

Introduction to the Business Owners Policy

Business Owners Policy Overview

The Business Owners Policy (BOP or BOP Policy) covers eligible retail, apartment, office, service, and processing risks. The BOP is available for both owners and tenants of buildings containing retail, service, and processing operations.

In this module, we will provide an overview of the BOP product including:

- 1 An understanding of the BOP Policy as applicable to the various types of eligible exposures.
- 2 An overview of the perils insured against in the BOP Policy.
- 3 A review of available coverages including optional coverages.
- 4 An understanding of special risk definitions and requirements.

This module will go over the BOP Policy, including perils and coverages. It will highlight availability to customize the coverages and perils based on customer needs and affordability.

Product Overview

Lessor's Risk for Commercial Landlords

The BOP is a suitable product for covering lessor's risk for commercial landlords for eligible retail, apartment, office, service, and processing risks. The BOP is available for both owners and tenants of buildings containing retail, service, and processing operations.

A **lessor** is a party granting the lease, or a **landlord**. Coverage for lessor's risk provides coverage for the types of loss exposures that a commercial landlord might face.

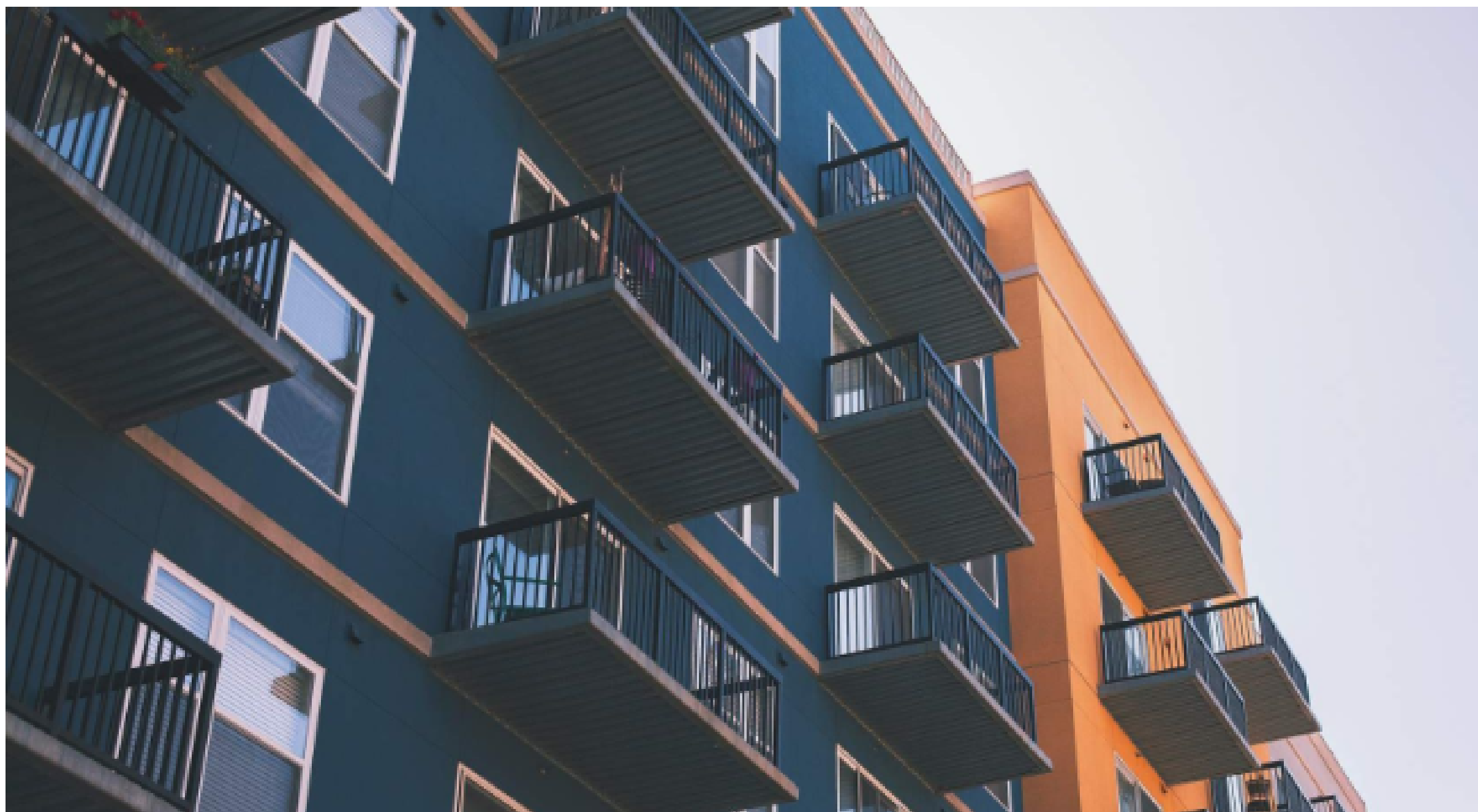
Examples of suitable risks for this coverage are shown below. Click through the tabs to learn more.

APARTMENT BUILDINGS

PERSONAL PROPERTY

OFFICE BUILDINGS

Eligible BOP risks include **apartment buildings** (including residential condominium associations) up to six (6) stories in height and containing between 5 and 60 dwelling units. Incidental office and eligible mercantile, service, or processing occupancies under 15,000 total square feet are also permitted.



APARTMENT BUILDINGS

PERSONAL PROPERTY

OFFICE BUILDINGS

The building owner's **personal property** in furnishing the building is eligible for contents coverage. This might include the reception area furniture in an office or apartment building that is provided by the building owner rather than owned by a tenant.



APARTMENT BUILDINGS

PERSONAL PROPERTY

OFFICE BUILDINGS

Office buildings (including office condominium associations) occupied principally for office purposes, up to 6 stories in height or 100,000 square feet are eligible BOP risks. Incidental eligible mercantile occupancies under 15,000 square feet in total are permitted.



Processing & Servicing Risks

Suitable processing and servicing risks may be eligible for coverage under the BOP when certain requirements are met. Some examples include bakeries with baking on premises, barbershops or beauty salons, printing shops or photocopying services, watch or jewelry repair, or appliance stores including installation, servicing, or repairs.

Click through the tabs to learn more about these requirements.

OFF-PREMISES OPERATIONS

SQUARE FOOTAGE

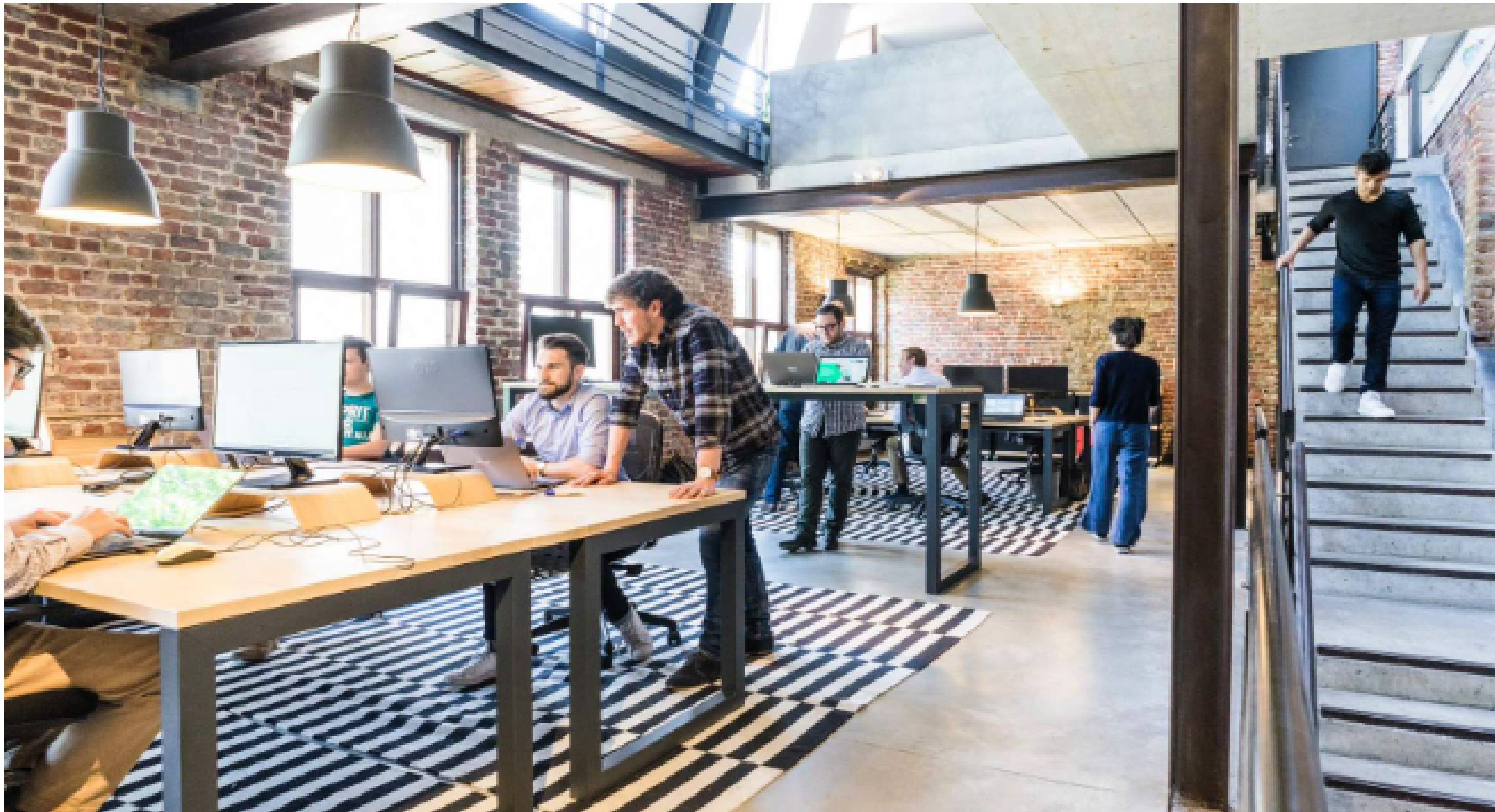
Off-premises operations are permitted up to 25% of gross sales. An example could include a floral shop that also does deliveries and goes off-site for parties and other events. Another example could be a music shop whose employees also go off-site to teach lessons or give performances.



OFF-PREMISES OPERATIONS

SQUARE FOOTAGE

The risk can occupy up to 15,000 square feet in total area.



Perils Insured Against

Package Policy Perils

The BOP package policy provides property coverage for 12 named perils. Click to flip each of the cards below to learn what the 12 named perils are.

Fire



Lightning



Explosion

This peril includes the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.



Windstorm or Hail



Smoke

The Smoke peril includes sudden and accidental loss or damage.

This cause of loss does not include smoke from agricultural smudging or industrial operations.



Aircraft or Vehicles

This peril includes only physical contact of an aircraft, a spacecraft, a self-propelled missile, a vehicle, or an object thrown up by a vehicle with



Riot or Civil Commotion



Vandalism

This refers to willful and malicious damage to or destruction of Covered Property.



Sprinkler Leakage

Sprinkler Leakage is leakage or discharge of any substance from an Automatic Sprinkler System, including collapse of a tank that is part of the system.



Sinkhole Collapse

Sinkhole Collapse means loss or damage caused by the sudden sinking or collapse of land into underground empty spaces caused by the action of water on limestone or dolomite.



Volcanic Action

Volcanic Action refers to direct loss or damage resulting from the eruption of a volcano. This includes loss or damage caused by:

1) Airborne volcanic blast or



Transportation

This peril includes loss or damage caused by:

- 1) Collision, derailment or overturn of a vehicle,
- 2) Stranding or sinking of vessels,



Optional Perils

The Optional Coverage of **Burglary and Robbery** can be added to the policy separately, which includes coverage for money and securities under limited circumstances as defined in the policy.

Burglary refers to taking property from inside the described premises by a person who enters or leaves the property unlawfully. Typically there will be evidence of forced entry. For example, burglary would include an individual breaking a window to enter the building.



Robbery, on the other hand, involves taking property away from someone through harm or threat of harm to the individual who is in possession of the property. This could also be taking property by an obviously illegal act which is witnessed by the individual in possession of the property. An example might be a store clerk who is held at gunpoint and forced to turn over property to the assailant.

Business Liability

The liability portion of the policy includes protection for business liability and medical expenses. This coverage protects the insured when a third party claims bodily injury or property damage due to the insured's negligence. For instance, if a visitor to the insured's property slipped and fell, resulting in a broken wrist, a claim may be made against the insured for medical expenses incurred as well as pain and suffering, lost income, and other similar damages.

Coverages & Covered Property

What is covered under the Business Owners Policy?

As we have discussed in previous lessons, BOP policies cover eligible retail, apartment, office, service, and processing risks and are available for both owners and tenants of buildings containing retail, service, and processing operations.

In addition to the type of business for which coverage is being sought, the building height, area square footage, number of units and annual gross sales are determining factors for eligibility under the BOP program.

Covered Perils

In the last lesson, we identified the perils insured against on the BOP Policy. Additionally, we noted there is coverage for business liability and medical payments. Click through the slides below for a reminder of these perils.

Fire

Lightning

Explosion

Windstorm or Hail

Smoke

**Riot or Civil
Commotion**

Vandalism

Aircraft or Vehicles

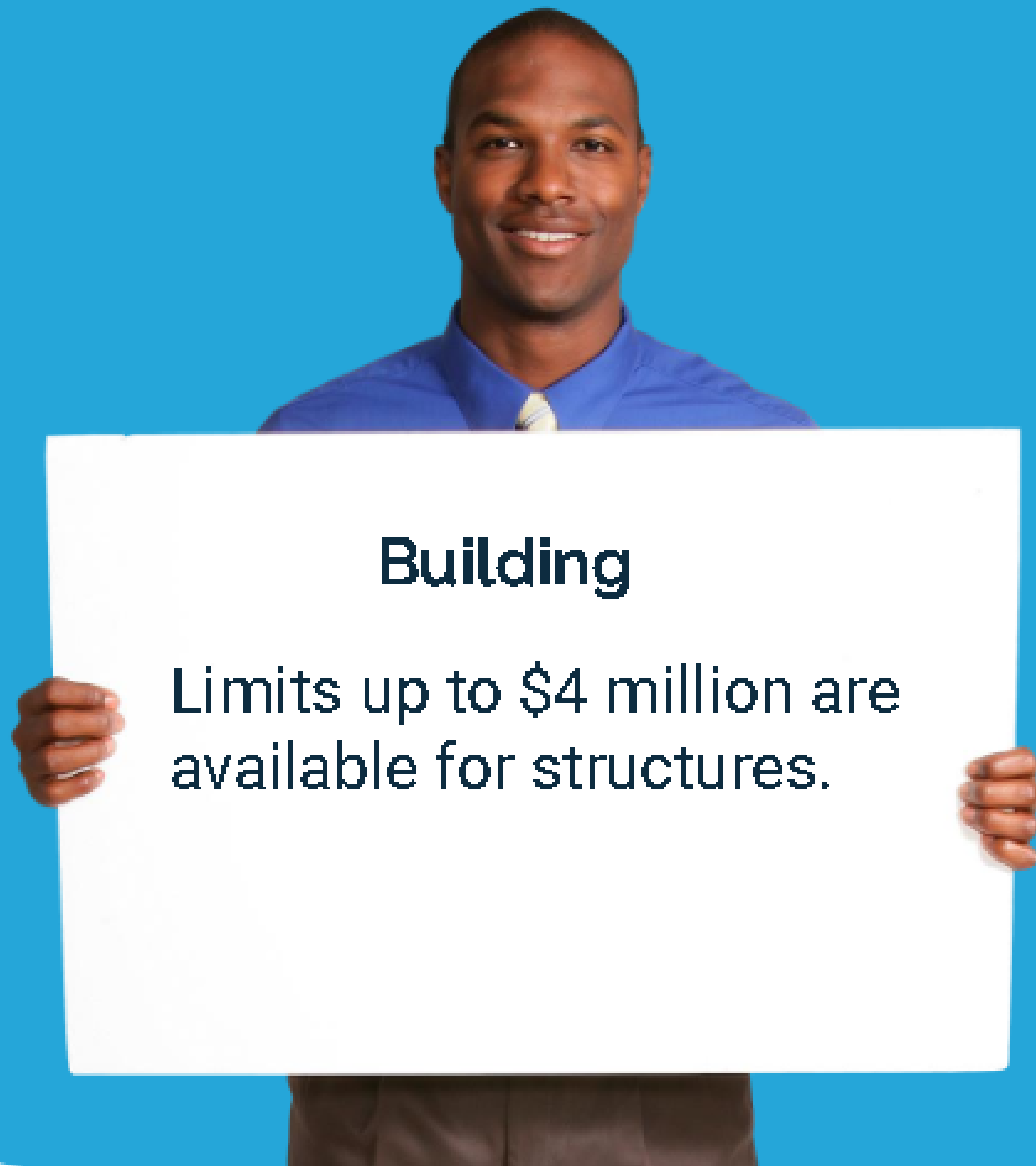
Sinkhole Collapse

Volcanic Action

Sprinkler Leakage

Transportation

Available Limits



1

Building

2

Contents

3

Combined

4

Liability per Occurrence

5

Liability Aggregate Limit

Available Limits

Contents

Limits up to \$2 million are available for contents.

1

Building

2

Contents

3

Combined

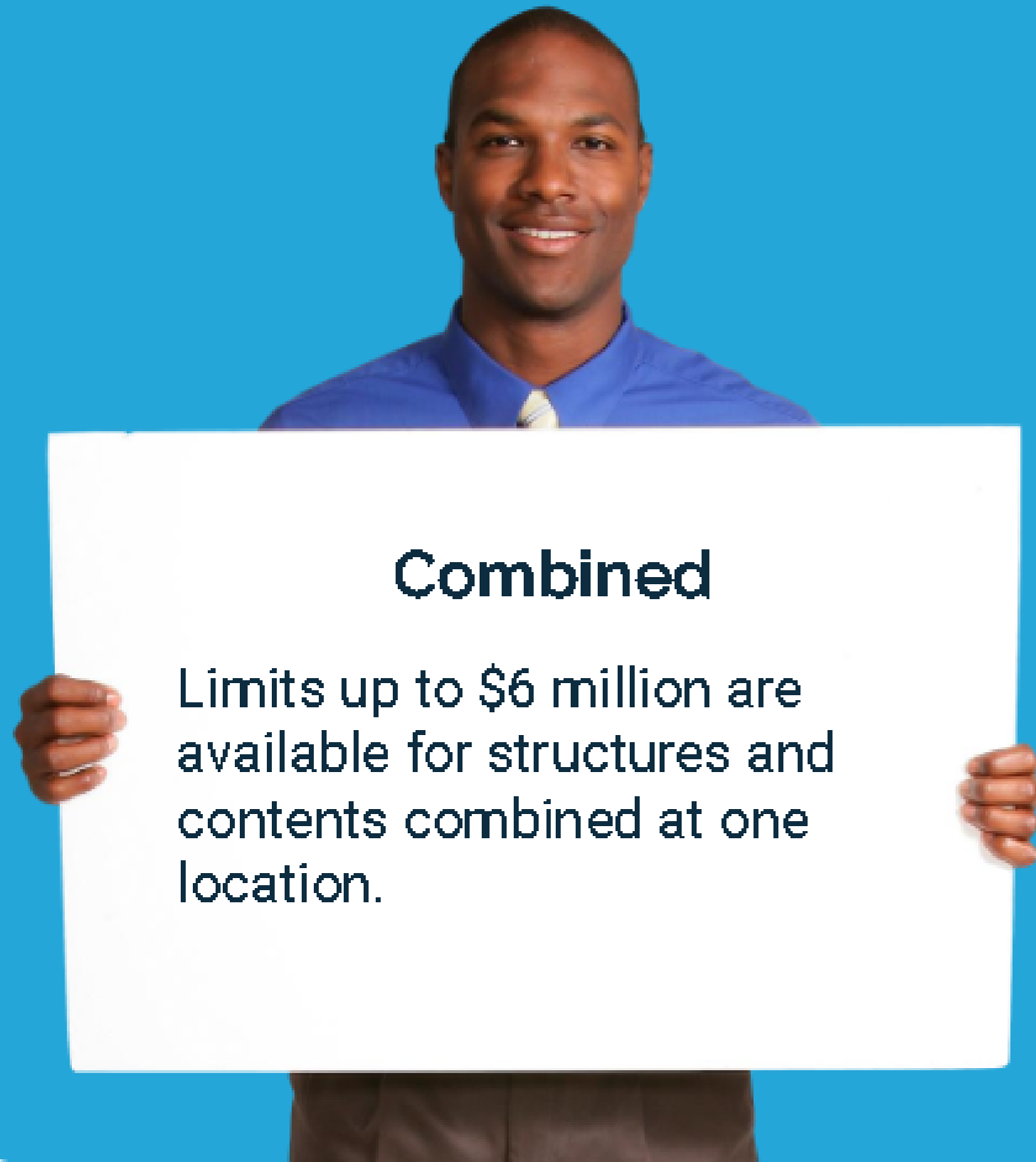
4

Liability per Occurrence

5

Liability Aggregate Limit

Available Limits



1

Building

2

Contents

3

Combined

4

Liability per Occurrence

5

Liability Aggregate Limit

Available Limits



1

Building

2

Contents

3

Combined

4

Liability per Occurrence

5

Liability Aggregate Limit

Available Limits

Liability Aggregate Limit

Aggregate limits
up to \$1,200,000
are available for
liability each year.

1

Building

2

Contents

3

Combined

4

Liability per
Occurrence

5

Liability
Aggregate Limit

What property is covered?

The BOP covers the type of property specified in the policy. Hover over each icon to learn more.



01

02

03

Building Coverage includes coverage for the building, completed additions, permanently installed fixtures, machinery and equipment, outdoor fixtures and furniture, floor coverings, and similar property typically used to maintain the building.

What property is covered?

The BOP covers the type of property specified in the policy. Hover over each icon to learn more.



01

Business Personal Property covers business personal property in the building. This can also include such property located within 100 feet of the described premises.

02

Business Personal Property includes the personal property owned by the insured in connection with the business. For example, this might include computer equipment, office furniture, and similar types of property that are not included as part of the building or other structures.

03

What property is covered?

The BOP covers the type of property specified in the policy. Hover over each icon to learn more.



01

Personal Property of Others that is in the care, custody and control of the insured may be covered, up to the amount of the insured's legal liability.

02

This could include a customer's watch that was damaged during a covered fire at the watch repair shop.

03

Settlement Valuation

The following provisions regarding loss settlement should be noted.

Commercial Replacement Cost

The BOP is written on a replacement cost basis for qualifying properties. Buildings 25 years or older must have upgraded the roof, wiring, plumbing, and heating within the last 25 years to qualify.

Properties that do not qualify for replacement cost will be written on a fair market value/actual cash value basis.

Coinsurance

Coinsurance applies on the BOP Policy. This means:

- 1 The policy includes a coinsurance percentage selected by the broker.
- 2 The insured is required to maintain a policy limit of at least the value of the covered building(s) multiplied by the coinsurance percentage.
- 3 If the required limit is not maintained, a coinsurance penalty may be applied to the settlement value of any loss.

Additional Coverages

The tabs below highlight some of the additional coverages provided by the BOP. Click through each to learn more.

DEBRIS REMOVAL

POLLUTANT CLEAN
UP AND REMOVAL

BUSINESS INCOME

EXTRA EXPENSE

Debris Removal optional coverage provides up to 25% of the amount the FAIR Plan pays for direct physical loss or damage to covered property. This could include removal of building materials such as roofing material or flooring that was damaged in a covered loss.



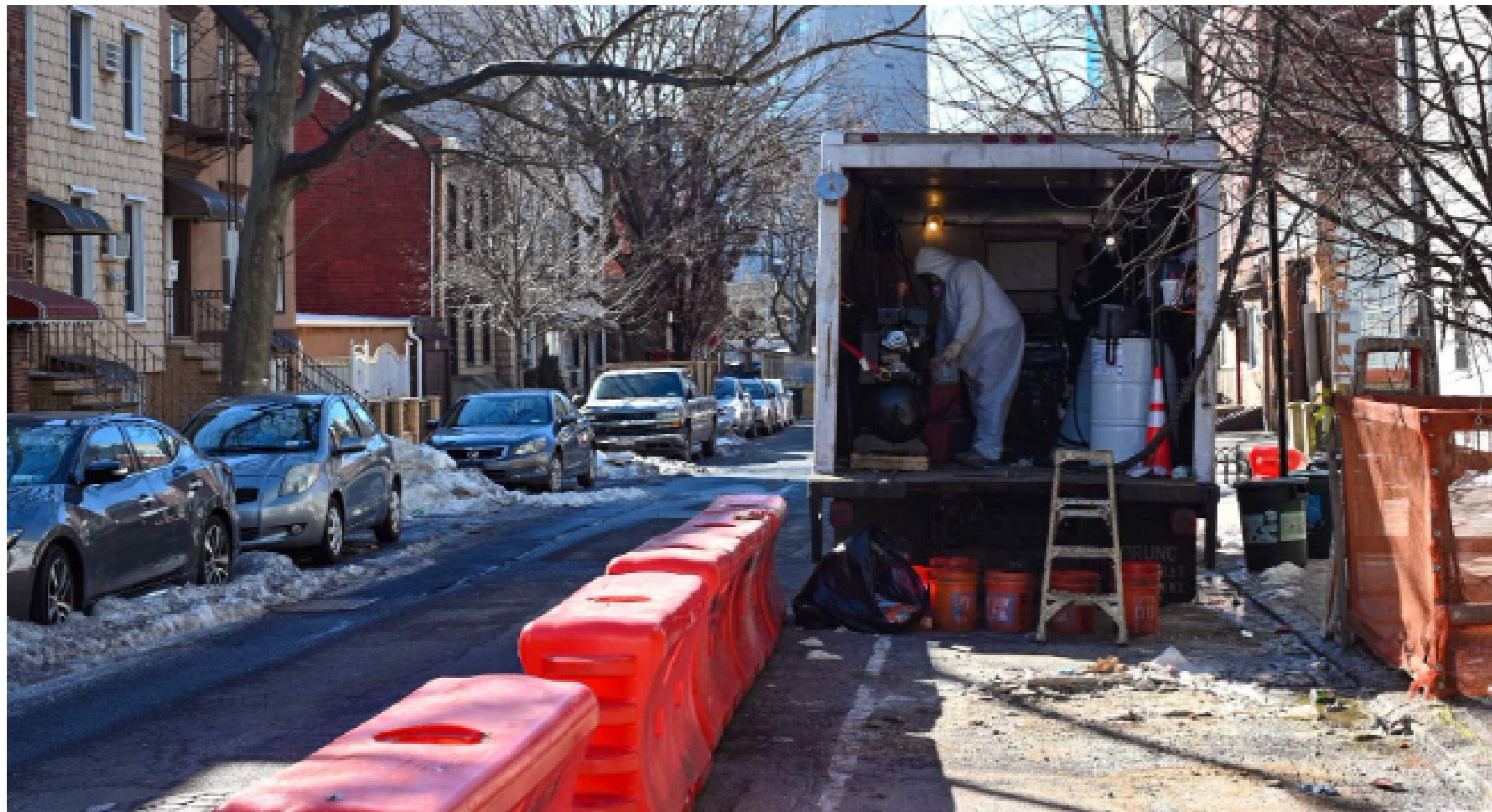
DEBRIS REMOVAL

POLLUTANT CLEAN
UP AND REMOVAL

BUSINESS INCOME

EXTRA EXPENSE

Up to \$10,000 may be paid for expenses to extract pollutants, as defined by the policy, from land or water at the described premises. This requires that the release, discharge, or dispersal of the pollutants is caused by a covered peril and reported within 180 days of the covered loss. An example might be the cleanup required after a covered loss caused the fuel tank for the heating system at the insured location to leak.



DEBRIS REMOVAL

POLLUTANT CLEAN
UP AND REMOVAL

BUSINESS INCOME

EXTRA EXPENSE

Business Income provides coverage for the actual loss of business income sustained due to the necessary suspension of operations caused by a covered loss during the period of restoration, as defined by the policy. For example, a fire at the insured's watch repair shop could result in a loss of income during the time the shop is unable to open due to damage or repairs, and could potentially be covered under Business Income.



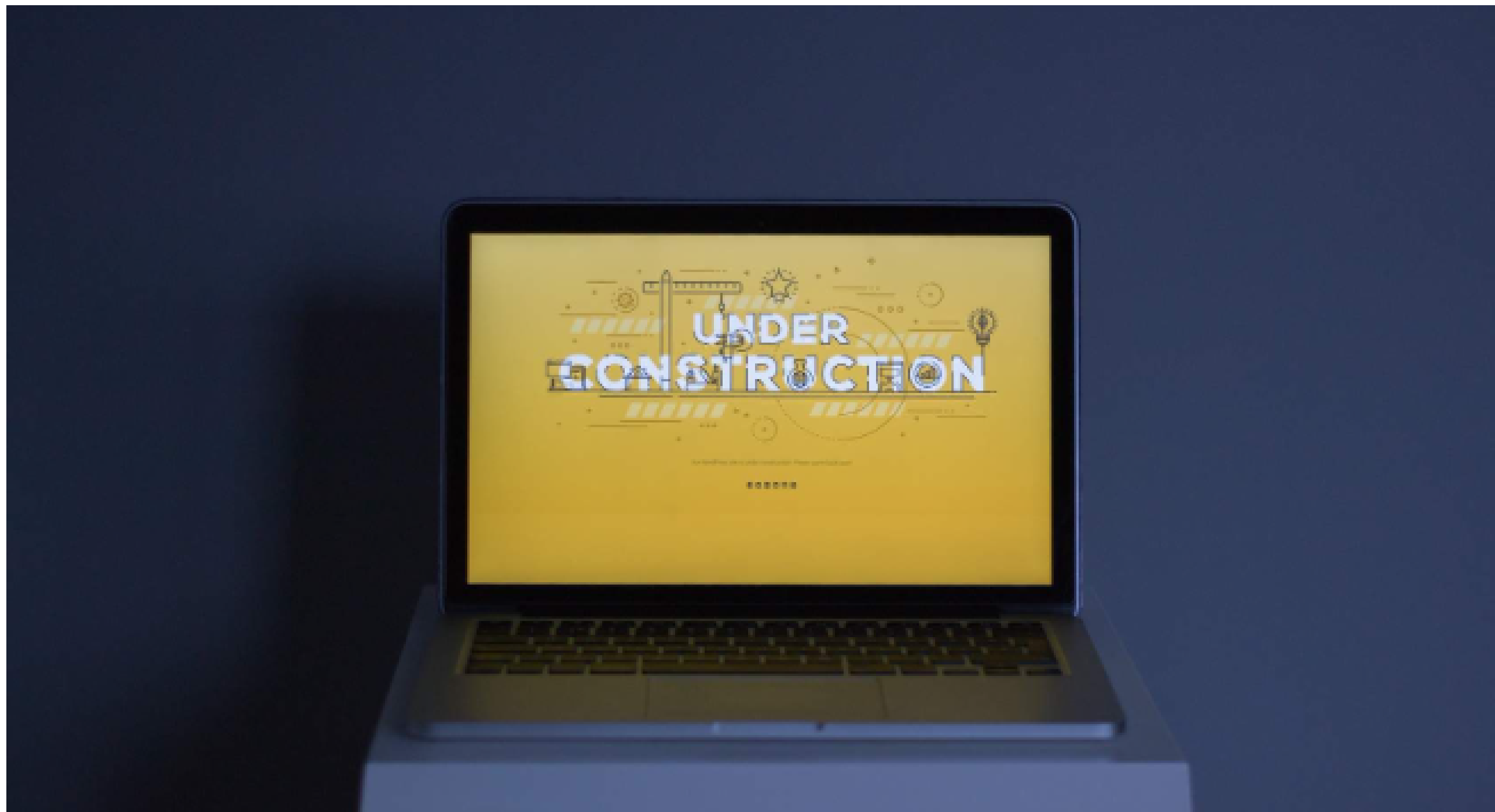
DEBRIS REMOVAL

POLLUTANT CLEAN
UP AND REMOVAL

BUSINESS INCOME

EXTRA EXPENSE

Extra Expense provides coverage for the extra expenses incurred to avoid or minimize the suspension of business and to continue operations. For example, the insured might incur additional expenses to rent and fuel a generator to continue operations at their location after a covered loss caused an extended power outage.



Business Liability and Medical Expenses

The Business Liability Coverage Form is included in the BOP package policy and provides important liability protections for a policyholder. The two coverages in this form are highlighted below. Click each card to learn more.

Business Liability

Includes coverage for bodily injury, property damage, personal injury and/or advertising injury for which the insured is deemed legally liable. Coverage applies only to those premises and operations designated in the Declarations.



Medical Expenses

Covers medical expenses for bodily injury occurring on the insured premises or resulting from the insured's operations. Unlike bodily injury liability, coverage for Medical Expenses applies regardless of fault, assuming the injury meets the criteria outlined in the policy.



Special Risk Definitions & Requirements

Placing Business Owners coverage with the FAIR Plan requires that certain conditions are met. This section will review some of those requirements.

Increased Liability Exposure



Certain businesses with an increased liability exposure are **not** eligible for coverage under a Business Owners Policy.

Examples include a doctor's office or a dry cleaner with certain types of machinery, since these environments pose atypical, additional liability exposures.

Vacancy



The BOP Policy differs from a Dwelling or Commercial Policy in that risks that are partially or completely vacant are **not** eligible for coverage.

That is, while a vacant building that is in good repair and meets other eligibility requirements could be eligible under the FAIR Plan Dwelling Fire Policy or Commercial Policy, it would not be eligible under the BOP.