

**September 26-29, 2024 | Sheraton Boston Hotel**



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**Commercial Policy Deductibles - How Much Do I Have to Pay?!**

2:30 PM - 3:30 PM

Catherine Trischan

1 CEU

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# Commercial Policy Deductibles? How Much Do I Have to Pay?!



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## Property Deductibles Flat Deductible

### Building and Personal Property Coverage Form (CP 00 10 10 12)

- Deductible is applied to the amount of the loss. (after any adjustment for coinsurance)
- Losses to more than one item of covered property with separate limits will not be combined in determining the deductible.
- Deductible applies once per occurrence. (occurrence is not defined)



## Property Deductibles Flat Deductible

Example: The named insured's outdoor sign is destroyed when a truck drives into it. The policy has a \$1,000 deductible. The sign has a value of \$5,000, but the policy limits coverage for signs to \$2,500.

**YES**

**NO**

\$2,500 sublimit for signs minus  
\$1,000 deductible = \$1,500 paid

\$5,000 damage minus \$1,000 deductible = \$4,000

The sublimit for signs is then applied, so only \$2,500 will be paid.



## Property Deductibles Flat Deductible

### Deductible Example:

Location 1, Building 1

Building Limit \$1,000,000

BPP Limit \$ 500,000

Deductible \$ 1,000

Assume coinsurance has been satisfied.

Loss to Building \$1,050,000

Loss to BPP \$ 400,000

Building Loss

\$1,050,000 - \$1000 deductible = \$1,049,000

This exceeds the limit, so \$1,000,000 is paid.

BPP Loss

The deductible has already been applied so

\$400,000 is paid.

Total Paid - \$1,400,000



## Property Deductibles Per Occurrence

9/11 - World Trade Center – How many occurrences?

- \$3.5 billion limit per occurrence
- Travelers form didn't define occurrence.
- WilProp form defined occurrence.

*"Occurrence' shall mean all losses or damages that are attributable directly or indirectly to one cause or to one series of similar causes. All such losses will be added together and the total amount of such losses will be treated as one occurrence irrespective of the period of time or area over which such losses occur."*



## Property Deductibles Percentage Deductibles

What is the deductible a percentage of?

- Limit of insurance
- Value of the property at the time of loss
- Amount of loss (least likely)
- Something else

Replacement cost of building at time of loss - \$2,500,000

Limit of insurance on the building - \$2,000,000 @ 80% coins.

- 5% deductible that applies to the value of the property at time of loss - \$125,000 deductible
- 5% deductible that applies to the limit of insurance - \$100,000 deductible



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POLICY NUMBER: COMMERCIAL PROPERTY  
CP 03 29 04 18

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**DEDUCTIBLES BY LOCATION**

This endorsement modifies insurance provided under the following:

BUILDERS RISK COVERAGE FORM  
BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM ASSOCIATION COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY  
TOBACCO SALES WAREHOUSES COVERAGE FORM

SCHEDULE

Location*	Deductible	Covered Cause(s) Of Loss**
	\$	
	\$	
	\$	

\*Describe the premises to which each deductible applies. If a deductible (whether of the same amount or a different amount) is to apply separately at each building, list each building as a separate Location in this Schedule.

\*\*For each deductible listed in this Schedule, enter the number corresponding to the Covered Cause(s) of Loss to which that deductible applies (or enter the description):

- (1) All Covered Causes of Loss
- (2) All Covered Causes of Loss **except** Windstorm Or Hail
- (3) All Covered Causes of Loss **except** Theft
- (4) All Covered Causes of Loss **except** Windstorm Or Hail and Theft
- (5) Windstorm Or Hail
- (6) Theft

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



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**Deductibles by Location (CP 03 29 04 18)**


Allows for separate deductibles at different locations

If the schedule shows a deductible for a particular building, then that building is considered a separate location.

If a single occurrence damages property at multiple locations, a separate deductible applies at each location.

Deductible can apply to:

- (1) All Covered Causes of Loss
- (2) All Covered Causes of Loss except Windstorm Or Hail
- (3) All Covered Causes of Loss except Theft
- (4) All Covered Causes of Loss except Windstorm Or Hail and Theft
- (5) Windstorm Or Hail
- (6) Theft



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POLICY NUMBER: \_\_\_\_\_ COMMERCIAL PROPERTY  
CP 03 20 04 18

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**MULTIPLE DEDUCTIBLE FORM**  
(FIXED DOLLAR DEDUCTIBLES)

This endorsement modifies insurance provided under the following:

BUILDERS RISK COVERAGE FORM  
BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM ASSOCIATION COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY  
TOBACCO SALES WAREHOUSES COVERAGE FORM

**SCHEDULE**


The Deductibles applicable to any one occurrence are shown below:

Premises Number	Building Number	Deductible	Covered Cause(s) Of Loss*
		\$	
		\$	
		\$	

\*For each deductible listed in this Schedule, enter the number corresponding to the Covered Cause(s) of Loss to which that deductible applies (or enter the description):

- (1) All Covered Causes of Loss
- (2) All Covered Causes of Loss **except** Windstorm Or Hail
- (3) All Covered Causes of Loss **except** Theft
- (4) All Covered Causes of Loss **except** Windstorm Or Hail and Theft
- (5) Windstorm Or Hail
- (6) Theft

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



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**Multiple Deductible Form (Fixed Dollar Deductibles)**  
**(CP 03 20 04 18)**

Allows for separate deductibles at different locations and buildings

If a single occurrence damages property at multiple buildings/locations, only the largest deductible applies.

Deductible can apply to:

- (1) All Covered Causes of Loss
- (2) All Covered Causes of Loss except Windstorm Or Hail
- (3) All Covered Causes of Loss except Theft
- (4) All Covered Causes of Loss except Windstorm Or Hail and Theft
- (5) Windstorm Or Hail
- (6) Theft



POLICY NUMBER: \_\_\_\_\_ COMMERCIAL PROPERTY  
CP 03 21 10 12

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**WINDSTORM OR HAIL PERCENTAGE DEDUCTIBLE**

This endorsement modifies insurance provided under the following:

BUILDERS RISK COVERAGE FORM  
BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM ASSOCIATION COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY  
TOBACCO SALES WAREHOUSES COVERAGE FORM

**SCHEDULE**

Premises Number	Building Number	Windstorm Or Hail Deductible Percentage – Enter 1%, 2% Or 5%
		%
		%
		%

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



**Windstorm or Hail Percentage Deductible (CP 03 21 10 12)**

- A 1%, 2% or 5% deductible applies to damage by windstorm or hail.
- The deductible is a percentage of the limit of insurance.
- If coverage is written on a blanket basis, the percentage applies to the amount shown on the statement of values.
- The deductible applies separately for each building, business personal property at each building and personal property in the open.



### Windstorm or Hail Percentage Deductible (CP 03 21 10 12)

Example:

- The value of the damaged building at time of loss is \$100,000.
- The Coinsurance percentage is 80% so an \$80,000 limit is required.
- The Limit of Insurance on the damaged building is \$70,000.
- The amount of loss to the damaged building is \$60,000.
- The Deductible is 1%.
  - Step (1):  $\$70,000 \div \$80,000 = .875$  (did/should)
  - Step (2):  $\$60,000 \times .875 = \$52,500$
  - Step (3):  $\$70,000 \times 1\% = \$700$  (deductible amount)
  - Step (4):  $\$52,500 - \$700 = \$51,800$
- The most the policy will pay is \$51,800.



### Named Storm Deductible (CP 03 25 10 12)

- A 1%, 2% or 5% deductible applies to damage by a named storm.
- The deductible is a percentage of the limit of insurance.
- If coverage is written on a blanket basis, the percentage applies to the amount shown on the statement of values.
- The deductible applies separately for each building, business personal property at each building and personal property in the open.





### Named Storm Deductible (CP 03 25 10 12)

- A Named Storm is a storm system that has been identified as a tropical storm or hurricane and assigned a name by the National Hurricane Center or the Central Pacific Hurricane Center of the National Weather Service (hereafter referred to as NHC and CPHC). Under the terms of this endorsement, a Named Storm begins at the time a Watch or Warning is issued by the NHC or CPHC for the area in which the affected premises are located, and ends 72 hours after the termination of the last Watch or Warning issued for that area by the NHC or CPHC.



### Property Deductibles CAT Deductibles

Flood deductible expressed in terms of NFIP limits

- The maximum NFIP limits available per building and its contents whether purchased or not

OR

- The amount recovered under an NFIP policy

Be careful with these!



## Property Deductibles CAT Deductibles

### From ISO's Flood Coverage Endorsement (CP 10 65 10 12)

*If the loss is also covered under a National Flood Insurance Program (NFIP) policy, or if the property is eligible to be written under an NFIP policy but there is no such policy in effect, then we will pay only for the amount of loss in excess of the maximum limit that can be insured under that policy. This provision applies whether or not the maximum NFIP limit was obtained or maintained, and whether or not you can collect on the NFIP policy. We will not, under any circumstances, pay more than the applicable Limit Of Insurance for Flood as stated in the Flood Coverage Schedule or the Declarations of this Coverage Part.*



Note: There is an option for the underlying NFIP policy requirement to be waived.

## Property Deductibles CAT Deductibles

Flat deductibles may apply.

- Does the deductible apply per occurrence or separately to each type of property damaged?
- Does the deductible apply to direct damage loss only or to direct damage and time element losses?
- Do different deductibles apply at different locations? e.g. depending on flood or earthquake zone



## Property Deductibles CAT Deductibles

Percentage deductibles are common. A minimum dollar amount may also apply.

A percentage of what?

- Percentage of the limit or value of property for which a claim is being made?
- Percentage of the limit or value at the affected location?
- Percentage of the limit or value of all insured property?
- Does the percentage apply separately to each type of property damaged? (building, BPP, property in the open)
- Does a percentage deductible also apply to business income/extra expense losses?



## Property Deductibles CAT Deductibles

If the deductible is percentage of the value

- Is it the value at the time of loss?
- Is it the value as of policy inception?



## Property Deductibles CAT Deductibles

Timing is everything!

e.g. CAT deductible applies if there is loss within 24 hours before the storm is named. CAT deductible applies if there is loss within 72 hours after a named storm is downgraded.

Storm is named 8/31/24	Storm hits 9/1/2024	Storm is downgraded 9/2/24
Damage occurs 8/30/2024	Damage occurs 9/1/2024	Damage occurs 9/3/2024



## Property Deductibles Franchise Deductibles

- Minimum loss that must occur before the policy responds
- Once the franchise deductible is reached, the loss is paid in full.
- The deductible can be a dollar amount or a percentage of the limit.

Franchise deductible - \$10,000

\$8,000 loss under a marine policy – nothing is paid

\$12,000 loss under a marine policy - \$12,000 is paid



## Property Deductibles Annual Aggregate Deductibles

- Sometimes used in addition to a per occurrence deductible
- The insured will be responsible for no more than the annual aggregate deductible if multiple losses occur during the policy term.

OR

- The insured will be responsible for a much lower deductible for future losses once the annual aggregate deductible is reached.



## Business Income Deductibles

Business Income coverage typically has a time deductible/waiting period.

- 72 hours in ISO forms (applies to Business Income, but not to Extra Expense)
- Business Income Changes – Beginning of the Period of Restoration (CP 15 56 06 07) can be used to reduce the waiting period to 24 hours or eliminate it completely



## Business Income Deductibles

Business Income may be subject to a dollar deductible or percentage deductible instead.

Business Income deductibles may be expressed in terms of Average Daily Value – e.g. 2 times ADV

ADV may be defined as:

Net income and operating expenses for twelve months ÷ number of working days in the year



## Deductible Buy Back Policies

These policies pay part of the property deductible in the event of a covered loss.

e.g.

- Insured has a \$10,000,000 building limit with a 5% deductible (\$500,000)
- A deductible buy back policy can be written to cover the \$500,000, subject to the deductible buy back policy deductible. e.g. \$25,000
- In effect, the deductible is reduced from \$500,000 to \$25,000.



## CGL Deductibles

POLICY NUMBER:	COMMERCIAL GENERAL LIABILITY CG 03 00 01 96
<b>THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.</b>	
<b>DEDUCTIBLE LIABILITY INSURANCE</b>	
This endorsement modifies insurance provided under the following:	
COMMERCIAL GENERAL LIABILITY COVERAGE PART PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART	
<b>Coverage</b>	<b>SCHEDULE</b>
	<b>Amount and Basis of Deductible</b>
	<b>PER CLAIM or PER OCCURRENCE</b>
Bodily Injury Liability	\$                    \$
OR	
Property Damage Liability	\$                    \$
OR	
Bodily Injury Liability and/or Property Damage Liability Combined	\$                    \$
<small>(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)</small>	
<small><b>APPLICATION OF ENDORSEMENT</b> (Enter below any limitations on the application of this endorsement. If no limitation is entered, the deductibles apply to damages for all "bodily injury" and "property damage", however caused):</small>	



## CGL Deductibles

### Per occurrence deductible

- Deductible applies to all BI and/or PD resulting from one occurrence, regardless of the number of persons or organizations who sustain damages.

### Per claim deductible

- Damages sustained by one person because of BI and/or PD as the result of one occurrence.
- A separate deductible applies to each person making a claim for damages for care, loss of services or death.



## CGL Deductibles CG 03 00 01 96

*Our obligation under the Bodily Injury Liability and Property Damage Liability Coverages to pay damages on **your behalf** applies only to the amount of damages in excess of any deductible amounts stated in the Schedule above as applicable to such coverages.*



## Umbrella Self-Insured Retention (SIR)

### Functions of an Umbrella Policy

- To provide additional limits of liability
- To serve as a substitute for a primary policy whose aggregate limit has been exhausted
- To provide broader coverage than the underlying policies (This is when the SIR applies!)





## Umbrella Self-Insured Retention (SIR)

### CU 00 01 04 13 (ISO Umbrella)

**"Self-insured retention"** means the dollar amount listed in the Declarations that will be paid by the insured before this insurance becomes applicable only with respect to "occurrences" or offenses not covered by the "underlying insurance". The "self-insured retention" does not apply to "occurrences" or offenses which would have been covered by "underlying insurance" but for the exhaustion of applicable limits.



## SIR Exercise

Umbrella limit	\$5,000,000
SIR	\$ 10,000
U/L Business Auto Limit	\$1,000,000
U/L CGL Occurrence Limit	\$1,000,000
U/L CGL General Aggregate	\$2,000,000
U/L CGL Prod/CO Aggregate	\$2,000,000



### SIR Exercise

A visitor to the insured's premises is seriously injured, and the first claim during the policy term is made against the insured. \$3,000,000 is awarded by the jury.

CGL pays \$1,000,000

Umbrella pays \$2,000,000

SIR does not apply



### SIR Exercise

The insured has had a bad year, and by the time the fourth premises liability claim is made, there is only \$200,000 left in the CGL's general aggregate. The fourth claim is settled for \$500,000.

CGL pays \$200,000

Umbrella pays \$300,000

SIR does not apply



### SIR Exercise

The insured rents a 50 foot boat to take clients on a fishing trip. The CGL provides coverage for non-owned watercraft up to 26 feet. The Commercial Umbrella provides coverage for non-owned watercraft up to 51 feet. \$200,000 in damages is awarded.

CGL pays nothing

Umbrella pays \$190,000

SIR applies – Insured pays \$10,000



### Auto Physical Damage Deductibles ISO Business Auto Policy - CA 00 01 11 20

ITEM TWO  
Schedule Of Coverages And Covered Autos (Cont'd)

Coverages	Covered Autos	Limit Or Deductible	Premium
Physical Damage Comprehensive Coverage		\$ Deductible For Each Covered Auto For Loss Caused By Theft Or Mischief Or Vandalism (A maximum deductible may also apply. Refer to Coverage Form for details.)  OR  \$ Deductible For All Perils For Each Covered Auto (A maximum deductible may also apply. Refer to Coverage Form for details.)  See Item Four for Hired or Borrowed Autos.	\$
Physical Damage Specified Causes Of Loss Coverage		\$ Deductible For Each Covered Auto For Loss Caused By Theft Or Mischief Or Vandalism (A maximum deductible may also apply. Refer to Coverage Form for details.)  OR  \$ Deductible For All Perils For Each Covered Auto (A maximum deductible may also apply. Refer to Coverage Form for details.)  See Item Four for Hired or Borrowed Autos.	\$
Physical Damage Collision Coverage		\$ Deductible For Each Covered Auto See Item Four for Hired or Borrowed Autos.	\$



## Auto Physical Damage Deductibles

- Deductibles apply per auto.
- For Comprehensive and Specified Causes of Loss (SCOL), the deductible applies to either:
  - Theft or mischief or vandalism; or
  - All perils
- The deductible selection is made on the declarations.



## Auto Physical Damage Deductibles

If multiple autos are stolen or damaged in a Comprehensive or SCOL loss, no more than five times the highest deductible will be charged.

### Example:

Insured has a fleet of 15 service vans, all of which have Comprehensive Coverage, subject to a \$1,000 deductible. The vans were damaged by vandals who broke into the insured's yard.

The maximum deductible is 5 x the highest deductible or \$5,000. Without this coverage feature, the insured would have been responsible for \$15,000 of the loss. (\$1,000 for each of the 15 vans)



**Thank You for Being Here!**



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