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Navigating Insurance Policies

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POLICY FORMS

- Policies are available for every conceivable risk
- A policy can cover multiple lines of coverage or only a single line of coverage.
- A policy can cover multiple risks, or a single risk.
- The Policy may be an IBC Approved Form or an Insurer Form where coverage is modified by adding an Endorsement, or
- A Manuscript policy which is crafted to the policyholder's specific coverage requirements

COMMERCIAL GENERAL LIABILITY INSURANCE

Commonly identified as CGL, this is coverage offered as part of a multi-line policy or as stand alone policy

Provides Primary Coverage arising from an occurrence which is defined as an:

"accident" or "continuous or repeated exposure to harmful conditions which results in bodily injury or property damage neither expected nor intended by the insured"

Higher Limits are available under Umbrella and Excess Policies

CGL DECLARATION

The Declaration identifies the Insured's risk exposure insured –
For example: Non Profit Organization, Retail, Manufacturing etc.

- Identifies the limit of coverage for each coverage provided:

Coverage **A** covers Bodily Injury and Property Damage,

Coverage B - Personal Injury and Advertising Injury,

Coverage C - Medical Payments, *and*

Coverage D - Tenant's Legal Liability

- Identifies Coverage or Exclusions endorsed to policy

INSURING AGREEMENT

Confirms Insurers and Insured duties for covered claims, such as Duty to Defend, co-operation of the Insured

The Insuring Agreement describes the conditions to be met for coverage to apply, such as must arise within the territory insured, or result from a covered act

Insuring Agreements are specific to the coverage provided. The Insuring Agreement for Bodily Injury and Property Damage will have differences from the Tenant's Legal Liability Insuring Agreement

CGL EXCLUSIONS

Each of Insuring Agreement for Coverage A, B, C, D has its own specific Exclusions

The policy also contains Common Exclusions applicable to all Insuring Agreements

For losses excluded by the CGL policy, coverage is often available from a more specific policy such as Marina Liability, Automobile or Environmental Impairment coverage etc.

MODIFYING CGL EXCLUSIONS BY ENDORSEMENT

An Exclusion can exclude a damage outright, or it may include an Exception to the exclusion, for example, Contractual Liability is excluded unless the Insured is liable in absence of the agreement.

An Endorsement can add coverage or take it away. For Example, the exception to an exclusion in the policy wording that adds coverage can be deleted completely by adding an endorsement

An Endorsement supersedes the original policy wording

SUPPLEMENTARY PAYMENTS

These are payments or conditions which are in addition to the Insuring Agreement

If the Insured has agreed to indemnify another party, the Supplementary Payments describe how this other party will be defended. For example, must use the same defense lawyer as the Insured

There is no mandatory level of Supplementary Payments. Pre-judgment may or may not be a supplementary payment under some policies. Defense costs may or may not be provide in addition to policy limits

WHO IS AN INSURED

The Named Insured is always an Insured but the definition of Additional Insured can vary from policy to policy

It is important to ensure the definition of Additional Insured identifies all parties you want to be protected by the policy

An Additional Named Insured may have equal standing to the Name Insured, except often the policies stipulate that Notice of Cancellation may only be given to or received from the first Named Insured

Adding an Additional Named Insured should only be done with caution because of the greater policy rights afforded

LIMIT OF INSURANCE AND DEDUCTIBLES

Liability limit is the maximum the Insurer will pay for any one claim

An Aggregate is the maximum the Insurer will pay for all claims within the policy period

The Deductible is the amount paid by the Insured for each loss. Usually applies to Property Damage, but can also apply to Injury claims and expenses

The Insurer has the right to spend the Insured's deductible to effect settlement, and the Insured is obligated to promptly reimburse the amount paid.

CGL CONDITIONS

Describes the respective rights and obligations of the Insured and the Insurer.

- How to Report a Claim
- The rights of the Insurer for more information
- How to dispute an Insurer's decision, or how to bring suit
- How any other applicable insurance will be pro-rated
- Insurers rights to subrogation
- How the policy can be terminated

CGL DEFINITIONS

The policy contains wording and phrasing which are more completely described in the Definitions section of the policy

A definition is a description not a coverage

A definition is only applicable if the word also appears in the coverage portion of the policy

PROPERTY POLICIES

The majority of Property Policies provide Broad Form, All Risk Coverage on a replacement basis

Policies are either IBC or Insurer Forms, but for large companies policies are often manuscript wordings

Coverage can be provided by one Insurer, or subscribing Insurers assuming a percentage of risk, or layers of insurers when higher limits are required

Property Policies can be part of a package insuring multi-lines of coverage or stand alone policies

DECLARATIONS

Declarations identify the covered property and scope of coverage provided

Specific Coverage is identified by Coverage Form Number, Valuation, Limit, Deductible and if co-insurance applies

Deductibles are shown. The amount depends on the coverage. The deductible for earthquake or flood is higher than for fire

Any Exclusion and/or additional coverage Endorsed to the policy is listed

SUMMARY OF COVERAGE, FLOATERS AND SCHEDULES

Summary of Coverage identifies coverage which is subject to a sub-limit - For Example: Professional Fees are a limited amount. Also describes enhanced coverage such as By-Laws or Inflation Protection

Floaters provide additional coverage or limits for specifically identified property – Fine Arts or Transportation Floaters

Schedules specifically list the real property or contents and provide values

CORE COVERAGE

Indemnity Agreement – Insurer agrees to indemnify the Insured in accordance with coverage provided

Insured Property – is the property shown in the Declarations, building, contents and any other property insured

Deductible – as identified in the Declarations, may differ by peril

Co-Insurance – if applicable is the penalty paid by the Policyholder if the insured value of the property is less than the actual value

Insured Perils – Usually Broad Form, can be Named or Specified Perils

Exclusions – These apply to Excluded Property or to Excluded Perils

Notice of Cancellation – non-payment of premium is governed by Statute

Thank You for your Participation



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