

Commercial Package Policies (CPP) Workbook



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1. Key Components of a Commercial Package Policy

A **Commercial Package Policy (CPP)** is a versatile insurance solution that allows businesses to bundle different coverages tailored to their specific needs. Unlike a Business Owner's Policy (BOP), a CPP provides more flexibility and can cover larger and more complex risks. Here, we'll break down the key components and coverage options within a CPP, focusing on the intricacies that can be customized for each client.

- **Property Insurance**

Property insurance under a CPP protects the physical assets of a business, including buildings, contents, equipment, and more. Below is a detailed breakdown of common property types and considerations:

- a. **Types of Property Construction and Their Implications:**

- 1. **Frame Construction:**

- **Definition:** Buildings with exterior walls, floors, and roof of combustible material, usually wood.
 - **Implications:** Higher risk for fire; typically results in higher premiums.
 - **Underwriting Considerations:** Inspect fire protection systems and proximity to fire hydrants/stations.

- 2. **Joisted Masonry:**

- **Definition:** Structures with non-combustible exterior walls (such as brick or concrete) and a roof and floor of combustible material (like wood).
 - **Implications:** Moderate fire resistance but susceptible to water damage.
 - **Underwriting Considerations:** Evaluate roof conditions and water damage prevention measures.

- 3. **Masonry Non-Combustible:**

- **Definition:** Buildings with exterior walls of masonry materials and non-combustible or slow-burning floors and roof.
 - **Implications:** Lower fire risk than frame or joisted masonry, offering a better rate.
 - **Underwriting Considerations:** Focus on roof type and fire-resistant qualities.



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4. Modified Fire-Resistive:

- **Definition:** Buildings with exterior walls, floors, and roof made of materials that offer fire resistance of less than 2 hours.
- **Implications:** Offers enhanced fire protection, often leading to favorable rates.
- **Underwriting Considerations:** Review fire-resistance ratings and maintenance of fireproofing materials.

5. Fire-Resistive:

- **Definition:** Structures where the exterior walls, floors, and roof provide fire resistance of at least 2 hours.
- **Implications:** Lowest fire risk, usually resulting in the most favorable premiums.
- **Underwriting Considerations:** Assess ongoing compliance with fire resistance standards and condition of the materials.

b. Other Property Considerations:

- **Business Personal Property (BPP):**

Covers contents such as furniture, inventory, and equipment. Important to evaluate the value and nature of these items.

- **Business Income and Extra Expense:**

Critical for businesses needing coverage for lost income during downtime and additional expenses incurred to continue operations.

- **Building Ordinance or Law:**

Coverage for additional costs associated with meeting current building codes after a covered loss. Essential for older buildings likely to require updates.



2. Differences Between a BOP and a CPP

A **Business Owner's Policy (BOP)** and a **Commercial Package Policy (CPP)** are both popular options for businesses, but they serve different needs and offer distinct advantages:

- **Scope and Flexibility:**

- **BOP:**

- **Target Audience:** Designed for small to mid-sized businesses with relatively straightforward insurance needs (e.g., retail stores, offices, small restaurants).
- **Standardized Package:** Offers a predefined set of coverages, including property, general liability, and business interruption, often with automatic inclusions like equipment breakdown and employee dishonesty.
- **Limitations:** Less flexibility; it typically doesn't cover high-risk operations or businesses requiring unique or high-value property coverages.

- **CPP:**

- **Target Audience:** Suitable for larger businesses with more complex and varied risks (e.g., manufacturers, wholesalers, mid-size companies).
- **Customizable Coverage:** Allows selection from a broad range of coverages, including but not limited to property, liability, inland marine, crime, and equipment breakdown.
- **Flexibility and Tailoring:** Highly customizable; coverages can be tailored to fit specific risks and needs of the business, often leading to more comprehensive protection.

- **Cost and Coverage Differences:**

- **BOP:**

- **Cost-Effective:** Generally lower premiums due to the simplicity and limited coverage scope.
- **Bundled Savings:** Offers a cost-effective solution through a bundled approach, but lacks customization beyond predefined limits.

- **CPP:**

- **Higher Premiums, More Coverage:** Typically, higher premiums reflect broader and more customizable coverage options.
- **Potential for Savings:** Premium credits may be available for bundling multiple lines under one policy, offering savings while meeting more complex needs.



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- **Underwriting Flexibility:**

- **BOP:**
 - **Simplified Underwriting:** Streamlined underwriting process, making it quicker and easier to issue.
 - **Eligibility Constraints:** Only available to certain business types and sizes; may not accommodate unique or specialized risks.
- **CPP:**
 - **Detailed Underwriting:** In-depth underwriting allows for more accurate pricing and risk assessment, particularly for complex or high-value risks.
 - **Broader Eligibility:** More accommodating for various business types, including those with unique or higher risks.

3. Do's and Don'ts for Selling Commercial Package Policies

- **Do's:**

- **Perform a Comprehensive Needs Assessment:** Start every client relationship with a detailed analysis of their business operations, assets, and exposures to determine the right coverage mix.
- **Educate on Customization Benefits:** Explain the value of customizing a CPP to meet their specific needs rather than opting for a one-size-fits-all policy.
- **Highlight Gaps:** Point out where a BOP may fall short in coverage and how a CPP can fill these gaps.
- **Regular Policy Reviews:** Encourage annual or semi-annual reviews of coverage to adapt to business growth or changes in operations.

- **Don'ts:**

- **Avoid Over-Insuring:** Don't push unnecessary coverages that don't align with the client's actual risk profile. It could lead to dissatisfaction and lost trust.
- **Neglect Client Education:** Failing to thoroughly explain the CPP structure and benefits can lead to misunderstandings and client dissatisfaction.
- **Ignore Changes in Business:** Failing to update the policy as the business changes can leave significant gaps in coverage.



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4. Selling Strategies for Commercial Package Policies

- **Questions to Ask Prospective Clients:**

1. **What types of property do you own or lease, and what are their construction types?**
 - Helps determine the level of risk and appropriate property coverage.
2. **Do you transport goods or have property that frequently moves between locations?**
 - Identifies a need for Inland Marine or additional transit coverage.
3. **What kind of liabilities could your business face, and how have they changed recently?**
 - Assists in tailoring the general liability portion of the CPP to their specific needs.
4. **Have you reviewed your insurance needs since you last renewed your policy?**
 - Opens the door to discuss gaps or additional coverage options.

- **Sales Techniques:**

- **Educational Approach:** Focus on educating the client about their unique risks and how a CPP can mitigate those.
- **Use Visuals and Scenarios:** Provide visuals like diagrams or case studies showing potential losses that a CPP could cover.
- **Leverage Success Stories:** Share examples of how similar businesses benefitted from having a CPP, highlighting any claims experiences where the CPP provided crucial coverage.



5. Servicing Components of a Commercial Package Policy

- **Key Areas of Focus:**

- **Claims Handling:** Provide clear guidance on how clients should handle claims to ensure swift resolution. Include details on documentation, who to contact, and what steps to follow.
- **Policy Endorsements and Adjustments:** Regularly check in with clients to see if their needs have changed and suggest appropriate endorsements or policy adjustments to maintain optimal coverage.
- **Risk Management Support:** Offer value-added services like risk assessments or safety program consultations to help clients reduce their risks and potentially lower premiums.

- **Follow-Up Strategies:**

- **Annual Reviews:** Schedule annual check-ins to review coverages and ensure they are still appropriate given any changes in the client's business.
- **Client Education:** Keep clients informed of industry changes or emerging risks that might impact their insurance needs.
- **Customer Satisfaction Surveys:** Regular feedback loops to gauge satisfaction and identify areas for service improvement.



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6. Package Checklists

- **Property Coverage Checklist**

This checklist helps agents assess the property insurance needs of a business, ensuring all critical aspects are covered.

- **Building Construction Type:**

- Frame
- Joisted Masonry
- Masonry Non-Combustible
- Modified Fire-Resistive
- Fire-Resistive

<input type="checkbox"/> Other:	
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- **Coverage Needs:**

- **Building Coverage**

Describe the structure (age, condition, occupancy, etc.):

- **Business Personal Property (BPP)**

Inventory type and estimated value:

- **Business Income and Extra Expense**

Is the business heavily dependent on one location?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
--	------------------------------	-----------------------------

Estimated monthly business income:	
------------------------------------	--

- **Equipment Breakdown**

List critical equipment that needs coverage:	
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- **Ordinance or Law**

Is the building older or subject to new building codes?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
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- **Additional Property Coverages (e.g., Signage, Outdoor Property)**

Specific needs and descriptions:

- **Risk Mitigation Features:**

- Fire Alarm Systems
- Sprinkler Systems
- Security Systems
- Proximity to Fire Hydrants/Stations

Checklist Notes: Use this checklist during the site visit or initial client consultation to determine the scope of property coverage needs and identify any gaps.

- **Liability Coverage Needs Analysis**

A tool designed to help agents evaluate the liability exposures of a business and ensure comprehensive liability coverage.

1. **General Liability:**

Primary operations and associated risks (e.g., retail, manufacturing):	
Estimated annual revenue:	
Customer traffic level (high, medium, low):	
Previous claims or incidents (list and describe):	

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2. Professional Liability (if applicable):

Type of professional services provided:	
Licensure and certification requirements:	
Past claims related to professional services:	

3. Product Liability (if applicable):

Type of products manufactured, sold, or distributed:	
Annual sales volume of products:	
Known product risks or historical claims:	

4. Employment Practices Liability (EPL):

Number of employees:	
Human resources policies (e.g., anti-discrimination, harassment policies):	
History of employment-related claims:	

5. Cyber Liability:

Level of data sensitivity (e.g., customer information, payment data):	
Cybersecurity measures in place:	
History of data breaches or cyber incidents:	

Analysis Summary: Based on the needs analysis, highlight the most critical liability exposures and suggest appropriate coverages to address these risks.



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- **Business Operations Checklist**

This checklist helps agents understand a client's business operations, including any unique exposures that could affect insurance needs.

• Type of Business:	
• Primary Products/Services:	

- **Business Hours:**

- Standard (9-5)
- Extended
- 24/7

• Number of Locations:	
• Square Footage of Each Location:	

- **Geographic Distribution:**

- Local
- Regional
- National

- **Owned vs. Leased Premises:**

- Own
- Lease

• Annual Gross Revenue:	
• Number of Employees:	

- **Seasonality of Operations:**

- Yes
- No

Details if yes:	
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- **Transport or Shipment of Goods:**

Yes

No

If yes, describe frequency and type of goods:

--

- **Use of Vehicles in Operations:**

Yes

No

If yes, describe types and use:

--

Checklist Notes: Use this information to identify potential insurance needs beyond standard property and liability, such as Inland Marine, Auto, or Workers' Compensation.

- **Coverage Review Checklist**

A checklist designed to facilitate regular policy reviews and ensure clients' needs are continually met as their business evolves.

- **Has the business moved to a new location or added any new locations?**

Yes

No

- **Has there been a significant change in the value of your business personal property or inventory?**

Yes

No

- **Have there been changes in the types or volume of products/services offered?**

Yes

No



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- **Have you made any renovations or upgrades to your buildings?**
 - Yes
 - No
- **Has your business experienced growth or contraction in staff size?**
 - Yes
 - No
- **Have there been any changes in management or ownership structure?**
 - Yes
 - No
- **Have there been any new legal or regulatory requirements impacting your business?**
 - Yes
 - No
- **Do you have new equipment or technology that requires coverage?**
 - Yes
 - No
- **Has your company been involved in any recent claims or incidents?**
 - Yes
 - No

Review Notes: Use this checklist to identify changes in risk profile and recommend appropriate updates to coverage.



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- **Risk Assessment and Mitigation Checklist**

A tool to help identify potential risks and recommend mitigation strategies, enhancing client protection and potentially reducing premiums.

- **Fire Risks:**

- Presence of combustible materials
- Fire suppression systems (sprinklers, extinguishers)
- Fire alarms and detection systems
- Proximity to fire department

- **Theft and Vandalism Risks:**

- Security systems (alarms, surveillance cameras)
- Physical barriers (fencing, gates)
- Employee access control

- **Natural Disaster Risks:**

- Flood zone determination
- Windstorm/hurricane preparedness
- Earthquake zones

- **Operational Risks:**

- Machinery maintenance schedules
- Employee safety training programs
- Emergency response plans

- **Cybersecurity Risks:**

- Data encryption and secure backups
- Employee training on phishing and cyber threats
- Network security measures (firewalls, antivirus)

Mitigation Recommendations: Based on identified risks, recommend actions to mitigate potential losses and suggest corresponding coverage options.



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7. FYI Section

The FYI (For Your Information) section provides essential insights and tips that can help agents better understand Commercial Package Policies (CPPs) and effectively communicate their benefits to clients.

- **Importance of Accurate Valuation**

- **Underinsurance Risks:** Underestimating the value of property or business personal property can lead to inadequate coverage in the event of a loss. Ensure clients are aware of the importance of regular property appraisals and inventory checks to maintain accurate coverage limits.
- **Inflation Guard:** Consider including an inflation guard endorsement in the CPP, which automatically adjusts the coverage limit to keep up with inflation, protecting clients from being underinsured as costs increase.

- **The Role of Deductibles in Premium Costs**

- **Deductible Choices:** Higher deductibles generally lower premium costs, but clients should be prepared to cover these costs out-of-pocket in the event of a claim. Educate clients on balancing deductible levels with their ability to pay in case of a loss.
- **Deductible Aggregates:** For clients with multiple locations, consider discussing aggregate deductibles, which apply a single deductible to all covered locations in the event of a widespread loss (e.g., a natural disaster).

- **Tailoring Policies to Specific Business Needs**

- **Modular Policy Options:** CPPs are highly customizable, allowing agents to build a policy that fits the unique needs of each client. Highlight how each component of the CPP can be selected and tailored based on the specific risks and operations of the business.
- **Endorsements and Riders:** Educate clients on the availability of endorsements and riders that can enhance their coverage, such as equipment breakdown, ordinance or law coverage, and cyber liability. These additions can provide protection against specialized risks.



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• The Value of Risk Management

- **Proactive Measures:** Encourage clients to implement risk management strategies, such as installing sprinkler systems, burglar alarms, and conducting regular safety training for employees. Not only can this reduce the likelihood of a loss, but it may also qualify them for premium discounts.
- **Risk Assessment Services:** Many insurers offer risk assessment services as part of their policies. Highlight the value of these services to help clients identify potential risks and take preventive action.

• Understanding Claims-Made vs. Occurrence Policies

- **Occurrence Policies:** These policies cover claims for incidents that occur during the policy period, regardless of when the claim is made. This is typically the standard for most CPPs.
- **Claims-Made Policies:** Less common in CPPs, these cover claims made during the policy period, regardless of when the incident occurred. If the CPP includes any claims-made components (e.g., certain liability coverages), ensure clients understand how it affects their coverage.

• Cyber Risks and Emerging Threats

- **Importance of Cyber Coverage:** With the increasing risk of cyber threats, businesses should consider adding cyber liability coverage to their CPP. This can protect against data breaches, cyber extortion, and other digital risks.
- **Other Emerging Threats:** Stay updated on new risks in your client's industry, such as climate change impacts or supply chain vulnerabilities, and proactively adjust their CPP to cover these evolving exposures.

• Regular Policy Reviews

- **Annual Reviews:** Encourage clients to schedule annual policy reviews to adjust coverage based on changes in their operations, property values, or risk exposures. This helps ensure their CPP remains comprehensive and up-to-date.
- **Midterm Adjustments:** Remind clients that they don't have to wait for a policy renewal to make adjustments. Significant changes, such as expanding operations or acquiring new assets, should prompt a midterm policy review.



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8. Definitions Section

This section provides clear and concise definitions of key terms related to Commercial Package Policies, helping agents and clients understand the language of insurance.

- **Key Terms and Definitions**

1. **Commercial Package Policy (CPP):**

- A flexible insurance policy that allows businesses to combine multiple types of coverage, such as property, liability, and more, into a single policy tailored to their needs.

2. **Business Owner's Policy (BOP):**

- A standardized insurance policy designed for small to mid-sized businesses that combines property and liability coverage into a single, simplified package.

3. **Endorsement:**

- A written amendment to an insurance policy that changes the terms or scope of the original policy. Endorsements can add, remove, or modify coverage.

4. **Rider:**

- Similar to an endorsement, a rider is an additional provision added to an insurance policy that provides extra benefits or coverage for specific risks not covered under the main policy.

5. **General Liability Insurance:**

- Coverage that protects a business from financial loss due to claims of bodily injury, property damage, personal injury, or advertising injury caused by the business's operations, products, or services.

6. **Business Personal Property (BPP):**

- Coverage for the physical assets a business owns, leases, or rents, excluding buildings and structures. BPP includes items like furniture, inventory, equipment, and machinery.



7. **Inland Marine Insurance:**

- A type of insurance that covers property in transit over land, certain types of movable property, instruments of communication, and legal liability exposures.

8. **Building Ordinance or Law Coverage:**

- Insurance that covers the additional costs associated with rebuilding or repairing a damaged structure to comply with current building codes or laws after a covered loss.

9. **Claims-Made Policy:**

- An insurance policy that provides coverage only if the claim is made during the policy period, regardless of when the incident that led to the claim occurred.

10. **Occurrence Policy:**

- An insurance policy that covers claims for incidents that occur during the policy period, regardless of when the claim is filed.

11. **Deductible:**

- The amount the insured must pay out-of-pocket before the insurance company pays a claim. Higher deductibles typically result in lower premiums.

12. **Aggregate Deductible:**

- A deductible that applies collectively to all claims within a specific period or for all covered losses from a single event, rather than individually per claim or per location.

13. **Underinsurance:**

- A situation where the insured's coverage limits are less than the actual value of the insured property or potential liability, leading to out-of-pocket expenses after a loss.

14. **Inflation Guard:**

- A provision in an insurance policy that automatically increases the coverage limits to keep pace with inflation, ensuring that the insured maintains adequate protection over time.

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15. **Risk Management:**

- The process of identifying, assessing, and mitigating risks to minimize potential losses and enhance safety and security in business operations.

16. **Cyber Liability Insurance:**

- Coverage that protects businesses against financial losses resulting from cyber-attacks, data breaches, and other cyber incidents.

17. **Ordinance or Law Exclusion:**

- A standard exclusion in property insurance policies that excludes coverage for the costs required to bring a building up to code following a covered loss unless specifically included through an endorsement.

18. **Coinsurance:**

- A clause in an insurance policy that requires the insured to carry a certain percentage of the value of the property as insurance. If the insurance carried is less than the specified percentage, the insured may be required to share in the loss.

19. **Named Perils Policy:**

- An insurance policy that provides coverage only for specific risks or causes of loss listed in the policy.

20. **All-Risk Policy:**

- An insurance policy that provides coverage for all risks of physical loss or damage except for those specifically excluded by the policy.