,000

Correct Answer: B) $2,500

Question 134

Which of the following is a condition for employee dishonesty coverage to be valid?

A) Losses must be discovered within two years after the policy period.

B) Coverage is valid even if the employee's dishonesty is discovered after hiring.

C) Losses must be discovered during the policy period or within one year after it ends.

D) Coverage is valid for inventory reconciliation losses.

Correct Answer: C) Losses must be discovered during the policy period or within one year after it ends.

Question 135

What is the standard deductible for property losses under the Businessowners policy?

A) $250

B) $500

C) $1,000

D) No deductible

Correct Answer: B) $500

Question 136

Which of the following coverages does not have a deductible applied under the Businessowners policy?

A) Building and business personal property

B) Fire department service charge

C) Outdoor signs optional coverage

D) Glass expenses additional coverage

Correct Answer: B) Fire department service charge

Question 137

Under the Businessowners policy, the limit of insurance for buildings will automatically increase by a specified percentage to account for what?

A) Seasonal variations

B) Inflation

C) Market value changes

D) Depreciation

Correct Answer: B) Inflation

Question 138

Which of the following is included in the coverage territory for liability coverage under the Businessowners policy?

A) Only the United States

B) The United States and Canada

C) The United States, its territories and possessions, including Puerto Rico, or Canada

D) All parts of the world

Correct Answer: C) The United States, its territories and possessions, including Puerto Rico, or Canada

Question 139

What is the maximum amount the insurer will pay for bail bonds related to violations arising from vehicles under the supplementary payments?

A) $100

B) $250

C) $500

D) $1,000

Correct Answer: B) $250

Question 140

Who is considered "the insured" in a Businessowners policy when the named insured is a limited liability company?

A) Only the named insured

B) Named insured and members

C) Named insured, members, and managers

D) Named insured, members, managers, and stockholders

Correct Answer: C) Named insured, members, and managers

Question 141

Which of the following medical expenses is NOT covered under the medical expense coverage of the Businessowners policy?

A) First aid when the accident occurs

B) Medical expenses for an insured

C) Ambulance services

D) Dental services

Correct Answer: B) Medical expenses for an insured

Question 142

If the named insured dies, who is considered an insured under the Businessowners policy?

A) Only the named insured's spouse

B) The insured's legal representative while acting within this capacity

C) Any person who knew the insured

D) The insured's business partners

Correct Answer: B) The insured's legal representative while acting within this capacity

Understanding Liability Coverage Exclusions

Question 143

Which of the following is an exclusion under liability coverage for bodily injury and property damage?

A) Damage to the insured's own property or work

B) Damage to a third party's property

C) Damage caused by natural disasters

D) Damage due to accidental fire

Correct Answer: A) Damage to the insured's own property or work

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Question 144

What is the liability limit applied per occurrence for?

A) Personal and advertising injury

B) Bodily injury and property damage

C) Medical expenses

D) Damage to premises rented to you

Correct Answer: B) Bodily injury and property damage

Question 145

Which of the following is NOT covered under the Utility Services – direct damage coverage endorsement?

A) Loss or damage to property caused by an interruption in water supply

B) Loss or damage to property caused by an interruption in power supply

C) Loss or damage to property caused by an interruption in communication service

D) Loss or damage to property caused by a natural disaster

Correct Answer: D) Loss or damage to property caused by a natural disaster

Question 146

Which of the following is a condition included in the Businessowners policy?

A) Examination of your books and records

B) Coverage for nuclear hazards

C) Automatic renewal of policy

D) Guaranteed premium rates

Correct Answer: A) Examination of your books and records

Question 147

What does the Protective Safeguards endorsement require the insured to maintain?

A) A comprehensive insurance policy

B) Protective devices or services specified in the endorsement

C) A detailed inventory of all business assets

D) A backup power supply

Correct Answer: B) Protective devices or services specified in the endorsement

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Question 148

Which of the following is an exclusion under liability coverage for personal and advertising injury?

A) Arising out of a breach of contract

B) Arising out of accidental damage

C) Arising out of natural disasters

D) Arising out of theft

Correct Answer: A) Arising out of a breach of contract

Question 149

Which of the following is NOT an exclusion under Medical Expenses coverage?

A) To a person participating in athletics

B) To a person injured on the premises the insured owns or rents

C) To a person hired to do work for or on behalf of an insured

D) To a volunteer worker

Correct Answer: D) To a volunteer worker

Question 150

What is the purpose of the Hired auto and non-owned auto liability endorsement?

A) To provide coverage for owned vehicles

B) To provide business auto coverage for the insured when they do not own autos

C) To provide coverage for personal vehicles

D) To provide coverage for leased equipment

Correct Answer: B) To provide business auto coverage for the insured when they do not own autos

Understanding Commercial Property Insurance

Question 151

What is the primary purpose of commercial property insurance?

A) To provide health coverage for business employees

B) To provide coverage for loss or damage to property related to a business or commercial enterprise

C) To insure personal vehicles used for business purposes

D) To cover legal liabilities unrelated to property

Correct Answer: B) To provide coverage for loss or damage to property related to a business or commercial enterprise

Question 152

Which of the following is NOT covered under the Commercial Building and Personal Property form's Coverage A?

A) Completed additions

B) Outdoor furniture

C) Personal vehicles

D) Fixtures, including outdoor fixtures

Correct Answer: C) Personal vehicles

Question 153

What does the "Control of Property" condition state?

A) The insured can control the property of others

B) Any act by someone other than the insured and beyond the control of the insured will not affect coverage

C) The insured must control all aspects of the property to maintain coverage

D) The insurer controls the property during the policy period

Correct Answer: B) Any act by someone other than the insured and beyond the control of the insured will not affect coverage

Question 154

Which of the following is a type of Commercial Property coverage form?

A) Homeowners Insurance

B) Builders Risk form

C) Auto Insurance

D) Health Insurance

Correct Answer: B) Builders Risk form

Question 155

What is the purpose of the "Transfer of rights of recovery against others to us" condition?

A) To allow the insured to transfer their policy to another party

B) To provide the insurer with subrogation rights

C) To allow the insured to recover losses from the insurer

D) To transfer the insured's rights to the property to the insurer

Correct Answer: B) To provide the insurer with subrogation rights

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Question 156

Which of the following is NOT a type of Causes of Loss form?

A) Basic form

B) Broad form

C) Special form

D) Comprehensive form

Correct Answer: D) Comprehensive form

Question 157

What does the "No Benefit to Bailee" condition imply?

A) The bailee can benefit from the insured's policy

B) No one other than the insured may benefit from the policy

C) The bailee is responsible for all damages

D) The bailee can claim damages directly from the insurer

Correct Answer: B) No one other than the insured may benefit from the policy

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Question 158

Which of the following is covered under Coverage B of the Commercial Building and Personal Property form?

A) Completed additions

B) The insured's business personal property

C) Outdoor fixtures

D) Permanently installed machinery

Correct Answer: B) The insured's business personal property

Understanding Property Coverage Basics

Question 159

What does Coverage C cover in the insurance policy?

A) Damage to the insured's personal property

B) Damage to the personal property of others located at the insured's premises

C) Damage to the insured's buildings

D) Damage to the insured's vehicles

Correct Answer: B) Damage to the personal property of others located at the insured's premises

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Question 160

Which of the following is excluded from coverage under the policy?

A) Personal property while it is being transported by air or water

B) Personal property located at the insured's premises

C) Buildings listed on the declarations page

D) Business personal property

Correct Answer: A) Personal property while it is being transported by air or water

Question 161

What is the maximum percentage of the total amount paid for the loss that can be used for debris removal?

A) 10%

B) 15%

C) 25%

D) 50%

Correct Answer: C) 25%

Question 162

How long does the coverage apply for property removed from the insured location to protect it from loss?

A) 15 days

B) 30 days

C) 60 days

D) 90 days

Correct Answer: B) 30 days

Question 163

What is the limit of insurance for pollutant cleanup and removal per policy period?

A) $5,000

B) $10,000

C) $15,000

D) $20,000

Correct Answer: B) $10,000

Question 164

What is the minimum coinsurance percentage required for coverage extensions to apply without additional premium?

A) 50%

B) 60%

C) 70%

D) 80%

Correct Answer: D) 80%

Question 165

What is the limit for Coverage A (Buildings) for newly acquired or constructed property?

A) 10% of the Coverage A limit or $100,000, whichever is lower

B) 15% of the Coverage A limit or $150,000, whichever is lower

C) 25% of the Coverage A limit or $250,000, whichever is lower

D) 30% of the Coverage A limit or $300,000, whichever is lower

Correct Answer: C) 25% of the Coverage A limit or $250,000, whichever is lower

Question 166

Which of the following is NOT a condition for the insurer to pay up to the limit of liability for a partial loss?

A) The insured selects a coinsurance percentage of at least 80%

B) The insured carries insurance for at least 80% of the replacement cost

C) The insured pays a higher premium

D) The insured selects a coinsurance percentage of 50%

Correct Answer: D) The insured selects a coinsurance percentage of 50%

Understanding Property Insurance Coverage

Question 167

What is the maximum coverage limit for personal property of others under Coverage B at each described premise?

A) $1,000

B) $2,500

C) $5,000

D) $10,000

Correct Answer: B) $2,500

Question 168

Which of the following perils is NOT covered under the outdoor property extension?

A) Fire

B) Theft

C) Explosion

D) Riot or civil commotion

Correct Answer: B) Theft

Question 169

What is the coverage limit for business personal property while temporarily off the premises?

A) $2,500

B) $5,000

C) $10,000

D) $15,000

Correct Answer: C) $10,000

Question 170

Under what condition does coverage not apply if the property is vacant for more than 60 days?

A) Fire

B) Lightning

C) Vandalism

D) Explosion

Correct Answer: C) Vandalism

Question 171

What is the maximum coverage limit for non-owned detached trailers unless a higher amount is specified in the declarations?

A) $2,500

B) $3,500

C) $5,000

D) $7,500

Correct Answer: C) $5,000

Question 172

How are valuable papers and records valued under the policy?

A) Actual cash value

B) Replacement cost

C) Cost of blank materials and labor

D) Market value

Correct Answer: C) Cost of blank materials and labor

Question 173

What is the limit for outdoor property coverage for any one tree, plant, or shrub?

A) $100

B) $150

C) $200

D) $250

Correct Answer: D) $250

Question 174

What must the insured do if a law may have been broken in the event of a loss?

A) Notify the insurer

B) Notify the police

C) Take no action

D) Wait for the insurer's instructions

Correct Answer: B) Notify the police

Understanding Coinsurance and Coverage Options

Question 175

What is the standard deductible on a Commercial Building and Personal Property form?

A) $100

B) $250

C) $500

D) $1,000

Correct Answer: B) $250

Question 176

Which of the following optional coverages suspends the coinsurance clause while in effect?

A) Inflation Guard

B) Replacement Cost

C) Agreed Value

D) Builders Risk Form

Correct Answer: C) Agreed Value

Question 177

If a property is insured for $100,000 and the inflation guard is 5%, what will be the insurance amount at the end of the year?

A) $100,000

B) $102,500

C) $105,000

D) $110,000

Correct Answer: C) $105,000

Question 178

Which of the following is NOT covered under the Builders Risk Coverage form?

A) The building under construction

B) Fixtures and machinery

C) Lawns, trees, shrubs, or plants outside of the buildings

D) Building materials within 100 feet of the building

Correct Answer: C) Lawns, trees, shrubs, or plants outside of the buildings

Question 179

When does coverage end under the Builders Risk Coverage form?

A) 30 days after construction is complete

B) 60 days after the building is partially or completely occupied

C) When the property is accepted by the purchaser

D) When the insured's interest in the property ceases

Correct Answer: C) When the property is accepted by the purchaser

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Question 180

What is the basis for payment for a loss under the Builders Risk coverage form?

A) Replacement cost

B) Agreed value

C) Actual cash value

D) Market value

Correct Answer: C) Actual cash value

Question 181

Which optional coverage allows for payment of damage to personal property of others on a replacement cost basis?

A) Agreed Value

B) Inflation Guard

C) Extension of Replacement Cost to Personal Property of Others

D) Builders Risk Form

Correct Answer: C) Extension of Replacement Cost to Personal Property of Others

Question 182

What is required if a builder chooses the Value Reporting Form option for Builders Risk coverage?

A) A one-time premium payment

B) Monthly submission of a Builders Risk Reporting form

C) A fixed coverage amount throughout the project

D) No reporting is required

Correct Answer: B) Monthly submission of a Builders Risk Reporting form

Question 183

What type of property does the Condominium Association coverage form insure against direct physical loss?

A) Only personal property owned by unit owners

B) Buildings, business personal property, and personal property of others in the care, custody, or control of the association

C) Only the building itself

D) Only business personal property

Correct Answer: B) Buildings, business personal property, and personal property of others in the care, custody, or control of the association

Question 184

Which of the following is NOT covered under the Basic Form's named perils?

A) Fire

B) Earth movement

C) Vandalism

D) Volcanic action

Correct Answer: B) Earth movement

Question 185

In the event of a loss, which coverage is considered primary if both the Condominium Association coverage and the Condominium Unit Owner's coverage are in place?

A) Condominium Unit Owner's coverage

B) Condominium Association coverage

C) Both are primary

D) Neither is primary

Correct Answer: B) Condominium Association coverage

Question 186

What is the maximum limit of insurance for mold coverage under the Basic Form's additional coverage?

A) $5,000

B) $10,000

C) $15,000

D) $20,000

Correct Answer: C) $15,000

Question 187

Which of the following perils is included in the Broad Form but not in the Basic Form?

A) Fire

B) Falling objects

C) Smoke

D) Explosion

Correct Answer: B) Falling objects

Question 188

What does the Condominium Commercial Unit Owners form cover?

A) The condominium building itself

B) The contents of a commercially-owned condominium

C) Only personal property of others

D) Only the unit owner's personal property

Correct Answer: B) The contents of a commercially-owned condominium

Question 189

Which of the following is specifically excluded from coverage under the Basic Form?

A) Smoke from agricultural smudging

B) Windstorm or hail

C) Sinkhole collapse

D) Sprinkler leakage

Correct Answer: A) Smoke from agricultural smudging

Question 190

What is the coverage limit for glass breakage under the Broad Form?

A) $50 per pane

B) $100 per pane

C) $200 per pane

D) $500 per pane

Correct Answer: B) $100 per pane

Understanding Collapse Coverage in Insurance

Question 191

What is the definition of "collapse" as per the Broad form Additional coverage?

A) Settling, shrinkage, or expansion of the building

B) An abrupt falling down or caving in of the building

C) Cracking, bulging, or leaning of the building

D) Sagging or bending of the building

Correct Answer: B) An abrupt falling down or caving in of the building

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Question 192

Which of the following is NOT considered a cause of collapse under the Broad form Additional coverage?

A) Hidden decay

B) Weight of rain that collects on the roof

C) Settling, cracking, shrinking, or expansion

D) Use of defective material or methods in construction

Correct Answer: C) Settling, cracking, shrinking, or expansion

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Question 193

Under the Special form, which of the following is covered?

A) Wear and tear

B) Rust and corrosion

C) Theft

D) Faulty planning, development, or design

Correct Answer: C) Theft

Question 194

What is the deductible for earthquake coverage expressed as?

A) A fixed dollar amount

B) A percentage of the policy limit

C) A percentage of the total loss

D) A percentage of the building's value

Correct Answer: B) A percentage of the policy limit

Question 195

What is the period of restoration for Business Income coverage?

A) Begins immediately after the direct physical loss

B) Begins 72 hours after the direct physical loss

C) Begins one week after the direct physical loss

D) Begins 24 hours after the direct physical loss

Correct Answer: B) Begins 72 hours after the direct physical loss

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Question 196

Which of the following is NOT covered under the Business Income with Extra Expense coverage form?

A) Loss of business income

B) Extra expenses to minimize disruption

C) Expenses to reduce loss

D) Rental income loss

Correct Answer: C) Expenses to reduce loss

Question 197

What is the maximum duration for which the Order of Civil Authority coverage pays for business income and extra expenses?

A) One week

B) Two weeks

C) Three weeks

D) Four weeks

Correct Answer: C) Three weeks

Question 198

Which of the following is NOT an exclusion under the Special form?

A) Mechanical breakdown

B) Explosion of steam boilers

C) Voluntary parting with property by fraud

D) Weight of rain that collects on the roof

Correct Answer: D) Weight of rain that collects on the roof

Understanding Business Income Coverage

Question 199

What is the purpose of the Extended Period of Indemnity optional coverage in the Business Income coverage form?

A) To provide coverage for extra expenses incurred during business relocation

B) To extend business income coverage beyond the standard 30 days

C) To waive the coinsurance percentage

D) To cover legal liabilities for property damage

Correct Answer: B) To extend business income coverage beyond the standard 30 days

Question 200

Which optional coverage limits the payment for loss of business income to a maximum of 120 days?

A) Extended Period of Indemnity

B) Maximum Period of Indemnity

C) Monthly Limit of Indemnity

D) Agreed Value

Correct Answer: B) Maximum Period of Indemnity

Question 201

What is required from the insured to ensure the coinsurance percentage does not apply under the Agreed Value coverage?

A) A monthly report of business income

B) A business income report every 12 months

C) A declaration of maximum indemnity period

D) A list of dependent properties

Correct Answer: B) A business income report every 12 months

Question 202

Which type of Business Income from Dependent Properties coverage applies if a business is the primary buyer for the insured's products?

A) Contributing Location

B) Recipient Location

C) Manufacturing Location

D) Leader Location

Correct Answer: B) Recipient Location

Question 203

What does the Legal Liability coverage form cover under the Commercial Building and Personal Property coverage form?

A) Damage to the insured's own property

B) Damage to property of others in the insured’s care, custody, or control

C) Loss of business income

D) Extra expenses incurred during business relocation

Correct Answer: B) Damage to property of others in the insured’s care, custody, or control

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Question 204

Which endorsement provides coverage for additional costs due to building restrictions, ordinances, or laws?

A) Spoilage

B) Value Reporting Form

C) Ordinance or Law Coverage

D) Peak Season Limit of Insurance

Correct Answer: C) Ordinance or Law Coverage

Question 205

What is the purpose of the Spoilage endorsement?

A) To cover extra expenses during business relocation

B) To provide coverage for perishable stock

C) To extend the period of indemnity

D) To cover legal liabilities for property damage

Correct Answer: B) To provide coverage for perishable stock

Question 206

Which endorsement is used to adjust coverage amounts based on the fluctuating value of personal property?

A) Spoilage

B) Value Reporting Form

C) Ordinance or Law Coverage

D) Peak Season Limit of Insurance

Correct Answer: B) Value Reporting Form

Understanding Earthquake and Equipment Coverage

Question 207

What is the definition of an earthquake?

A) A gradual and slow movement of the earth's surface.

B) A sudden and rapid shaking of the earth caused by the breaking and shifting of rock beneath the earth's surface.

C) A seasonal weather phenomenon.

D) A man-made event caused by construction activities.

Correct Answer: B) A sudden and rapid shaking of the earth caused by the breaking and shifting of rock beneath the earth's surface.

Question 208

Which of the following can be added to Commercial Property Insurance with an endorsement?

A) Workers' compensation

B) Earthquake coverage

C) Ocean marine insurance

D) Aviation insurance

Correct Answer: B) Earthquake coverage

Question 209

How is the deductible for earthquake coverage determined?

A) It is a fixed amount for all policies.

B) It is based on a percentage of the overall policy limit.

C) It is the same for all buildings and personal property.

D) It applies to business income and extra expense coverage.

Correct Answer: B) It is based on a percentage of the overall policy limit.

Question 210

Which of the following coverages cannot be included in a Commercial Package Policy (CPP)?

A) Commercial Property

B) Commercial General Liability

C) Workers' compensation

D) Commercial Auto

Correct Answer: C) Workers' compensation

Question 210

What is the purpose of the Common Policy Conditions in a Commercial Package Policy?

A) To list the premiums for each coverage part.

B) To specify conditions applicable to the entire policy.

C) To provide a detailed description of each coverage part.

D) To outline the endorsements specific to each coverage part.

Correct Answer: B) To specify conditions applicable to the entire policy.

Question 211

What does Equipment Breakdown coverage provide insurance for?

A) Losses due to normal wear and tear of equipment.

B) Losses due to the breakdown of covered equipment and property damage to covered property of others at the insured's premises.

C) Losses due to natural disasters.

D) Losses due to theft of equipment.

Correct Answer: B) Losses due to the breakdown of covered equipment and property damage to covered property of others at the insured's premises.

Question 212

Which of the following is NOT a part of the structure of the Commercial Package Policy?

A) Common Policy Declarations

B) Common Policy Conditions

C) Interline Endorsements

D) Personal Lines Insurance

Correct Answer: D) Personal Lines Insurance

Question 213

What is another name for Equipment Breakdown coverage?

A) Commercial General Liability

B) Boiler and Machinery insurance

C) Ocean Marine insurance

D) Aviation insurance

Correct Answer: B) Boiler and Machinery insurance

Understanding Equipment Breakdown Coverage

Question 214

What is the only cause of loss covered by the Equipment Breakdown Protection Coverage form?

A) Fire damage

B) Breakdown to covered equipment

C) Natural disasters

D) Theft

Correct Answer: B) Breakdown to covered equipment

Question 215

Which of the following is NOT considered a breakdown under the Equipment Breakdown Protection Coverage form?

A) Electrical failure

B) Mechanical failure

C) Malfunction related to adjustment

D) Failure of pressure equipment

Correct Answer: C) Malfunction related to adjustment

Question 216

What type of deductible is expressed in terms of days and applies to losses incurred immediately following an equipment breakdown?

A) Dollar deductible

B) Time deductible

C) Percentage of loss deductible

D) Combined deductible

Correct Answer: B) Time deductible

Question 217

Which coverage under the Equipment Breakdown Protection form covers extra costs for temporary repairs?

A) Property damage

B) Expediting expenses

C) Business income

D) Spoilage damage

Correct Answer: B) Expediting expenses

Question 218

What must be specified in the Declarations page for coverages under the Equipment Breakdown Protection form to apply?

A) The word 'included' or a specified limit

B) The insurer's contact information

C) The insured's business hours

D) The policyholder's signature

Correct Answer: A) The word 'included' or a specified limit

Question 219

Which of the following is considered covered equipment under the Equipment Breakdown Protection form?

A) Office furniture

B) Equipment built to operate under internal pressure

C) Landscaping equipment

D) Personal vehicles

Correct Answer: B) Equipment built to operate under internal pressure

Question 220

What does the utility interruption coverage extend to?

A) Losses from theft

B) Losses from natural disasters

C) Losses resulting from an interruption in utility services due to breakdown of equipment not owned by the insured

D) Losses from employee negligence

Correct Answer: C) Losses resulting from an interruption in utility services due to breakdown of equipment not owned by the insured

Question 221

What is the concept of "One Breakdown" in Equipment Breakdown coverage?

A) It refers to a single deductible for all coverages.

B) It means multiple breakdowns caused by an initial breakdown are considered one breakdown.

C) It indicates a breakdown that occurs only once during the policy period.

D) It refers to a breakdown that affects only one piece of equipment.

Correct Answer: B) It means multiple breakdowns caused by an initial breakdown are considered one breakdown

Understanding Equipment Breakdown Coverage

Question 222

What does the "Ordinance or Law" coverage in Equipment Breakdown Protection cover?

A) Increased costs due to equipment upgrades

B) Increased costs resulting from the enforcement of ordinances or laws

C) Costs related to employee training

D) Costs for routine maintenance

Correct Answer: B) Increased costs resulting from the enforcement of ordinances or laws

Question 223

Which of the following is true about the "Errors and Omissions" coverage?

A) It covers intentional errors in property description

B) It covers unintentional errors or omissions regarding property description or location

C) It covers errors in financial reporting

D) It covers errors in employee contracts

Correct Answer: B) It covers unintentional errors or omissions regarding property description or location

Question 224

What is the purpose of the "Brands and Labels" coverage?

A) To cover the cost of rebranding a business

B) To allow the insurer to remove labels or mark damaged property as 'salvage'

C) To cover the cost of new labels for undamaged products

D) To cover the cost of advertising new products

Correct Answer: B) To allow the insurer to remove labels or mark damaged property as 'salvage'

Question 225

What does "Contingent Business Income and/or Extra Expense" coverage protect against?

A) Losses due to equipment breakdown at the insured's own premises

B) Losses due to equipment breakdown at specified premises not owned by the insured

C) Losses due to natural disasters

D) Losses due to employee strikes

Correct Answer: B) Losses due to equipment breakdown at specified premises not owned by the insured

Question 226

What is the maximum amount the insurer will pay per breakdown for certain losses unless a higher limit is specified?

A) $10,000

B) $15,000

C) $20,000

D) $25,000

Correct Answer: D) $25,000

Question 227

Under what condition can the insurer suspend coverage for Equipment Breakdown Protection?

A) If the insured requests a suspension

B) If the covered equipment is found to be exposed to a dangerous condition

C) If the insured fails to pay the premium on time

D) If the insured changes the location of the equipment

Correct Answer: B) If the covered equipment is found to be exposed to a dangerous condition

Question 228

What does the "Actual Cash Value" endorsement change in the Equipment Breakdown Protection policy?

A) It changes the coverage to include all types of equipment

B) It changes the method of valuation for damaged property

C) It changes the policy to cover only new equipment

D) It changes the policy to exclude all endorsements

Correct Answer: B) It changes the method of valuation for damaged property

Question 229

What is covered under the "Refrigeration Interruption Coverage" endorsement?

A) Spoilage of refrigerated property due to power outages

B) Spoilage of refrigerated property due to a breakdown of covered equipment

C) Spoilage of refrigerated property due to employee negligence

D) Spoilage of refrigerated property due to natural disasters

Correct Answer: B) Spoilage of refrigerated property due to a breakdown of covered equipment

Understanding Commercial Insurance Coverage

Question 230

What type of coverage protects against liability arising from accidents that occur on the insured's premises or as a result of the insured's business operations?

A) Products Completed Operations

B) Premises and Operations

C) Personal and Advertising Injury

D) Fire Legal

Correct Answer: B) Premises and Operations

Question 231

Which coverage is responsible for handling liability claims related to bodily injury or property damage caused by products manufactured, sold, or distributed by the insured?

A) Premises and Operations

B) Products Completed Operations

C) Medical Payments

D) Occurrence Form

Correct Answer: B) Products Completed Operations

Question 232

What does Personal and Advertising Injury coverage protect against?

A) Physical injuries from accidents

B) Non-physical injuries such as libel or slander

C) Fire damage to rented premises

D) Medical expenses for third-party injuries

Correct Answer: B) Non-physical injuries such as libel or slander

Question 233

Which type of insurance coverage is also known as Equipment Breakdown Insurance?

A) Businessowners Policy (BOP)

B) Boiler and Machinery

C) Inland Marine

D) Personal Property Floater

Correct Answer: B) Boiler and Machinery

Question 234

What is the primary purpose of a Businessowners Policy (BOP)?

A) To cover personal property that is portable

B) To provide comprehensive insurance for small to medium-sized businesses

C) To cover fire damage to rented premises

D) To insure against equipment breakdown

Correct Answer: B) To provide comprehensive insurance for small to medium-sized businesses

Question 235

Which of the following is NOT a category covered under the Nationwide Definition for Inland Marine insurance?

A) Imports

B) Exports

C) Personal Property Floater risks

D) Homeowners insurance

Correct Answer: D) Homeowners insurance

Question 236

What is the coverage period for newly acquired fine art under the Personal Articles form?

A) 30 days

B) 60 days

C) 90 days

D) 120 days

Correct Answer: C) 90 days

Question 237

Which of the following is NOT typically covered under the Personal Articles form?

A) Jewelry

B) Furs

C) Automobiles

D) Fine art

Correct Answer: C) Automobiles

Understanding Marine Insurance Coverage

Question 238

What type of coverage does the Personal Property Form provide?

A) Named peril coverage

B) Open peril coverage

C) Liability coverage

D) No coverage

Correct Answer: B) Open peril coverage

Question 239

Which of the following is typically excluded from the Personal Effects Form coverage?

A) Clothing

B) Tickets

C) Luggage

D) Jewelry

Correct Answer: B) Tickets

Question 240

What is the Pair and Set Condition in insurance?

A) The insurer will always pay the full value of a pair or set if one item is lost.

B) The insurer will not reimburse the full value if the entire pair or set is not lost or damaged.

C) The insurer will replace the entire set regardless of the loss.

D) The insurer will pay double the value of the lost item.

Correct Answer: B) The insurer will not reimburse the full value if the entire pair or set is not lost or damaged.

Question 241

Which of the following is NOT a typical exclusion in personal inland marine floaters?

A) War

B) Nuclear hazard

C) Theft

D) Wear and tear

Correct Answer: C) Theft

Question 242

What type of insurance provides coverage for physical damage to a ship or vessel?

A) Cargo insurance

B) Hull insurance

C) Freight insurance

D) Protection and Indemnity insurance

Correct Answer: B) Hull insurance

Question 243

Which category of property is covered by Commercial Inland Marine Insurance?

A) Imports

B) Exports

C) Domestic shipments

D) Personal property floaters

Correct Answer: C) Domestic shipments

Question 244

What does Protection and Indemnity (P&I) insurance cover?

A) Physical damage to the vessel

B) Loss of freight revenue

C) Liability claims against shipowners

D) Damage to cargo

Correct Answer: C) Liability claims against shipowners

Question 245

Which of the following is an example of a commercial coverage under Commercial Inland Marine Insurance?

A) Personal Watercraft

B) Builder's Risk

C) Personal Effects Form

D) Personal Property Form

Correct Answer: B) Builder's Risk

Understanding Commercial Property Floaters

Question 246

What is the main difference between controlled and uncontrolled forms in commercial property floaters?

A) Controlled forms are not filed with the state's Department of Insurance, while uncontrolled forms are.

B) Controlled forms are filed with the state's Department of Insurance, while uncontrolled forms are not.

C) Controlled forms are written by each insurer, while uncontrolled forms are standardized.

D) Controlled forms are only used for domestic shipments, while uncontrolled forms are used for international shipments.

Correct Answer: B) Controlled forms are filed with the state's Department of Insurance, while uncontrolled forms are not.

Question 247

Which of the following is a subcategory of commercial property floater risks?

A) Homeowners insurance

B) Bailee's customer forms

C) Auto insurance

D) Life insurance

Correct Answer: B) Bailee's customer forms

Question 248

Which controlled form covers medical and dental instruments on and off the premises?

A) Theatrical property

B) Film

C) Physicians and surgeons equipment

D) Commercial articles

Correct Answer: C) Physicians and surgeons equipment

Question 249

What type of coverage does the "Mail" controlled form provide?

A) Coverage for property in transit by mail while in the care, custody, or control of a government postal service

B) Coverage for medical equipment

C) Coverage for theatrical property

D) Coverage for accounts receivable

Correct Answer: A) Coverage for property in transit by mail while in the care, custody, or control of a government postal service

Question 250

Which of the following is NOT covered under the "Valuable papers and records" controlled form?

A) Manuscripts

B) Maps

C) Money and securities

D) Drawings

Correct Answer: C) Money and securities

Question 251

What type of coverage does the "Motor truck cargo – owner's form" provide?

A) Coverage for shippers and receivers of goods

B) Coverage for companies that transport their own goods

C) Coverage for dealers of mobile equipment

D) Coverage for electronic data processing equipment

Correct Answer: B) Coverage for companies that transport their own goods

Question 252

Which of the following is an example of a non-filed form under Commercial Property Floater Risks?

A) Accounts receivable

B) Contractors equipment coverage

C) Jewelers block

D) Floor plan

Correct Answer: B) Contractors equipment coverage

Question 253

What type of coverage does the "Electronic data processing equipment coverage" provide?

A) Coverage for theatrical property

B) Coverage for computer hardware, software, or data

C) Coverage for neon signs

D) Coverage for jewelers' merchandise

Correct Answer: B) Coverage for computer hardware, software, or data

Understanding Miscellaneous Insurance Policies

Question 254

What is the primary purpose of the National Flood Insurance Program (NFIP)?

A) To provide free insurance to all property owners

B) To reduce the socio-economic impact of flooding by providing affordable insurance and encouraging floodplain management

C) To offer insurance only to commercial properties

D) To replace all private insurance companies

Correct Answer: B) To reduce the socio-economic impact of flooding by providing affordable insurance and encouraging floodplain management

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Question 255

Which of the following is NOT covered under flood insurance?

A) Overflow of inland or tidal waters

B) Mudslides caused by water accumulation

C) Sewer backup

D) Rapid accumulation of surface water

Correct Answer: C) Sewer backup

Question 256

What is the maximum coverage limit for a single-family home under the NFIP Emergency Program?

A) $10,000

B) $35,000

C) $100,000

D) $250,000

Correct Answer: B) $35,000

Question 257

Which type of insurance provides coverage for the operation and ownership of aircraft?

A) Flood insurance

B) FAIR Plans

C) Aviation insurance

D) Title insurance

Correct Answer: C) Aviation insurance

Question 258

What is the main function of FAIR Plans?

A) To provide flood insurance

B) To offer property insurance to high-risk individuals and businesses who cannot obtain it through the standard market

C) To insure aircraft

D) To protect against title defects

Correct Answer: B) To offer property insurance to high-risk individuals and businesses who cannot obtain it through the standard market

Question 259

Which of the following best describes a flood according to the NFIP?

A) A temporary inundation of normally dry land by an overflow of inland or tidal waters

B) A permanent rise in sea level

C) A sewer backup

D) A small puddle on a driveway

Correct Answer: A) A temporary inundation of normally dry land by an overflow of inland or tidal waters

Question 260

What is the maximum coverage limit for non-residential properties under the NFIP Regular Program?

A) $100,000

B) $250,000

C) $500,000

D) $1,000,000

Correct Answer: C) $500,000

Question 261

Which type of insurance protects property buyers and mortgage lenders against losses due to defects in the title to real property?

A) Comprehensive Personal Liability insurance

B) Title insurance

C) Farm and Crop insurance

D) Aviation insurance

Correct Answer: B) Title insurance

Understanding Flood and Earthquake Insurance

Question 262

What type of building is eligible for flood coverage?

A) Any building that is walled and roofed, principally above ground, and fixed to a permanent site

B) Any building, regardless of its structure or location

C) Only buildings made of brick

D) Only buildings located in flood-prone areas

Correct Answer: A) Any building that is walled and roofed, principally above ground, and fixed to a permanent site

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Question 263

For how many days is personal property covered if it is removed to protect it from flood?

A) 30 days

B) 45 days

C) 60 days

D) 90 days

Correct Answer: B) 45 days

Question 264

Which of the following is NOT covered under flood insurance?

A) Single-family dwellings

B) Lawns, trees, shrubs, and plants

C) Personal property inside a building

D) Debris removal expenses

Correct Answer: B) Lawns, trees, shrubs, and plants

Question 265

What is the standard deductible for both building and contents coverage in flood insurance?

A) $250

B) $500

C) $750

D) $1000

Correct Answer: B) $500

Question 266

How are earthquake shocks that occur within a specific time frame considered under earthquake coverage?

A) As separate earthquakes

B) As a single earthquake

C) As aftershocks

D) As unrelated events

Correct Answer: B) As a single earthquake

Question 267

What is the typical deductible percentage for earthquake insurance based on the overall policy limit?

A) 5%

B) 10%

C) 15%

D) 20%

Correct Answer: C) 15%

Question 268

Which of the following is NOT covered under a typical earthquake policy?

A) Damage to the structure

B) Loss of landscaping

C) Damage to contents

D) Damage from land shock waves

Correct Answer: B) Loss of landscaping

Question 269

What type of insurance is a Personal Yacht policy written as?

A) Homeowners insurance

B) Auto insurance

C) Ocean marine insurance

D) Flood insurance

Correct Answer: C) Ocean marine insurance

Understanding Commercial General Liability

Question 270

What does Commercial General Liability (CGL) insurance primarily protect businesses against?

A) Natural disasters

B) Various liabilities arising from business operations

C) Employee theft

D) Equipment breakdown

Correct Answer: B) Various liabilities arising from business operations

Question 271

Which type of liability is covered by CGL insurance if a customer slips and falls on a business's premises?

A) Products and Completed Operations Liability

B) Premises and Operations Liability

C) Contractual Liability

D) Personal and Advertising Liability

Correct Answer: B) Premises and Operations Liability

Question 272

What does Products and Completed Operations Liability cover?

A) Bodily injury or property damage caused by products sold or work completed by the insured

B) Defamation or copyright infringement claims

C) Medical expenses for injuries on the insured's premises

D) Liabilities assumed under contract

Correct Answer: A) Bodily injury or property damage caused by products sold or work completed by the insured

Question 273

Which type of CGL coverage protects against defamation or copyright infringement claims?

A) Medical Payments

B) Personal and Advertising Liability

C) Contractual Liability

D) Owners and Contractors Protective Liability

Correct Answer: B) Personal and Advertising Liability

Question 274

What is the primary difference between Occurrence Coverage and Claims Made Coverage in CGL insurance?

A) Occurrence Coverage is more expensive than Claims Made Coverage

B) Occurrence Coverage covers claims during the policy period, while Claims Made Coverage covers claims made during the policy period

C) Occurrence Coverage only covers property damage, while Claims Made Coverage only covers bodily injury

D) There is no difference between the two

Correct Answer: B) Occurrence Coverage covers claims during the policy period, while Claims Made Coverage covers claims made during the policy period

Question 275

Which of the following is NOT a basic hazard covered by CGL insurance?

A) Premises and Operations Liability

B) Products and Completed Operations Liability

C) Natural Disaster Liability

D) Independent Contractors Liability

Correct Answer: C) Natural Disaster Liability

Question 276

What does the Medical Payments coverage in CGL insurance provide?

A) Coverage for legal fees in defamation cases

B) Coverage for medical expenses for injuries sustained on the insured's premises, regardless of fault

C) Coverage for property damage caused by faulty products

D) Coverage for liabilities assumed under contract

Correct Answer: B) Coverage for medical expenses for injuries sustained on the insured's premises, regardless of fault

Question 277

Which aspect of CGL insurance provides liability protection for property owners or contractors for the actions of their subcontractors?

A) Personal and Advertising Liability

B) Owners and Contractors Protective Liability

C) Contractual Liability

D) Products and Completed Operations Liability

Correct Answer: B) Owners and Contractors Protective Liability

Understanding Liability Insurance Coverage

Question 278

What does Products and Completed Operations coverage pay for?

A) Bodily injury or property damage that occurs on your business premises

B) Bodily injury or property damage that occurs away from your business premises and is caused by your products or completed work

C) The cost of recalling a faulty product

D) Damage to the product itself

Correct Answer: B) Bodily injury or property damage that occurs away from your business premises and is caused by your products or completed work

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Question 279

Which of the following is NOT covered under Products Liability?

A) Bodily injury caused by a faulty product

B) Property damage caused by a faulty product

C) Loss or damage to the product itself

D) Bodily injury caused by a product after it has left the manufacturer's premises

Correct Answer: C) Loss or damage to the product itself

Question 280

What is the basis for calculating the premium for products liability?

A) Number of products sold

B) Gross annual sales of the product

C) Number of employees

D) Size of the business premises

Correct Answer: B) Gross annual sales of the product

Question 281

Completed Operations liability provides coverage for which of the following?

A) Bodily injury or property damage during the construction process

B) Bodily injury or property damage after the work has been completed

C) Damage to the construction materials

D) Cost of repairing faulty construction

Correct Answer: B) Bodily injury or property damage after the work has been completed

Question 282

What is Contingent Liability coverage also known as?

A) Products Liability

B) Completed Operations Liability

C) Owners and Contractors Protective insurance

D) Workers' Compensation

Correct Answer: C) Owners and Contractors Protective insurance

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Question 283

Which of the following is considered an insured contract under Commercial General Liability coverage?

A) A contract for the sale of goods

B) A contract for lease of premises

C) A contract for hiring employees

D) A contract for purchasing equipment

Correct Answer: B) A contract for lease of premises

Question 284

Which of the following is an exclusion under Coverage A: Bodily Injury and Property Damage liability?

A) Liability arising out of expected or intentional injury

B) Liability for bodily injury caused by a faulty product

C) Liability for property damage caused by completed operations

D) Liability for bodily injury caused by independent contractors

Correct Answer: A) Liability arising out of expected or intentional injury

Question 285

Which act is NOT covered under Coverage A: Bodily Injury and Property Damage liability?

A) Violations of the Telephone Consumer Protection Act

B) Bodily injury caused by a product

C) Property damage caused by completed operations

D) Bodily injury caused by negligence

Correct Answer: A) Violations of the Telephone Consumer Protection Act

Understanding Liability Insurance Coverage

Question 286

What is the primary purpose of Fire Legal Liability in a commercial lease agreement?

A) To cover all types of property damage

B) To cover property damage caused by fire due to the tenant's negligence

C) To cover bodily injury caused by fire

D) To cover pollution-related damages

Correct Answer: B) To cover property damage caused by fire due to the tenant's negligence

Question 287

Which of the following is NOT covered under the Pollution Liability Coverage Extension Endorsement?

A) Bodily injury due to pollution

B) Property damage due to pollution

C) Cost of pollutant clean-up

D) Emissions of pollutants into the atmosphere

Correct Answer: C) Cost of pollutant clean-up

Question 288

What type of coverage is provided by Coverage B in a Commercial General Liability policy?

A) Fire damage liability

B) Personal Injury and Advertising Injury

C) Pollution liability

D) Medical payments

Correct Answer: B) Personal Injury and Advertising Injury

Question 289

Which of the following is an exclusion under Coverage B for Personal Injury and Advertising Injury liability?

A) Invasion of privacy

B) Libel

C) Knowingly violating another’s rights

D) Malicious prosecution

Correct Answer: C) Knowingly violating another’s rights

Question 290

What is the basis for providing Medical Payments coverage under Coverage C?

A) Fault-based liability

B) No-fault basis

C) Contractual liability

D) Pollution liability

Correct Answer: B) No-fault basis

Question 291

Which of the following is NOT a supplementary payment covered under a Commercial General Liability policy?

A) Expenses the insurance company incurs

B) Cost of bonds to release attachments

C) Attorney's fees

D) Prejudgment interest

Correct Answer: C) Attorney's fees

Question 292

Which of the following is true about the Pollution Liability Coverage Form?

A) It does not cover emissions of pollutants into water

B) It is written on an occurrence form

C) It includes the costs of pollutant clean-up

D) It does not specify separate limits of liability

Correct Answer: C) It includes the costs of pollutant clean-up

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Question 293

Under Coverage C, which of the following medical expenses is NOT covered?

A) First aid when the accident occurs

B) Medical expenses for an insured

C) Hospital expenses

D) Ambulance services

Correct Answer: B) Medical expenses for an insured

Understanding Liability Coverage Forms

Question 294

What is the primary difference between an Occurrence Form and a Claims-Made Form in Commercial General Liability coverage?

A) The type of liability covered

B) How coverage is activated or "triggered"

C) The geographical area covered

D) The amount of premium charged

Correct Answer: B) How coverage is activated or "triggered"

Question 295

In an Occurrence Form, when can a loss be reported and claimed?

A) Only during the policy period

B) At any time in the future

C) Only within 60 days after the policy period

D) Only if the policy is renewed

Correct Answer: B) At any time in the future

Question 296

What is the purpose of a Retroactive Date in a Claims-Made Form?

A) To extend the policy period indefinitely

B) To specify a date before which losses are not covered

C) To determine the premium amount

D) To define the geographical coverage area

Correct Answer: B) To specify a date before which losses are not covered

Question 297

Which of the following is true about the Basic Extended Reporting Period (ERP)?

A) It extends the reporting period indefinitely

B) It requires an additional premium

C) It starts at the end of the policy period and provides an additional 60 days for reporting

D) It can be cancelled at any time

Correct Answer: C) It starts at the end of the policy period and provides an additional 60 days for reporting

Question 298

What is the maximum additional premium that can be charged for a Supplemental Extended Reporting Period?

A) 100% of the annual policy premium

B) 150% of the annual policy premium

C) 200% of the annual policy premium

D) 250% of the annual policy premium

Correct Answer: C) 200% of the annual policy premium

Question 299

If a policy written on an occurrence form is replaced with a claims-made form, what should be the retroactive date of the new policy to avoid overlapping coverage?

A) The date of the first claim

B) The effective date of the new policy

C) The expiration date of the old policy

D) The date of the first occurrence

Correct Answer: B) The effective date of the new policy

Question 300

Who is considered an insured in a policy where the named insured is a limited liability company?

A) Only the named insured

B) Members and managers, but only in connection with their duties

C) Only the executive officers

D) Only the stockholders

Correct Answer: B) Members and managers, but only in connection with their duties

Question 301

In the context of a trust, who is considered an insured under a Commercial General Liability policy?

A) Only the named insured

B) Only the trustees

C) The named insured and trustees, but only in connection with their duties

D) Only the beneficiaries

Correct Answer: C) The named insured and trustees, but only in connection with their duties

Understanding Commercial General Liability

Question 302

Who is included as an insured under the Commercial General Liability policy when acting within the scope of their employment?

A) Executive officers

B) Named insured’s employees

C) Directors

D) Managers

Correct Answer: B) Named insured’s employees

Question 303

What is the maximum period for which coverage is automatically provided for newly acquired or formed organizations?

A) 30 days

B) 60 days

C) 90 days

D) 120 days

Correct Answer: C) 90 days

Question 304

Which limit is the most the insurer will pay in the policy period toward damages for Coverages A, B, and C other than damages for Products and Completed Operations?

A) The General Aggregate limit

B) The Products and Completed Operations Aggregate limit

C) The Personal and Advertising Injury limit

D) The Per Occurrence limit

Correct Answer: A) The General Aggregate limit

Question 305

What is the insurer's right regarding the insured's books and records?

A) The right to destroy them

B) The right to audit them

C) The right to sell them

D) The right to ignore them

Correct Answer: B) The right to audit them

Question 306

Which of the following is NOT considered "Mobile Equipment" under the policy definitions?

A) Bulldozers

B) Farm machinery

C) Vehicles designed for travel on public roads

D) Vehicles that travel on crawler treads

Correct Answer: C) Vehicles designed for travel on public roads

Question 307

What is the definition of "Impaired Property" in the policy?

A) Tangible property that is destroyed

B) Tangible property that cannot be used or is less useful because it incorporates the insured’s product or work

C) Intangible property that is damaged

D) Real estate property that is impaired

Correct Answer: B) Tangible property that cannot be used or is less useful because it incorporates the insured’s product or work

Question 308

What is the coverage territory usually defined as in the policy?

A) Only the United States

B) The United States, including its territories or possessions, Puerto Rico, and Canada

C) Only Canada

D) Only Puerto Rico

Correct Answer: B) The United States, including its territories or possessions, Puerto Rico, and Canada

Question 309

Which of the following is NOT automatically covered if newly acquired or formed under the policy?

A) Corporation

B) Partnership

C) Sole proprietorship

D) Non-profit organization

Correct Answer: B) Partnership

Understanding Auto Insurance Basics

Question 310

What does liability coverage in auto insurance pay for?

A) Damage to the insured's vehicle from a collision

B) Bodily injury and property damage the insured is legally responsible for

C) Medical expenses for the insured and their passengers

D) Damage to a customer's vehicle while in the care of a repair shop

Correct Answer: B) Bodily injury and property damage the insured is legally responsible for

Question 311

Which of the following is NOT considered a pollutant under the given definition?

A) Smoke

B) Vapor

C) Water

D) Acids

Correct Answer: C) Water

Question 312

What is the role of a leased worker according to the provided definitions?

A) A person who substitutes for a permanent employee on leave

B) A person leased to the insured by a labor leasing firm to perform business-related duties

C) A person who donates time and is not paid for work performed

D) A person who is an employee of the supplying company

Correct Answer: B) A person leased to the insured by a labor leasing firm to perform business-related duties

Question 313

Which type of auto is described as a vehicle rented, leased, or hired by the insured for business purposes?

A) Owned

B) Non-owned

C) Hired

D) Temporary Substitute

Correct Answer: C) Hired

Question 314

What does uninsured motorists coverage pay for?

A) Damage to the insured's vehicle from a collision

B) Medical expenses for the insured and their passengers, regardless of fault

C) Injuries and property damage if hit by a driver without insurance

D) Damage to a customer's vehicle while in the care of a repair shop

Correct Answer: C) Injuries and property damage if hit by a driver without insurance

Question 315

Which of the following is NOT included in the definition of "loading or unloading"?

A) Moving property from an aircraft to the final delivery place

B) Handling property while it is in or on an auto

C) Movement of property by a mechanical device not attached to the auto

D) Accepting property for movement onto an aircraft

Correct Answer: C) Movement of property by a mechanical device not attached to the auto

Question 316

What does the Garagekeepers Insurance cover?

A) Liability for injuries on the premises of an auto repair shop

B) Damage to the insured's vehicle from a collision

C) Damage to customers' vehicles while in the care of the insured business

D) Medical expenses for the insured and their passengers

Correct Answer: C) Damage to customers' vehicles while in the care of the insured business

Question 317

Which type of auto is described as a vehicle temporarily used as a replacement for an insured vehicle that is out of service?

A) Owned

B) Non-owned

C) Hired

D) Temporary Substitute

Correct Answer: D) Temporary Substitute

Understanding Personal Auto Policies

Question 318

What is the primary purpose of the Personal Auto Policy (PAP)?

A) To provide health insurance coverage for the insured

B) To provide property and liability coverage for motor vehicles used by an individual or family members

C) To offer life insurance benefits to the insured

D) To cover business-related vehicle expenses

Correct Answer: B) To provide property and liability coverage for motor vehicles used by an individual or family members

Question 319

Which part of the Personal Auto Policy provides coverage for bodily injury or property damage for which the insured is legally responsible?

A) Part B – Medical payments coverage

B) Part C – Uninsured motorists coverage

C) Part A – Liability coverage

D) Part D – Coverage for damage to your own auto

Correct Answer: C) Part A – Liability coverage

Question 320

Under the Personal Auto Policy, which of the following is NOT considered a covered auto?

A) A vehicle listed in the Declarations page

B) A vehicle used for delivery or commercial purposes

C) A private passenger vehicle acquired during the policy period

D) A trailer owned by the named insured

Correct Answer: B) A vehicle used for delivery or commercial purposes

Question 321

Which endorsement is designed for individuals who do not own a car but drive either a borrowed or a rented car?

A) Joint Ownership Coverage

B) Named Non-Owner Coverage for a Named Individual

C) Miscellaneous Type Vehicles

D) Towing and Labor Costs

Correct Answer: B) Named Non-Owner Coverage for a Named Individual

Question 322

What is required for Part B – Medical payments coverage to be selected under the Personal Auto Policy?

A) It can be selected independently

B) Part A – Liability coverage must be selected

C) It requires a separate policy

D) It is automatically included with every policy

Correct Answer: B) Part A – Liability coverage must be selected

Question 323

Which of the following is true about the Towing and Labor Costs endorsement?

A) It covers labor costs at the repair shop after towing

B) It only covers towing costs, not labor

C) It covers labor costs only if performed at the place of disablement

D) It is included in the standard Personal Auto Policy

Correct Answer: C) It covers labor costs only if performed at the place of disablement

Question 324

What does the Extended Non-Owned Coverage endorsement provide?

A) Coverage for snowmobiles

B) Coverage for non-owned autos furnished for regular use

C) Coverage for farming and ranching vehicles

D) Coverage for vehicles used for delivery purposes

Correct Answer: B) Coverage for non-owned autos furnished for regular use

Question 325

Which of the following is NOT a requirement for a vehicle to be considered a covered auto under the Personal Auto Policy?

A) The vehicle must be owned by the insured or leased for a minimum of six months

B) The vehicle must be used for business purposes

C) The vehicle must be a private passenger vehicle

D) The vehicle must be listed in the Declarations page

Correct Answer: B) The vehicle must be used for business purposes

Understanding Auto Insurance Liability

Question 326

Who is considered an "insured" under the policy when using any auto?

A) Only the named insured

B) The named insured and members of the insured's family

C) Only the insured's spouse

D) Only family members with a driver's license

Correct Answer: B) The named insured and members of the insured's family

Question 327

What is the maximum amount the insurer will pay for bail bonds under Supplementary Payments?

A) $100

B) $250

C) $500

D) $1000

Correct Answer: B) $250

Question 328

Which of the following is NOT covered under Part A – Liability coverage?

A) Intentional bodily injury by the insured

B) Damage to a neighbor's car

C) Bodily injury to a pedestrian

D) Damage to a rented trailer

Correct Answer: A) Intentional bodily injury by the insured

Question 329

If the insured's 18-year-old son has an accident while driving the neighbor's car, how is the liability covered?

A) It is not covered

B) It is covered under the neighbor's policy only

C) It is covered under the insured's policy

D) It is covered under both policies equally

Correct Answer: C) It is covered under the insured's policy

Question 330

What is the per person limit for bodily injury if the limits of liability are 25/50/25?

A) $25,000

B) $50,000

C) $75,000

D) $100,000

Correct Answer: A) $25,000

Question 331

Which of the following vehicles is NOT covered under the personal auto policy?

A) A vehicle used for a share-the-cost car pool

B) A vehicle used for delivery of goods

C) A vehicle used by a salesperson

D) A non-owned golf cart

Correct Answer: B) A vehicle used for delivery of goods

Question 332

How is liability shared when more than one auto liability insurance policy is in place at the time of a loss?

A) Each insurer pays the full amount of the loss

B) Each insurer pays in proportion to their limit of liability

C) The insurer with the higher limit pays the full amount

D) The insurer with the lower limit pays the full amount

Correct Answer: B) Each insurer pays in proportion to their limit of liability

Question 333

What happens if a covered auto is driven in another state with different financial responsibility laws?

A) The policy does not cover the auto

B) The policy conforms to the other state's laws

C) The policy only covers up to the original state's limits

D) The policy requires additional coverage

Correct Answer: B) The policy conforms to the other state's laws

Understanding Medical Payments Coverage

Question 334

What does Part B – Medical Payments cover in an auto insurance policy?

A) Liability coverage for injuries sustained by passengers in another auto

B) Medical expenses for the named insured, family members, and passengers in the named insured's auto

C) Damage to the insured's own car

D) Personal property inside the vehicle

Correct Answer: B) Medical expenses for the named insured, family members, and passengers in the named insured's auto

Question 335

Which of the following is NOT covered under Part B – Medical Payments?

A) Injuries sustained while occupying a motorized vehicle with fewer than four wheels

B) Injuries sustained while you are a passenger in someone else's car

C) Injuries sustained while walking or cycling and struck by a car

D) Dental care required after an accident

Correct Answer: A) Injuries sustained while occupying a motorized vehicle with fewer than four wheels

Question 336

What is the typical limit of liability per person for Part B – Medical Payments?

A) $500

B) $1,000, $2,000, or $5,000

C) $10,000

D) $20,000

Correct Answer: B) $1,000, $2,000, or $5,000

Question 337

Which of the following scenarios would be covered under Part D – Physical Damage coverage?

A) Your vehicle is used as a taxi and gets damaged

B) Your vehicle hits a rock in the middle of the road

C) Your vehicle is used in a racing contest and gets damaged

D) Your vehicle is used as a residence and gets damaged

Correct Answer: B) Your vehicle hits a rock in the middle of the road

Question 338

What is the waiting period for transportation expenses coverage in the case of total theft of the auto?

A) 12 hours

B) 24 hours

C) 48 hours

D) 72 hours

Correct Answer: C) 48 hours

Question 339

Which of the following is considered a non-owned auto under physical damage coverage?

A) A vehicle owned by the insured

B) A rental car

C) A vehicle used regularly by a family member

D) A vehicle used in the insured’s business

Correct Answer: B) A rental car

Question 340

Which of the following perils is covered under "Other than collision" or comprehensive coverage?

A) Collision with another vehicle

B) Theft or larceny

C) Damage from using the vehicle as a taxi

D) Damage from racing contests

Correct Answer: B) Theft or larceny

Question 341

If an insured vehicle is involved in an accident and there are multiple insurance policies, how is the loss shared?

A) The primary insurer pays the entire loss

B) Each insurer pays their share in proportion to their limit of liability

C) The driver’s policy pays first, then the owner’s policy

D) The insured pays out of pocket

Correct Answer: B) Each insurer pays their share in proportion to their limit of liability

Question 342

Which of the following losses is excluded under Part D for autos being used for public or livery conveyance?

A) Autos used for personal errands

B) Autos used for public or livery conveyance

C) Autos used for commuting to work

D) Autos used for recreational purposes

Correct Answer: B) Autos used for public or livery conveyance

Question 343

What is the maximum amount the policy will pay for the loss of a nonowned trailer under Part D?

A) $500

B) $1,000

C) $1,500

D) $2,000

Correct Answer: C) $1,500

Question 344

Under Part C, which of the following is NOT considered an uninsured motor vehicle?

A) A vehicle with no liability coverage at the time of the accident

B) A vehicle operated by a hit-and-run driver

C) A vehicle owned by a government unit or agency

D) A vehicle with insufficient liability coverage to meet state requirements

Correct Answer: C) A vehicle owned by a government unit or agency

Question 345

Which of the following is a specific exclusion under Part C – Uninsured Motorists?

A) Bodily injury sustained by an insured while occupying a covered auto

B) Bodily injury sustained by an insured while occupying a vehicle owned by the named insured but not insured for uninsured motorists coverage

C) Bodily injury sustained by a family member while occupying a covered auto

D) Bodily injury sustained by a pedestrian struck by a covered auto

Correct Answer: B) Bodily injury sustained by an insured while occupying a vehicle owned by the named insured but not insured for uninsured motorists coverage

Question 346

What is the coverage limit for electronic equipment permanently installed in an area of the car not normally used by the manufacturer for the equipment under Part D?

A) $500

B) $750

C) $1,000

D) $1,500

Correct Answer: C) $1,000

Question 347

Which of the following is NOT a condition under Part D – Physical Damage?

A) Losses are paid based on actual cash value or the amount required to repair or replace the property

B) The insurer will pay only its share of the loss if any other source of recovery applies

C) A bailee can benefit from the insurance policy if a loss occurs to the car while in their possession

D) The loss may be appraised if the insured and insurer do not agree on the amount to be paid

Correct Answer: C) A bailee can benefit from the insurance policy if a loss occurs to the car while in their possession

Question 348

Under Part C, which of the following is included in the definition of insureds for uninsured motorists insurance?

A) Only the named insured

B) The named insured and any family member

C) Any person occupying any auto

D) Only passengers in the covered auto

Correct Answer: B) The named insured and any family member

Question 349

Which of the following is a specific exclusion under Part D for nonowned autos?

A) Nonowned autos used for personal errands

B) Nonowned autos used in any business

C) Nonowned autos used for commuting

D) Nonowned autos used for recreational purposes

Correct Answer: B) Nonowned autos used in any business

Understanding Auto Insurance Coverage

Question 350

What is the maximum amount an insured can collect if they have two policies with uninsured motorists coverage limits of 25/50 and 100/300?

A) 25/50

B) 100/300

C) 125/350

D) 50/100

Correct Answer: B) 100/300

Question 351

If an insured is occupying a non-owned vehicle and is involved in an accident, which policy provides primary coverage?

A) The insured's own policy

B) The policy covering the non-owned vehicle

C) Both policies equally

D) Neither policy

Correct Answer: B) The policy covering the non-owned vehicle

Question 352

Under the Personal Auto Policy, who is considered an insured?

A) Only the named insured

B) The named insured and family members using any auto

C) Only the named insured's spouse

D) Anyone driving the insured's car without permission

Correct Answer: B) The named insured and family members using any auto

Question 353

What is the purpose of Assigned Risk Plans?

A) To provide insurance to drivers with excellent driving records

B) To provide insurance to drivers who cannot obtain it due to bad driving records

C) To offer discounts to safe drivers

D) To eliminate the need for auto insurance

Correct Answer: B) To provide insurance to drivers who cannot obtain it due to bad driving records

Question 354

What does New Uninsured Motorist Coverage provide?

A) Coverage only up to the at-fault driver's liability limit

B) Additional protection at a higher premium than standard coverage

C) Coverage only for property damage

D) No additional protection beyond standard coverage

Correct Answer: B) Additional protection at a higher premium than standard coverage

Question 355

In a no-fault insurance system, who reimburses the insured for medical expenses and loss of wages?

A) The at-fault driver's insurer

B) The insured's own insurer

C) The state government

D) The insured themselves

Correct Answer: B) The insured's own insurer

Question 356

What happens if the insured and the insurer disagree on the entitlement to uninsured motorists coverages?

A) The insured automatically wins the dispute

B) The insurer automatically wins the dispute

C) The matter is resolved through arbitration

D) The matter is resolved through a court trial

Correct Answer: C) The matter is resolved through arbitration

Question 357

What is the role of underinsured motorists coverage?

A) To cover damages when the at-fault driver's insurance is sufficient

B) To cover the difference between the at-fault driver's insurance and the insured's loss

C) To provide coverage only for property damage

D) To eliminate the need for liability insurance

Correct Answer: B) To cover the difference between the at-fault driver's insurance and the insured's loss

Understanding Personal Liability Insurance

Question 358

What is the primary purpose of an umbrella policy?

A) To provide coverage for intentional acts

B) To provide liability insurance in excess of primary policies

C) To replace primary insurance policies

D) To cover business pursuits

Correct Answer: B) To provide liability insurance in excess of primary policies

Question 359

Which of the following is NOT typically covered by a personal umbrella policy?

A) Worldwide personal liability coverage

B) Liability for small watercraft

C) Liability associated with a business pursuit

D) Personal injury insurance

Correct Answer: C) Liability associated with a business pursuit

Question 360

What is a retention requirement in the context of an umbrella policy?

A) The maximum limit of liability

B) The equivalent of a deductible

C) The premium paid for the policy

D) The minimum coverage required on a primary policy

Correct Answer: B) The equivalent of a deductible

Question 361

Errors and Omissions (E&O) liability insurance is particularly pertinent to which group of professionals?

A) Medical professionals

B) Insurance professionals

C) Legal professionals

D) Construction professionals

Correct Answer: B) Insurance professionals

Question 362

Which section of the Business Auto Coverage form specifies the categories of covered autos?

A) Section I: Covered autos

B) Section II: Liability coverage

C) Section III: Physical damage coverage

D) Section IV: Conditions

Correct Answer: A) Section I: Covered autos

Question 363

What does Symbol 1 designate in the Business Auto Coverage form?

A) Owned autos only

B) Hired autos only

C) Any auto

D) Nonowned autos only

Correct Answer: C) Any auto

Question 364

Which of the following is NOT a form included in the Commercial Auto coverage part?

A) Business Auto Coverage Form

B) Garage Coverage Form

C) Homeowners Coverage Form

D) Motor Carrier Coverage Form

Correct Answer: C) Homeowners Coverage Form

Question 365

What type of coverage can be added by endorsement to the Business Auto Coverage form?

A) Liability coverage

B) Physical damage coverage

C) Uninsured motorists coverage

D) Garagekeepers coverage

Correct Answer: C) Uninsured motorists coverage

Understanding Auto Insurance Coverage

Question 366

What type of vehicle is covered under liability coverage when it is being towed or carried by a covered auto?

A) Owned auto

B) Non-owned auto

C) Mobile equipment

D) Hired auto

Correct Answer: C) Mobile equipment

Question 367

Which of the following is NOT considered an insured under the liability coverage?

A) Named insured

B) Other drivers using a covered vehicle with permission

C) Owner of a hired or borrowed auto

D) Those liable for the conduct of an insured

Correct Answer: C) Owner of a hired or borrowed auto

Question 368

What is the maximum amount covered for bail bonds under supplementary payments?

A) $500

B) $1,000

C) $2,000

D) $5,000

Correct Answer: C) $2,000

Question 369

Which type of coverage provides protection for a vehicle that is not owned by the insured but is used for business purposes?

A) Owned auto coverage

B) Non-owned auto coverage

C) Hired auto coverage

D) Temporary substitute coverage

Correct Answer: B) Non-owned auto coverage

Question 370

What is the standard deductible for comprehensive coverage per covered auto per loss?

A) $250

B) $500

C) $750

D) $1,000

Correct Answer: B) $500

Question 371

Which of the following is covered under comprehensive coverage?

A) Collision with another object

B) Overturn of the covered auto

C) Theft

D) Damage from a bird or animal

Correct Answer: C) Theft

Question 372

How long after the theft of a covered vehicle does transportation expense coverage begin?

A) 24 hours

B) 36 hours

C) 48 hours

D) 72 hours

Correct Answer: C) 48 hours

Question 373

What is the maximum daily limit for loss of use expenses to rented autos under physical damage coverage?

A) $10

B) $20

C) $30

D) $40

Correct Answer: B) $20

Understanding Business Auto Coverage

Question 374

Which of the following is NOT covered under the Business Auto Physical Damage Coverage Form?

A) Owned autos only

B) Hired autos only

C) Sound reproducing and receiving equipment

D) Owned private passenger autos only

Correct Answer: C) Sound reproducing and receiving equipment

Question 375

What is the primary coverage provided by the Business Auto Coverage form for autos owned by the insured?

A) Excess coverage

B) Primary coverage

C) No coverage

D) Comprehensive coverage

Correct Answer: B) Primary coverage

Question 376

Under the Garage Coverage form, which symbol represents customers' autos left with the insured for service, repair, storage, or safekeeping?

A) Symbol 21

B) Symbol 29

C) Symbol 30

D) Symbol 31

Correct Answer: C) Symbol 30

Question 377

Which of the following is a condition for settling physical damage claims under the Business Auto coverage?

A) Pay for, repair, or replace the damaged or stolen property

B) Only pay for the stolen property

C) Only repair the damaged property

D) Only replace the stolen property

Correct Answer: A) Pay for, repair, or replace the damaged or stolen property

Question 378

What type of vehicles are considered "Mobile Equipment" under the Business Auto Coverage Form?

A) Vehicles designed primarily for use on public roads

B) Vehicles maintained for use solely on or next to premises owned or rented by the named insured

C) Passenger cars

D) Motorcycles

Correct Answer: B) Vehicles maintained for use solely on or next to premises owned or rented by the named insured

Question 379

Which of the following is excluded from the Garage Coverage liability?

A) Damage to the property of others in the insured's care, custody, or control

B) Liability for customer injuries on the premises

C) Product liability related to a bad or incomplete repair

D) Liability for auto accidents involving covered autos

Correct Answer: A) Damage to the property of others in the insured's care, custody, or control

Question 380

What does the Garagekeepers coverage under the Garage Coverage form include?

A) Liability for damage to the insured's own vehicles

B) Collision and comprehensive coverage for customer vehicles in the care, custody, or control of the insured

C) Coverage for theft of a car by an employee

D) Coverage for loss of CD players and CDs

Correct Answer: B) Collision and comprehensive coverage for customer vehicles in the care, custody, or control of the insured

Question 381

Which of the following is a definition of "Pollutant" under the Business Auto Coverage Form?

A) Any solid, liquid, gaseous, or thermal irritant or contaminant

B) Only gaseous irritants

C) Only liquid contaminants

D) Only thermal irritants

Correct Answer: A) Any solid, liquid, gaseous, or thermal irritant or contaminant

Understanding Truckers Coverage Forms

Question 382

What is the primary purpose of the Truckers Coverage Form?

A) To provide coverage for private passenger autos owned by truckers

B) To provide coverage for businesses that haul goods for others

C) To provide coverage for personal auto use by truckers

D) To provide coverage for non-commercial vehicles

Correct Answer: B) To provide coverage for businesses that haul goods for others

Question 383

Which of the following coverages is NOT included in the Truckers Coverage Form?

A) Liability

B) Trailer interchange

C) Physical damage

D) Business interruption

Correct Answer: D) Business interruption

Question 384

What is the purpose of the MCS-90 Endorsement in the Motor Carrier Coverage Form?

A) To provide coverage for private passenger autos

B) To provide public liability coverage for bodily injury, property damage, and environmental restoration

C) To cover the cost of repairing or rebuilding a structure to comply with current building codes

D) To insure against loss or damage to electronic data processing equipment

Correct Answer: B) To provide public liability coverage for bodily injury, property damage, and environmental restoration

Question 385

Which symbol is used in the Truckers Coverage Form to cover trailers borrowed or leased by the named insured?

A) Symbol 47

B) Symbol 48

C) Symbol 49

D) Symbol 50

Correct Answer: B) Symbol 48

Question 386

What is the minimum liability limit required by the Motor Carrier Act for interstate transportation of non-hazardous material?

A) $500,000

B) $750,000

C) $1,000,000

D) $5,000,000

Correct Answer: B) $750,000

Question 387

Which endorsement provides personal auto coverage for immediate family members of the named insured?

A) Drive Other Car Coverage Endorsement

B) Individual Named Insured

C) Employees as Additional Insureds

D) Mobile Equipment Endorsement

Correct Answer: B) Individual Named Insured

Question 388

What type of coverage compensates for the loss of income that a business suffers after a disaster while its facility is being restored?

A) Time Element

B) Business Interruption

C) Law and Ordinance

D) Valuable Papers and Records

Correct Answer: B) Business Interruption

Question 389

Which additional coverage helps pay for the increased costs of repairing or rebuilding a structure to comply with current building codes and ordinances?

A) Business Interruption

B) Time Element

C) Law and Ordinance

D) Electronic Data Processing (EDP)

Correct Answer: C) Law and Ordinance

Understanding Surety Bonds and Crime Coverage

Question 390

What is the primary purpose of a surety bond in the construction industry?

A) To provide insurance coverage for the contractor

B) To ensure the project is completed as specified in the contract

C) To offer a loan to the contractor

D) To increase the project's budget

Correct Answer: B) To ensure the project is completed as specified in the contract

Question 391

Which of the following is covered under employee dishonesty in crime coverage?

A) Losses due to natural disasters

B) Theft or fraud by employees

C) Damage to property by third parties

D) Losses due to market fluctuations

Correct Answer: B) Theft or fraud by employees

Question 392

What does the term "safe burglary" specifically refer to in crime coverage?

A) Theft of property from a locked safe or vault with evidence of forcible entry

B) Theft of property from an unlocked safe

C) Theft of property from the premises without any force

D) Theft of property from a vehicle

Correct Answer: A) Theft of property from a locked safe or vault with evidence of forcible entry

Question 393

Which type of crime coverage protects against losses due to theft involving force or threat of force?

A) Burglary

B) Robbery

C) Extortion

D) Forgery

Correct Answer: B) Robbery

Question 394

In crime coverage, who is defined as a "custodian"?

A) Any person on the premises

B) The insured or any of the insured’s partners or employees while having care and custody of covered property inside the premises

C) A person hired to clean the premises

D) A security guard

Correct Answer: B) The insured or any of the insured’s partners or employees while having care and custody of covered property inside the premises

Question 395

What is the difference between the "loss sustained form" and the "discovery form" in crime coverage?

A) The loss sustained form covers losses discovered during the policy period, while the discovery form covers losses that occur during the policy period

B) The loss sustained form covers losses that occur during the policy period, while the discovery form covers losses discovered during the policy period

C) Both forms cover the same types of losses

D) The loss sustained form is more expensive than the discovery form

Correct Answer: B) The loss sustained form covers losses that occur during the policy period, while the discovery form covers losses discovered during the policy period

Question 396

Which of the following is NOT a type of property specifically defined in crime coverage?

A) Money

B) Securities

C) Real estate

D) Property other than money or securities

Correct Answer: C) Real estate

Question 397

What is the role of fidelity bonds in crime coverage?

A) To protect against natural disasters

B) To cover losses from employee dishonesty, including theft, fraud, and embezzlement

C) To provide health insurance for employees

D) To insure against fire damage

Correct Answer: B) To cover losses from employee dishonesty, including theft, fraud, and embezzlement

Understanding Crime Coverage Forms

Question 398

What type of coverage is provided for losses resulting from the theft or forgery committed by an employee?

A) Forgery or alteration

B) Employee theft

C) Computer fraud

D) Funds transfer fraud

Correct Answer: B) Employee theft

Question 399

Which of the following is NOT covered under the "Inside the premises – robbery or safe burglary of other property" coverage?

A) Loss of property from a safe or vault inside the premises

B) Damage caused by a fire resulting from the burglary or robbery

C) Loss of property while inside the premises from actual or attempted robbery of a custodian

D) Damage to a locked safe or vault inside the premises

Correct Answer: B) Damage caused by a fire resulting from the burglary or robbery

Question 400

What is the limit per occurrence for losses of precious metals, precious or semiprecious stones, furs, pearls, or other articles that contain these materials under the "Outside the premises" coverage?

A) $1,000

B) $2,500

C) $5,000

D) $10,000

Correct Answer: C) $5,000

Question 401

Which of the following exclusions applies to the crime coverage?

A) Theft committed by an employee covered under employee theft

B) Loss caused by an employee if the employee had previously committed theft and the insured was aware

C) Losses due to computer fraud

D) Losses due to extortion

Correct Answer: B) Loss caused by an employee if the employee had previously committed theft and the insured was aware

Question 402

Under the "Forgery or alteration" coverage, what must the insured submit in addition to the proof of loss?

A) A police report

B) The instrument involved in the loss or an affidavit describing the amount and the cause of loss

C) A witness statement

D) A video recording of the incident

Correct Answer: B) The instrument involved in the loss or an affidavit describing the amount and the cause of loss

Question 403

Which form covers losses that are sustained during the policy period and discovered during the policy period or within one year after the policy expires?

A) Discovery form

B) Loss sustained form

C) Extortion form

D) Guests' property form

Correct Answer: B) Loss sustained form

Question 404

What is the coverage territory for the crime coverage?

A) Worldwide

B) United States and its territories and possessions, Puerto Rico, and Canada

C) North America only

D) United States only

Correct Answer: B) United States and its territories and possessions, Puerto Rico, and Canada

Question 405

Which of the following is a condition that applies to crime coverage?

A) Losses to securities are paid at face value

B) Losses to money are paid at market value

C) Losses to securities are paid at market value at close of business on the day the loss was discovered

D) Losses to money are paid at replacement cost

Correct Answer: C) Losses to securities are paid at market value at close of business on the day the loss was discovered

Understanding Fidelity and Liability Insurance

Question 406

What is the primary purpose of a Fidelity bond?

A) To protect employees from workplace injuries

B) To protect an employer from dishonest acts or theft by an employee

C) To provide health insurance to employees

D) To cover losses due to natural disasters

Correct Answer: B) To protect an employer from dishonest acts or theft by an employee

Question 407

Who initiates a Fidelity bond?

A) The Principal or Obligor

B) The Surety or Guarantor

C) The Obligee or Employer

D) The Insurance Company

Correct Answer: C) The Obligee or Employer

Question 408

Which type of loss is NOT covered by a Fidelity bond?

A) Direct loss of cash

B) Loss of merchandise

C) Consequential losses

D) Loss of autos

Correct Answer: C) Consequential losses

Question 409

Which of the following is NOT a type of Fidelity bond?

A) Individual bond

B) Scheduled bond

C) Blanket bond

D) Group bond

Correct Answer: D) Group bond

Question 410

What does Errors and Omissions insurance cover?

A) Claims of negligence or errors in professional services

B) Property damage due to natural disasters

C) Employee health benefits

D) Theft of company assets

Correct Answer: A) Claims of negligence or errors in professional services

Question 411

Which profession is NOT typically associated with needing Professional Liability Insurance?

A) Real estate agents

B) Accountants

C) Construction workers

D) IT Consultants

Correct Answer: C) Construction workers

Question 412

What is the main reason business professionals need Professional Liability Insurance?

A) To provide health benefits to employees

B) To protect against lawsuits and financial loss

C) To cover travel expenses

D) To insure company vehicles

Correct Answer: B) To protect against lawsuits and financial loss

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Question 413

Which of the following is an example of a claim covered by Directors and Officers (D&O) insurance?

A) A lawsuit from shareholders alleging financial mismanagement

B) A claim for property damage due to a fire

C) A theft of company funds by an employee

D) A personal injury claim from a customer

Correct Answer: A) A lawsuit from shareholders alleging financial mismanagement

Understanding Liability Insurance Types

Question 414

What is the primary purpose of commercial umbrella insurance?

A) To provide coverage for directors and officers against wrongful acts

B) To offer additional liability coverage beyond the limits of primary policies

C) To cover claims of discrimination, harassment, or wrongful termination

D) To provide health insurance for employees

Correct Answer: B) To offer additional liability coverage beyond the limits of primary policies

Question 415

How does commercial excess liability insurance differ from commercial umbrella insurance?

A) It provides coverage for employment-related claims

B) It typically follows the same terms and conditions as the underlying primary policy

C) It offers broader coverage than umbrella insurance

D) It is only available for small businesses

Correct Answer: B) It typically follows the same terms and conditions as the underlying primary policy

Question 416

Which industries are particularly at risk and may benefit from commercial umbrella insurance?

A) Retail and hospitality

B) Construction, healthcare, and manufacturing

C) Technology and education

D) Agriculture and mining

Correct Answer: B) Construction, healthcare, and manufacturing

Question 417

What is the main benefit of Directors and Officers Liability Insurance (D&O insurance)?

A) It provides health benefits to employees

B) It covers legal expenses for directors and officers sued for wrongful acts

C) It offers additional liability coverage for auto accidents

D) It insures against property damage

Correct Answer: B) It covers legal expenses for directors and officers sued for wrongful acts

Question 418

Why is Employment Practices Liability Insurance (EPLI) important for businesses?

A) It provides coverage for natural disasters

B) It protects against claims of discrimination, harassment, or wrongful termination

C) It offers health insurance to employees

D) It covers directors and officers against lawsuits

Correct Answer: B) It protects against claims of discrimination, harassment, or wrongful termination

Question 419

Which of the following is a potential benefit of having D&O insurance for a company?

A) It reduces the cost of employee health benefits

B) It helps attract and retain top talent by providing protection for leadership

C) It increases the company's liability limits for auto insurance

D) It provides coverage for property damage

Correct Answer: B) It helps attract and retain top talent by providing protection for leadership

Question 420

What is a key reason for businesses to invest in Employment Practices Liability Insurance?

A) To cover costs associated with natural disasters

B) To minimize financial impact from employment-related lawsuits

C) To provide additional auto liability coverage

D) To insure against directors' and officers' wrongful acts

Correct Answer: B) To minimize financial impact from employment-related lawsuits

Question 421

Which type of insurance is specifically designed to fill gaps not covered by a company's indemnification provisions or corporate insurance policies?

A) Commercial umbrella insurance

B) Directors and Officers Liability Insurance (D&O insurance)

C) Employment Practices Liability Insurance (EPLI)

D) Commercial excess liability insurance

Correct Answer: B) Directors and Officers Liability Insurance (D&O insurance)

Understanding Workers Compensation Insurance

Question 422

What is the primary purpose of Workers' Compensation Insurance?

A) To provide health insurance for employees

B) To cover employees who are injured or become ill on the job

C) To offer retirement benefits to employees

D) To provide unemployment benefits

Correct Answer: B) To cover employees who are injured or become ill on the job

Question 423

Which of the following is NOT a category of benefits payable under workers' compensation?

A) Disability income

B) Medical

C) Retirement

D) Rehabilitation

Correct Answer: C) Retirement

Question 424

In some states, workers' compensation insurance is compulsory. What is the minimum number of employees an employer must have to be required to provide this insurance in Georgia?

A) 1

B) 2

C) 3

D) 5

Correct Answer: C) 3

Question 425

What is the term used to describe the concept that workers' compensation benefits are the only benefits available to an employee against employers for injuries covered under the law?

A) Sole remedy

B) Exclusive remedy

C) Primary remedy

D) Final remedy

Correct Answer: B) Exclusive remedy

Question 426

Which of the following is a method used to determine premiums for workers' compensation insurance?

A) NCCI Experience Modifications

B) Employee Satisfaction Surveys

C) Market Analysis

D) Cost-Benefit Analysis

Correct Answer: A) NCCI Experience Modifications

Question 427

Which federal act allows interstate railroad workers to sue their employers for negligence?

A) The Jones Act

B) The Federal Employers Liability Act (FELA)

C) The Longshore and Harbor Workers Compensation Act

D) The Occupational Safety and Health Act (OSHA)

Correct Answer: B) The Federal Employers Liability Act (FELA)

Question 428

What type of workers' compensation insurance is available only through a state fund?

A) Competitive

B) Monopolistic

C) Private

D) Voluntary

Correct Answer: B) Monopolistic

Question 429

Which of the following benefits is NOT taxable under workers' compensation?

A) Medical benefits

B) Disability income benefits

C) Death / Survivor benefits

D) Rehabilitation benefits

Correct Answer: B) Disability income benefits

Understanding Workers' Compensation Policies

Question 430

What is the primary purpose of Part One – Workers' Compensation in the standard workers' compensation and employer liability policy?

A) To provide liability insurance for employers

B) To provide benefits required by state law for covered states

C) To outline the duties of the insured after an injury occurs

D) To specify the premium calculation method

Correct Answer: B) To provide benefits required by state law for covered states

Question 431

Which section of the standard workers' compensation and employer liability policy allows for coverage in additional states not initially specified?

A) Part One – Workers' Compensation

B) Part Two – Employers Liability

C) Part Three – Other States Insurance

D) Part Four – Your Duties if Injury Occurs

Correct Answer: C) Part Three – Other States Insurance

Question 432

What is the minimum policy limit per accident for Employers Liability coverage?

A) $50,000

B) $75,000

C) $100,000

D) $150,000

Correct Answer: C) $100,000

Question 433

Which of the following is NOT typically covered by workers' compensation insurance?

A) Injuries sustained while performing assigned duties

B) Injuries during lunch or break times

C) Injuries on the employer's premises

D) Injuries while performing assigned duties off-premises

Correct Answer: B) Injuries during lunch or break times

Question 434

What is the role of the Declarations page in an insurance policy?

A) To outline the scope of coverage

B) To list essential information about the policy

C) To specify the obligations of the insured

D) To detail exclusions from coverage

Correct Answer: B) To list essential information about the policy

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Question 435

Which section of an insurance policy specifies the obligations of both the insured and the insurer?

A) Insuring Agreement

B) Conditions

C) Exclusions

D) Definitions

Correct Answer: B) Conditions

Question 436

What is subrogation in the context of an insurance policy?

A) The transfer of rights or interests in an insurance policy

B) The insurer's right to pursue a third party that caused a loss

C) The process of determining the value of a loss

D) The policyholder's responsibility to inform the insurer of a loss

Correct Answer: B) The insurer's right to pursue a third party that caused a loss

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Question 437

Which of the following is an example of supplementary payments covered under Employers Liability?

A) Medical services for the injured employee

B) Defense costs and appeal bonds

C) Premium calculation details

D) Notification procedures for new states

Correct Answer: B) Defense costs and appeal bonds

Adjuster Responsibilities and Georgia Laws

Question 438

What is the inception date in an insurance policy?

A) The date when the insurance policy ends.

B) The date when the insurance policy becomes effective.

C) The date when a loss occurs.

D) The date when the claim is filed.

Correct Answer: B) The date when the insurance policy becomes effective.

Question 439

Which of the following best describes a direct loss?

A) Loss of income due to business interruption.

B) Physical damage to property resulting directly from an insured peril.

C) Additional expenses incurred due to a covered event.

D) Legal fees associated with a claim.

Correct Answer: B) Physical damage to property resulting directly from an insured peril.

Question 440

Who is responsible for appointing a chief deputy insurance commissioner in Georgia?

A) The Governor of Georgia.

B) The Insurance Commissioner.

C) The State Legislature.

D) The Chief Deputy Insurance Commissioner.

Correct Answer: B) The Insurance Commissioner.

Question 441

What is the role of the Insurance Commissioner in Georgia regarding unfair trade practices?

A) To issue insurance policies.

B) To investigate and issue cease and desist orders if necessary.

C) To set insurance premium rates.

D) To approve insurance claims.

Correct Answer: B) To investigate and issue cease and desist orders if necessary.

Question 442

What is the deductible in an insurance policy?

A) The maximum amount the insurer will pay for a claim.

B) The amount the policyholder must pay out-of-pocket before insurance coverage applies.

C) The total premium paid for the insurance policy.

D) The amount paid by the insurer to the policyholder.

Correct Answer: B) The amount the policyholder must pay out-of-pocket before insurance coverage applies.

Question 443

What is the primary responsibility of the Insurance Commissioner and the Department of Insurance in Georgia?

A) To increase insurance company profits.

B) To protect the general public.

C) To promote insurance sales.

D) To set insurance policy prices.

Correct Answer: B) To protect the general public.

Question 444

What must the Commissioner do if they find a person engaged in unfair competition or deceptive trade practices?

A) Issue a fine without a hearing.

B) Provide details of the findings in writing and order the person to cease and desist.

C) Immediately revoke the person's insurance license.

D) Allow the person to continue their practices without penalty.

Correct Answer: B) Provide details of the findings in writing and order the person to cease and desist.

Question 445

What is required of the chief deputy insurance commissioner in Georgia?

A) To have a bond of $15,000 approved by the Commissioner.

B) To be elected by the public.

C) To have a financial interest in insurance companies.

D) To serve a term of 2 years.

Correct Answer: A) To have a bond of $15,000 approved by the Commissioner.

Understanding Insurance Regulations and Practices

Question 446

What is the maximum monetary penalty the Commissioner may impose for each act or violation if a person knew or should reasonably have known they were in violation of an unfair trade practice?

A) $1,000

B) $5,000

C) $10,000

D) $15,000

Correct Answer: B) $5,000

Question 447

Which of the following is NOT considered transacting the business of insurance?

A) Soliciting and inducement

B) Preliminary negotiations

C) Mere investigation or adjustment of a claim

D) Effectuation of a contract of insurance

Correct Answer: C) Mere investigation or adjustment of a claim

Question 448

What is the expiration date for a Certificate of Authority issued to an insurer in Georgia?

A) March 1st

B) June 30th

C) December 31st

D) September 30th

Correct Answer: B) June 30th

Question 449

Which type of insurer is formed under the laws of a country other than the United States?

A) Domestic insurer

B) Foreign insurer

C) Alien insurer

D) Reciprocal insurer

Correct Answer: C) Alien insurer

Question 450

Which of the following is NOT required to obtain a Certificate of Authority in Georgia?

A) Surplus lines carriers

B) Life insurers

C) Property insurers

D) Health Maintenance Organizations

Correct Answer: A) Surplus lines carriers

Question 451

What is the minimum capital stock or surplus required for an insurer to maintain in Georgia?

A) $500,000

B) $1,000,000

C) $1,500,000

D) $2,000,000

Correct Answer: C) $1,500,000

Question 452

Which of the following is a responsibility of a Third Party Administrator?

A) Issuing insurance policies

B) Collecting charges, fees, or premiums

C) Approving insurance applications

D) Conducting insurance fraud investigations

Correct Answer: B) Collecting charges, fees, or premiums

Question 453

What is the primary role of the Insurance Services Office (ISO)?

A) Providing insurance policies

B) Offering legal advice

C) Supplying statistical, actuarial, underwriting, and claims information and analytics

D) Conducting insurance sales training

Correct Answer: C) Supplying statistical, actuarial, underwriting, and claims information and analytics

Georgia Adjuster Licensing Quiz

Question 454

What is the minimum number of hours required for pre-license education to become an insurance adjuster in Georgia?

A) 20 hours

B) 30 hours

C) 40 hours

D) 50 hours

Correct Answer: C) 40 hours

Question 455

Which of the following is a requirement for a public adjuster but not for an insurance adjuster in Georgia?

A) Pass the exam

B) Submit a fingerprint and background check

C) Obtain a $5,000 surety bond

D) Complete 40 hours of pre-license education

Correct Answer: C) Obtain a $5,000 surety bond

Question 456

How often must adjusters in Georgia complete continuing education to maintain their licenses?

A) Every year

B) Every two years

C) Every three years

D) Every four years

Correct Answer: B) Every two years

Question 457

What is the minimum number of ethics or consumer protection hours required in the continuing education for adjusters in Georgia?

A) 1 hour

B) 2 hours

C) 3 hours

D) 4 hours

Correct Answer: C) 3 hours

Question 458

Which of the following actions can lead to the revocation or suspension of an adjuster's license in Georgia?

A) Passing the required insurance exam

B) Misappropriating money belonging to an insurer

C) Completing more than the required continuing education hours

D) Maintaining a place of business accessible to the public

Correct Answer: B) Misappropriating money belonging to an insurer

Question 459

What is the renewal date for adjuster licenses in Georgia?

A) December 31st every year

B) The last day of the birth month

C) June 30th every year

D) January 1st every year

Correct Answer: B) The last day of the birth month

Question 460

Which of the following is NOT a reason for the Commissioner to refuse or revoke an adjuster's license?

A) Misrepresentation on an insurance application

B) Failure to report a change of address within 30 days

C) Conviction of a felony

D) Failure to comply with child support orders

Correct Answer: B) Failure to report a change of address within 30 days

Question 461

What is the maximum percentage of continuing education hours that can be carried over to the next renewal period for adjusters in Georgia?

A) 25%

B) 50%

C) 75%

D) 100%

Correct Answer: B) 50%

Adjuster Practices and Unfair Practices

Question 462

What is one of the primary responsibilities of an adjuster in Georgia when handling insurance claims?

A) To represent the policyholder in disputes

B) To assess the validity and value of claims based on policy terms and coverage

C) To offer rebates to claimants

D) To defame competitors

Correct Answer: B) To assess the validity and value of claims based on policy terms and coverage

Question 463

Which of the following is considered an unfair trade practice in the insurance business in Georgia?

A) Offering discounts on premiums

B) Rebating

C) Providing accurate information

D) Timely claim settlement

Correct Answer: B) Rebating

Question 464

What is a key duty of a public adjuster in Georgia?

A) To negotiate settlements on behalf of the insurance company

B) To prepare and submit detailed claim documentation on behalf of the policyholder

C) To ensure compliance with company policies

D) To charge different rates based on geographical location

Correct Answer: B) To prepare and submit detailed claim documentation on behalf of the policyholder

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Question 465

Which of the following is NOT considered an unfair claims practice in Georgia?

A) Failing to acknowledge communications promptly

B) Conducting a reasonable investigation before denying a claim

C) Compelling insureds to file lawsuits for claim recovery

D) Issuing checks with language releasing the insurer from total liability

Correct Answer: B) Conducting a reasonable investigation before denying a claim

Question 466

What is the role of an adjuster in terms of policy interpretation?

A) To interpret insurance policies to determine coverage and exclusions

B) To create new policy terms

C) To ignore policy exclusions

D) To modify policy terms without approval

Correct Answer: A) To interpret insurance policies to determine coverage and exclusions

Question 467

Which of the following actions is considered defamation in the insurance industry?

A) Offering a rebate to a client

B) Making a false statement about an insurer's financial condition

C) Charging different rates based on age

D) Providing clear communication to policyholders

Correct Answer: B) Making a false statement about an insurer's financial condition

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Question 468

What is a responsibility of a public adjuster regarding policyholder interests?

A) To serve with objectivity and complete loyalty to the policyholder's interests

B) To prioritize the insurance company's interests

C) To offer rebates to policyholders

D) To defame competitors

Correct Answer: A) To serve with objectivity and complete loyalty to the policyholder's interests

Question 469

Which of the following is an example of unfair discrimination in insurance practices?

A) Charging different rates based on objective loss experience

B) Charging different rates based solely on the geographical location of the property

C) Offering the same rates for the same class and policy amount

D) Providing equal benefits for equal expectations of life

Correct Answer: B) Charging different rates based solely on the geographical location of the property

Understanding Insurance Exclusions and RRGs

Question 470

Which of the following is an example of an exclusion related to intentional acts in auto insurance?

A) Damage caused by a natural disaster

B) Damage caused by intentionally crashing your car

C) Damage caused by normal wear and tear

D) Damage caused by a mechanical breakdown

Correct Answer: B) Damage caused by intentionally crashing your car

Question 471

What type of insurance coverage is typically required if you use your personal vehicle for business purposes, such as delivering pizzas?

A) Personal auto insurance

B) Commercial auto insurance

C) Rideshare insurance

D) Home insurance

Correct Answer: B) Commercial auto insurance

Question 472

Which of the following is NOT covered by a standard auto insurance policy?

A) Damage from a car accident

B) Damage from normal wear and tear

C) Theft of the vehicle

D) Vandalism

Correct Answer: B) Damage from normal wear and tear

Question 473

What is a Risk Retention Group (RRG)?

A) A group of individuals pooling resources to buy a car

B) A liability insurance company owned by its members

C) A government agency regulating insurance companies

D) A type of health insurance plan

Correct Answer: B) A liability insurance company owned by its members

Question 474

Which of the following is an example of a bond requirement for a surplus lines broker in Georgia?

A) $5,000 bond

B) $10,000 bond

C) $50,000 bond

D) $100,000 bond

Correct Answer: C) $50,000 bond

Question 475

What is the primary benefit of forming a Risk Retention Group (RRG)?

A) Increased insurance premiums

B) Reduced control over claims handling

C) Cost savings and customized coverage

D) Limited access to insurance markets

Correct Answer: C) Cost savings and customized coverage

Question 476

Which of the following is an example of an exclusion related to illegal activities in auto insurance?

A) Damage from a flood

B) Damage from street racing

C) Damage from a mechanical breakdown

D) Damage from a rideshare accident

Correct Answer: B) Damage from street racing

Question 477

What is the fee for the initial licensing of a property and casualty adjuster in Georgia?

A) $50

B) $100

C) $150

D) $200

Correct Answer: B) $100

Understanding Georgia Insurance Pools

Question 478

What is the primary purpose of the Georgia Insurers Insolvency Pool?

A) To provide life insurance to Georgia residents

B) To protect insureds from insurance companies that go insolvent by covering their claims

C) To offer discounts on insurance premiums

D) To regulate insurance company advertising

Correct Answer: B) To protect insureds from insurance companies that go insolvent by covering their claims

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Question 479

Who supervises the Georgia Insurers Insolvency Pool?

A) The Governor of Georgia

B) The Commissioner

C) The Georgia State Senate

D) The Board of Trustees

Correct Answer: B) The Commissioner

Question 480

Which of the following types of insurance is NOT covered by the Georgia Insurers Insolvency Pool?

A) Workers' compensation insurance

B) Automobile insurance

C) Life insurance and annuities

D) Property insurance

Correct Answer: C) Life insurance and annuities

Question 481

What is the maximum amount covered by the Georgia Insurers Insolvency Pool for a claim?

A) $50.00

B) $100,000.00

C) $300,000.00

D) $500,000.00

Correct Answer: C) $300,000.00

Question 482

Which body is equivalent to the Georgia Insurers Insolvency Pool for life and health policies?

A) Georgia Automobile Insurance Plan

B) Georgia Life and Health Insurance Guaranty Association

C) FAIR Plan

D) Insurers Solvency Board

Correct Answer: B) Georgia Life and Health Insurance Guaranty Association

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Question 483

What is the purpose of the Georgia Automobile Insurance Plan?

A) To provide discounts on automobile insurance

B) To offer automobile insurance to eligible risks unable to obtain coverage through the voluntary market

C) To regulate automobile insurance rates

D) To provide life insurance to automobile owners

Correct Answer: B) To offer automobile insurance to eligible risks unable to obtain coverage through the voluntary market

Question 484

Under the FAIR Plan, can an application for insurance be rejected due to environmental hazards beyond the control of the property owner?

A) Yes, always

B) No, never

C) Yes, but only if the hazard is severe

D) No, but the property can be inspected before acceptance

Correct Answer: D) No, but the property can be inspected before acceptance

Question 485

What is the penalty for using the existence of the Georgia Insurers Insolvency Pool for sales or solicitation purposes?

A) A warning letter

B) A penalty of not more than $1,000.00 per violation

C) A penalty of not more than $5,000.00 per violation

D) Immediate suspension of the insurance license

Correct Answer: B) A penalty of not more than $1,000.00 per violation

Understanding Financial Responsibility Laws

Question 486

What is the primary requirement of the Financial Responsibility Law?

A) To have a comprehensive insurance policy

B) To prove the ability to pay for damages resulting from an accident

C) To have a minimum of $100,000 in savings

D) To have a valid driver's license

Correct Answer: B) To prove the ability to pay for damages resulting from an accident

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Question 487

In Georgia, what is the minimum bodily injury liability coverage required per person?

A) $10,000

B) $25,000

C) $50,000

D) $100,000

Correct Answer: B) $25,000

Question 488

What must an insurer provide when canceling a policy?

A) A verbal notice

B) A written notice delivered in person or mailed by at least first class mail

C) A text message

D) A phone call

Correct Answer: B) A written notice delivered in person or mailed by at least first class mail

Question 489

How long does an insured person have to request a review of a cancellation or nonrenewal with the Department of Insurance?

A) 5 days

B) 10 days

C) 15 days

D) 30 days

Correct Answer: C) 15 days

Question 490

What is the penalty if an insurer fails to return the unearned premium on time?

A) 10% of the return amount

B) 15% of the return amount

C) 25% of the return amount plus interest of 18% per annum

D) 50% of the return amount

Correct Answer: C) 25% of the return amount plus interest of 18% per annum

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Question 491

What is required for proof of financial responsibility in Georgia?

A) A verbal agreement with the insurance company

B) A written certificate of insurance or a plan of self-insurance accepted by the Commissioner

C) A bank statement showing a balance of $50,000

D) A letter from an employer

Correct Answer: B) A written certificate of insurance or a plan of self-insurance accepted by the Commissioner

Question 492

What is the minimum notification period for cancellation if the insured fails to pay the premiums?

A) 5 days

B) 10 days

C) 15 days

D) 30 days

Correct Answer: B) 10 days

Question 493

Which of the following is NOT a valid reason for an insurer to refuse policy renewal?

A) Lack of supporting business

B) A change in the insurer's eligibility or underwriting rules

C) Two or fewer claims against the policy within the preceding 36 months if not due to negligence

D) A change in the insured's address

Correct Answer: A) Lack of supporting business

Understanding Insurance Policy Cancellations

Question 494

Under what condition can a personal lines property insurance policy be canceled after being in effect for more than 60 days?

A) Nonpayment of premium

B) Change in the insurer's eligibility rules

C) Lack of potential for supporting insurance business

D) Age of the insured

Correct Answer: A) Nonpayment of premium

Question 495

Which of the following is NOT a valid reason for the cancellation of a personal lines auto or motorcycle policy?

A) Nonpayment of premium

B) The insured automobile is used in a car pool

C) Material misrepresentation

D) The named insured made a false claim

Correct Answer: B) The insured automobile is used in a car pool

Question 496

If a personal lines property insurance policy is canceled for reasons other than nonpayment of premium, what must the insurer do?

A) Refund the premium

B) Notify the insured about the Georgia Fair Access to Insurance Requirements Plan

C) Provide a replacement policy

D) Offer a discount on future policies

Correct Answer: B) Notify the insured about the Georgia Fair Access to Insurance Requirements Plan

Question 497

Which of the following is a valid reason for the nonrenewal of a personal lines auto or motorcycle policy?

A) Age of the insured

B) Military service

C) A change in the insurer's eligibility rules applied uniformly within a specific class

D) Lawful occupation

Correct Answer: C) A change in the insurer's eligibility rules applied uniformly within a specific class

Question 498

What must an insurer do if a personal lines auto policy is canceled for reasons other than nonpayment of premium?

A) Notify the insured about the Georgia Automobile Insurance Plan

B) Provide a free vehicle inspection

C) Offer a new policy with a different insurer

D) Waive any outstanding premiums

Correct Answer: A) Notify the insured about the Georgia Automobile Insurance Plan

Question 499

Which of the following is NOT a reason for the cancellation of a personal lines auto policy?

A) The insured automobile is used in the transportation of flammables

B) The insured automobile is used for a car pool

C) The named insured failed to disclose a traffic violation

D) The insured automobile is mechanically defective

Correct Answer: B) The insured automobile is used for a car pool

Question 500

Which of the following is a valid reason for the cancellation of a personal lines property insurance policy?

A) The insured's marital status changes

B) The insured violates any of the material terms or conditions of the policy

C) The insured moves to a new residence

D) The insured's age increases

Correct Answer: B) The insured violates any of the material terms or conditions of the policy

BONUS INFORMATION: STATE LAWS, RULES, AND REGULATIONS

A. Laws, Rules, Regulations Pertinent to All Lines of Insurance

Objectives: In this section we'll cover the laws, rules and regulations specific to Georgia and pertinent to all adjusters.

A. Insurance Department and Commissioner

The Chief Officer of the Department of Insurance of the State of Georgia is the Insurance Commissioner. The Insurance Commissioner is elected to this office for a term of 4 years.

The Commissioner is responsible to appoint a chief deputy insurance commissioner, and other deputies as necessary, to assist him. In the event of a vacancy in the office of the Commissioner or in his absence or disability, the chief deputy will perform the duties of the Commissioner. The chief deputy Commissioner is required to have a bond of $15,000 to be approved by the Commissioner and is conditional on faithful performance of the duties of the chief deputy Commissioner.

The Commissioner, deputy, or any employee of the department may not have a financial interest in any insurer, agency, or insurance transaction other than as a policyholder or claimant under a policy.

1. Broad powers and duties

The primary responsibility of the Commissioner and the Department of Insurance is to protect the general public.

The broad powers and duties of the Insurance Commissioner include:

Establishing and running the Department of Insurance

Maintaining the official records of the Department of Insurance

Enforcing the insurance code (rules and regulations)

Creating the annual report and any other required reports

Examination of insurers and rating organizations authorized to transact business in the State of Georgia

Examination and investigation of licensed agents if required

2. Examination of records

The Commissioner or an examiner appointed by the Commissioner:

May examine the affairs, transactions, accounts, records, documents, and assets of any insurer authorized to do business in the state and any other facts relative to its business methods, management, and dealings with policyholders, at any time

Is required to examine a domestic insurer at least once every 5 years

Will limit examination of an alien insurer to insurance transactions in the United States

At any time, but at least once every 5 years, examine the rating organizations licensed in the state

Is required to examine each insurer or rating organization applying for authority to do business in the state

May examine the affairs, accounts, records, documents, and transactions of any insurance agent, subagent, broker, counselor, adjuster, or any other person licensed to conduct the business of insurance in the state

All accounts, records, documents, and files must be made accessible for examination. If the accounts are inadequate or incorrect, the person has 60 days to correct them. If they fail to correct the accounts within 60 days, the Commissioner may have an expert do this at the expense of the person being examined.

3. Cease and Desist Orders

The Commissioner has the power to investigate the affairs of any person engaged in the business of insurance in the state to determine if they have engaged in any unfair method of competition, unfair or deceptive trade practice, or unfair claims settlement practice.

If the Commissioner has reason to believe that it would be in the public interest to have a proceeding on an unfair trade practice, the following apply:

He must issue a notice of the hearing with the reason for the hearing, the facts on which the hearing is based, the statute or code on which the investigation is based, and time and place of the hearing

The hearing must take place no less than 15 days after the notice is served

The person appearing at the hearing has the right to be heard

The Commissioner must issue an order related to the findings of the hearing within 30 days of the hearing

If, after the hearing, the Commissioner determines the person charged has engaged in an unfair method of competition, an unfair or deceptive trade practice, or an unfair claims settlement practice, he is required to provide details of the findings in writing and to order the person to cease and desist from the acts or practices.

4. Penalties

If a person has been found to have violated an unfair trade practice, the Commissioner:

Will issue an order for the person to cease and desist from engaging in the method of competition, or the unfair trade practice

May require the payment of a monetary penalty of not more than $1,000 for each act or violation or not more than $5,000 for each act or violation if the person knew or should reasonably have known they were in violation

May suspend or revoke the individual’s license

May request any other relief as appropriate

If a person violates a cease and desist order, the Commissioner:

May require the payment of a monetary penalty of not more than $10,000 for each act or violation

May suspend or revoke the individual's license

May request any other relief as appropriate

B. General insurance definitions

1. Domestic, foreign and alien

Insurance companies are categorized based under which laws they were formed.

A domestic (to Georgia) insurer is an insurer formed, or incorporated, under the laws of Georgia

A foreign (to Georgia) insurer is an insurer formed, or incorporated, under the laws of another state or government of the United States

An alien insurer is an insurer formed, or incorporated, under the laws of a country other than the United States

This categorization of insurers is important because clearly there would be a much closer relationship with and ability to oversee a domestic insurer. The insurance departments in other states would rely on this knowledge and relationship.

2. Insurance transaction / transacting business

Transacting the business of insurance includes any of the following:

Soliciting and inducement. This would include marketing, selling, proposing insurance products.

Preliminary negotiations. This would include presenting proposals, comparing policies, presenting rates.

Effectuation of a contract of insurance (in simple English this is to sell or put in place a contract of insurance). This would include completing an application, handling the premiums, underwriting, delivering the policy.

Transaction of matters subsequent to effectuation of the contract and arising out of it. This would include handling changes to the policy, investigating claims, paying claims, making amendments to a policy, renewing a policy.

Mere investigation or adjustment of a claim is not considered transacting insurance.

3. Authorized / unauthorized and certificate of authority

Any insurer wanting to do business in the state of Georgia is required to apply for and obtain a Certificate of Authority. This authorizes them to conduct business in the state.

The Commissioner must issue the Certificate of Authority within 90 days of receiving an application. This may be extended for a further 90 days. If the application is not declined by the Commissioner within either of these periods, it is assumed the insurer is authorized.

The Certificate of Authority expires at midnight on June 30th of the year following the issue or renewal of the certificate

Renewal forms must be submitted by 1 March each year

The insurer is required to maintain a minimum of $1.5 million in capital stock or surplus

The insurer cannot use a name similar to an already authorized insurer such that it will cause confusion

The Department of Insurance identifies six classes of insurance:

Life, accident, and sickness

Property, marine, and transportation

Casualty

Surety

Title

Health Maintenance Organization

Insurers granted a Certificate of Insurance may conduct insurance in all classes except:

Reciprocal insurers and Lloyd's insurers may not transact life insurance

Title insurers may not transact any other type of insurance

Certificates of authority are not required for the following:

Surplus lines carriers

Reinsurance companies

The Commissioner may revoke, suspend, or refuse to renew an insurer's Certificate of Authority if they violate the state's rules and regulations.

In addition to this, the insurer may be fined a penalty for any of the following:

Failure to process or pay claims in a timely manner

Failure to inform claimants of the reason for denying a claim

Refusing to pay a claim without cause

Offering a claimant less than what they are owed

Compelling insured's to follow legal recourse for a claim to which they are entitled

An insurer who has not been issued a Certificate of Authority because they have not applied for it, it has been denied, or it has been revoked, is not authorized or is unauthorized to transact insurance in the state of Georgia.

This insurer may also be known as a non-admitted insurer.

4. Third Party Administrators (practices, responsibilities, and duties)

A Third Party Administrator is a business entity that, directly or indirectly:

Collects charges, fees, or premiums

Adjusts or settles claims, including investigating or examining claims or receiving, disbursing, handling, or otherwise being responsible for claim funds

Provides underwriting or precertification and preauthorization of hospitalizations or medical treatments

Third Party Administrators can act on behalf of any insurer, including business entities that act on behalf of a single or multiple employer self-insurance health plan or a self-insured municipality or other political subdivision.

Licensure is also required for administrators who act on behalf of self-insured plans providing workers' compensation benefits.

All activities undertaken by the administrator on behalf of an insurer or the client of the administrator is considered a transaction and is subject to the Georgia insurance code.

5. Insurance Services Office (ISO)

The Insurance Services Office (ISO) was founded in 1971. It is the leading source of information about property and casualty insurance risk and provides services related to:

Statistical, actuarial , underwriting, and claims information and analytics

Standard policy forms and policy language

Compliance and fraud identification tools

Information about specific locations

Technical services

C. Licensing requirements

The following individuals are required to be licensed:

An agent

A limited subagent

A surplus line broker

A counselor

An adjuster

Any person applying for a license must meet the following criteria:

Must be at least 18 years of age if applying for an adjuster, agent or counselor license

Must reside in the state of Georgia for at least 6 months of the year or have a business whose principal address is in the state of Georgia

Cannot use or intend to use an agent license for a controlled business for Property and Casualty insurance where the controlled business represents more than 25% of the total business in a year

Must be of good character

Must have passed a written exam

An individual who applies for a license in this state and was previously licensed in the same line of authority in another state will not be required to complete pre-licensing education or pass a written exam if they are currently licensed in the other state or if the application is received within 90 days of the cancellation of the previous license and the individual was in good standing

If applying for a counselor's license, must show that they have had at least five years' experience as an agent, subagent, or adjuster or some education or teaching that is equivalent

If applying for an agent's, subagent's, or adjuster's license, must have completed pre-licensing education by an approved provider (40 hours for agents and adjusters, 20 hours for subagents)

2. Agreements

A licensed agent is required to:

Adhere to the Department of Insurance's rules and regulations

Maintain records of all insurance contracts. Records must be maintained for 5 years or the duration of the contract whichever is longer.

Maintain a place of business that is accessible to the public

Notify the Commissioner of any change of address within 30 days

An agent may from time to time act as an adjuster and investigate and report claims without being licensed as an adjuster.

The state departments of insurance have established reciprocity agreements that allow for nonresident licensing of individuals or entities.

If the nonresident applicant holds a license in good standing in their state of residence and that state will grant a nonresident license to a Georgia resident on a reciprocal basis, then the nonresident applicant may apply for a comparable license in Georgia and be exempt from examination, continuing education, and criminal history report requirements.

3. License maintenance

All resident agent, limited subagent, adjuster, and counselor licenses are issued on a biennial basis and expire on the last day of the licensee's birth month.

A licensee's license may be renewed by the Commissioner based on:

Evidence that they have completed the required continuing education

Payment of the required fees

The Georgia Department of Insurance rules and regulations specify the Continuing Education requirements as:

Not exceeding 15 classroom hours per year for a licensed individual who has held a license for less than 20 years

Not exceeding 10 classroom hours per year for a licensed individual who has held a license for more than 20 years

An individual who has been licensed for 10 consecutive years or more and does not perform functions other than receipt of renewal or deferred commissions is exempt from continuing education requirements

The current Georgia Continuing Education requirements are as follows:

24 hours every renewal period (two years) of which 3 hours must be in ethics for a licensed individual who has held a license for less than 20 years

20 hours every renewal period (two years) of which 3 hours must be in ethics for a licensed individual who has held a license for more than 20 years

An agent who does not have a Certificate of Authority issued by at least one insurer will be placed on inactive status. An agent on inactive status cannot transact insurance business. To maintain their license, however, an agent whose license is inactive is required to complete their continuing education.

Continuing Education requirements do not apply to temporary or probationary licenses.

4. License revocation or suspension

The primary goal of the Commissioner of Insurance is to protect the general public. The Commissioner will not license or will not allow the continuance of licenses if the individual is found to be unethical in any way, including the handling of money.

The Commissioner may refuse to license or revoke or suspend a license, other than a probationary license, if the individual:

Has violated the state insurance laws or regulations

Has misrepresented or concealed any material fact on an insurance application or any other form filed with the Commissioner

Has attempted to obtain a license by misrepresentation, concealment, or fraud

Has misappropriated or illegally withheld money belonging to an insurer, insured, agent, agency, applicant, or beneficiary

Has committed fraudulent or dishonest practices

Has materially misrepresented the terms and conditions of an insurance policy or contract

Has failed to pass a required insurance exam or cheated on any exam required for a license

Has failed to comply with or has violated any proper order, rule, or regulation, issued by the Commissioner, including any order issued by the Commissioner or the Commissioner's designated representative during the course of any administrative hearing proceeding

Is not in good faith carrying on business as an agent or subagent, but, on the contrary, is holding such license for the purpose of securing rebates or commissions or controlled business

Has shown lack of trustworthiness or lack of competence

Has knowingly participated in the writing or issuance of substantial over-insurance of any property insurance risk

Has failed or refused, upon written demand, to pay over to any insurer, agent, agency, applicant, beneficiary, or insured any moneys which belong to them

Has failed to provide documentation or records, or refused to appear in response to a written demand by the Commissioner or in support of an application for license or renewal of license

Has been convicted of any felony or of any crime involving moral turpitude

Has failed to report to the Commissioner any criminal prosecution of the applicant or licensee

Has had a license to practice a business or profession licensed under the laws of this state or any other state, territory, country, or the United States revoked, suspended, annulled, declined or not renewed by any lawful licensing authority or had other disciplinary action taken against him or her by any such lawful licensing authority

Is not in compliance with an order for child support

Is a borrower in default who is not in satisfactory repayment

An individual whose license application has been declined or whose license has been revoked or suspended may not reapply for a license for five years.

Any person who violates any provision of the insurance code will be guilty of a misdemeanor and the violation will be grounds for suspension or revocation of licenses.

E. Unfair trade practices

The Rules and Regulations that apply to conducting the business of insurance in Georgia identify certain practices as being unfair and deceptive trade practices or unfair methods of competition.

Violations of the code by anyone conducting the business of insurance may result in the licensee being put on probation or having their license revoked or suspended. They may also be subject to fines and penalties.

The key unfair trade practices are described in more detail below.

1. Rebating

Rebating is offering the applicant some inducement to purchase insurance other than what is plainly expressed in the contract. Rebates may include the following:

Any rebate of premiums payable on the contract other than was has been filed and approved by the Commissioner

An offer to sell, purchase or give stocks, bonds, or securities, dividends or profits, or anything of value not specified in the contract

Services or favors

2. Defamation

Defamation is either orally or in writing making a false or maliciously critical statement or a statement that misrepresents the truth about an insurer's financial condition or anyone in the insurance business with the intent to harm or injure their reputation.

3. Unfair Discrimination

It is considered unfair discrimination to:

Charge individuals rates or have different benefits or terms and conditions for a life insurance contract that are not based on rates and conditions for the same class, same policy amount, and equal expectation of life.

Charge individuals rates or fees or have different benefits or terms and conditions for a health insurance contract that are not based on rates and conditions for the same class or essentially the same hazard.

Charge different rates or fees or refuse to provide coverage, renew a policy, or cancel a policy, for the direct loss to residential property and the contents when this discrimination is based solely on the age or geographical location of the property without regard to objective loss experience.

Charge different rates for the same coverage, limit the amount of coverage, refuse coverage or renewal of coverage because of race, color, national or ethnic origin of the individual.

4. Unfair Claims Practices

The Rules and Regulations that apply to conducting the business of insurance in Georgia identify certain unfair claims settlement practices.

The following are considered unfair claims settlement practices:

Knowingly misrepresenting to claimants and insureds relevant facts or policy provisions relating to coverages at issue

Failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies

Failing to adopt and implement procedures for the prompt investigation and settlement of claims arising under its policies

Not attempting in good faith to settle claims promptly, fairly, and equitably in which liability has become reasonably clear

Compelling insureds or beneficiaries to institute suits to recover amounts due under its policies by offering substantially less than the amounts ultimately recovered in suits brought by them

Refusing to pay claims without conducting a reasonable investigation

When requested by the insured in writing, failing to affirm or deny coverage of claims within a reasonable time after having completed its investigation related to the claim or claims

When requested by the insured in writing, making claims payments to an insured or beneficiary without indicating the coverage under which each payment is being made

Unreasonably delaying the investigation or payment of claims by requiring both a formal proof of loss and subsequent verification that would result in duplication of information and verification appearing in the formal proof of loss form. This does not preclude an insurer from obtaining sworn statements if permitted under the policy.

When requested by the insured in writing, failing in the case of claims denial or offers of compromise settlement to provide promptly a reasonable and accurate explanation of the basis for such actions. In the case of claims denials, such denials must be in writing.

Failing to provide forms necessary to file claims within 15 calendar days of a request with reasonable explanations regarding their use

Failing to adopt and implement reasonable standards to assure that the repairs of a repairer owned by the insurer are performed in a workmanlike manner

Indicating to a first-party claimant on a payment, draft check, or accompanying letter that the payment is final or a release of any claim unless the policy limit has been paid or there has been a compromise settlement agreed to by the first-party claimant and the insurer as to coverage and amount payable under the contract

Issuing checks or drafts in partial settlement of a loss or claim under a specific coverage which contain language which releases the insurer or its insured from its total liability

In summary, if the liability is clear, the insurer is required to settle a claim fully and promptly based on the limits of liability on the policy.

F. Georgia Insurers Insolvency Pool

The Georgia Insurers Insolvency Pool is in place to protect insured’s from insurance companies that go insolvent by covering their claims.

The pool is responsible for:

the investigation, adjustment, compromise, settlement, and payment of covered claims

the investigation, handling, and denial of noncovered claims

the management and investment of funds administered by the pool

The pool comes under the immediate supervision of the Commissioner and is subject to the applicable provisions of the Georgia insurance laws. It is run by a Board of Trustees, the Insurers Solvency Board, made up of seven members selected by the Commissioner. At least one member must be a representative from a domestic insurer. Board members serve for a term of three years. The Commissioner must ensure that all member insurers are fairly represented.

All insurance companies authorized to write property or casualty insurance policies in Georgia are required, as a condition of doing business in the state, to be members of the insolvency pool.

These insurance companies are assessed and pay into the pool to cover the funds required to continue coverage and pay claims when an insurance company is unable to do this. Insurers are assessed in proportion to the premiums they have been paid in the state for the kinds of insurance included in each account.

The funds are kept in three separate accounts:

A workers' compensation account

An automobile account

An account for all other covered insurance

Covered claims include claims greater than $50.00 and under $300,000.00 or the policy limit, whichever is less, for first-party or third-party claims. Claims for unearned premiums are also covered.

The following types of policies are not covered by the Georgia Insurers Insolvency Pool:

Life insurance and annuities

Accident, health, and disability insurance except where written as part of an automobile insurance contract

Title insurance

Credit life

Credit insurance, vendors' single interest insurance, or collateral protection insurance, or any similar insurance protecting the interests of a creditor arising out of a creditor-debtor transaction

Mortgage guaranty, financial guaranty, or other forms of insurance offering protection against investment risks

Fidelity or surety bonds or any other bonding obligations

Insurance of warranties or service contracts including insurance that provides for the repair, replacement, or service of goods or property, or indemnification for repair, replacement, or service, for the operational or structural failure of the goods or property due to a defect in materials, workmanship, or normal wear and tear, or provides reimbursement for the liability incurred by the issuer of agreements or service contracts that provide such benefits

Ocean marine insurance

Any transaction or combination of transactions between a person, including affiliates of such person, and an insurer, including affiliates of such insurer, which involves the transfer of investment or credit risk unaccompanied by the transfer of insurance risk

Any insurance provided by or guaranteed by government.

No person may use the existence of the pool for the purpose of sales, solicitation, or inducement to purchase insurance. Violation of this may result in a penalty of not more than $1,000.00 per violation, not to exceed an aggregate penalty of $10,000.00 or suspension or revocation on their license or certificate of authority.

The Georgia Life and Health Insurance Guaranty Association is the equivalent body to protect state residents who are policyholders and beneficiaries of life and health policies issued by an insolvent (broke) insurance company authorized to do business in Georgia, up to specified limits.

G. Georgia Automobile Insurance Plan

Residual markets are the market system that serve as the coverage source of last resort for firms and individuals who have been rejected by voluntary market insurers or the regular market. Residual markets include coverage for property insurance, personal automobile insurance, and workers' compensation.

Insurers writing the specific lines in the state must participate in the pools and assume the profits or losses accruing from insuring the state's residual risks in proportion to their share of the total voluntary market premiums written in the state.

The residual market is also known as the shared market.

The Georgia Automobile Insurance Plan was created to provide automobile insurance coverage to eligible risks who seek coverage and are unable to obtain such coverage through the voluntary (ordinary) market.

Eligible Georgia Automobile Insurance Plan risks are shared among companies writing automobile insurance in the state of Georgia. All admitted insurance companies must participate in the pool as a condition of having a Certificate of Authority to do business in the state of Georgia. Risks are apportioned amongst insurers depending on the amount of coverage written in the voluntary market in the state of Georgia.

Coverage through the Georgia Automobile Insurance Plan must comply with the minimum limits of liability required by Georgia law.

An insurance agent holding a valid Property and Casualty license for the state of Georgia can write business through the Georgia Automobile Insurance Plan.

Consumers with a valid Georgia driver's license and a vehicle registered in Georgia are eligible to be assigned through the Georgia Automobile Insurance Plan.

H. FAIR Plan

The Fair Access to Insurance Requirements (FAIR) plan is an underwriting association established to provide basic insurance for those who are unable to obtain property insurance through normal methods.

Under the FAIR plan no application for insurance can be rejected because of environmental hazards beyond the control of the property owner. The property can, however, be inspected before being accepted under the plan.

The association is authorized to issue property insurance policies, reinsure them, and to cede such reinsurance.

All insurers authorized to write property insurance in the state of Georgia are required to contribute to the FAIR plan (association) based on their share of the property insurance market, both personal and commercial. These contributions cover the expenses of the association and the cost of insurance.

The association is run by a Board of Directors.

There is no liability on the part of the Plan (association) for inspections undertaken of property insured.

A person may appeal an action or decision made by the plan to the Commissioner within 30 days. The Commissioner will approve or disapprove of the action or decision, but this will still be open to judicial review.

I. Financial Responsibility Law

The Financial Responsibility Law requires an individual to prove that he or she is able to pay for damages resulting from an accident. A financial responsibility law does not specifically require the individual to have insurance coverage. Rather, the law requires the individual to be able to demonstrate the financial capacity to pay, even if they are not at fault.

Many states consider an individual with an insurance policy to be compliant with a financial responsibility law since most insurance policies have a minimum coverage that meets the state standard.

The Motor Vehicle Safety Responsibility Act, in combination with the minimum requirements for personal automobile insurance, address the financial responsibility law.

No owner of a motor vehicle required to be registered in this state or any other person, other than a self- insurer, may operate or authorize any other person to operate the motor vehicle unless the owner has motor vehicle liability insurance equivalent to that required as evidence of security for bodily injury and property damage liability under the Motor Vehicle Safety Responsibility Act.

In Georgia, you are required to have liability insurance when you register your car to cover bodily injury and property damage with the following minimum coverage amounts:

Bodily injury liability:

$25,000 per person

$50,000 for multiple people in an accident

Property damage liability

$25,000 for one incident

Proof of financial responsibility can be satisfied with:

A written certificate of insurance certifying that there is in effect a liability policy for the vehicle

A plan of self-insurance accepted by the Commissioner This proof of insurance must be maintained for one year.

If a person is convicted of an offense and their driver’s license is suspended, their license cannot be reinstated until they give and maintain proof of financial responsibility for the future.

If this person does not have the required proof of insurance at any time during the one-year period following the date of restoration of their driver’s license, their license will be revoked immediately.

J. Cancellation and nonrenewal of policies

1. Cancellation or nonrenewal by the insurer

An insurer is required to provide a notice of cancellation or nonrenewal to the insured. In the case of cancellation of a policy by the insurer:

Written notice of the cancellation stating the time the cancellation will be effective must be delivered in person or mailed by at least first class mail to the insured’s last address on record no less than 30 days before the cancellation date.

If applicable, a lienholder will receive a notice of cancellation. This may be delivered electronically or by fax if agreed by the lienholder.

Any unearned premium must be returned on a pro-rata basis either to the insured or to the agent. The unearned premium must be returned to the insured or the agent no later than the time of cancellation. If the unearned premium is returned via the agent, it must be returned to the insured no later than 10 days after the agent receives it, within 10 days of notification from the insurer of the amount of the return of unearned premium due, or effective date of cancellation, whichever is later.

If an audit or rate investigation is required, the refund of premium must be made within 30 days after the conclusion of the audit or rate investigation. If the premiums are financed by a premium finance company, the refund of premium must be made within 10 days after cancellation.

If the insurer or agent does not meet the requirements for the return of unearned premium they will be required to pay to the insured a penalty of 25% of the return amount plus interest of 18% per annum until it is returned, with a maximum of 50% for both the penalty and the interest of the refund. The cancellation, however, will still be effective.

If the insured fails to pay the premiums or the policy is in effect for less than 60 days, the notification period is 10 days prior to the time of cancellation.

2. Notification of cancellations and nonrenewals and reviews

Notification regarding Cancellations and Nonrenewals and review by the Commissioner:

The notice of cancellation or nonrenewal must state the reason(s) for this. In the case of a cancellation, the notice of cancellation must include how premiums will be handled.

The notice of cancellation or nonrenewal must advise the insured that they have the opportunity to review the cancellation or nonrenewal with the Department of Insurance if they believe this was in contravention of the rules and regulations.

The insured is required to request a review of a cancellation or nonrenewal within 15 days of receiving the notice.

Prior to filing a review with the Commissioner, the insured must provide written notification to the insurer that they believe the nonrenewal is not valid.

During the period of review of the cancellation or nonrenewal, the insured should pay, and the insurer should accept, a 30-day pro rata portion of the premiums applicable to the policy at the time the cancellation or nonrenewal is issued. The insured should submit proof of this payment of premium as part of the request for the review by the Commissioner.

If the Commissioner determines the cancellation or nonrenewal is lawful, termination of the policy is effective as of the original date on the notice of cancellation or nonrenewal. Termination of the interim coverage during the time this is being reviewed is not effective less than five days following the Commissioner's decision. The Commissioner's decision will establish the effective date of the termination of the interim coverage and serve as the official notice of termination of the coverage. The insurer will retain that portion of the pro rata premiums paid for the period beginning with the original date of the cancellation or nonrenewal and ending with the date of the termination of the interim coverage established by the Commissioner. The insurer is required to refund the remaining premiums to the insured within ten (10) working days of receipt of the Commissioner's decision.

If the Commissioner's decision is that the cancellation or nonrenewal was not lawful, the insurer may be assessed a penalty and will be required to reinstate or renew the policy. The Commissioner may also order other remedies or penalties they deem appropriate or as authorized by law in the event of an abusive cancellation or nonrenewal or in the case where the insurer has followed improper cancellation or nonrenewal procedures.

3. Cancellation by the insured

In the case of cancellation by the insured:

Unearned premium does not need to be paid on a pro-rata basis if the insured has not paid premiums due or if the policy specifies that a penalty may be charged on unearned premium if the policy is cancelled.

The insured can cancel the policy by returning the policy to the insurer or by notifying them in writing of the cancellation.

If there is a lienholder on the policy, the insurer must notify the lienholder of the cancellation.

If a policy is replaced, it will be cancelled with an effective date of the new policy commencing coverage.

4. Cancellation or nonrenewal of a Commercial Lines policy

In the case of a cancellation or nonrenewal of a commercial lines policy or an increase in rate greater than 15% the insurer must notify the named insured:

At least 45 days prior to termination or change in rate

At least 75 days prior to termination for a Workers' compensation policy

If the insured does not meet these requirements, the insured can purchase an additional 30 days' coverage before the policy is terminated.

An insurer cannot refuse to renew a policy for the following reasons:

Lack of supporting business

A change in the insurer's eligibility or underwriting rules unless the change applies uniformly to a specific class or territory and has been approved by the Commissioner

Two or fewer claims against the policy within the preceding 36 month period if the claims were not due to negligence or intentional acts of the insured or persons residing at the insured premises

5. Cancellation or nonrenewal of Personal Lines property insurance policies

In the case of cancellation or nonrenewal of personal lines property insurance policies – policies that cover direct loss to residential real property and its contents as defined and limited in standard fire policies insuring natural persons as the named insured:

After coverage has been in effect for more than 60 days, a notice of cancellation can only be issued for one or more of the following reasons:

Nonpayment of premium

Discovery of fraud, concealment of a material fact, or material misrepresentation made by or with the knowledge of the insured in obtaining or continuing the policy, or placing a claim under the policy

The occurrence of a change in the risk which substantially increases any hazard the policy insures against

The insured violates any of the material terms or conditions of the policy

If a policy is canceled other than for nonpayment of premium or in the event of a refusal to renew or cancel the policy, the insurer is required to notify the named insured that he may be eligible for insurance through the Georgia Fair Access to Insurance Requirements Plan. The notice must include the details for the insured to contact the Georgia Fair Access to Insurance Requirements Plan.

6. Cancellation of a Personal Lines auto or motor cycle policy

In the case of cancellation of a personal lines auto or motor cycle policy – policies that relate to bodily injury and property damage liability, personal injury protection, medical payments, physical damage, and uninsured motorists' coverage, cancellation can only occur for one or more of the following reasons:

Nonpayment of premium

Material misrepresentation

Any insured violated the terms and conditions of the policy

The named insured failed to fully disclose his record for the preceding 36 months of motor vehicle accidents or moving traffic violations if called for in the application

The named insured failed to disclose information for the acceptance or proper rating of the risk in the written application or in response to an inquiry by his broker, the insurer, or the agent

The named insured made a false or fraudulent claim or knowingly aided or abetted another in the presentation of the claim

The named insured or any other operator either resident in the same household or who customarily operates an automobile under the policy:

Has had his driver's license suspended or revoked within 36 months prior to the notice of cancellation

Is or becomes subject to epilepsy or heart attacks and the individual does not produce a certificate from a physician testifying to his unqualified ability to operate a motor vehicle

Has an accident record, a conviction record, criminal or traffic, or a physical, mental, or other condition such that his operation of an automobile might endanger the public safety

Has within a three-year period prior to the notice of cancellation been addicted to the use of narcotics or other drugs

Has been convicted or forfeited bail during the 36 months preceding the notice of cancellation for

Any felony

Criminal negligence resulting in death, homicide, or assault arising out of a motor vehicle

Operating a motor vehicle while in an intoxicated condition or under the influence of drugs

Being intoxicated while in or about an automobile or while having custody of an automobile

Leaving the scene of an accident without stopping to report

Theft or unlawful taking of a motor vehicle

Making false statements in an application for a driver's license

Has been convicted of or forfeited bail for three or more violations of any law, ordinance, or regulation limiting the speed of motor vehicles or any of the provisions of the motor vehicle laws of any state, violation of which constitutes a misdemeanor, whether or not the violations were repetitions of the same offense or different offenses, within 36 months preceding the notice of cancellation

The insured automobile:

Is so mechanically defective that its operation might endanger public safety

Is used in carrying passengers for hire or compensation. Use of an automobile for a car pool is not considered use of an automobile for hire or compensation.

Is used in the transportation of flammables or explosives

Is an authorized emergency vehicle

Has changed in shape or condition during the policy period so as to increase substantially the risk

If a policy is canceled other than for nonpayment of premium or in the event of a refusal to renew or cancel the policy, the insurer is required to notify the named insured that he may be eligible for insurance through the Georgia Automobile Insurance Plan. The notice must include the details for the insured to contact the Georgia Automobile Insurance Plan.

7. Nonrenewal of a Personal Lines auto or motor cycle policy

In the case of nonrenewal of a personal lines auto or motor cycle policy – policies that relate to bodily injury and property damage liability, personal injury protection, medical payments, physical damage, and uninsured motorists' coverage, nonrenewal may not occur for any of the following reasons:

Lack of, lack of potential for, or failure to agree to writing of supporting insurance business

A change in the insurer's eligibility rules or underwriting rules unless these apply uniformly within a specific class or territory and the change has been approved by the Commissioner

With respect to any driver or with respect to any automobile or its replacement for two or fewer of the following within the preceding 36 month period:

Accidents involving two or more motor vehicles in which the driver of the insured automobile under this paragraph was not at fault

Uninsured or underinsured motorist coverage claims

Comprehensive coverage claims

Towing or road service coverage claims

Age, sex, location of residence address within state, race, creed, national origin, ancestry, or marital status

Lawful occupation, provided that the insured automobile is not used in such occupation and that the automobile would have been insured as an original policy risk of the insurer when such occupation is considered together with other relevant underwriting or eligibility rules of the insurer

Military service

Number of years of driving experience of a named insured or of any other operator who is either a resident in the same household or customarily an operator of an automobile insured under the policy

Accidents or violations which occurred more than 36 months prior to the expiration date or anniversary date of the policy or solely for claims paid or payable under the policy during the preceding 36 month period which did not aggregate in an amount in excess of $750.00

One claim against the policy based on fault if the coverage has been in effect continuously for at least 36 preceding months

Two claims against the policy based on fault if the coverage has been in effect continuously for at least 72 preceding months

Factors not relating to the claims record, driving record, or driving ability of the named insured or of any other operator who is either a resident in the same household or customarily an operator of an automobile insured under the policy

If a policy is canceled other than for nonpayment of premium or in the event of a refusal to renew or cancel the policy, the insurer is required to notify the named insured that he may be eligible for insurance through the Georgia Automobile Insurance Plan. The notice must include the details for the insured to contact the Georgia Automobile Insurance Plan.

1. Commissioner/Department of Insurance

a. Broad powers and duties

Ref: 33-2-1 through 33: The Commissioner/Department of Insurance possesses extensive authority and responsibilities in regulating the insurance industry.

GA Code § 33-2-1 (2022)

There is created the Department of Insurance of the State of Georgia. The chief officer of such department shall be the Commissioner of Insurance. The purpose and function of the department and the duties and powers of the Commissioner shall be those created and vested by this title.

GA Code § 33-2-2 (2022)

The Commissioner shall have an official seal of such design as he or she shall select with the approval of the Governor.

GA Code § 33-2-3 (2022)

The Commissioner shall set up within the department such divisions or sections as he may deem necessary for the appropriate performance of the duties of the department and the proper exercise of the powers vested in the department. Such organization shall proceed along functional lines and shall have as its purpose efficiency in operation and service to the public.

§ 33-2-4. [Reserved] Appointment and Removal of Chief Deputy Insurance Commissioner and Other Deputies

GA Code § 33-2-5 (2022)

The Commissioner may appoint and prescribe the duties of such assistants, examiners, actuaries, clerks, and employees as may be necessary to discharge the duties placed upon the department by this title. The Commissioner shall fix the compensation of all such personnel.

The Commissioner or any deputy, examiner, actuary, clerk, or any employee of the department shall not be financially interested, directly or indirectly, in any insurer, agency, or insurance transaction except as a policyholder or claimant under a policy; however, as to such matters wherein a conflict of interests does not exist on the part of any such individual, the Commissioner may employ from time to time insurance actuaries or other technicians who are independently practicing their professions even though similarly employed by insurers and others.

The Commissioner or any deputy, examiner, actuary, clerk, or employee of the department shall not be given or receive any fee, compensation, loan, gift, or other thing of value in addition to the compensation and expense allowance provided by law for any service or pretended service either rendered or to be rendered as such Commissioner, deputy, examiner, actuary, clerk, or employee.

GA Code § 33-2-6 (2022)

Any authority, power, or duty vested in the Commissioner by any provision of this title may be exercised, discharged, or performed by any deputy, assistant, examiner, or employee of the department acting in the Commissioner's name and by his delegated authority.

The Commissioner shall be responsible for the official acts of such persons who act in his name and by his authority.

GA Code § 33-2-7 (2022)

The Commissioner shall enter in permanent form records of the official transactions, filings, examinations, investigations, and proceedings of his office and shall keep all records, books, and papers pertaining thereto in his office. Such records, books, and papers shall be deemed public records of the state except as may be provided otherwise in this chapter.

Upon the request of any person and the payment of the applicable fee, the Commissioner shall supply a certified copy of any record in his office which is then subject to public inspection.

The Commissioner may destroy or otherwise dispose of all records entered in his office in accordance with the rules and procedures provided for in Part 1A of Article 2 of Chapter 3 of Title 20; provided, however, that filings may be destroyed by direction of the Commissioner when superseded.

§ 33-2-8. Through 33-2-8.2. [Reserved]

GA Code § 33-2-9 (2022)

The Commissioner shall have full power and authority to make rules and regulations for the following purposes:

To organize the department and to assign duties to members of the staff;

To promulgate any rules and regulations as are reasonably necessary to implement this title;

To promulgate any rules and regulations as are reasonably necessary to conform with the requirements of the federal Health Insurance Portability and Accountability Act of 1996, P.L. 104-191, as said federal Act existed on January 1, 1997;

To issue interpretative rulings or to prescribe forms required to carry out the responsibilities of his or her office; or

To govern the procedure to be followed in the proceedings before the department.

Before any rule or regulation shall become effective or before any amendment or repeal of any rule shall become effective, the proposed rule or regulation or amendment or repeal shall have been on file as a public record in the office of the Commissioner for at least ten days.

Prior to the adoption of any rule or regulation or the amendment or repeal thereof, the Commissioner shall publish or otherwise circulate notice of his intended action and afford interested persons opportunity to submit data or views either orally or in writing.

The Commissioner shall compile and keep on file in his office as a public record a set of such rules and regulations which are in effect and shall prepare copies of such rules and regulations which shall be available upon request. The Commissioner shall fix a price covering such compilation which shall cover costs of preparation and mailing.

Neither the Commissioner, whether acting as Commissioner of Insurance or Safety Fire Commissioner, nor the department, nor the Safety Fire Division of the office of the Commissioner shall propose or adopt rules or regulations relating to the sale or dispensing of gasoline or diesel fuel to the general public by any business entity unless such rules or regulations require such sale or dispensing to be under the direct control and visual supervision of an on-site employee of such business entity.

GA Code § 33-2-10 (2022)

Orders and notices of the Commissioner shall be effective only when they are in writing and signed by him or by his authority.

Every such order shall state its effective date and shall state concisely:

Its intent or purpose;

The grounds on which it is based; and

The provisions of this title pursuant to which action is taken or proposed to be taken; but failure to designate any provision shall not deprive the Commissioner of the right to rely thereon.

An order or notice may be served by delivery to the person to be ordered or notified or by mailing it, postage prepaid, addressed to him at his principal place of business or last address of record in the Commissioner’s office.

In addition to the service provisions set forth in subsection (c) of this Code section, any order of the Commissioner issued to multiple recipients in the form of a general directive, data call, or bulletin may be served by sending it by email, so that receipt is acknowledged by the recipient, to the email address on record in the Commissioner's office. The Commissioner shall also post such general directive, data call, or bulletin contemporaneously on the department's website.

GA Code § 33-2-11 (2022)

Whenever the Commissioner shall deem it expedient, the Commissioner shall examine, either in person or by some examiner duly authorized by the Commissioner, the affairs, transactions, accounts, records, documents, and assets of each insurer authorized to do business in this state and any other facts relative to its business methods, management, and dealings with policyholders. At least once every five years, the Commissioner shall so examine each domestic insurer. Examination of an alien insurer shall be limited to its insurance transactions in the United States.

Whenever he shall deem it necessary at least once in five years, the Commissioner shall fully examine each rating organization which is licensed in this state. As often as he shall deem it necessary, he may examine each advisory organization and each joint underwriting or joint reinsurance group, association, or organization.

The Commissioner shall in like manner examine each insurer or rating organization applying for authority to do business in this state.

In lieu of an examination under this Code section of any foreign or alien insurer licensed in this state, the Commissioner may accept an examination report on such insurer as prepared by the insurance department of such insurer's state of domicile or port-of-entry state until January 1, 1994. On and after January 1, 1994, such reports may be accepted only if:

The insurance department was, at the time the examination was conducted, accredited under the National Association of Insurance Commissioners' financial regulation standards and accreditation program; or

The examination was performed under the supervision of an accredited insurance department or with the participation of one or more examiners who are employed by an accredited state insurance department and who, after a review of the examination work papers and report, state under oath that the examination was performed in a manner consistent with the standards and procedures required by their insurance department.

Any insurer authorized to transact insurance in this state which changes its domicile from Georgia to another state on or after April 1, 1988, may be examined by the Commissioner once a year for five years, beginning on or after the occurrence of the change in domicile; provided, however, this subsection shall not apply to an insurer which changes its domicile from Georgia to another state as long as it retains in this state its principal place of business and the complete records of its assets, transactions, and affairs.

GA Code § 33-2-12 (2022)

For the purpose of ascertaining their compliance with this title, when he deems it necessary in the public interest, the Commissioner may examine the affairs, accounts, records, documents, and transactions of:

Any insurance agent, subagent, broker, counselor, adjuster, or any other person licensed under this title;

Any person having a contract under which he enjoys in fact the exclusive or dominant right to control an insurer;

Any person holding the shares of capital stock or policyholder proxies of a domestic insurer for the purpose of control of its management either as voting trustee or otherwise;

Any person engaged in the promotion or formation of a domestic insurer, or insurance holding corporation, or corporation to finance a domestic insurer or the production of its business;

Any other person transacting the business of insurance, whether authorized or unauthorized;

Any person or affiliate of such person who proposes or makes application to acquire any domestic insurer or any affiliate of a domestic insurer; and

Any person seeking to acquire any other person subject to the jurisdiction of the Commissioner pursuant to this title.

GA Code § 33-2-13 (2022)

Every person being examined, its officers, employees, and representatives shall produce and make freely accessible to the Commissioner the accounts, records, documents, and files in his possession or control relating to the subject of the examination. Such officers, employees, and representatives shall facilitate such examination and aid the examiners as far as it is in their power in making the examination.

If the Commissioner finds the accounts to be inadequate or incorrectly kept or posted, he may employ experts to rewrite, post, or balance such records at the expense of the person being examined, if such person has failed to correct such accounting within 60 days after the Commissioner has given him notice to do so.

GA Code § 33-2-14 (2022)

The Commissioner may make a full written report of each examination made by him containing only facts ascertained from the accounts, records, and documents examined and from the sworn testimony of witnesses.

The report shall be certified by the Commissioner or by the examiner in charge of the examination and when so certified, after filing as provided in subsection (c) of this Code section, shall be admissible in evidence in any proceeding brought by the Commissioner against the person examined or any officer or agent of such person and shall be prima-facie evidence of the facts stated therein.

The Commissioner shall furnish a copy of the proposed report to the person examined not less than 20 days prior to filing the report. If such person so requests in writing within such 20 day period or such longer period as the Commissioner may grant, the Commissioner shall grant a hearing with respect to the report and shall not so file the report until after the hearing and such modifications have been made therein as the Commissioner may deem proper.

The Commissioner may withhold from public inspection the report of any examination or investigation for so long as he deems it to be in the public interest or necessary to protect the person examined from unwarranted injury.

Nothing contained in this Code section shall be construed to limit the Commissioner's authority to terminate or suspend any examination in order to pursue other legal or regulatory action pursuant to the insurance laws of this state. In such event, the findings of fact and conclusions made pursuant to said examination and prior to any hearing as set forth in subsection (c) of this Code section shall be prima-facie evidence in any legal or regulatory action.

In the event the Commissioner determines that regulatory action is appropriate as a result of any examination, he or she may initiate any proceeding or actions as provided by law.

Notwithstanding the provisions of Article 4 of Chapter 18 of Title 50, relating to the inspection of public records, all work papers, analysis, information, documents, information received from another state, and any other materials created, produced, or obtained by or disclosed to the Commissioner or any other person in the course of an examination made under this chapter or in the course of analysis by the Commissioner of the financial condition or market conduct of a company must be given confidential treatment and are not subject to subpoena and may not be made public by the Commissioner or any other person. Access may be granted to authorized representatives of the National Association of Insurance Commissioners. Such representatives must agree in writing prior to receiving the information to treat such information confidentially as required by this Code section, unless the prior written consent of the company to which it pertains has been obtained.

Nothing contained in this Code section shall be construed to limit the Commissioner's authority to use any preliminary or final examination or company work papers or other documents, or any other information discovered or developed during the course of any examination in the furtherance of any legal or regulatory action which the Commissioner may, in his or her sole discretion, deem appropriate.

Nothing contained in this Code section shall prevent or be construed as prohibiting the Commissioner from disclosing the work papers, analysis, information, or a document described in subsection (g) of this Code section to state, federal, or international regulatory agencies or state, federal, or international law enforcement authorities so long as such recipient agrees in writing to treat such report confidentially and in a manner consistent with this title.

GA Code § 33-2-15 (2022)

At the direction of the Commissioner, the insurer or other person so examined shall pay all the actual travel and living expenses of the examination. When the examination is made by an examiner who is not a regular employee of the department, the person examined shall pay the proper charges for the services of the examiner and his or her assistants and the actual travel and living expenses incurred by such examiners and assistants in an amount approved by the Commissioner. A consolidated account for the examination shall be filed by the examiner with the Commissioner. No person shall pay and no examiner shall accept any additional emolument on account of any examination. When the examination is conducted in whole or in part by regular salaried employees of the department, payment for such services and proper expenses shall be made by the person examined to the Commissioner, and such payment shall be deposited in the state treasury; provided, however, that, when an agent, broker, solicitor, counselor, or adjuster is examined because of a complaint filed against such agent, broker, solicitor, counselor, or adjuster and when the Commissioner finds that the complaint was not justified, the expenses of the examination shall not be assessed against the agent, broker, solicitor, counselor, or adjuster but shall be borne by the department.

An examiner or other person appointed or authorized by the Commissioner, while participating in an examination conducted under this chapter, shall enjoy the same immunities as those of a regular employee of the department under similar circumstances.

GA Code § 33-2-16 (2022)

With respect to the subject of any examination, investigation, or hearing conducted by him or his duly authorized representative, the Commissioner may take depositions, subpoena witnesses, administer oaths or affirmations, examine any individual under oath, and compel the production of records, books, papers, and other documents.

Witness fees and mileage, if claimed, shall be allowed as for witnesses appearing in superior court. Witness fees, mileage, and the actual expense necessarily incurred in securing attendance of witnesses and their testimony shall be itemized and shall be paid by the person being examined or investigated, if in the proceedings in which the witness is called such person is found to be in violation of the law, or paid by the person, if other than the Commissioner, at whose request the hearing is held.

Subpoenas of witnesses shall be served in the same manner as if issued by a superior court. If any individual fails to obey a subpoena issued and served under this subsection with respect to any matter concerning which he may be lawfully interrogated, on application of the Commissioner the superior court of the county in which the proceeding is pending at which such individual was so required to appear may issue an order requiring such individual to comply with the subpoena and to testify.

Any person willfully testifying falsely under oath as to any matter material to any such examination, investigation, or hearing shall have committed the offense of false swearing.

In addition to any other liability or punishment prescribed, any person who without just cause fails or refuses to attend and testify or to answer any lawful inquiry or to produce any books, papers, or records in obedience to a lawful subpoena issued by the Commissioner or by his authority shall be guilty of a misdemeanor.

GA Code § 33-2-17 (2022)

The Commissioner may hold hearings for any purpose within the scope of this title as he may deem necessary.

He shall hold a hearing:

If required by any provision of this title; or

Upon written demand for a hearing made by any person aggrieved by any act, threatened act, or failure of the Commissioner to act if such failure is deemed an act under any provision of this title or by any report, promulgation, or order of the Commissioner, other than an order on a hearing of which such person was given actual notice or at which such person appeared as a party or order pursuant to the order on such hearing.

Any demand for a hearing pursuant to this Code section shall specify in what respects such person is aggrieved and the grounds to be relied upon as a basis for the relief to be demanded at the hearing; and, unless postponed by mutual consent, the hearing shall be held within 30 days after receipt by the Commissioner of the demand for a hearing. Such hearing shall be held only if the Commissioner shall find that the demand for a hearing is made in good faith, that the applicant would be aggrieved, and that such grounds otherwise justify holding such hearing.

Pending the hearing and decision on holding the hearing, the Commissioner may suspend or postpone the effective date of his previous action.

GA Code § 33-2-18 (2022)

The hearing shall be held at the place designated by the Commissioner and shall be open to the public.

GA Code § 33-2-19 (2022)

Not less than ten days in advance the Commissioner shall give notice of the time and place of the hearing stating the matters to be considered at the hearing. If the persons to be given notice are not specified in the provision pursuant to which the hearing is held, the Commissioner shall give notice to all persons directly affected by such hearing. In the event all persons directly affected are unknown, notice may be perfected by publication in a newspaper of general circulation in this state at least ten days prior to the hearing.

GA Code § 33-2-20 (2022)

If any person is entitled to a hearing by any provision of this title before any proposed action is taken, the notice of the proposed action may be in the form of a notice to show cause stating that the proposed action may be taken, unless such person shows cause at a hearing to be held as specified in the notice why the proposed action should not be taken and stating the basis of the proposed action.

GA Code § 33-2-21 (2022)

The hearing shall be presided over by the Commissioner or his designated representative.

The Commissioner shall allow any party to the hearing to appear in person or by counsel, to be present during the giving of all evidence, to have a reasonable opportunity to inspect all documentary evidence and to examine witnesses, to present evidence in support of his interest, and to have subpoenas issued by the Commissioner to compel attendance of witnesses and production of evidence in his behalf.

The Commissioner shall permit to become a party to the hearing by intervention, if timely, only such persons who may be aggrieved by the Commissioner's order made upon the hearing.

Formal rules of pleading or evidence need not be observed at any hearing.

Upon written request seasonably made by a party to the hearing and at such person's expense, the Commissioner shall cause a full record of the proceedings to be made. If transcribed, a copy of such record shall be furnished to the Commissioner without cost to the Commissioner or the state and shall be a part of the Commissioner's record of the hearing. If so transcribed, a copy of the record shall be furnished to any other party to the hearing at the request and expense of the other party. If no record is made or transcribed, the Commissioner shall prepare an adequate record of the evidence and of the proceedings.

Upon written request of a party to a hearing filed with the Commissioner within 30 days after any order made pursuant to a hearing has been mailed or delivered to the persons entitled to receive the same, the Commissioner may in his discretion grant a rehearing or reargument of the matters involved in such hearing; and notice of the rehearing or reargument shall be given as provided in Code Section 33-2-19.

GA Code § 33-2-22 (2022)

The Commissioner may adjourn any hearing from time to time and from place to place without other notice of the adjourned hearing than announcement thereof at the hearing.

The validity of any hearing held in accordance with the notice thereof shall not be affected by failure of any person to attend the hearing or to remain in attendance.

GA Code § 33-2-23 (2022)

Within 30 days after termination of the hearing or of any rehearing or reargument, the Commissioner shall make his order thereon covering matters involved in the hearing and in any rehearing or reargument and shall give a copy of the order to the same persons given notice of the hearing.

The order shall contain a concise statement of the facts as found by the Commissioner, a concise statement of his conclusions therefrom, and the effective date of the order.

The order may affirm, modify, or nullify action theretofore taken or may constitute the taking of new action within the scope of the notice of hearing.

GA Code § 33-2-24 (2022)

Whenever it may appear to the Commissioner, either upon investigation or otherwise, that any person has engaged in, is engaging in, or is about to engage in any act, practice, or transaction which is prohibited by this title or by any rule, regulation, or order of the Commissioner promulgated or issued pursuant to this title or which is declared to be unlawful under this title, the Commissioner may at his discretion issue an order, if he deems it to be appropriate in the public interest or for the protection of policyholders or the citizens of this state, prohibiting such person from continuing such act, practice, or transaction.

Notwithstanding any other provision of this title, in situations where persons otherwise would be entitled to a hearing prior to an order, the Commissioner may issue a proposed order to be effective upon a later date without hearing, unless persons subject to the order request a hearing within ten days after receipt of the order. Failure to make the request shall constitute a waiver of any provision of law for the hearing. The order shall contain or shall be accompanied by a notice of opportunity for hearing which clearly explains that the opportunity must be requested within ten days of receipt of the order and notice. The order and notice shall be served in person by the Commissioner or his agent or by registered or certified mail or statutory overnight delivery, return receipt requested.

Notwithstanding any other provision of this title, in situations where persons otherwise would be entitled to a hearing prior to an order, the Commissioner may issue an order to be effective immediately, if the Commissioner has reasonable cause to believe: that an act, practice, or transaction is occurring or is about to occur; that the situation constitutes a situation of imminent peril to the public health, safety, or welfare; and that the situation therefore imperatively requires emergency action. The emergency order shall contain findings to this effect and reasons for the determination. The order shall contain or be accompanied by a notice of opportunity for hearing which may provide that a hearing will be held if and only if a person subject to the order requests a hearing within ten days of receipt of the order and notice. The order and notice shall be served by delivery by the Commissioner or his agent or by registered or certified mail or statutory overnight delivery, return receipt requested.

The Commissioner may institute actions or other legal proceedings as may be required for the enforcement of any provisions of this title. If the Commissioner has reason to believe that any person has violated any provision of this title for which criminal prosecution is provided, he shall so inform the prosecuting attorney in whose circuit or jurisdiction such violation may have occurred.

The Commissioner may prosecute an action in any superior court of proper venue to enforce any order made by him pursuant to this title.

In cases in which the Commissioner institutes an action or other legal proceeding in a superior court of this state or prosecutes an action in a superior court to enforce his order, the superior court may among other appropriate relief issue an injunction restraining persons and those in active concert with them, including agents, employees, partners, officers, and directors, from engaging in acts prohibited by orders of the Commissioner or his rules or regulations or made unlawful or prohibited by this title.

In addition to all other penalties provided for under this title, the Commissioner shall have the authority:

To place any person duly licensed under this title on probation for a period of time not to exceed one year for each and every act in violation of this title or of the rules, regulations, or orders of the Commissioner; and

To subject any person duly licensed or that should be licensed under this title to a monetary penalty of up to $2,000.00 for each and every act in violation of this title or of the rules, regulations, or orders of the Commissioner, unless such person knew or reasonably should have known he or she was in violation of this title or of the rules, regulations, or orders of the Commissioner, in which case the monetary penalty provided for in this paragraph may be increased to an amount up to $5,000.00 for each and every act in violation.

The Commissioner may not institute any action or impose any penalty against an insurer because an insurer engages in transactions consistent with the provisions of Chapter 12 of Title 10, the "Uniform Electronic Transactions Act," or Code Section 33-24-14.

GA Code § 33-2-25 (2022)

Nothing contained in this chapter is intended to limit or repeal any power or authority elsewhere granted the Commissioner or the superior courts in the enforcement of this title. Nor shall any grant of authority or power contained in this chapter be read to imply that such grant of authority or power was not conferred by a preexisting law.

GA Code § 33-2-26 (2022)

An appeal from the Commissioner shall be taken only from an order on hearing or with respect to a matter as to which the Commissioner has refused or failed to grant or hold a hearing after demand therefor under Code Section 33-2-17 or as to a matter as to which the Commissioner has refused or failed to make his order on hearing as required by Code Section 33-2-23. Any person who was a party to the hearing or whose pecuniary interests are directly and immediately affected by the refusal or failure to grant a hearing and who is aggrieved by the order, refusal, or failure may appeal from the order on hearing or as to any such matter within 30 days after:

The order on hearing has been mailed or delivered to the persons entitled to receive the same;

The Commissioner's order denying rehearing or reargument has been so mailed or delivered;

The Commissioner has refused or failed to make his order on hearing as required under Code Section 33-2-23; or

The Commissioner has refused or failed to grant or hold a hearing as required under Code Section 33-2-17.

GA Code § 33-2-27 (2022)

The form of proceeding for judicial review shall be by a petition in the Superior Court of Fulton County, a copy of which shall be served upon the Commissioner immediately.

The proceedings shall follow the course which is now or may hereafter be prescribed for civil actions in the superior courts, provided that the reviewing court may by order extend the time required for filing any pleadings or motions. In addition, the reviewing court may provide by order for expeditious hearing or trial of any such proceedings as justice or the public interest may require.

The petition or other pleading in which judicial review shall be sought shall plainly specify the action complained of and shall set forth the relief sought and, without excessive detail, the facts and circumstances supporting the petitioner's right to such relief.

Pending judicial review pursuant to any proceeding authorized for the purpose, the Commissioner, if the action has not become effective, may postpone the effective date of the action complained of. Upon such conditions as may be required and to the extent necessary to preserve the status of proceedings or the rights of the parties or to prevent irreparable injury, in any proceeding for judicial review the reviewing court or any appellate court is authorized to issue all necessary and appropriate orders to postpone the effective date of any action or temporarily to grant or extend relief denied or withheld.

Whether or not prayed for, the court may remand the matter for further proceedings or findings on terms specified by order or may require the parties to complete any record found to be inaccurate or inadequate for decision.

GA Code § 33-2-28 (2022)

Unless review of the action complained of is required by law to be de novo:

In cases in which proceedings have been held before the Commissioner, the Commissioner shall file with his reply to the reviewing court a certified transcript of all such proceedings and all evidence before him in such proceedings; provided, however, that the parties may by written stipulation agree to an abbreviated record including so much of the transcript as shall be necessary to determine the questions under review;

The reviewing court's decision shall be upon the basis of the pleadings and the record so presented;

The findings of the Commissioner as to any fact, if supported by substantial evidence upon consideration of the record as a whole, shall be conclusive;

If issues of fact outside the record shall be made by the pleadings, they may be determined by the court.

Judicial review of any fact determined by the Commissioner shall be de novo unless:

The determination was made after a hearing required or authorized by this title; or

The determination is one committed by law to the Commissioner's discretion.

So far as necessary to decision and where presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of any department action. The court shall:

Compel department action unlawfully withheld or unreasonably delayed; and

Hold unlawful and set aside department action, findings, and conclusions found to be:

Arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

Contrary to legal or constitutional right, power, privilege, or immunity;

In excess of statutory jurisdiction, authority, or limitations or short of statutory right;

Without observance of procedure required by law;

Unsupported by substantial evidence upon consideration of the record as a whole in cases determined pursuant to paragraphs (2) and (3) of subsection (a) of this Code section; and

Unwarranted by the facts in cases in which the facts are subject to trial de novo by the reviewing court.

In making the determinations called for in subparagraphs (A) through (F) of paragraph (2) of subsection (c) of this Code section, the court shall review the whole record or such portions of the record as may be cited by any party; and due account shall be taken of the rule of prejudicial error.

The reviewing court may also grant such further relief either legal or equitable, or both, as the interest of the public and the aggrieved parties in such proceedings shall require.

GA Code § 33-2-29 (2022)

The Commissioner shall promptly pay all taxes, fees, dues, charges, and penalties and interest which he is authorized to collect under this title to the Office of the State Treasurer to the credit of the general fund. The Commissioner, however, is authorized to make refunds of or to allow credits for any amounts which have been illegally or erroneously paid or collected pursuant to any provision of this title; and such payments to the Office of the State Treasurer shall be less the amount of any such refunds or credits, provided that no refunds or credits shall be allowed under this Code section unless a written request for such refund or credit is filed with the Commissioner within seven years from the date of payment or collection of the amount for which a refund or credit is claimed.

GA Code § 33-2-30 (2022)

Except in the case of fraud or failure to file a return required by this title, every notice of a deficiency assessment or the issuance of an execution thereon shall be given within seven years from the date on which such return is filed. In the case of failure to file a return, the notice of a deficiency assessment or the issuance of an execution thereon shall be given within ten years from the date on which such return is due. In the case of fraud there shall be no time limitation.

If, before the expiration of the time prescribed in this Code section for giving of a notice of deficiency assessment or before the issuance of an execution thereon, the taxpayer has consented in writing to the giving of the notice after such time, the notice may be given at any time prior to the expiration of the time agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

GA Code § 33-2-31 (2022)

The Commissioner for good cause shown may extend for no more than 30 days the time for filing a tax return or paying any amount required to be paid with any return. The extension may be granted at any time, provided that a request therefor is filed with the Commissioner within or prior to the period for which the extension may be granted. Any taxpayer to whom an extension is granted shall pay, in addition to the tax, interest at the rate of 1 percent per month or fraction thereof until the date of payment.

GA Code § 33-2-32 (2022)

Each corporation or individual, of whatever name or class, which now has or which may hereafter have bonds or securities on deposit as the law provides, is required, on or before January 15 of each year, to pay fees in amounts as provided in Code Section 33-8-1.

All fees collected under subsection (a) of this Code section shall be paid into the general fund of the state treasury.

If a fee prescribed in subsection (a) of this Code section has not been paid on or before January 15, the Commissioner shall refuse to accept the deposits required by law and shall not certify their acceptance until the fee is fully paid. The Commissioner shall suspend or revoke the license of the delinquent company or individual until the fee is fully paid.

§ 33-2-33. [Reserved] List of Written Requests for Assistance by Citizens Against Insurers

b. Examination of records

Ref: 33-2-10 through 13: The Commissioner/Department of Insurance has the authority to review and inspect insurance records.

GA Code § 33-2-10 (2022)

Orders and notices of the Commissioner shall be effective only when they are in writing and signed by him or by his authority.

Every such order shall state its effective date and shall state concisely:

Its intent or purpose;

The grounds on which it is based; and

The provisions of this title pursuant to which action is taken or proposed to be taken; but failure to designate any provision shall not deprive the Commissioner of the right to rely thereon.

An order or notice may be served by delivery to the person to be ordered or notified or by mailing it, postage prepaid, addressed to him at his principal place of business or last address of record in the Commissioner's office.

In addition to the service provisions set forth in subsection (c) of this Code section, any order of the Commissioner issued to multiple recipients in the form of a general directive, data call, or bulletin may be served by sending it by email, so that receipt is acknowledged by the recipient, to the email address on record in the Commissioner's office. The Commissioner shall also post such general directive, data call, or bulletin contemporaneously on the department's website.

GA Code § 33-2-11 (2022)

Whenever the Commissioner shall deem it expedient, the Commissioner shall examine, either in person or by some examiner duly authorized by the Commissioner, the affairs, transactions, accounts, records, documents, and assets of each insurer authorized to do business in this state and any other facts relative to its business methods, management, and dealings with policyholders. At least once every five years, the Commissioner shall so examine each domestic insurer. Examination of an alien insurer shall be limited to its insurance transactions in the United States.

Whenever he shall deem it necessary at least once in five years, the Commissioner shall fully examine each rating organization which is licensed in this state. As often as he shall deem it necessary, he may examine each advisory organization and each joint underwriting or joint reinsurance group, association, or organization.

The Commissioner shall in like manner examine each insurer or rating organization applying for authority to do business in this state.

In lieu of an examination under this Code section of any foreign or alien insurer licensed in this state, the Commissioner may accept an examination report on such insurer as prepared by the insurance department of such insurer's state of domicile or port-of-entry state until January 1, 1994. On and after January 1, 1994, such reports may be accepted only if:

The insurance department was, at the time the examination was conducted, accredited under the National Association of Insurance Commissioners' financial regulation standards and accreditation program; or

The examination was performed under the supervision of an accredited insurance department or with the participation of one or more examiners who are employed by an accredited state insurance department and who, after a review of the examination work papers and report, state under oath that the examination was performed in a manner consistent with the standards and procedures required by their insurance department.

Any insurer authorized to transact insurance in this state which changes its domicile from Georgia to another state on or after April 1, 1988, may be examined by the Commissioner once a year for five years, beginning on or after the occurrence of the change in domicile; provided, however, this subsection shall not apply to an insurer which changes its domicile from Georgia to another state as long as it retains in this state its principal place of business and the complete records of its assets, transactions, and affairs.

GA Code § 33-2-12 (2022)

For the purpose of ascertaining their compliance with this title, when he deems it necessary in the public interest, the Commissioner may examine the affairs, accounts, records, documents, and transactions of:

Any insurance agent, subagent, broker, counselor, adjuster, or any other person licensed under this title;

Any person having a contract under which he enjoys in fact the exclusive or dominant right to control an insurer;

Any person holding the shares of capital stock or policyholder proxies of a domestic insurer for the purpose of control of its management either as voting trustee or otherwise;

Any person engaged in the promotion or formation of a domestic insurer, or insurance holding corporation, or corporation to finance a domestic insurer or the production of its business;

Any other person transacting the business of insurance, whether authorized or unauthorized;

Any person or affiliate of such person who proposes or makes application to acquire any domestic insurer or any affiliate of a domestic insurer; and

Any person seeking to acquire any other person subject to the jurisdiction of the Commissioner pursuant to this title.

GA Code § 33-2-13 (2022)

Every person being examined, its officers, employees, and representatives shall produce and make freely accessible to the Commissioner the accounts, records, documents, and files in his possession or control relating to the subject of the examination. Such officers, employees, and representatives shall facilitate such examination and aid the examiners as far as it is in their power in making the examination.

If the Commissioner finds the accounts to be inadequate or incorrectly kept or posted, he may employ experts to rewrite, post, or balance such records at the expense of the person being examined, if such person has failed to correct such accounting within 60 days after the Commissioner has given him notice to do so.

c. Investigations/Notice of hearing

Ref: 33-6-6: The Commissioner/Department of Insurance can conduct investigations and issue notices for hearings.

GA Code § 33-6-6 (2022)

The Commissioner shall have the power to examine and investigate into the affairs of every person engaged in the business of insurance in this state in order to determine whether the person has been or is engaged in any unfair method of competition or in any unfair or deceptive act or practice prohibited by this chapter.

In addition to any other authority granted to the Commissioner by this title and in addition to those reports required by Code Section 33-3-21, the Commissioner may require persons engaged in the business of insurance in this state to file reports by postal ZIP Code, where appropriate, or in any other format to enable the Commissioner to determine readily if such person has been or is engaged in any unfair method of competition or in any unfair or deceptive act or practice prohibited by this article.

d. Penalties

Ref: 33-6-9: The Commissioner/Department of Insurance has the power to impose penalties for violations of insurance regulations.

2. General Definitions

a. Domestic, foreign, alien

Ref: 33-3-1: Domestic refers to insurance companies incorporated in the state, foreign refers to companies incorporated in another state, and alien refers to companies incorporated outside the United States.

GA Code § 33-3-1 (2022)

As used in this chapter, the term:

“Administrative supervision” means the continued operation of the company under supervision of the Commissioner in accordance with regulations promulgated by the Commissioner.

“Alien” insurer means an insurer formed under the laws of a country other than the United States.

“Charter” means articles of incorporation, articles of agreement, articles of association, or other basic constituent document of a corporation; subscribers’ agreement and power of attorney of a reciprocal insurer; or underwriters’ agreement and power of attorney of a Lloyd’s insurer.

“Domestic” insurer means an insurer formed under the laws of Georgia.

"Foreign" insurer means an insurer formed under the laws of another state or government of the United States.

"State" means any state, commonwealth, territory, or district of the United States.

"United States" includes the states, territories, districts, and commonwealths of the United States.

b. Stock and mutual

Ref: 33-14-2: Stock insurance companies are owned by shareholders, while mutual insurance companies are owned by policyholders.

GA Code § 33-14-2 (2022)

As used in this chapter, the term:

"Mutual insurer" means an incorporated insurer without capital stock or shares which is owned and governed by its policyholders.

"Stock insurer" means an incorporated insurer with capital divided into shares and owned by its shareholders.

c. Authorized/unauthorized companies and certificate of authority

Ref: 33-3-1: Authorized companies have the necessary license to operate in a specific jurisdiction, while unauthorized companies do not have the required license.

GA Code § 33-3-1 (2022)

As used in this chapter, the term:

"Administrative supervision" means the continued operation of the company under supervision of the Commissioner in accordance with regulations promulgated by the Commissioner.

"Alien" insurer means an insurer formed under the laws of a country other than the United States.

"Charter" means articles of incorporation, articles of agreement, articles of association, or other basic constituent document of a corporation; subscribers' agreement and power of attorney of a reciprocal insurer; or underwriters' agreement and power of attorney of a Lloyd's insurer.

"Domestic" insurer means an insurer formed under the laws of Georgia.

"Foreign" insurer means an insurer formed under the laws of another state or government of the United States.

"State" means any state, commonwealth, territory, or district of the United States.

"United States" includes the states, territories, districts, and commonwealths of the United States.

d. Third Party Administrators (practices, responsibilities, and duties)

Third Party Administrators are entities that process insurance claims on behalf of an insurance company.

e. Insurance transaction/transacting business

Ref: 33-1-2 (6): Insurance transaction refers to any activity related to the sale or administration of insurance policies.

GA Code § 33-1-2 (2020)

As used in this title, the term:

"Commissioner of Insurance" or "Commissioner" means the Commissioner of Insurance of the State of Georgia.

"Department of Insurance" or "department" means the Department of Insurance established by Code Section 33-2-1.

"Health benefit policy," "health benefit plan," or other similar terms shall not include limited benefit insurance policies designed, advertised, and marketed to supplement major medical insurance such as accident only, CHAMPUS supplement, dental, disability income, fixed indemnity, long-term care, medicare supplement, specified disease, vision, and any other type of accident and sickness insurance other than basic hospital expense, basic medical-surgical expense, or major medical insurance.

"Insurance" means a contract which is an integral part of a plan for distributing individual losses whereby one undertakes to indemnify another or to pay a specified amount or benefits upon determinable contingencies.

"Insurer" means any person engaged as indemnitor, surety, or contractor who issues insurance, annuity or endowment contracts, subscriber certificates, or other contracts of insurance by whatever name called. Burial associations, health care plans, and health maintenance organizations are insurers within the meaning of this title.

"Natural person" means an individual human being and does not include any firm, partnership, association, corporation, or trust.

"Person" means an individual, insurer, company, association, trade association, organization, society, reciprocal or interinsurance exchange, partnership, syndicate, business trust, corporation, Lloyd's association, and associations, groups, or department of underwriters, and any other legal entity.

"Security," "security deposit," "special deposit," or "deposit," when used to refer to posted deposits required to be placed in the possession of the Commissioner, shall mean the actual physical evidence of a security, such as a certificate, or an entry made through the federal reserve book-entry system. The federal reserve book-entry system shall be limited in meaning to the computerized systems sponsored by the United States Department of Treasury and certain agencies and instrumentalities of the United States for holding and transferring securities of the United States government and such agencies and instrumentalities, respectively, in federal reserve banks through banks which are members of the Federal Reserve System or which otherwise have access to such computerized systems.

"Transact," with respect to insurance, includes any of the following:

Solicitation and inducement;

Preliminary negotiations;

Effectuation of a contract of insurance; or

Transaction of matters subsequent to effectuation of the contract and arising out of it.

3. Licensing of agents, adjusters, subagents, and adjusters

The process of obtaining a license for insurance agents, adjusters, subagents, and adjusters to legally operate in the insurance industry

a. Agent Responsibility

b. Adjuster

a. Practices

b. Responsibilities

c. Duties

c. Reciprocity Agreements

d. License maintenance

e. License revocation or suspension

f. Nonresident license

4. Unfair trade practices and frauds

Ref: 33-6-4 and 5: Unethical practices and fraudulent activities in the insurance industry that are prohibited by law

a. Rebating

b. Defamation

c. Unfair Discrimination

d. Misrepresentation

e. Controlled Business

f. Twisting and Churning

g. Advertising law

h. Coercion

i. Commingling

j. Fiduciary Responsibility

k. Sharing Commissions

l. Additional Fees

GA Code § 33-6-4 (2022)

As used in this Code section, the term:

“Gift certificate” shall have the same meaning as provided in Code Section 10-1-393.

“Policy” means any insuring bond issued by an insurer.

“Store gift card” shall have the same meaning as provided in Code Section 10-1-393.

The following acts or practices are deemed unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

Making, publishing, disseminating, circulating, or placing before the public or causing directly or indirectly to be made, published, disseminated, circulated, or placed before the public in a newspaper, magazine, or other publication or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio station or in any other way an advertisement, announcement, or statement containing any assertion, representation, or statement with respect to the business of insurance or with respect to any person in the conduct of his insurance business, which statement, assertion, or representation is untrue, deceptive, or misleading;

Making, issuing, circulating, or causing to be made, issued, or circulated any estimate, illustration, circular, or statement misrepresenting the terms of any policy issued or to be issued, the benefits or advantages promised thereby, or the dividends or share of the surplus to be received thereon; making any false or misleading statement as to the dividends or share of surplus previously paid on similar policies; making any misleading representation or any misrepresentation as to the financial condition of any insurer, as to the legal reserve system upon which any life insurer operates; using any name or title of any policy or class of policies misrepresenting the true nature thereof; or making any misrepresentation to any policyholder insured in any company for the purpose of inducing or tending to induce the policyholder to lapse, forfeit, or surrender his insurance. A dividend estimate prepared on company forms and clearly indicating, in type equal in size to that used in figures showing amounts of estimated dividends, that the dividends are based on estimates made by the company based upon past experience of the company shall not be considered misrepresentation and false advertising within the meaning of this paragraph;

Making, publishing, disseminating, or circulating directly or indirectly or aiding, abetting, or encouraging the making, publishing, disseminating, or circulating of any oral or written statement or any pamphlet, circular, article, or literature which is false or maliciously critical of or substantially misrepresents the financial condition of an insurer and which is calculated to injure any person engaged in the business of insurance;

Entering into any agreement to commit or by any concerted action committing any act of boycott, coercion, or intimidation resulting in or tending to result in unreasonable restraint of or monopoly in the business of insurance;

Filing with any supervisory or other public official or making, publishing, disseminating, circulating, delivering to any person, or placing before the public or causing directly or indirectly to be made, published, disseminated, circulated, delivered to any person, or placed before the public any false statement of financial condition of an insurer with the intent to deceive;

Making any false entry in any book, report, or statement of any insurer with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs or any public official to whom such insurer is required by law to report or who has authority by law to examine into its condition or into any of its affairs or, with like intent, willfully omitting to make a true entry of any material fact pertaining to the business of such insurer in any book, report, or statement of the insurer;

Issuing or delivering or permitting agents, officers, or employees to issue or deliver agency or company stock or other capital stock, benefit certificates or shares in any common-law corporation, securities, or any special or advisory board contracts of any kind promising returns and profits as an inducement to insurance;

Making or permitting any unfair discrimination between individuals of the same class, same policy amount, and equal expectation of life in the rates charged for any contract of life insurance or of life annuity, in the dividends or other benefits payable thereon, or in any other of the terms and conditions of the contract.

Making or permitting any unfair discrimination between individuals of the same class and of essentially the same hazard in the amount of premium, policy fees, or rates charged for any policy or contract of accident or sickness insurance, in the benefits payable thereunder, in any of the terms or conditions of the contract, or in any other manner whatever.

Making or permitting any unfair discrimination in the issuance, renewal, or cancellation of any policy or contract of insurance against direct loss to residential property and the contents thereof, in the amount of premium, policy fees, or rates charged for the policies or contracts when the discrimination is based solely upon the age or geographical location of the property within a rated fire district without regard to objective loss experience relating thereto.

(I) Unfair discrimination prohibited by the provisions of this subparagraph includes discrimination based on race, color, and national or ethnic origin. In addition, in connection with any kind of insurance, it shall be an unfair and deceptive act or practice to refuse to insure or to refuse to continue to insure an individual; to limit the amount, extent, or kind of coverage available to an individual; or to charge an individual a different rate for the same coverage because of the race, color, or national or ethnic origin of that individual. The prohibitions of this division are in addition to and supplement any and all other provisions of Georgia law prohibiting such discrimination which were previously enacted and currently exist, or which may be enacted subsequently, and shall not be a limitation on such other provisions of law.

Knowingly permitting or offering to make or making any contract of insurance or agreement as to the contract other than as plainly expressed in the contract issued thereon; paying, allowing, giving, or offering to pay, allow, or give directly or indirectly, as inducement to any contract of insurance, any rebate of premiums payable on the contract, any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract, except in accordance with an applicable rate filing, rating plan, or rating system filed with and approved by the Commissioner; giving, selling, purchasing, or offering to give, sell, or purchase as inducement to such insurance or in connection therewith any stocks, bonds, or other securities of any company, any dividends or profits accrued thereon, or anything of value whatsoever not specified in the contract; or receiving or accepting as inducement to contracts of insurance any rebate of premium payable on the contract, any special favor or advantage in the dividends or other benefit to accrue thereon, or any valuable consideration or inducement not specified in the contract.

Nothing in subparagraphs (A) and (B) of this paragraph shall be construed as including within the definition of discrimination or rebates any of the following practices:

In the case of any contract of life insurance or life annuity, paying bonuses to policyholders or otherwise abating their premiums in whole or in part out of surplus accumulated from nonparticipating insurance, provided that any bonuses or abatement of premiums shall be fair and equitable to policyholders and for the best interest of the company and its policyholders;

In the case of life or accident and sickness insurance policies issued on the industrial debit or weekly premium plan, making allowance in an amount which fairly represents the saving in collection expense to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer;

Making a readjustment of the rate of premium for a policy based on the loss or expense experienced at the end of the first or any subsequent policy year of insurance thereunder, which adjustment may be made retroactive only for the policy year;

Issuing life or accident and sickness insurance policies covering bona fide employees of the insurer at a rate less than the rate charged other persons in the same class;

Issuing life or accident and sickness policies on a salary-saving, payroll deduction, preauthorized, postdated, automatic check, or draft plan at a reduced rate commensurate with the savings made by the use of such plan;

Paying commissions or other compensation to duly licensed agents or brokers or allowing or returning dividends, savings, or unabsorbed premium deposits to participating policyholders, members, or subscribers;

Paying by an insurance agent of part or all of the commissions on public insurance to a nonprofit association of insurance agents which is affiliated with a recognized state or national insurance agents' association, which commissions are to be used in whole or in part for one or more civic enterprises;

Paying for food or refreshments by an insurer or an agent, broker, or employee of an insurer for current or prospective clients during group sales presentations and group seminars, provided that no insurance or annuity applications or contracts are offered or accepted at such presentations or seminars;

Paying for business meals and entertainment by an insurer or an agent, broker, or employee of an insurer, agent, or broker for current or prospective clients; or

Advertising or conducting promotional programs by insurers or insurance producers whereby prizes, goods, wares, store gift cards, gift certificates, sporting event tickets, or merchandise, not exceeding $100.00 in value per customer in the aggregate in any one calendar year, are given to current or prospective customers; provided, however, that the giving of any item or items of value under this subsection shall not be contingent on the sale or renewal of a policy;

Failing to instruct and require properly that agents shall, in the solicitation of insurance and the filling out of applications of insurance on behalf of policyholders, incorporate therein all material facts relevant to the risk being written, which facts are known to the agent or could have been known by proper diligence;

Encouraging agents to accept applications which contain material misrepresentations or conceal material information which, if stated in the application, would prevent issuance of the policy or which would void a policy from its inception according to its terms even though premiums had been paid on the policy;

Any insurer or agent of same becoming a party to requiring or imposing as a condition to the sale of real or personal property or to the financing of real or personal property, as a condition to the granting of or an extension of a loan which is to be secured by the title to or a lien of any kind on real or personal property, or as a condition to the performance of any other act in connection with the sale, financing, or lending, whether the person thus acts for himself or for anyone else, that the insurance or any renewal thereof to be issued on said property as collateral to said sale or loan shall be written through any particular insurance company or agent, provided that this paragraph shall not apply to a policy purchased by the seller, financier, or lender from his or its own funds and not charged to the purchaser or borrower in the sale price of the property or the amount of the loan or required to be paid for out of his personal funds; provided, further, that such seller, financier, or lender may disapprove for reasons affecting solvency or other sensible and sufficient reasons, the insurance company selected by the buyer or borrower. This paragraph shall not apply to title insurance;

Representing that any insurer or agent is employed by or otherwise associated with any Medicare program as defined in Code Section 33-43-1 or the United States Social Security Administration or that any insurance policy sold or offered for sale has been endorsed or sponsored by the federal or state government.

Knowingly selling or offering to sell Medicare supplement insurance coverage as defined in Code Section 33-43-1 which is not in compliance with the provisions of Chapter 43 of this title, relating to Medicare supplement insurance, or the rules and regulations promulgated by the Commissioner pursuant to Chapter 43 of this title.

Representing that any individual policy is a group policy or that the insurer, agent, or policy is endorsed, sponsored by, or associated with any group, association, or other organization unless such is, in fact, the case.

Knowingly selling to Medicaid recipients substantially unnecessary coverage which duplicates benefits provided under the Medicaid program without disclosing to the prospective buyer that it may not be to the buyer’s benefit or that it might actually be to the buyer’s detriment to purchase the additional coverage;

Making direct response advertising by an insurer, including radio or television advertisement, of any individual or group life insurance policy in which computation of the death benefit is of such a technical nature that such death benefit cannot reasonably be properly presented in the advertisement and understood by a member of the insuring public. Policies, other than variable life or other interest sensitive policies, which provide for multiple changes in death benefits, combinations of increasing and nonuniformly decreasing term insurance, or increasing life insurance benefits equal to or slightly greater than the premiums paid during the early years of the coverage combined with accidental death benefits are types of contracts within the purview of this subparagraph. Additionally, any life insurance policy which cannot be truthfully, completely, clearly, and accurately disclosed in an advertisement falls within this subparagraph.

Making direct response advertising by an insurer, including radio or television advertisement, of any individual or group accident and sickness or life insurance policy which is misleading in fact or by implication that the coverage is “guaranteed issue” when there are conditions to be met by those persons to be insured, such as limited medical questions or other underwriting guidelines of the insurer.

Making direct response advertising by an insurer, including radio or television advertisement, of any individual or group accident and sickness or life insurance policy where such advertisement has not been approved for use in this state by the Commissioner;

Failing to disclose in printed advertising material that medical benefits are calculated on the basis of usual, customary, and reasonable charges;

(14.1) Engaging in dishonest, unfair, or deceptive insurance practices in marketing or sales of insurance to service members of the armed forces of the United States and, notwithstanding any other provision of this title, the Commissioner may promulgate such rules and regulations as necessary to define dishonest, unfair, or deceptive military marketing and sales practices;

(14.2) Failing to submit all claims data to the Georgia All-Payer Claims Database as required in Article 3 of Chapter 53 of Title 31;

(14.3) (A) As used in this paragraph:

“Covered eye care services” means those health care services and materials related to the care of the eye and related structures and vision care services for which a health care insurer is obligated to pay for or provide to covered persons under an eye care benefit plan, which includes services for which reimbursement is available under such plan, or for which reimbursement would be available but for the application of contractual limitations such as deductibles, copayments, coinsurance, waiting periods, annual or lifetime maximums, frequency limitations, alternative benefit payments, or any other limitation.

“Covered person” means any subscriber, enrollee, member, beneficiary, or participant, or his or her dependent, for whom benefits are payable when such person receives eye care services rendered or authorized by an ophthalmologist licensed under Chapter 34 of Title 43 or an optometrist licensed under Chapter 30 of Title 43.

“Eye care benefit plan” means any individual or group plan, policy contract, or subscription agreement which includes or is for eye care services that is issued, delivered, issued for delivery, or renewed in this state whether by a health care insurer, health maintenance organization, preferred provider organization, accident and sickness insurer, fraternal benefit society, nonprofit hospital service corporation, nonprofit medical or eye care service corporation, health care plan, or any other person, firm, corporation, joint venture, or other similar business entity that pays for, purchases, or furnishes eye care services to patients, insureds, beneficiaries, or covered dependents in this state.

"Health care insurer" or "insurer" means an entity, including but not limited to insurance companies, health care corporations, health maintenance organizations, and preferred provider organizations, authorized by the state to offer or provide health benefit plans, eye care benefit plans, programs, policies, subscriber contracts, or any other agreements of a similar nature which compensate or indemnify health care providers for furnishing covered eye care or other health care services.

As used in this paragraph, the term:

"Confidential abuse information" means information about acts of family violence or sexual assault, the status of a victim of family violence or sexual assault, an individual's medical condition that the insurer knows or has reason to know is related to family violence or sexual assault, or the home and work addresses and telephone numbers of a subject of family violence or sexual assault.

"Family violence" means family violence as defined in Code Sections 19-13-1 and 19-13-20 and as limited by Code Section 19-13-1.

"Sexual assault" means rape, sodomy, aggravated sodomy, sexual battery, and aggravated sexual battery as those terms are defined in Chapter 6 of Title 16.

No person shall deny or refuse to accept an application; refuse to insure; refuse to renew; refuse to reissue; cancel, restrict, or otherwise terminate; charge a different rate for the same coverage; add a premium differential; or exclude or limit coverage for losses or deny a claim incurred by an insured on the basis that the applicant or insured is or has been a victim of family violence or sexual assault or that such person knows or has reason to know the applicant or insured may be a victim of family violence or sexual assault; nor shall any person take or fail to take any of the aforesaid actions on the basis that an applicant or insured provides shelter, adjusting, or protection to victims of family violence or sexual assault.

No person shall request, directly or indirectly, any information the person knows or reasonably should know relates to acts of family violence or sexual assault or an applicant's or insured's status as a victim of family violence or sexual assault or make use of such information however obtained, except for the limited purpose of complying with legal obligations, verifying an individual's claim to be a subject of family violence or sexual assault, cooperating with a victim of family violence or sexual assault in seeking protection from family violence or sexual assault, or facilitating the treatment of a family violence or sexual assault related medical condition. When a person has information in their possession that clearly indicates that the insured or applicant is a subject of family violence or sexual assault, the disclosure or transfer of the information by a person to any person, entity, or individual is a violation of this Code section, except:

To the subject of family violence or sexual assault or an individual specifically designated in writing by the subject of family violence or sexual assault;

To a health care provider for the direct provision of health care services;

To a licensed physician identified and designated by the subject of family violence or sexual assault;

When ordered by the Commissioner or a court of competent jurisdiction or otherwise required by law;

When necessary for a valid business purpose to transfer information that includes confidential abuse information that cannot reasonably be segregated without undue hardship. Confidential abuse information may be disclosed pursuant to this division only to the following persons or entities, all of whom shall be bound by this subparagraph:

A reinsurer that seeks to indemnify or indemnifies all or any part of a policy covering a subject of family violence or sexual assault and that cannot underwrite or satisfy its obligations under the reinsurance agreement without that disclosure;

A party to a proposed or consummated sale, transfer, merger, or consolidation of all or part of the business of the person;

Medical or claims personnel contracting with the person, only where necessary to process an application or perform the person's duties under the policy or to protect the safety or privacy of a subject of family violence or sexual assault; or

With respect to address and telephone number, to entities with whom the person transacts business when the business cannot be transacted without the address and telephone number;

To an attorney who needs the information to represent the person effectively, provided the person notifies the attorney of its obligations under this paragraph and requests that the attorney exercise due diligence to protect the confidential abuse information consistent with the attorney's obligation to represent the person;

To the policy owner or assignee, in the course of delivery of the policy, if the policy contains information about family violence or sexual assault status; or

To any other entities deemed appropriate by the Commissioner.

It is unfairly discriminatory to terminate group coverage for a subject of family violence because coverage was originally issued in the name of the perpetrator of the family violence and the perpetrator has divorced, separated from, or lost custody of the subject of family violence, or the perpetrator's coverage has terminated voluntarily or involuntarily. If termination results from an act or omission of the perpetrator, the subject of family violence shall be deemed a qualifying eligible individual under Code Section 33-24-21.1 and may obtain continuation and conversion of such coverages notwithstanding the act or omission of the perpetrator. A person may request and receive confidential abuse information to implement the continuation and conversion of coverages under this subparagraph.

Subparagraph (C) of this paragraph shall not preclude a subject of family violence or sexual assault from obtaining his or her insurance records. Subparagraph (C) of this paragraph shall not prohibit a person from asking about a medical condition or a claims history or from using medical information or a claims history to underwrite or to carry out its duties under the policy to the extent otherwise permitted under this paragraph and other applicable law.

No person shall take action that adversely affects an applicant or insured on the basis of a medical condition, claim, or other underwriting information that the person knows or has reason to know is family violence or sexual assault related and which:

Has the purpose or effect of treating family violence or sexual assault status as a medical condition or underwriting criterion;

Is based upon correlation between a medical condition and family violence or sexual assault;

Is not otherwise permissible by law and does not apply in the same manner and to the same extent to all applicants and insureds similarly situated without regard to whether the condition or claim is family violence or sexual assault related; or

Except for claim actions, is not based on a determination, made in conformance with sound actuarial and underwriting principles and guidelines generally applied in the insurance industry and supported by reasonable statistical evidence, that there is a correlation between the applicant's or insured's circumstances and a material increase in insurance risk.

Any person issuing, delivering, or renewing a policy of insurance in this state at any time shall include with such policy or renewal certificate a notice attached thereto containing the following language:

No person shall fail to pay losses arising out of family violence or sexual assault against an innocent first-party claimant to the extent of such claimant's legal interest in the covered property, if the loss is caused by the intentional act of an insured against whom a family violence or sexual assault complaint is brought for the act causing this loss.

No person shall use other exclusions or limitations on coverage which the Commissioner has determined through the policy filing and approval process to unreasonably restrict the ability of victims of family violence or sexual assault to be indemnified for such losses.

"NOTICE

The laws of the State of Georgia prohibit insurers from unfairly discriminating against any person based upon his or her status as a victim of family violence."

Any person violating this Code section by making unlawful, false representations as to the policy sold shall be guilty of a misdemeanor.

(II) A violation of this division shall give rise to a civil cause of action for damages resulting from such violation including, but not limited to, all damages recoverable for breach of insuring agreements under Georgia law including damages for bad faith and attorney's fees and costs of litigation. A violation of this division shall also give rise to the awarding of punitive or exemplary damages in an amount as may be determined by the trier of fact if such violation is found to be intentional. The remedies provided in this division are in addition to and cumulative of all other remedies that may now or hereafter be provided by law.

(B) No insurer shall require an ophthalmologist or optometrist to accept as payment an amount set by such insurer for services that are not covered eye care services under the covered person's eye care benefit plan as a condition to join or participate in its provider network.

(C) No insurer shall draft, publish, disseminate, or circulate any explanations of benefit forms that include language that directly or indirectly states or implies that an ophthalmologist or optometrist should extend discounts to patients for noncovered eye care services.

(D) No insurer shall require an ophthalmologist or optometrist within its provider network to extend any discounts on services that are not covered eye care services;

GA Code 33-6-5

In addition to Code Section 33-6-4, violations of the following provisions also are defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

(1) No insurance company shall issue or cause to be issued any policy of insurance of any type or description upon life or property, real or personal, whenever such policy of insurance is to be furnished or delivered to the purchaser or bailee of any property, real or personal, as an inducement to purchase or bail such property, real or personal; and no other person shall advertise, offer, or give free insurance or insurance without cost or for less than the approved or customary rate in connection with the sale or bailment of real or personal property, except as provided in Chapter 27 of this title;

(2) No person who is not an insurer shall assume or use any name which deceptively implies or suggests that he or she is an insurer;

(3) Where the premium or charge for insurance of or involving real or personal property or merchandise is included in the overall purchase price or financing of the purchase of merchandise or property, the vendor or lender shall separately state and identify the amount charged and to be paid for the insurance and the classifications, if any, upon which based; and the inclusion or exclusion of the cost of insurance in such purchase price or financing shall not increase, reduce, or otherwise affect any other factor involved in the cost of the merchandise or property or financing as to the purchaser or borrower. A vendor or lender shall not be prohibited from charging the purchaser or borrower a finance charge otherwise permitted by law on any premium or charge for insurance included in the cost of the merchandise or property or financing. This paragraph shall not apply to credit life or credit accident and sickness insurance which is in compliance with Code Section 33-31-7;

(4)(A) No insurer shall make, offer to make, or permit any preference or distinction in property, marine, casualty, or surety insurance as to form of policy, certificate, premium, rate, or conditions of insurance based upon membership, nonmembership, or employment of any person or persons by or in any particular group, association, corporation, or organization, making the foregoing preference or distinction available in any event based upon any fictitious grouping of persons.

(B) As used in this paragraph, the term "fictitious grouping" means any grouping by way of membership, nonmembership, license, franchise, employment contract, agreement, or any other method or means resulting in unfair discrimination.

(C) The restrictions and limitations of this paragraph shall not extend to life or accident and sickness insurance; nor shall they apply to any bona fide association group which is composed of members engaged in a common trade, business, or profession and which has had group insurance of the same type continuously in existence for at least five years;

(5) No insurer or agent thereof shall hypothecate, sell, or dispose of a promissory note received in payment of any part of a premium on a policy of insurance applied for prior to acceptance of the risk by the insurer;

(6)(A) No person shall knowingly collect any sum as premium or charge for insurance, which insurance is not then provided or not in due course to be provided subject to acceptance of the risk by the insurer by an insurance policy issued by an insurer as permitted by this title.

(B) No person shall knowingly collect as premium or charge for insurance any sum in excess of or less than the premium or charge applicable to such insurance, which sum is specified in the policy in accordance with the applicable classifications and rates as filed with and approved by the Commissioner. In cases where classifications, premiums, or rates are not required by this title to be filed and approved:

(i) The premiums and charges for insurance, except insurance written in accordance with Chapter 5 of this title, shall not be in excess of or less than those specified in the policy and as fixed by the insurer; and

(ii) The premiums and charges for insurance written in accordance with Chapter 5 of this title shall not be in excess of or less than those specified in the policy.

This subparagraph shall not be deemed to prohibit surplus lines brokers licensed under Chapter 5 of this title from charging and collecting the amount of applicable state and federal taxes in addition to the premium required by the insurer; nor shall it be deemed to prohibit a life or accident and sickness insurer from charging and collecting amounts actually to be expended for medical examination of an applicant for life or accident and sickness insurance or for reinstatement of a life or accident and sickness insurance policy.

(C) Notwithstanding this paragraph or any other law limiting or regulating interest rates or other charges, any insurance agent or agency, as defined in Code Section 33-23-1, shall be authorized but not required to charge, receive, and collect on any unpaid premium account with a balance owing for 30 days or more a service charge which shall not exceed 15¢ per $10.00 per month computed on all amounts unpaid on the premium from month to month which need not be a calendar month or other regular period; provided, however, that, if the amount of service charge so computed shall be less than $1.00 for the month, a service charge of $1.00 for the month may be charged, received, and collected. Nothing contained in this subparagraph shall be construed to prevent an agent, agency, or broker from canceling a policy in accordance with the laws of this state;

(7)(A) Any insurer may retain, invest in, or acquire the whole or any part of the capital stock of any other insurer or insurers or have a common management with any other insurer or insurers, unless such retention, investment, acquisition, or common management is inconsistent with any other provision of this title or unless, by reason thereof, the business of such insurers with the public is conducted in a manner which substantially lessens competition generally in the insurance business or tends to create a monopoly therein.

(B) Any person otherwise qualified may be a director of two or more insurers which are competitors, unless the effect thereof is to lessen substantially competition between insurers generally or tends materially to create a monopoly;

(8) No insurance company shall cancel, modify coverage, refuse to issue, or refuse to renew any property or casualty insurance policy solely because the applicant or insured or any employee of either is mentally or physically impaired, provided that this paragraph shall not apply to accident and sickness insurance policies sold by a casualty insurer; provided, further, that this paragraph shall not be interpreted to modify any other provision of this title relating to the cancellation, modification, issuance, or renewal of any insurance policy or contract;

(9) No insurance company, when selling salvage motor vehicles, major component parts, or parts, shall sell directly to a used motor vehicle parts dealer, motor vehicle dismantler, motor vehicle rebuilder, salvage pool dealer, or salvage dealer who is not licensed under Chapter 47 of Title 43; provided, however, this paragraph shall not prevent an insurance company from selling salvage motor vehicles, major component parts, or parts to any person, firm, or corporation when the sale is made through a used motor vehicle parts dealer, motor vehicle dismantler, motor vehicle rebuilder, salvage pool dealer, or salvage dealer who is licensed under Chapter 47 of Title 43;

(10) No insurer shall refuse to insure an individual, refuse to continue to insure an individual, limit the amount, extent, or kind of coverage available to an individual, or charge an individual a different rate for coverage solely because the individual is blind or partially blind;

(11) Each insurer which acquires a salvage motor vehicle, as defined in Code Section 40-3-2, shall, within 30 days of acquisition, apply for a salvage certificate of title, and no insurer shall sell, convey, or transfer any such salvage motor vehicle without first applying for and obtaining a salvage certificate of title;

(12)(A) No insurer shall cancel, nonrenew, or otherwise terminate all or substantially all of an entire line or class of business for the purpose of withdrawing from the market in this state unless:

(i) The insurer has notified the Commissioner in writing of the action, including the reasons for such action, at least one year before the completion of the withdrawal, provided that this paragraph shall not be construed to prevent such insurer from canceling, nonrenewing, or terminating policies where the insurer, by contract, statute, or otherwise, has the right to do so; or

(ii) The insurer has filed a plan of action for the orderly cessation of the insurer's business within a period of time shorter than one year and such plan of action has been approved by the Commissioner.

(B) At a minimum, in order to provide for orderly cessation and withdrawal, an insurer shall provide a general notice to each insured at least 90 days prior to the termination of any policy followed by a subsequent notice which meets the applicable statutory notice requirements for canceling, nonrenewing, or terminating insurance under this title.

(C) An insurer's rates, rules, and forms filed pursuant to Code Sections 33-9-21 and 33-24-9 shall be considered no longer on file for use with any new business in the market affected by the insurer's withdrawal plan on and after the withdrawal plan goes into effect;

(12.1) No insurer or managed care entity subject to licensing by the Commissioner shall violate any provision of Chapter 20A of this title;

(13)(A) As used in this paragraph, the term:

(i) “Aftermarket crash part” means a replacement for any of the nonmechanical sheet metal or plastic parts which generally constitute the exterior of a motor vehicle, including inner and outer panels.

(ii) “Insurer” includes an insurance company and any person authorized to represent the insurer with respect to a claim and who is acting within the scope of the person's authority.

(iii) “Nonoriginal equipment manufacturer aftermarket crash part” means an aftermarket crash part made by any manufacturer other than the original vehicle manufacturer or his or her supplier.

(iv) “Repair facility” means a motor vehicle dealer, garage, body shop, or other commercial entity which undertakes the repair or replacement of those parts that generally constitute the exterior of a motor vehicle.

(B) Any aftermarket crash part manufactured or supplied for use in this state on or after January 1, 1990, shall have affixed thereto or inscribed thereon the logo, identification number, or name of its manufacturer. Such manufacturer's logo, identification number, or name shall be visible after installation whenever practicable.

(C) In all instances where nonoriginal equipment manufacturer aftermarket crash parts are used in preparing an estimate for repairs the written estimate prepared by the insurance adjuster and repair facility shall clearly identify each such part. A disclosure document attached to the estimate shall contain the following information in no smaller than ten-point type:

“THIS ESTIMATE HAS BEEN PREPARED BASED ON THE USE OF AFTERMARKET CRASH PARTS SUPPLIED BY A SOURCE OTHER THAN THE MANUFACTURER OF YOUR MOTOR VEHICLE. THE AFTERMARKET CRASH PARTS USED IN THE PREPARATION OF THIS ESTIMATE ARE WARRANTED BY THE MANUFACTURER OR DISTRIBUTOR OF SUCH PARTS RATHER THAN THE MANUFACTURER OF YOUR VEHICLE.”; and

(14) On and after July 1, 1992, no insurer, as defined in Code Section 33-1-2, shall issue, cause to be issued, renew, or provide coverage under any major medical insurance policy or plan containing a calendar year deductible or similar plan benefit period deductible which does not provide for a carry-over of the application of such deductible as provided in this paragraph. If all or any portion of an insured's or member's cash deductible for a calendar year or similar plan benefit period is applied against covered expenses incurred by the insured or member during the last three months of the deductible accumulation period, the insured's or member's cash deductible for the next ensuing calendar year or similar benefit plan period shall be reduced by the amount so applied. The provisions of this paragraph shall apply to major medical insurance policies or plans which have a benefit plan period of less than 24 months, except policies or plans designed and issued to be compatible with a health savings account as set out in 26 U.S.C. Section 223 or a spending account as defined in Chapter 30B of this title.

5. Miscellaneous Georgia insurance laws *Ref: 33-24-33*

Other laws specific to the state of Georgia regarding insurance regulations.

GA Code § 33-24-33 (2022)

Binders or other contracts for temporary insurance may be made orally or in writing and shall be deemed to include all the usual terms of the policy as to which the binder was given together with any applicable endorsements that are designated in the binder, except as superseded by the clear and express terms of the binder.

No binder shall be valid beyond the issuance of the policy with respect to which it was given or beyond 90 days from its effective date, whichever period is the shorter, provided that this subsection shall not apply to excess or surplus line insurance.

If the policy has not been issued, a binder may be extended or renewed beyond 90 days with the written approval of the Commissioner or in accordance with such rules and regulations relative thereto as the Commissioner may promulgate.

This Code section shall not apply to life or accident and sickness insurance.

Georgia Insurance Laws and Regulations

Overview of key laws and regulations governing P&C insurance agents in Georgia

In the state of Georgia, insurance agents selling Property and Casualty (P&C) insurance are subject to a variety of laws and regulations designed to protect consumers and ensure fair business practices within the industry. It is crucial for agents to have a thorough understanding of these laws and regulations in order to operate legally and ethically in the state.

One of the key laws that agents must adhere to is the Georgia Insurance Code. This code governs the licensing, conduct, and operation of insurance agents in the state. Agents must obtain a license from the Georgia Department of Insurance in order to legally sell insurance products. This license must be renewed periodically, and agents must meet certain continuing education requirements to maintain their license.

In addition to the Georgia Insurance Code, agents must also comply with the regulations set forth by the Georgia Department of Insurance. These regulations cover a wide range of topics, including advertising and marketing practices, disclosure requirements, and handling of consumer information. Agents must be familiar with these regulations and ensure that they are in full compliance at all times.

Understanding the legal and ethical implications of non-compliance

Non-compliance with Georgia insurance laws and regulations can have serious legal and financial consequences for insurance agents. Agents who fail to comply with licensing requirements or who engage in unethical business practices may face fines, penalties, or even the suspension or revocation of their license. In addition, agents who do not adhere to the regulations set forth by the Georgia Department of Insurance may be subject to civil lawsuits or other legal actions.

Beyond the legal implications, non-compliance with insurance laws and regulations can also have serious ethical consequences. Insurance agents have a duty to act in the best interests of their clients and to provide them with honest and accurate information about insurance products. Failure to comply with legal and ethical standards can damage an agent's reputation and erode trust with clients, leading to a loss of business and potential legal action.

To avoid these consequences, insurance agents must make a commitment to understanding and complying with Georgia insurance laws and regulations. This includes staying up-to-date on changes to the law, maintaining proper licensing and continuing education requirements, and conducting business in a transparent and ethical manner. Agents should also have a system in place for monitoring and ensuring compliance with all relevant laws and regulations, including regular audits and training for staff.

In conclusion, insurance agents in Georgia must be well-versed in the laws and regulations that govern their industry in order to operate legally and ethically. Non-compliance with these laws can have serious legal and ethical implications, including fines, penalties, and damage to an agent's reputation. By committing to understanding and complying with Georgia insurance laws and regulations, agents can protect themselves and their clients and build a successful and sustainable business in the state.

Professional Integrity and Responsibility

In the insurance industry, maintaining professional integrity and responsibility is crucial for ensuring trust and credibility with clients. Insurance professionals have a duty to act ethically and responsibly in all aspects of their practice to uphold the integrity of the industry and protect the interests of their clients. This chapter will explore the importance of maintaining integrity and responsibility in insurance practice, as well as strategies for upholding ethical standards in client interactions.

Importance of Maintaining Integrity and Responsibility

Professional integrity and responsibility are the cornerstones of a successful insurance practice. Clients rely on insurance professionals to provide them with accurate information, honest advice, and reliable service. Without integrity and responsibility, clients may lose trust in their insurance provider, leading to damaged relationships and potential legal consequences.

Maintaining integrity in insurance practice means being honest, transparent, and ethical in all interactions with clients. Insurance professionals must adhere to the highest ethical standards, even when faced with difficult decisions or challenging situations. This includes accurately representing insurance products and services, providing clients with all relevant information, and acting in the best interests of the client at all times.

Responsibility in insurance practice involves taking ownership of one's actions and decisions, as well as fulfilling obligations to clients and stakeholders. Insurance professionals have a responsibility to act in a manner that is fair, honest, and respectful towards all parties involved in the insurance process. This includes honoring commitments, following through on promises, and upholding the values of the insurance industry.

By maintaining integrity and responsibility in insurance practice, professionals can build trust and credibility with clients, establish a positive reputation in the industry, and protect the interests of their clients. Clients are more likely to work with insurance professionals who demonstrate integrity and responsibility, as they are seen as reliable and trustworthy partners in managing their insurance needs.

Strategies for Upholding Ethical Standards in Client Interactions

Upholding ethical standards in client interactions is essential for maintaining integrity and responsibility in insurance practice. Insurance professionals must be diligent in their efforts to act ethically and responsibly in all client interactions, ensuring that clients receive the highest level of service and support.

One strategy for upholding ethical standards in client interactions is to prioritize the best interests of the client above all else. Insurance professionals should always act in a manner that serves the needs and goals of the client, even if it means sacrificing personal gain or convenience. By putting the client first, insurance professionals can demonstrate their commitment to ethical behavior and build trust with clients.

Another strategy for upholding ethical standards in client interactions is to communicate openly and honestly with clients. Insurance professionals should provide clients with clear and accurate information about insurance products and services, as well as any potential risks or limitations. By being transparent in their communications, insurance professionals can build trust and credibility with clients and avoid misunderstandings or misinterpretations.

Additionally, insurance professionals should always follow through on their commitments and obligations to clients. This includes honoring deadlines, meeting expectations, and delivering on promises made to clients. By fulfilling their responsibilities to clients, insurance professionals can demonstrate their reliability and dedication to ethical behavior.

In conclusion, maintaining integrity and responsibility in insurance practice is essential for building trust and credibility with clients, as well as upholding the values of the insurance industry. By prioritizing ethical behavior, acting in the best interests of the client, and communicating openly and honestly, insurance professionals can uphold the highest standards of professionalism and ensure the success of their insurance practice.

Conflicts of Interest and Disclosure

Conflicts of interest are a common issue in the insurance industry that can have serious implications for both clients and insurance professionals. It is important for insurance practitioners to understand what constitutes a conflict of interest, how to identify and manage them ethically, and the importance of disclosure in maintaining trust and integrity in the insurance practice.

Definition of Conflicts of Interest in Insurance Practice

A conflict of interest occurs when an individual or institution has a vested interest in two or more potentially competing or incompatible interests. In the context of insurance practice, conflicts of interest can arise when an insurance professional's personal interests or financial incentives conflict with the best interests of their clients. This can manifest in various forms, such as recommending a product that offers higher commissions for the agent, even if it is not the best fit for the client, or steering clients towards policies that may not fully meet their needs in order to meet sales targets.

Conflicts of interest can also arise when an insurance professional has a dual role, such as representing both the insurer and the client in a transaction. In this situation, the insurance professional may be torn between serving the best interests of the insurer, who pays their commission, and the client, who expects unbiased advice and assistance in selecting the most suitable insurance product.

Guidelines for Identifying and Managing Conflicts of Interest Ethically

To maintain trust and integrity in the insurance practice, it is essential for insurance professionals to identify and manage conflicts of interest ethically. The following guidelines can help insurance practitioners navigate potential conflicts of interest and ensure that they act in the best interests of their clients:

Disclose Conflicts of Interest: The first step in managing conflicts of interest is to openly acknowledge them to the client. Insurance professionals should be transparent about any potential conflicts of interest that may arise in their dealings with clients, including any financial incentives or dual roles that could impact their recommendations.

Prioritize Client Interests: Insurance professionals have a fiduciary duty to act in the best interests of their clients. When faced with a conflict of interest, insurance practitioners should always prioritize the needs and preferences of their clients over their own financial interests or those of the insurer.

Seek Independent Advice: In cases where a conflict of interest cannot be avoided or managed internally, insurance professionals should consider seeking independent advice or involving a third party to help mediate the situation. This can help ensure that the client's interests are protected and that any potential biases are mitigated.

Establish Conflict of Interest Policies: Insurance companies and agencies should have clear policies and procedures in place to identify and manage conflicts of interest within their organizations. These policies should outline the steps to take when conflicts arise, including disclosure requirements, conflict resolution processes, and consequences for breaching ethical standards.

Regular Training and Education: Insurance professionals should receive regular training and education on ethical guidelines and best practices for managing conflicts of interest. By staying informed and up-to-date on industry standards, insurance practitioners can better navigate complex ethical dilemmas and maintain trust with their clients.

Monitor and Review: Insurance professionals should regularly monitor their interactions with clients and review their practices to ensure that conflicts of interest are being managed effectively. By conducting regular self-assessments and seeking feedback from clients, insurance practitioners can identify and address any potential conflicts before they escalate.

In conclusion, conflicts of interest are a prevalent issue in the insurance industry that can compromise the integrity and trust of insurance professionals. By understanding the definition of conflicts of interest, adhering to ethical guidelines for identifying and managing conflicts, and prioritizing client interests, insurance practitioners can navigate complex ethical dilemmas and maintain a high standard of professionalism in their practice. Disclosure is key in building trust with clients and ensuring transparency in the insurance industry.

Client Confidentiality and Privacy

Client confidentiality and privacy are paramount in the insurance industry. As insurance professionals, we have a duty to protect the sensitive information of our clients and maintain their trust and confidence. In this chapter, we will explore the importance of protecting client information and maintaining confidentiality, as well as best practices for safeguarding client privacy in insurance transactions.

Importance of Protecting Client Information and Maintaining Confidentiality

Protecting client information and maintaining confidentiality are crucial aspects of the insurance business. Clients trust us with their personal and financial information, and it is our responsibility to safeguard that information from unauthorized access or disclosure. By maintaining client confidentiality, we build trust with our clients and demonstrate our commitment to their best interests.

There are several reasons why protecting client information is so important. First and foremost, it is a legal requirement. In many jurisdictions, insurance professionals are bound by strict confidentiality laws and regulations that govern the handling of client information. Violating these laws can result in severe penalties, including fines, license revocation, and even criminal charges.

Furthermore, protecting client information is essential for maintaining the integrity of the insurance industry. Clients rely on us to handle their information with care and discretion, and any breach of confidentiality can damage our reputation and credibility. In an industry based on trust, maintaining client confidentiality is vital for building long-term relationships and ensuring client satisfaction.

Best Practices for Safeguarding Client Privacy in Insurance Transactions

To safeguard client privacy in insurance transactions, it is essential to follow best practices and implement robust security measures. Here are some key strategies for protecting client information and maintaining confidentiality:

Secure Data Storage: Store client information in a secure and encrypted format to prevent unauthorized access. Use password-protected systems and secure servers to safeguard sensitive data from cyber threats.

Limit Access: Restrict access to client information to authorized personnel only. Implement access controls and permissions to ensure that information is only accessible to those who need it to perform their job duties.

Use Secure Communication Channels: When communicating with clients, use secure channels such as encrypted emails or secure messaging platforms to protect sensitive information from interception or hacking.

Obtain Consent: Obtain explicit consent from clients before sharing their information with third parties. Inform clients about how their information will be used and who will have access to it, and obtain their consent before proceeding with any transactions.

Train Staff: Provide comprehensive training to staff on the importance of client confidentiality and privacy. Educate employees on best practices for safeguarding client information and maintaining confidentiality in all interactions with clients.

Conduct Regular Audits: Conduct regular audits and assessments of your data security practices to identify any vulnerabilities or weaknesses. Implement remedial measures to address any issues and ensure that client information remains secure at all times.

Monitor Compliance: Monitor compliance with confidentiality laws and regulations to ensure that client information is handled according to legal requirements. Stay informed about changes in privacy legislation and update your policies and procedures accordingly.

In conclusion, protecting client information and maintaining confidentiality are essential responsibilities for insurance professionals. By following best practices for safeguarding client privacy in insurance transactions, we can build trust with our clients, uphold the integrity of the industry, and ensure the security of sensitive information. By prioritizing client confidentiality and privacy, we demonstrate our commitment to professionalism and ethical conduct in all aspects of our work.

B. Laws, Rules, Regulations Applicable to Property and Casualty Insurance

Surplus lines refer to insurance coverage provided by non-admitted insurers that are not licensed in the state. Regulations for surplus lines are outlined in Ref: 120-2-53-.01 through .24.

Risk retention groups are formed by similar businesses to pool their risks together. Rules for risk retention groups are governed by Ref: 33-24-44 through 47.

The Georgia Insurance Guaranty Association provides protection to policyholders in the event that an insurance company becomes insolvent. Guidelines for this association are provided in state regulations.

Cancellation/Nonrenewal rules govern the circumstances under which an insurance policy can be terminated or not renewed, as outlined in Ref: 120-2-53-.01 through .24, 33-24-44 through 47.

Residual Markets, such as the FAIR plan, Georgia Automobile Insurance Plan, and Workers Compensation Law provide coverage options for individuals who are unable to obtain insurance through traditional means. Regulations for these markets are defined in various state statutes.

Regulation of Rates ensures that insurance companies do not charge excessive premiums. Laws governing the regulation of rates can be found in Ref: 33-9.

Financial Responsibility Law mandates that individuals carry a minimum amount of insurance coverage to cover any damages they may cause in an accident. This law is enforced by the state of Georgia.

Surplus lines

Insurance coverage for risks that cannot be obtained from standard insurance companies.

Risk retention groups

Groups of similar businesses that pool their resources to self-insure against risks.

Georgia Insurance Guaranty Association

An organization that pays claims and protects policyholders in the event of an insurance company's insolvency.

Cancellation/Nonrenewal

Ref: 120-2-53-.01 through .24, 33-24-44 through 47

The process of terminating or not renewing an insurance policy.

Rule 120-2-53-.01 - Authority

This Regulation made and promulgated by the Commissioner of Insurance pursuant to the authority set forth in O.C.G.A. § 33-24-45.

Rule 120-2-53-.02 - Purpose

The purpose of this Regulation is to establish the notice requirements an insurer shall include in the notice of cancellation or notice of nonrenewal sent to an insured and to provide for procedures for a review by the Commissioner when an insured believes his or her policy has been canceled or nonrenewed in violation of O.C.G.A. § 33-24-45.

Rule 120-2-53-.03 - Notice Requirements for Cancellations and Nonrenewals

(1) Each notice of cancellation or nonrenewal shall include the following:

(a) Each notice of nonrenewal, except for those exceptions contained within these rules, shall advise the insured of the opportunity of review of the nonrenewal by the Commissioner, as set forth herein, if the insured believes that his or her policy has been nonrenewed in violation of O.C.G.A. § 33-24-45. Notice in the following form shall satisfy the notice requirement in O.C.G.A. § 33-24-45(e)(5)(B) and serve to notify the insured of his or her opportunity for review of the nonrenewal. This notice shall only be used for nonrenewals.

NOTICE OF NONRENEWAL

"Code Section 33-24-45 of the Official Code of Georgia Annotated provides that this insurer must upon request, furnish you with the reasons for the failure to renew this policy. If you wish to assert that the nonrenewal is unlawful, you must file a written notice with this insurer before the time at which the nonrenewal becomes effective. The notice must specify the manner in which the failure to renew is alleged to be unlawful.

If you do not file the written notice, you may not later assert a claim or action against this insurer based upon an unlawful nonrenewal.

Additionally, within fifteen (15) days of receipt of this Notice of Nonrenewal, you may mail or deliver a written request for a review of the nonrenewal by the Commissioner if you believe your policy has been nonrenewed in violation of O.C.G.A. § 33-24-45. Your request must state the reasons why you believe the nonrenewal is in violation of O.C.G.A. § 33-24-45(e).

(b) Each notice of cancellation, except for those exceptions contained within these rules, shall advise the insured of his or her opportunity to request, in writing, a review of the cancellation by the Commissioner, as set forth herein, if the insured believes that his or her policy has been canceled in violation of O.C.G.A. § 33-24-45. This notice shall only be used in the case of cancellation. Such cancellation notice to the insured shall be in substantially the following form:

NOTICE OF CANCELLATION

Within fifteen (15) days of receipt of this Notice of Cancellation, you may mail or deliver a written request for a review of the cancellation by the Commissioner if you believe your policy has been canceled in violation of O.C.G.A. § 33-24-45(c). Your request must state the reasons why you feel the cancellation is in violation of this Code Section.

(c) The notice of cancellation or nonrenewal shall specifically state any and all reasons for such cancellation or nonrenewal in clear, easy to understand language.

(d) The notice of cancellation or nonrenewal shall specifically state the tender of premium requirements contained in Rule 120-2-53-.04.

(e) The notice required by this rule shall not be mandated for policies canceled in compliance with O.C.G.A. § 33-24-45(c)(1) or those canceled in compliance with O.C.G.A. § 33-24-45(k).

(2) No request for a review by the Commissioner shall be valid unless a written request is delivered or mailed with sufficient postage to the Commissioner within fifteen (15) days after receipt by the insured of the notice of cancellation or nonrenewal. A post office receipt of mailing to the named insured, at the insured's last known address according to the policy records, shall be conclusive proof of receipt of notice by the named insured on the fourth calendar day after mailing.

Rule 120-2-53-.04 - Tender of Premiums During Period of Review, Refund of Premiums

During this period of review of the cancellation or nonrenewal, the insured shall tender to, and the insurer shall accept, a 30 day pro rata portion of the premiums applicable to the policy at the time the cancellation or nonrenewal is issued. The insured shall submit proof of such tender of premium as a part of the request for review by the Commissioner.

Rule 120-2-53-.05 - Disposition and Penalties

(1) If the Commissioner determines the cancellation or nonrenewal is lawful, termination under the policy shall be effective as of the date and time originally set forth under the notice of cancellation or nonrenewal. Termination of the interim coverage provided pursuant to O.C.G.A. § 33-24-45(o) during the pendency of the Commissioner's review shall not be effective less than five (5) days following the date of the Commissioner's decision. The Commissioner's decision shall establish the effective date of the termination of the interim coverage provided during the review of the cancellation or nonrenewal and shall serve as the official notice of termination of coverage referenced in O.C.G.A. § 33-24-45(e)(1).

(2) In the event that the cancellation or nonrenewal is upheld by the Commissioner,

(a) the insurer shall retain that portion of the pro rata premiums tendered for the period of time beginning with the original date of cancellation or nonrenewal and ending with the date of the termination of the interim coverage as established by the Commissioner pursuant to Rule 120-2-53-.05(1); and

(b) the insurer shall refund all remaining premiums to the insured within ten (10) working days of receipt of the Commissioner's decision establishing the effective date of the termination of the interim coverage.

(3) A penalty may be assessed against the insurer in all cases where the Commissioner has determined that the cancellation or nonrenewal was not lawful. If the Commissioner makes such a determination, the insurer shall reinstate or renew the policy. The Commissioner may also order such other remedies and penalties as he or she deems appropriate and as are authorized by law in the event of an abusive nonrenewal or cancellation or in the event of a determination that the insurer has engaged in a pattern or practice of improper policy nonrenewal or cancellation procedures.

Rule 120-2-53-.06 - Severability

If any provision of this Regulation, or the application thereof to any person or circumstance, is held invalid by a court of competent jurisdiction, the remainder of the Regulation or the applicability of such provision to other persons or circumstances shall not be affected.

Georgia Code Title 33. Insurance § 33-24-47

(a) Each insurer licensed to transact business in this state which issues or issues for delivery in this state policies or contracts of insurance insuring risks or residents in this state and insuring against liability for loss of, damage to, or injury to persons or property shall comply with the provisions of this Code section. This Code section shall not apply to personal automobile or personal property and casualty insurance policies. Cancellation of a policy for failure of the named insured to discharge when due any obligations in connection with the payment of premiums or cancellation for any reason of a policy that has been in effect for less than 60 days shall be governed by the provisions of Code Section 33-24-44.

(b) A notice of termination, including a notice of cancellation or nonrenewal, by the insurer or a notice of an increase in premiums, other than an increase in premiums due to a change in risk or exposure, including a change in experience modification or resulting from an audit of auditable coverages, which exceeds 15 percent of the current policy's premium, shall be delivered to the insured as provided in subsection (d) of Code Section 33-24-14, in person, or by depositing the notice in the United States mail, to be dispatched by at least first-class mail to the last address of record of the insured, at least 45 days prior to the termination date of such policy; provided, however, that a notice of cancellation or nonrenewal of a policy of workers' compensation insurance shall be controlled by the provisions of subsection (f) of this Code section. In those instances where an increase in premium exceeds 15 percent, the notice to the insured shall indicate the dollar amount of the increase. The insurer may obtain a receipt provided by the United States Postal Service as evidence of mailing such notice or such other evidence of mailing as prescribed or accepted by the United States Postal Service.

(c) The failure of an insurer to comply with the requirements of subsection (b) of this Code section shall entitle the policyholder to purchase, under the same premiums and policy terms and conditions, an additional 30 day period of insurance coverage beyond the termination date of such policy; provided, however, that the policyholder shall tender the premium amount, computed on a pro rata basis, to the insurer on or before the termination date. No provision of this Code section shall be construed as requiring the insurance coverage under a policy to be extended for more than 30 days from the termination date stated in such policy. An insurer shall not be subject to any other penalty for the failure to comply with the requirements of subsection (b) of this Code section unless the Commissioner finds, after a hearing, that such noncompliance by the insurer has occurred with such frequency as to indicate a general business practice by the insurer of noncompliance with subsection (b) of this Code section. There shall be no liability on the part of and no cause of action of any nature shall arise against the Commissioner or the Commissioner's employees or against any insurer, its authorized representatives, its agents, its employees, or any firm, person, or corporation furnishing to the insurer information as to reasons for cancellation or nonrenewal for any statement made by any of them and in written notice of cancellation or nonrenewal or in any other communication, oral or written, specifying the reasons for cancellation or nonrenewal or providing information pertaining thereto or for statements made or evidence submitted at any formal or informal hearing conducted in connection therewith.

(d) This Code section shall not apply to policies canceled in accordance with the provisions of Chapter 22 of this title.

(e) Cancellation by the insured shall be accomplished in accordance with Code Section 33-24-44.1.

(f) A notice of cancellation or nonrenewal of a policy of workers' compensation insurance shall be dispatched to the insured as provided in subsection (d) of Code Section 33-24-14 or by certified mail or statutory overnight delivery, return receipt requested, to the last address of record of the insured at least 75 days prior to the termination date of such policy. The workers' compensation insurer shall retain the receipt of mailing provided by the United States Postal Service as evidence of mailing unless such mailing was accomplished as provided in subsection (d) of Code Section 33-24-14.

(g) An insurer shall provide a written notice of a reduction in coverage to the named insured no less than 45 days prior to the effective date of the proposed reduction in coverage; provided that such notice shall be in a separate document with the words "NOTICE OF REDUCTION IN COVERAGE" written in all capital letters in at least 12 point type. Such notice shall be delivered to the insured as provided in subsection (d) of Code Section 33-24-14, in person, or by depositing the notice in the United States mail, to be dispatched by at least first-class mail to the last address of record of the insured. A reduction in coverage shall mean a change made by the insurer which results in a removal of coverage, diminution in scope or less coverage, or the addition of an exclusion. Reduction in coverage shall not include any change, reduction, or elimination of coverage made at the request of the insured. The correction of typographical or scrivener's errors or the application of mandated legislative changes shall not be considered a reduction in coverage.

Residual Markets

Markets that provide insurance coverage for high-risk individuals or properties

FAIR plan

Ref: 33-33-1

All insurers licensed to write and writing property insurance in this state on a direct basis are authorized, subject to approval and regulation by the Commissioner, to establish and maintain a Fair Access to Insurance Requirements (FAIR) Plan and to establish and maintain an underwriting association and to formulate and from time to time amend the plan and articles of association and rules and regulations in connection therewith and to assess and share on a fair and equitable basis all expenses, income, and losses incident to the Fair Access to Insurance Requirements Plan and underwriting association in a manner consistent with this chapter.

Georgia Automobile Insurance Plan

Ref: 120-2-14.01 through .24, 32-29, 40-9-100

Rule 120-2-14-.01 - Authority

Original Rule entitled "Purposes of Plan" adopted. F. and eff. July 20, 1965. Repealed: New Rule of same title adopted. F. Apr. 30, 1975; eff. May 20, 1975. Amended: F. Sept. 2, 1981; eff. Sept. 22, 1981. Repealed: New Rule entitled "Authority" adopted. F. Oct. 5, 1984; eff. Nov. 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying.

Rule 120-2-14-.02 - Purpose

Original Rule entitled "Administration" adopted. F. and eff. July 20, 1965. Amended: F. Feb. 24, 1975, eff. Mar. 16, 1975. Repealed: New Rule of same title adopted. F. Apr. 30, 1975; eff. May 20, 1975. Repealed: New Rule of same title adopted. F. Dec. 21, 1976; eff. Jan. 10, 1977. Repealed: New Rule entitled "Effective Date" adopted. F. Sept. 2, 1981; eff. Sept. 22, 1981. Repealed: New Rule entitled "Purpose" adopted. F. Oct. 5, 1984; eff. Nov. 1, 1984, as specified by the Agency.

Rule 120-2-14-.03 - Definitions

Original Rule entitled "Cost of Administration" adopted. F. and eff. July 20, 1965. Amended: F. Jan. 13, 1971; eff. Feb. 2, 1971. Repealed: F. Apr. 30, 1975; eff. May 20, 1975. Amended: New Rule entitled "Non-Residents" adopted. F. Sept. 2, 1981; eff. Sept. 22, 1981. Repealed: New Rule entitled "Definitions" adopted. F. Oct. 5, 1984; eff. Nov. 1, 1984, as specified by the Agency. Amended: F. Sept. 5, 1997; eff. Sept. 25, 1997.

Rule 120-2-14-.04 - Administration of the Plan

(1) The Plan shall be administered by a Governing Committee and Manager. The Committee may consist of twelve (12) representatives. Eight (8) representatives will be elected from among Plan subscriber companies, from each of the following classes of companies: two (2) from Georgia Association of Property and Casualty Insurance Companies, four (4) from American Property Casualty Insurers Association, and two (2) from Non-Affiliated Insurance Companies. Each of the eight (8) shall be submitted to the Commissioner for approval prior to election.

Two (2) representatives will be appointed by the Committee from the users of the Plan for a two (2) year term. These two (2) nominees selected by the Committee shall be approved by the Commissioner prior to being appointed. These two representatives will not have the right to vote in matters pertaining to the determination and fulfillment of quotas, Commercial Automobile Insurance Procedure participation, nor the cost to administer the Plan.

Two (2) representatives may be appointed at the discretion of the Commissioner from subscribers, users of the Plan, or the public. The users of the Plan and public representatives will not have the right to vote in matters pertaining to the determination and fulfillment of quotas, Commercial Automobile Insurance Procedure participation, nor the cost to administer the Plan.

(2) For voting purposes, a quorum shall consist of a majority of the members currently serving on the Committee. If the Committee consists of an even number of members, however, a majority shall constitute one-half of those members but shall not be less than five members.

(3) Each subscriber company serving on the Committee shall designate a representative to act on its behalf. This representative shall be either (1) a salaried employee or officer of the named subscriber company or (2) a salaried employee or officer of another subscriber company from a group of companies under the same management as the named subscriber company. A salaried employee or officer of the holding company of the named subscriber company may also be designated as the representative. No more than one (1) company in a group under the same management shall serve on the Committee at the same time. A company leaving its class of companies shall resign its seat at the next meeting of the Committee.

(4) Biennially, on a date fixed by the Committee, such respective class of companies heretofore described shall elect its representatives to the Committee to serve for a period of two (2) years or until a successor is elected. Similarly, those elected representatives shall biennially, on a date fixed by the Committee, appoint the two representatives from among the users of the Plan.

(5) A majority of such subscriber companies shall constitute a quorum and voting by proxy shall be permitted. A company may not appoint more than one (1) company in its class of companies to exercise its proxy.

(6) The notice of each biennial meeting shall be accompanied by an agenda for such meeting. At the biennial meeting, a company may cast one (1) vote for each vacant seat on the Committee for its class of companies and it may not cast two (2) votes for one seat. Forty-five (45) days notice of the biennial meeting shall be given in writing to all companies which are subscribers to the Plan.

(7) A vacancy on the Committee shall be filled by the respective organization (Georgia Association of Property and Casualty Insurance Companies or American Property Casualty Insurers Association) who shall appoint a successor to serve until the next biennial meeting. If a non-affiliated company vacancy occurs, a successor to serve until the next biennial meeting shall be elected by the non-affiliated companies. If a user of the Plan representative vacancy occurs, a successor to serve until the next biennial meeting shall be appointed by the committee.

(8) A subscriber company seat not appointed by the Georgia Association of Property and Casualty Insurance Companies, Non-Affiliated Insurance Companies, or American Property Casualty Insurers by the appointment deadline shall be filled as determined by the Committee.

Rule 120-2-14-.05 - Duties of Governing Committee

(1) The Committee shall meet at least twice per year and as often as may be required to perform the duties of administration of the Plan. The Committee will be empowered and shall appoint a manager, budget expenses, levy assessments, disburse funds and perform all duties essential to the proper administration of the Plan.

(2) Annually, the Manager shall prepare an operating budget in the prescribed manner for submission to the Committee. Such budget shall be approved by the Committee and furnished to the subscribers on request. Any expenditure in excess of or not included in the annual budget shall be approved by the Committee.

(3) Upon request, the Committee will furnish to any subscriber a written annual report of operations of the Plan in such form and detail as the Committee may determine.

(4) The Committee shall file with the Commissioner a manual including rates and manual rules in such detail as may be necessary for distribution and processing of automobile insurance applications received from applicants, the contents of such manual being known as the Plan.

(5) The Committee shall file necessary and suitable amendments to the Plan as required for the continued effective operation of the Plan.

(6) The Commissioner shall, within thirty (30) days of receipt of a filing as required in paragraphs (4) or (5) above, approved or disapproved such filing, provided, however, the Commissioner may extend by not more than thirty (30) days the period within which he may approve or disapprove the filing by giving written notice to the Committee of the extension before the expiration of the initial thirty-day period.

(7) If the Committee fails to submit an acceptable Plan within thirty (30) days of the effective date of this Regulation, or if at any time fails to submit necessary or suitable amendments thereto, the Commissioner shall, after consultation with insurance companies authorized to issue automobile policies in this State and after notice and hearing, adopt and promulgate such reasonable Plan as is necessary or advisable to effectuate the provision of this Regulation.

Rule 120-2-14-.06 - Plan Composition

Original Rule entitled "Non-Residents" adopted. F. and eff. July 20, 1965. Repealed: New Rule entitled "Distribution and Assignment of Applicants" adopted. F. Sept. 2, 1981; eff. Sept. 22, 1981. Repealed: New Rule entitled "Plan Composition" adopted. F. Oct. 5, 1984; eff. Nov. 1, 1984, as specified by the Agency.

Rule 120-2-14-.07 - Participation in the Plan

(1) Each subscriber shall pay a minimum annual fee of $25.00 and a Plan Fee of $25 and the basis used for distribution of risks under Distribution and Assignments of Applicants section of the approved Plan shall be used as the basis of apportionment of all expenses incurred in excess of the minimum fee except that credits allowed to reduce assignments shall not be considered in the apportionment of expenses.

(2) The Committee may abate or defer in whole or in part the assignment of risks to a subscriber for good cause. When such action is contemplated, the Commissioner shall be promptly notified prior to the intended action being effective.

(3) Each subscriber shall fully participate in the Plan, comply with paragraphs (1) and (2) above and comply with all rules and procedures of the Plan and guidelines of the Committee, as a condition of their authority to transact or continue to transact insurance in Georgia.

Rule 120-2-14-.08 - Right to Appeal

(1) The Committee may hear any appeal from an applicant, insured, producer or company on a matter pertaining to the proper administration of the Plan. Each notice of cancellation or denial of insurance under the provisions of the Plan shall contain or be accompanied by a statement that the insured or applicant has a right of appeal to the Committee. The action of the Committee may be appealed to the Commissioner, in accordance with O.C.G.A. Section 33-2-17.

(2) The Plan shall promptly notify the company, the insured, or applicant, and the producer of record of the disposition of the appeal, which notification in the case of refusal to sustain a cancellation shall include notice that upon payment of the deposit premium to the company, a policy or binder will be issued.

(3) An appeal shall not operate as a stay of cancellation. Provided, however, that if either the Committee or the Commissioner refuse to sustain the cancellation, the insurer which issued the policy or binder shall, within two (2) working days after receipt of the deposit premium, which must be received within thirty (30) days after determination of the appeal, issue a new policy or binder. Such policy shall be issued for a period of one (1) year from the date of issuance. The balance of the premium shall be payable as provided in the Plan rules.

(4) The Commissioner shall be the final authority in all matters relating to the interpretation and enforcement of this Chapter, except insofar as his orders may be reversed or modified by the courts.

Rule 120-2-14-.09 - Filing of Rates, Rating Systems, Rating Plans, Underwriting Rules and Policy Forms

Original Rule entitled "Eligibility" adopted. F. and eff. July 20, 1965. Repealed: New Rule of same title adopted. F. Mar. 4, 1968; eff. Mar. 24, 1968. Amended: F. Jan. 13, 1971; eff. Feb. 2, 1971. Amended: F. Feb. 24, 1975; eff. Mar. 16, 1975. Repealed: New Rule entitled "Filing of Rates, Rating Systems, Rating Plans, Underwriting Rules and Policy Forms" adopted. F. Oct. 5, 1984; eff. Nov. 1, 1984, as specified by the Agency.

Rule 120-2-14-.10 - Statistical Agent

Original Rule entitled "Extent of Coverage" adopted. F. and eff. July 20, 1965. Repealed: New Rule of same title adopted. F. Mar. 4, 1968; eff. Mar. 24, 1968. Amended: F. Jan. 13, 1971; eff. Feb. 2, 1971. Repealed: New Rule of same title adopted. F. Apr. 30, 1975; eff. May 20, 1975. Amended: F. Dec. 1, 1977; eff. Dec. 21, 1977. Amended: F. Sept. 2, 1981; eff. Sept. 22, 1981. Repealed: New Rule entitled "Statistical Agent" adopted. F. Oct. 5, 1984; eff. Nov. 1, 1984, as specified by the Agency.

Rule 120-2-14-.11 - Insurers Required to Provide Statistics, Data and Information to Statistical Agent

Original Rule entitled "Application for Assignment" adopted. F. and eff. July 20, 1965. Amended: F. Jan. 13, 1971; eff. Feb. 2, 1971. Repealed: New Rule of same title adopted. F. Apr. 30, 1975; eff. May 20, 1975. Amended: F. Nov. 22, 1978; eff. Dec. 12, 1978. Amended: F. Sept. 2, 1981; eff. Sept. 22, 1981. Repealed: New Rule entitled "Insurers Required to Provide Statistics, Data and Information to Statistical Agent" adopted. F. Oct. 5, 1984; eff. Nov. 1, 1984, as specified by the Agency.

Rule 120-2-14-.12 - Hearing

Original Rule entitled "Three Year Assignment Period" was filed and effective on July 20, 1965. Amended: Filed January 13, 1971; effective February 2, 1971. Amended: Rule repealed and a new Rule entitled "Designation of Company" adopted. Filed September 2, 1981; effective September 22, 1981. Amended: Rule repealed and a new Rule entitled "Hearing" adopted. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.13 - Commissions

(1) Unless other arrangements have been made with the Commissioner, the commission under the Plan shall be as follows in paragraphs (2) through (5).

(2) For long haul trucking risks and public passenger carrying vehicles other than church and school buses, five (5%) percent of the policy premium for commission to a licensed producer designated by the insured.

(3) For other risks, ten (10%) percent of the policy premium for commission to a licensed producer designated by the insured.

(4) On any risk rated and domiciled outside of this State, the licensed producer may be paid only that portion of the producer's commission specified above which is permissible under the laws of the state in which the risk is rated and domiciled.

(5) There is to be no service charge to an applicant charged by the Producer of Record for the completing of an application for insurance under the Plan except the commissions referred to in paragraph (2), (3) and (4) above.

Rule 120-2-14-.14 - Claims against Plan; Members and Staff

(1) The Plan shall pay on behalf of any individual or subscriber all sums which the individual or subscriber shall become legally obligated to pay as a result of or in connection with the performance of official duties as an officer, employee or representative on any committee of the Plan.

(2) The Plan shall have the right and duty to defend any suit or claim against such individual or subscriber seeking damages as a result of or in connection with the performance of official duties as an officer, employee or representative on any committee of the Plan.

(3) The Plan shall be obligated under paragraphs (1) and (2) above regardless of when claim or suit is made, as long as the incident giving rise to the obligation occurred during the period of time that individual or subscriber served as an officer, employee or representative on any committee of the Plan, and was acting in such official capacity.

(4) The Plan may make such investigations and settlements of any claims or suits as it deems expedient.

(5) The cost of fulfilling the obligations of the Plan as described in this Rule shall be an expense incurred pursuant to Rule 120-2-14-.07.

(6) The obligations of the Plan as described in this Chapter do not arise:

(a) If the individual or subscriber fails to report the claim or suit to the manager of the Plan within ten (10) days of actual notice of such claim or suit; or

(b) If, after the defense of a claim or suit arising pursuant to this section it is adjudged that the officer, employee or representative acted in bad faith, then the Plan shall be reimbursed by such officer, employee or representative for expenses incurred in such defense.

Rule 120-2-14-.15 - Penalties

Original Rule entitled "Carrier's Notice to Plan" was filed and effective on July 20, 1965. Amended: Rule repealed and a new Rule entitled "Company's Notice to Plan" adopted. Filed January 13, 1971; effective February 2, 1971. Amended: Rule repealed. Filed September 2, 1981; effective September 22, 1981. Amended: Rule entitled "Penalties" adopted. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.16 - Severability

Original Rule entitled "Rates" was filed and effective on July 20, 1965. Amended: Filed April 22, 1966; effective May 12, 1966. Amended: Filed January 13, 1971; effective February 2, 1971. Amended: Filed December 17, 1974; effective January 6, 1974. Amended: Rule repealed and a new Rule of the same title adopted. Filed April 30, 1975; effective May 20, 1975. Amended: Filed September 2, 1981; effective September 22, 1981. Amended: Rule repealed and a new Rule entitled "Severability" adopted. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.17 - Effective Date

Original Rule entitled "Surcharge" was filed and effective on July 20, 1965. Amended: Rule repealed and a new Rule entitled "Effective Date" adopted. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.18 - Repealed

Original Rule entitled "Cancellations" was filed and effective on July 20, 1981. Amended: Filed April 30, 1975; effective May 20, 1975. Amended: Rule repealed and a new Rule of the same title adopted. Filed November 22, 1978; effective December 12, 1978. Amended: Filed September 2, 1981; effective September 22, 1981. Amended: Rule repealed. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed.

These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.19 - Repealed

Original Rule entitled "Right of Appeal" was filed and effective on July 20, 1965. Amended: Filed September 2, 1981; effective September 22, 1981. Amended: Rule repealed. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.20 - Repealed

Original Rule entitled "Re-eligibility" was filed and effective on July 20, 1981. Amended: Filed September 2, 1981; effective September 22, 1981. Amended: Rule repealed. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.21 - Repealed

Original Rule entitled "Commission" was filed and effective on July 20, 1965. Amended: Filed September 2, 1981; effective September 22, 1981. Amended: Rule repealed. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.22 - Repealed

Original Rule entitled "Re-Certification of Operator's License of Applicant or Principal Operator of the Motor Vehicle" was filed and effective on July 20, 1981. Amended: Rule repealed. Filed October 5, 1984; effective November 1, 1984; as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.23 - Repealed

Original Rule entitled "Amendments to Plan" was filed and effective on July 20, 1965. Amended: Rule repealed and a new Rule of the same title adopted. Filed April 30, 1975; effective May 20, 1975. Amended: Rule repealed. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Rule 120-2-14-.24 - Repealed

Original Rule entitled "Indemnification" was filed and effective April 30, 1975; effective May 20, 1975. Amended: Rule repealed. Filed October 5, 1984; effective November 1, 1984, as specified by the Agency. Editor's Note: In accordance with Ga. Laws 1967, p. 618, (Ga. Code Ann., Section 3A-124), the contents of the following Rules are not filed with or published by the Secretary of State; only the name and designation is filed, printed, and distributed. These Regulations are on file in the office of the Comptroller General and are open for public examination and copying. (See Editor's Note, p. 88.03.)

Workers Compensation Law

Ref: 120-2-37.01 through .09, 34-9-133

Rule 120-2-37-.01 - Authority

This Regulation is made and promulgated by the Insurance Commissioner pursuant to the authority set forth in O.C.G.A. Sections 33-2-9 and 33-9-21.

Rule 120-2-37-.02 - Purpose

The purpose of this Regulation is to require individual rate filings for the voluntary market by workers' compensation insurers, thus establishing competitive rates for purchasers of workers' compensation insurance in the State of Georgia.

Rule 120-2-37-.03 - Applicability

This Regulation shall apply to all insurers authorized to transact workers' compensation insurance in the State of Georgia.

Rule 120-2-37-.04 - Definitions

(1) "Authorized rating organization" means a rating organization licensed in accordance with O.C.G.A. Chapter 33-9.

(2) "Authorized statistical agent" means the statistical agent authorized in Rule 120-2-36-.05 of the Rules and Regulations of the Georgia Insurance Department.

(3) "Commissioner" means the Commissioner of Insurance of the State of Georgia.

(4) "Department" means the Georgia Insurance Department.

Rule 120-2-37-.05 - Individual Rate Filings

(1) After the effective date of this Regulation and except as otherwise otherwise in Rule 120-2-36-.08 of the Rules and Regulations of the Department, every insurer desiring to revise the premium rates it charges for workers' compensation insurance coverage in this State shall file such insurer's own individual rate filing with the Commissioner. Such insurer shall simultaneously file a copy of such filing with the authorized rating organization of which the insurer is a member or subscriber.

(2) Premium rate for each individual rate filing shall be developed and established based upon each individual insurer's experience in the State of Georgia to the extent such experience is actuarially credible. Where the experience of an insurer is less than fully credible, such experience may be credibility-weighted against the latest corresponding experience as filed with the Department by an authorized rating organization. The Commissioner may make the determination as to the credibility of the material contained in such a filing or filings.

(3) With each individual rate filing, the individual insurer shall include the loss ratios, reserves, reserve development information, expenses including commissions paid and dividends paid, investment income, pure premium data adjusted for loss development and loss trending, profits and all other data and information used by that insurer for formulating its workers' compensation premium rates contained in the individual rate filing.

Rule 120-2-37-.06 - Classification Plan

The Classification Plan, including codes of an authorized rating organization which is the current and latest Classification Plan on file with the Commissioner, shall be followed by all insurers when transacting workers' compensation insurance in the State of Georgia.

Rule 120-2-37-.07 - Reference Filings

An individual insurer may adopt, by reference, in its own individual rate filing, Experience Rating Plans, Retrospective Rating Plans, Rating Factors and Premium Discount Plans filed with the Commissioner by an authorized rating organization.

Rule 120-2-37-.08 - Severability

If any provision of this Regulation, or the application thereof to any person or circumstance, is held invalid by a court of competent jurisdiction, the remainder of the Regulation or the applicability of such provision to other persons or circumstances shall not be affected.

Rule 120-2-37-.09 - Effective Date

This Regulation shall become effective January 1, 1984.

GA Code § 34-9-133 (2022)

The board shall prescribe the rules and regulations for apportioning rejected workers' compensation policies and may establish an equitable assignment of such policies and enforce such provisions; provided, however, the Commissioner of Insurance is authorized to establish or approve a method to apportion on a pro rata basis any rejected workers' compensation policy where four insurers duly authorized to write workers' compensation insurance refused, in writing, to issue the workers' compensation policy to cover said risk or where the agent for the applicant for such insurance confirms in writing to the four insurers their refusal to cover said risk. In formulating this method of assignment, a minimum loss ratio will be considered by the Commissioner of Insurance. Then, such established or approved method shall immediately assign an insurer to write such risk. The Commissioner of Insurance shall establish separate categories of risks rejected as the result of insufficient prior workers' compensation experience, risks rejected for factors other than workers' compensation loss experience, and risks rejected as the result of poor workers' compensation experience. Where such assignment has been made under the aforementioned method, the board shall not make the assignment.

The method of apportioning and assigning rejected workers' compensation insurance policies provided in subsection (a) of this Code section shall include the assignment and apportionment of such policies covering vendors who provide logging services to a named insured or covering an association of such vendors.

The method of apportioning and assigning rejected workers' compensation insurance policies provided in subsections (a) and (b) of this Code section shall be known as the "Workers' Compensation Assigned Risk Insurance Plan" or "Plan." All policies issued under the Plan shall have the words "Georgia Workers' Compensation Assigned Risk Plan" placed in bold letters on the policy declarations page to ensure that rejected risks know that the policy has been issued in the Plan.

For Plan policies with effective dates on or after January 1, 1996, the Commissioner of Insurance shall approve and implement a plan which establishes rates adequate to eliminate any Plan operating deficit by January 1, 1999.

Such Plan shall be revised annually by the Plan administrator and presented to the Commissioner of Insurance for approval.

Such Plan shall include, to the extent adequate to reduce the Plan operating deficit:

Rating plans, procedures, and requirements placed on Plan policyholders; and

Procedures and requirements placed on Plan insurers and the Plan administrator.

Such Plan shall also include, but not be limited to:

Plan policy assessments and surcharges;

Credits for policyholders who have had no lost-time claims;

A system of credits against assessment or participation of insurers for the voluntary writing of a risk or risks which are currently insured through the Plan;

Provisions that the type or level of services by an insurer for Plan policyholders shall be no less than such type or level of services of such insurer for its policyholders not in the Plan; and

Provisions for safety programs to be implemented by policyholders in cooperation with their insurer.

The Plan required by subsection (c) of this Code section shall be structured, to the extent possible, so as to reduce the operating deficit of the Plan proportionately each year from January 1, 1996, through January 1, 1999.

Notwithstanding anything to the contrary provided in subsection (c) or (d) of this Code section, the Commissioner of Insurance shall have the discretion to waive all or any portion of the Plan policy assessments and surcharges described in subsection (c) of this Code section if the operating deficit of the Plan for a respective Plan policy year improves by at least 15 percent as compared to the deficit for such Plan policy year calculated based upon rates in effect for the immediately preceding Plan policy year.

For Plan policies with effective dates on or after January 1, 1999, the aggregate of all revenues received from rates and rating plans charged to participants who are insured under the Plan shall be set so that the amount received in premiums, together with reasonable investment income earned on those premiums, shall be sufficient to pay claims and reasonable expenses of providing coverage under the Plan and to establish appropriate levels of loss reserves, all in accordance with actuarial standards, including consideration of the effects of subsection (c) of this Code section. For purposes of this Code section, the term “actuarial standards” means standards adopted by the Casualty Actuarial Society in its Statement of Principles Regarding Property and Casualty Insurance Ratemaking and the Standards of Practice adopted by the Actuarial Standards Board. Any premium or surcharge collected by the Plan in excess of the amount necessary to fund the projected ultimate losses and expenses of the Plan shall be refunded to the policyholders or applied to reduce premiums.

Notwithstanding Code Sections 33-9-8 and 33-9-21, the Commissioner of Insurance shall cause the implementation of rates for policies issued pursuant to the Plan which are sufficient to conform with the requirements of paragraphs (1) and (2) of subsection (c) of this Code section.

On or before December 15, 1995, and each subsequent year, the Commissioner of Insurance shall submit a report to the appropriate standing committees of the General Assembly concerning the status and results of operation of the Plan. Such report shall include but not be limited to a report on the Plan deficit, burden and trends in reducing such deficit, number of policies and amount of premium underwritten by the Plan, rating of such policies based upon the three-tier rating program, his or her estimate of the effect of policyholder safety committees on policyholder loss experience, operation of workers’ compensation insurance specialty markets in this state, impact of the servicing carrier remedial program and results of servicing carrier incentives and disincentives, review of the efficiency of the servicing carrier bid program, and any other information the Commissioner of Insurance or the respective chairpersons of such standing committees deem necessary to evaluate the Plan and the workers’ compensation insurance market in this state.

On or before July 1, 1995, the Commissioner of Insurance shall promulgate rules and regulations to implement this Code section. Such rules and regulations shall include the system of credits required by subparagraph (c)(5)(C) of this Code section, which credits shall not be less than the following:

For policies with an annual premium of $7,500.00 or less, a credit of four times the amount of such annual premium;

For policies with an annual premium of at least $7,501.00, but not exceeding $15,000.00, a credit of three times the amount of such annual premium;

For policies with an annual premium of at least $15,001.00, but not exceeding $25,000.00, a credit of two times the amount of such annual premium;

For policies with an annual premium of at least $25,001.00, but not exceeding $200,000.00, a credit of one and one-half times the amount of such annual premium; or

For policies with an annual premium of $200,001.00 or greater, a credit of the amount of such annual premium.

A merit rating plan shall be implemented by the Plan administrator and the Commissioner of Insurance in compliance with subparagraph (c) (5) (B) of this Code section to establish credits for policyholders who have had no lost-time claims and debits for a specified number of lost-time claims to include the following:

A policyholder who is not experience rated, whose annual premium is less than $5,000.00, and who is subject to a merit rating plan of credits and debits to be applied to the Georgia manual premium for the policyholder in the Plan;

The merit rating plan shall be based upon the number of lost-time claims of the policyholder during the most recent one-year period for which statistics are available. This one-year period is that which would otherwise be used for experience rating purposes;

The credits and debits under such plan shall be as follows:

No lost-time claims for the most recent year, a 12 1/2 percent credit;

One lost-time claim for the most recent year, no credit or debit; and

Two or more lost-time claims for the most recent year, a 5 percent debit;

The insurer shall obtain the claims information of the policyholder and shall notify the policyholder of the credit or debit premium adjustment and the reason for same in writing within 90 days of the effective date of the policy. The insurer, upon request, shall provide additional safety plan information to a policyholder who develops a debit merit rating adjustment; and

Debits and credits used in this merit rating plan shall not apply to the Georgia minimum premium for a risk.

Regulation of Rates

Ref: 33-9:

The process of setting and approving insurance rates.

GA Code § 33-9-1 (2022)

The purpose of this chapter is to promote the public welfare by regulating insurance rates as provided in this chapter to the end that they shall not be excessive, inadequate, or unfairly discriminatory; to authorize the existence and operation of qualified rating organizations and advisory organizations and require that specified rating services of such rating organizations be generally available to all admitted insurers; and to authorize cooperation between insurers in rate making and other related matters.

It is the express intent of this chapter to permit and encourage competition between insurers on a sound financial basis to the fullest extent possible. However, nothing in this chapter is intended or should be construed to restrict the Commissioner in any way, on his own motion or otherwise, to take any affirmative action by rule, regulation, or administrative determination in a particular case, cases, or class of cases which he may deem necessary to protect the public's interest in maintaining the standards prescribed in Code Section 33-9-4; and Code Sections 33-9-26 through 33-9-29 in particular shall in no way be viewed as exhaustive or restrictive of the powers or procedures available to the Commissioner for this purpose.

GA Code § 33-9-2 (2022)

As used in this chapter, the term:

"Advisory organization" means every person other than an admitted insurer, whether located within or outside this state, who prepares policy forms or makes underwriting rules incident to but not including the making of rates, rating plans, or rating systems, or who collects and furnishes to admitted insurers or rating organizations loss or expense statistics or other statistical information and data and acts in an advisory, as distinguished from a rate-making, capacity. No duly authorized attorney at law acting in the usual course of his profession shall be deemed to be an advisory organization.

"Member" means an insurer who participates in or is entitled to participate in the management of a rating, advisory, or other organization.

"Rating organization" means every person other than an admitted insurer, whether located within or outside this state, who has as his object or purpose the making of rates, rating plans, or rating systems. Two or more admitted insurers who act in concert for the purpose of making rates, rating plans, or rating systems and who do not operate within the specific authorizations contained in Code Sections 33-9-6, 33-9-7, 33-9-11, 33-9-20, and 33-9-22 shall be deemed to be a rating organization. No single insurer shall be deemed to be a rating organization.

"Subscriber" means an insurer which is furnished at its request with rates and rating manuals by a rating organization of which it is not a member, or with advisory services by an advisory organization of which it is not a member.

GA Code § 33-9-3 (2022)

This chapter shall apply to all insurance on risks or on operations in this state, except:

Reinsurance other than joint reinsurance to the extent stated in Code Section 33-9-19;

Life insurance;

Disability income, specified disease, or hospital indemnity policies;

Insurance of vessels or craft, their cargoes, marine builders’ risks, marine protection and indemnity, or other risks commonly insured under marine, as distinguished from transportation, insurance policies. Inland marine insurance shall be deemed to include insurance defined by statute, or by interpretation thereof or, if not so defined or interpreted, by ruling of the Commissioner or as established by general custom of the business, as inland marine insurance;

Insurance against loss of or damage to aircraft, insurance of hulls of aircraft, including their accessories and equipment, or insurance against liability arising out of the ownership, maintenance, or use of aircraft;

Title insurance; or

Annuities.

(a.1) The Commissioner may by rule or regulation establish criteria by which defined commercial risks may be exempted from the filing requirements of this chapter.

This chapter shall apply to all insurers, including stock and mutual companies, Lloyd’s associations, and reciprocal and interinsurance exchanges, which under any laws of this state write any of the kinds of insurance to which this chapter applies.

History. Code 1933, § 56-506, enacted by Ga. L. 1967, p. 684, § 1; Ga. L. 1978, p. 2073, § 1; Ga. L. 1982, p. 3, § 33; Ga. L. 1982, p. 644, § 1; Ga. L. 1996, p. 705, § 3; Ga. L. 1999, p. 335, § 1; Ga. L. 2017, p. 164, § 8/HB 127; Ga. L. 2019, p. 337, § 1-46/SB 132.

The 2019 amendment, effective July 1, 2019, in subsection (b), deleted the paragraph (b)(1) designation and deleted former paragraph (b)(2), which read: “The provisions of this chapter regarding rates shall apply to any insurer, fraternal benefit society, health care plan, health maintenance organization, or preferred provider organization providing any accident or sickness insurance or health benefit plan issued, delivered, issued for delivery, or renewed in this state to the extent required by subsection (c) of this Code section.”; and deleted subsection (c), which read: “Provisions of this chapter regarding rates shall apply only to a proposed rate for any insurance or health benefit plan:

“(1) Which alone or in combination with any previous rate change for such insurance or plan would result in a rate increase of:

“(A) Any amount, but no decrease shall be subject to such provisions; provided, however,

“(B) The provisions of this chapter shall not apply to accident and sickness insurance; or

“(2) Made within 36 months after any rate change described by paragraph (1) of this subsection.”

GA Code § 33-9-4 (2022)

The following standards shall apply to the making and use of rates pertaining to all classes of insurance to which this chapter is applicable:

Rates shall not be excessive or inadequate, as defined in this Code section, nor shall they be unfairly discriminatory;

No rate shall be held to be excessive unless such rate is unreasonably high for the insurance provided and a reasonable degree of competition does not exist in the area with respect to the classification to which such rate is applicable; provided, however, with respect to rate filings involving an increase in rates, no rate for personal private passenger motor vehicle insurance shall be held to be excessive unless such rate is unreasonably high for the insurance provided and a reasonable degree of competition does not exist;

No rate shall be held inadequate unless it is unreasonably low for the insurance provided and continued use of it would endanger solvency of the insurer, or unless the use of such rate by the insurer using such rate has, or will, if continued, tend to destroy competition or create a monopoly;

Consideration shall be given to the extent applicable to past and prospective loss experience within and outside this state, to conflagration and catastrophe hazards, to a reasonable margin for underwriting profit and contingencies, to past and prospective expenses both country wide and those specially applicable to this state, to the insurer's average yield from investment income, and to all other factors, including judgment factors, deemed relevant within and outside this state; and, in the case of fire insurance rates, consideration may be given to the experience of the fire insurance business during the most recent five-year period;

Consideration may also be given, in the making and use of rates, to dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers;

The systems of expense provisions included in the rates for use by any insurer or group of insurers may differ from those of other insurers or groups of insurers to reflect the operating methods of any such insurer or group with respect to any kind of insurance or with respect to any subdivision or combination thereof;

Risks may be grouped by classifications for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any difference among risks that have a probable effect upon losses or expenses. Classifications or modifications of classifications of risks may be established based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable considerations. Such classifications and modifications shall apply to all risks under the same or substantially the same circumstances or conditions; provided, however, the Commissioner shall establish the maximum amount of any such modification;

Nothing contained in this Code section or elsewhere in this chapter shall be construed to repeal or modify Chapter 6 of this title, relating to unfair trade practices, and any rate, rating classification, rating plan or schedule, or variation thereof established in violation of Chapter 6 of this title shall, in addition to the consequences stated in Chapter 6 of this title or elsewhere, be deemed violative of this Code section;

No insurer shall base any standard or rating plan on vehicle insurance, in whole or in part, directly or indirectly, upon race, creed, or ethnic extraction; and

No insurer shall base any standard or rating plan on vehicle insurance, in whole or in part, directly or indirectly, upon any physical disability of an insured unless the disability directly impairs the ability of the insured to drive a motor vehicle.

GA Code § 33-9-5 (2022)

Subject to and in compliance with this chapter authorizing insurers to be members or subscribers of rating or advisory organizations or to engage in joint underwriting or joint reinsurance, two or more insurers may act in concert with each other and with others with respect to any matters pertaining to the making of rates or rating systems, the preparation or making of insurance policy or bond forms, underwriting rules, surveys, inspections and investigations, the furnishing of loss or expense statistics or other information and data, or carrying on of research.

GA Code § 33-9-6 (2022)

With respect to any matters pertaining to the making of rates or rating systems, the preparation or making of insurance policy or bond forms, underwriting rules, surveys, inspections and investigations, the furnishing of loss or expense statistics or other information and data, or carrying on of research, two or more admitted insurers having a common ownership or operating in this state under common management or control are authorized to act in concert between or among themselves the same as if they constituted a single insurer; and to the extent that the matters relate to cosurety bonds, two or more admitted insurers executing the bonds are authorized to act in concert between or among themselves the same as if they constituted a single insurer.

GA Code § 33-9-7 (2022)

Agreements may be made among admitted insurers with respect to the equitable apportionment among them of property and casualty insurance which may be afforded applicants who are in good faith entitled to but who are unable to procure such insurance through ordinary methods, and with respect to the use of reasonable rate modifications for such insurance, such agreements to be subject to the approval of the Commissioner.

All such agreements shall be submitted in writing to the Commissioner for his consideration and approval together with such information as he may reasonably require. The Commissioner shall approve only such agreements as are found by him to contemplate the use of rates which meet the standards prescribed by this chapter and activities and practices that are not unfair, unreasonable, or otherwise inconsistent with this chapter.

At any time after such agreements are in effect, the Commissioner may review the practices and activities of the adherents to such agreements and, if after a hearing upon not less than ten days' notice to such adherents he finds that any such practice or activity is unfair or unreasonable or is otherwise inconsistent with this chapter, he may issue a written order to the parties to any such agreement specifying in what respect such act or practice is unfair or unreasonable or otherwise inconsistent with this chapter and requiring the discontinuance of such activity or practice. For good cause, and after hearing upon not less than ten days' notice to the adherents to such agreement, the Commissioner may revoke approval of any such agreement.

GA Code § 33-9-8 (2022)

Agreements shall be made among admitted property and casualty insurers with respect to the equitable apportionment among them of property and casualty insurance which may be afforded applicants who are in good faith entitled to but who are unable to procure such insurance through ordinary methods upon the determination by the Commissioner in writing that an agreement relative to a given kind or kinds of property and casualty insurance is necessary to protect the health, property, and welfare of the citizens of Georgia. All of the agreements shall be subject to the approval of the Commissioner and upon his or her approval shall have the effect of rules and regulations promulgated by the Commissioner.

All of the agreements shall be submitted in writing to the Commissioner for his or her consideration and approval within the period of time specified by the Commissioner in his or her determination, as provided for in this Code section, together with such information as he or she may reasonably require. The approval of the agreements shall comply with the requirements of the rule-making process as set forth in Code Section 33-2-9. The Commissioner shall approve only such agreements as are found by him or her to contemplate the use of rates which meet the standards prescribed by this chapter and activities and practices that are not unfair, unreasonable, or otherwise inconsistent with this chapter.

If, as provided in this Code section, the Commissioner determines that it is necessary to protect the health, property, and welfare of the citizens of this state, in addition to all other authority granted in this title, the Commissioner shall also have and may exercise the following authority:

The Commissioner may require that any rates contemplated to be used under this Code section shall be approved by him or her prior to their use;

The Commissioner may declare that any policies, contracts, or rates used pursuant to any agreement or plan established under this Code section shall be the exclusive policies, contracts, or rates authorized to be used in Georgia for the kind or kinds of insurance; and he or she may prohibit the use by any person of policies, contracts, or rates in this state which are different from those established in accordance with this Code section; and

The Commissioner may amend or modify in whole or in part and may adopt any agreement submitted to him or her in accordance with this Code section. If no agreement is submitted within the time prescribed by the Commissioner or if after a hearing the agreement submitted is unacceptable to the Commissioner, the Commissioner may on his or her own motion promulgate and adopt a reasonable plan to implement this Code section which plan shall become effective on a date not sooner than ten days as specified by the Commissioner in his or her order.

At any time after the agreements are in effect the Commissioner may review the practices and activities of the adherents to such agreements and, if after a hearing upon not less than ten days' notice to such adherents, he or she finds that any such practice or activity is unfair or unreasonable, or is otherwise inconsistent with this chapter, he or she may issue a written order to the parties of the agreement specifying in what respect the act or practice is unfair or unreasonable or otherwise inconsistent with this chapter and requiring the discontinuance of the activity or practice. For good cause, and after hearing upon not less than ten days' notice to the adherents thereto, the Commissioner may revoke approval of the agreement.

Whenever the Commissioner determines that a lack of competition or a lack of availability exists in this state in either property or casualty insurance, the Commissioner is authorized to protect the health, property, and welfare of the citizens of this state by exercising the following authority:

The Commissioner shall approve all rates contemplated to be used under this Code section prior to their use;

The Commissioner shall approve any policies or contracts used pursuant to any agreement or plan established under this Code section and such policies or contracts shall be used exclusively in this state for those kinds of insurance. The use by any person of any policies or contracts which are different from those established in accordance with this Code section shall be prohibited; and

The Commissioner may by order implement a plan or program to provide the necessary insurance coverages to the citizens of this state by equitable apportionment among all property and casualty insurers licensed to transact those kinds of insurance in this state.

The powers contained in this Code section are cumulative and shall be in addition to all other powers of the Commissioner contained elsewhere in this title or under the laws of this state.

History. Code 1933, § 56-512.1, enacted by Ga. L. 1975, p. 1192, § 1; Ga. L. 1976, p. 347, § 1; Ga. L. 1982, p. 3, § 33; Ga. L. 1986, p. 698, § 2; Ga. L. 1987, p. 870, § 1; Ga. L. 2019, p. 337, § 1-47/SB 132.

The 2019 amendment, effective July 1, 2019, inserted "or her" in the last sentence in subsection (a), in three places in subsection (b), in paragraph (c)(1), and in three places in paragraph (c)(3); inserted "or she" in subsection (b), in paragraph (c)(2), and in two places in subsection (d); and deleted ", as now or hereafter amended" following "Code Section 33-2-9" at the end of the second sentence of subsection (b).

GA Code § 33-9-9 (2022)

Members and subscribers of rating or advisory organizations may use the rating systems, underwriting rules, or policy or bond form of the organizations and the rates filed by such organizations for all lines of insurance covered by the provisions of this chapter, either consistently or intermittently, but, except as provided in Code Sections 33-9-3, 33-9-7, 33-9-19, and 33-9-20, shall not agree with each other or rating organizations or others to adhere to such rates, rating systems, underwriting rules, or policy or bond form. The fact that two or more admitted insurers, whether or not members or subscribers of a rating or advisory organization, use, either consistently or intermittently, the rates or rating systems made or adopted by a rating organization, or the underwriting rules or policy or bond forms prepared by a rating or advisory organization shall not be sufficient in itself to support a finding that an agreement so to adhere exists and may be used only for the purpose of supplementing or explaining any competent evidence of the existence of the agreement.

GA Code § 33-9-10 (2022)

Upon compliance with this chapter as applicable thereto, any rating organization, advisory organization, and any group, association, or other organization of admitted insurers which engages in joint underwriting or joint reinsurance through such organization or by standing agreement among the members thereof may conduct operations in this state. With respect to insurance risks or operations in this state, no insurer shall be a member or subscriber of any such organization, group, or association that has not complied with this chapter.

GA Code § 33-9-11 (2022)

Cooperation among rating organizations or among rating organizations and insurers in rate making or in other matters within the scope of this chapter is authorized. The Commissioner may review the cooperative activities and practices and, if after a hearing he finds that the activity or practice is unfair or unreasonable or otherwise inconsistent with this chapter, he may issue a written order specifying in what respects the activity or practice is unfair or unreasonable or otherwise inconsistent with this chapter and requiring the discontinuance of the activity or practice.

GA Code § 33-9-12 (2022)

No rating organization shall conduct its operations in this state without first filing with the Commissioner a written application for and securing a license to act as a rating organization. Any rating organization may make application for and obtain a license as a rating organization if it shall meet the requirements for a license set forth in this chapter. Every rating organization shall file with its application:

A copy of its constitution; its articles of incorporation, agreement or association; and of its bylaws, rules, and regulations governing the conduct of its business, all duly certified by the custodian of the originals of the constitution, articles of incorporation, agreement or association, bylaws, rules, and regulations;

A list of its members and subscribers;

The name and address of a resident of this state upon whom notices or orders of the Commissioner or process affecting the rating organization may be served; and

A statement of its qualifications as a rating organization.

The fee for filing an application for license as a rating organization shall be an amount as provided in Code Section 33-8-1, payable in advance to the Commissioner.

GA Code § 33-9-13 (2022)

To obtain and retain a license, a rating organization shall provide satisfactory evidence to the Commissioner that it will:

Permit any admitted insurer to become a member of or a subscriber to such rating organization at a reasonable cost and without discrimination, or withdraw therefrom;

Neither have nor adopt any rule or exact any agreement the effect of which would be to require any member or subscriber, as a condition to membership or subscribership, to adhere to its rates, rating plans, rating systems, underwriting rules, or policy or bond forms;

Neither adopt any rule nor exact any agreement the effect of which would be to prohibit or regulate the payment of dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers;

Neither practice nor sanction any plan or act of boycott, coercion, or intimidation;

Neither enter into nor sanction any contract or act by which any person is restrained from lawfully engaging in the insurance business;

Notify the Commissioner promptly of every change in its constitution, its articles of incorporation, agreement or association, and of its bylaws, rules, and regulations governing the conduct of its business; its list of members and subscribers; and the name and address of the resident of this state designated by it upon whom notices or orders of the Commissioner or process affecting such organization may be served; and

Comply with Code Section 33-9-20.

GA Code § 33-9-14 (2022)

The Commissioner shall examine each application for license to act as a rating organization and the documents filed therewith and may make such further investigation of the applicant, its affairs, and its proposed plan of business as he deems desirable.

The Commissioner shall issue the license applied for within 60 days of its filing with him, if from such examination and investigation he is satisfied that:

The business reputation of the applicant and its officers is good;

The facilities of the applicant are adequate to enable it to furnish the services it proposes to furnish; and

The applicant and its proposed plan of operation conform to the requirements of this chapter.

Otherwise, but only after hearing upon notice, the Commissioner shall in writing deny the application and notify the applicant of his decision and his reasons therefor.

The Commissioner may grant an application in part only and issue a license to act as a rating organization for one or more of the classes of insurance or subdivisions thereof or class of risk or a part or combination thereof as are specified in the application if the applicant qualifies for only a portion of the classes applied for.

Licenses issued pursuant to this Code section shall remain in effect until revoked as provided in this chapter.

GA Code § 33-9-15 (2022)

Notwithstanding Code Section 33-9-14, each rating organization possessing a license of indefinite term pursuant to such Code section shall owe and pay to the Commissioner an annual fee as provided in Code Section 33-8-1 in advance on account of such license until its final termination. Such fee shall be for periods commencing on July 1 of each year and ending on June 30 and shall be due and payable on March 1 of each year and shall be delinquent on April 1 of each year.

GA Code § 33-9-16 (2022)

Subject to the approval of the Commissioner, licensed rating organizations may make reasonable rules governing eligibility for membership.

GA Code § 33-9-17 (2022)

If two or more insurers having a common ownership or operating in this state under common management are admitted for the classes or types of insurance for which a rating organization is licensed to make rates, the rating organization may require as a condition to membership or subscribership of one or more that all the insurers shall become members or subscribers.

GA Code § 33-9-18 (2022)

No advisory organization shall conduct its operations in this state unless and until it has filed with the Commissioner a copy of its constitution, articles of incorporation, agreement, or association, and of its bylaws or rules and regulations governing its activities, all duly certified by the custodian of the originals of the constitution, articles of incorporation, agreement or association, and bylaws or rules and regulations; a list of its members and subscribers; and the name and address of a resident of this state upon whom notices or orders of the Commissioner or process may be served.

Each advisory organization shall notify the Commissioner promptly of every change in its constitution, its articles of incorporation, agreement, or association, and of its bylaws or rules and regulations governing the conduct of its business; its list of members and subscribers; and the name and address of the resident of this state designated by it upon whom notices or orders of the Commissioner or process affecting the organization may be served.

No advisory organization shall engage in any unfair or unreasonable practice with respect to its activities.

Each advisory organization shall pay an annual fee as provided in Code Section 33-8-1.

GA Code § 33-9-19 (2022)

Every group, association, or other organization of insurers which engages in joint underwriting or joint reinsurance through the group, association, or organization or by standing agreement among the members of the group, association, or organization shall file with the Commissioner a copy of its constitution, its articles of incorporation, agreement, or association, and of its bylaws or rules and regulations governing its activities, all duly certified by the custodian of the originals of such constitution, articles of incorporation, agreement or association, bylaws or rules and regulations; a list of its members; and the name and address of a resident of this state upon whom notices or orders of the Commissioner or process may be served.

Each group, association, or other organization shall notify the Commissioner promptly of every change in its constitution, its articles of incorporation, agreement, or association, and its bylaws, rules, and regulations governing the conduct of its business; its list of members; and the name and address of the resident of this state designated by it upon whom notices or orders of the Commissioner or process affecting the group, association, or organization may be served.

No group, association, or organization shall engage in any unfair or unreasonable practice with respect to its activities.

Each joint underwriting and joint reinsurance organization shall pay an annual fee as provided in Code Section 33-8-1.

GA Code § 33-9-20 (2022)

Every insurer, rating organization, or advisory organization and every group, association, or other organization of insurers which engages in joint underwriting or joint reinsurance shall maintain reasonable records of the type and kind reasonably adapted to its method of operation, of its experience or the experience of its members, and of the data, statistics, or information collected or used by it in connection with the rates, rating plans, rating systems, underwriting rules, policy or bond forms, surveys, or inspections made or used by it so that the records will be available at all reasonable times to enable the Commissioner to determine whether the organization, insurer, group, or association and, in the case of an insurer or rating organization, every rate, rating plan, and rating system made or used by it complies with this chapter as applicable to it. The maintenance of the records in the office of a licensed rating organization of which an insurer is a member or subscriber will be sufficient compliance with this Code section for any insurer maintaining membership or subscribership in the organization to the extent that the insurer uses the rates, rating plans, rating systems, or underwriting rules of the organization. Such records shall be maintained in an office within this state and shall be made available for examination or inspection by the Commissioner at any time.

Each insurer shall maintain statistics under statistical plans compatible with the rating plans used. An insurer shall report its statistics through a recognized statistical agency or advisory organization. No insurer shall be required to report its statistics through such agencies or organizations with respect to any unique or unusual risks or with respect to any risks rated in accordance with Code Section 33-9-32 or any lines or sublines of insurance for which such agencies or organizations do not promulgate rates or rating systems. Moreover, the Commissioner shall withhold from public inspection any proprietary information of any insurer, agency, or organization.

History. Code 1933, § 56-522, enacted by Ga. L. 1967, p. 684, § 1; Ga. L. 1988, p. 1857, § 1.

Administrative rules and regulations.

Workers’ compensation insurance statistical agent - Forms and rating plans, Official Compilation of the Rules and Regulations of the State of Georgia, Rules of Comptroller General, Commissioner of Insurance, Chapter 120-2-36.

Regulations regarding proxies, consents, and authorizations of domestic stock insurers, subagents, adjusters, adjusters, surplus lines brokers, and agencies, Official Compilation of the Rules and Regulations of the State of Florida, Rules of Comptroller General, Commissioner of Insurance, Chapter 120-2-37.

GA Code § 33-9-21 (2022)

Every insurer shall maintain with the Commissioner copies of the rates, rating plans, rating systems, underwriting rules, and policy or bond forms used by it. The maintenance of rates, rating plans, rating systems, underwriting rules, and policy or bond forms with the Commissioner by a licensed rating organization of which an insurer is a member or subscriber will be sufficient compliance with this Code section for any insurer maintaining membership or subscriberships in such organization, to the extent that the insurer uses the rates, rating plans, rating systems, underwriting rules, and policy or bond forms of such organization; provided, however, that the Commissioner, when he or she deems it necessary, without compliance with the rule-making procedures of this title or Chapter 13 of Title 50, the "Georgia Administrative Procedure Act":

May require any domestic, foreign, and alien insurer to file the required rates, rating plans, rating systems, underwriting rules, and policy or bond forms used independent of any filing made on its behalf or as a member of a licensed rating organization, as the Commissioner shall deem to be necessary to ensure compliance with the standards of this chapter and Code Section 34-9-130 and for the best interests of the citizens of this state;

Shall require each domestic, foreign, and alien insurer, writing or authorized to write workers' compensation insurance in this state, to file such insurer's own individual rate filing for rates to be charged for workers' compensation insurance coverage written in this state. Such rates shall be developed and established based upon each individual insurer's experience in the State of Georgia to the extent actuarially credible. The experience filed shall include the loss ratios, reserves, reserve development information, expenses, including commissions paid and dividends paid, investment income, pure premium data adjusted for loss development and loss trending, profits, and all other data and information used by that insurer in formulating its workers' compensation rates which are used in this state and any other information or data required by the Commissioner. In establishing and maintaining loss reserves, no workers' compensation insurer shall be allowed to maintain any excess loss reserve for any claim or potential claim for more than 90 days after the amount of liability for such claim or potential claim has been established, whether by final judgment, by settlement agreement, or otherwise. This limitation on the maintenance of loss reserves shall be enforced through this Code section, as well as through Code Section 33-9-23, relating to examination of admitted insurers, and any other appropriate enforcement procedures. The Commissioner is authorized to accept such rate classifications as are reasonable and necessary for compliance with this chapter. A rate filing required by this paragraph shall be updated by the insurer at least once every two years; and

As used in paragraph (2) of this subsection, the term "excess loss reserve" means any reserve amount in excess of the reserve required by law.

Any domestic, foreign, or alien insurer that is authorized to write insurance in this state must file with the Commissioner any rate, rating plan, rating system, or underwriting rule for all personal private passenger motor vehicle insurance:

For private passenger motor vehicle insurance providing only the mandatory minimum limits required by Code Section 33-34-4 and subsection (a) of Code Section 40-9-37, no such rate, rating plan, rating system, or underwriting rule shall become effective, nor may any premium be collected by any insurer thereunder, unless the filing has been received by the Commissioner in his or her office and such filing has been approved by the Commissioner or a period of 45 days has elapsed from the date such filing was received by the Commissioner during which time such filing has not been disapproved by the Commissioner. The Commissioner shall be authorized to extend such 45 day period by no more than 55 days at his or her discretion. If a filing is disapproved, notice of such disapproval order shall be given within 100 days of receipt of filing by the Commissioner, specifying in what respects such filing fails to meet the requirements of this chapter. The filer shall be given a hearing upon written request made within 30 days after the issuance of the disapproval order, and such hearing shall commence within 30 days after such request unless postponed by mutual consent. Such hearing, once commenced, may be postponed or recessed by the Commissioner only for weekends, holidays, or after normal working hours or at any time by mutual consent of all parties to the hearing. The Commissioner may also, at his or her discretion, recess any hearing for not more than two recess periods of up to 15 consecutive days each. In connection with any hearing or judicial review with respect to the approval or disapproval of such rates, the burden of persuasion shall fall upon the affected insurer or insurers to establish that the challenged rates are adequate, not excessive, and not unfairly discriminatory. After such a hearing, the Commissioner must affirm, modify, or reverse his or her previous action within the time period provided in subsection (a) of Code Section 33-2-23 relative to orders of the Commissioner. The requirement of approval or disapproval of a rate filing by the Commissioner under this subsection shall not prohibit actions by the Commissioner regarding compliance of such rate filing with the requirements of Code Section 33-9-4 brought after such approval or disapproval.

For personal private passenger motor vehicle insurance other than that described in this subsection, such rate, rating plan, rating system, or underwriting rule for all such personal private passenger motor vehicle insurance shall be effective upon filing and shall be implemented without approval of the Commissioner. This subsection shall apply to the entire personal private passenger motor vehicle insurance policy with limits above the mandatory minimum required by Code Section 33-34-4 and subsection (a) of Code Section 40-9-37 and shall apply to the entire personal private passenger motor vehicle policy with minimum limits if such policy has any additional nonmandatory coverage or coverages.

When a rate filing of an insurer required under paragraph (1) of subsection (b) of this Code section is not accompanied by the information upon which the insurer supports the filing and the Commissioner does not have sufficient information to determine whether the filing meets the requirements of this chapter, then the Commissioner shall request in writing, within 20 days of the date he or she receives the filing, the specifics of such additional information as he or she requires, and the insurer shall be required to furnish such information, and in such event the 45 day period provided for in paragraph (1) of subsection (b) of this Code section shall commence as of the date such information is furnished.

Any domestic, foreign, or alien insurer that is authorized to write insurance in this state must file with the Commissioner any rate, rating plan, rating system, or underwriting rule at least 45 days prior to any indicated effective date for all insurance other than personal private passenger motor vehicle insurance. No rate, rating plan, rating system, or underwriting rule required to be filed under this subsection will become effective, nor may any premium be collected by any insurer thereunder, unless the filing has been received by the Commissioner in his office not less than 45 days prior to its effective date.

When a rate filing of an insurer required under subsection (d) of this Code section results in any overall rate increase of 10 percent or more within any 12 month period, the Commissioner shall order an examination of that insurer to determine the accuracy of the claim reserves, the applicability of the claim reserve practices for the loss data used in support of such filing, and any other component of the rate filing; provided, however, that in the event the overall increase is less than 25 percent within any 12 month period and the Commissioner affirmatively determines that he or she has sufficient information to evaluate such rate increase and that the cost thereof would not be justified, he or she may waive all or part of such examination. In all other rate filings required under subsection (d) of this Code section, the Commissioner may order an examination of that insurer as provided in this subsection. Such examination shall be conducted in accordance with the provisions of Chapter 2 of this title. Upon notification by the Commissioner of his or her intent to conduct such examination, the insurer shall be prohibited from placing the rates so filed in effect until such examination has been reviewed and certified by the Commissioner as being complete. Such examination, if conducted by the Commissioner, shall be reviewed and certified within 90 days of the date such rate, rating plan, rating system, or underwriting rule is filed; provided, however, that if the Commissioner makes an affirmative finding that the examination may not be completed within the 90 day period, he or she may extend such time for one additional 60 day period. Any examination required under this Code section shall be conducted in accordance with Chapter 2 of this title.

Notwithstanding the provisions of subsection (d) of this Code section, in the event the filing of any rate, rating plan, rating system, or underwriting rule under subsection (d) of this Code section is not necessary, in the judgment of the Commissioner, to accomplish the purposes of this chapter as set forth in Code Section 33-9-1, then the Commissioner may exempt all domestic, foreign, and alien insurers from being required to file such rate, rating plan, rating system, or underwriting rule.

Filings required pursuant to this Code section shall be accompanied by a fee or fees as provided in Code Section 33-8-1.

History. Code 1933, § 56-522.1, enacted by Ga. L. 1967, p. 684, § 1; Ga. L. 1978, p. 2073, § 2; Ga. L. 1980, p. 1063, § 1; Ga. L. 1982, p. 644, § 3; Ga. L. 1983, p. 629, §§ 2, 3; Ga. L. 1984, p. 22, § 33; Ga. L. 1985, p. 149, § 33; Ga. L. 1987, p. 870, § 2; Ga. L. 1990, p. 1409, § 16; Ga. L. 1991, p. 1608, § 1.6; Ga. L. 1992, p. 2725, § 17; Ga. L. 1994, p. 647, § 1; Ga. L. 1996, p. 705, § 4; Ga. L. 2008, p. 1192, § 4/SB 276; Ga. L. 2009, p. 42, § 2/SB 76; Ga. L. 2019, p. 337, § 1-48/SB 132; Ga. L. 2020, p. 493, § 33/SB 429.

The 2019 amendment, effective July 1, 2019, in paragraph (a)(2), deleted ", not later than July 30, 1990," following "Shall require" at the beginning of the first sentence, deleted "premium" preceding "rates" in the first, second and third sentences, inserted "admitted" following "examination of" in the fifth sentence, and deleted ", the initial two-year period to be calculated from July 30, 1990" following "two years" at the end; and, in paragraph (b)(2), inserted "personal" preceding "private passenger" in four places and substituted "this subsection" for "paragraph (1) of subsection (b) of Code Section 33-9-21" in the first sentence.

The 2020 amendment, effective July 29, 2020, part of an Act to revise, modernize, and correct the Code, substituted "provided, however, that the Commissioner" for "provided, however, the Commissioner" in the proviso in the second sentence of subsection (a); and substituted "provided, however, that if the Commissioner" for "provided, however, if the Commissioner" in the next-to-last sentence of subsection (e).

Cross references.

Management and public inspection of state documents, T. 50, C. 18.

Editor's notes.

Ga. L. 1982, p. 644, § 3, which amended this Code section and which was to have taken effect January 1, 1984, was repealed by Ga. L. 1983, p. 629, § 3, effective March 16, 1983. However, since the 1983 Act amended this Code section "as amended by said 1982 Act," the restated language of this Code section in the 1983 Act reflected many of the changes effected by the 1982 Act.

Ga. L. 1991, p. 1608, § 3.2, not codified by the General Assembly, effective April 17, 1991, provides: "(a) Each insurer shall file its proposed forms, manuals, underwriting rules, rates, and rating plans for coverages under motor vehicle insurance policies to be issued, issued for delivery, delivered, or renewed on and after October 1, 1991, with the Commissioner of Insurance for such examination and approval as is required by law. The Commissioner shall not approve such filings unless such filings contain optional medical payments coverage. Rates and rating plans for motor vehicle insurance coverages filed pursuant to this subsection shall reflect a reduction of the rates or rating plans for such coverages on file with the Commissioner as of January 28, 1991, of not less than 15 percent, as compared to rates in effect for coverages required to be offered by the former 'Georgia Motor Vehicle Accident Reparations Act,' with the exception of physical damage coverages, as specified in paragraph (3) of subsection (a) of former Code Section 33-34-5 and third-party property damage coverages. On October 1, 1991, the Commissioner shall reduce by 15 percent or such higher amount as he determines appropriate, after notice and hearing as required by law, any rate or rating plan for such coverages under motor vehicle insurance policies for which no filing has been received.

"(b) Any insurer aggrieved by the rate filing required pursuant to subsection (a) of this section may petition the Commissioner for a hearing to grant relief from the rate filing as the result of extraordinary circumstances. The insurer shall have the burden of proof to establish the extraordinary circumstances which justify relief. A hearing conducted pursuant to this subsection shall be conducted in accordance with the provisions of Chapter 2 of Title 33. Upon conclusion of any hearing conducted pursuant to this subsection, the Commissioner shall enter an order specifying the rates to be used by the insurer and shall indicate in his order all factors entering into a decision to relieve the insurer from full compliance with the provisions of subsection (a) of this section."

Administrative rules and regulations.

Workers' compensation insurance statistical agent - Forms and rating plans, Official Compilation of the Rules and Regulations of the State of Georgia, Rules of Comptroller General, Commissioner of Insurance, Chapter 120-2-36.

Georgia workers' compensation insurance rate filings, Official Compilation of the Rules and Regulations of the State of Florida, Rules of Comptroller General, Commissioner of Insurance, Chapter 120-2-37.

GA Code § 33-9-21.1 (2022)

The following types of casualty insurance shall be filed separately and data relative to such types of insurance shall be maintained separately:

Nonrecording insurance or nonfiling insurance; and

Vendors' single interest insurance.

History. Code 1981, § 33-9-21.1 , enacted by Ga. L. 1995, p. 437, § 2; Ga. L. 1996, p. 912, § 4; Ga. L. 2019, p. 337, § 1-49/SB 132.

The 2019 amendment, effective July 1, 2019, substituted "The following types" for "In order to facilitate the handling of form and rate filings of certain types of miscellaneous casualty insurance which prior to July 1, 1995, has been filed generally under paragraph (10) of Code Section 33-7-3, the following types" at the beginning of this Code section.

GA Code § 33-9-21.2 (2022)

Any insurer aggrieved by the Commissioner's disapproval of any rate filing may petition the Commissioner for a hearing within ten days of the notification of such disapproval, unless otherwise specifically provided by law. A hearing conducted pursuant to this Code section shall be conducted in accordance with the provisions of Chapter 2 of this title.

GA Code § 33-9-22 (2022)

The Commissioner shall, at least once every five years, and may, as often as may be reasonable and necessary, make or cause to be made an examination of each licensed rating organization; and he may, as often as may be reasonable and necessary, make or cause to be made an examination of any advisory organization or group, association, or other organization of insurers which engages in joint underwriting or joint reinsurance.

In lieu of the examination required in subsection (a) of this Code section, the Commissioner may accept the report of an examination made by the insurance supervisory official of another state.

In examining any organization, group, or association pursuant to this Code section, the Commissioner shall ascertain whether the organization, group, or association and, in the case of a rating organization, any rate or rating system made or used by it complies with the applicable requirements and standards of this chapter.

GA Code § 33-9-23 (2022)

The Commissioner may, at any reasonable time, make or cause to be made an examination of every admitted insurer transacting any class of insurance to which this chapter is applicable to ascertain whether the insurer and every rate and rating system used by it for each class of insurance complies with the requirements and standards of this chapter applicable thereto. The examination shall not be a part of a periodic general examination participated in by representatives of more than one state.

In addition to and apart from the examination required by subsection (a) of this Code section, the Commissioner may, at any reasonable time, examine or cause to be examined by some examiner duly authorized by him or her all insurers transacting workers' compensation insurance in this state. This examination will include a review of the loss ratios, reserves, reserve development information, expenses including commissions paid and dividends paid, investment income, pure premium data adjusted for loss development and loss trending, profits, and all other data and information used by that insurer in formulating its workers' compensation rates which are used in this state and any other information or data required by the Commissioner. Upon completion of this examination, a report in such form as the Commissioner shall prescribe shall be filed in his or her office.

GA Code § 33-9-24 (2022)

The officers, managers, agents, and employees of any such organization, group, association, or insurer may be examined at any time under oath and shall exhibit all books, records, accounts, documents, or agreements governing its method of operation, together with all data, statistics, and information of every kind and character collected or considered by such organization, group, association, or insurer in the conduct of the operations to which the examination relates.

GA Code § 33-9-25 (2022)

The reasonable cost of any examination authorized by this chapter shall be paid by the organization, group, association, or insurer to be examined.

GA Code § 33-9-26 (2022)

Any person aggrieved by any rate charged, rating plan, rating system, or underwriting rule followed or adopted by an insurer or rating organization may request the insurer or rating organization to review the manner in which the rate, plan, system, or rule has been applied with respect to insurance afforded him. The request may be made by his authorized representative and shall be written. If the request is not granted within 30 days after it is made, the requestor may treat it as rejected. Any person aggrieved by the action of an insurer or rating organization in refusing the review requested or in failing or refusing to grant all or part of the relief requested may file a written complaint and request for hearing with the Commissioner, specifying the grounds relied upon. If the Commissioner has information concerning a similar complaint, he may deny the hearing. If he believes that probable cause for the complaint does not exist or that the complaint is not made in good faith, he shall deny the hearing. Otherwise, and if he finds that the complaint charges a violation of this chapter and that the complainant would be aggrieved if the violation is proven, he shall proceed as provided in Code Section 33-9-27.

GA Code § 33-9-27 (2022)

If after examination of an insurer, rating organization, advisory organization, or group, association, or other organization of insurers which engages in joint underwriting or joint reinsurance, or upon the basis of other information, or upon sufficient complaint as provided in Code Section 33-9-26 the Commissioner has good cause to believe that the insurer, organization, group, or association, or any rate, rating plan, or rating system made or used by any insurer or rating organization does not comply with the requirements and standards of this chapter applicable to it, he shall, unless he has good cause to believe such noncompliance is willful, give notice in writing to such insurer, organization, group, or association stating in the notice to the extent practicable in what manner such noncompliance is alleged to exist and specifying in the notice a reasonable time, not less than ten days after notice, in which the noncompliance may be corrected.

GA Code § 33-9-28 (2022)

If the Commissioner has good cause to believe the noncompliance to be willful, or if within the period prescribed by the Commissioner in the notice required by Code Section 33-9-27 the insurer, organization, group, or association does not make the changes necessary to correct the noncompliance specified by the Commissioner or establish to the satisfaction of the Commissioner that the specified noncompliance does not exist, then the Commissioner may hold a public hearing in connection with the noncompliance, provided that within a reasonable period of time, which shall be not less than ten days before the date of the hearing, he shall mail written notice specifying the matters to be considered at the hearing to the insurer, organization, group, or association. If no notice has been given as provided in Code Section 33-9-27, the notice provided for in this Code section shall state to the extent practicable in what manner such noncompliance is alleged to exist. The hearing shall not include any additional subjects not specified in the notices required by Code Section 33-9-27 or this Code section.

GA Code § 33-9-28.1 (2022)

The costs incurred by the Commissioner in conducting any hearing under this chapter may be assessed against the parties to the hearing in such proportion as the Commissioner may determine upon consideration of all relevant circumstances including, but not limited to, the nature of the hearing; whether the hearing was instigated by or for the benefit of a particular party or parties; whether there is a successful party on the merits of the proceeding; and the relative levels of participation by the parties. For purposes of this Code section, costs incurred shall include payments made by the Commissioner to obtain the services of independent contractors or outside experts and travel expenses of such contractors or experts. The Commissioner shall make the assessment of costs incurred as part of the final order or decision arising out of the proceeding; provided, however, that any order or decision shall include findings and conclusions of the Commissioner or his designee to support the assessment of costs.

GA Code § 33-9-29 (2022)

If after a hearing pursuant to Code Section 33-9-28 the Commissioner finds:

That any rate, rating plan, or rating system violates the applicable provisions of this chapter, he may issue an order to the insurer or rating organization which has been the subject of the hearing specifying in what respects the violation exists and stating when, within a reasonable period of time, the further use of the rate or rating system by the insurer or rating organization in contracts of insurance made thereafter shall be prohibited and may further order that the portion of premiums received from current policyholders as a result of the most recent rate increase at the time the notice of such hearing is issued shall be refunded to the policyholders;

That an insurer, rating organization, advisory organization, or a group, association, or other organization of insurers which engages in joint underwriting or joint reinsurance is in violation of the provisions of this chapter applicable to it other than the provisions dealing with rates, rating plans, or rating system, he may issue an order to the insurer, organization, group, or association which has been the subject of the hearing specifying in what respects the violation exists and requiring compliance within a reasonable time thereafter;

That the violation of this chapter applicable to it by any insurer or rating organization which has been the subject of the hearing was willful, he may suspend or revoke, in whole or in part, the certificate of authority of each insurer or the license of each rating organization with respect to the class of insurance which has been the subject matter of the hearing;

That any rating organization has willfully engaged in any fraudulent or dishonest act or practices, he may suspend or revoke, in whole or in part, the license of the organization in addition to any other penalty provided in this chapter.

GA Code § 33-9-30 (2022)

In addition to other penalties provided in this title, the Commissioner, by order pursuant to Code Section 33-9-29, may suspend or revoke, in whole or in part, the license of any rating organization or the certificate of authority of any insurer with respect to the class or classes of insurance specified in such order if such entity fails to comply within the time limited by such order or any extension thereof that the Commissioner may grant.

History. Code 1933, § 56-531, enacted by Ga. L. 1967, p. 684, § 1; Ga. L. 2019, p. 337, § 1-51/SB 132.

The 2019 amendment, effective July 1, 2019, inserted ", by order pursuant to Code Section 33-9-29," near the beginning, substituted "if such entity fails" for "which fails" in the middle, and substituted "that the Commissioner" for "which the Commissioner" and deleted "with an order of the Commissioner lawfully made by him pursuant to Code Section 33-9-29" following "may grant" at the end of this Code section.

GA Code § 33-9-31 (2022)

Except as otherwise provided in this chapter, all proceedings in connection with the denial, suspension, or revocation of a license or certificate of authority under this chapter shall be conducted in accordance with Chapter 2 of this title; and the Commissioner shall have all the powers granted to him in Chapter 2 of this title.

GA Code § 33-9-32 (2022)

Nothing contained in this chapter shall be deemed to prohibit an insurer and its insured from contracting to use a rate on a specific risk or risks which is in excess of or lower than that otherwise applicable, provided that the contract and rate deviation by consenting parties have been filed with the Commissioner prior to the use of the rate in accordance with the procedures, conditions, and limitations as may be established by the Commissioner; and provided, further, that, if the resulting premium exceeds $1,000.00, a binder of coverage may be issued and the contract and rate deviation shall be filed within 20 days after the issuance of the binder. Such contract and rate deviation shall be subject to challenge by the Commissioner for a period of ten days after filing. If such challenge is upheld, the insurer shall be required to use its regular filed rates for the first 30 days of coverage in accordance with the requirements of applicable law. If there is no challenge or if a challenge is not upheld, the contract and rate deviation agreed upon may be used from and after the effective date of the binder.

GA Code § 33-9-33 (2022)

Nothing in this chapter shall be construed to prohibit or regulate the payment of dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers. A plan for the payment of dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers shall not be deemed a rating plan or system.

GA Code § 33-9-34 (2022)

No act done, action taken, or agreement made pursuant to the authority conferred by this chapter shall constitute a violation of or grounds for prosecution or civil proceedings under any other law of this state which does not specifically refer to insurance.

GA Code § 33-9-35 (2022)

No person, insurer, or organization shall willfully withhold information from, or knowingly give false or misleading information to, the Commissioner or to any rating organization, advisory organization, insurer, or group, association, or other organization of insurers which will affect the rates, rating systems, or premiums for the classes of insurance to which this chapter is applicable.

GA Code § 33-9-36 (2022)

As used in this Code section, the term:

“Gift certificate” shall have the same meaning as provided in Code Section 10-1-393.

“Insurance” includes suretyship.

“Policy” includes bond.

“Store gift card” shall have the same meaning as provided in Code Section 10-1-393.

No broker or agent shall knowingly charge, demand, or receive a premium for any policy of insurance except in accordance with this chapter.

No insurer or employee of such insurer and no broker or agent shall pay, allow, or give, or offer to pay, allow, or give, directly or indirectly as an inducement to insurance or after insurance has been effected, any rebate, discount, abatement, credit, or reduction of the premium named in a policy of insurance, or any special favor or advantage in the dividends or other benefits to accrue on such policy of insurance, or any valuable consideration or inducement whatever, not specified in the policy of insurance, except to the extent provided for in an applicable filing. No insured named in a policy of insurance nor any employee of the insured shall knowingly receive or accept, directly or indirectly, any such rebate, discount, abatement, credit, or reduction of premium, or any special favor or advantage or valuable consideration or inducement.

Nothing in this Code section shall be construed as prohibiting the payment of commissions or other compensation to duly licensed agents and brokers, nor as prohibiting any insurer from allowing or returning to its participating policyholders, members, or subscribers dividends, savings, or unabsorbed premium deposits.

Nothing in this Code section shall be construed as prohibiting the payment for food or refreshments by an insurer or employee of such insurer or a broker or an agent for current or prospective clients during sales presentations and seminars, provided that no insurance or annuity applications or contracts are offered or accepted at such presentations or seminars.

Nothing in this Code section shall be construed as prohibiting an insurer or employee of such insurer or a broker or an agent from advertising or conducting promotional programs by insurers or insurance producers whereby prizes, goods, wares, store gift cards, gift certificates, sporting event tickets, or merchandise, not exceeding $100.00 in value per customer in the aggregate in any one calendar year, are given to current or prospective customers; provided, however, that the giving of any item or items of value under this subsection shall not be contingent on the sale or renewal of a policy.

History. Code 1933, § 56-535, enacted by Ga. L. 1967, p. 684, § 1; Ga. L. 2005, p. 563, § 3/HB 407; Ga. L. 2006, p. 72, § 33/SB 465; Ga. L. 2016, p. 381, § 2/HB 784; Ga. L. 2019, p. 337, § 1-52/SB 132.

The 2019 amendment, effective July 1, 2019, substituted “employee of such insurer or a broker or an agent” for “an agent, broker, or employee of an insurer” in the middle of subsection (e); and substituted “an insurer or employee of such insurer or a broker or an agent” for “insurers or insurance producers” near the beginning of subsection (f).

GA Code § 33-9-37 (2022)

In the event any insurer shall in collusion with any other insurer conspire to fix, set, or adhere to insurance rates, except as expressly sanctioned by this chapter, the insurer shall be liable to any person damaged thereby for an amount equal to three times the amount of the damage together with the damaged party's attorney's fees.

GA Code § 33-9-38 (2022)

Any person, insurer, organization, group, or association who fails to comply with a final order of the Commissioner under this chapter shall be liable to the state in an amount not exceeding $50.00; but, if such failure is willful, the person, insurer, organization, group, or association shall be liable to the state in an amount not exceeding $5,000.00. The Commissioner shall collect the amount so payable and may bring an action in the name of the people of the State of Georgia to enforce collection. Such penalties may be in addition to any other penalties provided by law.

Any person who willfully violates this chapter shall be guilty of a misdemeanor.

GA Code § 33-9-39 (2022)

No insurer shall surcharge the premium or rate charged on a policy of motor vehicle insurance that provides coverage for the personal motor vehicles of any law enforcement officer, firefighter, or emergency medical technician in this state for any accident:

That occurred while the law enforcement officer, firefighter, or emergency medical technician was lawfully engaged in the performance of official duties; and

For which the law enforcement officer, firefighter, or emergency medical technician furnishes proof, in the form of copies of the accident report, 9-1-1 emergency dispatch log, or the employing agency's documents, to the insurer of the condition provided in paragraph (1) of this Code section.

GA Code § 33-9-40 (2022)

No insurer shall surcharge the premium or rate charged on a policy of motor vehicle insurance or cancel such policy as a result of the insured person's involvement in a multivehicle accident when such person was not at fault in such accident.

GA Code § 33-9-40.1 (2022)

An insurer shall not assign an adverse experience modification factor which is applicable to the rate of a workers' compensation insurance policy issued to a particular business entity to the rate of a workers' compensation policy issued to another business entity maintaining a separate payroll for federal and state tax purposes and engaging in a distinctly different business enterprise for the sole reason that the majority interest in both business entities is held by the same person.

For experience rating purposes, no workers' compensation insurer shall maintain any case reserve for any claim in excess of the amount established by final judgment, by settlement, or otherwise. All reductions in case reserves shall be made and reported to the appropriate rating organization within 90 days. Any further adjustments upward in the case reserve shall only be made due to additional paid claims or a case reserve established on a claim which was previously closed but reopened due to a claimant's request for additional benefits. This limitation on the maintenance of reserves shall be enforced through this Code section, as well as through Code Section 33-9-21, relating to rate filings, Code Section 33-9-23, relating to examination of insurers, and any other appropriate enforcement procedures.

The Commissioner shall cause an investigation to be made of each complaint filed by a licensee under this title or under Article 5 of Chapter 9 of Title 34 or a person acting for or on behalf of such licensee against an insurer or workers' compensation group self-insurance fund alleging that such insurer or fund is:

Using an improper rate;

Using an improper classification; or

Using an improper experience modification in issuing a contract of workers' compensation insurance.

If the Commissioner finds the complaint to be justified, in addition to all other appropriate action under this title, the Commissioner may assess the cost of such investigation against the insurer or workers' compensation group self-insurance fund and retain the proceeds therefrom for reimbursement of the cost of conducting such investigation.

If the person making the complaint is a licensee under this title or under Article 5 of Chapter 9 of Title 34 or a person acting for or on behalf of such licensee and the Commissioner finds the complaint not to be justified, the Commissioner may, in addition to all other appropriate action under this title:

Assess the reasonable verified cost of such investigation against such person and retain the proceeds therefrom for reimbursement of the cost of conducting such investigation; and

If such person files six or more complaints the Commissioner finds not to be justified in any 12 month period, assess an administrative penalty not to exceed $2,000.00 for the sixth and each subsequent complaint found to be not justified.

GA Code § 33-9-40.2 (2022)

For each policy of workers' compensation insurance issued or renewed in the state on and after July 1, 1993, there shall be granted by the insurer not less than a 7 1/2 percent reduction in the premium for such policy if the insured has been certified by the State Board of Workers' Compensation as having a drug-free workplace program which complies with the requirements of Article 11 of Chapter 9 of Title 34 and has notified its insurer in writing of such certification.

The premium discount provided by this Code section shall be applied to an insured's policy of workers' compensation insurance pro rata as of the date the insured receives certification by the State Board of Workers' Compensation and shall continue for as long as the insured maintains the certification as having a drug-free workplace; provided, however, that an insurer shall not be required to credit the actual amount of the premium discount to the account of the insured until the final premium audit under such policy. Certification by an insured shall be required for each year in which such premium discount is granted.

The workers' compensation insurance policy of an insured shall be subject to an additional premium for the purposes of reimbursement of a previously granted premium discount and to cancellation in accordance with the provisions of the policy if it is determined by the State Board of Workers' Compensation that such insured misrepresented the compliance of its drug-free workplace program with the provisions of Article 11 of Chapter 9 of Title 34.

Each insurer shall make an annual report to the rating and statistical organization designated by the Commissioner pursuant to this chapter illustrating the total dollar amount of drug-free workplace premium credit. Standard earned premium figures reported pursuant to this subsection on the aggregate calls for experience must reflect the effects of such credits. The net standard premium will then be the basis of any premium adjustment. The drug-free workplace credits must be reported under a unique classification code or unit statistical reports submitted to the rating and statistical organization designated by the Commissioner pursuant to this chapter.

The Commissioner shall conduct a study to determine the impact of this chapter on reducing workers' compensation losses and on the impact of the premium credit provided pursuant to this Code section in encouraging employers to implement and maintain the program for which the credit is provided.

The Commissioner shall be authorized to promulgate rules and regulations necessary for the implementation and enforcement of this Code section.

GA Code § 33-9-40.3 (2022)

For each policy of workers' compensation insurance issued or renewed in the state on and after July 1, 2016, there may be granted by the insurer up to a 5 percent reduction in the premium for such policy if the insured has been certified by the State Board of Education to the State Board of Workers' Compensation as a work based learning employer pursuant to Article 12 of Chapter 9 of Title 34 and has notified its insurer in writing of such certification.

If granted, the premium discount provided by this Code section shall be applied to an insured's policy of workers' compensation insurance pro rata as of the date the insured receives such certification and shall continue for as long as the insured maintains the certification; provided, however, that an insurer shall not be required to credit the actual amount of the premium discount to the account of the insured until the final premium audit under such policy. Certification of an insured shall be required for each year in which a premium discount is granted.

If it is determined that an insured misrepresented its qualifications for certification pursuant to Article 12 of Chapter 9 of Title 34, the workers' compensation insurance policy of such insured may be subject to an additional premium for the purposes of reimbursement of a previously granted premium discount and to cancellation in accordance with the provisions of the policy.

Each insurer shall make an annual report, in accordance with guidelines established by the Commissioner, to the rating and statistical organization designated by the Commissioner illustrating the total dollar amount of the premium discounts applied pursuant to this Code section.

The Commissioner shall conduct a study to determine the impact of the premium discounts provided pursuant to this Code section in encouraging employers to provide work based learning opportunities for students age 16 or older.

The Commissioner shall be authorized to promulgate rules and regulations necessary for the implementation and enforcement of this Code section.

History. Code 1981, § 33-9-40.3 , enacted by Ga. L. 2016, p. 207, § 2/HB 402.

Editor's notes.

Ga. L. 2016, p. 207, § 1/HB 402, not codified by the General Assembly, provides that: "The General Assembly finds that it would be beneficial to students, employers, and the economic health of the state to assist in providing highly trained, technologically sophisticated, and career oriented students which will aid in the development of a successful twenty-first century work force. By opening their doors to work based learning opportunities, employers can play an active role in shaping the quality of their future work force, by preparing potential leaders for their company and their community, and by helping shape future curriculum to create an educated work force for their industry as a whole. Work based learning programs can provide students the opportunity to work and learn in a real-world environment and prepare them for future career opportunities. Such work based learning opportunities can be accomplished by developing partnerships between and among the business community, industry, students, parents, school systems, and postsecondary education institutions."

§ 33-9-41. [Reserved] Study of Effect of 1987 Legislation on Loss Experience; Cooperation of Insurers; Report to General Assembly

GA Code § 33-9-42 (2022)

For each personal or family-type policy of private passenger motor vehicle insurance issued or issued for delivery in this state, there shall be offered by the insurer a reduction of not less than 10 percent in premiums for motor vehicle liability, first-party medical, and collision coverages to the policyholder if all named drivers, as listed or who should be listed on the policy application or provided in information subsequent to such application, of each motor vehicle covered by such policy satisfy the requirements of subsection (b) or subsection (c), as applicable, of this Code section.

Reductions in premiums shall be available if all named drivers who are 25 years of age or older:

Have committed no traffic offenses for the prior three years or since the date of licensure, whichever is shorter;

Have had no claims based on fault against an insurer for the prior three years; and

Complete one of the following types of driving courses:

A defensive driving course of not less than six hours from a driver improvement clinic or commercial or noncommercial driving school approved by and under the jurisdiction of the Department of Driver Services;

An emergency vehicles operations course at the Georgia Public Safety Training Center;

A defensive driving course of not less than six hours from a driver improvement program which is administered by a nonprofit organization such as the AARP, the American Automobile Association, the National Safety Council, or a comparable organization and which meets the rules and regulations of the Department of Driver Services pursuant to subsection (g) of this Code section; or

A defensive driving course of not less than six hours which is offered by an employer to its employees and their immediate families and which meets the rules and regulations of the Department of Driver Services.

Reductions in premiums shall be available if all named drivers who are under 25 years of age:

Have committed no traffic offenses for the prior three years or since the date of licensure, whichever is shorter;

Have had no claims based on fault against an insurer for the prior three years; and

Complete a preparatory course offered to new drivers of not less than 30 hours of classroom training and not less than six hours of practical training by a driver's training school approved by and under the jurisdiction of the Department of Driver Services or by an accredited secondary school, junior college, or college.

Upon completion of one of the defensive driving courses specified in paragraph (3) of subsection (b) or preparatory courses offered to new drivers specified in paragraph (3) of subsection (c), as applicable, of this Code section by each named driver, eligibility for reductions in premiums for such policy shall continue for a period of three years, provided any named driver under such policy does not commit a traffic offense or have a claim against the policy based on any such driver's fault.

The Department of Driver Services shall assure through the supervision of driver improvement clinics, emergency vehicles operations courses, driver improvement programs administered by nonprofit organizations, and commercial or noncommercial driving schools approved by the Department of Driver Services that defensive driving courses shall be available and accessible wherever practicable as determined by the department to licensed drivers throughout the state.

Each insurer providing premium discounts under this Code section shall provide, upon the request of the Commissioner, information regarding the amount of such discounts in a form acceptable to the Commissioner.

The power of supervision granted to the Department of Driver Services over driver improvement programs administered by nonprofit organizations under this Code section shall be limited to the establishment of minimum standards and requirements relative to the content of specific courses offered by such programs and relative to investigation and resolution of any complaints directed towards the content or operation of any course by a person enrolled in such course. The Department of Driver Services may adopt rules and regulations necessary to carry out the provisions of this subsection. The Department of Driver Services shall not require a nonprofit organization to obtain a license or permit or to pay a fee in order to administer a driver improvement program in the state. The Department of Driver Services shall not require a commercial driving school licensed by such department to obtain an additional license to teach a defensive driving course, as described in subparagraph (b)(3)(A) or preparatory course offered to new drivers as described in paragraph (3) of subsection (c) of this Code section, at any location in this state.

Nothing in this Code section shall prevent an insurer from offering the reduction in premium specified in subsection (a) of this Code section to a driver who does not meet all of the requirements of subsection (b) or subsection (c), as applicable, of this Code section.

History. Code 1981, § 33-9-42 , enacted by Ga. L. 1991, p. 1608, § 1.7; Ga. L. 1992, p. 2464, § 1; Ga. L. 1993, p. 611, § 1; Ga. L. 2002, p. 415, § 33; Ga. L. 2005, p. 334, § 13-1/HB 501; Ga. L. 2014, p. 710, § 1-4/SB 298; Ga. L. 2019, p. 337, § 1-53/SB 132.

The 2019 amendment, effective July 1, 2019, substituted “AARP” for “American Association of Retired People” in subparagraph (b)(3)(C).

Code Commission notes.

Pursuant to Code Section 28-9-5, in 1992, “school” was substituted for “schools” in subparagraph (b)(3)(A).

Pursuant to Code Section 28-9-5, in 1996, “than” was substituted for “that” in paragraph (c)(3).

Editor’s notes.

Ga. L. 1991, p. 1608, § 3.2, effective April 17, 1991, not codified by the General Assembly, provides: “(a) Each insurer shall file its proposed forms, manuals, underwriting rules, rates, and rating plans for coverages under motor vehicle insurance policies to be issued, issued for delivery, delivered, or renewed on and after October 1, 1991, with the Commissioner of Insurance for such examination and approval as is required by law. The Commissioner shall not approve such filings unless such filings contain optional medical payments coverage. Rates and rating plans for motor vehicle insurance coverages filed pursuant to this subsection shall reflect a reduction of the rates or rating plans for such coverages on file with the Commissioner as of January 28, 1991, of not less than 15 percent, as compared to rates in effect for coverages required to be offered by the former ‘Georgia Motor Vehicle Accident Reparations Act,’ with the exception of physical damage coverages, as specified in paragraph (3) of subsection (a) of former Code Section 33-34-5 and third-party property damage coverages. On October 1, 1991, the Commissioner shall reduce by 15 percent or such higher amount as he determines appropriate, after notice and hearing as required by law, any rate or rating plan for such coverages under motor vehicle insurance policies for which no filing has been received.

“(b) Any insurer aggrieved by the rate filing required pursuant to subsection (a) of this section may petition the Commissioner for a hearing to grant relief from the rate filing as the result of extraordinary circumstances. The insurer shall have the burden of proof to establish the extraordinary circumstances which justify relief. A hearing conducted pursuant to this subsection shall be conducted in accordance with the provisions of Chapter 2 of Title 33. Upon conclusion of any hearing conducted pursuant to this subsection, the Commissioner shall enter an order specifying the rates to be used by the insurer and shall indicate in his order all factors entering into a decision to relieve the insurer from full compliance with the provisions of subsection (a) of this section."

GA Code § 33-9-43 (2022)

For each personal or family-type policy of private passenger motor vehicle insurance issued, delivered, issued for delivery, or renewed, there shall be offered by the insurer a reduction in the premium for motor vehicle liability, first-party medical, and collision coverage for each named driver under 25 years of age, as listed on the policy application or provided in information subsequent to such application, of each motor vehicle covered by such policy, if that driver:

Is unmarried;

Is enrolled as a full-time student in:

High school;

Academic courses in a college or university; or

Vocational-technical school;

Is an honor student because the scholastic records for the immediately preceding quarter, semester, or comparable segment show that such person:

Ranks scholastically in the upper 20 percent of the class;

Has a "B" average or better;

Has a 3.0 average or better; or

Is on the "Dean's List" or "Honor Roll"; and

Is a driver whose use of the automobile is considered by the insurer in determining the applicable classification.

Proof of meeting the requirements for the discount provided by this Code section shall be provided annually to the insurer by the insured student or policyholder upon such forms as the Commissioner shall prescribe. The premium reduction required by this Code section shall be approved by the Commissioner and reflected in the insurer's automobile rating plan.

An insurer shall not be required to offer the premium reduction provided in subsection (a) of this Code section to a driver who, at any time within a period of three years prior to the beginning of the policy year during which that reduction is otherwise required, has:

Been involved in any motor vehicle accident in which that person has been determined to have been at fault;

Been finally convicted of, pleaded nolo contendere to, or been found to have committed a delinquent act constituting any of the following offenses:

Any serious traffic offense described in Article 15 of Chapter 6 of Title 40;

Any traffic offense for which three or more points may be assessed pursuant to Code Section 40-5-57; or

Any felony or any offense prohibited pursuant to Chapter 13 of Title 16, relating to dangerous drugs, marijuana, and controlled substances; or

Had that person's driver's license suspended for refusal to submit to chemical tests pursuant to Code Section 40-5-67.1 and that suspension has not been reversed, if appealed from.

GA Code § 33-9-44 (2022)

It is specifically intended that the discounts provided in Code Sections 33-9-42 and 33-9-43 shall be provided by the insurer to any person who qualifies for such discounts.

History. Code 1981, § 33-9-44 , enacted by Ga. L. 1991, p. 1608, § 1.7; Ga. L. 2019, p. 337, § 1-55/SB 132.

The 2019 amendment, effective July 1, 2019, deleted the former last sentence, which read: "It is further intended that any similar discounts granted to qualified persons under Chapter 34 of this title as such chapter existed on September 30, 1991, shall not be discontinued nor duplicated by the enactment of Code Sections 33-9-42 and 33-9-43 for policies in effect on September 30, 1991."

Editor's notes.

Ga. L. 1991, p. 1608, § 3.2, effective April 17, 1991, not codified by the General Assembly, provides: "(a) Each insurer shall file its proposed forms, manuals, underwriting rules, rates, and rating plans for coverages under motor vehicle insurance policies to be issued, issued for delivery, delivered, or renewed on and after October 1, 1991, with the Commissioner of Insurance for such examination and approval as is required by law. The Commissioner shall not approve such filings unless such filings contain optional medical payments coverage. Rates and rating plans for motor vehicle insurance coverages filed pursuant to this subsection shall reflect a reduction of the rates or rating plans for such coverages on file with the Commissioner as of January 28, 1991, of not less than 15 percent, as compared to rates in effect for coverages required to be offered by the former 'Georgia Motor Vehicle Accident Reparations Act,' with the exception of physical damage coverages, as specified in paragraph (3) of subsection (a) of former Code Section 33-34-5 and third-party property damage coverages. On October 1, 1991, the Commissioner shall reduce by 15 percent or such higher amount as he determines appropriate, after notice and hearing as required by law, any rate or rating plan for such coverages under motor vehicle insurance policies for which no filing has been received.

"(b) Any insurer aggrieved by the rate filing required pursuant to subsection (a) of this section may petition the Commissioner for a hearing to grant relief from the rate filing as the result of extraordinary circumstances. The insurer shall have the burden of proof to establish the extraordinary circumstances which justify relief. A hearing conducted pursuant to this subsection shall be conducted in accordance with the provisions of Chapter 2 of Title 33. Upon conclusion of any hearing conducted pursuant to this subsection, the Commissioner shall enter an order specifying the rates to be used by the insurer and shall indicate in his order all factors entering into a decision to relieve the insurer from full compliance with the provisions of subsection (a) of this section.”

Financial Responsibility Law

Ref: 40-9-1 through 40-9-82, 33-7-11:

Laws that require individuals or businesses to prove they can cover liabilities in the event of an accident or injury.

Section 40-9-1 - Short title

This chapter shall be known and may be cited as the "Motor Vehicle Safety Responsibility Act."

Section 40-9-2 - Definitions

As used in this chapter, the term:

(1) "Accident" means the collision of any motor vehicle with another vehicle or with any object or fixture, or involvement of a motor vehicle in any manner in which any person is killed or injured or in which damage to the property of any one person to an extent of $500.00 or more is sustained.**(2)** "Commissioner" means the commissioner of driver services.**(3)** "Department" means the Department of Driver Services.**(4)** "Operator" means every person who drives or is in actual physical control of a motor vehicle upon a highway or who is exercising control over or steering a vehicle being towed by a motor vehicle.**(5)** "Proof of financial responsibility" means proof of ability to respond in damages for liability on account of accidents occurring subsequent to the effective date of said proof in the amounts specified in subparagraph (a)(1)(A) of Code Section 33-7-11.**(6)** "Suspension of driver's license" means the temporary withdrawal by formal action of the department of a resident's license or nonresident's privilege to operate a motor vehicle on the public highways.

Section 40-9-3 - Administration of chapter; rules and regulations; hearings; appeals**(**

a) The commissioner shall administer and enforce this chapter and is authorized to adopt and enforce rules and regulations necessary for its administration. The commissioner shall prescribe suitable forms requisite or deemed necessary for the purposes of this chapter.

(b) The commissioner shall provide for hearings upon request of persons aggrieved by orders or acts of the commissioner under this chapter. Such hearings shall not be subject to the procedural provisions of Chapter 13 of Title 50, the "Georgia Administrative Procedure Act."

(c) The commissioner is authorized to adopt and enforce rules and regulations necessary for the administration of such hearings, including but not limited to, hearings provided in Code Section 40-9-32. Except as provided in Code Section 40-9-32, a request for a hearing under this chapter shall not operate as a stay of any order or act of the commissioner.

(d) The commissioner's decision as rendered at such hearing shall be final unless the aggrieved person shall desire an appeal, in which case he or she shall have the right to enter an appeal to the superior court of the county of his or her residence or the

Superior Court of Fulton County by filing a complaint in the superior court, naming the commissioner as defendant, within 30 days from the date the commissioner enters his or her decision or order. The appellant shall not be required to post any bond nor pay the costs in advance. If the aggrieved person desires, the appeal may be heard by the judge at term or in chambers or before a jury at the first term. The hearing on the appeal shall be de novo. However, such appeal shall not act as a supersedeas of any order or acts of the commissioner, nor shall the appellant be allowed to operate or permit a motor vehicle to be operated in violation of any suspension or revocation by the commissioner while such appeal is pending.

Section 40-9-4 - Exceptions to application of chapter

This chapter shall not apply with respect to any motor vehicle owned by the United States, the State of Georgia, any political subdivision of this state, or any municipality therein, or any motor carrier required by any other law to file evidence of insurance or other surety. Code Sections 40-9-81, 40-9-7, 40-9-8, and 40-9-12 shall apply as to the operator of such motor vehicles. All provisions of this chapter shall apply to the operator of such motor vehicles while on unofficial business.

Section 40-9-5 - Application of chapter to nonresidents, unlicensed drivers, and unregistered vehicles; accidents in other states

(a) If the operator or the owner of a vehicle involved in an accident in this state has no license, such operator shall not be allowed a license until he or she has complied with the requirements of this chapter to the same extent that would be necessary if, at the time of the accident, he or she had held a license in this state.

(b) When a nonresident's operating privilege is suspended pursuant to Code Section 40-9-33 or 40-9-61, the department shall transmit a certified copy of the record of such action to the official in charge of the issuance of licenses and registration certificates in the state in which such nonresident resides, if the law of such other state provides for action in relation thereto similar to that provided for in subsection (c) of this Code section.

(c) Upon receipt of a certification that the operating privilege of a resident of this state has been suspended in another state pursuant to a law providing for its suspension for failure to deposit security for the payment of judgments arising out of a motor vehicle accident, under circumstances which would require the department to suspend a nonresident's operating privilege had the accident occurred in this state, the department shall suspend the license of such resident. Such suspension shall continue until such resident furnishes evidence of his or her compliance with the laws of such other state relating to the showing of proof of financial responsibility or reinstatement of operating privilege.

Section 40-9-6 - [Repealed] Transfer of registration of vehicle after registration suspended

Section 40-9-7 - Surrender of license after suspension

(a) Any person whose driver's license shall have been suspended under any provision of this chapter shall immediately return his or her license to the department. If any person shall fail to return such license to the department, the department shall direct any peace officer to secure possession thereof and to return it to the department.

(b) Any person willfully failing to return his or her driver's license as required in subsection (a) of this Code section shall be guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not to exceed $500.00 or by imprisonment for not more than 30 days, or by both such fine and imprisonment.

Section 40-9-8 - Operating vehicle during suspension of driver's license or operating privilege

Any person whose driver's license or nonresident's operating privilege has been suspended under this chapter and who, during such suspension, drives any motor vehicle upon any highway, except where permitted under this chapter, shall be guilty of a misdemeanor and, upon conviction thereof, shall be punished by imprisonment for not less than five days nor more than six months and there may be imposed in addition thereto a fine of not more than $500.00.

Section 40-9-9 - Reinstatement of driver's license; fee

Whenever a driver's license is suspended under any provisions of this chapter and the filing of proof of financial responsibility is made a prerequisite to reinstatement of such license, no such license shall be reinstated unless the driver or owner, in addition to complying with the other provisions of this chapter, pays to the department a fee of $25.00. Only one such fee shall be paid by any one person irrespective of the number of licenses to be reinstated. The fees paid pursuant to this Code section shall be expendable receipts to be used only by the department toward the cost of administration of this chapter.

Section 40-9-10 - Chapter supplemental

This chapter shall in no respect be considered as a repeal of the state motor vehicle laws but shall be construed as supplemental thereto.

Section 40-9-11 - Chapter not to prevent other process

Nothing in this chapter shall be construed as preventing the plaintiff in any action at law from relying for relief upon the other processes provided by law.

Section 40-9-12 - Violations generally

Any person who shall violate any provision of this chapter for which no penalty is otherwise provided shall be guilty of a misdemeanor.

Section 40-9-11 - Chapter not to prevent other process

Nothing in this chapter shall be construed as preventing the plaintiff in any action at law from relying for relief upon the other processes provided by law.

Section 40-9-12 - Violations generally

Any person who shall violate any provision of this chapter for which no penalty is otherwise provided shall be guilty of a misdemeanor.

Section 40-9-30 - Fee for copy of accident report

The Department of Transportation, or its third-party designee, shall charge a fee of

$5.00 for each copy of any accident report received and maintained by that department or its designee pursuant to Code Section 40-6-273.

Section 40-9-31 - Submission of accident reports to department

Each state and local law enforcement agency shall submit to the Department of Transportation the original document of any accident report prepared by such law enforcement agency or submitted to such agency by a member of the public. If the Department of Driver Services receives a claim requesting determination of security, the Department of Transportation shall provide a copy or an electronic copy of any relevant accident reports to the Department of Driver Services. Any law enforcement agency may transmit the information contained on the accident report form by electronic means, provided that the Department of Transportation has first given approval to the reporting agency for the electronic reporting method utilized. The law enforcement agency shall retain a copy of each accident report. Any law enforcement agency that transmits the data by electronic means must transmit the data using a nonproprietary interchangeable electronic format and reporting method. For purposes of this Code section, the term "nonproprietary" shall include commonly used report formats. All such reports shall be submitted to the Department of Transportation within 14 days when electronically submitted and when not electronically submitted not more than 15 days following the end of the month in which such report was prepared or received by such law enforcement agency. The Department of Transportation is authorized to engage the services of a third party in fulfilling its responsibilities under this Code section.

Section 40-9-32 - Determination of amount of security required; time limitation on consideration of accident report, notice, or claim; administrative hearing; judicial review

(a) The department, not less than 30 days after receipt of an accident report or notice of an accident with respect to which a person claims under oath to have suffered damages and requests determination of security, shall determine the amount of security sufficient in its judgment to satisfy any judgment or judgments for damages resulting from such accident that may be recovered against each operator and owner. Such determination shall be made on the basis of the reports or other information submitted. Notwithstanding any other provisions of this chapter, the department shall not consider or take any action with respect to an accident report, notice of accident, or any claim filed under this Code section which is received more than six months after the date of the accident.

(b) The department, upon determining the amount of security required, shall give written notice to each operator and owner of the amount of security required to be deposited by him or her. Such notice shall state that each operator's license shall be suspended on the thirtieth day from the date of mailing of notice unless within that time the required security is deposited and such owner or operator shall give proof of financial responsibility for the future. The license of the one depositing the security will not then be suspended.

(c)

(1) Any person so notified may, within ten days after receipt of such notification, make a written request to the department for a hearing. Such request shall operate as a

stay of any suspension pending the outcome of such hearing. The scope of such hearing, for the purposes of this Code section, shall cover the issues of whether there is a reasonable possibility that a judgment could be rendered against such person in an action arising out of the accident and whether such person is exempt from the requirement of depositing security under Code Section 40-9-34. The department may also consider at such hearing the amount of security required. The requirements of depositing security under this Code section shall not apply to any person against whom the department has found that there is not a reasonable possibility of a judgment being rendered.

(2) For the purposes of this Code section, a hearing may consist of a department determination of such issues, such determination to be based solely on written reports submitted by the operator or owner and by investigatory officers, provided that the owner or operator in his or her request to the department for a hearing has expressly consented to this type of hearing and that the department has also consented thereto.

(d) Any person required to give security after a hearing as provided in subsection (c) of this Code section may petition for judicial review of the decision of the department, but suspension of such person's driver's license or operating privilege shall not be stayed while such appeal is pending. The superior court upon such appeal may consider the written reports considered by the department at the hearing as authorized by subsection (c) of this Code section.

Section 40-9-33 - Suspension of driver's license or operating privilege for failure to deposit security

(a) In the event that any person required to deposit security fails to deposit such security within 30 days from the date of mailing of notice as provided in Code Section 40-9-32 and such person does not make a timely request for a hearing, or in the event any person fails to deposit security after the department has determined that there exists a reasonable possibility of a judgment being rendered against such person, the department shall thereupon suspend:

(1) The driver's license of such person; and

(2) If such person is a nonresident, the privilege of operating or permitting the operation of a vehicle within this state.

(b) The license or nonresident's operating privilege shall remain so suspended and shall not be restored, nor shall any such license be issued to such person, nor shall such nonresident's operating privilege be restored, until:

(1) Such person shall deposit or there shall be deposited on his or her behalf the security and proof of financial responsibility for the future as required by this chapter;

(2) One year shall have elapsed following the date of such suspension and evidence satisfactory to the department has been filed with it that during the period of suspension no action for damages arising out of the accident has been instituted; or

(3) Evidence satisfactory to the commissioner has been filed with him or her of a release from liability or a final adjudication of nonliability.

Section 40-9-34 - Exceptions to requirement of security

The requirements as to security and suspension provided in Code Sections 40-9-32 and 40-9-33 shall not apply:

(1) To the operator or owner of the vehicle involved in the accident if the owner had in effect at the time of the accident an automobile liability policy with respect to the vehicle involved in the accident, except that a driver shall not be so exempt if at the time of the accident the vehicle was being operated without the owner's permission, express or implied;

(2) To the operator, if he is not the owner of the vehicle involved in the accident but there was in effect at the time of the accident an automobile liability policy with respect to his driving of vehicles not owned by him which provided him with liability coverage in the operation of the motor vehicle involved in such accident;

(3) To an operator or owner whose liability for damages resulting from the accident is, in the judgment of the department, covered by any other form of liability insurance policy;

(4) To any person qualifying as a self-insurer under Code Section 33-34-5.1 or to any person operating a vehicle for such self-insurer;

(5) To the operator or the owner of a vehicle involved in an accident wherein no injury or damage was caused to the person or property of anyone other than such driver or owner;

(6) To the operator or the owner of a motor vehicle legally parked at the time of the accident;

(7) To the owner of a vehicle if at the time of the accident the vehicle was being operated without his permission, express or implied, or was parked by a person who had been operating such vehicle without such permission;

(8) To a resident of this state involved in an accident with a nonresident of this state when the damage is less than $300.00, except upon the written request of any party in interest;

(9) If, prior to the date that the department would otherwise suspend a license and registration or a nonresident's operating privilege under Code Section 40-9-33, there shall be filed with the department evidence satisfactory to it that the person who would otherwise have to file security has been released from liability or finally adjudicated not to be liable.

Section 40-9-35 - Agreements for payment of damages

(a) Any two or more of the persons involved in or affected by an accident may enter into a written agreement for the payment of an agreed amount with respect to all claims of any of such persons because of bodily injury to or death or property damage arising from such accident, which agreement may provide for payment in installments, and may file a signed copy thereof with the department.

(b) The department, to the extent provided by any such written agreement filed with it, shall not require the deposit of security and shall terminate any prior order of suspension or, if security has previously been deposited, the department shall immediately return such security to the depositor or his personal representative.

Section 40-9-36 - Amount of security; designation of persons for whom deposit made; reduction or increase in amount

(a) The security under this chapter shall be in such amount as the department may require, but in no case in excess of the limits specified in subsection (a) of Code Section 40-9-37. Every depositor of security shall designate in writing every person on whose behalf the deposit is made and may at any time change such designation, in writing, to include an additional person or persons; provided, however, that a single deposit of security shall be applicable only on behalf of persons required to furnish security because of the same accident.

(b) The department may, upon written notice to all parties involved, reduce or increase the amount of security ordered in any case within six months after the date of the accident if in its judgment the amount ordered is excessive or inadequate. In case the security originally ordered has been deposited, the excess deposit over the reduced amount ordered shall be returned to the depositor or his personal representative.

Section 40-9-37 - Requirements for liability insurance policies; erroneous information as to insurance

(a) No liability insurance policy shall be effective under Code Section 40-9-34 unless issued by an insurance company authorized to do business in this state, except as provided in subsection (b) of this Code section, and unless such policy or bond is subject to limits, exclusive of interest and costs, of not less than the amounts specified in subparagraph (a)(1)(A) of Code Section 33-7-11.

(b) No policy shall be effective under Code Section 40-9-34 with respect to any vehicle which was not registered in this state or which was registered elsewhere than in this state at the effective date of the policy or the most recent renewal thereof unless the insurance company issuing such policy is authorized to do business in this state, or if such company is not authorized to do business in this state, unless it shall execute a power of attorney authorizing the commissioner to accept service on its behalf of notice or process in any action upon such policy arising out of such accident.

(c) Whenever erroneous information is given to the department with respect to the matters set forth in paragraph (1), (2), or (3) of Code Section 40-9-34, the department shall take appropriate action as provided in Code Section 40-9-32 after receipt of correct information with respect to such matters.

Section 40-9-38 - Surety bonds and real property bonds as security; requirements; cancellations; liens; actions on bonds; reduction or increase of security; erroneous information

(a) Security under this chapter may also be provided for by a surety bond executed by the person and by a surety company duly authorized to transact business in this state or by the person giving proof of his ownership of real property and by one or more individual sureties owning real property within this state and having an equity therein in at least the amount of the bond. The commissioner may not accept any real property bond unless the real property is scheduled in an affidavit attached thereto setting forth a description of such property and the title thereto, including any liens and encumbrances and amounts thereof, market value and value of such sureties' interest therein, executed by the owner or owners of such interest, and such bond and affidavit shows thereon that a duplicate original of such bond and affidavit has been recorded in the office of the clerk of the superior court where deeds are admitted to record in the county where the real property is located. The clerk shall provide a separate book for such purpose. The bond shall be approved by the clerk in the same manner as a supersedeas bond is approved. The fee of the clerk for recording and approving such affidavit and bond shall be $2.50.

(b) The commissioner shall not accept any such bond unless it is conditioned for payments in amounts requested by the commissioner, subject to the maximum amounts of security as specified under this chapter.

(c) No such bond shall be canceled unless 20 days' prior written notice of cancellation is given the commissioner, and cancellation of the bond shall not prevent recovery thereon with respect to any cause of action which necessitated the filing of such bond.

(d) A bond with individual sureties shall constitute a lien upon the real property of the principal and any individual surety in favor of the Governor of Georgia for the use of any holder of any final judgment arising out of the cause of action which necessitated the filing of the bond, against the principal on account of damage to property or injury to or death of any person or persons, upon the recording of the bond in the office of the clerk of the court where deeds are admitted to record in the county where the real property is located.

(e) When a bond with individual sureties filed with the commissioner is no longer required under this chapter, the commissioner shall, upon request, cancel it as to liability for damage to property or injury to or death of any person or persons; and, when a bond has been canceled by the commissioner, he shall, upon request, furnish a certificate of cancellation with the seal of the department thereon. The certificate, notwithstanding any other provision of law, may be recorded in the office of the clerk of the court in which the bond was admitted to record.

(f) When the certificate of cancellation with the seal of the department thereon has been filed in the office of the clerk of the superior court in which the bond was admitted to record, and when there are no claims or judgments against the principal in the bond on account of damage to property or injury to or death of any person or persons resulting from the ownership or operation of a motor vehicle by the principal arising out of the cause of action which necessitated the filing of the bond, the clerk of the superior court of the county in which the bond was admitted to record shall thereupon record the certificate of cancellation, which shall discharge the lien of the bond on the real property of the sureties. The cost of such recording shall be upon such sureties.

(g) If a final judgment rendered against the principal on the bond filed with the commissioner is not satisfied within 30 days after its rendition, the judgment creditor may, for his own use and benefit and at his sole expense, bring an action on the bond in the name of the state against the company or persons issuing the bond.

(h) When the sureties on the bond are individuals, the judgment creditor may proceed against any or all parties to the bond at law for a judgment or in equity for a decree and foreclosure of the lien on the real property of the sureties. The proceeding whether at law or in equity may be against one, all, or any intermediate number of parties to the bond; and, when less than all are joined, another or others may be impleaded in the same proceeding; and, after final judgment or decree, other proceedings may be instituted until full satisfaction is obtained.

(i) The department may, upon written notice to all parties involved, reduce or increase the amount of security ordered in any case within six months after the date of the accident if in its judgment the amount ordered is excessive or inadequate. In case the security originally ordered has been deposited, the excess deposit over the reduced amount ordered shall be returned to the depositor or his personal representative.

(j) Whenever erroneous information is given the department with respect to the matters set forth in paragraph (1), (2), or (3) of Code Section 40-9-34, the department shall take appropriate action as provided in Code Section 40-9-32 after receipt of correct information with respect to such matters.

Section 40-9-39 - Custody, disposition, and return of deposit

(a) The department shall place any security deposited with it under this chapter in the general fund of the state treasury. Such security shall be applicable and available only:

(1) For the payment of any settlement agreement covering any claim arising out of the accident upon instruction of the person who made the deposit; or

(2) For the payment of a judgment or judgments for damages arising out of the accident rendered against the person required to make the deposit in an action at law begun not later than one year after the deposit of such security or within one year after the date of deposit of any security following failure to make payments under an agreement to pay.

(b) Upon the expiration of one year from the date of any deposit of security, any security remaining on deposit shall be returned to the person who made such deposit or to his legal representative, if evidence satisfactory to the department has been filed with it:

(1) That no action for damages arising out of the accident for which deposit was made is pending against any person on whose behalf the deposit was made; and

(2) That there does not exist any unpaid judgment rendered against any such person in any such action.

In any case where the depositor shall die while security is on deposit with the department, the commissioner is authorized to return such security to the executor or administrator of the estate of the deceased depositor, or, if there is no executor or administrator and the amount on deposit is $1,000.00 or less, the commissioner is authorized to pay over such deposit to the surviving spouse or heirs at law of the deceased depositor. In any event, no deposit shall be returned unless and until satisfactory evidence has been filed by the person seeking such return, under the same conditions as provided in paragraph (1) of this subsection for the filing of such evidence by the depositor.

(c) In any case where, after the expiration of one year from the date of any deposit of security, the commissioner is unable to contact the depositor by mail or receives no response from the depositor, the commissioner shall have a notice printed in the local newspaper in which legal notices are usually printed, in the county of the last known address of the depositor, once each week for four consecutive weeks. Such notice shall specify that the depositor is eligible for the return of the security subject to the provisions of this Code section and shall further specify that, if no response is received from the notice within one year from the date on which the last notice is printed, the security will be deposited in the general fund of the state treasury. If no response to the notice is received by the commissioner, the commissioner shall dispose of the security as provided in this subsection. The cost of the publication shall be deducted from the security on deposit, regardless of whether the security is returned to the depositor or his legal representative or deposited in the state treasury. After such security is deposited in the general fund of the state treasury, the state treasurer is authorized to return such security to the proper person as provided in this Code section as a refund, in the event proof is furnished to the commissioner that such person is the proper person to whom such security should be refunded. The state treasurer shall make no such refund without a certification by the commissioner of the name of the person to whom the refund should be made.

(d) Upon receiving a certificate from the clerk of any court wherein a judgment has been obtained against the person in whose behalf the deposit was made, which certificate shall set forth the parties to the litigation, the time, place, and date of the accident, and the fact that the judgment is unsatisfied of record and that the time for appeal has expired, it shall be the duty of the commissioner to transmit immediately to the clerk of such court any cash security held by the department, to be applied to the satisfaction of the judgment and any accrued interest and court costs. Any additional security over and above the amount required to satisfy the foregoing shall be returned by the department to the depositor.

Section 40-9-40 - Check of court records for pending action or unsatisfied judgment; certificate of clerk

At the end of the expiration of one year from the date of the accident or one year from the date of the suspension under this chapter, the clerk, or the judge if there is no clerk, of any court of this state having jurisdiction over civil cases shall, upon request of an operator or owner or an authorized representative of either, check the records of such court and furnish such operator or owner or authorized representative with a certificate showing whether or not there is an action at law pending or an unsatisfied judgment on file against such operator or owner arising out of the accident which necessitated the depositing of security or on which the suspension was based. The fee for providing such certificate shall be as provided in Code Section 15-6-77 and shall be paid by the party requesting the certificate.

Section 40-9-41 - Matters not to be evidence in civil actions for damages

Neither any accident report filed with the Department of Transportation, the action taken by the Department of Driver Services pursuant to this chapter, the findings, if any, of the department upon which such action is based, nor the security filed as provided in this chapter shall be referred to in any way, nor shall they be any evidence of the negligence or due care of either party, at the trial of any action at law to recover damages.

Section 40-9-60 - Courts to report unpaid judgments to department; department to report judgments against nonresidents

(a) Whenever any person fails within 30 days to satisfy any judgment rendered in an action at law arising out of a motor vehicle accident, to which no appeal has been entered or motion for a new trial entered, then upon the request of the judgment creditor or his attorney it shall be the duty of the court in which such judgment is rendered within this state to forward to the department immediately after the expiration of said 30 days a certified copy of such judgment. The court shall be entitled to a fee as required by paragraphs (4) and (5) of subsection (g) of Code Section 15-6-77. In the event a certificate of pending or unsatisfied judgment is requested, the court shall be entitled to a fee as required by paragraph (8) of subsection (g) of Code Section 15-6-77.

(b) If the defendant named in any certified copy of a judgment reported to the department is a nonresident, the department shall transmit a certified copy of the judgment to the official in charge of the issuance of licenses and registrations of the state of which the defendant is a resident.

Section 40-9-61 - Suspension of driver's license or operating privilege for nonpayment of judgment

(a) The department, upon receipt of a certified copy of an unsatisfied judgment, shall suspend the driver's license or nonresident's operating privilege of the person against whom such judgment was rendered except as provided in subsections (b) and (c) of this Code section.

(b) If the judgment creditor consents, in writing, in such form as the department may prescribe, the department, in its discretion, may allow the judgment debtor to retain his or her license or nonresident's operating privilege for six months from the date of such consent and thereafter until such consent is revoked in writing, notwithstanding default in the payment of such judgment or of any installments as provided in Code Section 40-9-63.

(c) The department shall take no action pursuant to subsection (a) of this Code section if it shall find that an insurer was obligated to pay the judgment upon which suspension is based, at least to the extent and for the amounts required in this article, but has not paid such judgment for any reason. Such finding shall not be binding upon such insurer and shall have no legal effect whatever except for the purposes of administering this Code section. Whenever, in any judicial proceedings, it shall be determined by any final judgment, decree, or order that an insurer is not obligated to pay any such judgment, the department, notwithstanding any contrary finding theretofore made by it, shall forthwith suspend the license or nonresident's operating privilege of any person against whom such judgment was rendered.

Section 40-9-62 - Duration of suspension; when judgments deemed satisfied

(a) A driver's license or nonresident's operating privilege suspended pursuant to

Code Section 40-9-61 shall remain so suspended and shall not be renewed, nor shall any such license or registration be thereafter issued in the name of the judgment debtor, whether or not he or she was previously licensed, unless and until every such judgment is stayed, or satisfied in full or to the extent provided in subsection (b) of this Code section, subject to the exceptions provided in this article.

(b) Judgment referred to in this article, which is based upon an accident which occurred on or after January 1, 2001, shall, for the purpose of this chapter only, be deemed satisfied:

(1) When $25,000.00 has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of one person as the result of any one accident;

(2) When, subject to such limit of $25,000.00 because of bodily injury to or death of one person, $50,000.00 has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of two or more persons as the result of any one accident; or

(3) When $25,000.00 has been credited upon any judgment or judgments rendered in excess of that amount because of injury to or destruction of property of others as a result of any one accident.

(c) Reserved.

(d) Payments made in settlement of any claims because of bodily injury, death, or property damage arising from the accident shall be credited in reduction of the amounts provided for in this Code section.

Section 40-9-63 - Installment payment of judgments

(a) A judgment debtor, upon due notice to the judgment creditor, may apply to the court in which such judgment was rendered for the privilege of paying such judgment in installments, and the court, in its discretion and without prejudice to any other legal remedies which the judgment creditor may have, may so order and fix the amounts and times of payment of the installments.

(b) The department shall not suspend a license or nonresident's operating privilege and shall restore any license or nonresident's operating privilege suspended following nonpayment of a judgment, when the judgment debtor obtains such an order permitting the payment of any such judgment in installments, and while the payment of any such installments is not in default.

Section 40-9-62 - Duration of suspension; when judgments deemed satisfied

(a) A driver's license or nonresident's operating privilege suspended pursuant to Code Section 40-9-61 shall remain so suspended and shall not be renewed, nor shall any such license or registration be thereafter issued in the name of the judgment debtor, whether or not he or she was previously licensed, unless and until every such judgment is stayed, or satisfied in full or to the extent provided in subsection (b) of this Code section, subject to the exceptions provided in this article.

(b) Judgment referred to in this article, which is based upon an accident which occurred on or after January 1, 2001, shall, for the purpose of this chapter only, be deemed satisfied:

(1) When $25,000.00 has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of one person as the result of any one accident;

(2) When, subject to such limit of $25,000.00 because of bodily injury to or death of one person, $50,000.00 has been credited upon any judgment or judgments rendered in excess of that amount because of bodily injury to or death of two or more persons as the result of any one accident; or

(3) When $25,000.00 has been credited upon any judgment or judgments rendered in excess of that amount because of injury to or destruction of property of others as a result of any one accident.

(c) Reserved.

(d) Payments made in settlement of any claims because of bodily injury, death, or property damage arising from the accident shall be credited in reduction of the amounts provided for in this Code section.

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(b) The department shall not suspend a license or nonresident's operating privilege and shall restore any license or nonresident's operating privilege suspended following nonpayment of a judgment, when the judgment debtor obtains such an order permitting the payment of any such judgment in installments, and while the payment of any such installments is not in default.

Section 40-9-80 - Methods of giving proof; duration

(a) In all those situations under this chapter in which proof of financial responsibility for the future is required, such proof may be given by filing with the department:

(1) A written certificate of any insurance carrier certifying that there is in effect a liability policy as to that vehicle meeting the requirements of subsections (a) and (b) of Code Section 40-9-37; or

(2) A plan of self-insurance, accepted by the commissioner, as provided in Code Section 33-34-5.1.

(b) Such proof must be maintained for a one-year period.

Section 40-9-81 - Proof required upon restoration of driver's license suspended for certain offenses

(a) Whenever any person is convicted of any offense making mandatory the suspension of such person's driver's license, the department shall not restore the license to such person until permitted under the motor vehicle laws of this state, and not then unless and until such person shall give and thereafter maintain proof of financial responsibility for the future.

(b) If such person does not have the required proof at any time during the one-year period following the date of restoration of his driver's license, the department shall immediately revoke the license.

Section 40-9-82 - Cancellation of insurance certificate

Any insurance company filing a certification with the department in order for the operator to show the proof required in this article shall not cancel such certification within 12 months from its effective date except for a subsequent conviction of any offense requiring the mandatory suspension of such operator's license, and the department shall be given at least 20 days' prior written notice of such cancellation. The commissioner may, in his discretion, permit the cancellation of such certificate for other cause made known to and approved by him.

Section 40-9-100 - Assigned risk plan

(a) After consultation with insurance companies authorized to issue automobile policies in this state, the Commissioner of Insurance shall approve a reasonable plan or plans for the equitable apportionment among such companies of applicants for motor vehicle liability policies and other automobile policies who are in good faith entitled to but are unable to procure such policies through ordinary methods. When any such plan has been approved, all such insurance companies shall subscribe thereto and participate therein.

(b) Any applicant for a policy to be issued under any such plan, any person insured under any such plan, and any insurance company affected may appeal to the Commissioner of Insurance from any ruling or decision of the manager or committee designated to operate such plan. Any person aggrieved by any order or act of the Commissioner of Insurance under this Code section may, within ten days after notice of such order or act, file a petition in the superior court of the county of his residence for a review thereof. The court will summarily hear his petition and may make any appropriate order or decree.

(c) A person who has committed no traffic offenses for the prior three years and has had no claims based on fault against an insurer for the prior three years shall not be eligible for a policy to be issued under the plan created by this Code section unless such person's application or the subsequent investigation on the application discloses reasons for which the person would not be able to procure a policy through ordinary methods.

Section 40-9-101 – Reserved

Section 40-9-102 - Insurance for person renting U-drive-it vehicle

Any person who rents motor vehicles from a U-drive-it owner is required to provide his own insurance, and insurance companies authorized to issue automobile policies in this state shall be required by the Commissioner of Insurance to provide "spot" insurance, which shall be purchased by such person before the U-drive-it owner shall be authorized to turn a motor vehicle over to such person. If a U-drive-it owner turns over any motor vehicle to any person without first ascertaining that such "spot" insurance has been obtained, the U-drive-it owner shall not, as to that particular rental transaction, be exempted from the provisions of this chapter as provided in Code Section 40-9-4.

Section 40-9-103 - Cooperation by insured with insurer in connection with defense of action or threatened action under policy

(a) No motor vehicle liability insurance policy covering a motor vehicle principally garaged or principally used in this state shall be issued, delivered or issued for delivery, or renewed in this state unless such policy contains provisions or has an endorsement thereto which specifically requires the insured to send his insurer, as soon as practicable after the receipt thereof, a copy of every summons or other process relating to the coverage under the policy and to cooperate otherwise with the insurer in connection with the defense of any action or threatened action covered under the policy.

(b)

(1) Noncompliance by the insured with this required provision or endorsement shall constitute a breach of the insurance contract which, if prejudicial to the insurer, shall relieve the insurer of its obligation to defend its insureds under the policy and of any liability to pay any judgment or other sum on behalf of its insureds.

(2) In the event the insurer denies coverage and it is determined by declaratory judgment or other civil process that there is in fact coverage, the insurer shall be liable to the insured for legal costs and attorney's fees as may be awarded by the court.

(c) Subsections (a) and (b) of this Code section shall not operate to deny coverage for failure to send a copy of a summons or other process relating to policy coverage if such documents are sent by a third party to the insurer or to the insurer's agent by certified mail or statutory overnight delivery within ten days of the filing of such documents with the clerk of the court. If the name of the insurer or the insurer's agent is unknown, the third party shall have a period of 30 days from the date the insurer or agent becomes known in which to send these required documents. Such documents must be sent to the insurer or agent at least 30 days prior to the entry of any judgment against the insured.

GA Code § 33-7-11 (2022)

No automobile liability policy or motor vehicle liability policy shall be issued or delivered in this state to the owner of such vehicle or shall be issued or delivered by any insurer licensed in this state upon any motor vehicle then principally garaged or principally used in this state unless it contains an endorsement or provisions undertaking to pay the insured damages for bodily injury, loss of consortium or death of an insured, or for injury to or destruction of property of an insured under the named insured’s policy sustained from the owner or operator of an uninsured motor vehicle, within limits exclusive of interests and costs which at the option of the insured shall be:

Not less than $25,000.00 because of bodily injury to or death of one person in any one accident, and, subject to such limit for one person, $50,000.00 because of bodily injury to or death of two or more persons in any one accident, and $25,000.00 because of injury to or destruction of property; or

Equal to the limits of liability because of bodily injury to or death of one person in any one accident and of two or more persons in any one accident, and because of injury to or destruction of property of the insured which is contained in the insured's personal coverage in the automobile liability policy or motor vehicle liability policy issued by the insurer to the insured if those limits of liability exceed the limits of liability set forth in subparagraph (A) of this paragraph. In any event, the insured may affirmatively choose uninsured motorist limits in an amount less than the limits of liability.

The coverages for bodily injury or death or for injury to or destruction of property of an insured person, as provided in paragraph (1) of this subsection, may be subject to deductible amounts as follows:

For bodily injury or death, deductibles of $250.00, $500.00, or $1,000.00, at the option of any named insured in the policy. Deductibles above $1,000.00 may be offered, subject to approval of the Commissioner;

For injury to or destruction of property of the insured, deductibles of $250.00, $500.00, or $1,000.00, at the option of any named insured in the policy. Deductibles above $1,000.00 may be offered, subject to the approval of the Commissioner;

Deductible amounts shown in subparagraphs (A) and (B) of this paragraph may not be reduced below $250.00;

Deductible amounts shown in subparagraphs (A) and (B) of this paragraph shall be made available at a reduced premium; and

Where an insurer has combined into one single limit the coverages required under paragraph (1) of this subsection, any deductible selected under subparagraphs (A) and (B) of this paragraph shall be combined, and the resultant total shall be construed to be a single aggregate deductible.

The coverage required under paragraph (1) of this subsection shall not be applicable where any insured named in the policy shall reject the coverage in writing. The coverage required under paragraph (1) of this subsection excludes umbrella or excess liability policies unless affirmatively provided for in such policies or in a policy endorsement. The coverage need not be provided in or supplemental to a renewal policy where the named insured had rejected the coverage in connection with a policy previously issued to said insured by the same insurer. The amount of coverage need not be increased from the amounts shown on the declarations page on renewal once coverage is issued.

The filing of a petition for relief in bankruptcy under a chapter of Title 11 of the United States Code by an uninsured motorist as described in this Code section, or the appointment of a trustee in bankruptcy for an uninsured motorist as described in this Code section, or the discharge in bankruptcy of an uninsured motorist as described in this Code section shall not affect the legal liability of an uninsured motorist as the term "legal liability" is used in this Code section, and such filing of a petition for relief in voluntary or involuntary bankruptcy, the appointment of a trustee in bankruptcy, or the discharge in bankruptcy of such an uninsured motorist shall not be pleaded by the insurance carrier providing uninsured motorist protection in bar of any claim of an insured as defined in this Code section so as to defeat payment for damages sustained by any insured by the insurance company providing uninsured motorist protection and coverage under the terms of this chapter; but the insurance company or companies shall have the right to defend any such action in its own name or in the name of the uninsured motorist and shall make payment of any judgment up to the limits of the applicable uninsured motorist insurance protection afforded by its policy. In those cases, the uninsured motorist upon being discharged in bankruptcy may plead the discharge in bankruptcy against any subrogation claim of any uninsured motorist carrier making payment of a claim or judgment in favor of an uninsured person, and the uninsured motorist may plead said motorist's discharge in bankruptcy in bar of all amounts of an insured person's claim in excess of uninsured motorist protection available to the insured person.

As used in this Code section, the term:

"Bodily injury" shall include death resulting from bodily injury.

"Insured" means the named insured and, while resident of the same household, the spouse of any such named insured and relatives of either, while in a motor vehicle or otherwise; any person who uses, with the expressed or implied consent of the named insured, the motor vehicle to which the policy applies; a guest in such motor vehicle to which the policy applies; or the personal representatives of any such persons. The term "insured" shall also mean a foster child or ward residing in the household of the named insured pursuant to a court order, guardianship, or placement by the department of family and children services or other department or agency of the state, while in a motor vehicle or otherwise.

"Property of the insured" as used in subsection (a) of this Code section means the insured motor vehicle and includes the personal property owned by the insured and contained in the insured motor vehicle.

"Uninsured motor vehicle" means a motor vehicle, other than a motor vehicle owned by or furnished for the regular use of the named insured, the spouse of the named insured, and, while residents of the same household, the relative of either, as to which there is:

No bodily injury liability insurance and property damage liability insurance;

Bodily injury liability insurance and property damage liability insurance and the insured has uninsured motorist coverage provided under the insured's motor vehicle insurance policy; the motor vehicle shall be considered uninsured, and the amount of available coverages shall be as follows:

Such motor vehicle shall be considered uninsured to the full extent of the limits of the uninsured motorist coverage provided under the insured's motor vehicle insurance policies, and such coverages shall apply to the insured's losses in addition to the amounts payable under any available bodily injury liability and property damage liability insurance coverages. The insured's uninsured motorist coverage shall not be used to duplicate payments made under any available bodily injury liability insurance and property damage liability insurance coverages but instead shall be available as additional insurance coverage in excess of any available bodily injury liability insurance and property damage liability insurance coverages; provided, however, that the insured's combined recovery from the insured's uninsured motorist coverages and the available coverages under the bodily injury liability insurance and property damage liability insurance on such uninsured motor vehicle shall not exceed the sum of all economic and noneconomic losses sustained by the insured. For purposes of this subdivision, available coverages under the bodily injury liability insurance and property damage liability insurance coverages on such motor vehicle shall be the limits of coverage less any amounts by which the maximum amounts payable under such limits of coverage have, by reason of payment of other claims or otherwise, been reduced below the limits of coverage;

Provided, however, that an insured may reject the coverage referenced in subdivision (I) of this division and select in writing coverage for the occurrence of sustaining losses from the owner or operator of an uninsured motor vehicle that considers such motor vehicle to be uninsured only for the amount of the difference between the available coverages under the bodily injury liability insurance and property damage liability insurance coverages on such motor vehicle and the limits of the uninsured motorist coverages provided under the insured's motor vehicle insurance policies; and, for purposes of this subdivision, available coverages under the bodily injury liability insurance and property damage liability insurance coverages on such motor vehicle shall be the limits of coverage less any amounts by which the maximum amounts payable under such limits of coverage have, by reason of payment of other claims or otherwise, been reduced below the limits of coverage; and

Neither coverage under subdivision (I) nor (II) of this division shall be applicable if the insured rejects such coverages as provided in paragraph (3) of subsection (a) of this Code section. The coverage set forth in subdivision (I) of this division need not be provided in or supplemental to a renewal policy where the named insured has rejected the coverage set forth in subdivision (I) of this division and selected the coverage set forth in subdivision (II) of this division in connection with a policy previously issued to said insured by the same insurer;

Bodily injury liability insurance and property damage liability insurance in existence but the insurance company writing the insurance has legally denied coverage under its policy;

Bodily injury liability and property damage liability insurance in existence but the insurance company writing the insurance is unable, because of being insolvent, to make either full or partial payment with respect to the legal liability of its insured, provided that in the event that a partial payment is made by or on behalf of the insolvent insurer with respect to the legal liability of its insured, then the motor vehicle shall only be considered to be uninsured for the amount of the difference between the partial payment and the limits of the uninsured motorist coverage provided under the insured's motor vehicle insurance policy; or

No bond or deposit of cash or securities in lieu of bodily injury and property damage liability insurance.

A motor vehicle shall be deemed to be uninsured if the owner or operator of the motor vehicle is unknown. In those cases, recovery under the endorsement or provisions shall be subject to the conditions set forth in subsections (c) through (j) of this Code section, and, in order for the insured to recover under the endorsement where the owner or operator of any motor vehicle which causes bodily injury or property damage to the insured is unknown, actual physical contact shall have occurred between the motor vehicle owned or operated by the unknown person and the person or property of the insured. Such physical contact shall not be required if the description by the claimant of how the occurrence occurred is corroborated by an eyewitness to the occurrence other than the claimant.

If the owner or operator of any motor vehicle which causes bodily injury or property damage to the insured is unknown, the insured, or someone on his behalf, or in the event of a death claim someone on behalf of the party having the claim, in order for the insured to recover under the endorsement, shall report the accident as required by Code Section 40-6-273.

In cases where the owner or operator of any vehicle causing injury or damages is known, and either or both are named as defendants in any action for such injury or damages, and a reasonable belief exists that the vehicle is an uninsured motor vehicle under subparagraph (b)(1)(D) of this Code section, a copy of the action and all pleadings thereto shall be served as prescribed by law upon the insurance company issuing the policy as though the insurance company were actually named as a party defendant. If facts arise after an action has been commenced which create a reasonable belief that a vehicle is an uninsured motor vehicle under subparagraph (b)(1)(D) of this Code section and no such reasonable belief existed prior to the commencement of the action against the defendant, and the complaint was timely served on the defendant, the insurance company issuing the policy shall be served within either the remainder of the time allowed for valid service on the defendant or 90 days after the date on which the party seeking relief discovered, or in the exercise of due diligence should have discovered, that the vehicle was uninsured or underinsured, whichever period is greater. The uninsured motorist carrier may conduct discovery as a matter of right for a period of not less than 120 days after service prior to any hearing on the merits of the action. If either the owner or operator of any vehicle causing injury or damages is unknown, an action may be instituted against the unknown defendant as “John Doe,” and a copy of the action and all pleadings thereto shall be served as prescribed by law upon the insurance company issuing the policy as though the insurance company were actually named as a party defendant; and the insurance company shall have the right to file pleadings and take other action allowable by law in the name of “John Doe” or itself. In any case arising under this Code section where service upon an insurance company is prescribed, the clerk of the court in which the action is brought shall have such service accomplished by issuing a duplicate original copy for the sheriff or marshal to place his or her return of service in the same form and manner as prescribed by law for a party defendant. The return of service upon the insurance company shall in no case appear upon the original pleadings in such case. In the case of a known owner or operator of such vehicle, either or both of whom are named as a defendant in such action, the insurance company issuing the policy shall have the right to file pleadings and take other action allowable by law in the name of either the known owner or operator or both or itself.

In cases where the owner or operator of a vehicle causing injury or damages is unknown and an action is instituted against the unknown defendant as “John Doe,” the residence of such “John Doe” defendant shall be presumed to be in the county in which the accident causing injury or damages occurred, or in the county of residence of the plaintiff, at the election of the plaintiff in the action.

A motor vehicle shall not be deemed to be an uninsured motor vehicle within the meaning of this Code section when the owner or operator of such motor vehicle has deposited security, pursuant to Code Section 40-9-32, in the amounts specified in subparagraph (a)(1)(A) of this Code section.

In cases where the owner or operator of any vehicle causing injury or damage is known and either or both are named as defendants in any action for such injury or damages but the person resides out of the state, has departed from the state, cannot after due diligence be found within the state, or conceals himself to avoid the service of summons, and this fact shall appear by affidavit to the satisfaction of the judge of the court, and it shall appear either by affidavit or by a verified complaint on file that a claim exists against the owner or driver in respect to whom service is to be made and that he is a necessary or proper party to the action, the judge may grant an order that the service be made on the owner or driver by the publication of summons. A copy of any action filed and all pleadings thereto shall be served as prescribed by law upon the insurance company issuing the policy as though the insurance company issuing the policy were actually named as a party defendant. Subsection (d) of this Code section shall govern the rights of the insurance company, the duties of the clerk of court concerning duplicate original copies of the pleadings, and the return of service. Following service on the owner or driver by the publication of the summons as provided in this subsection and service as prescribed by law upon the insurance company issuing the policy, the plaintiff shall have a continuing duty to exercise diligence in attempting to locate the owner or driver against whom the claim exists, but such obligation of diligence shall not extend beyond a period of 12 months following service upon the owner or driver by publication of the summons. However, regardless of such time limitations, should the plaintiff learn of the location of the owner or driver against whom the claim exists, the plaintiff shall exercise due diligence to effect service of process upon that owner or driver within a reasonable time period after receiving such information.

An insurer paying a claim under the endorsement or provisions required by subsection (a) of this Code section shall be subrogated to the rights of the insured to whom the claim was paid against the person causing such injury, death, or damage to the extent that payment was made, including the proceeds recoverable from the assets of the insolvent insurer, provided that the bringing of an action against the unknown owner or operator as “John Doe” or the conclusion of such an action shall not constitute a bar to the insured, if the identity of the owner or operator who caused the injury or damages complained of becomes known, bringing an action against the owner or operator theretofore proceeded against as “John Doe”; provided, further, that any recovery against such owner or operator shall be paid to the insurance company to the extent that the insurance company paid the named insured in the action brought against the owner or operator as “John Doe,” except that the insurance company shall pay its proportionate part of any reasonable costs and expense incurred in connection therewith, including reasonable attorney’s fees. Nothing in an endorsement or provisions made under this Code section nor any other provision of law shall operate to prevent the joining in an action against “John Doe” or the owner or operator of the motor vehicle causing such injury as a party defendant, and joinder is specifically authorized.

No endorsement or provisions shall contain a provision requiring arbitration of any claim arising under any endorsement or provisions, nor may anything be required of the insured, subject to the other provisions of the policy or contract, except the establishment of legal liability; nor shall the insured be restricted or prevented, in any manner, from employing legal counsel or instituting legal proceedings.

Before a motor vehicle shall be deemed to be uninsured because of the insolvency of an insurance company under division (b)(1)(D)(iv) of this Code section, an insurer under the uninsured motorists endorsement provisions of subsection (a) of this Code section must be given notice within a reasonable time by its insured of the pendency of any legal proceeding against such insurance company of which he may have knowledge, and before the insured enters into any negotiation or arrangement with the insurance company, and before the insurer is prejudiced by any action or nonaction of the insured with respect to the determinations of the insolvency of the insurance company.

In addition to any offsets or reductions contained in the provisions of division (b)(1)(D)(ii) of this Code section, an endorsement or the provisions of the policy providing the coverage required by this Code section may contain provisions which exclude any liability of the insurer for injury to or destruction of property of the insured for which such insured has been compensated by other property or physical damage insurance and may contain provisions which exclude any liability of the insurer for personal or bodily injury or death for which the insured has been compensated pursuant to “medical payments coverage,” as such term is defined in paragraph (1) of Code Section 33-34-2, or compensated pursuant to workers’ compensation laws.

If the insurer shall refuse to pay any insured any loss covered by this Code section within 60 days after a demand has been made by the insured and a finding has been made that such refusal was made in bad faith, the insurer shall be liable to the insured in addition to any recovery under this Code section for not more than 25 percent of the recovery or $25,000.00, whichever is greater, and all reasonable attorney’s fees for the prosecution of the case under this Code section. The question of bad faith, the amount of the penalty, if any, and the reasonable attorney’s fees, if any, shall be determined in a separate action filed by the insured against the insurer after a judgment has been rendered against the uninsured motorist in the original tort action. The attorney’s fees shall be fixed on the basis of competent expert evidence as to the reasonable value of the services, based on the time spent and legal and factual issues involved, in accordance with prevailing fees in the locality where the action is pending. The trial court shall have the discretion, if it finds such jury verdict fixing attorney’s fees to be greatly excessive or inadequate, to review and amend such portion of the verdict fixing attorney’s fees without the necessity of disapproving the entire verdict. The limitations contained in this subsection in reference to the amount of attorney's fees are not controlling as to the fees which may be agreed upon by the plaintiff and his or her attorney for the services of the attorney in the action against the insurer.

Georgia Property and Casualty Counselor

- GEORGIA CODE (Last Updated: August 20, 2013)
  - Title 33. INSURANCE
    - Chapter 23. LICENSING

Article 1. AGENTS, AGENCIES, SUBAGENTS, ADJUSTERS, AND ADJUSTERS

Section 33-23-1. Definitions

Latest version.

(a) As used in this article, the term:

(1) "Adjuster" means any individual who for a fee, commission, salary, or other compensation investigates, settles, or adjusts and reports to his or her employer or principal with respect to claims arising under insurance contracts on behalf of the insurer or the insured or a person who directly supervises or manages such individual. The term "adjuster" does not include:

(A) Individuals who adjust claims arising under contracts of life or marine insurance or annuities; or

(B) An agent or a salaried employee of an agent or a salaried employee of an insurer who adjusts or assists in adjusting losses under policies issued by such agent or insurer.

(2) "Agency" means a business entity which represents one or more insurers and is engaged in the business of selling, soliciting, or negotiating insurance. Agency also means a business entity insurance producer.

(3) "Agent" means an individual appointed or employed by an insurer who sells, solicits, or negotiates insurance. Agent also means an individual insurance producer.

(3.1) "Automated claims adjudication system" means a preprogrammed computer system designed for the collection, data entry, calculation, and final resolution of property insurance claims used only for portable electronics as defined in paragraph (1) of subsection (d) of Code Section 33-23-12 which:

(A) May only be utilized by a licensed independent adjuster, licensed agent, or supervised individuals operating pursuant to this paragraph;

(B) Shall comply with all claims payment requirements of the Georgia Insurance Code; and

(C) Shall be certified as compliant with this Code section by a licensed independent adjuster that is an officer of a business entity licensed under this chapter.

(4) "Business entity" means a corporation, association, partnership, sole proprietorship, limited liability company, limited liability partnership, or other legal entity.

(5) "Controlled business of a person" means property or casualty insurance for a person or a person's spouse; for any relative by blood or marriage within the second degree of kinship as defined by paragraph (5) of Code Section 53-4-2; for a person's employer or the firm of which a person is a member; for any officer, director, stockholder, or member of a person's employer or of any firm of which a person is a partner; for any spouse of the officer, director, employer, stockholder, or member of a person's firm; for a person's ward or employee; or for any person or in regard to any property under a person's control or supervision in any fiduciary capacity.

(6) "Counselor" means any individual who engages or advertises or holds himself or herself out as engaging in the business of adjusting, advising, or rendering opinions as to the benefits promised under any contract of insurance issued or offered by any insurer or as to the terms, value, effect, advantages, or disadvantages under the contract of insurance, other than an actuary or consultant advising insurers. When receiving a fee, commission, or other compensation for this service, such individual shall not receive any compensation from any other source on or relating to the same transaction.

(7) "Home state" means Canada, the District of Columbia, and any state or territory of the United States in which an insurance producer or adjuster maintains his or her principal place of residence or principal place of business and is licensed to act as an insurance producer or adjuster.

(8) "Independent adjuster" means an adjuster representing the interest of the insurer who is not an employee of such insurer.

(9) "Insurance," except where the type of insurance is specifically stated, means all kinds of insurance other than bail bonding by individual sureties.

(10) "Insurance producer" means a person required to be licensed under the laws of this state to sell, solicit, or negotiate insurance.

(10.1) "Limited subagent" means an individual licensed on behalf of a licensed agent pursuant to Code Section 33-23-12.

(11) "Negotiate" means the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms, or conditions of the contract, provided that the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers.

(12) "Person" means an individual or business entity.

(13) "Public adjuster" means any person who solicits, advertises for, or otherwise agrees to represent only a person who is insured under a policy covering fire, windstorm, water damage, and other physical damage to real and personal property other than vehicles licensed for the road, and any such representation shall be limited to the settlement of a claim or claims under the policy for damages to real and personal property, including related loss of income and living expense losses but excluding claims arising out of any motor vehicle accident.

(14) "Sell" means to exchange a contract of insurance by any means, for money or its equivalent, on behalf of an insurance company.

(15) "Solicit" means attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company.

(16) "Subagent" means any licensed agent, except as provided in Code Section 33-23-12, who acts for or on behalf of another licensed agent in the selling of, solicitation of, or negotiation for an insurance contract or annuity contract and who has on file with the Commissioner a certificate of authority from each agent with whom the subagent places insurance. Subagent also means subproducer. The term "subagent" shall not include:

(A) An agent who places insurance with or through another agent involving 12 or fewer policies or certificates of insurance in any one calendar year; or

(B) An agent who places surplus lines insurance with or through a surplus lines broker only with respect to such surplus lines insurance.

(17) "Surplus lines broker" means an individual licensed pursuant to Code Section 33-23-37.

(b) The definitions of agent, subagent, counselor, and adjuster in subsection (a) of this Code section shall not be deemed to include:

(1) An attorney at law admitted to practice in this state, when handling the collections of premiums or advising clients as to insurance as a function incidental to the practice of law or who, from time to time, adjusts losses which are incidental to the practice of his or her profession;

(2) Any representative of ocean marine insurers;

(3) Any representative of farmers' mutual fire insurance companies as defined in Chapter 16 of this title;

(4) A salaried employee of a credit or character reporting firm or agency not engaged in the insurance business who may, however, report to an insurer;

(5) A person acting for or as a collection agency;

(6) A person who makes the salary deductions of premiums for employees or, under a group insurance plan, a person who serves the master policyholder of group insurance in administering the details of such insurance for the employees or debtors of the master policyholder or of a firm or corporation by which the person is employed and who does not receive insurance commissions for such service; provided, further, that an administration fee not exceeding 5 percent of the premiums collected paid by the insurer to the administration office shall not be construed to be an insurance commission;

(7) Persons exempted from licensure as provided in subsection (h) of Code Section 33-23-4; or

(8) An individual who collects claim information from, or furnishes claim information to, insureds or claimants, who conducts data entry, and who enters data into an automated claims adjudication system, provided that the individual is an employee of a licensed independent adjuster or its affiliate where no more than 25 such persons are under the supervision of one licensed independent adjustor or licensed agent.

Code 1981, § 33-23-1, enacted by Ga. L. 1992, p. 2830, § 1; Ga. L. 1995, p. 1011, §§ 1, 2; Ga. L. 1999, p. 878, § 2; Ga. L. 2001, p. 925, § 1; Ga. L. 2008, p. 1076, § 1/SB 113; Ga. L. 2012, p. 1350, §§ 3, 4, 5/HB 1067; Ga. L. 2012, p. 1040, §§ 4, 5, 6/SB 203.

Counselor can now charge a fee and collect commission

33-23-1(6) "Counselor" means any individual who engages or advertises or holds himself or herself out as engaging in the business of adjusting, advising, or rendering opinions as to the benefits promised under any contract of insurance issued or offered by any insurer or as to the terms, value, effect, advantages, or disadvantages under the contract of insurance, other than an actuary or consultant advising insurers. When receiving a fee, commission, or other compensation for this service, such individual shall not receive any compensation from any other source on or relating to the same transaction.

Section 33-23-1.1. Counselor's additional ancillary services considered a separate transaction

Latest version.

As used in paragraph (6) of subsection (a) of Code Section 33-23-1, the definition of counselor, the term "transaction" refers to coverage or services in the same line or subline of insurance; provided, however, that additional ancillary services for commercial risks in excess of acquisition services shall be considered a separate transaction when such additional ancillary services are disclosed in writing to the insured and approved in advance by the insured. Additional ancillary services shall include, but not be limited to, the following: risk identification; loss measurement; gathering and analysis of loss information; verification of workers' compensation experience modifiers; setting of risk retention levels; development of retention financing plans; development of insurance specifications; negotiation with insurers regarding coverages, costs, and payment options; implementation of retained and transferred risk programs; monitoring of annual program; and insurance audit services.

Code 1981, § 33-23-1.1, enacted by Ga. L. 1993, p. 778, § 1; Ga. L. 2001, p. 925, § 1.

In simple terms, this law says that if a counselor offers extra services to a business for their insurance needs, those extra services should be considered a separate transaction. The business needs to be told about these extra services in writing and agree to them before they are provided. These extra services could include things like identifying risks, measuring losses, analyzing loss information, and negotiating with insurance companies. This law was passed in 1993 and updated in 2001.

Understanding Ethics in the Insurance Industry

Ethics play a crucial role in every industry, and the insurance sector is no exception. The insurance industry is built on trust, honesty, and integrity, making ethical behavior essential for insurance professionals, especially Property and Casualty (P&C) insurance agents. In this chapter, we will provide an overview of ethical standards and principles in the insurance industry and discuss the importance of ethical behavior for P&C insurance agents.

Overview of Ethical Standards and Principles in the Insurance Industry

Ethical standards and principles serve as the foundation of the insurance industry, guiding the actions and decisions of insurance professionals. The insurance industry is governed by a set of ethical guidelines established by regulatory bodies, such as the National Association of Insurance Commissioners (NAIC) and the Insurance Industry Charitable Foundation (IICF). These guidelines outline the ethical responsibilities of insurance professionals, including agents, brokers, and underwriters, and set forth expectations for their behavior in conducting business.

Some of the key ethical standards in the insurance industry include:

Integrity: Insurance professionals are expected to act with honesty and integrity in all their dealings with clients, colleagues, and other stakeholders. This includes providing accurate and truthful information, honoring commitments, and maintaining confidentiality.

Fairness: Insurance professionals are required to treat all clients fairly and impartially, regardless of their background, financial status, or other characteristics. Fair treatment includes offering equitable pricing, coverage options, and claims processing.

Transparency: Insurance professionals are obligated to provide clients with clear and understandable information about insurance products, services, and processes. Transparency is essential for building trust and ensuring informed decision-making by clients.

Professionalism: Insurance professionals are expected to conduct themselves in a professional manner at all times, adhering to industry standards and best practices. This includes maintaining a high level of competence, staying updated on industry trends, and seeking continuous education and training.

Compliance: Insurance professionals must comply with all relevant laws, regulations, and ethical standards governing the insurance industry. Compliance ensures that insurance professionals operate within legal boundaries and uphold ethical principles in their business practices.

Importance of Ethical Behavior for P&C Insurance Agents

Ethical behavior is particularly critical for P&C insurance agents, who serve as the primary point of contact between insurance companies and clients. P&C insurance agents play a vital role in helping clients assess their insurance needs, select appropriate coverage options, and navigate the claims process. By upholding ethical standards, P&C insurance agents can build trust with their clients, enhance their reputation, and contribute to the overall integrity of the insurance industry.

The importance of ethical behavior for P&C insurance agents can be summarized as follows:

Trust and Credibility: Ethical behavior is essential for building trust and credibility with clients. When clients trust their insurance agent to act in their best interests, they are more likely to rely on their expertise and recommendations, leading to long-term relationships and repeat business.

Reputation and Brand Image: Ethical behavior reflects positively on the reputation and brand image of P&C insurance agents and the insurance companies they represent. Agents who demonstrate integrity, honesty, and fairness in their interactions with clients are perceived as reputable and trustworthy professionals.

Client Satisfaction: Ethical behavior contributes to client satisfaction by ensuring that clients receive accurate information, fair treatment, and quality service from their insurance agent. Satisfied clients are more likely to refer their friends and family to the agent and remain loyal customers.

Legal and Regulatory Compliance: Ethical behavior is essential for P&C insurance agents to comply with legal and regulatory requirements governing the insurance industry. By adhering to ethical standards, agents can avoid potential legal issues, fines, or disciplinary actions.

In conclusion, ethical behavior is a fundamental requirement for P&C insurance agents in the insurance industry. By upholding ethical standards and principles, agents can build trust with clients, enhance their reputation, and contribute to the overall integrity of the insurance industry. In the following chapters, we will explore specific ethical dilemmas faced by P&C insurance agents and provide guidance on how to navigate these challenges while upholding ethical standards.

Ethical Marketing and Sales Practices

In the insurance industry, ethical marketing and sales practices are crucial for maintaining trust with clients and upholding the reputation of the company. Ethical guidelines serve as a framework for insurers and agents to conduct business in a fair and transparent manner, ensuring that consumers are adequately informed and protected. In this chapter, we will discuss the importance of ethical marketing and sales practices in the insurance industry, as well as strategies for avoiding deceptive practices and ensuring transparency with clients.

Overview of Ethical Guidelines for Marketing and Selling Insurance Products

Ethical guidelines for marketing and selling insurance products are designed to protect consumers from misleading or deceptive practices and ensure that they have access to accurate information about the products being offered. These guidelines are established by regulatory bodies such as the Insurance Regulatory and Development Authority of India (IRDAI) in India, or the National Association of Insurance Commissioners (NAIC) in the United States.

Some of the key ethical guidelines for marketing and selling insurance products include:

Honesty and Integrity: Insurers and agents should always be honest and transparent in their communications with clients. They should provide accurate information about the terms and conditions of the insurance products being offered, as well as any fees or charges that may apply.

Fairness: Insurers and agents should treat all clients fairly and avoid engaging in discriminatory practices. They should not exploit vulnerable individuals or take advantage of their lack of knowledge about insurance products.

Confidentiality: Insurers and agents should respect the privacy of their clients and adhere to strict confidentiality standards when handling their personal information. They should only use this information for legitimate business purposes and disclose it to third parties with the client's consent.

Compliance: Insurers and agents should comply with all relevant laws and regulations governing the marketing and sale of insurance products. They should also adhere to the code of conduct established by industry organizations, such as the Insurance Brokers Association of India (IBAI) or the National Association of Insurance and Financial Advisors (NAIFA).

Strategies for Avoiding Deceptive Practices and Ensuring Transparency with Clients

To avoid deceptive practices and ensure transparency with clients, insurers and agents can implement the following strategies:

Provide clear and accurate information: Insurers and agents should provide clients with clear and accurate information about the insurance products being offered, including the coverage provided, premiums, deductibles, and any exclusions or limitations. They should also explain any terms or conditions that may be confusing or misunderstood by the client.

Avoid high-pressure sales tactics: Insurers and agents should avoid using high-pressure sales tactics to persuade clients to purchase insurance products. Instead, they should focus on educating clients about their options and helping them make informed decisions based on their needs and budget.

Disclose conflicts of interest: Insurers and agents should disclose any conflicts of interest that may arise from the sale of insurance products, such as receiving commissions or incentives from insurance companies. They should also explain how these conflicts of interest may affect their recommendations to clients.

Maintain professional ethics: Insurers and agents should conduct themselves in a professional manner at all times, treating clients with respect and honesty. They should adhere to ethical standards of behavior and avoid engaging in any activities that could harm their reputation or that of their company.

By following these ethical guidelines and implementing strategies to avoid deceptive practices, insurers and agents can build trust with clients and maintain a positive reputation in the insurance industry. Ethical marketing and sales practices are not only good for business but also essential for protecting consumers and promoting a fair and transparent marketplace for insurance products.

Handling Ethical Dilemmas in Insurance Practice

Ethical dilemmas are a common occurrence in the insurance industry, particularly for property and casualty (P&C) insurance agents in Georgia. As professionals in the field, it is essential for agents to navigate these dilemmas with integrity and a commitment to ethical standards. In this chapter, we will explore some common ethical dilemmas faced by P&C insurance agents in Georgia, as well as provide tips for resolving these conflicts and making informed decisions.

Common Ethical Dilemmas Faced by P&C Insurance Agents in Georgia

Conflict of Interest: One of the most common ethical dilemmas faced by insurance agents is a conflict of interest. This occurs when an agent is torn between serving the best interests of the client and their own personal gain. For example, an agent may be tempted to recommend a particular policy that offers higher commission rates, even if it may not be the best fit for the client.

Disclosure of Information: Another ethical dilemma that agents often face is the disclosure of information. Agents are privy to sensitive information about their clients, and they must navigate the fine line between respecting client confidentiality and disclosing information that is necessary for the client's best interests.

Fair Treatment of Clients: P&C insurance agents are expected to treat all clients fairly and equally. However, agents may face dilemmas when dealing with clients who have different needs or financial capabilities. It is essential for agents to ensure that they provide equitable service to all clients, regardless of their circumstances.

Tips for Resolving Ethical Conflicts and Making Informed Decisions

Know the Code of Ethics: P&C insurance agents in Georgia are expected to adhere to a strict code of ethics that governs their professional conduct. Familiarize yourself with the code of ethics and use it as a guide when faced with ethical dilemmas.

Seek Guidance: When in doubt, seek guidance from a mentor, supervisor, or ethics committee. Consulting with a trusted colleague can provide valuable insights and help you make informed decisions.

Consider the Consequences: Before making a decision, consider the potential consequences of your actions. Reflect on how your decision may impact your client, your reputation, and your relationships with others.

Put the Client First: When faced with an ethical dilemma, always prioritize the best interests of the client. Remember that your primary responsibility is to serve and protect your clients, and act accordingly.

Transparency and Honesty: Be transparent and honest in your dealings with clients. Disclose any potential conflicts of interest, provide accurate information, and ensure that your clients are fully informed before making any decisions.

Continuous Education: Stay current with industry trends, regulations, and best practices. Continuous education and professional development can help you navigate ethical dilemmas with confidence and integrity.

In conclusion, ethical dilemmas are an inevitable part of working in the insurance industry. P&C insurance agents in Georgia must be prepared to face these dilemmas with integrity, transparency, and a commitment to ethical standards. By following the tips outlined in this chapter and prioritizing the best interests of their clients, agents can navigate ethical conflicts and make informed decisions that uphold the highest ethical standards.

Professional Development and Continuing Education

In the ever-evolving world of insurance, staying current with industry trends, regulations, and best practices is essential for insurance agents to provide excellent service to their clients and maintain a successful career. Ongoing education and professional development are crucial components of becoming a knowledgeable and skilled insurance professional. In this chapter, we will discuss the importance of continuing education for insurance agents, as well as resources and opportunities for enhancing ethical knowledge and skills.

Importance of Ongoing Education

The insurance industry is constantly changing, with new laws, regulations, products, and technologies emerging regularly. As such, insurance agents must stay up-to-date on these changes to remain effective in their roles. Ongoing education allows insurance agents to expand their knowledge, improve their skills, and adapt to the evolving landscape of the insurance industry.

Continuing education also helps insurance agents build credibility with clients and prospects. By demonstrating a commitment to learning and professional growth, insurance agents can instill trust and confidence in their clients, who rely on them to provide accurate and up-to-date information about insurance products and services.

Furthermore, ongoing education can lead to career advancement opportunities for insurance agents. By acquiring new skills and knowledge, insurance agents can position themselves as experts in specific areas of insurance, which can open doors to higher-paying jobs, leadership roles, and other career advancements.

Resources for Enhancing Ethical Knowledge and Skills

Ethical behavior is paramount in the insurance industry, as insurance agents are entrusted with protecting their clients' financial well-being. Enhancing ethical knowledge and skills is essential for insurance agents to maintain the trust of their clients and uphold the integrity of the insurance industry. Fortunately, there are various resources and opportunities available for insurance agents to enhance their ethical knowledge and skills.

One of the most effective ways for insurance agents to improve their ethical knowledge and skills is through ethical training programs and courses. These programs are designed to help insurance agents understand ethical principles, identify ethical dilemmas, and make ethical decisions in their daily work. Many insurance companies offer ethical training programs to their agents, and there are also online courses and workshops available for insurance agents to participate in.

Insurance agents can also enhance their ethical knowledge and skills by joining professional organizations and associations that promote ethical behavior in the insurance industry. These organizations provide networking opportunities, educational resources, and ethical guidelines for insurance agents to follow. By becoming a member of a professional organization, insurance agents can stay informed about ethical best practices and engage with other industry professionals who share their commitment to ethical behavior.

Additionally, insurance agents can benefit from mentorship programs that pair them with experienced professionals who can provide guidance and support in navigating ethical challenges. Mentors can offer valuable insights, advice, and perspectives that can help insurance agents develop their ethical decision-making skills and uphold high ethical standards in their work.

Conclusion

Continuing education and professional development are critical for insurance agents to stay competitive in the insurance industry, provide excellent service to their clients, and uphold ethical standards. By investing in ongoing education and enhancing their ethical knowledge and skills, insurance agents can position themselves for success and make a positive impact on the insurance industry. It is essential for insurance agents to prioritize their professional development and commit to lifelong learning to thrive in their careers and serve their clients effectively.

Throughout this book, we have explored the essential principles of ethics for Georgia Property and Casualty Adjusters. From understanding the importance of upholding ethical standards to navigating the complexities of ethical dilemmas, we have covered a wide range of topics to help you master ethics in your role as a counselor.

Recap of Key Takeaways

One of the key takeaways from this book is the importance of maintaining confidentiality and privacy when working with clients. As a counselor, you have a professional responsibility to protect the privacy of your clients and keep their information confidential. This includes not disclosing any personal information without the client's consent, as well as taking appropriate measures to secure any sensitive data.

Another important takeaway is the need to establish clear boundaries with clients. Boundaries help maintain a professional relationship with clients and prevent any potential conflicts of interest. By setting clear boundaries from the beginning, you can establish a foundation of trust and respect with your clients.

Additionally, we have discussed the importance of informed consent in the adjusting process. Informed consent ensures that clients have a clear understanding of the adjusting process, including the goals, risks, and benefits of treatment. By obtaining informed consent from clients, you can ensure that they are actively involved in their own care and understand the implications of their decisions.

Finally, we have explored the role of self-care in maintaining ethical practices as a counselor. Self-care is essential for preventing burnout and maintaining a healthy work-life balance. By prioritizing your own well-being, you can better serve your clients and uphold the ethical standards of your profession.

Recommendations for Mastering Ethics

To master ethics as a Georgia Property and Casualty Counselor, we recommend the following strategies:

Stay informed: Stay up-to-date on the latest ethical guidelines and regulations in your field. Attend workshops, seminars, and training sessions to enhance your knowledge and skills.

Seek supervision: Consult with a supervisor or mentor to discuss ethical dilemmas and seek guidance on how to navigate challenging situations. Supervision can provide valuable feedback and support for maintaining ethical practices.

Practice self-reflection: Take time to reflect on your own values, beliefs, and biases that may impact your work as a counselor. By examining your own motivations and attitudes, you can enhance your self-awareness and make ethical decisions with integrity.

Consult with colleagues: Collaborate with your peers and colleagues to discuss ethical dilemmas and share best practices. By seeking input from others, you can gain new perspectives and insights that can help you navigate ethical challenges more effectively.

Engage in continuous learning: Commit to lifelong learning and professional development to enhance your knowledge and skills as a counselor. By staying curious and open to new ideas, you can expand your understanding of ethics and improve your practice.

By incorporating these recommendations into your practice, you can master ethics as a Georgia Property and Casualty Counselor and provide the highest quality of care to your clients.

In conclusion, ethics play a vital role in the adjusting profession, guiding your interactions with clients, colleagues, and the community. By upholding ethical standards and practicing with integrity, you can build trust with your clients and promote positive outcomes in your work. As you continue on your journey as a counselor, remember to prioritize ethics in all aspects of your practice and seek support when faced with ethical challenges. By mastering ethics, you can make a meaningful impact in the lives of your clients and contribute to the ethical standards of the adjusting profession.

Overview of the Georgia Insurance Industry

The insurance industry in Georgia is a vital component of the state's economy, providing protection and financial security to individuals, businesses, and communities. With a diverse range of insurance products and services available, the industry plays a crucial role in managing risk and safeguarding against potential financial losses. This chapter provides an overview of the insurance industry in Georgia, highlighting key players, regulations, and market trends shaping the sector.

Key Players in the Georgia Insurance Industry

The insurance industry in Georgia is home to a wide range of key players, including insurance companies, agents, brokers, and regulators. At the forefront of the industry are major insurance companies such as State Farm, Allstate, and Georgia Farm Bureau, which offer a variety of insurance products, including auto, home, life, and health insurance. These companies play a significant role in providing coverage to individuals and businesses across the state.

Insurance agents and brokers also play a crucial role in the industry, acting as intermediaries between insurance companies and policyholders. These professionals help individuals and businesses find the right insurance coverage to meet their needs and provide guidance on policy options and pricing. Additionally, insurance regulators, such as the Georgia Department of Insurance, play a vital role in overseeing the industry, ensuring that insurance companies comply with state regulations and consumer protection laws.

Regulations in the Georgia Insurance Industry

The Georgia insurance industry is regulated by the Georgia Department of Insurance, which oversees insurance companies, agents, and brokers operating within the state. The department is responsible for licensing insurance professionals, reviewing insurance policies, and investigating consumer complaints. Additionally, the department enforces state insurance laws and regulations to protect consumers and promote fair and competitive insurance markets.

In Georgia, insurance companies must adhere to various regulations governing insurance rates, policy terms, and claims handling practices. These regulations aim to ensure that insurance companies operate fairly and transparently, providing consumers with accurate information and fair treatment. By enforcing these regulations, the Georgia Department of Insurance helps to maintain the integrity of the insurance industry and protect consumers from fraudulent practices and unfair treatment.

Market Trends in the Georgia Insurance Industry

The Georgia insurance industry is influenced by a variety of market trends that impact insurance products, pricing, and consumer preferences. One of the key trends shaping the industry is the increasing demand for digital insurance solutions, such as online policy quoting and purchasing. As consumers become more tech-savvy, insurance companies are leveraging technology to streamline the insurance process and provide a more convenient and efficient customer experience.

Another significant trend in the Georgia insurance industry is the growing focus on cybersecurity and data protection. With the rise of cyber threats and data breaches, insurance companies are developing new insurance products to help businesses mitigate the risks associated with cyber attacks and data breaches. These products provide coverage for data loss, business interruption, and liability arising from cyber incidents, helping businesses protect themselves against potential financial losses.

In conclusion, the insurance industry in Georgia is a dynamic and influential sector that plays a vital role in protecting individuals, businesses, and communities. With key players, regulations, and market trends shaping the industry, Georgia's insurance sector continues to evolve and adapt to meet the changing needs of consumers. By understanding the key players, regulations, and market trends in the Georgia insurance industry, individuals and businesses can make informed decisions about their insurance coverage and financial security.

Licensing Requirements for Insurance Agents

Becoming an insurance agent in Georgia is a rewarding career path that requires dedication, education, and compliance with the state's licensing requirements. In this chapter, we will provide a detailed explanation of the licensing process for insurance agents in Georgia, including educational requirements, exam preparation, and ongoing compliance.

Educational Requirements

Before you can apply for an insurance agent license in Georgia, you must meet certain educational requirements. These requirements vary depending on the type of insurance you wish to sell. For example, if you want to sell life insurance, you must complete at least 20 hours of pre-licensing education. If you want to sell property and casualty insurance, you must complete at least 40 hours of pre-licensing education.

In addition to pre-licensing education, you must also complete a background check and fingerprinting to ensure you meet the state's moral character requirements. Once you have completed these steps, you can move on to the next phase of the licensing process.

Exam Preparation

After completing the required education and background check, you must pass a licensing exam to become a licensed insurance agent in Georgia. The exam covers a wide range of topics, including insurance laws and regulations, ethics, and insurance products and services.

To prepare for the exam, many aspiring insurance agents choose to enroll in exam preparation courses or study guides. These resources can help you review the material covered on the exam and increase your chances of passing on your first attempt.

It's important to note that you must schedule your exam in advance and pay a fee to take the test. Once you pass the exam, you can submit your license application and move on to the final step of the licensing process.

Ongoing Compliance

Once you have obtained your insurance agent license in Georgia, you must comply with the state's ongoing requirements to maintain your license. This includes completing continuing education courses on a regular basis to stay up-to-date on changes in the insurance industry and maintain your knowledge and skills.

In addition to completing continuing education courses, you must also renew your license every two years and pay a renewal fee. Failure to renew your license on time can result in the suspension or revocation of your license, so it's important to stay on top of your licensing requirements.

In addition to completing continuing education and renewing your license, you must also adhere to the state's code of ethics and conduct yourself in a professional manner at all times. Violating the state's code of ethics can result in disciplinary action, including fines, license suspension, or revocation.

By following the licensing requirements for insurance agents in Georgia, you can build a successful career in the insurance industry and help protect individuals and businesses from financial risks. It's important to stay informed of changes in the industry, continue your education, and comply with the state's regulations to maintain your license and reputation as a trusted insurance agent.

Georgia Insurance Code and Regulations

The insurance industry in Georgia is governed by a comprehensive set of statutes and regulations designed to protect consumers, ensure fair competition, and maintain the financial stability of insurers. In this chapter, we will provide an overview of the key laws and regulations that govern the insurance industry in Georgia, including recent updates and changes.

One of the primary laws governing the insurance industry in Georgia is the Georgia Insurance Code. The Code establishes the framework for the regulation of insurance in the state and sets forth the rights and responsibilities of insurers, agents, and consumers. It covers a wide range of topics, including licensing requirements for insurance companies and agents, the regulation of rates and policy forms, and the handling of claims and complaints.

In addition to the Insurance Code, the Georgia Department of Insurance is responsible for promulgating regulations that further define and clarify the requirements set forth in the Code. These regulations cover a wide range of topics, including licensing requirements for agents and brokers, the financial solvency of insurers, and consumer protections. The Department regularly updates and revises these regulations to ensure that they remain current and effective in addressing the evolving needs of the insurance industry.

Recent updates to the Georgia Insurance Code and regulations have focused on several key areas. One notable change is the adoption of new requirements for insurers to provide coverage for mental health and substance abuse treatment services. These requirements are intended to ensure that individuals with mental health and substance abuse issues have access to the care they need, without facing excessive out-of-pocket costs or other barriers to treatment.

Another recent update to the Georgia Insurance Code and regulations is the implementation of new rules governing the sale of annuities. These rules are designed to protect consumers from deceptive sales practices and ensure that they fully understand the risks and benefits of purchasing an annuity. Insurers and agents are now required to provide detailed disclosures to consumers before selling an annuity, including information about fees, surrender charges, and potential tax implications.

In addition to these updates, the Georgia Department of Insurance has also implemented new regulations aimed at promoting transparency and accountability in the insurance industry. Insurers are now required to disclose more information about their financial condition, including their investments, reserves, and reinsurance arrangements. This information is intended to help consumers make informed decisions about which insurers to do business with and to provide regulators with the information they need to monitor the financial health of insurers operating in the state.

Overall, the Georgia Insurance Code and regulations provide a robust framework for the regulation of the insurance industry in the state. By establishing clear standards and requirements for insurers, agents, and consumers, these laws help to ensure that the insurance market operates in a fair and transparent manner. Through regular updates and revisions, the Georgia Department of Insurance continues to adapt to the changing needs of the insurance industry, ensuring that consumers are protected and that insurers operate in a financially sound manner.

Ethics and Professional Conduct

In the insurance industry, ethics and professional conduct are essential components of a successful and reputable career. Insurance agents serve as a critical link between individuals and businesses seeking insurance coverage and the insurance companies providing those policies. As such, insurance agents must adhere to strict ethical standards and best practices to ensure that they are acting in the best interests of their clients, maintaining a positive reputation, and avoiding potential legal issues.

One of the most fundamental ethical standards that insurance agents must adhere to is the principle of honesty and transparency. Insurance agents have a duty to provide accurate and truthful information to their clients regarding insurance policies, coverage options, costs, and potential risks. Misrepresenting or withholding information from clients can not only lead to legal consequences but can also damage the agent's reputation and credibility in the industry.

Additionally, insurance agents must always act in the best interests of their clients. This principle, known as the duty of care, requires agents to recommend insurance policies and coverage options that are well-suited to the client's needs and financial situation. Agents should take the time to fully understand their clients' requirements and preferences before making recommendations, and should always prioritize the client's best interests over their own financial gain.

Conflicts of interest are another ethical issue that insurance agents must navigate carefully. Agents should avoid situations where their personal interests conflict with the interests of their clients, and should disclose any potential conflicts of interest to their clients upfront. For example, if an agent stands to benefit financially from recommending a particular insurance policy or coverage option, they must disclose this information to the client and ensure that the recommendation is still in the client's best interests.

Maintaining client confidentiality is also a critical ethical consideration for insurance agents. Clients trust their agents with sensitive personal and financial information, and agents have a duty to protect this information from unauthorized disclosure. Agents should only share client information with third parties when necessary to facilitate the insurance process, and should always obtain the client's consent before sharing any confidential information.

In addition to ethical standards, insurance agents must also adhere to various laws and regulations that govern the insurance industry. Agents should be familiar with the laws and regulations that apply to their specific area of practice, and should ensure that they are in compliance at all times. Failure to comply with legal requirements can result in fines, lawsuits, and even the loss of the agent's license to practice.

To help insurance agents navigate the complex ethical and legal landscape of the insurance industry, many industry organizations offer codes of conduct and ethical guidelines for agents to follow. These guidelines provide a framework for ethical decision-making and can help agents navigate challenging situations with integrity and professionalism.

Ultimately, upholding high ethical standards and professional conduct is essential for insurance agents to build a successful and reputable career in the industry. By prioritizing honesty, transparency, client confidentiality, and compliance with laws and regulations, agents can earn the trust and loyalty of their clients, build a positive reputation in the industry, and avoid potential legal issues that could jeopardize their career.

Consumer Protection and Fair Practices

In any industry, consumers are the backbone of the marketplace. It is imperative that consumers are protected from unfair practices and are provided with a fair and competitive marketplace in which to make their purchasing decisions. This is especially true in the insurance industry, where consumers rely on insurance policies to provide financial security and protection in times of need. In this chapter, we will explore the laws and regulations aimed at protecting consumers and ensuring a fair and competitive insurance marketplace.

Consumer protection in the insurance industry is vital for maintaining trust and confidence among policyholders. Various laws and regulations have been put in place to safeguard consumers from unfair practices by insurance companies. These laws ensure that consumers are treated fairly and have access to the information they need to make informed decisions about their insurance coverage.

One of the key laws that govern consumer protection in the insurance industry is the Fair Credit Reporting Act (FCRA). This law regulates the collection and use of consumer credit information by insurance companies. Under the FCRA, insurance companies must obtain consent from consumers before accessing their credit information and must provide consumers with a copy of their credit report if it is used to make an adverse decision, such as denying coverage or charging higher premiums.

Another important law that protects consumers in the insurance industry is the Health Insurance Portability and Accountability Act (HIPAA). HIPAA establishes privacy standards for the protection of personal health information and ensures that this information is not disclosed without the consumer's consent. This law helps to safeguard the confidentiality of medical records and ensures that consumers have control over how their health information is used by insurance companies.

In addition to federal laws, many states have enacted their own regulations to protect consumers in the insurance marketplace. For example, many states have laws that require insurance companies to provide consumers with clear and accurate information about their policies, including coverage limits, deductibles, and exclusions. These laws help to ensure that consumers understand the terms of their insurance policies and can make informed decisions about their coverage.

State insurance regulators also play a crucial role in protecting consumers and promoting fair practices in the insurance industry. These regulators oversee insurance companies to ensure that they comply with state laws and regulations, investigate consumer complaints, and take enforcement actions against companies that engage in unfair or deceptive practices. State regulators work to maintain a level playing field in the insurance marketplace and to protect consumers from fraud, discrimination, and other harmful practices.

In addition to laws and regulations, consumer advocacy groups and organizations play a vital role in promoting consumer protection in the insurance industry. These groups work to educate consumers about their rights and responsibilities, provide resources and information to help consumers make informed decisions, and advocate for policies that protect consumer interests. Consumer advocacy groups also work to hold insurance companies accountable for their actions and to ensure that consumers have a voice in the policymaking process.

Overall, consumer protection and fair practices are essential components of a healthy and competitive insurance marketplace. By upholding laws and regulations that safeguard consumer rights, promoting transparency and accountability in the insurance industry, and empowering consumers to make informed decisions, we can create a marketplace that is fair, competitive, and trustworthy for all stakeholders. In the next chapter, we will explore how technology and innovation are shaping the future of the insurance industry and transforming the way consumers interact with insurance products and services.

Claims Handling and Dispute Resolution

Handling insurance claims can be a complex and challenging process, but with the right knowledge and approach, it can be managed effectively. In Georgia, there are specific guidelines and regulations that govern the claims handling process, ensuring that policyholders are treated fairly and receive the compensation they are entitled to. This chapter will provide a comprehensive guide to the process of handling insurance claims in Georgia, as well as tips for resolving disputes and avoiding potential legal challenges.

The Claims Handling Process

When a policyholder experiences a loss that is covered under their insurance policy, they must file a claim with their insurance company. The claims handling process typically begins with the policyholder contacting their insurance company and providing details of the loss. The insurance company will then assign a claims adjuster to investigate the claim and determine the amount of compensation that the policyholder is entitled to.

In Georgia, insurance companies are required to handle claims in a prompt and efficient manner. The Georgia Insurance Code sets out specific guidelines for claims handling, including timeframes for acknowledging and responding to claims, conducting investigations, and making payment to policyholders. Failure to comply with these guidelines can result in penalties for the insurance company.

Tips for Handling Insurance Claims

To ensure a smooth and efficient claims handling process, policyholders should follow these tips:

Report the loss promptly: It is important to report the loss to your insurance company as soon as possible. Delaying the notification can result in delays in processing the claim.

Provide thorough documentation: Policyholders should provide detailed documentation of the loss, including photographs, receipts, and any other relevant information. This will help the claims adjuster assess the extent of the damage and determine the appropriate compensation.

Cooperate with the claims adjuster: Policyholders should cooperate fully with the claims adjuster and provide any information or documentation requested in a timely manner. This will help expedite the claims handling process.

Review the settlement offer carefully: Policyholders should carefully review the settlement offer from the insurance company and ensure that it accurately reflects the extent of the loss. If there are any discrepancies or concerns, policyholders should raise them with the claims adjuster.

Resolving Disputes

Despite best efforts, disputes can sometimes arise between policyholders and insurance companies over the handling of insurance claims. In Georgia, there are several options available for resolving disputes, including:

Mediation: Mediation is a voluntary process in which a neutral third party helps facilitate negotiations between the policyholder and the insurance company to reach a resolution. Mediation can be an effective way to resolve disputes without the need for litigation.

Arbitration: Arbitration is a more formal process in which an independent arbitrator hears both sides of the dispute and makes a binding decision. Arbitration can be a quicker and less expensive alternative to litigation.

Litigation: If all other options fail, policyholders have the right to pursue legal action against their insurance company. Litigation can be a lengthy and costly process, but it may be necessary if the dispute cannot be resolved through other means.

Avoiding Legal Challenges

To avoid potential legal challenges in the claims handling process, insurance companies should adhere to the guidelines set out in the Georgia Insurance Code and ensure that they handle claims in a fair and efficient manner. Policyholders should also be aware of their rights and responsibilities under their insurance policy and seek legal advice if they believe that their rights have been violated.

By following these guidelines and tips, policyholders and insurance companies can navigate the claims handling process effectively and resolve disputes in a timely and fair manner. Ultimately, the goal of the claims handling process is to ensure that policyholders receive the compensation they are entitled to under their insurance policy.

Compliance and Enforcement

In the state of Georgia, insurance laws are in place to protect consumers and ensure that insurance companies operate in a fair and ethical manner. To uphold these laws, several regulatory agencies are responsible for enforcing compliance within the insurance industry. Understanding these agencies and the potential consequences of non-compliance is essential for insurance professionals to navigate the regulatory landscape effectively.

The Georgia Department of Insurance (GDOI) is the primary regulatory agency responsible for overseeing the insurance industry in the state. The GDOI is tasked with regulating insurance companies, agents, and brokers to ensure they comply with state laws and regulations. This includes licensing insurance professionals, reviewing insurance policies for compliance with state laws, and investigating consumer complaints against insurance companies.

Another important regulatory agency in Georgia is the Office of Commissioner of Insurance. The Commissioner of Insurance is an elected official who is responsible for enforcing insurance laws, promoting competition in the insurance marketplace, and protecting consumers. The Commissioner has the authority to investigate complaints, conduct audits, and impose penalties on insurance companies that violate state laws.

In addition to state regulatory agencies, there are also federal agencies that play a role in enforcing insurance laws in Georgia. The Federal Insurance Office (FIO) and the National Association of Insurance Commissioners (NAIC) work with state regulators to coordinate oversight of the insurance industry and ensure compliance with federal laws and regulations.

The consequences of non-compliance with insurance laws in Georgia can be severe for insurance companies and professionals. Failure to comply with licensing requirements, misrepresenting insurance policies, or engaging in fraudulent activities can result in fines, penalties, license revocation, and even criminal charges. In addition, insurance companies that fail to comply with state laws may be subject to civil lawsuits and reputational damage, which can harm their business operations and financial stability.

To avoid the potential consequences of non-compliance, insurance professionals in Georgia must stay informed about the latest regulations and laws that govern the insurance industry. This includes understanding licensing requirements, policy provisions, claims handling procedures, and consumer protection laws. It is also important for insurance professionals to maintain accurate records, conduct regular audits of their operations, and implement compliance programs to ensure that they are in compliance with state and federal laws.

Compliance with insurance laws is not only a legal requirement but also a critical aspect of maintaining trust and credibility with consumers. Insurance companies that prioritize compliance demonstrate their commitment to ethical business practices and protecting the interests of policyholders. By following regulatory requirements and guidelines, insurance professionals can build a strong reputation in the industry and avoid the costly consequences of non-compliance.

In conclusion, compliance and enforcement of insurance laws in Georgia are essential for protecting consumers, promoting fair competition, and maintaining the integrity of the insurance industry. Regulatory agencies play a crucial role in overseeing insurance companies and professionals to ensure they comply with state and federal laws. By understanding the regulatory landscape and the potential consequences of non-compliance, insurance professionals can navigate the complex regulatory environment effectively and uphold the highest standards of professionalism and integrity.

Conclusion

In conclusion, navigating the complex legal landscape of the Georgia insurance industry can be a daunting task for insurance agents. However, by understanding the key takeaways and implementing the following recommendations, agents can succeed in this challenging environment.

Key Takeaways:

Licensing Requirements: It is crucial for insurance agents to be aware of and comply with the licensing requirements set forth by the Georgia Department of Insurance. This includes obtaining the necessary licenses and staying up to date on any changes to licensing regulations.

Understanding Insurance Laws: Insurance agents must have a thorough understanding of the laws and regulations governing the insurance industry in Georgia. This includes knowledge of state-specific requirements for insurance policies, claims handling, and consumer protection.

Compliance: Compliance with all legal requirements is essential for insurance agents to avoid penalties and legal consequences. Agents must ensure that they are following all laws and regulations at all times, including those related to advertising, marketing, and sales practices.

Ethical Considerations: Insurance agents must adhere to high ethical standards in their interactions with clients, colleagues, and industry partners. This includes maintaining client confidentiality, providing accurate information, and avoiding conflicts of interest.

Continuing Education: Staying current on changes in insurance laws and regulations is crucial for insurance agents to remain compliant and successful in their careers. Agents should seek out continuing education opportunities to stay informed and up to date on industry developments.

Recommendations for Success:

Develop a Strong Compliance Program: Insurance agents should establish a robust compliance program that includes regular training, audits, and monitoring of business practices. This will help ensure that agents are following all legal requirements and operating ethically.

Seek Legal Guidance: In navigating the complex legal landscape of the Georgia insurance industry, it is important for agents to seek legal guidance when needed. Consulting with legal professionals can help agents understand complex legal issues and ensure compliance with all laws and regulations.

Build Relationships with Regulators: Developing positive relationships with regulators in the Georgia Department of Insurance can be beneficial for insurance agents. By fostering open communication and collaboration with regulators, agents can gain insights into regulatory changes and requirements.

Stay Informed: Insurance agents should make an effort to stay informed about developments in the Georgia insurance industry. This includes reading industry publications, attending conferences, and participating in industry associations to stay abreast of changes in laws and regulations.

Prioritize Ethics: Maintaining high ethical standards is essential for insurance agents to build trust with clients and succeed in the industry. Agents should prioritize honesty, integrity, and transparency in all their interactions to establish a positive reputation and long-term success.

In conclusion, insurance agents in Georgia face a complex legal landscape that requires careful navigation and compliance with numerous laws and regulations. By understanding the key takeaways and implementing the recommendations outlined in this chapter, agents can succeed in this challenging environment and build successful careers in the insurance industry.

The Importance of Effective Communication in the Insurance Industry

Communication is a vital component in the insurance industry, as it plays a crucial role in building strong client relationships and resolving conflicts. In an industry that is centered around providing financial protection to individuals and businesses, effective communication is key to ensuring that clients understand their policies, making informed decisions, and feeling confident in their insurance coverage.

Building Client Relationships

Effective communication is essential for building strong client relationships in the insurance industry. Insurance agents and brokers must be able to clearly convey complex insurance policies and coverage options to clients in a way that is easy to understand. By communicating clearly and transparently, insurance professionals can help clients make informed decisions about their coverage and feel confident in the protection they are receiving.

Additionally, effective communication can help insurance professionals establish trust with their clients. By being responsive, attentive, and empathetic to their clients' needs and concerns, insurance professionals can build a rapport that fosters long-lasting relationships. Clients who feel that their insurance provider is listening to them and addressing their needs are more likely to remain loyal and satisfied with their coverage.

Resolving Conflicts

Conflicts are bound to arise in the insurance industry, whether it be due to denied claims, coverage disputes, or other issues. Effective communication is key to resolving these conflicts in a timely and satisfactory manner. Insurance professionals must be able to listen to and understand their clients' concerns, communicate clearly about the situation, and work towards finding a resolution that meets both parties' needs.

In cases of denied claims, for example, insurance professionals must be able to explain the reasons for denial in a way that is easy for clients to understand. By providing clear and transparent communication about the claims process and any potential issues, insurance professionals can help clients navigate the situation and work towards a resolution.

Effective communication can also help insurance professionals de-escalate conflicts and maintain positive relationships with clients. By being patient, understanding, and empathetic, insurance professionals can show clients that their concerns are being taken seriously and that efforts are being made to address them. This can help prevent conflicts from escalating and lead to a more positive outcome for all parties involved.

In conclusion, effective communication is essential in the insurance industry for building strong client relationships and resolving conflicts. By communicating clearly, transparently, and empathetically, insurance professionals can help clients make informed decisions about their coverage, establish trust, and navigate conflicts in a satisfactory manner. In the following chapters, we will explore specific communication strategies and techniques that insurance professionals can use to enhance their communication skills and improve client relationships.

Understanding Different Communication Styles

Effective communication is essential in any professional setting, especially when it comes to interacting with clients. In order to successfully convey information, build rapport, and ultimately achieve desired outcomes, it is crucial to understand and adapt to different communication styles.

Exploring various communication styles can help you better connect with clients from diverse backgrounds and personalities. By being aware of these differences, you can tailor your approach to ensure effective communication and positive outcomes. Here are some common communication styles and strategies for adapting to them:

Direct Communication Style: Some clients prefer direct and to-the-point communication. They value clear and concise information without unnecessary details or small talk. When interacting with clients who have a direct communication style, it is important to be straightforward, assertive, and avoid beating around the bush. Focus on providing concrete facts, actionable steps, and addressing their specific needs and concerns.

Indirect Communication Style: On the other hand, some clients may have an indirect communication style. They may use subtle cues, hints, and nonverbal communication to convey their thoughts and feelings. When working with clients who have an indirect communication style, pay attention to their body language, tone of voice, and subtle cues. Be patient, ask open-ended questions, and provide opportunities for them to express themselves in their preferred manner.

Verbal Communication Style: Clients with a verbal communication style prefer to express themselves through spoken words. They may enjoy engaging in conversations, sharing stories, and discussing ideas verbally. To effectively communicate with clients who have a verbal communication style, engage in active listening, ask probing questions, and provide opportunities for them to talk and share their thoughts. Show genuine interest in what they have to say and demonstrate empathy and understanding.

Nonverbal Communication Style: Some clients may rely more on nonverbal cues and body language to communicate. They may pay attention to facial expressions, gestures, and posture to convey their emotions and thoughts. When interacting with clients who have a nonverbal communication style, observe their body language, maintain eye contact, and be mindful of your own nonverbal cues. Adjust your communication style to match theirs, and ensure that your nonverbal signals are consistent with your verbal messages.

Assertive Communication Style: Clients with an assertive communication style are confident, direct, and self-assured in expressing their thoughts and opinions. They value honesty, transparency, and open communication. When working with clients who have an assertive communication style, be prepared to engage in respectful dialogue, express your own opinions and ideas, and assert boundaries when necessary. Avoid passive or aggressive communication styles, and strive to find a balance between assertiveness and empathy.

Passive Communication Style: Conversely, some clients may have a passive communication style characterized by hesitancy, avoidance of conflict, and difficulty in asserting themselves. When interacting with clients who have a passive communication style, be patient, provide reassurance, and create a safe and supportive environment for them to express themselves. Encourage them to share their thoughts and feelings and help them build confidence in communicating their needs and preferences.

In conclusion, understanding and adapting to different communication styles is key to effective client communication. By recognizing and respecting individual differences in communication preferences, you can build stronger relationships, foster trust, and achieve successful outcomes. Take the time to observe and listen to your clients, adjust your communication style accordingly, and practice empathy and flexibility in your interactions. By being mindful of these differences and adapting your approach, you can enhance your communication skills and better serve the diverse needs of your clients.

Building Strong Client Relationships Through Communication

In the world of business, building strong client relationships is essential for success. Establishing trust and rapport with clients not only enhances customer satisfaction, but also leads to repeat business, referrals, and long-term partnerships. One of the key ways to achieve this is through effective communication. In this chapter, we will explore tips and techniques for establishing trust and rapport with clients through communication.

Active Listening: One of the most important skills in building strong client relationships is active listening. This involves fully concentrating on what the client is saying, understanding their message, and responding appropriately. Avoid interrupting the client and instead, allow them to express their thoughts and feelings. Show empathy and understanding by reflecting back what they have said and asking clarifying questions. This demonstrates that you value their input and are committed to meeting their needs.

Clear and Concise Communication: Effective communication is key to building trust with clients. Be clear and concise in your communication, avoiding jargon or technical language that may confuse or alienate the client. Use simple language and provide explanations when necessary to ensure that the client understands the information being conveyed. Make sure to follow up verbal communication with written documentation to reinforce key points and expectations.

Establishing Trust: Trust is the foundation of any successful client relationship. To establish trust with clients, it is important to be honest, reliable, and transparent in your communication. Do what you say you will do and follow through on commitments. Be open and honest about any challenges or issues that may arise, and work collaboratively with the client to find solutions. Trust is built over time through consistent communication and actions.

Building Rapport: In addition to trust, building rapport with clients is essential for establishing a strong relationship. Rapport is the connection and understanding that develops between two people, based on mutual respect and empathy. To build rapport with clients, take the time to get to know them on a personal level. Show genuine interest in their interests, hobbies, and values. Find common ground and shared experiences that can help to create a bond between you and the client.

Managing Expectations: Clear communication is crucial in managing client expectations. Be upfront with clients about what they can expect from your products or services, including timelines, costs, and deliverables. Set realistic goals and objectives, and provide regular updates on progress. If there are any changes or delays, communicate these to the client as soon as possible and work together to find a solution. By managing expectations effectively, you can avoid misunderstandings and build trust with clients.

Active Engagement: Engaging with clients on a regular basis is key to building strong relationships. Keep in touch with clients through phone calls, emails, or in-person meetings to check in on their needs and provide updates on your work. Show appreciation for their business and loyalty by sending thank-you notes or small tokens of appreciation. By staying connected and engaged with clients, you can demonstrate your commitment to their success and strengthen your relationship over time.

Handling Difficult Conversations: Inevitably, there will be times when difficult conversations need to take place with clients. Whether it's addressing a mistake, delivering bad news, or resolving a conflict, it's important to approach these conversations with tact and professionalism. Be honest and direct in your communication, but also show empathy and understanding for the client's perspective. Listen carefully to their concerns and work together to find a resolution that satisfies both parties. By handling difficult conversations with grace and integrity, you can build trust and strengthen your relationship with clients.

Building strong client relationships through communication is essential for success in business. By actively listening, communicating clearly, establishing trust, building rapport, managing expectations, engaging with clients, and handling difficult conversations, you can create lasting partnerships that benefit both parties. Remember that effective communication is a two-way street – be open, responsive, and attentive to your clients' needs and concerns. By investing time and effort into building strong client relationships, you can set yourself apart from the competition and position yourself for long-term success.

Resolving Conflicts Through Effective Communication

Conflict is a natural part of any professional relationship, whether it be with clients or colleagues. However, how we handle these conflicts can make all the difference in maintaining strong and positive connections. Effective communication is key when it comes to resolving conflicts and diffusing tense situations. In this chapter, we will discuss strategies for handling difficult conversations and resolving conflicts with clients and colleagues.

Listen actively: One of the most important aspects of effective communication is active listening. When conflicts arise, it is crucial to listen to the other person's perspective without interrupting or formulating a response in your mind. This shows respect for their point of view and allows for a more productive conversation.

Stay calm and composed: It can be easy to let emotions take over during a conflict, but it is important to remain calm and composed. Take deep breaths and focus on maintaining a neutral tone of voice. This will help create a more conducive environment for resolving the conflict.

Use "I" statements: When expressing your own feelings or perspectives, use "I" statements instead of blaming the other person. For example, instead of saying "You never listen to me," try saying "I feel like my opinions are not being heard." This can help prevent the other person from becoming defensive and promote a more open dialogue.

Seek to understand: Before jumping to conclusions or making assumptions, take the time to understand the other person's perspective. Ask open-ended questions to clarify their thoughts and feelings. This demonstrates empathy and a willingness to find common ground.

Find common ground: When conflicts arise, it can be helpful to identify areas of agreement or common goals. This can help shift the focus from differences to shared objectives, making it easier to find a resolution that satisfies both parties.

Collaborate on solutions: Instead of trying to "win" the argument, focus on finding solutions that work for both parties. Brainstorm together and explore different options until a mutually agreeable resolution is reached. This collaborative approach can strengthen the relationship and build trust.

Use nonverbal cues: Nonverbal communication, such as body language and facial expressions, can also play a role in resolving conflicts. Make sure to maintain eye contact, use open gestures, and show empathy through your body language. This can help convey sincerity and understanding.

Follow up: After a conflict has been resolved, make sure to follow up with the other person to ensure that the resolution is working for both parties. This can help prevent future conflicts and reinforce the positive outcomes of effective communication.

In conclusion, effective communication is essential for resolving conflicts with clients and colleagues. By actively listening, staying calm, using "I" statements, seeking to understand, finding common ground, collaborating on solutions, using nonverbal cues, and following up, you can navigate difficult conversations and reach mutually satisfactory resolutions. Remember that conflicts are a natural part of professional relationships, but how you handle them can make all the difference in maintaining strong and positive connections.

Enhancing Internal Communication Within Your P&C Agency

Effective communication is the cornerstone of any successful organization, and this is especially true for property and casualty (P&C) insurance agencies. Clear and open communication within the workplace is essential for ensuring that everyone is on the same page, working towards common goals, and able to collaborate effectively. In this chapter, we will discuss the importance of internal communication within your P&C agency and provide strategies for enhancing communication among your team members.

The significance of clear communication within the workplace cannot be overstated. When employees are able to communicate openly and honestly with one another, it fosters trust, collaboration, and a sense of belonging within the organization. Clear communication also helps to prevent misunderstandings, conflicts, and inefficiencies that can arise when information is not effectively shared among team members. In a P&C agency, where accuracy and attention to detail are paramount, effective communication is crucial for ensuring that policies are processed correctly, claims are handled efficiently, and clients are provided with the highest level of service.

One of the key ways in which clear communication impacts the overall success of a P&C agency is in the area of client satisfaction. When team members are able to communicate effectively with one another, they are better equipped to provide clients with accurate information, timely responses, and personalized service. Clients who receive clear and consistent communication from their insurance agents are more likely to trust the agency, renew their policies, and recommend the agency to others. By enhancing internal communication within your P&C agency, you can improve the overall client experience and increase client retention rates.

In addition to benefiting client satisfaction, clear communication within the workplace also leads to increased productivity and efficiency. When team members are able to communicate effectively with one another, they can coordinate their efforts, share information, and collaborate on projects more efficiently. This leads to quicker decision-making, faster problem-solving, and improved workflow within the agency. By enhancing internal communication, you can reduce the likelihood of errors, delays, and misunderstandings that can impede productivity and hinder the success of your agency.

There are several strategies that you can implement to enhance internal communication within your P&C agency. One of the most effective ways to promote clear communication is to establish open channels of communication among team members. Encourage employees to share ideas, ask questions, and provide feedback on a regular basis. Create opportunities for team members to meet and discuss important topics, such as weekly staff meetings, team huddles, or brainstorming sessions. By fostering a culture of open communication, you can ensure that information is shared freely among team members and that everyone is kept informed about important developments within the agency.

Another strategy for enhancing internal communication within your P&C agency is to utilize technology to facilitate communication. Implement a communication platform, such as a messaging app or project management software, that allows team members to communicate in real-time, share documents, and collaborate on projects. Use email, intranet portals, or digital newsletters to keep employees informed about important updates, policies, and events within the agency. By leveraging technology to enhance communication, you can ensure that information is easily accessible to all team members and that communication is streamlined and efficient.

In conclusion, clear communication within the workplace is essential for the overall success of your P&C agency. By promoting open communication among team members, you can foster trust, collaboration, and productivity within the organization. Enhancing internal communication leads to improved client satisfaction, increased productivity, and a more cohesive and effective team. By implementing strategies to enhance communication within your agency, you can create a culture of transparency, trust, and collaboration that will ultimately lead to greater success for your P&C agency.

Utilizing Technology for Effective Communication

In today's fast-paced world, effective communication is more crucial than ever before. With the advancement of technology, there are numerous tools and technologies available that can greatly improve communication efficiency and effectiveness. In this chapter, we will explore some of the key tools and technologies that can help you communicate more effectively in both personal and professional settings.

One of the most common tools used for communication in the digital age is email. Email allows for quick and easy communication, whether you are sending a message to a colleague or a friend. However, it is important to remember that not all emails are created equal. To ensure effective communication via email, make sure to keep your messages clear, concise, and to the point. Avoid using jargon or unnecessary details, and always proofread your messages before hitting send.

Another important tool for effective communication is video conferencing. Video conferencing allows you to have face-to-face interactions with others, even if you are not in the same physical location. This can be particularly useful for remote teams or for conducting meetings with clients or stakeholders who are located in different parts of the world. When using video conferencing, make sure to choose a reliable platform and test your equipment beforehand to ensure a smooth and seamless interaction.

Collaboration tools are also essential for effective communication in today's digital age. Platforms such as Slack, Microsoft Teams, and Google Workspace allow for real-time communication and collaboration among team members. These tools can help streamline communication within teams, keep everyone on the same page, and facilitate the sharing of files and documents. When using collaboration tools, make sure to set clear guidelines for communication and establish best practices for using the platform effectively.

Social media platforms can also be valuable tools for communication, both personally and professionally. Platforms like LinkedIn, Twitter, and Facebook can be used to connect with others, share updates and information, and build your personal brand. However, it is important to remember that social media is a public forum, so always think carefully about what you post and how it may be perceived by others.

In addition to these tools, there are a variety of technologies that can improve communication efficiency and effectiveness. For example, speech-to-text technology can help transcribe spoken words into written text, making it easier to communicate with those who may have difficulty hearing or speaking. Virtual reality and augmented reality technologies can also be used to create immersive communication experiences, allowing for more engaging and interactive interactions.

When utilizing technology for communication, it is important to consider the needs and preferences of your audience. Not everyone may be comfortable or familiar with the latest tools and technologies, so be sure to tailor your communication approach to meet the needs of those you are trying to reach. Additionally, always be mindful of security and privacy considerations when using technology for communication, particularly when sharing sensitive or confidential information.

In conclusion, technology can be a powerful tool for improving communication efficiency and effectiveness. By leveraging tools such as email, video conferencing, collaboration platforms, social media, and various technologies, you can enhance your ability to communicate with others in a variety of settings. Remember to always prioritize clarity, brevity, and professionalism in your communications, and to be mindful of the preferences and needs of your audience. By incorporating technology into your communication strategy, you can streamline your interactions, build stronger relationships, and achieve greater success in your personal and professional endeavors.

Communicating Ethically and Professionally

In the insurance industry, effective communication is essential for building trust with clients, colleagues, and stakeholders. However, it is not enough to simply communicate well – communication must also be ethical and professional. Ethical communication practices are crucial in maintaining the integrity of the insurance industry and ensuring that policyholders are treated fairly and honestly. In this chapter, we will highlight the importance of ethical communication practices in the insurance industry and provide strategies for communicating ethically and professionally.

Ethical communication in the insurance industry involves being honest, transparent, and respectful in all interactions with clients, colleagues, and other stakeholders. Insurance professionals have a duty to provide accurate information to clients, disclose any conflicts of interest, and avoid misleading or deceptive practices. This is important not only for maintaining trust with clients but also for upholding the reputation of the insurance industry as a whole.

One of the key ethical issues in insurance communication is the disclosure of information to clients. Policyholders have a right to know the details of their insurance coverage, including any limitations, exclusions, or potential risks. Insurance professionals must be transparent in their communication with clients, providing clear and accurate information about policy terms, premiums, and claims processes. Failure to disclose important information can result in misunderstandings, disputes, and even legal action.

In addition to disclosure, insurance professionals must also be mindful of their language and tone when communicating with clients. Respectful and courteous communication is essential for building strong relationships with clients and earning their trust. Insurance professionals should avoid using jargon or technical language that may be confusing to clients and instead strive to communicate in plain language that is easily understood. It is also important to be empathetic and understanding when dealing with clients who may be going through a difficult or stressful situation.

Another ethical issue in insurance communication is the handling of client information. Insurance professionals have access to sensitive personal and financial information about their clients, and it is crucial that this information is kept confidential and secure. Insurance professionals must follow strict privacy regulations and best practices for data protection to ensure that client information is not misused or disclosed without their consent. Breaches of client confidentiality can have serious consequences for both the insurance professional and the client, including damage to their reputation and legal liability.

In addition to ethical considerations, professionalism is also key in insurance communication. Professionalism involves conducting oneself with integrity, competence, and respect in all interactions with clients, colleagues, and other stakeholders. Insurance professionals should adhere to industry standards and best practices, maintain a high level of expertise in their field, and treat all individuals with courtesy and respect.

To communicate ethically and professionally in the insurance industry, insurance professionals can take several steps:

Be honest and transparent in all communications with clients.

Use plain language and avoid jargon or technical terms that may be confusing to clients.

Respect client confidentiality and follow data protection regulations.

Maintain professionalism in all interactions with clients, colleagues, and stakeholders.

Seek to understand and meet the needs of clients, showing empathy and compassion.

Stay informed about industry regulations and best practices for ethical communication.

By following these guidelines and prioritizing ethical communication practices, insurance professionals can build trust with clients, maintain the integrity of the insurance industry, and ensure that policyholders are treated fairly and honestly. Effective communication is not just about getting the message across – it is about doing so in a way that is ethical, respectful, and professional.

Conclusion

In this book, we have explored the importance of effective communication skills in various aspects of life. From personal relationships to professional success, the ability to communicate clearly, empathetically, and assertively is essential for achieving our goals and building strong connections with others. As we conclude our journey through the world of communication, let's take a moment to summarize the key takeaways and provide recommendations for continued growth in this crucial skill.

Key Takeaways:

Effective communication is a two-way street. It involves not only speaking clearly and articulately but also listening actively and empathetically. By truly engaging with others and seeking to understand their perspectives, we can foster deeper connections and avoid misunderstandings.

Nonverbal communication plays a significant role in how our messages are received. Paying attention to body language, facial expressions, and tone of voice can help us convey our intentions more clearly and build rapport with others.

Assertive communication is a valuable skill that allows us to express our needs, opinions, and boundaries in a respectful and confident manner. By mastering assertiveness, we can navigate difficult conversations with grace and establish healthy boundaries in our relationships.

Effective communication requires emotional intelligence. By being aware of our own emotions and those of others, we can navigate conflicts more effectively, build trust with others, and create a more positive and supportive environment.

Communication skills can be developed and improved over time. By practicing active listening, seeking feedback from others, and reflecting on our own communication habits, we can become more confident and effective communicators in all areas of our lives.

Recommendations for Continued Growth:

Continued practice: Like any skill, communication requires regular practice to maintain and improve. Make an effort to engage in conversations with a variety of people, both in personal and professional settings, to hone your communication skills.

Seek feedback: Ask for feedback from trusted friends, family members, or colleagues on your communication style. This can help you identify areas for improvement and make adjustments as needed.

Take communication courses: Consider enrolling in communication courses or workshops to further develop your skills. These resources can provide valuable insights and techniques for enhancing your communication abilities.

Read books and articles on communication: Stay informed on the latest research and trends in communication by reading books, articles, and publications on the subject. This can help you stay current and continue to grow in your understanding of effective communication strategies.

Practice active listening: Make a conscious effort to practice active listening in your conversations. Focus on fully engaging with the speaker, asking clarifying questions, and summarizing their points to demonstrate understanding.

By incorporating these recommendations into your daily routine, you can continue to grow and improve your communication skills. Remember that effective communication is a lifelong journey, and by investing time and effort into developing this crucial skill, you can enhance your relationships, advance your career, and lead a more fulfilling life.

Overview of the Property and Casualty Insurance Industry in Georgia

The property and casualty insurance industry in Georgia is a vital sector that plays a crucial role in protecting individuals, businesses, and assets from unforeseen risks and losses. This industry encompasses a wide range of insurance products, including homeowners insurance, auto insurance, commercial property insurance, and liability insurance. In Georgia, the property and casualty insurance sector is regulated by the Georgia Insurance Department, which ensures that insurers comply with state laws and regulations to protect consumers and maintain a stable insurance market.

Georgia is home to a diverse and competitive property and casualty insurance market, with both national and regional insurers operating in the state. The Georgia insurance market is one of the largest in the Southeast, with a wide range of insurance products available to consumers. In 2020, the total direct premiums written in Georgia for property and casualty insurance exceeded $20 billion, highlighting the significant economic impact of the industry in the state.

One of the key factors driving the growth of the property and casualty insurance industry in Georgia is the state's robust economy and population growth. As Georgia continues to attract businesses and residents, the demand for insurance products to protect homes, vehicles, and businesses has also increased. Additionally, Georgia's strategic location as a transportation and logistics hub has led to a growing demand for commercial property and liability insurance to protect businesses from risks associated with their operations.

Despite the opportunities for growth, the property and casualty insurance industry in Georgia also faces challenges, including increasing competition, regulatory changes, and evolving consumer preferences. Insurers must stay informed about industry trends and developments to remain competitive and provide the best possible products and services to their policyholders.

Importance of Best Practices for Property and Casualty Adjusters

Property and casualty adjusters play a critical role in the insurance industry, helping individuals and businesses navigate the complex world of insurance and make informed decisions about their coverage needs. Best practices for property and casualty adjusters are essential to ensure that clients receive the highest level of service and protection possible. By following best practices, property and casualty adjusters can build trust with their clients, enhance their professional reputation, and ultimately, contribute to the success of the insurance industry in Georgia.

Some key best practices for property and casualty adjusters include:

Continuing Education: Property and casualty adjusters must stay up-to-date on the latest industry trends, regulations, and insurance products through ongoing education and training. By expanding their knowledge and expertise, adjusters can better serve their clients and provide them with the most relevant and accurate information.

Client-Centered Approach: Property and casualty adjusters should prioritize the needs and preferences of their clients when recommending insurance products. By taking the time to understand each client's unique situation and concerns, adjusters can tailor their recommendations to meet their specific needs and provide them with the best possible coverage options.

Ethical Conduct: Property and casualty adjusters must adhere to the highest ethical standards in their interactions with clients, colleagues, and insurers. By conducting themselves with integrity and professionalism, adjusters can build trust with their clients and maintain the confidence of the public in the insurance industry.

Risk Assessment: Property and casualty adjusters should conduct thorough risk assessments for their clients to identify potential risks and exposures that may require insurance coverage. By helping clients understand their risks and providing them with appropriate insurance solutions, adjusters can help them protect their assets and achieve peace of mind.

In conclusion, the property and casualty insurance industry in Georgia is a dynamic and essential sector that provides valuable protection to individuals and businesses. By following best practices for property and casualty adjusters, insurers can ensure that clients receive the highest level of service and protection possible. As the industry continues to evolve, property and casualty adjusters must stay informed about industry trends and developments to meet the changing needs of their clients and contribute to the success of the insurance industry in Georgia.

Licensing and Regulation

In the state of Georgia, individuals looking to become property and casualty adjusters must adhere to specific requirements in order to obtain and maintain their license. The Georgia Department of Insurance oversees the licensing process for property and casualty adjusters, ensuring that individuals have the necessary qualifications and meet certain criteria in order to practice in the state.

Requirements for Obtaining and Maintaining a Property and Casualty Counselor License in Georgia

In order to obtain a property and casualty counselor license in Georgia, individuals must meet certain requirements set forth by the Department of Insurance. These requirements include completing pre-licensing education, passing a licensing exam, and submitting an application for licensure.

Pre-licensing education: Individuals looking to become property and casualty adjusters in Georgia must complete a certain number of hours of pre-licensing education. The specific number of hours required may vary depending on the type of license being sought. This education provides individuals with the knowledge and skills needed to succeed in the field of property and casualty adjusting.

Licensing exam: After completing the required pre-licensing education, individuals must pass a licensing exam in order to obtain their property and casualty counselor license. The exam covers a wide range of topics related to property and casualty insurance, including laws and regulations, ethics, and best practices in the industry.

Application for licensure: Once individuals have completed the pre-licensing education and passed the licensing exam, they must submit an application for licensure to the Georgia Department of Insurance. This application typically requires individuals to provide information about their education, work experience, and background, as well as to pay a licensing fee.

Maintaining a property and casualty counselor license in Georgia requires individuals to meet certain continuing education requirements. These requirements ensure that property and casualty adjusters stay up-to-date on the latest developments in the field and continue to provide high-quality services to their clients.

Overview of Regulatory Bodies and Laws Governing the Industry

The property and casualty insurance industry in Georgia is governed by a number of regulatory bodies and laws that aim to protect consumers and ensure the integrity of the industry. These bodies and laws play a critical role in overseeing the licensing and regulation of property and casualty adjusters in the state.

The Georgia Department of Insurance is the primary regulatory body responsible for overseeing the property and casualty insurance industry in the state. The Department of Insurance is responsible for licensing property and casualty adjusters, as well as ensuring that they comply with all applicable laws and regulations.

In addition to the Georgia Department of Insurance, property and casualty adjusters in Georgia must also adhere to the laws and regulations set forth by the Georgia Insurance Code. This code outlines the legal requirements for property and casualty insurance in the state, including licensing requirements, consumer protections, and minimum standards for insurance policies.

Overall, the regulatory bodies and laws governing the property and casualty insurance industry in Georgia serve to protect consumers, promote transparency and accountability in the industry, and ensure that property and casualty adjusters operate in a professional and ethical manner.

In conclusion, individuals looking to become property and casualty adjusters in Georgia must meet specific requirements in order to obtain and maintain their license. The regulatory bodies and laws governing the industry play a crucial role in overseeing the licensing and regulation of property and casualty adjusters in the state, ensuring that consumers are protected and that adjusters adhere to high standards of professionalism and ethics.

Ethics and Professionalism

In the realm of property and casualty adjusting, it is imperative for adjusters to adhere to a strict code of ethics and maintain the highest level of professionalism in their interactions with clients. Ethical considerations play a significant role in guiding the actions and decisions of adjusters as they navigate the complexities of insurance claims and coverage. By upholding ethical standards and practicing professionalism in client interactions, adjusters can establish trust with their clients and ensure the integrity of their work.

Ethical Considerations for Property and Casualty Adjusters

Property and casualty adjusters are entrusted with handling sensitive information and making important decisions on behalf of their clients. It is crucial for adjusters to prioritize the well-being and best interests of their clients at all times. This requires adjusters to uphold ethical principles such as honesty, integrity, and confidentiality.

One of the key ethical considerations for property and casualty adjusters is maintaining client confidentiality. Adjusters must safeguard their clients' personal information and only disclose it when authorized or required by law. This includes protecting sensitive information related to their clients' insurance coverage, claims, and financial situations. By respecting client confidentiality, adjusters demonstrate their commitment to trust and privacy, which are essential components of a successful adjusting relationship.

Another important ethical consideration for property and casualty adjusters is avoiding conflicts of interest. Adjusters must act in the best interests of their clients and refrain from engaging in any activities that may compromise their objectivity or independence. This includes avoiding any financial or personal relationships that could influence their decision-making or advice to clients. By remaining impartial and unbiased, adjusters can ensure that their recommendations are based solely on the needs and circumstances of their clients.

Additionally, property and casualty adjusters must adhere to ethical standards when communicating with clients and other parties involved in insurance claims. Adjusters should provide clear and accurate information to clients, avoid making false or misleading statements, and maintain open and transparent communication throughout the adjusting process. By upholding ethical communication practices, adjusters can build credibility and trust with their clients, as well as foster positive relationships with insurers, adjusters, and other stakeholders.

Best Practices for Maintaining Professionalism and Integrity in Client Interactions

In addition to upholding ethical considerations, property and casualty adjusters must also maintain a high level of professionalism in their interactions with clients. Professionalism encompasses a range of behaviors and attitudes that reflect a counselor's commitment to excellence, integrity, and respect for others.

One of the best practices for maintaining professionalism in client interactions is establishing clear boundaries with clients. Adjusters should set realistic expectations for the adjusting process, clarify their roles and responsibilities, and communicate any limitations or constraints that may impact their ability to assist clients. By defining boundaries and expectations upfront, adjusters can avoid misunderstandings and establish a foundation of trust and mutual respect with their clients.

Another best practice for maintaining professionalism is demonstrating empathy and understanding towards clients. Property and casualty adjusting often involves clients who are experiencing stressful or challenging situations, such as filing insurance claims or navigating coverage disputes. Adjusters should approach these interactions with compassion, sensitivity, and patience, and strive to provide a supportive and non-judgmental environment for clients to share their concerns and seek guidance.

Furthermore, adjusters should prioritize ongoing professional development and education to stay abreast of changes in the insurance industry, regulations, and best practices in adjusting. By engaging in continuous learning and training, adjusters can enhance their knowledge and skills, improve their ability to serve clients effectively, and uphold the highest standards of professionalism and integrity in their work.

In conclusion, property and casualty adjusters play a critical role in assisting clients with insurance-related issues and ensuring they receive fair and timely resolutions to their claims. By upholding ethical considerations and maintaining professionalism in their interactions with clients, adjusters can build trust, establish credibility, and promote positive outcomes for their clients. By adhering to ethical standards and best practices, adjusters can fulfill their responsibilities with integrity and excellence, ultimately contributing to the overall success and reputation of the property and casualty adjusting profession.

Risk Assessment and Analysis

In the world of insurance, risk assessment and analysis are crucial components in determining the appropriate coverage for clients. Understanding the various risk factors that can impact an individual or business is essential in order to recommend the most suitable insurance policies. In this chapter, we will explore techniques for evaluating and analyzing risk factors for clients, as well as strategies for recommending appropriate insurance coverage based on the results of the risk assessment.

Techniques for evaluating and analyzing risk factors for clients

Risk assessment is a systematic process of identifying, analyzing, and evaluating potential risks that may affect an individual or business. By conducting a thorough risk assessment, insurance professionals can gain a comprehensive understanding of the specific risks that their clients face, allowing them to recommend the most appropriate coverage options.

One common technique for evaluating risk factors is conducting a risk analysis. This involves identifying and quantifying the various risks that a client may face, such as natural disasters, accidents, or financial losses. By analyzing the likelihood and potential impact of these risks, insurance professionals can determine the level of risk exposure and develop strategies to mitigate these risks.

Another important technique for evaluating risk factors is conducting a risk assessment survey. This involves collecting information from clients about their operations, assets, and potential liabilities in order to identify potential risks. By asking specific questions and gathering relevant data, insurance professionals can gain insights into the unique risks that their clients face and tailor their insurance recommendations accordingly.

Furthermore, insurance professionals can utilize risk assessment tools and software to streamline the process of evaluating risk factors. These tools can help to analyze data, calculate risk scores, and generate reports that highlight the key risks that need to be addressed. By leveraging technology in risk assessment, insurance professionals can enhance their ability to accurately evaluate and analyze risk factors for clients.

Strategies for recommending appropriate insurance coverage based on risk assessment

Once the risk assessment has been conducted and the key risk factors have been identified, insurance professionals can then recommend appropriate insurance coverage based on the results. By matching the insurance policies to the specific risks that the client faces, insurance professionals can provide comprehensive coverage that addresses their unique needs.

One strategy for recommending appropriate insurance coverage is to tailor the policies to the specific risks that have been identified. For example, if a client operates a business in a high-risk industry, such as construction or manufacturing, insurance professionals may recommend policies that provide coverage for property damage, liability claims, and business interruption.

Another strategy is to conduct a gap analysis, which involves comparing the client's existing insurance coverage to the risks that have been identified. By identifying any gaps in coverage, insurance professionals can recommend additional policies or endorsements that provide the necessary protection. This ensures that the client is adequately covered for all potential risks.

Furthermore, insurance professionals can recommend risk management strategies to help clients mitigate their exposure to certain risks. This may include implementing safety measures, conducting regular inspections, or developing contingency plans in the event of a loss. By proactively managing risks, clients can reduce the likelihood of claims and minimize their potential financial impact.

In conclusion, risk assessment and analysis are essential components of the insurance process, enabling insurance professionals to accurately evaluate and analyze risk factors for clients. By employing techniques such as risk analysis, risk assessment surveys, and risk assessment tools, insurance professionals can gain a comprehensive understanding of the risks that their clients face. With this knowledge, insurance professionals can recommend appropriate insurance coverage that addresses the specific risks and provides the necessary protection. By tailoring policies, conducting gap analyses, and implementing risk management strategies, insurance professionals can help clients mitigate their exposure to risks and ensure that they are adequately covered.

Policy Coverage and Interpretation

Understanding policy language and coverage options

One of the most crucial aspects of the insurance industry is understanding the policy language and coverage options available to clients. Insurance policies are complex legal documents that outline the terms and conditions of coverage provided by the insurer. It is essential for insurance professionals to have a thorough understanding of policy language to effectively communicate coverage options to clients and ensure they are adequately protected.

When reviewing an insurance policy, it is important to pay close attention to the definitions, exclusions, and limitations outlined in the document. Definitions clarify the meaning of key terms used in the policy, while exclusions specify what is not covered under the policy. Limitations set boundaries on the extent of coverage provided by the policy. By understanding these components, insurance professionals can accurately assess the level of protection offered by the policy and communicate this information effectively to clients.

In addition to understanding policy language, insurance professionals must be knowledgeable about the different coverage options available to clients. There are various types of insurance policies, each designed to protect against specific risks. It is essential to assess the unique needs and circumstances of each client to determine the most appropriate coverage options. By offering tailored insurance solutions, insurance professionals can ensure that clients are adequately protected against potential risks.

Best practices for interpreting policies and communicating coverage information to clients

Interpreting insurance policies and communicating coverage information to clients requires a careful and methodical approach. Insurance professionals should adhere to best practices to ensure that clients have a clear understanding of their coverage options and are able to make informed decisions about their insurance needs.

One best practice for interpreting policies is to conduct a thorough review of the document in its entirety. This includes carefully reading each section of the policy, paying close attention to definitions, exclusions, and limitations. By taking the time to fully understand the policy language, insurance professionals can provide accurate and detailed information to clients regarding their coverage options.

Another best practice is to communicate policy information in a clear and concise manner. Insurance professionals should avoid using technical jargon or complex language when explaining coverage options to clients. Instead, they should use plain language and provide real-life examples to help clients better understand their insurance policy. By simplifying complex information, insurance professionals can ensure that clients are able to make informed decisions about their insurance coverage.

It is also important for insurance professionals to be proactive in communicating with clients about their coverage options. This includes regularly reviewing policies with clients to ensure that their insurance needs are being met and addressing any questions or concerns they may have. By maintaining open and transparent communication, insurance professionals can build trust with clients and provide them with the peace of mind that comes from knowing they are adequately protected.

In conclusion, understanding policy language and coverage options is essential for insurance professionals to effectively communicate coverage information to clients. By adhering to best practices for interpreting policies and communicating with clients, insurance professionals can ensure that clients have a clear understanding of their coverage options and are able to make informed decisions about their insurance needs. By offering tailored insurance solutions and maintaining open communication with clients, insurance professionals can help them achieve peace of mind knowing they are adequately protected against potential risks.

Claims Handling and Resolution

Handling insurance claims can be a complex and time-consuming process for both clients and insurance professionals. Effective management and resolution of insurance claims require a thorough understanding of the insurance policy, attention to detail, and strong communication skills. In this chapter, we will discuss the steps for effectively managing and resolving insurance claims, as well as best practices for advocating on behalf of clients during the claims process.

Steps for effectively managing and resolving insurance claims:

Understanding the insurance policy: The first step in effectively managing insurance claims is to thoroughly review and understand the insurance policy. This includes understanding the coverage limits, exclusions, and any other terms and conditions of the policy that may impact the claim. By having a clear understanding of the policy, insurance professionals can effectively advise clients on the claims process and ensure that the claim is handled in accordance with the policy terms.

Prompt notification of the claim: It is important for clients to notify their insurance company of a claim as soon as possible. Prompt notification allows the insurance company to begin the claims process and gather the necessary information to assess the claim. Insurance professionals should work closely with clients to ensure that all required information is provided to the insurance company in a timely manner.

Documenting the claim: Insurance professionals should assist clients in documenting the claim by gathering relevant information, such as photos, witness statements, and police reports. This documentation can help support the claim and ensure that the client receives the appropriate compensation from the insurance company. Insurance professionals should also keep detailed records of all communication with the insurance company and provide regular updates to the client on the status of the claim.

Reviewing the claim: Once the claim has been submitted to the insurance company, insurance professionals should carefully review the claim to ensure that all relevant information has been provided and that the claim is consistent with the policy terms. Any discrepancies or issues with the claim should be addressed promptly to avoid delays in the claims process.

Negotiating the claim: Insurance professionals play a crucial role in negotiating the claim on behalf of their clients. This may involve communicating with the insurance company to advocate for a fair and timely resolution of the claim. Insurance professionals should be prepared to provide supporting documentation and evidence to support the client's claim and negotiate with the insurance company to reach a settlement that is in the client's best interests.

Best practices for advocating on behalf of clients during the claims process:

Communication: Effective communication is key to advocating on behalf of clients during the claims process. Insurance professionals should maintain open and transparent communication with their clients, providing regular updates on the status of the claim and addressing any questions or concerns that may arise. Insurance professionals should also communicate effectively with the insurance company to ensure that the client's interests are represented during the claims process.

Documentation: Insurance professionals should maintain detailed records of all communication and documentation related to the claim. This includes keeping a record of all phone calls, emails, and letters exchanged with the insurance company, as well as documenting any additional information or evidence that may support the client's claim. This documentation can help support the client's case and ensure that the claim is resolved in a timely and fair manner.

Advocacy: Insurance professionals should advocate zealously on behalf of their clients during the claims process. This may involve negotiating with the insurance company to reach a fair settlement, challenging any denials or delays in the claims process, and ensuring that the client's rights are protected under the insurance policy. Insurance professionals should always act in the best interests of their clients and work diligently to achieve a successful resolution of the claim.

In conclusion, effective management and resolution of insurance claims require a proactive approach, attention to detail, and strong advocacy on behalf of clients. By following the steps outlined in this chapter and implementing best practices for advocating on behalf of clients during the claims process, insurance professionals can help ensure that their clients receive the compensation they are entitled to under their insurance policy.

Customer Service and Relationship Management

In the property and casualty insurance industry, building strong client relationships is essential for success. Clients who feel valued and supported are more likely to renew their policies, refer others to your agency, and provide positive reviews that can attract new business. In this chapter, we will explore the importance of customer service and relationship management in the insurance industry, as well as strategies for providing exceptional service and maintaining client loyalty.

Importance of Building Strong Client Relationships

In the competitive landscape of the insurance industry, building strong client relationships is crucial for business growth and sustainability. When clients feel connected to their insurance agent or agency, they are more likely to trust their advice, renew their policies, and seek additional coverage options. Strong relationships also lead to increased client satisfaction, which can result in positive word-of-mouth referrals and improved retention rates.

Furthermore, building strong client relationships can help insurance agents differentiate themselves from competitors. In a market saturated with insurance options, a personal touch and exceptional customer service can set your agency apart and attract clients who are looking for a trusted advisor they can rely on.

Strategies for Providing Exceptional Customer Service

Providing exceptional customer service is key to building and maintaining strong client relationships in the property and casualty insurance industry. Here are some strategies to help you deliver exceptional service to your clients:

Respond promptly to inquiries and requests: Clients expect quick and efficient responses to their inquiries and requests. Make sure to respond promptly to emails, phone calls, and messages to show that you value their time and are committed to providing excellent service.

Listen actively and empathize with clients: Take the time to listen to your clients' concerns and needs, and show empathy by understanding their unique situations. By demonstrating genuine care and concern, you can build trust and strengthen your client relationships.

Provide personalized recommendations and solutions: Tailor your insurance recommendations and solutions to meet the specific needs and preferences of each client. By offering personalized advice and guidance, you can help clients feel understood and supported.

Communicate proactively and transparently: Keep your clients informed about their policies, coverage options, and any changes or updates that may affect them. Be transparent about pricing, terms, and conditions to build trust and credibility with your clients.

Maintaining Client Loyalty

Maintaining client loyalty is essential for long-term success in the property and casualty insurance industry. Here are some strategies to help you retain clients and build lasting relationships:

Conduct regular policy reviews and check-ins: Schedule regular policy reviews with your clients to assess their coverage needs and identify any gaps or opportunities for additional protection. Check in with clients periodically to see how they are doing and if there are any changes in their lives or circumstances that may require adjustments to their policies.

Offer value-added services and benefits: Provide value-added services and benefits to your clients, such as educational resources, risk management advice, and discounts on bundled policies. By going above and beyond to meet your clients' needs, you can enhance their satisfaction and loyalty.

Reward loyalty and referrals: Recognize and reward clients who have been loyal to your agency and refer others to your services. Offer incentives, discounts, or exclusive perks to show your appreciation and encourage ongoing support from your clients.

Seek feedback and incorporate suggestions: Solicit feedback from your clients on their experiences with your agency and use their suggestions to improve your service delivery and processes. By listening to your clients and addressing their concerns, you can demonstrate your commitment to their satisfaction and loyalty.

In conclusion, providing exceptional customer service and building strong client relationships are essential for success in the property and casualty insurance industry. By prioritizing client satisfaction, trust, and loyalty, insurance agents can differentiate themselves from competitors, attract new business, and retain existing clients for the long term. By implementing the strategies outlined in this chapter, you can enhance your service delivery, build lasting relationships with your clients, and position your agency for continued growth and success.

Recap of Key Best Practices for Property and Casualty Adjusters in Georgia

As property and casualty adjusters in Georgia, it is crucial to adhere to best practices to ensure ethical and professional conduct in the industry. By following these guidelines, adjusters can effectively serve their clients while upholding the standards of the profession. In this chapter, we will recap some key best practices for property and casualty adjusters in Georgia.

Proper Licensing and Certification: One of the most important best practices for property and casualty adjusters is to ensure that they are properly licensed and certified to practice in the state of Georgia. This includes obtaining the necessary licenses and certifications from the Georgia Department of Insurance, as well as any additional certifications that may be required by professional organizations or associations.

Continuing Education: Property and casualty adjusters should stay up to date on the latest industry trends, regulations, and best practices through continuing education courses. By continuously expanding their knowledge and skills, adjusters can provide the best possible service to their clients.

Understanding Client Needs: It is essential for property and casualty adjusters to listen to their clients and understand their specific needs and concerns. By taking the time to truly understand what each client is looking for, adjusters can tailor their recommendations and solutions to meet those needs effectively.

Transparency and Disclosure: Property and casualty adjusters should always be transparent with their clients about the products and services they are recommending, as well as any potential conflicts of interest. Full disclosure of all relevant information is crucial to maintaining trust and credibility with clients.

Proper Documentation: It is important for property and casualty adjusters to keep thorough and accurate records of all client interactions, recommendations, and transactions. Proper documentation not only helps adjusters track their progress with clients but also protects them in case of any disputes or legal issues.

Compliance with Regulations: Property and casualty adjusters must comply with all relevant laws and regulations governing the insurance industry in Georgia. This includes adhering to guidelines set forth by the Georgia Department of Insurance, as well as any other regulatory bodies that oversee the profession.

Professionalism: Property and casualty adjusters should always conduct themselves in a professional manner when interacting with clients, colleagues, and other stakeholders. This includes maintaining a high level of integrity, respecting client confidentiality, and always acting in the best interests of the client.

Final Thoughts on the Importance of Ethical and Professional Conduct in the Industry

Ethical and professional conduct is the foundation of the property and casualty adjusting profession in Georgia. By following best practices and adhering to high ethical standards, adjusters can build strong relationships with their clients, earn their trust, and ultimately help them make informed decisions about their insurance needs.

In a constantly evolving industry like insurance, it is crucial for adjusters to stay current on trends, regulations, and best practices to provide the best possible service to their clients. By continuously improving their skills and knowledge, adjusters can position themselves as trusted advisors and valuable resources for their clients.

In conclusion, ethical and professional conduct is not only a best practice for property and casualty adjusters in Georgia, but a requirement for success in the industry. By upholding the highest standards of integrity, transparency, and professionalism, adjusters can build a solid reputation, attract new clients, and ultimately achieve long-term success in their careers.

I. PROPERTY AND CASUALTY POLICY PROVISIONS, TERMS, AND CONCEPTS ANSWERS

In Property and Casualty insurance, insurable interest must exist:

At time of application

Is not required

Either at the time of application or at the time of loss

At time of loss

d): In order for a claim to be paid, insurable interest must exist in Property and Casualty at the time of loss. For example, if you sell your house and it burns down, you will not be able to claim the loss as you no longer have an insurable interest. Remember the principle of indemnity. In Property and Casualty insurance insurable interest must also exist at the time the policy is issued.

Something that increases the likelihood of loss is called a:

Loss exposure

Risk

Peril

Hazard

d): A hazard is some factor that increases the likelihood of a loss. Examples of hazards are a rip in a carpet or poor management practices in a manufacturing facility. Risk is uncertainty concerning a loss. Loss exposure is a measure of the likelihood of a loss.

Actual cash value is defined as:

Market value less depreciation

Replacement cost less depreciation

Appraised cost less depreciation

Original cost plus appreciation

b): The definition of actual cash value is replacement cost less depreciation. Market value is the current value the market would pay. Appraised cost is not a valuation method.

When an applicant or a claimant provides information to the insurer that is to the best of his or her knowledge, it is called a:

Warranty

Representation

Guarantee

Misrepresentation

b): A representation is information that is provided to the best of your knowledge. In general, information on an application is considered a representation. A warranty is information that is guaranteed to be true. If the information on an application is incorrect, this is a misrepresentation.

What is the definition of insurance?

Reduction of risk

Avoidance of risk

Retention of risk

Transfer of risk

d): Insurance is, by definition, the transfer of pure risk to an insurer for a consideration, the premium, with the promise for the insurer to pay or indemnify in the case of a loss.

In insurance the principle of making someone whole after a loss whereby the insured is paid only for actual losses and does not gain is called:

Warranty

Subrogation

Indemnity

Insurance to value

c): Insurance covers pure risk only, where the insured stands only to lose and not to gain. The principle of indemnity is the principle applied in insurance that restores the insured to the financial position they were in prior to a loss. The principle of indemnity provides for the insured to be made whole after a loss but not to gain from the loss.

Temporary insurance coverage provided by an insurer or an agent to an insured is called a:

Binder

Application

Certificate of insurance

Policy

a): A binder is temporary insurance provided until a policy can be issued. A binder can be either in writing or oral. An application is a formal request for insurance coverage. A policy is a contractual agreement to provide insurance coverage. A certificate of insurance is a document that is provided that can be used to prove that you have insurance coverage.

Each of the following is a direct loss, except:

Loss of income

Fire damage

Bent fender

Broken pipe water damage

a): Loss of income is an indirect loss. It is a loss suffered as a consequence of a direct loss and is not caused directly by covered peril such as a fire.

Eddie leaves his car unlocked whenever he goes shopping. He takes the attitude that the car is insured and, if anything happens to it, the insurer will take care of the loss. This is an example of:

A moral hazard

A physical hazard

A morale hazard

Loss exposure

c): A hazard increases the risk of loss. When the insured has an ‘I don’t care attitude’, this is known as a morale hazard.

A cause of loss is a:

Risk

Hazard

Peril

Adverse selection

c): A cause of loss is called a peril. Examples of perils are fire’ lightning, windstorm, and theft. A risk is a cause of a potential loss. A hazard increases the chance of loss.

An insured cancels an insurance policy because he sells his house which is insured. He gets a refund for the unearned premium he paid for the insurance. This is called a:

Nonrenewal

Flat cancellation

Pro rata cancellation

Short rate cancellation

c): If the insured cancels a policy and the unearned premium is refunded, this is known as a pro rata cancellation. In short rate cancellation, the amount of a refund is based on a short rate table. A flat cancellation occurs when the policy is cancelled before it goes into effect. The insured receives a refund of the total premium and the policy is made null and void.

An indirect loss is:

The cause of a direct loss

A loss that is the result of a direct loss

Not a type of loss that is covered by property insurance

A trivial loss

b): An indirect loss is also known as a contingent or consequential loss. It is the loss sustained that is a consequence, but not the direct result, of loss from a covered peril. Examples are loss of business income if a business has to shut down for a while due to a fire in their premises, or additional living expenses a homeowner incurs because they have to stay in a hotel while their home is being repaired after hail damage.

Amy's house is damaged by a fire. The total amount of the loss is $5,000. The actual cash value of the furniture is $3,000. How much will Amy's insurer pay towards the loss if the loss is valued on a replacement cost basis?

$3,000

$5,000

$0

$2,000

b): Because the loss is valued on a replacement cost basis, the insurer would pay out the full amount of $5,000 as long as this was within the limit of liability. Actual cash value would take into account depreciation.

A home valued at $125,000 has an 80% coinsurance requirement. What is the minimum amount the house must be insured for if the property owner wants to be indemnified for a partial loss?

$100,000

$125,000

$80,000

$150,000

a): The coinsurance amount is 80% of $125,000 = $100,000. If the limit of liability in the policy is at least $100,000 the insurer will pay the full amount of a covered partial loss. If the limit of liability in the policy is less than $100,000, the payment for a partial loss by the insurer will be reduced proportionately. In other words, the insured will be penalized for being underinsured.

Which of the following is a document that is used to validate the insurance coverage on property?

The application

The insurance policy

The insured contract

The certificate of insurance

d): A certificate of insurance is a document that is provided that can be used to validate that you have insurance coverage. An application is a formal request for insurance coverage. A policy is a contractual agreement to provide insurance coverage. An insured contract is a contract between two parties that is covered by insurance, for example, completed operations liability.

All of the following are included in bodily injury except:

Hospital expenses

Loss of income

Repair costs for a car

Pain and suffering

c): Bodily injury would cover specific and general damages related to a person's bodily injury. Specific damages would include such things as hospital expenses and loss of income. General damages would include such things as pain and suffering and disfigurement. Repair costs for a car would be covered under property damage and not bodily injury.

The amount of coverage provided for a particular type of coverage is referred to as the:

Per occurrence limit

Limit of liability

Blanket limit

Maximum limit

b): The amount of coverage provided for a particular type of coverage is referred to as the limit of liability or limit of insurance.

What is the term used for the total amount of insurance available in a policy year?

Limit of liability

Maximum limit

Specific limit

Aggregate limit

d): The aggregate limit is the most an insurer will pay in a policy year. The limit of liability is the most the insurer will pay for a particular coverage. A specific limit is the limit of liability for a single property on a policy. Maximum limit is not a recognized term.

Absolute or strict liability exists for all of the following situations except:

A bull terrier

Pharmaceutical drugs

Explosives

Fireworks

b): For absolute or strict liability you are not required to prove negligence. This would apply to liability claims related to animals you own or some hazardous activity such as setting off explosives or fireworks. Liability related to pharmaceutical drugs would require that there was negligence.

Liability without fault or negligence is defined as:

Contributory

Comparative

Absolute

Vicarious

c): Absolute liability is liability associated with dangerous or hazardous activities.

Examples are an animal attacking someone or setting off explosives. There is no need to prove negligence or fault in a claim where there is absolute liability.

Which of the following best describes a scheduled limit of insurance on a property policy?

Insures multiple properties on multiple policies

Insures multiple properties on a single policy

Insures a single property on a single policy for a specific limit

Insures a single property at a blanket limit

b): A scheduled limit of liability lists multiple properties, each with a specified limit of liability, on a single policy. An example is an auto policy covering multiple cars, each with a different limit of liability. For example, Car A is covered for $20,000 and Car B is covered for $10,000.

An action that, in a natural and continuous sequence, produces a loss is the:

Hazard

Proximate cause

Negligence

Exposure

b): Proximate cause is an action that, in a natural and continuous sequence, produces a loss. It is one of the elements required to establish negligence in a liability claim.

Liability insurance is sometimes known as:

First party insurance

Necessary insurance

Third party insurance

Excess insurance

c): Liability insurance offers protection for liability claims against the insured. It is also known as third party insurance because payment is made to a third party, the plaintiff or claimant. The other two parties are the insured and the insurer.

All of the following are true of coinsurance except:

The higher the coinsurance percentage, the lower the premium rate

It only applies to total losses

It is used in most commercial property policies

It is used to encourage the purchase of insurance to value

b): Total losses are paid based on the coverage limit on the policy. Coinsurance does not apply. The other statements are true of coinsurance.

Bodily harm, sickness, or disease, including resulting death, is the definition of:

Personal Injury Coverage

Medical Payments

Bodily Injury Coverage

Third Party Coverage

c): Bodily Injury Coverage provides liability insurance for bodily harm, sickness, or death. Personal Injury Coverage provides liability insurance for libel, slander, false arrest, or invasion of privacy.

Sam was attending a baseball game and was injured by a ball that flew up into the stands. Which of the following defenses against negligence will the owners probably use?

Assumption of risk

Comparative negligence

Contributory negligence

Statute of limitations

a): When a person knowingly exposes themselves to a risk or has been informed they are entering an environment that may be dangerous and they are injured, a court of law may find that there is no liability on the part of the insured based on this defense of Assumption of Risk. You will often see signs at sports stadiums or on construction sites that say that the person is entering at their own risk.

Liability policies usually pay damages for the insured's liability for all of the following except:

a): Bodily injury

b): Property damage

c); Personal injury

d): Intentional torts

d): Liability policies pay damages for the insured's liability only for unintentional torts. Liability policies can cover liability for bodily damage, property damage, and personal injury.

II. Principles of Risk Management Answers

What is the definition of risk in insurance?

A. The certainty of gain

B. The uncertainty arising from possible events causing loss

C. The certainty of loss

D. The possibility of avoiding loss

Answer: B. The uncertainty arising from possible events causing loss

What are the two types of risk?

A. Certain risk and uncertain risk

B. Speculative risk and absolute risk

C. Certain risk and speculative risk

D. Speculative risk and pure risk

Answer: D. Speculative risk and pure risk

Which of the following methods can be used to manage risk?

A. Ignoring risk

B. Embracing risk

C. Transferring risk

D. Creating risk

Answer: C. Transferring risk

What does pure risk refer to?

A. Situations with only a chance of loss

B. Situations with only a chance of gain

C. Situations with a certainty of loss

D. Situations with a certainty of gain

Answer: A. Situations with only a chance of loss

What is the first step in the risk management process?

A. Avoiding risk

B. Monitoring the risk management system

C. Identifying and analyzing loss exposures

D. Selecting a method to handle each exposure

Answer: C. Identifying and analyzing loss exposures

What should adjusters in Georgia consider obtaining to protect themselves from claims of negligence?

A. Health insurance

B. Life insurance

C. Professional liability insurance

D. Home insurance

Answer: C. Professional liability insurance

Why is it important for adjusters to stay informed about potential risks and changes in laws and regulations?

A. To increase their insurance premiums

B. To enhance their professional knowledge and skills

C. To avoid clients

D. To decrease their liability

Answer: B. To enhance their professional knowledge and skills

What does liability insurance provide coverage for?

A. Legal defense costs

B. Property repairs

C. Medical bills

D. All of the above

Answer: A. Legal defense costs

What is one of the key components of risk management in property and casualty adjusting?

A. Avoiding clients

B. Obtaining proper insurance coverage

C. Providing services without consent

D. Ignoring client needs

Answer: B. Obtaining proper insurance coverage

How should adjusters develop appropriate interventions to mitigate risks?

A. By avoiding clients

B. By conducting a thorough risk assessment

C. By not seeking supervision

D. By ignoring risks

Answer: B. By conducting a thorough risk assessment

How can staying informed help in managing risks in property and casualty adjusting?

A. It is not necessary to stay informed

B. Staying informed can help identify potential risks and prevent them

C. Staying informed increases the likelihood of conflicts

D. Staying informed is a waste of time

Correct Answer: B. Staying informed can help identify potential risks and prevent them

What is the importance of conducting thorough assessments before providing adjusting services?

A. It is not necessary to conduct assessments

B. Assessments help tailor advice to clients' specific situations and reduce misunderstandings

C. Assessments increase conflicts with clients

D. Assessments are only needed for certain clients

Correct Answer: B. Assessments help tailor advice to clients' specific situations and reduce misunderstandings

Why is effective communication key to managing risks in property and casualty adjusting?

A. Effective communication is not important

B. It helps explain complex concepts in simple terms

C. It creates more misunderstandings

D. Effective communication is time-consuming

Correct Answer: B. It helps explain complex concepts in simple terms

Why is documenting interactions with clients essential for managing risks?

A. It is not necessary to document interactions

B. Documenting interactions helps protect in case of disputes or legal challenges

C. Documenting interactions can increase the likelihood of complaints

D. Documenting interactions is only needed for certain clients

Correct Answer: B. Documenting interactions helps protect in case of disputes or legal challenges

What is the importance of seeking feedback from clients in risk management?

A. Seeking feedback is not important

B. It encourages clients to provide feedback and improve practice

C. Seeking feedback can lead to conflicts

D. Seeking feedback is a waste of time

Correct Answer: B. It encourages clients to provide feedback and improve practice

How can diversification help reduce risks in property and casualty adjusting?

A. Diversification has no impact on risks

B. By spreading investments across different asset classes, industries, and regions

C. Diversification increases the impact of market fluctuations

D. Diversification is only needed for certain clients

Correct Answer: B. By spreading investments across different asset classes, industries, and regions

What is asset allocation and how does it mitigate risks?

A. Asset allocation is not important

B. Properly allocating assets based on clients' risk tolerance, time horizon, and financial goals

C. Asset allocation increases market volatility

D. Asset allocation is only needed for high-risk clients

Correct Answer: B. Properly allocating assets based on clients' risk tolerance, time horizon, and financial goals

Why is regular monitoring essential in managing risks in property and casualty adjusting?

A. Regular monitoring is not necessary

B. It helps identify potential risks and make timely adjustments

C. Regular monitoring creates more risks

D. Regular monitoring is a waste of time

Correct Answer: B. It helps identify potential risks and make timely adjustments

What happens if property and casualty adjusters do not comply with regulations?

A. There are no consequences for non-compliance

B. Failure to comply can result in fines, penalties, or loss of license

C. Non-compliance increases client trust

D. Non-compliance is not a concern for adjusters

Correct Answer: B. Failure to comply can result in fines, penalties, or loss of license

What is the fundamental ethical principle regarding client confidentiality in adjusting practice?

A. Maintaining client confidentiality is not important

B. Make sure to obtain clients' consent before disclosing sensitive information

C. Confidentiality is not a concern for clients

D. Only disclose information if it benefits the counselor

Correct Answer: B. Make sure to obtain clients' consent before disclosing sensitive information

Why should property and casualty adjusters avoid conflicts of interest?

A. It is not necessary to avoid conflicts of interest

B. Conflicts of interest can lead to biased advice

C. Conflicts of interest increase client trust

D. Conflicts of interest benefit clients

Correct Answer: B. Conflicts of interest can lead to biased advice

What does managing risks in property and casualty adjusting require?

A. It does not require proactive strategies

B. A combination of proactive strategies, risk mitigation techniques, and adherence to legal and ethical considerations

C. Managing risks does not require adherence to legal and ethical considerations

D. Managing risks does not require diversifying portfolios

Correct Answer: B. A combination of proactive strategies, risk mitigation techniques, and adherence to legal and ethical considerations

Why is protecting clients from financial losses important in property and casualty adjusting?

A. Protecting clients is not a concern for adjusters

B. It is important for the financial security of individuals and businesses

C. Protecting clients does not impact the reputation of insurance professionals

D. Protecting clients is not important for maintaining credibility

Correct Answer: B. It is important for the financial security of individuals and businesses

What role does client protection play in maintaining the credibility of insurance professionals?

A. Client protection has no impact on credibility

B. Client protection plays a key role in maintaining credibility

C. Client protection benefits only clients

D. Client protection is not important for insurance professionals

Correct Answer: B. Client protection plays a key role in maintaining credibility

How can insurance products and policies help safeguard clients from financial losses?

A. Insurance products and policies do not provide protection

B. By providing coverage in case of unforeseen events

C. Insurance products and policies do not benefit clients

D. Insurance products and policies increase financial losses

Correct Answer: B. By providing coverage in case of unforeseen events

What is the importance of client protection in P&C adjusting?

A. To increase potential risks for financial losses

B. To help clients identify and mitigate risks leading to financial losses

C. To avoid building trust with clients

D. To recommend inadequate coverage options

Correct answer: B

How can insurance professionals enhance their reputation?

A. By ignoring client protection

B. By prioritizing client protection in their practice

C. By not updating clients' insurance coverage

D. By providing clients with coverage that doesn't align with their needs

Correct answer: B

Which insurance product provides coverage for damage or loss to a client's home, business, or personal belongings due to perils?

A. Health Insurance

B. Liability Insurance

C. Property Insurance

D. Life Insurance

Correct answer: C

What does liability insurance protect clients from?

A. Financial gains

B. Legal claims and lawsuits

C. Natural disasters

D. Property damage

Correct answer: B

What does business interruption insurance cover?

A. Loss of income and ongoing expenses

B. Damage to personal belongings

C. Legal claims

D. Natural disasters

Correct answer: A

What does umbrella insurance provide?

A. Additional liability coverage

B. Property insurance

C. Health insurance

D. Life insurance

Correct answer: A

What should insurance professionals do before recommending insurance products to clients?

A. Conduct comprehensive risk assessments

B. Skip risk assessments

C. Educate clients on coverage options

D. Never review clients' insurance coverage

Correct answer: A

What is essential for effective risk management in adjusting practice?

A. Regular training and education

B. Ignoring best practices

C. Poor documentation

D. Lack of supervision and consultation

Correct answer: A

What is crucial for minimizing the risk of ethical violations in adjusting practice?

A. Lack of informed consent

B. Maintaining confidentiality

C. Poor professional boundaries

D. Not seeking supervision

Correct answer: B

What should adjusters do to ensure client information is protected in the digital age?

A. Ignore cybersecurity threats

B. Avoid using electronic records

C. Secure electronic records and communication channels

D. Share sensitive information without proper authorization

Correct answer: C

What should adjusters be prepared for regarding client diversity?

A. Avoid working with clients from diverse backgrounds

B. Not show sensitivity to cultural issues

C. Expand cultural competence

D. Only work with clients from similar backgrounds

Correct answer: C

What is a key trend to watch in risk management for Georgia P&C adjusters?

A. Avoiding interprofessional collaboration

B. Focus on cultural competence and diversity

C. Neglecting to adapt to emerging technologies

D. Minimizing the importance of risk management

Correct answer: B

What should adjusters do to effectively manage risk and provide quality care to clients?

A. Not staying informed about current trends

B. Ignoring interprofessional collaboration

C. Not obtaining informed consent

D. Staying informed about current trends

Correct answer: D

How can adjusters minimize the risks they face in adjusting practice?

A. By neglecting professional boundaries

B. By not documenting client sessions

C. By staying informed about current trends

D. By avoiding training and education on risk management

Correct answer: C

What is an essential aspect of adjusting practice in Georgia?

A. Avoiding multidisciplinary teams

B. Not maintaining professional boundaries

C. Risk management

D. Not protecting client information in the digital age

Correct answer: C

Property loss exposures refer to:

a. Financial risks faced by businesses

b. Legal responsibilities of organizations

c. Physical assets at risk of damage or loss

d. Cybersecurity threats

Correct answer: c. Physical assets at risk of damage or loss

Causes of property loss can include all of the following except:

a. Fire

b. Theft

c. Employee turnover

d. Natural disasters

Correct answer: c. Employee turnover

Consequences of property loss can lead to:

a. Increased revenue

b. Reputational damage

c. Improved productivity

d. Reduced expenses

Correct answer: b. Reputational damage

Intentional liability involves:

a. Accidental actions

b. Deliberate actions

c. Strict liability

d. Absolute liability

Correct answer: b. Deliberate actions

Strict liability:

a. Requires proof of fault

b. Is a common type of liability in cases of negligence

c. Holds parties accountable for harm caused, regardless of intent

d. Cannot be avoided, even with precautions

Correct answer: c. Holds parties accountable for harm caused, regardless of intent

Immunity refers to:

a. Protection from legal liability

b. Legal responsibility for the actions of another

c. Damages awarded to punish the liable party

d. Liability that does not require proof of fault

Correct answer: a. Protection from legal liability

Insurance contracts are:

a. Flexible agreements

b. Not legally binding

c. Subject to various laws and regulations

d. Without coverage limits

Correct answer: c. Subject to various laws and regulations

Contract law is important in the insurance industry to:

a. Minimize exposure to liability losses

b. Ensure fairness and transparency

c. Increase premiums

d. Avoid claims process

Correct answer: b. Ensure fairness and transparency

Life insurance companies provide coverage for:

a. Property damage

b. Medical expenses

c. Death or disability

d. Legal responsibilities

Correct answer: c. Death or disability

Reinsurance companies help primary insurers manage risk by:

a. Transferring a portion of their risk to another insurer

b. Increasing financial instability

c. Decreasing policyholders

d. Avoiding large or catastrophic losses

Correct answer: a. Transferring a portion of their risk to another insurer

Reinsurance companies provide coverage to primary insurers in exchange for:

a. Premium

b. Claims process

c. Immunity

d. Legal responsibilities

Correct answer: a. Premium

Reinsurance helps insurers:

a. Increase risk exposure

b. Decrease financial stability

c. Share the financial burden of losses

d. Avoid unexpected losses

Correct answer: c. Share the financial burden of losses

III. FUNDAMENTALS OF FINANCIAL ANALYSIS ANSWERS

What does a balance sheet provide a snapshot of?

a. A company's revenue and expenses

b. A company's financial condition at a specific point in time

c. A company's assets and liabilities

d. A company's marketing strategy

Correct answer: c. A company's assets and liabilities

What does an income statement show?

a. A company's revenue sources

b. A company's cash flow activities

c. A company's profit or loss over a specific period of time

d. A company's shareholders' equity

Correct answer: c. A company's profit or loss over a specific period of time

What do liquidity ratios measure?

a. A company's ability to meet its short-term obligations

b. A company's efficiency in generating revenue

c. A company's capital structure

d. A company's ability to generate profits

Correct answer: a. A company's ability to meet its short-term obligations

What do financial leverage ratios evaluate?

a. A company's liquidity

b. A company's capital structure

c. A company's revenue sources

d. A company's profitability

Correct answer: b. A company's capital structure

What does the FIFO inventory valuation method involve?

a. Selling the newest inventory items first

b. Calculating the average cost of all inventory items

c. Selling the oldest inventory items first

d. Calculating the cost of goods sold using the most recent inventory prices

Correct answer: c. Selling the oldest inventory items first

What does the LIFO inventory valuation method involve?

a. Selling the newest inventory items first

b. Selling the oldest inventory items first

c. Calculating the average cost of all inventory items

d. Calculating the cost of goods sold using the most recent inventory prices

Correct answer: a. Selling the newest inventory items first

What does the average cost method of inventory valuation do?

a. Calculates the ending inventory by taking the average cost of all inventory items

b. Reflects the current market value of inventory items

c. Smooths out fluctuations in inventory costs

d. Results in a lower cost of goods sold

Correct answer: c. Smooths out fluctuations in inventory costs

What is the main purpose of financial statements?

a. To provide transparency and accountability in a company's financial reporting

b. To advertise the company's products and services

c. To attract investors with false information

d. To mislead creditors about the company's financial health

Correct answer: a. To provide transparency and accountability in a company's financial reporting

What do profitability ratios measure?

a. A company's ability to meet its short-term obligations

b. A company's efficiency in generating revenue

c. A company's capital structure

d. A company's ability to generate profits relative to revenue, assets, and equity

Correct answer: d. A company's ability to generate profits relative to revenue, assets, and equity

Which financial analysis technique involves calculating and interpreting various financial ratios?

a. Balance sheet analysis

b. Ratio analysis

c. Income statement analysis

d. Inventory valuation method analysis

Correct answer: b. Ratio analysis

What do activity ratios measure?

a. A company's liquidity

b. A company's ability to generate profits

c. How efficiently a company is utilizing its assets to generate revenue

d. A company's capital structure

Correct answer: c. How efficiently a company is utilizing its assets to generate revenue

What do financial leverage ratios evaluate?

a. A company's liquidity

b. A company's capital structure

c. A company's revenue sources

d. A company's profitability

Correct answer: b. A company's capital structure

What does the sources and uses of funds statement show?

a. How a company has obtained and used its funds over a specific period of time

b. A company's profit or loss over a specific period of time

c. A company's revenue, expenses, and profit

d. A company's current assets and liabilities

Correct answer: a. How a company has obtained and used its funds over a specific period of time

Which inventory valuation method calculates the ending inventory by taking the average cost of all inventory items?

a. FIFO

b. LIFO

c. Average Cost Method

d. Weighted Average Method

Correct answer: c. Average Cost Method

What is the main impact of choosing an inventory valuation method on a company's financial statements?

a. It has no impact

b. It can significantly impact the financial statements

c. It only impacts the income statement

d. It only impacts the balance sheet

Correct answer: b. It can significantly impact the financial statements

IV. PROPERTY INSURANCE POLICIES AND FORMS ANSWERS

When an applicant fails to make known a material fact, this is known as:

Misrepresentation

Concealment

Warranty

Fraud

a): Concealment is purposefully not reporting or concealing a material fact that would affect the issuance or rate of an insurance contract. Misrepresentation is information that is provided but is incorrect. Fraud is purposefully providing incorrect information.

The Declarations includes all of the following information except:

The named insured

The deductible

Duties after a loss

The policy effective date

c): All of the above are included in the declarations of a policy except duties after a loss. Duties after a loss is included in the Conditions section of the policy.

Which of the following is not contained in the Conditions section of the insurance policy:

Exclusions

Appraisal

Charges

Assignment

a): Exclusions is a separate section in the policy. It is not part of the Conditions.

The Insuring Agreement includes which of the following:

Insurer's promise of payment

Exclusions

The obligations the insured and insurer agree to follow

Loss payable clause

a): The Insuring Agreement is that portion of the insurance policy in which the insurer promises to make payment to or on behalf of the insured. The obligations of the insured and the insurer are included in the Conditions section of the insurance policy.

An unendorsed liability policy is designed to provide coverage for which of the following:

Intentional torts

Wrongful liability

Unintentional torts

Contractual torts

c): Liability insurance will only cover unintentional torts, or civil wrongs. It will not cover intentional torts. Unintentional torts are the result of an individual's negligence.

Which of the following documents verifies how and when a loss occurred and includes the amount of the damages:

Proof of loss

Notice of loss

Occurrence notice

Certificate of insurance

a): The Proof of Loss is a form that is completed by the insured that provides an inventory and evidence of the damages. A notice of loss provides notification to the insurer that the insured has sustained or discovered a loss but may not include many details of the loss.

If two liability policies are in place and Company B's policy will pay only after Company A's policy pays, what type of insurance is Company B's liability policy?

Excess

Pro-rata

Non-concurrent

Concurrent

a): If there are two policies in place and one policy will pay only after the other pays its limit of liability, this is known as excess insurance. The policy that pays first is known as the primary insurance.

Each of the following elements is necessary for the formation of a legally valid contract except:

Consideration

Agreement

Signatures of each party

Competent parties

c): There are four elements required of a legally valid contract – the offer, acceptance, consideration, and intention of legal consequences. All parties must be competent to enter into a legal agreement. Signatures may be required but not always. For example, a binder is a legal contract but does not require a signature.

When a property insurance applicant makes a statement on an application that becomes part of the contract and includes a promise by the insured, the statement is considered to be a:

Misrepresentation

Waiver

Representation

Warranty

d): A warranty is a guarantee that the information provided is correct. Generally the information provided in an application is considered to be a representation, that is, the information to the best of the applicant's knowledge.

All of the following are true about a representation except:

A representation of a fact is the same as an expression of opinion

It usually appears in an application

A policy is usually voided if a misrepresentation is of a material fact

Representations are sometimes given orally

a): A representation is information that is provided that is the best to your knowledge. The insurance contract is established based on this information. Both parties to the contract are expected to act in utmost good faith.

When canceling a policy mid-term, the insurer must:

Give prior written notice to the first named insured

Have the first named insured sign a cancellation receipt

Refund the unearned premium on a short rate basis

Refund the earned premium on a pro-rata basis

a): When canceling a policy mid-term the insurer must notify the first named insured in writing of their intent to cancel the policy and are required to refund any unearned premium. Note, option D states that the insurer is required to refund the earned premium on a pro-rata basis. This is not correct and is a trick answer. The insurer is required to refund the unearned premium.

On a Personal Auto Policy, all of the following conditions describe the insured's duties after a loss except:

Notice of claim must be submitted to the insurer immediately and in writing

The police must be notified promptly if a covered auto is stolen

Notice of claim must be submitted to the insurer immediately, but need not be in writing

Cooperation with the insurer in the investigation, settlement or defense of any claim

a): On a Personal Auto Policy, the insured is required to notify the insurer or agent of a claim. This does not have to be in writing, however.

The covered perils would be found in which part of the policy?

Declarations

Insuring agreement

Conditions

Exclusions

b): The covered perils are covered in the Insuring Agreement.

The transfer of the insured's rights to the insurer after a loss is known as:

Salvage

Assignment

Subrogation

Arbitration

c): Subrogation transfers the insured's rights of recovery to the insurer after the insurer has paid a claim. This prevents the insured from being paid by the insurer for their loss and then suing the responsible person, effectively receiving more than their actual loss. This would violate the principle of indemnity which states that an insured should be made whole after a loss, but should not benefit or gain from the loss. The insured transfers the right of recovery to the insurer only for that portion of the loss the insurer has had to pay. This allows the insurer to try to recover from the responsible party the amount they have paid, thus reducing their costs.

To void a policy, misrepresentation or concealment must:

Concern material facts

Be intentional

Concern material facts and be intentional

Neither concern material facts nor be intentional

a): To void a policy, misrepresentation or concealment must concern material facts. Material facts would affect whether or not the insurer would issue a policy or pay a claim. There is no specification that the misrepresentation be intentional or not.

Which of the following is not included as a supplementary payment in a liability policy?

Premium for a bail or appeal bond

Reasonable investigation expenses the insured incurs at the company's request

First aid costs

Judgment against the insured for bodily injury liability

d): All of the options provided are supplementary payments in a liability policy except the actual liability damages paid themselves. These are covered by the liability policy and are subject to the limits of liability specified in the policy. Supplementary payments are payments for expenses over and above the limit of liability on the policy.

The Fair Credit Reporting Act requires all of the following except:

Notification to the applicant that a consumer report will be ordered

Notification to the applicant if adverse action will be taken based on a consumer report

That the insurer advise the applicant of the name of the consumer reporting agency

That the applicant bring legal action against the agency in order to change inaccurate information

d): The Fair Credit Reporting Act provides that an applicant has the right to have incorrect information corrected. They would not be required to file a lawsuit to have the information corrected. All the other statements are true.

In liability policies, supplementary payments:

Are subject to the overall policy limit

Have their own separate limits

Are payable in addition to the policy limit

Are limited to 10% of the overall policy limit

c): Supplementary payments in liability policies are payable in addition to the limit of liability. Supplementary payments include such things as defense costs, a per diem for time spent in court to defend a liability claim, and costs to investigate a claim.

Which federal regulation protects consumer privacy?

COBRA (Consolidated Omnibus Budget Reconciliation Act)

Fraudulent Insurance Act

Privacy Protection Act

Fair Credit Reporting Act

d): The Fair Credit Reporting Act protects consumer privacy. In addition to protecting consumer privacy, it promotes the fairness and accuracy of information obtained as part of a consumer report. The Fair Credit Reporting Act ensures that the data collected by companies on a person is confidential, accurate, relevant, and used for the proper purpose

Standard Fire Policy Answers

All are true of the Standard Fire Policy except:

It covers only direct costs

It pays out at a minimum on an Actual Cash Value basis at time of loss

It is a named peril form and includes losses as a result of fire and lightning

Includes losses for property removed to protect it from further damage for up to five days from covered perils

a): The Standard Fire Policy will provide coverage for both direct and indirect losses. Losses are paid out based at a minimum on Actual Cash Value. Perils covered are specified in the policy and include losses as a result of fire, lightning and property damaged when removed to protect it from further damage for up to five days.

Which statement is true regarding the Standard Fire Policy?

It can be voided if the insured concealed or misrepresented any material information

It covers the peril of theft

The insured can cancel the policy at any time and will receive a refund of the unearned premium

The insurer has the final say if the insured and insurer do not agree on the amount to be paid for a loss.

a): The Standard Fire Policy can be voided if the insured concealed or misrepresented any material information. It does not cover loss due to theft. The insured can cancel the policy at any time and may receive a refund of the unearned premium but the insurer is only obliged to refund the insured based on customary short rates for the expired time. If the insured and insurer do not agree on the amount covered for a loss, each may hire an appraiser for which they will pay. The appraisers will select a disinterested third party, the umpire. The amount to be covered will be decided when two of the three (two appraisers and umpire) agree. The cost of the umpire will be split between the insured and the insurer.

DP Forms Answers

Which of the following is not eligible under a Dwelling Policy?

Dwelling that has 5 roomers

Dwelling that has 4 townhouses

Dwelling that is used by a hair studio

Dwelling that is located on a farm

d): Dwellings located on farms cannot be covered under a Dwelling Policy. There is a special form that is used to cover farms.

Which of the following Dwelling Policy forms covers the building on an open peril basis?

DP-1 – Basic Form

DP-2 – Broad Form

DP-3 – Special Form

DP-4 – Liability Form

c): The DP-3, Special form, covers the dwelling and other structures on an open peril basis, that is, all perils are covered, except those that are specifically excluded. The DP-1 and DP-2 forms cover the dwelling and other structures on a named peril basis. Personal property is covered on a named peril basis on all forms. There is no such thing as a DP-4.

Which of the following Dwelling Policy forms pays for losses to the dwelling on an actual cash value basis?

DP-1 – Basic Form

DP-2 – Broad Form

DP-3 – Special Form

DP-4 – Liability Form

a): The Basic form pays for losses on the dwelling on an actual cash value basis, that is, replacement cost less depreciation. The DP-2 and DP-3 forms pay for losses on the dwelling and other structures on a replacement cost basis. Personal property losses are paid on an actual cash value basis for all forms, DP-1, DP-2, and DP-3. There is no DP-4 form.

An attached carport is covered under which coverage?

Coverage A - Dwelling

Coverage B – Other Structures

Coverage C – Personal Property

Coverage D – Fair Rental Value

a): An attached carport is covered under Coverage A, Dwelling. If the carport or any other structure is detached from the dwelling, it is covered under Coverage B, Other Structures.

All of the following are types of property not covered by Coverage C except:

Watercraft

A canoe off premises

Motor vehicles

Your cat

b): Watercraft, other than canoes and rowboats are excluded from Coverage C. Motor vehicles and animals, birds and fish are also excluded.

The limit of insurance for the Other Coverage Trees, Shrubs, and Other Plants is provided up to what percentage of the Coverage A limit of liability?

5%

10%

20%

50%

a): The limit of insurance for Other Coverage for Trees, Shrubs, and Other Plants is 5% of the Coverage A limit and can be paid in addition to the Coverage A limit of liability. There is a maximum of $500 payable per tree, plant, or shrub.

Which of the following does not apply to the Other Coverage Glass or Safety Glazing Material?

Covers glass that is part of a covered structure

Applies to all Dwelling Policy forms

No coverage applies if a dwelling is vacant for 60 consecutive days prior to the loss

May be settled on a replacement cost basis

b): Other Coverage for Glass or Safety Glazing Material is covered only on DP-2 and DP-3 forms. It is not covered under the DP-1 Basic Form. All other statements are correct.

The Earth Movement exclusion contains all of the following perils except:

Mudflow

Explosion

Landslide

Earthquake

b): Direct losses as a result of fire, explosion or glass breakage caused by earth movement are covered. Losses caused by mudflow, landslide, or earthquake are not covered.

Which of the following does not apply to the Broad Theft Coverage endorsement?

It does not apply to the DP-1

Both on- and off-premise coverage is available

Theft and attempted theft are covered

Resulting damage caused by vandalism and malicious mischief is covered

a): The Broad Theft endorsement can be added to any of the Dwelling Policies including the DP-1, Basic form.

The Personal Liability endorsement includes each of the following additional coverages except:

First aid expenses

Damage to the property of others

Claim expenses

Payment to cover the medical expenses for the insured's daughter

d): Under a Personal Liability endorsement, payment of medical expenses is only applicable to someone other than the "insured". Medical expenses for the insured's daughter would not be covered.

All of the following are true of the DP-2 Broad form policy except:

It is a named peril form

It pays actual cash value on personal property or contents

It contains an 80% coinsurance clause

Theft is a covered peril

d): Theft is not a covered peril on a DP-2. Broad Theft coverage may be added as an endorsement to any Dwelling Policy. The DP-2 is a named peril form, it pays out based on actual cash value on personal property, and does contain an 80% coinsurance clause.

The DP-2 Broad form automatically insures covered property against loss from any cause while being removed from a premise endangered by a peril insured against for no more than:

5 days

20 days

30 days

60 days

c): If the insured has to remove personal property from an insured premise to protect it from further damage, if the danger is due to an insured peril, the insurer will cover the property on an open peril basis for up to 30 days on a DP-2 form. The same applies to the DP-3 form. The insurer will cover the personal property for up to 5 days under a DP-1.

On Dwelling Policy forms there is no coverage for vandalism if the dwelling has been vacant for more than ____ consecutive days prior to the loss:

5 days

10 days

30 days

60 days

d): Damage due to Vandalism or Malicious Mischief is not covered under a Dwelling Policy if the insured premises are vacant for more than 60 consecutive days prior to the loss.

Two coverages provided on the Broad and Special Dwelling Policy forms that are not provided on the Basic form are:

Debris removal and worldwide personal property coverages

Removal coverage and coverage for other structures

Coverage for other structures and loss of rental value

Coverages for building collapse and for trees, shrubs and plants

d): The Broad and Special (Open Peril) Dwelling Policies have broader additional coverages than the Basic form. Coverages for collapse and damage to or loss of trees, shrubs, and plants are not provided under the DP-1, Basic form, but are covered under the DP-2 and DP-3 forms. There is a limit of 5% of Coverage A for trees, shrubs, and plants with a maximum of $500 per tree, shrub, or plant.

On the DP-1 Basic form, water damage is covered if it is due to:

Fire

Flood

Sewer backup

Leaking swimming pool

a): Water damage as a result of flood, sewer backup, or a leaking swimming pool would not be covered. Water damage caused by water used to put out a fire would be covered. Fire is a covered peril under the DP-1 and is the proximate cause of the loss and so resultant damage caused by putting the fire out would be covered.

Which of the following cannot be covered under a Dwelling Policy?

Mobile home not permanently located

Home under construction

Home rented to another person

Townhouse

a): All of the above can be covered under a Dwelling Policy except a mobile home that is not permanently located. A mobile home can be covered under a Dwelling Policy as long as it is permanently located.

Which of the following items of personal property would be covered under a Dwelling Policy?

Motorcycle

Cat

Pool table

Sailboat

c): Boats, motor vehicles, and animals, birds and fish are not covered personal property under a Dwelling Policy. A pool table would be covered as it would be considered to be furniture.

The DP-3 Special form provides:

Basic coverage for the dwelling and broad coverage for personal property

Broad coverage for the dwelling and basic coverage for personal property

Open peril coverage for the dwelling and broad coverage for personal property

Open peril coverage for both the dwelling and personal property

c): The DP-3 Special form provides open peril coverage for the dwelling and other structures and broad coverage for personal property.

Under which of the Dwelling Policy forms may the insured be reimbursed for the replacement cost when the dwelling is destroyed?

All dwelling forms

DP-1 only

DP-2 and DP-3

DP-3 only

c): The dwelling is covered for replacement cost under the DP-2 Broad form and the DP-3 Special form. Losses on the dwelling are covered based on actual cash value under the DP-1 Basic form.

Which of the following other coverages are not included in all Dwelling Policy forms?

Collapse

Fire service department charge

Debris removal

Reasonable repairs

a): The Other Coverage of collapse is included only in the DP-2 Broad form and the DP-3 Special form. It is not covered under the DP-1 Basic form.

Which of the following losses by theft would be covered if a Dwelling Policy has Broad Theft coverage for both on- and off-premises?

A $700 handgun taken from the desk drawer

A $5,000 fur coat taken from the cleaners

A credit card taken from a bedside table

The CD player removed from the dashboard of the car parked in the garage

a): Personal property in the care or custody of a cleaner and credit cards are specifically excluded from the Broad Theft coverage endorsement. The CD player in the car would be covered by an auto policy and not a Dwelling Policy. A handgun would be covered for theft up to $2,500.

HO Forms Answers

Each of the following is a coverage under Section I of the homeowners forms except:

Dwelling

Personal property

Personal liability

Other structures

c): Section I, Property, provides coverage for the dwelling, other structures, and personal property. It also provides coverage for loss of use of the property. Section I does not provide liability coverage. Liability coverage, including personal liability, is provided by Section II of the homeowners policy.

Coverage C – Personal Property under an HO-3 form is covered:

On a special form

On a broad form

On an all risk basis

On a basic form

b): The HO-3 provides all-risk or open peril coverage for the dwelling and other structures, but it covers the contents or personal property based on the broad form which is a named peril form.

Coverage C – Personal Property under an HO-6 form is covered:

On a named peril basis

For replacement cost

On an all risk basis

On a valued basis

a): The contents or personal property under an HO-6, unit owner's form, are covered on a named peril basis. Coverage is based on the broad form. The contents or personal property is covered on a named peril basis on all homeowners forms except for the HO-5. Personal property is covered based on actual cash value unless replacement cost is specified by endorsement or the property is specified specifically as scheduled personal property based on an agreed value.

The default amount of insurance provided for Coverage C is what percentage of Coverage A on an HO-3:

30%

10%

50%

75%

c): The default limit of liability for Coverage C – Personal Property under a homeowners HO-3 policy is 50% of the Coverage A limit of liability. This can be increased if required. Coverage C is automatically included under a homeowners policy without an additional premium.

The default amount of insurance provided for Coverage D – Loss of Use Fair Rental Value is what percentage of Coverage A on an HO-3:

30%

10%

50%

75%

a): The default limit of liability for Coverage D – Loss of Use Fair Rental Value under a homeowners HO-3 policy is 30% of the Coverage A limit of liability. The same percentage applies to the HO-2 and the HO-5. The default limit of liability for Coverage D – Loss of Use Fair Rental Value under a homeowners HO-8 policy is 10% of the Coverage A limit of liability.

If a homeowner wants the maximum coverage for their home and personal property they would purchase the:

HO-2

HO-3

HO-4

HO-5

d): The HO-5 form provides all risk or comprehensive coverage for the dwelling, other structures, and personal property. The HO-3 provides all risk coverage for the dwelling and other structures, but broad form named peril coverage for personal property.

All of the following special limits of Coverage C are correct except:

$200 for money

$2,500 for theft of firearms

$1,500 for a trailer not used with a watercraft

$2,500 for grave markers

d): Grave markers are covered up to $5,000 under a homeowners policy. A grave marker is considered to be part of the insured's personal property if this is for a deceased family member.

The following are true of Coverage C – Personal Property under a homeowners policy except:

Theft of personal property is covered

The full limit of liability applies to personal property anywhere in the world

Personal property of a guest can be covered

There are specified sub-limits that apply to certain categories of personal property

b): All are true of personal property coverage under a homeowners policy except for coverage of the property anywhere in the world. Coverage is provided for personal property off the residence premises anywhere in the world but only up to 10% of the Coverage C limit of liability.

Coverage C – Personal Property under homeowners policies covers the personal property of all of the following except:

Children away at college

Guests

Boarders

Relatives living with the insured

c): The personal property of the insured, relatives of the insured living with the insured, and children away at college up to age 24 is covered under Coverage C of the homeowners policy. The personal property of boarders or tenants, however, is not covered. If someone pays to live in your residence, their personal property is not covered under your homeowners policy.

The HO-4 and the HO-6 provide the same coverage for all of the following except:

Both cover personal property based on replacement cost

Both cover personal property and liability

Both cover theft of personal property

Both have a deductible on the property section

a): Coverage provided on both the HO-4 and HO-6 is for personal property and liability. Personal property is covered on a named peril basis and payments for losses are based on actual cash value. Coverage is provided for theft of the personal property and a deductible applies. Replacement cost coverage can be provided through endorsement and will require payment of an additional premium. The major difference between the HO-4 and HO-6 forms is that the HO-6 provides coverage for the dwelling, Coverage A, although this is limited compared to the other homeowners forms.

The following is fully covered under an HO-3 all-risk form:

Your canoe stolen out of your detached garage

Breaking your $2,500 camera

Theft of your $2,500 necklace

Theft of your outboard motor from your boat at the marina

a): The HO-3 policy covers the dwelling and other structures on an all peril basis but personal property is covered on a broad form named peril basis. A watercraft will be covered for theft up to $1,500 as long as it is on the residence premises. The camera would not be covered for breakage. Breakage is not a named peril in the broad form. Jewelry would be covered for theft up to $1,500.

All of the following perils are covered on all homeowners forms except:

Fire

Volcanic eruption

Weight of ice, snow, or sleet

Smoke

c): Fire, volcanic eruption, and smoke are perils covered under the basic form and all other homeowners forms. The peril of weight of ice, snow, or sleet is included in the broad form perils and, of course, the open peril form.

All of the following distinguish the homeowner's policy from a dwelling policy except:

The homeowner's policy covers personal liability and medical payments to others; the dwelling policy does not

Homeowners' property coverages are in addition to one another

A homeowners policy covers theft of personal property; the dwelling policy does not

Homeowners' coverages A and C must be stated separately on the declarations page of the homeowners policy and the premium is calculated based on the limits of liability of each

d): Homeowners policies provide coverage on a stacked model. The homeowner specifies the limit of liability for the dwelling, Coverage A. The Coverage B, Coverage C, and Coverage D limits of liability are automatically included based on a percentage of the Coverage A limit of liability. The default for Coverage C – Personal Property under the homeowners policy is 50% of Coverage A. Under a dwelling policy, Coverage A and Coverage C must be specifically selected and the limit of liability specified for each. An additional premium must be paid if Coverage C is selected under a dwelling policy to cover personal property.

All of the following are covered by Coverage F – Medical Payments to Others except:

A neighbor's injury caused due to the insured leaving a ladder in his back yard

A guest falling down the stairs and twisting an ankle

The insured's 19 year old son cutting his foot while mowing the lawn

An injury to a neighbor due to a stone being thrown up while a residence employee is mowing the insured's lawn

c): Coverage F – Medical Payments to Others covers medical expenses related to bodily injury for other than the insured. The insured's 19 year old son would not be covered by medical payments under the homeowners policy. This would be covered by the insured's health insurance.

Coverage F - Medical Payments to Others under a homeowners policy covers medical expenses for an injury suffered by:

A residence employee

The named insured

A foster child aged 19 living with the insured

A person on the insured's premises without their permission

a): Medical payments under a homeowners policy applies to other than the insured. The named insured and the foster child would not be covered because they are considered within the definition of the insured. Medical payments would not cover medical expenses for injuries sustained by a person on the residence premises without the permission of the insured, such as a trespasser or burglar. A residence employee would be covered as they may not be covered under workers' compensation.

Section II of the homeowner's policy covers liability for all of the following except:

An off-road RV used on the premises

Loading or unloading a motor vehicle

A golf cart while in use on the golf course

An outboard boat with a motor of 25 horsepower or less

b): Liability coverage under the homeowner's policy specifically excludes liability arising from the insured's motor vehicles. This would be covered by the insured's auto policy.

The conditions under an HO-3 policy require the insured to do all of the following after a loss except:

Give prompt notice of the claim to the insurer or agent

Notify the police if the loss is the result of theft

Take all reasonable steps to protect the property from further damage or loss

Abandon the property to the insurer

d): All of the following are true of the conditions under a homeowners policy except the insured is specifically not allowed to abandon the damaged property to the insurer unless this is agreed with the insurer.

What type of boat is automatically covered under Section II of a homeowners policy:

A 28 foot sailboat

A boat with a 40 horsepower outboard motor

A boat with a 100 horsepower inboard motor

A 12 foot kayak

d): Section II, liability, of a homeowners policy provides liability coverage for sailboats less than 26 foot, boats with outboard motors no more than 25 horsepower, or boats with inboard motors no more than 50 horsepower. Liability arising out of canoes, kayaks, and rowboats is covered.

All of the following losses would be excluded from the homeowners forms except:

Earthquake damage to the dwelling

Flood damage to the home

A power failure in the area that lasts for 12 hours while the insured is away on vacation causing the food in the freezer to spoil

Accidental and sudden discharge of water from a plumbing system

d): Earthquake damage, flood damage, and damage or loss due to power failure from a source outside the premises is not covered. Damage or loss due to the accidental and sudden discharge of water from a plumbing system is covered under all homeowners forms except the HO-8.

A homeowners policy has been in effect for 30 days when the insurer discovers the insured has misrepresented some material facts. The insurer can cancel the policy under the following circumstances:

Under no circumstances; a policy cannot be cancelled due to misrepresentation of material facts by the insured

The insurer must give the insured 30 days' written notice of cancellation

The company must wait until the policy has been in force for 60 days before it can cancel the policy

The insurer must give the insured 10 days' written notice of cancellation

d): The insurer can cancel the homeowners policy within the first 60 days for any reason as long as they give the insured 10 days' written notice.

Mobile Home Answers

Mobile home policies do all of the following except:

Include liability coverage that is similar to Section II of the Homeowners policy

May include collision coverage

Cover the mobile home unit and its contents

Do not cover additional living expenses

d): A mobile home policy will cover additional living expenses under Coverage D – Loss of Use, up to 30% of Coverage A in case of a loss or damage to the mobile home, requiring the insured to seek alternative living arrangements while the mobile home is repaired or replaced.

Businessowners policy (BOP) Answers

The method of valuation under a Businessowners policy is:

Replacement cost for both the building and business personal property

Replacement cost for the building and actual cash value for the business personal property

Stated value for the business personal property

Actual cash value for both the building and the business personal property

a): The method of valuation for both the building and business personal property under a Businessowners policy is replacement cost as long as the limit of insurance for the loss or damage to the property is at least 80% of the replacement cost of the property at time of loss.

Each of the following is eligible for coverage under a Businessowners policy except:

An office building that is no larger than 100,000 square feet and 6 stories high

A business with no more than $3 million in annual sales

An auto dealership

An apartment building

c): All of the above are eligible for coverage under a Businessowners policy except an auto dealership. Auto dealerships are specifically excluded.

Which of the following is not true of a Businessowners policy?

The standard deductible for property damage is $500

Coverage is extended for business personal property while away from the premises up to an amount of $10,000

Coverage is provided on a named peril basis

The fire legal liability limit is $50,000

c): Coverage under the Businessowners policy is provided on an open peril basis. All the other statements are true of the Businessowners policy.

The Additional Coverage for Business Income and Extra Expense pays for the actual loss of business income and extra expenses incurred to keep the business operating for how many months after the date of the direct loss to the property?

6

12

24

36

b): The Additional Coverage for Business Income and Extra Expense pays for actual loss of business income and extra expenses incurred to keep the business operating for up to 12 months after the date of the direct loss to the property. Payroll expenses are covered for only 60 days unless the insured requests additional time and this is included in the Declarations.

All of the following are insured under the Businessowners policy except:

The insured’s legal representative if the insured dies

The manager of the store

The minor child of the business owner

The named insured

c): Under the Businessowners policy the insured would not include the minor child of the business owner. Coverage is related only to business operations.

Under the liability coverage of a Businessowners policy who is covered for medical expenses after being injured on the insured's premises?

A tenant of the insured

A client of the insured

Employees of the business owner

Contractors hired to install fixtures

b): Under the Businessowners policy medical expense coverage does not apply to tenants, employees, or contractors hired by the insured. It also excludes persons taking part in athletics. A client of the insured would be covered.

Under the Additional Coverages in a Businessowners policy, property removed to protect it from loss will be covered at another location for up to:

5 days

30 days

60 days

12 months

b): Under Additional Coverages in a Businessowners policy, property removed to protect it from loss will be covered at another location for up to 30 days after the property is moved. The preservation of property additional coverage covers the property from any cause of loss if it was removed to protect it from loss due to a covered peril.

Which of the following coverages is not provided under the Businessowners policy?

Bodily injury and property damage liability

Personal injury and advertising injury liability

Professional liability

Medical expenses

c): The Businessowners policy provides liability coverage for bodily injury and property damage, personal and advertising injury, and medical expenses. There are several exclusions to the liability coverage, including professional liability, liquor liability, and others.

The Businessowners policy liability provides coverage for all of the following except:

Contractual liability

Pollution liability

Products liability

Fire legal liability

b): Pollution liability is excluded under the Businessowners policy and most liability policies. Coverage can be included by endorsement. The Businessowners policy will pay up to $10,000 under the property coverage for removal of pollutants as a result of a covered loss.

All are true of medical expense coverage under the Businessowners policy except:

It covers medical expenses for the named insured, officers, and employees

Claims must be submitted within one year of the accident

It is payable regardless of fault or negligence

It is included in the Businessowners policy

a): Medical expense coverage does not cover “the insured” or employees of the insured while performing their duties. All other statements are true of the Businessowners policy.

The Businessowners policy, without endorsement, covers all of the following except:

Theft

Loss of business income

Employee dishonesty

Contractual liability

c): The Businessowners policy covers loss by theft but not theft by employees. Employee dishonesty is not covered but can be included by endorsement. Loss of business income and contractual liability are covered.

B. Commercial lines Answers

An explosion damages a building that has been vacant for 75 days. The amount of the property damage is $50,000. The limit of insurance is $100,000. How much will the insurer pay?

$42,500

$50,000

$100,000

Nothing. Losses to vacant buildings are excluded

a): The building has been vacant for more than 60 days. The cause of loss is an explosion. For the perils of vandalism, water damage, theft or attempted theft, building glass breakage, or sprinkler leakage unless the system has been protected against freezing, there would be no coverage after 60 days. For all other covered perils, the loss payout would be reduced by 15%. The loss was $50,000. (100% - 15%) x $50,000 = $42,500.

You have coverage under the Builders Risk coverage form for a building that will be valued at $250,000 on completion. The limit of insurance on the building is $150,000. The deductible is $250. You suffer a loss of $30,000. How much will the insurer pay?

$30,000

$18,000

$17,750

Nothing

c): Under the Builders Risk coverage form the insured is required to have adequate insurance to cover the value of the building on date of completion. The completed building is valued at $250,000. The limit of insurance for the building is $150,000. This represents 60% of the value of the building, that is, $150,000 / $250,000. In the case of a loss the most the insurer will pay towards the loss is 60% less any applicable deductible. In this example, the loss is $30,000. 60% of the loss = $18,000. The deductible is $250. The insurer will pay $18,000 - $250 = $17,750.

If you wanted to insure the contents of a commercial condominium, what coverage form would you use?

Condominium Association coverage form

HO-6

Commercial Building and Property coverage form

Condominium Commercial Unit-owners coverage form

d): The Commercial Condominium Unit Owners coverage form provides insurance for the contents of a commercially-owned condominium. If this were a privately owned condominium, you would use an HO-6. The Condominium Association coverage form covers the actual condominium building and any business personal property owned by the Condominium Association and any other property that is owned by all unit owners indivisibly. It does not cover the contents of the individually owned condominiums.

Which of the following causes of loss forms cover collapse?

Basic form

Basic form, Broad form and Special form

Broad form and Special form

Special form only

c): Both the Broad form and the Special form cover collapse. The Basic form does not.

Under the earthquake and volcanic eruption endorsement, all earthquake shocks or volcanic eruptions that occur within ___ hours constitute a single earthquake or volcanic eruption.

72 hours

30 days

168 hours

24 hours

c): Under the earthquake and volcanic eruption endorsement, all earthquake shocks or volcanic eruptions that occur within 168 hours constitute a single earthquake or volcanic eruption. To make this easier to remember, 168 hours is 7 days or 7 x 24.

All of the following are excluded under the Building and Personal Property coverage form, except:

Lawn

Animals held for sale

Vehicles owned by the business

Driveway

b): Animals would be excluded unless they are being boarded or are held for sale. Animals held for sale are, therefore, covered under the Building and Personal Property coverage form.

Which of the following have special loss valuation requirements under the Building and Personal Property coverage form?

Buildings

Furniture and fixtures

Exterior signs

Glass

d): Stock, glass, valuable papers and records, and tenant's improvements and betterments have special valuation requirements under the Building and Personal Property coverage form.

Which of the following would not be excluded under the Building and Personal Property coverage form if the insured building was vacant for more than 60 days before the loss occurred?

Attempted theft

Vandalism

Glass breakage

Sprinkler leakage when the insured had protected the system against freezing

d): All the causes of loss mentioned would be excluded from coverage if the insured building were vacant for more than 60 days before the loss occurred. However, damage due to sprinkler leakage is covered if the sprinkler system has been protected against freezing.

The insured's business sustains $25,000 damage due to a fire. The fire department was called to put out the fire and billed the insured $1,000. The business has Building and Personal Property coverage with a limit of insurance of $500,000. There is a $5,000 deductible. How much will the insurer pay for this loss?

$20,000

$21,000

$26,000

$0

b): The insurer will pay $25,000 towards the fire damage to the building, less the deductible of $5,000. This is $20,000 ($25,000 - $5,000). In addition to this, the insurer will pay up to $1,000 in fire department costs. In this example the insurer will pay $20.000 + $1,000 = $21,000.

Losses under the Building and Personal Property coverage form are paid:

On an actual cash value basis always

On a Replacement or Repair cost basis always

On a Replacement or Repair cost basis if the coinsurance requirements are met and the costs are $2,500 or less

Paid on an actual cash value basis if the actual cash value endorsement is selected

c): Generally losses under the Building and Personal Property coverage form are paid out on an actual cash value basis. However, if the coinsurance requirements are met and the loss is $2,500 or less, the insurer will pay for the replacement or repair of the damaged property. The insured can select to have losses paid on a replacement cost basis. This would require an additional premium.

How much will the insurer pay under the Building and Personal Property coverage form for debris removal due to a covered loss?

$1,000

$10,000

15% of Coverage A

5% of Coverage A

d): Under the Commercial Building and Personal Property coverage form, the insurer will pay up to 25% of the loss towards debris removal. In the case of a total loss where the limit of insurance is reached, the insurer will pay up to $10,000 towards debris removal in addition to the limit of insurance.

What is the limit of coverage for business personal property away from the premises under the Building and Personal Property coverage form?

$1,000

$10,000

$5,000

10% of Coverage B

b): The insurer will pay up to $10,000 for loss or damage to business personal property away from the premises under the Building and Personal Property coverage form.

The Builders Risk coverage form automatically ends at the earliest of all of the following, except:

The policy expires

The property is sold

Property is abandoned

60 days after construction is complete

d): Under the Builders Risk form, coverage terminates when the property is accepted by the purchaser or sold, 60 days after the building is occupied, when the policy expires, if the builder no longer has an interest in the property, or 90 days after construction is completed, whichever occurs first.

Which commercial cause of loss form covers theft of business personal property?

Basic

Broad

Special

All of the above

c): The Special form is an all peril or open form and covers all perils except those that are specifically excluded. Theft is not excluded on this form. The Basic and Broad forms are named peril forms. Theft is not included in either of these forms.

Under a Commercial Building and Personal Property coverage form, the insured will receive extensions to their coverage at no additional cost if they have at least 80% of coinsurance. All the following extensions are provided, except:

Debris removal

Automatic coverage for newly acquired buildings for 30 days

Limited off-premises coverage for business personal property

Limited coverage for personal effects and property of others

a): Coverage extensions are provided automatically if the insured has at least 80% of coinsurance. Coverage extensions extend existing coverage if applicable if this condition is met. Debris removal is an Additional Coverage. Additional coverages are provided regardless of the coinsurance selected.

All are true about Business Income coverage except:

It is an indirect coverage

It has a deductible

Profits may be covered

It is subject to coinsurance requirements

b): Business income coverage provides coverage for loss of business income if the insured suffers a covered direct loss to the described premises and business operations are suspended. This is an indirect loss. The insurer will pay out net profit before taxes plus any ongoing expenses the insured incurs. The coverage is subject to coinsurance requirements, but there is no deductible. Business income coverage is also known as Time Element coverage because it is covered for a period of time.

If an insurer plans to cancel a commercial policy for non-payment of premium, they are required to notify the insured in writing at least ___ days in advance.

10

30

45

60

a): Cancellation or non-renewal of a policy by an insurer for non-payment of premium requires at least 10 days' advance notice in writing. Cancellation or non-renewal of a policy for other than non- payment of premium requires at least 30 days' notice.

All are true of the Builders Risk coverage form except:

Trees, shrubs, and plants are not covered

There is no coinsurance requirement

The amount of risk increases as the building is completed

Coverage terminates upon completion of construction

d): Under the Builders Risk form, coverage terminates when the property is accepted by the purchaser, 60 days after the building is occupied, 90 days after construction is completed, or if the builder no longer has an interest in the building, whichever occurs first. Coverage does not terminate on completion of construction. All the other statements are true of the Builders Risk coverage form.

An automobile dealer with cars in inventory that have fluctuating values would use:

A stated amount contract

A valued policy

A reporting form

A garage liability policy

c): The value reporting form is used when the insured has inventory with fluctuating values through the policy period. The insured selects a policy limit at the beginning of the policy period that reflects the maximum amount they anticipate will be required. During the year, the insured provides a value reporting form showing their actual inventory and the premium charged is adjusted based on this reporting form.

B. Commercial lines Answers

All of the following statements about the Commercial Package Policy are true except:

A complete CPP includes common policy declarations, common policy conditions, any applicable interline endorsements, and two or more coverage parts

Aviation insurance, workers' compensation, and marine insurance cannot be covered

The insured can choose a variety of eligible commercial coverages to tailor the package to the specific business needs

It can only include property and liability insurance

d): Other types of coverage, in addition to property and liability insurance, can be included in a Commercial Package Policy. Examples include crime coverage and equipment breakdown coverage. All the other statements are true of the Commercial Package Policy.

Which coverage cannot be added to a Commercial Package Policy?

Business Owner's Policy

Commercial Property and Commercial General Liability

Crime

Farm

a): The Business Owner's Policy is a standalone packaged policy, similar to the Homeowner's policy that is designed for the use of small and medium sized businesses. It is not a coverage form available under the Commercial Package Policy.

All of the following are common conditions in a Commercial Package Policy except:

Only the first named may cancel or make changes to the policy

The insurer may inspect the insured's books and records at any time or up to 3 years after the policy end date

The insurer must give at least 10 days' notice to the insured if they plan to cancel the policy due to non-payment of the premium

The insurer will pay fire department service charges over and above the stated limit of liability for commercial property losses

d): Details about the specific coverage provided will be included in the coverage part. Fire service department charges will be covered under the Commercial Property Coverage Part and will not be part of the Commercial Package Policy common conditions, applicable to all coverage parts.

Boiler & Machinery Answers

The Equipment Breakdown Protection coverage form does not cover:

Earth movement damage

Property damage

Spoilage damage

Errors and omissions

a): Equipment Breakdown Protection covers property damage, spoilage damage, errors and omissions in addition to other coverages such as business income and extra expense, expediting expenses, and ordinance and law.

Under the Equipment Breakdown Protection coverage form which of the following causes of damage to covered equipment would not be a covered breakdown?

Electrical failure, including arcing

Leakage at any valve, fitting, shaft seal, gland packing, joint, or connection

Failure of pressure or vacuum equipment

Mechanical failure, including rupture or bursting caused by centrifugal force

b): Under the Equipment Breakdown Protection coverage form breakdown is defined as a direct physical loss to covered equipment that would require its repair or replacement due to failure of pressure or vacuum equipment, mechanical failure, including rupture or bursting caused by centrifugal force, and electrical failure, including arcing. It specifically excludes leakage at any valve, fitting, shaft seal, gland packing, joint or connection.

Which of the following is not a true statement regarding deductibles applicable to Equipment Breakdown Protection?

Deductibles apply separately for each applicable coverage unless the deductibles are shown as combined for any two or more coverages

A single deductible applies to all selected coverages

Deductibles can be stated as a dollar amount or a period of time

Deductibles can be stated as a specific dollar amount or a percentage of the loss

b): It is not true that a single deductible applies to all selected coverages. Deductibles apply separately for each applicable coverage unless the deductibles are shown as combined for any two or more coverages. Deductibles can be specified as a dollar amount, a percentage of the loss, a multiple of daily value, or a period of time.

Under the terms of the Suspension provision in the Equipment Breakdown Protection coverage form, all of the following are incorrect when the equipment is exposed to dangerous conditions, except:

Coverage can be suspended on 30 days' advanced notice to the insured

Coverage can be suspended only at the end of the policy period

Coverage can be suspended immediately upon delivery of written notice to the insured

Coverage can be reinstated by the insurer at any time

c): We are looking for the true answer. The insurer can suspend coverage of covered equipment if the equipment is found to be exposed to a dangerous condition. Coverage can be suspended immediately notice is delivered to the insured.

Equipment Breakdown Protection Expediting Expenses coverage covers all of

the following except:

The reasonable costs to make temporary repairs

The reasonable costs to expedite permanent repairs

The reasonable costs to expedite permanent replacement

The reasonable costs for permanent replacement

d): Under Equipment Breakdown Protection, Expediting Expenses will cover the reasonable extra expenses to make temporary repairs, or to expedite permanent repairs or replacement to damaged covered equipment. This coverage is included in the limits of insurance. Permanent replacement is covered but not under Expediting Expenses.

Covered equipment on an Equipment Breakdown Protection policy includes:

Vehicles

Aircraft

Equipment buried below ground

Equipment used to transmit energy

d): Equipment used to transmit energy is included under covered equipment in an Equipment Breakdown Protection policy. Vehicles, aircraft, and equipment buried below ground that requires excavation of materials to inspect or replace are specifically excluded.

Inland Marine Answers

The Nationwide Definition identifies the risks that can be covered by which types of insurance?

Auto and Home insurance

Ocean and Inland Marine insurance

Health and Life insurance

Renters and Umbrella insurance

Answer: B. Ocean and Inland Marine insurance

What category of property is covered by Inland Marine insurance for goods shipped to the United States from another country?

Exports

Imports

Personal Property Floaters

Commercial Property Floaters

Answer: B. Imports

Which category of property covered by Inland Marine insurance includes bridges, tunnels, and transmission towers?

Exports

Domestic Shipments

Instrumentalities of transportation or communication

Personal Property Floaters

Answer: C. Instrumentalities of transportation or communication

Personal Property Floaters cover property that is:

Stationary

Portable

Fixed in location

Non-transportable

Answer: B. Portable

What type of insurance covers property being transported over water?

Auto insurance

Homeowners insurance

Ocean Marine insurance

Health insurance

Answer: C. Ocean Marine insurance

Which form of personal inland marine insurance provides coverage for items such as jewelry and furs?

Personal articles

Personal property

Personal effects

Personal belongings

Answer: A. Personal articles

The Pair and Set condition specifies that the insurer will not reimburse the insured for the full value of a pair or set if:

The entire pair or set is lost or damaged

Both items are damaged

Only one item is lost or damaged

The pair or set is stolen

Answer: C. Only one item is lost or damaged

Personal inland marine floaters provide coverage for all of the following, except:

War

Wear and tear

Nuclear hazard

Gradual deterioration

Answer: A. War

What type of insurance is used by apartment or condominium renters who are unable to get coverage on an HO-4 or HO-6 form?

Personal articles

Personal property

Personal effects

Homeowners insurance

Answer: B. Personal property

Which category of property covered by Inland Marine insurance includes property being transported within the United States by any form of transportation?

Imports

Exports

Personal Property Floaters

Domestic Shipments

Answer: D. Domestic Shipments

Personal Effects form is used to provide coverage for personal property when:

The insured is at home

The insured is traveling

The insured is at work

The insured is shopping

Answer: B. The insured is traveling

Personal Property Floater risks cover several categories of property that is:

Fixed in location

Stationary

Generally portable

Non-transportable

Answer: C. Generally portable

The Personal property form provides open peril coverage for personal property, generally on a:

Specific item basis

Blanket basis

Limited basis

Scheduled basis

Answer: B. Blanket basis

What type of insurance is available through personal inland marine forms to cover personal property that is particularly valuable or susceptible to loss?

Auto insurance

Health insurance

Personal property insurance

Inland marine insurance

Answer: D. Inland marine insurance

Personal articles form can provide coverage for all of the following, except:

Silverware

Jewelry

Cameras

Appliances

Answer: D. Appliances

Inland Marine Answers

Which of the following types of personal property are covered by the Personal Effects floater?

Paintings and antique furniture

Personal property carried by travelers

Coin and stamp collections

Golfers' equipment

b): The Personal Effects floater provides coverage for the personal property of a traveler on an open peril basis anywhere in the world except on the insured's premises. Personal property on the insured's premises such as paintings, jewelry, and coin and stamp collections could be covered under a Personal Articles floater.

Which of the following statements about the Personal Jewelry floater is correct?

The Pair and Sets clause does not apply

Coverage is written on a replacement cost basis

Automatic coverage is provided for newly acquired items for up to 30 days

An appraisal for the item is optional

c): For the Personal Jewelry floater, the Pair and Sets clause applies, automatic coverage is provided for newly acquired items for up to 30 days, and an appraisal is not optional. Coverage is written either on an agreed value based on the appraisal or on actual cash value. In case of a loss, if the coverage is written on an actual cash value basis, payout would be based on the lesser of actual cash value or the limit of liability.

A Personal Articles Floater can be used to cover all of the following except:

Furs

Jewelry

A coin collection

A pedigreed breeding dog

d): A Personal Articles Floater can be used to cover 9 classes of personal property: jewelry, furs, cameras, musical instruments, silverware, golf equipment, fine art, stamps, and coins. Animals cannot be covered under a Personal Articles Floater.

Marilyn has jewelry that is insured for $10,000 on a Personal Articles Floater. She purchased a new diamond ring for $3,000. How much coverage would it automatically have under her policy?

None. Newly acquired personal property is not covered

$1,500

$3,000

$2,500

d): The Personal Articles Floater automatically provides coverage for newly acquired jewelry, furs, cameras, and musical instruments for a period of 30 days. Coverage is limited to 25% of the limit of insurance or $10,000, whichever is less. For fine art, automatic coverage is provided for up to 90 days and is limited to 25% of the limit of insurance.

Commercial Ocean Marine Answers

All of the following classes of property can be covered under the Nationwide Definition except:

Imports

Personal property floaters

Instrumentalities of transportation and communication

Apartment buildings

d): Apartment buildings and other fixed property cannot be covered under the Nationwide Definition for Ocean and Inland Marine insurance. Fixed property would be covered under Dwelling policies, Homeowners policies, or Commercial property insurance. The other categories are covered under the Nationwide definition.

Which of the following businesses needs bailee's coverage?

A grocery store

An apartment

A computer repair shop

An office building

c): A bailee is responsible for someone else's property while it is in their care, custody, or control. Your insurance would not cover a bailee, so they would need to obtain bailee's coverage. A computer repair shop would require bailee's coverage to protect themselves against loss of property in their care, custody, or control.

Which of the following commercial inland marine coverage forms cannot be included in the commercial package policy?

Film

Annual transit

Accounts receivable

Equipment dealers

b): Only controlled or filed classes of inland marine insurance can be included in the commercial inland marine coverage part of the commercial package policy. The following coverage forms are controlled or filed forms: mail, physicians and surgeons equipment, theatrical property, film, commercial articles, accounts receivable, valuable papers and records, signs, jewelers block, floor plan, equipment dealers, and camera and musical instruments dealers. Annual transit is an uncontrolled domestic shipments coverage form.

Which of the following losses could be covered under the theatrical property coverage form?

Theft of costumes from an unlocked vehicle

Damage to a vehicle used as a prop in a production

Destruction of admission tickets for a production in a fire

All of the above

b): Damage to a vehicle used as a prop in a theatrical production is covered under the theatrical property coverage form. Loss of admission tickets is not covered. Theft of costumes in an unlocked vehicle is not covered.

Which of the following is true of the motor truck cargo policy?

Insures a truck carrier for liability arising out of the transportation of cargo

Covers any loss to cargo in transit regardless of whether the carrier is liable for damage or not

Insures the shipper for all incoming or outgoing shipments during the policy term

Provides coverage for a shipper on a single shipment of goods

a): The motor truck cargo policy protects the carrier for liability arising out of a loss sustained for property they are transporting. This coverage does not apply to the shipper. The shipper would be covered by either an annual or trip coverage form.

Which of the following losses would be covered under the jewelers block coverage form, assuming the insured has purchased all available optional coverages?

A jeweler’s stock in trade while it is being worn by the insured’s spouse

Theft of money from an unlocked vault on the insured’s premises

Theft of covered property from an unattended auto

Theft of items on display in a show window when the window was smashed

d): Theft of items on display in a show window is covered if the window is smashed and the insured selects the optional coverage for this. Theft of money from a locked vault on the insured’s premises is covered but is not covered if the vault is unlocked. Theft from an unattended vehicle is excluded. If the insured or an employee of the insured responsible to attend the vehicle is in the vehicle or in attendance of the vehicle at the time of the theft, the loss would be covered.

Other insurance Answers

All are true of the National Flood Insurance Program except:

Coverage may be written by private insurance carriers

Coverage is unlimited

Communities must apply for eligibility

It is regulated by the Federal Insurance Administration (FIA)

b): Coverage under the National Flood Insurance Program is not unlimited. Coverage limits differ depending on whether coverage is provided under the emergency program or the regular program and whether coverage is for a single family home or a commercial property.

What is the maximum amount of coverage that can be purchased under the emergency flood insurance program?

$35,000 for buildings and $10,000 for contents

$250,000 for buildings and $100,000 for contents

$100,000 for buildings; coverage for contents is not available under the emergency program

$500,000 for buildings and $250,000 for contents

a): The maximum coverage that can be purchased under the emergency flood insurance program is $35,000 for buildings and $10,000 for contents for single family homes. When the regular program goes into effect additional coverage can be purchased for up to $250,000 for buildings and $100,000 for contents.

Which of the following is true about flood insurance?

Dwelling and Homeowners policies cover flood

Flood insurance is only written by the federal government

Flood insurance covers landslide and mudslide

Flood insurance has separate deductibles for the property and the contents

d): Flood insurance has separate deductibles for property and contents. The standard deductible for each is $500. Dwelling and Homeowners policies do not cover flood. Flood insurance can be written by private insurers under the Write Your Own program. Flood insurance does not cover landslide or mudslide. It does cover mudflow.

All are true of earthquake coverage under personal lines except:

Coverage is provided by adding an endorsement to a Dwelling or Homeowners policy

Coverage can be provided by purchasing a separate policy

Coverage is included in an unendorsed Dwelling or Homeowners policy

All earthquake shocks that occur within 72 hours constitute a single earthquake

c): Dwelling and Homeowners policies exclude earthquake coverage, but this can be added either by endorsement or by purchasing a separate policy. All earthquake shocks that occur within a 72 hour period (that is three days) are considered a single earthquake or occurrence.

Section I of the Boatowners policy provides what type of coverage for the hull?

Actual cash value

Replacement cost

Stated value

Open perils

d): Coverage under a Boatowners policy is generally provided on an open peril basis. In the case of a loss, payment is generally paid based on actual cash value.

The boatowners policy provides coverage for which of the following?

Liability

Medical payments

Physical damage

All of the above

d): The boatowners policy, like a personal auto policy, covers damage to your boat, liability for bodily injury and property damage, and medical payments coverage.

Which of the following losses would be excluded under a personal yacht policy?

Injury suffered by a passenger in a skiing accident

Collision damage to another boat for which the insured is liable

Damage to the insured’s boat due to a collision

Compensation for a crew member injured on the yacht

a): All of the items mentioned above can be covered, but injury suffered by a passenger being towed or skiing behind the boat is excluded.

Auto: Personal Auto Answers

What type of vehicle is a covered vehicle when your covered auto is being repaired due to a covered loss?

Substitute

Replacement

Temporary substitute

Conditional

c): A temporary substitute is also covered if a covered vehicle is out of normal use due to breakdown, servicing, repairs, loss, or destruction.

Which of the following uses of a vehicle is not excluded under the Medical Payments coverage?

Insured uses a truck for incidental purposes

A neighbor uses the insured's car without permission

An insured drives a company car

An insured rides a motor cycle

a): Medical payments coverage is specifically excluded for drivers using the vehicle without permission of the insured or for bodily injury while using a vehicle with fewer than four wheels, so an insured riding a motor cycle. Medical payments would not apply if the insured is using a vehicle for business purposes. However, if a private passenger auto, pickup, van or owned trailer is used for incidental purposes, medical payments would be included.

Which of the following is covered under Part C – Uninsured motorist coverage?

Punitive damages awarded for the insured

The accident was caused by a hit-and-run driver

The insured is also covered by workers' compensation

A family member is struck by an insured vehicle

b): A hit-and-run driver cannot be identified and is therefore covered under Uninsured motorists coverage. Uninsured motorists coverage does not cover punitive damages.

After an automobile policy has been in effect for 60 days, the insurer may cancel the policy for any of the following reasons except:

Non-payment of premium

Material misrepresentation of information on the application by the insured

Submission of four or more claims during a single policy period

Suspension of the driver's license of the named insured or household resident

c): An insurer cannot cancel a policy based on the submission of claims during a single policy period. The insurer can cancel the policy for the other reasons stated here. The insurer can use claims history as the basis for non-renewal of a policy at the end of the policy period.

In auto insurance, limits of 50/100/25 mean the insured is covered for:

$50,000 property damage, $100,000 bodily injury and $25,000 collision damage per occurrence

$50,000 bodily injury, $100,000 personal liability and $25,000 property damage per policy period

$50,000 bodily injury per person, $100,000 bodily injury per occurrence and $25,000 property damage per occurrence

$50,000 property damage per occurrence, $100,000 bodily injury per occurrence and $25,000 bodily injury per person

c): This is a split limit. The limits of liability are $50,000 per person for bodily injury, $100,000 per occurrence for bodily injury, and $25,000 per occurrence for property damage. The most the insurer will pay for an occurrence in this case is $125,000, $100,000 for bodily injury plus $25,000 for property damage.

Under a Personal Auto Policy, if you negligently hit a tree, causing your passenger bodily injury, which of the following statements is true?

Your Personal Auto Policy will cover the passenger's bodily injury and loss of earnings up to your bodily injury per person limit

Only medical payments will apply to your passenger

There is no coverage at all for your passenger

Your passenger's Personal Auto Policy will cover the injuries

a): Under a Personal Auto Policy, the liability coverage is to others, third parties, including passengers in your vehicle with you. If you negligently hit a tree in which a passenger in your vehicle is injured and they prove legal liability, your insurance policy will cover the passenger's bodily injury and loss of earnings as a result of the bodily injury up to the per person limit of liability.

You negligently cause an accident resulting in bodily injury and property damage to the maximum of your policy limits, which are 30/60/20. If your defense costs in a resulting lawsuit are $8,000, how much will your insurer pay?

$80,000

$88,000

$110,000

$118,000

b): The limits of liability under this Personal Auto Policy for bodily injury and property damage as a result an accident caused through your negligence are $60,000 per occurrence for bodily injury and $20,000 per occurrence for property damage. That is a total of $80,000. In addition to these limits of liability, the insurer will pay supplementary payments that include defense costs. The defense costs in this case are $8,000. The total the insurer will pay is, therefore, $80,000 plus $8,000, that is $88,000.

All of these are covered to drive your covered auto on your Personal Auto Policy except:

Your son

Your neighbor

Your friend using your car on a temporary basis

Your auto mechanic test driving your car

d): Under a Personal Auto Policy, the insured, anyone in their household, or anyone driving their auto with their permission, such as a neighbor are covered. Specifically, excluded, however, are mechanics working in a repair shop who test drive your car. This coverage would be provided by the repair shop's garage liability policy.

All of these are true regarding medical payments coverage on a Personal Auto Policy except:

Coverage is to others, not you

Coverage is for you and your passengers

It is an optional coverage

It covers necessary medical and funeral expenses

a): Medical payments coverage under a Personal Auto Policy is a no-fault coverage that covers you and your passengers. Medical payments covers you and yours while you are driving or as a pedestrian. If you have health insurance, your auto medical payments pays first, and your health insurance will cover any excess up to its limits.

Under a Personal Auto Policy, which of the following is considered to be a collision loss?

Another driver dents your fender and drives off

Another driver sideswipes you as you are getting out of your car

Your car hits a large animal, crushing the grill and headlights

Children playing ball break the windshield of your parked car

a): If a driver sideswipes you as you are getting out of your car, you can be covered in one of two ways. You would be covered under your Medical Payments if you have this coverage. Alternatively, bodily injury can be covered by the driver's liability coverage if you can prove legal liability. Colliding with an animal or bird are covered under Other than Collision coverage. Damage to your windshield caused by the children's ball would be covered under Other than Collision coverage. If another driver collides with your car, denting your fender, this would be covered as a Collision loss. If you are able to identify the driver, the damage to your auto could be covered by the driver's policy for property damage.

A friend borrows your car and causes an accident while driving it. Whose insurance covers the damage?

Only the friend's insurance applies

Only your insurance applies

Your policy applies first, and your friend's applies to any excess

Your friend's applies first and yours applies to any excess

c): The vehicle owner's Personal Auto Policy provides primary coverage in case of an accident. The driver's Personal Auto Policy is excess.

Your fully insured car is hit by an uninsured motorist. Your insurance company:

Pays your bodily injury and property damage under your Part C – Uninsured motorists coverage

Pays your bodily injury under your Uninsured motorists and your property damage under your Part D – Damage to your auto

Pays your bodily injury only

Pays your property damage only

b): Uninsured motorists coverage provides coverage for bodily injury as a result of an accident caused by an uninsured motorist. Property damage is generally not covered. In some states this may be covered with an endorsement. The damage to your auto would be covered by collision coverage provided under Part D – Damage to your auto.

Besides any vehicle shown on the Declarations page, the liability part of your Personal Auto Policy will cover any of the following except:

An additional car or truck you buy during the policy period and request the insurer to add to the policy

A replacement car or truck you buy during the policy period, even if you do not notify the insurer

A motor home you buy during the policy period and request the insurer to add to the policy

A temporary substitute vehicle you borrow or rent while your covered auto is out of commission

c): A motor home, due to its size and weight, would not be covered under a Personal Auto Policy. This would require a specialized policy. A replacement car or additional car will be covered or a temporary substitute would be covered under the liability coverage of a Personal Auto Policy.

You have a Personal Auto Policy with Underinsured motorists coverage of 50/100. If another negligent party with Personal Auto Policy bodily injury limits of 15/30 causes you bodily injury in the amount of $40,000, how much can you recover from your Uninsured motorists coverage?

$15,000

$25,000

$50,000

$100,000

b): The negligent party's Personal Auto Policy bodily injury liability will pay a per person limit of $15,000. You would receive $15,000 towards your amount of $40,000. This leaves an excess of $25,000. Your Underinsured motorists coverage will provide excess insurance coverage up to $50,000 per person. Your insurance will, therefore, pay you $25.000.

On a Personal Auto Policy, which of the following is not covered under Other than Collision coverage?

Theft of a portable car phone

Missiles and falling objects

Collision with a deer

Flood

a): Theft of the car itself or sound equipment permanently installed in the car as designed would be covered. Equipment, such as a portable car phone, not permanently installed would not be covered for theft under Other than Collision or Comprehensive coverage. This would be covered under a Homeowners policy.

Even if they have bad driving records, drivers can purchase auto insurance in most states from:

A FAIR plan

An Automobile Insurance Plan

A State Guaranty Association

An option to self-insure

b): Most states, including Georgia, require all authorized insurers who sell auto insurance to participate in an Automobile Insurance Plan. People who are unable to get auto insurance in the normal market place due to bad driving records would be able to get auto insurance from the Automobile Insurance Plan.

On your Personal Auto Policy, all are true regarding the Other than Collision and Collision coverages except:

Both are usually subject to a deductible

Coverages are provided on an actual cash value basis

The deductible must be the same on both coverages

The deductibles are stated separately

c): The deductibles for Collision and Other than Collision coverage are stated separately and can be different. Generally other than collision coverage has a lower deductible than Collision coverage.

All are true about a Personal Auto Policy except

The owner's policy is primary

Transportation expenses are covered for a definite amount and time

Supplementary payments are included

Cancellation notice must be sent to all insureds

d): The cancellation notice must be sent to the first named insured on the Declarations page of the policy.

Personal Auto medical claims must be turned in within ___ years of the date of an accident:

1

2

3

5

c): Medical claims under a Personal Auto Policy must be turned in within three years of the date of the accident.

On a Personal Auto Policy, all of the following are covered by the medical payments except:

The named insured or family members while occupying a motor vehicle

The named insured or family members when struck as a pedestrian

Passengers riding in the insured's covered auto

Persons riding in an auto with which the insured has collided

d): Medical payments under a Personal Auto Policy cover the insured, family members, and passengers either in the car or as pedestrians. A person riding in an auto with which the insured has collided would be covered by the bodily injury liability coverage under the Personal Auto Policy if the insured is found to be legally liable.

The named non-owner endorsement may be added to a Personal Auto Policy to provide coverage for:

Relatives of the named insured who do not live in the same household

Someone who does not own an automobile, but drives borrowed or rented autos

Young drivers in the household who do not own their own car

Non family members who use the insured's auto with permission

b): The named non-owner endorsement may be added to a Personal Auto Policy to provide coverage for someone who does not own an automobile, but drives borrowed or rented autos.

On a Personal Auto Policy, when you loan your covered auto to another person who also has a Personal Auto Policy covering their own car:

Your policy is primary

Your policy will not cover if the other person has the regular use of your car

The other person's policy is primary

The other person is not covered unless they are named on the Declarations page of your policy

a): If you loan your covered auto to another person your Personal Auto Policy will be primary and theirs would be excess if this was required. Even if the person has the regular use of the car, as long as you are paying the premium, they are covered by your policy. They do not need to be named on the Declarations page.

All are true about coverage under a Personal Auto Policy except:

There is no coverage in Mexico

Coverage applies while using your car in a share the expense car pool

Medical coverage applies to others, not the named insured

Permanently installed stereo systems are covered

c): Under a Personal Auto Policy, medical payments applies to the insured, family members, and passengers. It does not apply to others. Others would be covered by bodily injury liability coverage if the insured is found to be legally liable. Under a Homeowners policy, medical payments is to others and not to the insured.

Auto: Commercial Answers

The Business Auto Coverage form liability coverage covers which of the following:

Property damage to the insured's property

Mobile equipment being transported or towed by the insured

Bodily injury to the insured

Workers' compensation

b): The operation of mobile equipment is covered under the Commercial General Liability for liability but is not included in the definition of a covered auto under the Business Auto coverage form unless it is being transported or towed by a covered auto.

Garage liability coverage is broader than the Business Auto Coverage liability coverage because it:

Is not written with deductibles

Has additional supplementary payments

Provides coverage for damage to customers' autos

Provides some coverage for premises, products, and completed operations

d): Garage liability coverage provides coverage for auto businesses such as auto dealerships, repair shops, and parking garages. Garage liability coverage covers liability related to Premises and Operations, Product and Completed Operations, and Business Auto. Garage liability does not automatically provide liability coverage for autos in the care, custody or control of the insured. If this coverage is required, you would add Garagekeepers liability coverage.

The name of the policy that is usually written on a blanket basis to protect auto dealers and repair shops for legal liability as a result of damage to a customer's car is called:

Commercial general liability

Garagekeepers liability

Garage liability

Business auto coverage

b): Garagekeepers liability coverage provides liability coverage for businesses such as auto dealerships, repair shops, and parking garages for liability for property damage to autos temporarily in the care, custody or control of the insured. Garage liability provides liability coverage for these businesses but, without Garagekeepers liability, would not cover damage to a customer's auto in their care, custody or control. Business Auto coverage provides coverage for private passenger and commercial auto exposures for all businesses other than garages, truckers, and motor carriers. Specialized forms are used to cover these businesses.

Under Business auto coverage each of the following is true about classifications of covered autos except:

Mobile equipment is considered to be covered as a covered auto

Any auto is the broadest coverage classification

The insured may select several different classifications of covered autos

Hired autos includes autos leased, hired, rented, or borrowed by the insured

a): Mobile equipment is not covered under a Business Auto policy unless it is being transported or towed by a covered auto.

What is the maximum the insurer will pay for a covered transportation expenses claim:

$200

$400

$600

$800

c): Transportation charges are paid up to $20 a day with a maximum of $600 for temporary transportation expenses for the total theft of a covered vehicle.

Which of the following is true about the Individual Named Insured endorsement?

Protects the named insured who does not own a car

Applies to all resident family members

Adds business coverage to a personal private passenger auto

Coverage is provided only to those individuals listed on a schedule

b): The Individual Named Insured endorsement adds all resident family members to the Business Auto coverage form in order to allow a family member permission to drive a business auto.

If an insured wants collision coverage for only a few autos out of a fleet of autos, which symbol would be used in the declarations?

1

7

5

9

b): Symbol 7 is used for specifically described autos. If an insured wants to select only a few autos from a fleet of autos, they would select Symbol 7 and these would be specified in the declarations.

Eddie is driving his company-owned truck in another state and causes an accident. That state requires a minimum of $30,000 liability coverage and his policy has a limit of $25.000. Eddie is sued for $50,000 damages arising out of the accident. How much will the insurer pay?

$25,000

$30,000

$50,000

$0

b): Although the limit on the policy is $25,000, the insurer will meet the minimum required amount in another state. In this case, the minimum required is $30,000. The insurer will pay only the minimum required by the state because the limit of liability on the policy is $25,000.

A covered auto collided with a bird and the windshield was damaged. The auto is insured for collision and comprehensive coverages under the Business Auto Coverage form. Which coverage would pay for the loss?

Collision

Comprehensive

Both collision and comprehensive

Neither collision nor comprehensive

b): The glass breakage can be covered by collision coverage. If the insured has both collision and comprehensive coverage, however, losses due to glass breakage, hitting a bird or animal, and falling objects and missiles would be covered by the comprehensive coverage. This prevents the insured from having to pay two deductibles.

All are true of the Business Auto Coverage form conditions except:

An insured cannot take legal action against the insurer unless they have fully complied with all terms of the policy

The Business Auto Coverage form provides excess coverage for covered autos owned by the insured

When the Business Auto Coverage form and other insurance cover on the same basis, the Business Auto Coverage form pays only its share of the loss based on the proportion of its coverage

If more than one policy issued by the same insurer applies to a loss, the amount the insured will be paid is limited to the highest single policy limit

b): The Business Auto Coverage form provides primary coverage for covered autos owned by the insured. All other statements are true.

The insured has a Business Auto Coverage form that covers all autos. A salesperson working for the business is provided with a company car. The salesperson borrows a neighbor's car and, while using it on company business, has an accident. Which of the following is correct?

The salesperson has liability damage under an unendorsed Business Auto Coverage form

The salesperson has property damage coverage under an unendorsed Business Auto Coverage form

The salesperson would have liability coverage under a Business Auto Coverage form with the Drive Other Car Coverage endorsement

The salesperson would have liability coverage under a Business Auto Coverage form with the Employees as Additional Insureds endorsement

c): The Drive Other Car endorsement extends coverage to autos the insured does not own, hire, or borrow while being used by the person named in the endorsement. This does not apply to autos owned by the person named in the endorsement or their family members. If the person named in the endorsement does not have personal auto insurance they would not be covered if they were using a borrowed or rented auto unless they were named in the Drive Other Car endorsement.

Which portion of the Garage coverage form covers liability for damage to property of others in the insured's care, custody or control?

Liability

Garagekeepers

Physical damage

Garage operations

b): The Garage coverage form provides liability, Garagekeepers, and physical damage coverage. The liability coverage under the Garage coverage form covers auto and business liability but specifically excludes liability for damage to property of others in the care, custody, or control of the insured. Garagekeepers coverage provides liability insurance for damage to property of others in the insured's care, custody, or control and can be specifically added to the Garage coverage form to cover liability for damage while servicing, repairing, storing, or parking autos for customers.

Which of the following perils is not included in the Business Auto Coverage form's Specified Causes of Loss coverage?

Collision

Earthquake

Flood

Theft

a): The Business auto coverage form's Specified Causes of Loss coverage provides comprehensive coverage but for limited perils or causes of loss. These are fire, lightning, explosion, theft, windstorm, hail, earthquake, flood, vandalism and malicious mischief, and sinking, burning, collision, or derailment of a conveyance transporting the covered auto. It does not cover damage due to a collision of the auto.

All of the following would be considered an insured under Business Auto liability coverage except:

The named insured

Others while using a covered auto with permission

The owner of a borrowed vehicle

Others who become liable for the conduct of an insured

c): The owner of a hired or borrowed auto is not considered an insured under Business Auto liability while using the covered auto.

The Business Auto coverage form covers all of the following except:

Owned private passenger autos

Mobile equipment registered to drive on public roads

Automatic coverage for physical damage to trailers

Automobiles owned by employees used for business purposes

c): Owned trailers used by a business may be covered for physical damage coverage, but this coverage is not automatic.

Workers Compensation / Employers Liability Answers

Generally an employer is required by state law to provide workers' compensation insurance if it has __ or more employees.

1

3

5

50

b): Generally employers must carry workers' compensation insurance if the employer has 3 or more employees. Some employees, however, are exempt such as casual workers or farm laborers.

Loss of income benefits on workers' compensation are usually covered to what percentage of the average weekly wages?

50%

100%

66 2/3%

75%

c): The law only requires payment of two thirds or 66 2/3% of the average wage of an employee subject to certain maximums. Disability income is not taxable.

Workers' compensation medical benefits:

Are subject to deductibles and coinsurance

Are subject to annual maximum amounts

Are subject to a lifetime maximum amount

Have no dollar or time limit on covered expenses

d): Workers' compensation medical benefits fully cover payment of medical services related to the injury or disease without either a dollar limit or a time limit.

All are true of workers' compensation insurance except:

It is required by state law

Coverage is statutory

An injured worker must prove that the employer was negligent

It pays regardless of fault

d): Workers' compensation is no-fault coverage and the employee does not need to prove negligence to get the statutory benefits. This was put in place to address expensive legal defenses when an employee suffered a work-related injury or disease.

Employer's liability pays for all of the following for which the insured is legally obligated to pay except:

Care and loss of services

Injuries claimed by a third party as a result of worker's injuries

Consequential injury to dependents

Intentional injury by the employee

d): Employer's liability insurance provides insurance for which the insured, the employer, is liable outside of workers' compensation either to the employee or a dependent or third party. Intentional injury by the employee, however, is not covered.

Surety Bonds Answers

What is the primary purpose of surety bonds?

To provide financial assistance to contractors

To guarantee the completion of a project as specified in the contract

To ensure project owners make timely payments

To cover the cost of materials used in a project

Correct Answer: B. To guarantee the completion of a project as specified in the contract

In which industry are surety bonds commonly used?

Retail

Healthcare

Construction

Technology

Correct Answer: C. Construction

E. Crime coverage Answers

Which of the following has the care and custody of the insured's property outside the premises?

Employee

Watchperson

Custodian

Messenger

d): The messenger can be the insured or any partner or employee of the insured who has the care and custody of the insured's property outside the premises.

Each of the following is true of a Discovery crime coverage form except:

Covers a loss that was discovered within one year of the expiration of the policy

Covers a loss that was discovered during the policy period

Might require the use of a retroactive date

Covers a loss that did not necessarily occur during the policy period

a): The Loss Sustained coverage form covers a loss that is discovered during the policy period or within one year of the expiration of the policy. The Discovery coverage form covers losses that are discovered during the policy period or 60 days after the expiration of the policy. The loss may not necessarily have occurred during the policy period. A retroactive date may apply.

The Inside the Premises – Theft of money and securities insuring agreement covers each of the following types of loss, except:

Theft of money inside the insured's premises committed by a person present on the premises

Theft of money or securities by an accountant

Damage to the insured's premises or its exterior caused by a theft or attempted theft

Damage to a locked safe or vault caused by a theft or attempted theft

b): Losses due to accounting errors or committed by an employee are not covered under Inside the Premises – Theft of money and securities insuring agreement. Theft of money and securities is covered if committed by another person inside the premises. Any damage to the premises, interior or exterior, and to a locked safe or vault is also covered.

Which of the following type of crime coverage requires signs of forcible entry or exit?

Mysterious disappearance

Robbery

Burglary

Theft

c): Burglary is specifically defined as loss of property with visible signs of forced entry or exit. Burglary coverage would not apply if the front door to the premises was left unlocked and there was no forced entry or exit.

Employee theft or dishonesty covers all of the following except:

Theft of money

Theft of securities

Robbery

Employee pilferage

c): Employee theft or dishonesty covers theft of money, securities, and property by an employee. Pilferage includes any type of stealing, money, security, or property (inventory).

On a commercial crime policy, money is defined as all of the following, except:

Currency

Coins

Evidence of debt

Travelers checks

c): The definition of money includes currency, coins in current use, and travelers checks. Evidence of debt is not included under the definition of money, but under the definition of securities.

A group of teenagers broke into a gas station store by driving through the front door after the store was closed. They stole some snacks and drinks for a loss of $70, $20 of coins in a container on the counter, and tried, unsuccessfully, to break into the safe. Which of the following losses would not be covered under Inside the Premises – Theft of money and securities coverages?

Damage to the front door

Damage to the safe

$70 for the loss of the snacks and drinks

$20 for the loss of the cash on the counter

c): Inside the Premises – Theft of money and securities covers losses of money and securities from inside the premises and damage to the premises or a safe or vault resulting from the theft or attempted theft. This coverage would not cover other property, that is, the loss due to the theft of the snacks and drinks.

Coverage for defense costs is included in:

Computer fraud coverage

Forgery or alteration coverage

All of the crime coverages

None of the crime coverages

b): Under the forgery or alteration coverage, if the insured is sued for refusing to pay a forged or altered instrument and obtains the insurer's written permission to defend the suit, the insurer will pay reasonable defense costs incurred by the insured. The other crime coverage forms do not cover defense costs.

Who of the following would not be considered a custodian while having the care and custody of company property inside the premises?

A store clerk

A company director

A stock clerk

A janitor

d: A custodian is someone who has the care and custody of property inside the premises. This includes the named insured, the insured's partners, and employees. It specifically excludes a night watchman or janitor.

What type of property is protected under computer fraud coverage?

Money

Securities

Other property

All of the above

d): Computer fraud coverage covers loss of or damage to money, securities, and other property due to the use of a computer to fraudulently transfer the property from inside the premises or banking premises to a person or place outside the premises.

Umbrella/Excess Answers

What is not true of a personal umbrella policy?

a) The policy forms are standardized

b) The policy requires underlying coverage for homes and automobiles

c) The umbrella policy can provide broader coverage than the insured's primary policies

d) They usually have lower limits written on an excess basis

Correct answer: d) They usually have lower limits written on an excess basis

What is a requirement for qualifying for a personal umbrella policy?

a) Having primary liability coverage for boats

b) Having primary liability coverage for homes and automobiles

c) Owning multiple properties

d) Having no other insurance coverage

Correct answer: b) Having primary liability coverage for homes and automobiles

What does commercial umbrella insurance provide?

A) Additional protection beyond primary liability policies

B) Basic liability coverage only

C) Coverage with lower limits than primary policies

D) Coverage that is limited to specific industries

Correct Answer: A) Additional protection beyond primary liability policies

What is the main difference between commercial umbrella and commercial excess liability insurance?

A) Commercial excess insurance provides broader coverage than umbrella insurance

B) Commercial umbrella insurance follows the same terms and conditions as primary policies

C) Commercial excess insurance is suitable for businesses of all sizes

D) Commercial umbrella insurance is purchased by businesses needing higher liability limits

Correct Answer: B) Commercial umbrella insurance follows the same terms and conditions as primary policies

Professional Liability Answers

All of the following are true of a Professional Errors and Omissions (E&O) policy except:

It covers legal liability for negligent acts of the insured in providing professional services

Fraud or illegal acts of the insured are not covered

Bodily injury and property damage are covered

It covers financial and economic losses

c): Generally Professional Liability policies cover only financial and economic losses. They generally do not cover bodily injury or property damage. There are some exceptions, however. Medical Malpractice insurance covers liability for bodily injury only. Errors and Omissions insurance for some professions covers bodily injury and property damage, for example, for architects and engineers.

Employment Practices Liability Answers

What does Employment Practices Liability Insurance (EPLI) cover?

A) Property damage

B) Employee discrimination claims

C) Business travel expenses

D) Marketing costs

Correct Answer: B) Employee discrimination claims

Which industries are mentioned as particularly susceptible to employment-related claims?

A) Technology and manufacturing

B) Education and finance

C) Healthcare, hospitality, and retail

D) Construction and transportation

Correct Answer: C) Healthcare, hospitality, and retail

All of the following are true of a Professional Errors and Omissions (E&O) policy except:

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A. Laws, Rules, Regulations Pertinent to All Lines of Insurance Answers

The Georgia Commissioner of Insurance is elected to office for a period of years;

2

3

4

10

c): The Georgia Commissioner of Insurance is an elected position. Georgia voters have the opportunity to vote for the candidates. The Commissioner serves for a period of 4 years.

An insurer who is domiciled in another state and is authorized to do business in Georgia is known as a(n) insurer.

Domestic

Foreign

Alien

Non-resident

b): Insurers are categorized as Domestic, Foreign, or Alien insurers based on their state of domicile. This is the state in which they are incorporated and under whose insurance rules and regulations they were formed. A Georgia domestic insurer is domiciled in Georgia. An insurer domiciled in another state but in the United States, is known as a foreign insurer. An insurer domiciled outside the United States is known as an alien insurer.

Verbally suggesting that an insurer may not be in a position to pay claims is an unfair trade practice known as:

Defamation

Misrepresentation

Rebating

Coercion

a): It is an unfair trade practice, known as defamation, under the Georgia insurance code to make or distribute, either verbally or in written form, any false or maliciously critical information regarding an insurer's financial condition or ability to pay claims. This applies also to making false or maliciously critical statements about any agency or individual in the insurance industry with the intent to harm or injure their reputation.

All rules and regulations made by the Commissioner of Insurance must be approved by the:

Attorney General

Secretary of State

Governor

A board representing insurance companies authorized to do business in Georgia

a): The Insurance Commissioner makes the rules and regulations required to carry out the provisions of the insurance code. The Commissioner cannot put these into effect without the approval of the State's Attorney General.

Resident agents who have been licensed for fewer than 20 years must complete at least ___ hours of Continuing Education every renewal period.

3

15

24

30

c): Licenses in Georgia are renewable every two years on the last day of the licensee's birth month. An individual who has been licensed for fewer than 20 years is required to complete 24 hours of continuing education every renewal period, that is, two years. At least three hours of the 24 must be in ethics. If an individual has been licensed for more than 20 years they are required to complete 20 hours of continuing education each renewal period, of which three hours must be in ethics.

All of the following are considered to be "transacting insurance" except:

Soliciting insurance

Initial negotiation of an insurance contract with an applicant

Performing research into appropriate policies and their respective premiums and terms

Completing an insurance contract

c): Transacting the business of insurance, by definition, includes soliciting for business, negotiating a contract (presenting different types of policies, coverage options and rates), completing an insurance contract (completing and executing the application, handling premiums, delivering the policy, managing counteroffers), and managing the contract after it has been issued (renewals). Performing the research into different options would not be included in this definition. By this definition, therefore, a non-licensed individual can support an agent by doing this research. A non-licensed individual can also perform administrative tasks in support of an agent.

The FAIR Plan:

Provides access to basic fire insurance for Georgia residents

Protects customers of insolvent property insurers

Provides access to minimum auto liability insurance for Georgia residents

Provides access to worker's compensation insurance for Georgia employers

a): The Georgia FAIR Plan (Fair Access to Insurance Requirements) provides basic property insurance to individuals who are unable to obtain personal or commercial property insurance through the voluntary market. All property insurers authorized in the state of Georgia are required to participate based on their proportionate share of property insurance written in the voluntary market. The Georgia Automobile Insurance Plan provides the minimum required auto insurance to individuals who are not able to obtain auto insurance through the voluntary market. The Georgia Workers' Compensation Assigned Risk Plan exists to provide workers' compensation insurance for employers who are required to have this insurance but are not able to purchase it through the voluntary market.

All of the following are true about the Georgia Automobile Insurance Plan except:

It is designed to make automobile insurance available to applicants who are in good faith entitled to coverage but are unable to procure it through the voluntary market

All authorized auto insurers must participate in the plan

Risks are distributed among plan participants based upon their percentage of auto insurance written in the state of Georgia

At the insured's option, liability limits may be written for less than those required by the Georgia financial responsibility law

d): The Georgia Automobile Insurance Plan was created to provide automobile insurance coverage to eligible risks who seek coverage and are unable to obtain such coverage through the voluntary (ordinary) market. All authorized insurance companies must participate in the pool as a condition of having a Certificate of Authority to do business in the state of Georgia. Risks are apportioned amongst insurers depending on the amount of coverage written in the voluntary market in the state of Georgia. Coverage through the Georgia Automobile Insurance Plan must comply with the minimum limits of liability required by Georgia law.

The minimum limits for Uninsured Motorists coverage that may be written in the state of Georgia are:

$10,000/$20,000/$10,000

$25,000/$50,000/$10,000

$25,000/$50,000/$25,000

$50,000/$100,000/$50,000

c): The minimum requirements in the state of Georgia for Uninsured Motorists coverage are $25,000 because of bodily injury to or death of one person in any one accident, $50,000 because of bodily injury to or death of two or more persons in any one accident, and $25,000 because of injury to or destruction of property. ($25,000 bodily injury per person, $50,000 bodily injury per occurrence, $25,000 property damage)

All of the following are true regarding the nonrenewal of a Personal Auto Policy in the state of Georgia except:

The insurer must notify the insured of his possible eligibility for insurance through the Georgia Automobile Insurance Plan

The insurer must notify the named insured in writing at least 30 days in advance of the nonrenewal

The insurer must include the reason for nonrenewal in the notification

Nonrenewal can be based on the insured's age, residence, location, race, creed, national origin, ancestry, or marital status

d): Nonrenewal of a Personal Auto Policy cannot be based on the insured's age, residence, location, race, creed, national origin, ancestry, or marital status. This would be considered discriminatory. The named insured must be provided with advance notice in writing of nonrenewal at least 30 days in advance, must be provided with the reason for the nonrenewal, and must be informed that they may be eligible for coverage through the Georgia Automobile Insurance Plan.

All are true of the Georgia Insurer's Insolvency Pool except:

Provides insurance for those who are not able to get property insurance from a standard insurer

Its purpose is to protect the public with Property and Casualty insurance in Georgia if the insurer goes insolvent

Is run by a board of directors selected by the Commissioner

Is funded by all Property and Casualty insurers authorized to do business in the state of Georgia

a): The Georgia Insurer's Insolvency Plan is in place to protect insureds from Property and Casualty insurers that go insolvent. All insurers authorized as Property and Casualty insurers in the state of Georgia are required to participate in the pool and are assessed based on their proportion of premiums earned. The Pool is run by the Insurers Insolvency Board selected by the Commissioner. The FAIR plan is in place to provide property insurance for those who are not able to purchase their insurance from standard insurers.

B. Laws, Rules, Regulations Applicable to Property and Casualty Insurance Answers

What is surplus lines insurance?

a. Insurance coverage for risks that are not covered by the standard insurance market

b. Insurance coverage provided by the government

c. Insurance coverage for low-risk individuals

d. Insurance coverage for valuable property only

Answer: a. Insurance coverage for risks that are not covered by the standard insurance market

What are risk retention groups?

a. Insurance companies that provide coverage for individuals

b. Self-insurance organizations formed by similar businesses

c. Insurance companies that guarantee a profit for policyholders

d. Insurance organizations that cover only high-risk individuals

Answer: b. Self-insurance organizations formed by similar businesses

What is the purpose of the Georgia Insurance Guaranty Association?

a. To provide insurance coverage for high-risk individuals

b. To protect policyholders in the event of an insurance company insolvency

c. To regulate insurance rates in Georgia

d. To provide free insurance to policyholders

Answer: b. To protect policyholders in the event of an insurance company insolvency

How should cancellation and nonrenewal of insurance policies be handled?

a. According to the discretion of the insurance company

b. In accordance with Georgia state regulations

c. Without notifying the policyholder

d. Without any consequences for the insurance company

Answer: b. In accordance with Georgia state regulations

What are residual markets in insurance?

a. Markets where insurance coverage is free for policyholders

b. Markets where insurance coverage is provided by the government

c. Markets where high-risk individuals can obtain coverage

d. Markets where insurance coverage is only available to low-risk individuals

Answer: c. Markets where high-risk individuals can obtain coverage

What is the purpose of the FAIR plan in Georgia?

a. To provide coverage for high-risk drivers

b. To regulate standard insurance rates

c. To provide coverage for low-risk individuals

d. To provide coverage for valuable property only

Answer: a. To provide coverage for high-risk drivers

What does the Financial Responsibility Law in Georgia require?

a. Drivers to carry a minimum amount of liability insurance

b. Drivers to have insurance coverage for all risks

c. Drivers to have insurance coverage for valuable property only

d. Drivers to never be at fault in an accident

Answer: a. Drivers to carry a minimum amount of liability insurance