

You Have Insurance But Do You Have Coverage?

Presented By:

Daniel Sims

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USI Insurance Services, LLC

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Daniel Sims
Senior Client Executive and Vice President
USI Insurance Services, LLC
Savannah, GA

For the past 25 years, Daniel has handled the property / casualty programs for middle market to risk management clients primarily located in Georgia, South Carolina, and Florida. Daniel joined USI Insurance Services in May 2014. Prior to USI, Daniel was a Vice President and Senior Client Executive with Wells Fargo Insurance Services from 2011 - 2014. Prior to Wells Fargo Insurance Services, Daniel was an Area Senior VP with Arthur J. Gallagher Risk Management Services. He was responsible for the Savannah, GA operation of AJG.

Daniel worked as a Senior Account Rep for Liberty Mutual Insurance Company responsible for regional operations in Eastern Georgia and South Carolina from 2001 - 2009. His years with Liberty Mutual provided extremely valuable experience working for an insurance company.

Daniel graduated from the University of Georgia with a Bachelor of Business Administration in Risk Management and Insurance. He began his insurance career with HRH of Savannah in 1994. He was responsible for managing the marketing, underwriting, loss prevention, and claims for a self-insured Workers' Compensation program exclusively for the restaurant industry.

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Jeff Buyze, CPCU, CIC

Vice President

Property Analytics and Placement Leader – Southeast Region

USI Insurance Services, LLC

Ft Lauderdale, FL

Jeff has spent the last 16 years placing or underwriting complex property risks in the Fortune 500 and middle-market space. He joined USI from AXIS Insurance Company where he was Senior Property Underwriter in the Southeast Division for the admitted property unit based in Atlanta, GA handling a renewal book of over \$20M in premium. His experience consisted of underwriting large middle-market real estate portfolios, retail, distribution, private equity, manufacturing, hospitality, healthcare and public entity risks.

Prior to AXIS, Jeff worked for Zurich Global Corporate in Atlanta, GA underwriting complex global property accounts with over \$750M in revenue. He specialized in evaluating supply chain exposure for various occupancies and developing tailored solutions for multi-tier supply chains. During his time at Zurich, Jeff also directed the placement and implementation of the global property programs with Zurich offices in Canada, Mexico, United Kingdom, U.A.E. and China.

In addition to his experience on the underwriting side, Jeff also spent nearly six years at Aon as part of the National Property Practice in Detroit, MI, where he placed large global property risks utilizing London, Bermuda, European and Asian insurance markets to secure capacity for Fortune 500 organizations.

Jeff holds a B.B.A. in Marketing from Davenport University and has attained the Certified Insurance Counselor (CIC) and Chartered Property & Casualty Underwriter (CPCU) designations.

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Todd Caton, CLCS, SBCS
Senior Commercial Lines Account Manager
USI Insurance Services, LLC
Southeast Region Commercial Lines

Todd has over 18 years of experience in the insurance industry. The past 12 years were with a heavy concentration on Commercial Property & Casualty Account Placement and Management. Todd joined USI in 2019 in the Southeast Region after having previously owning and managing several insurance agencies along the East Coast.

Todd attended Southern Connecticut State University and majored in Business Management and Finance. He currently maintains a GA Resident Property and Casualty License along with his Life, Accident & Health. He also holds his Commercial Lines Customer Service (CLCS) and Small Business Customer Specialist (SBCS) Insurance Designations.

Todd is responsible for providing exceptional service to his USI clients, from coordinating day to day servicing of their insurance program, reviewing contract details, arranging for the issuance of certificates of insurance and endorsements, to preparing submissions to carriers, negotiating policy terms and conditions with markets and preparing and presenting proposals.

Agenda

Policy Construction

Conditions

Exclusions

Policy Construction

- Declarations – Who, What, When, Where?
 - Limits/Deductibles/Coverage Extensions
- Insuring Agreement – Details of Coverage Provided
 - Definitions/Covered Property/Covered Perils
- Conditions – Actions That Must Be Taken for Claim Payment
 - Protective Safeguards/Warranties/Co-Insurance
- Exclusions – Items or Perils Not Covered
 - Peril – terrorism, flood, EQ
 - Types of Property – bridges, paved surfaces, underground pipes


Conditions

- Occurrence Limit of Liability
- Protective Safeguards
- Co-Insurance
- Time Element Monthly Limit of Indemnity

Occurrence Limit of Liability

A condition either built into the policy or via endorsement that limits recovery to the amount reported on the Statement of Values

Sample Language

2. The premium for this policy is based upon the Statement of Values on file with us, or attached to this policy. In the event of loss hereunder, our liability, subject to the terms of paragraph 3. below, shall be limited to the least of the following:
 - a. The actual adjusted amount of loss, less applicable deductible(s).
 -  b. 100% of the individually stated value for each scheduled item of interest insured, as shown on the latest Statement of Values on file with us, or attached to this policy, after applying the deductible(s).
 - c. The Limit of Liability or Amount of Insurance shown on the Declarations Page or endorsed onto this policy.

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Occurrence Limit of Liability - Application

City	State	Zip	County	Bldg. Limit	Other	Contents	Business Income	TIV
Miami	FL	33130	Miami-Dade	12,677,940	-	150,000	1,990,000	14,817,940
Tampa	FL	33625	Hillsborough	275,000		150,000		425,000
Tampa	FL	33625	Hillsborough	2,755,074			442,313	3,197,386
Tampa	FL	33625	Hillsborough	2,496,633			358,063	2,854,696
Tampa	FL	33625	Hillsborough	2,755,074			442,313	3,197,386
Tampa	FL	33625	Hillsborough	2,755,074			442,313	3,197,386
Tampa	FL	33625	Hillsborough	275,000		150,000		425,000
Tampa	FL	33625	Hillsborough	1,434,741			185,600	1,620,341
Tampa	FL	33625	Hillsborough	2,152,112			278,400	2,430,512
Tampa	FL	33625	Hillsborough	2,155,524			278,400	2,433,924
Tampa	FL	33625	Hillsborough	997,903			185,600	1,183,503
Tampa	FL	33625	Hillsborough	2,152,112			278,400	2,430,512

Total recovery for location 1 would not exceed limits reported for each category.

Make sure to update your values annually!!!

Protective Safeguards

A warranty either built into the policy or via endorsement that requires specific equipment to be maintained and operable at all times or coverage could be void.

Can apply to the following:

- Fire Sprinkler Protection
- Cooking Equipment and/or Exhaust Vents
- HVAC Equipment
- Alarm System (Fire or Burglar)
- Vacant Buildings
- Other

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Protective Safeguards – Sample Language

WARRANTIES

This endorsement modifies insurance provided under this policy.

SCHEDULE

Premises Number and/or Location Address	Building Number	Warranted Protective Safeguards Symbols Applicable
All	All	W1, W5, W13

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

A. The following is added to the Commercial Property Conditions:

Warranted Protective Safeguards



1. As a condition of this insurance, you are required to both have in existence (as you or your representative have represented to us or have accepted as a condition for securing coverage under this policy) and to maintain the protective safeguards listed in the Schedule above and as described below.
2. The protective safeguards to which this endorsement applies are identified by symbols representing the Protective Safeguard described.

IT IS WARRANTED BY YOU AS A CONDITION PRECEDENT TO THE ACCEPTANCE OF THIS INSURANCE THAT:

Protective Safeguards – Sample Language

“W1” AUTOMATIC SPRINKLER SYSTEM – The insured premises is protected by a fully functioning “Automatic Sprinkler System” and, based on that protection, you shall exercise due diligence in maintaining, in complete working order, all equipment and services pertaining to its operation which are under your control. You shall give immediate notice to us of any impairment in or suspension of such equipment or service.

“Automatic Sprinkler System” means: (a) Any automatic fire protective or extinguishing system, including connected sprinklers and discharge nozzles; ducts, pipes, valves and fittings; tanks, their component parts and supports; and pumps and private fire protection mains; and (b) When supplied from an automatic fire protective system, non-automatic fire protective systems; and hydrants, standpipes and outlets.

“W5” ANSUL OR EQUIVALENT COOKING EXTINGUISHING SYSTEM – Insofar as is within your control, each and every commercial cooking occupancy of any location insured hereunder is protected by an approved ANSUL (or equivalent) chemical extinguishing system, including a hood, grease removal device and duct system, fully functioning and maintained in proper working order at all times during the currency of this policy.

You shall give immediate notice to us of any impairment in or suspension of such equipment or service.

“W13” Other: Masonry Non-Combustible (MNC) Construction or better



FAILURE TO COMPLY WITH THE WARRANTED PROTECTIVE SAFEGUARDS AS LISTED IN THE SCHEDULE ABOVE SHALL SUSPEND ALL COVERAGE UNDER THIS POLICY FOR ALL PREMISES NOT IN COMPLIANCE, AND THIS SUSPENSION SHALL LAST UNTIL SUCH TIME AS THE PROTECTION OF THE PREMISES MEETS THE WARRANTED CONDITIONS STATED ABOVE.

Co-Insurance

A condition either built into the policy or via endorsement that penalizes an insured post-loss for not reporting adequate values on the Statement of Values

Expressed as a percentage of anywhere between 80% to 100%, which is the threshold that must be met for the penalty not to apply post-loss.

Can Apply to the Following:

- Building Values
- Personal Property Values
- Business Income

Can often be removed by providing adequate values equal to the estimated replacement cost of the building or by providing a recent appraisal.

Co-Insurance Application

Location 1

Reported building value = \$1,697,440

Estimated replacement cost of building = \$2,862,689

Co-insurance = 80%

Deductible = \$5,000

Hypothetical amount of loss = \$300,000

Amount of loss payment calculation:

$\$2,862,689 \times .80 = \$2,290,151$ (minimum amount to meet co-insurance requirement)

$\$1,697,440 / \$2,290,151 = .7412$ (ratio of reported value to co-insurance requirement)

$\$300,000 \times .7412 = \$222,357$ (loss prior to application of deductible)

$\$222,357 - \$5,000 = \$217,357$ (loss payment)

Recovery if no co-insurance = \$295,000*

Recovery with current policy = \$217,357

Uncovered amount of loss = \$77,642

*Contemplates replacement cost and not ACV

Time Element Monthly Limit of Indemnity

A condition either built into the policy or via endorsement that places a limit on the maximum amount available per month for a time element loss

Expressed as a fraction in the declarations page, typically seen as 1/12, 1/6 or ¼.

Can Apply to the Following:

1. Business Income
2. Rents
3. Extra Expense

Can be removed by underwriter if you provide a current business income worksheet and/or extra expense worksheet.

Total impact to you will depend on time of loss and adequacy of your values.

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Time Element Monthly Limit of Indemnity Application

Example 1 – 1/12 Limitation:

Amount of Business Income/Extra Expense reported on SOV - \$12,000,000
Time Element Monthly Limitation Stated in Declarations Page – 1/12
Maximum Recoverable per Month - \$1,000,000 (1/12 of \$12,000,000)

Example 2 – ¼ Limitation:

Amount of Business Income/Extra Expense reported on SOV - \$12,000,000
Time Element Monthly Limitation Stated in Declarations Page – 1/4
Maximum Recoverable per Month - \$3,000,000 (1/4 of \$12,000,000)

Once the monthly limit is reached any excess loss will be retained by you!

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Exclusions

- Excluded Property
- Excluded Perils
- Cosmetic Roof Damage
- Wind-Driven Rain
- EIFS

Excluded Property

2. Property Not Covered

Covered Property does not include:

- a. Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
- b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
- c. Automobiles held for sale;
- d. Bridges, roadways, walks, patios or other paved surfaces;
- e. Contraband, or property in the course of illegal transportation or trade;
- f. The cost of excavations, grading, backfilling or filling;
- g. Foundations of buildings, structures, machinery or boilers if their foundations are below:
 - (1) The lowest basement floor; or
 - (2) The surface of the ground, if there is no basement;

- h. Land (including land on which the property is located), water, growing crops or lawns (other than lawns which are part of a vegetated roof);
- i. Personal property while airborne or waterborne;
- j. Bulkheads, pilings, piers, wharves or docks;
- k. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
- l. Retaining walls that are not part of a building;
- m. Underground pipes, flues or drains;

Excluded Perils

1. Nuclear, Chemical, Radiological and Biological
2. War or warlike actions
3. Fraudulent or dishonest acts by officers or employees
4. Asbestos
5. Pollution/Contamination
6. Delay, loss of market or loss of use
7. Remote or consequential loss
8. Mysterious disappearance or loss or shortage upon taking inventory
9. Voluntary parting with property
10. Faulty or defective workmanship, material, construction, installation, design or specifications
11. Deterioration, depletion, rust, corrosion, erosion, wet or dry rot, decay, wear and tear
12. Insect or vermin damage, inherent vice or latent defect
13. Change in color, flavor, texture or finish

Cosmetic Roof Damage

SCHEDULE

Premises Number	Building Number	Indicate Applicability (Paragraph A. and/or Paragraph B.)

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

A. The following applies with respect to loss or damage by a **Covered Cause of Loss (including wind and hail if covered)** to a building or structure identified in the Schedule as being subject to this Paragraph **A.**:



Replacement Cost coverage (if otherwise applicable to such property) does not apply to roof surfacing. Instead, we will determine the value of roof surfacing at actual cash value as of the time of loss or damage.

B. The following applies with respect to loss or damage by **wind and/or hail** to a building or structure identified in the Schedule as being subject to this Paragraph **B.**:



We will not pay for cosmetic damage to roof surfacing caused by wind and/or hail. For the purpose of this endorsement, cosmetic damage means that the wind and/or hail caused marring, pitting or other superficial damage that altered the appearance of the roof surfacing, but such damage does not prevent the roof from continuing to function as a barrier to entrance of the elements to the same extent as it did before the cosmetic damage occurred.

C. For the purpose of this endorsement, roof surfacing refers to the shingles, tiles, cladding, metal or synthetic sheeting or similar materials covering the roof and includes all materials used in securing the roof surface and all materials applied to or under the roof surface for moisture protection, as well as roof flashing.

Wind-Driven Rain Exclusion

An exclusion applying to covered property where water intrusion occurs without damage to the exterior roof or walls. Can be built into the policy form or applied via endorsement.

Common causes of water intrusion where no exterior damage is present:

1. Old caulking around windows and doors
2. Cracks in concrete, brick or stucco
3. Flashing on roof is not maintained
4. Wall-Mounted or Window-Mounted Air Conditioning Systems
5. Deferred maintenance or replacement of roof coverings

Damage can be significant! Water and mold remediation costs are often in the \$100,000 to over \$1,000,000 range alone following these events. Any Business Income, Extra Expense or Delay in Completion loss would also be excluded.

Wind-Driven Rain Exclusion – Sample Language

Loss or damage by rain, snow, or dust, whether driven by wind or not, to the interior of any **building** or structure, or the property inside the **building** or structure, unless the **building** or structure first sustains wind or hail damage to its roof or walls through which the rain, snow, sand or dust enters. The above exclusion shall not apply to loss or damage caused by or resulting from the thawing of snow, sleet or ice on the **Building** or structure (also known as ice damming).

This exclusion shall also apply to any Building or structure in the Course of Construction at any time when the roof or outside walls are incomplete. “Incomplete” means at the time of loss or damage, the envelope of the Building or structure, which includes the exterior walls, windows and roofing system, are not watertight based on the Building’s or structure’s design.

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EIFS Exclusion (Exterior Insulation Finishing Systems)

An exclusion applying to damage to or caused by exterior foam cladding adhered to the exterior of the building. Can be built into the policy form or applied via endorsement.

EIFS can be used for aesthetic purposes or can be part of the structure. Attractive to builders due to ease of application, cost of material and time to install compared to stucco or other materials.

Common losses seen with EIFS:

1. Water damage (exterior and interior)
2. Mold
3. Fire
4. Insect damage

Can sometimes obtain a waiver from the insurer to cover it if only covering less than 15% of the exterior wall and no structural EIFS is present.

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EIFS Exclusion (Exterior Insulation Finishing Systems)



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EIFS Exclusion (Exterior Insulation Finishing Systems)

EIFS/Dryvit Exclusion

Notwithstanding any provision to the contrary within the Policy of which the Endorsement forms part (or within any other Endorsement which forms part of this policy), this policy is amended as follows:

This insurance does not apply to loss or damage caused by or resulting from a Water Damage or Windstorm or Hail loss if such loss or damage occurs to covered property with Exterior Insulation and Finish System (EIFS) and the loss or damage is increased in whole or in part by such EIFS.

Exterior Insulation and Finish Systems (EIFS) means a non-load bearing, exterior wall cladding system that consists of an insulation board attached either adhesively or mechanically, or both, to the substrate; an integrally reinforced base coat; and a textured protective finish coat.

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EIFS Exclusion (Exterior Insulation Finishing Systems)



Residential Water/Mold Damage



Grenfell Tower, London, UK
June 2017

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Summary

- Policy Construction
 - D-I-C-E
- Conditions
 - Occurrence Limit of Liability
 - Protective Safeguards
 - Co-Insurance
 - Time Element Monthly Limit of Indemnity
- Exclusions
 - Excluded Property
 - Excluded Perils
 - Cosmetic Roof Damage
 - Wind-Driven Rain
 - EIFS

Questions???