

# AGENCY INTERNAL PROCEDURES MANUAL

## COMMERCIAL LINES PROCEDURES

### I. INTRODUCTION

Commercial insurance represents over seventy percent (70.0%) of all insurance written in the United States. In the past ten years the changes in this class of insurance have been revolutionary. The growth of litigation with the resultant changes in the law, the changes in methods of conducting business and the increased sophistication of coverages in the field of commercial insurance have placed an increased burden upon agents and brokers and all members of their firms to improve their technical expertise in this ever changing insurance climate. New types of business exposures and new insurance products have also placed an additional burden upon the agency principal to strengthen the internal controls in the agency and develop a much higher degree of standardization and consistency in the agency internal procedures in order to avoid a potentially costly errors and omissions claim.

A. This chapter of the manual is divided into eight parts. Each part deals individually with the procedures for the handling of the subjects outlined below:

1. Quotations and Proposals for Insurance
2. New Business
3. Renewal Business
4. Endorsements
5. Excess Liability and Umbrella Policies
6. Professional Liability Insurance Coverages
7. General
8. Cancellations and/or Terminations

B. A recommended file organization for commercial files will be found in the chapter on Records Management (Page No: Recd - 4, paragraph III - C). Also, if your agency is on Transactional Filing, review the section in the Records Management Chapter on Transactional Filing (Page No. Recd - 10, Paragraph V).

The basic principle behind these suggested procedures is to assist both the agency principal and staff members in establishing higher standards of control in the internal procedures, maintaining consistency and continuity of operations in order to reduce the probability of an errors and omissions claim.

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#### II. QUOTATIONS AND PROPOSALS FOR INSURANCE

A. Quotation Request: When the request for a commercial quotation or proposal comes into the office, the individual preparing the quote or proposal shall review the request to determine whether or not the agency has a viable, qualified market for the requested coverage or coverages. Then, another determination shall be made to see if the risk qualifies for an admitted market or should be submitted to a surplus line market.

After the decision is made, the individual markets shall be selected to whom to send the request for quotation or proposal.

B. Completed Application or Proposal Form: No quotation for any type of commercial insurance shall be considered until an application or agency originated proposal form has been completed, then reviewed, signed and dated by the insured.

The latest standard ACORD application form shall be used for submission to the company unless the company has its own particular application form.

C. Telephone Request: Should the request for quotation come into the agency by a phone call, the following information shall be obtained from the caller and entered into the automated system or on an ACORD form before referral to an assigned producer:

1. Name of Applicant
2. Address, Phone and FAX numbers
3. Type of business.
4. Expiration date of present insurance.
5. Name of Insurance Carrier.

When the assigned producer has been furnished with the basic information, the prospective insured shall be contacted personally by the producer to obtain all information necessary to complete an application and determine the exposures to be insured.

After obtaining this information, an application shall be completed and reviewed by the agency principal, then reviewed and **signed and dated by the insured** in the insured's handwriting and then submitted to the company(ies) for quotation.

D. Quote Submission: The completed application or proposal form shall be sent to the company or companies for quote.

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1. The quote information shall be entered into the automated suspense system to come up in 30 days.
2. The Customer Service Rep. shall call the underwriter on any quote not been received within 30 days to determine when the quote will arrive. The date furnished by the underwriter shall be entered into the suspense system for call up.
3. Upon receipt of the quote from the companies, the item shall be purged from the system.
4. No request for quotation shall be allowed to be outstanding for more than 60 days.

E. Quote Review: After the quotes have been received in the office they shall be compared against the application and checked for accuracy. After the quote has been thoroughly checked, the producer shall decide which quote or quotes to present to the insured. The quote or quotes shall be either delivered to the insured by the producer or mailed. In either case a letter shall accompany each quote stating it is a quote only and no coverage is in effect until accepted by the insured and a binder issued.

1. When the insured accepts the quote, it shall be **signed and dated** by the insured and then returned to the Customer Service Rep. for processing.
2. Should the prospective insured reject the quotation it shall be retained in the active files for a period of one year. A suspense shall be set up to pull the file to contact the customer again for a possible quote of the account. If the request for a new quote is refused, the quote shall be placed in the dead file for one year, after which the quote shall then be sent to the dead files. At the end of two years the quote shall be purged and destroyed.

F. Small Commercial Policies: If the type of coverage is simple, such as a small business package, the application may be completed over the telephone. However, it shall be sent to the insured to **sign and date**. If the rates are available, the application shall be rated after the signed acknowledgement by the insured and then sent to the company for the policy to be issued.

### III. NEW BUSINESS

A. Entry into the automated system. All new commercial lines business shall be entered into the system's insured's index. The following information shall be included as part of the index:

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1. Name and address of customer
2. Customer number or I.D. code, if any
3. Name of underwriting company(ies)
4. Policy number(s)
5. Line(s) of business
6. Expiration and anniversary dates
7. Producer identification number and/or work station number.

If the agency has scanning capabilities, the agency's copy of the policy shall be scanned and entered into automated system into the insured's file.

B. Manual system entry: If the agency is still on a manual system, an insured's index shall be maintained on 3" x 5" index cards. The same basic information that was outlined in (A.) above shall be contained on the cards. The cards shall be filed alphabetically by insured's last name.

C. Preparation of application: When the quotation has been accepted by the insured, the application shall be prepared for processing, either manually or through the automated system. If automated, the application shall be printed out for additional review and signature by the named insured.

1. The application shall also be reviewed to determine if any changes have been made from the original quote. If there have been any changes from the original application, the insured shall **sign and date** the application, indicating his agreement to and understanding of the changes made. The application and any necessary papers shall then be sent to the company to be issued.

A duplicate copy of the **signed and dated** application shall be kept in the file as a part of the permanent records. If agency is on a "paperless" transaction, the application shall be scanned for entry into the system prior to submitting to the company.

2. Prior to submission to the company, the application shall be double checked to make certain all agreed upon coverages have been included and limits, values and deductibles are identical with those agreed upon by

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the insured.

3. If the inception date of the policy is within thirty days, a binder shall be issued along with any necessary certificates of insurance (See: BINDER PROCEDURES.)
3. If the inception date of the policy is more than thirty days from the date sent to the company, the file shall be suspended for ten days prior to the effective date. At that time a binder shall be issued if the policy has not been received from the company.
4. After the application has been sent to the company, the file shall be suspended for thirty days. (See: SUSPENSE PROCEDURES.)

D. Policy Receipt and Review: Whenever a policy is received from the company, the person responsible for the file shall:

1. Utilize the Policy Checklist (See "Policy Checklist" on **Page No. CHK-1** in the General Information Section of the Manual), to make certain that the information contained in the policy is identical with that initially submitted to the company.
2. Check it against the copy of the application to determine that both coverages and premiums are exactly as quoted and requested.
3. Prepare a summary of coverages (**Summary of Coverages - Page No Comm - 22**), and a transmittal letter (**See Sample Transmittal Letter on Page No Comm - 23**), and invoice.
  - a. The transmittal letter shall contain only basic information:
    - (1). Referral to the Summary of Coverages.
    - (2). Request to read the policy and endorsements.
  - b. Under no circumstances shall the letter contain any detailed description of coverages or explanation of the exclusions
4. Send copy of the invoice to the accounting department.
5. Give the policy, cover letter, summary and invoice to the producer or agency principal for delivery to the customer in person or for mailing.

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6. Enter the policy information as outlined in II-A above into the insured's index system.

#### IV. RENEWALS

A. Automated Renewal Lists: When the automated suspense system prints out the renewal lists each month for the renewals 100 days in advance of the renewal date, the renewal list shall be distributed to the responsible Account Executive, Producer or CSR for review and action.

When each individual responsible for the renewal receives his/her renewal list he/she will pull the files at least 90 days prior to the expiration.

B. Manual Renewal Lists: The manual renewal suspense slips shall also be pulled 100 days in advance of the renewal date and given to the individual responsible for the account.

The renewal slips shall be matched up with the underwriting file a minimum of 90 days in advance of expiration.

C. Renewal File Review: Every file shall then be reviewed for any changes that have occurred during the policy year and the notations made on the policy information sheet or automated customer notepad in the system.

The file shall then be given to the responsible account executive with a request for instructions on what action to take.

D. Renewal Action: The producer or agency principal shall either personally contact the insured to obtain renewal information or write a letter to the insured enclosing a renewal questionnaire or application to be completed and returned for processing. The insured must always be contacted prior to renewal to obtain the updated information and shall **sign and date** the renewal questionnaire or application.

E. Renewal Processing: After the insured has been contacted and the updated information obtained, the following procedures shall be observed:

1. Update the file and prepare the necessary memo for requesting a renewal quotation from the company.

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2. If there has been a material change in the policy at renewal, a new application shall be prepared for submission to the company instead of a memo. The insured shall **sign and date** the new application.
3. All updated renewal information shall then be sent to the company with a request for quotation.
4. Suspend the file in the suspense system for 30 days.

F. Receipt of Renewal Quote from Company: When the renewal quotation is received from the company, the following procedures shall be followed:

1. Check the quotation to make certain all coverages were included exactly as requested.
2. After checking for accuracy, the quote shall be presented to the insured by the producer and reviewed with the insured to make certain all exposures have been insured.
3. If accepted by the insured, the insured shall acknowledge acceptance by signing and dating a copy of the quote. The producer shall then return the quote to the company to issue the policy.
  - a. The renewal request shall be suspended in the suspense system for a period of thirty days.
  - b. If the renewal has not been received from the company at the end of thirty days, the company shall be called to determine where the renewal is. After talking to the underwriter the file shall then be re-suspended for the time the underwriter indicated.
  - c. If the renewal has not been received within ten days of expiration, a thirty-day binder shall be issued and sent to the insured.
    - (1) The binder shall include an estimate of the annual premium.
    - (2) The binder shall be personally signed by a licensed principal of the agency.
3. If the insured does not accept the quote, it shall be filed in the active file for a period of one year. A suspense shall be set up to contact the insured again 60 days prior to the next anniversary determine if a new quote can be

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submitted. If insured refuses the quote shall be sent to the dead files. The expired policy and the renewal quote shall then remain in the dead files for the required number of years in accordance with the office and/or statutory file retention program.

G. Receipt of Renewal: When the agency receives the renewal policy the following procedures shall be followed:

1. Again, uses the Policy Checklist to check the policy and endorsements to determine the premiums and coverages were the same as requested and quoted prior to sending it out to the insured.
2. Prepare a summary of coverages.
3. Prepare a transmittal letter and invoice.
4. Send copy of invoice to accounting.
5. If binder has been issued, attach copy of binder to underwriting file. (See Binder Procedures).
6. Give file to licensed producer for personal signature and delivery to the insured.

H. System Entry: Enter renewal information into the insured's index and renewal suspense system.

### V. ENDORSEMENTS

A. General: Endorsements fall into two categories:

1. Non-money endorsements
2. Money endorsements

B. Definitions: Endorsements are defined as changes, i.e., additions, deletions or otherwise the amendment to a policy contract, either at its inception or during the policy period. An endorsement may or may not alter the coverages or the conditions of the policy. An endorsement can be some-thing as simple as correcting a spelling error or as complicated as amending an insuring agreement.

1. Any request that is beyond the binding authority of the agency shall be referred to the company for approval prior to accepting coverage.

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2. All requests for changes in the policy coverages or amendments to the insuring agreements shall be referred directly to the company for review and approval.

C. Non-Money Endorsements: Simple non-money endorsements should be prepared and issued in the agency to save time.

Examples of non-money endorsements would be change of address, spelling corrections, etc.

1. The endorsement shall be prepared in three parts (four if there is a loss payee).
  - a. Original to insured
  - b. Copy to the company
  - c. Copy for insured's file
  - d. Copy for loss payee, if required.
2. After the endorsement is issued, it shall be distributed to the respective parties. A cover letter to the insured shall not be necessary unless the change is complicated.

D. Money Endorsements: A money endorsement is defined as a change request that will require an interim premium charge or credit. Any change request that involves a premium charge shall be sent to the company with a description of the changes requested.

1. The endorsement request shall be suspended for a period of thirty days, in accordance with standard suspense procedures.
2. When the endorsement is returned from the company, it shall be checked for accuracy.
3. After it has been checked, the following procedures shall be followed:
  - a. Prepare a transmittal letter and invoice.
  - b. Note the changes on the summary of coverages.

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- c. Deliver the endorsement to a licensed producer for countersignature and mailing to the insured.
- d. Send copy of the invoice to accounting.
- e. Attach the endorsement to file in the prescribed manner as outlined in the section Records Management, Page No. Recd - 5, paragraph III B - 3.

E. Restricting Endorsements: Any endorsement that restricts or limits coverage must be **signed and dated** by the insured. A copy shall be kept in the underwriting file as a part of permanent record.

## VI. PROFESSIONAL LIABILITY

A. Introduction: With the increase in litigation against individuals and corporations alleging professional misconduct, there is an increase in the sale of professional liability policies, such as Directors and Officers, Employment Practices Liability, Agents and Brokers Errors and Omissions, Architects and Engineers, etc. has increased substantially. A majority of the insureds purchasing these professional liability policies are not aware of the coverage differences between general liability policies and professional liability policies. It is extremely important the seller clearly explain the differences in coverage so there will be no misunderstanding on the part of the insured.

Many insurers are now offering some type of Professional Liability coverage, such as D & O coverage or EPLI coverage with their general liability policies or their small business packages. While this could help to consolidate coverages into one contract, there are many areas of differences involved that must be addressed:

1. Professional Liability coverages are written on a "Claims Made" or "Claims Made and Reported" basis. Whereas, practically all General and Automobile Liability contracts are written on an "Occurrence" basis. It is of utmost importance that when these two coverages are combined on one contract, you shall notify the insured in writing of the differences in coverage. (***See Suggested Letter "Claims Made v. Occurrence Coverage - Page No Comm 24."***)
2. As a general rule the coverage provided is more limited than that provided under a separate policy. In many cases, the wording on the Professional Liability endorsement is ambiguous and has not been tested by court decisions.

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3. Umbrella Policies: Many Umbrella carriers will not provide umbrella coverage over a policy that provides both general and auto liability and also includes professional liability.

B. Coverage Differences: In addition to the general differences between a Claims Made policy and an Occurrence policy, there can be other differences spelled out in the policy which must be explained to the insured.

1. Defense Costs: In a General Liability policy, defense costs are provided in addition to the limit of liability and do not reduce the limit of liability. In the professional liability coverages, the defense costs may be within the limits of liability which can diminish the limits of liability or "in addition to the limits of liability, until the limits have been exhausted". If the defense costs are within the limits of liability, the insured must be made aware of that provision, for a costly lawsuit could exhaust the policy limits and the insured would have no coverage for the damages awarded to the plaintiff.

2. Deductibles: Generally a general or package liability policy is written without a deductible. Professional Liability policies are written with a deductible and defense costs are part of the deductible, unless "First Dollar Defense" is provided. Very few companies will write professional liability policies with an annual aggregate deductible. This means then that the insured could incur multiple deductibles in a policy year if there were a number of claims in a policy year.

3. Coverage Provided: Does the professional liability portion of the policy cover both indemnity and defense or is it a "defense only" policy? Here again, it is extremely important the insured be made aware of the coverage provided. If the policy is written on a "defense only" basis, no coverage is provided for judgments or settlements.

4. Claims Settlement: Practically all general liability policies include a clause that permits them to investigate and settle any claims or "suits" at their discretion. Conversely, in a professional liability policy, the claim may not be settled without the insured's per-mission.

C. CONCLUSION: Until companies broaden the coverages in their professional liability endorsements to general liability policies, it is strongly recommended the agency issue two separate policies. The individual professional liability policies are generally broader and competitive in cost.

All of the items outlined above as respects coverages, deductibles, defense and claims settlement must be pointed out to the insured in writing with copy always

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maintained in the insured's file.

#### **VII. CANCELLATIONS OR TERMINATIONS**

##### **A. Cancellation by the Insured.**

1. When the insured requests cancellation of the policy, either the original policy or a signed lost policy release must be obtained. All named insureds shall sign the lost policy release.
2. When the request comes in, the file shall be pulled and the entire file referred to the producer handling the account.
3. When either the policy or lost policy release is received by the agency, the following procedures shall be observed:
  - a. Make a photocopy of the declarations page of the policy or the lost policy release and attach it to the underwriting file.
  - b. Send the original to the company for processing.
  - c. Enter the cancellation into the automated system to cancel the expiration listing and purge the policy from the system.
  - d. If the agency has a manual system, pull the insured's index card and renewal suspense from the files and attach them to the underwriting file.
  - e. Return the file to the active file for a period of one year and then to the dead files for the prescribed retention.
4. If the policy is returned by the insured within thirty days of its inception, it may be sent to the company for flat cancellation.
5. If the insured returns the policy without evidence of replacing the coverage back to its inception, the policy shall be returned to the company for cancellation and calculation of the earned premium.
  - a. Accounting shall also be notified of the cancellation.

##### **B. Cancellation by the Company.**

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1. When the company cancels the policy for underwriting or accounting reasons, the following procedures shall be followed:
  - a. Attach the agency's notice of cancellation to the client's file.
  - b. Notify the principal or account exec. of the cancellation.
  - c. Purge the automated system of the information.
  - d. Pull the insured's index card and expiration suspense and attach them to the underwriting file.
  - e. Send the file back to the active file and retain for the prescribed retention period.
  - f. Notify accounting of the cancellation.

C. Cancellation by the Agency The agency shall avoid sending cancellation notices in all cases. The only exception shall be if the company should make a request in an emergency situation. Otherwise, all cancellation notices shall be sent by the company.

1. If the agency should send notice of cancellation to the insured, the notice of cancellation shall be sent to the insured with a proof of mailing. A copy shall be made a part of the insured's file.
2. All other procedures as outlined in the preceding paragraphs A and B shall be followed regarding notification of the company, automated and manual system purging, records retention and accounting.
3. Under no circumstances shall the agency issue "scare" cancellation notices to force premium payment by the insured.

### VIII. EXCESS LIABILITY AND UMBRELLA POLICIES.

Excess liability and umbrella policies are written to provide higher limits and broader protection to an insured. Many agencies have been the object of errors and omissions claims arising out of the following causes:

1. Gaps in coverage between the underlying and excess limits.

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2. Non-concurrency of forms.
  3. Non-concurrency of expiration dates and failure of an underlying policy to be renewed.
  4. Inadequate limits.
- A. Application Form: All applications for an excess liability or umbrella policy shall be completed on either the current ACORD form or the insurance company's specific excess liability or umbrella application.
- B. Application Completion: The producer shall complete the application based upon the information provided by the insured.
1. Upon completion of the application, it shall be reviewed by the insured to verify the accuracy and completeness of all questions and that all insurable exposures have been identified.
  2. After the application has been reviewed by the insured, the insured shall **sign and date** it.
  3. After signature by the insured, the producer shall also sign the application.
- C. Limits Review: In those cases where the agency writes all of the underlying coverages, the limits of liability shall be reviewed:
1. To verify there is no gap in coverage.
  2. To verify the underlying limits meet the excess/umbrella carrier's minimum limits requirements.
- D. Underlying Coverages: In those cases where the agency does not write one or more of the underlying coverages, the producer shall obtain two copies of the declarations pages of all underlying coverages from the insured.
1. One copy of all declarations pages shall be attached to the application for transmittal to the company.
  2. The second copy shall be retained in the agency underwriting file along with a copy of the application.
  3. The limits of liability of all underlying policies shall be reviewed by the producer or CSR to verify they meet the minimum underlying limits

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requirements of the excess/umbrella carrier.

E. Company Contact: Prior to making any commitment to the insured, the excess/umbrella carrier shall be contacted to obtain their acceptance of the underlying carrier(s).

F. Expiration Concurrency: If the expiration dates of the underlying policies are not concurrent with the effective date of the excess/ umbrella policy, the agency shall request the underwriter to issue either:

1. An earned premium binder, or if the difference is greater than sixty (60) days, a short term policy.
2. In this way all policies will have concurrent expiration dates.

G. Policy Issuance: After the application has been completed and signed by both the insured and producer, it shall be sent to the company to be issued.

1. The file shall be suspended for thirty days.
2. If the policy is not received within five days of inception date, company approval to issue a binder shall be obtained.
  - a. A binder shall be issued, signed by a licensed producer and sent to the insured.
  - b. A confirmation of binder approval shall be sent to the company.

H. Policy Accuracy Check: When the policy is received from the company it shall be:

1. Compared to the application for verification of coverage(s) requested and accuracy.
2. Compared to the underlying contracts to make certain it is a following form coverage and there is no discrepancy in terms or conditions.
3. Countersigned by a licensed representative of the company.

I. System Entry: In fully automated agencies, a record of the underlying coverages shall be entered into the system along with the excess/ umbrella application in the insured's underwriting or history file. The following minimum information shall be entered:

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1. Name of Company or Companies
2. Rating of Companies and whether admitted or non-admitted.
3. Policy number(s).
4. Limits of liability, including aggregate limits.
5. Expiration dates.
6. Description of coverages afforded.

J. Policy Delivery: After the policy has been checked and countersigned the procedures outlined in III - D, 2-5 shall be followed.

#### IX. GENERAL

A. Coverage Changes: Companies will occasionally change the policy terms at renewal, or even mid term. In either case, when a change has been made in the policy restricting the coverage, an explanatory letter shall accompany the renewal or endorsement pointing out the coverage restriction.

For Example: In California, the State Supreme Court broadened the definition of "Occurrence" to allow that damages to property that are continuous and/or progressively deteriorating over successive policy periods were covered by all policies that were in effect during those policy periods. Consequently, insurance companies are now endorsing their policies on several classes of risks to limit the definition of "occurrence" to damage occurring only during that policy period.

When the company issues the restricting endorsement or attaches it to the renewal policy, the following procedures shall be followed:

1. The endorsement shall be reviewed to determine what coverages have been restricted.
2. The restricting endorsement shall be copied and placed in the file.
3. A letter shall be written to the insured pointing out the restricting endorsement and requesting acknowledgement from the insured.

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4. The signed and dated acknowledgement shall be maintained in the underwriting file.

B. Summary of Coverages: A summary of coverages shall be made out on all commercial lines files. The summary shall include all of the commercial coverages contained in the underwriting file.

1. Interim changes. All interim changes on any policy in the file shall be recorded on the summary sheet.
2. A revised copy of the summary shall be sent to the insured along with the change endorsements, transmittal letter and invoice.

C. Premium Audit Forms: On General Liability, Auto and/or Worker's Compensation policies that are subject to an annual or interim audit it is recommended the agency adopt the following procedures:

1. The agency shall develop its own premium audit form on agency letterhead. **(See Suggested Audit Form - Page No. Comm - 25).**
2. At pre-agreed upon intervals, i.e. monthly, quarterly, etc. the agency shall send a blank form to the insured with the request to complete it and return it directly to the agency.
3. Upon receipt of the completed form, the agency shall calculate the premium earned for the period.
  - a. A statement shall be prepared and the insured billed for the earned premium.
  - b. A copy of the completed form shall be sent to the company for entry into their records.

This procedure gives the agency complete control over the interim audit procedure and reduces the possibility of error by the company in audit calculations. Another major advantage is the agency collects the earned premium as much as 60 days earlier than if the company sent out the audit forms.

D. Aggregate Tracking: Policies providing General Liability - Premises and Operations and Products Liability contain an annual aggregate. In those risks where there may be a frequency of claims or a potential claims severity, the annual aggregate should be tracked to make certain the insured does not run out of

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coverage during the policy term.

In all cases the insurance company shall be contacted on a regular basis to obtain an updated status report on all outstanding reserves.

The agency shall insist the company provide them with notification of all reserve changes immediately.

D. Customer Responsibilities to Third Parties: Most commercial risks will need to be reviewed for contracts that the customer may have signed with third parties. Some of these contracts can significantly increase the exposure of the risk, through holding third parties harmless from the acts of the customer, liability for damages included in leases signed, insurance requirements of various customer business relationships, and other activities. This is one of the cornerstone areas of errors and omissions responsibilities for agencies. They must review the contracts signed by customers to uncover any additional liabilities.

While the contracts should be reviewed for insurance clauses, the agent must restrict his advice and counseling to the insurance requirements in the contract. Any other advice given on the contract infringes upon the practice of law.

An example of this responsibility to review contracts is cited in the land-mark case of *Hardt v. Brink*. In this case, the broker had held himself out to be an expert in the field of insurance and had acted as the insured's insurance adviser over a period of several years. The insured told the broker he was leasing a plant facility in California. There was a fire loss and the lease had required the insured to buy fire insurance on the leased premises. The broker did not review the lease nor question the insured about the terms of the lease. The court held the relationship between the broker and the insured obligated the broker to familiarize himself with the terms of the new lease.

E. Reporting Form Policies: An agent must use care to make certain that the insured completes the necessary reporting forms on values. Should the agent fail to follow up on these forms, and a loss exceeding the provisional amount results, the agent may be liable. On the other hand, completing the forms for the insured, based on information provided can also lead to liability for the agent if the forms are improperly completed, or contain inaccurate information. The insured must sign the form each month or reporting period.

F. Non-Admitted Companies: Any time an agency places business in a non-admitted company, refer to the Chapter - Surplus Lines and Non-Admitted Carriers.

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G. Checklists, Risk Surveys and Analysis: Agency use of checklists and risk surveys is generally widespread but sporadic. One of the main problems with checklists is they can become outdated very quickly. They must be updated regularly to keep up with changes in coverages and laws.

There is no one specific checklist that is universal in its use. Many producers will use a checklist similar to the suggested form shown at the end of this chapter. Others who are automated will use PS-4 or a similar type of system for reviewing the coverages of their accounts.

The producer or account executive shall always visit the risk to be insured, take pictures inside and out and draw a diagram of the building or buildings. If the agency does not have a checklist or does not use an automated system, it is recommended the producer review the exposures of the class of business in Best's Underwriting Guide or a similar guide and use the exposures shown in there as a guide to exposures for writing the account. **(See Pages COMM 19 - 20 "Suggested Commercial Lines Checklist.")**

1. If an agency uses a checklist, it must be used consistently for all accounts.
2. Checklists must be reviewed periodically to make certain they are updated to reflect changes in coverages and in the law.
3. Checklists should only be used internally as a reminder to review coverages. If checklist is a "Yes" or "No" type of checklist, the "No" answers should be the trigger to review the lack of a particular coverage with the insured.
4. If the agency uses a checklist of any kind to review coverages with the insured, always have the insured **sign and date** the checklist after it has been reviewed by the insured.
5. A checklist or risk analysis form should not be so cumbersome that it discourages its use or confuses the insured.
6. It is recommended that all policies that are sent from the company be checked for any discrepancies that the company might have inserted in error.

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**SUGGESTED COMMERCIAL LINES COVERAGE SURVEY**

Account \_\_\_\_\_ Producer (Exposure) Evaluation Date: \_\_\_\_\_  
 CSR (Coverage) Evaluation Date: \_\_\_\_\_

	Yes		No			Exposure		Coverage				
	Yes	No	Yes	No		Yes	No	Yes	No			
<u>REAL PROPERTY</u>					<u>BUS. INTERRUPTION</u>							
Limits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Limits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Owned	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bus. Income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Leased	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bus. Inc. Ex Exp	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Vacant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loss of Rent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Fire Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Leasehold Intrst	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Bldg Ordncnce	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Extra Expense	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Bldrs Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Conting B.I.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Signs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Conseq. Damage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Fences	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Extend Per. Ind.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Light Post	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Off Prem. Power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Antennas/Twrs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Glass	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>								
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>INLAND MARINE</u>							
						Accts Recvble	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<u>PERSONAL PROPERTY</u>						Val. Papers				<input type="checkbox"/>	<input type="checkbox"/>	
Owned	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Install Floater			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Leased Equipt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Equipt Floater			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Improv/Bettrmnt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Leased Equipt.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Prop of COC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Misc Tools			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
					Employee Tools			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>EDP</u>											<input type="checkbox"/>	<input type="checkbox"/>
Equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Dealers Block			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Data/Med	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Fine Arts			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Extra Exp.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Camera			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Funct. Repl.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Musical Instr.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Off Prem/Trans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Transit MT Cargo			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Mech Brkdwn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>VALUATION METHOD</u>					<u>BOILER &amp; MACHINERY</u>							
<u>Bldg.</u>					Limits			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Replace Cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Production Mach.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
A C V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Boilers, Fired			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Blanket	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Refrig/Air Cond.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Agreed Amnt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Elect. Panel			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

AGENCY INTERNAL PROCEDURES MANUAL

**COMMERCIAL LINES PROCEDURES**

<u>Contents</u>				Other		[ ] [ ] [ ] [ ]
Peak Season	[ ] [ ]	[ ] [ ]				
Agreed Amount	[ ] [ ]	[ ] [ ]	_____			[ ] [ ] [ ] [ ]
Stock Reptg	[ ] [ ]	[ ] [ ]	_____			[ ] [ ] [ ] [ ]
Auto. Incr.	[ ] [ ]	[ ] [ ]				
Replace Cost	[ ] [ ]	[ ] [ ]				

**AGENCY INTERNAL PROCEDURES MANUAL**

**COMMERCIAL LINES PROCEDURES**

**SUGGESTED COMMERCIAL LINES COVERAGE SURVEY**

	<u>Exposure</u>		<u>Coverage</u>			<u>Exposure</u>		<u>Coverage</u>	
	Yes	No	Yes	No		Yes	No	Yes	No
<u>General Liability</u>					<u>Fidelity</u>				
Limits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Limits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Occurrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Empl. Dis.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clms Made	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cntrft Cur.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deductibles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Dep. Forgery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Empl.Ben.Liab.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Fiduc Liab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Liquor Liab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Comp. Fraud	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vendrs Liab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
O/C Protect	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pollution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Und. Tanks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Excess Liability</u>				
Waste Sites	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Excess	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rec. Facil.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Umbrella	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Foreign Exp	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Indemnify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inkeep Liab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pay on Bhlf	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spons Activ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Follow Form	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1st \$ Def	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Automobile</u>					<u>Def in Limt</u>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Owned Auto	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Emp Ben Lia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Liab Deduct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Retr Dte CM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D.O.C.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Limits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Limits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hired Car	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Non-Owned	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Miscellaneous</u>				
UM/UIM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Quake/Flood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hired Phys.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	D & O	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Wv Col Ded	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	E & O	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comprhensve	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Watercraft	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Collision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Aircraft	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Med Pay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ocean Marine	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aut Control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	D.I.C.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Garage Liab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wrngfl Dischrge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
GK Liab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Empl Pract. Liab	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CB/Cell Phn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**AGENCY INTERNAL PROCEDURES MANUAL**

**COMMERCIAL LINES PROCEDURES**

**SUGGESTED COMMERCIAL LINES COVERAGE SURVEY**

	Exposure		Coverage	
	Yes	No	Yes	No
<u>Worker's Comp.</u>				
Statutory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Empl.Liab.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E/L Inc Lim	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AllStat End	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monoplistic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jones Act	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
U.S. L&H	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Forgn Vol.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Voluntary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Non-Admitted Carriers

	Yes	No
Waivers & Disclaimers Signed and Dated?	<input type="checkbox"/>	<input type="checkbox"/>
Admitted Carrier Rejections in file?	<input type="checkbox"/>	<input type="checkbox"/>
Financial rating of company checked?	<input type="checkbox"/>	<input type="checkbox"/>
Insured notified of financial rating of company?	<input type="checkbox"/>	<input type="checkbox"/>

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Producer: \_\_\_\_\_ Date

Insured: \_\_\_\_\_  
(Where Applicable) Date

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**SUPPLEMENT No. 1 - SUMMARY OF COVERAGES**

Date: \_\_\_\_\_

Name: Lloyd's Electrical Contractors                      Location: Eureka, CA

Type of Insurance: Commercial Multi-Peril Package                      Excess Liability  
Employee Dishonesty                      Worker's Compensation

<u>Company</u>	<u>Policy Number</u>	<u>Term</u>	<u>Premium</u>
<u>Fireman's Fund</u>	<u>MXP 12 44 567</u>	<u>2-1-97 - 2-1-98</u>	<u>\$14,505</u>
<u>Northern Alpine Ins.</u>	<u>XML 40722</u>	<u>2-1-97 - 2-1-98</u>	<u>7,755</u>
<u>CIGNA Insurance</u>	<u>DDD 61233</u>	<u>11-1-96 - 11-1-99</u>	<u>9,250</u>
<u>Superior National</u>	<u>WCP 96-1234</u>	<u>4-1-96 - 4-1-97</u>	<u>11,150</u>

<u>Limits</u>	<u>Coverage</u>	
<u>\$1,000,000</u>	<u>Fireman's Fund</u>	<u>Comp. General Liability, including Broad Form CGL and Employment Practice Liability</u>
<u>1,235,000</u>	<u>" "</u>	<u>Building - Fire, ECE, Sp. ECE, V&amp;MM. - 90% Coins \$2,500 deductible</u>
<u>450,000</u>	<u>" "</u>	<u>Business Personal Property - Replacement Cost. Fire ECE, Sp. ECE, V&amp;MM, 1,000 Deductible</u>
<u>\$5,000,000</u>	<u>No. Alpine</u>	<u>Umbrella Coverage XS \$1,000,000</u>
<u>100,000</u> <u>10,000</u>	<u>CIGNA</u>	<u>Employee Dishonesty, Primary Commercial Blanket Money &amp; Securities - Broad Form</u>
<u>Statutory</u>	<u>Superior Natl</u>	<u>Worker's Compensation &amp; Employers Liability</u>

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\$500,000 Empl. Liab

Note: **This is a summary only.** For a complete description of coverages, conditions and exclusions, please refer to the actual policy.

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**SUPPLEMENT No. 2 - SUGGESTED TRANSMITTAL LETTER**

February 12, 1997

Dear Mr. Insured:

Thank you for allowing us to be your insurance agent. We value the relationship and privilege of handling your important insurance account.

Enclosed are your insurance policies as described in the attached Summary Coverages. As you can see, the Summary shows the Insurance Companies, numbers, policy terms and amounts of coverage and limits of liability.

Please read your policy and the attached endorsements to make certain the coverages provided are the same as those requested by you. If you have questions concerning either the coverages or exclusions in any of the contracts, please call so we can provide you with the answers to your questions.

Enclosed is our statement for the premiums due on these policies.

Thank you again for allowing us to handle your insurance account. We appreciate your continued support.

Cordially,

James A. Cedar  
Cedar Crest Insurance

Encl:

**This only a suggested letter of transmittal and should be reviewed by counsel prior to adopting for your use.**

## AGENCY INTERNAL PROCEDURES MANUAL

### COMMERCIAL LINES PROCEDURES

#### SUPPLEMENT No. 3 - SUGGESTED LETTER TO INSUREDS - COMBINED COVERAGE POLICY

Dear Insured:

Enclosed is your package policy covering the liability on your premises and operations, automobiles and (*Employment Practices Liability or Directors and Officers Liability - Name the type of Professional Liability included*).

As we discussed earlier, the general liability and automobile coverages provided under this policy are written on an "Occurrence" basis, which means that if a loss occurs during a policy period, but is not discovered or re-reported during that policy period, there is still coverage under that policy, as long as you have continuous coverage.

The Professional Liability section of this policy is written on a "Claim Made/ Claims Made and Reported". This means that the claim must be incurred or made during the policy period. If not reported within the policy period or within a reasonable time thereafter, there is no coverage afforded by the policy.

Also, the general liability portion of the policy is written with coverage provided from first dollar, including defense costs. The professional liability portion is written with a deductible of \$XXX. Under the professional liability portion of the policy, the deductible also applies to defense costs. This means that on any claim, you will be paying for defense costs under your deductible.

Regarding defense costs: Under the general and automobile liability section of the policy, defense costs are in addition to the limits of liability. Under the professional liability section of the policy, defense costs are within the limits of liability. This means that on any claim, the limits of liability provided under the policy are reduced by the amount of claims or defense costs incurred.

We suggest you review the terms of this contract and if you have any questions regarding the coverages provided, please do not hesitate to contact us.

Thank you for the opportunity to let us write your insurance.

Cordially,

James A. Cedar  
Cedar Crest Insurance Agency

**Note:** *This is only a suggested form. You should review it with legal counsel prior to adopting for use in your office..*

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COMMERCIAL LINES PROCEDURES

SUPPLEMENT No. 4 - SUGGESTED AGENCY INTERIM AUDIT FORM

(Agency Letterhead)

Insured \_\_\_\_\_

Policy Number: \_\_\_\_\_ Policy Term: \_\_\_\_\_

Audit Term From: \_\_\_\_\_ to: \_\_\_\_\_

Type of Coverage: \_\_\_\_\_

<u>Class</u>	<u>Description</u>	<u>Payroll</u>	<u>Rate</u>	<u>Premium</u>
8742	President	2,540	.71	18.03
8742	Vice President	2,400	.71	17.04
5403	Carpentry, NOC	17,900	20.14	3,605.00
5432	Carpentry,	14,750	6.46	952.85
8810	Clerical	9,750	.66	64.35
8742	Sales - outside	4,200	.71	29.82
<i>Earned Premium</i>				<u>4,687.09</u>
<i>Invoice Total</i>				4,687.09

**Note:** This is only a suggested form. It is recommended you review with your companies prior to using.

## AGENCY INTERNAL PROCEDURES MANUAL

### COMMERCIAL LINES PROCEDURES

#### Commercial Lines Procedures - Checklist

This checklist is provided for the agency principals and/or the quality control officer to use as an internal quality control to determine whether the agency is adhering to all of its established procedures in order to maintain procedural consistency. This checklist should be utilized on a regular basis to make certain there are no deviations from written procedures which might cause an errors and omissions loss. While use of this checklist does not guarantee the elimination of all potential losses, it will serve to help reduce the probability of a claim.

1. Do we require a fully completed application or agency generated proposal prior to considering a quote? Yes  No
2. Do we use the current ACORD application for all applicable commercial policies? Yes  No
3. Do we always require the insured to review and **sign and date** the application or proposal form? Yes  No
4. Do we have a standard quote letter that informs the insured this is only a quote and there is no coverage until they accept the quote and a binder or policy has been issued? Yes  No
5. Do we suspense our quotes for at least 30 days? Yes  No
6. Do we always check the quote against the coverages requested by us? Yes  No
7. Do we maintain a "lost quote" file? Yes  No
8. Do we review the application for completeness and accuracy prior to sending it to the company? Yes  No
9. Do we always check every policy against our copy of the application when received back from the company? Yes  No
10. Do we prepare a summary of coverages to accompany

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- the policy sent to the insured? Yes  No
11. Do we consistently update the summary sheet with all interim changes? Yes  No
12. Do we always send a transmittal letter to the client along with the policy and summary? Yes  No
13. Do we use a standard transmittal letter? Yes  No
14. Does it explain coverages and exclusions? Yes  No
15. Do we pull our renewals at least 100 days in advance? Yes  No
16. Do we always update the renewal sheet with any interim changes prior to contacting the insured about his renewal? Yes  No
17. Do we always contact the insured to verify exposures and/or changes prior to ordering the renewal from the company? Yes  No
18. Do we order a renewal quote from the companies prior to ordering the renewal? Yes  No
19. Do we issue a binder for coverage evidence on both the new and renewal orders if policy is not received from the company on time? Yes  No
20. Do we obtain company approval prior to binding any risk beyond our authority? Yes  No
21. Do we always confirm that approval in writing? Yes  No
22. Do we sell professional liability coverages? Yes  No
23. If we sell a professional liability policy, do we always advise the insured that coverage is on a "Claims Made or Claims Made and Reported basis? Yes  No
24. Do we sell combination general liability and professional liability contracts? Yes  No
25. When we sell combination policies, do we send an

## AGENCY INTERNAL PROCEDURES MANUAL

### COMMERCIAL LINES PROCEDURES

- explanatory letter to the insured outlining the differences in the coverages? Yes  No
26. Do we have a checklist to check all policies that are received from the company to determine there are no errors made by the company? Yes  No
27. Do we issue non-money endorsements? Yes  No
28. Do we request the companies to issue all money endorsements? Yes  No
29. Do we always obtain the policy or a signed lost policy release from the insured in the event of a cancellation? Yes  No
30. Do we keep a copy of it in our files? Yes  No
31. Do we have a written cancellation procedure? Yes  No
32. Do we ever send notices of cancellation? Yes  No
33. If we send notices of cancellation, do we always obtain proof of mailing? Yes  No
34. Do we have a system for tracking aggregate limits on general liability and products liability policies? Yes  No
35. Do we review contracts and leases entered into by our customers for insurance requirements only? Yes  No
36. Do we follow up with the customer on reporting form statements to make certain they have completed them and sent them back to the company? Yes  No
37. Do we use our own agency generated audit forms for Worker's Compensation and General Liability policies that we send to our insureds? Yes  No
38. When writing an umbrella or excess policy do we always obtain written evidence of primary coverages where we do not write the underlying coverages? Yes  No

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- 39. Whenever the company restricts coverage by an endorsement do we always advise the insured by an explanatory letter of the restriction in coverage and the reasons? Yes  No
  
- 40. If we place business in a company that has a rating of "B" or lower, do we always notify the insured of the fact? Yes  No
  
- 41. If a company's rating has been lowered, do we always advise our insureds of the rating change? Yes  No
  
- 42. Do we use a checklist for reviewing coverages and exposures for an insured? Yes  No
  
- 43. Is it used consistently on all accounts? Yes  No
  
- 44. Is our checklist reviewed periodically to be brought up to date to incorporate changes in coverages, etc? Yes  No
  
- 45. Do we have the insured **sign and date** the checklist when we review it with him or her? Yes  No

**NOTES:** \_\_\_\_\_  
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