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**UNDERWRITERS**  
YOUR PARTNER IN PRODUCTION, MAKING THE DIFFERENCE

## Halcyon Agent News



### *The Intelligent Broker*

A Column in Halcyon Underwriters' Quarterly Newsletter

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"Stop the Fire with your Client's Umbrella Policy!"

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If we all had a nickel for every time we heard the phrase “our carrier’s Umbrella is follow-form”, I know we certainly wouldn’t be working in insurance anymore. The truth is, as we all know it, there is no such thing as “follow-form” Umbrella coverage; no matter how many times we say it. While it may be designed to respond as excess over primary coverages, the Umbrella policy is its own independent form. It has its own declarations, insuring agreement, conditions, and exclusions. One such exclusion in Umbrella policies that insureds may find particularly troubling is the property damage exclusion and how it precludes a familiar coverage giveback found in the General Liability policies.

This particular coverage giveback is the “damage to premises rented to you” (formally known as the “fire damage legal liability”) sub-limit found in the General Liability policy. The General Liability policy excludes damage to property the insured owns, rents, or occupies, but famously gives back coverage for premises rented or occupied by the Insured. The form accomplishes this by offering the giveback in two scenarios – one for premises occupied less than 7 days and one for premises occupied greater than 7 days.

Per the Insurance Services Office’s General Liability Coverage Form “CG 00 01 04 13”, these givebacks to the property damage exclusion are stated as follows:

1. “Paragraphs (1), (3) and (4) of this exclusion do not apply to “property damage” (other than damage by fire) to premises, including the contents of such premises, rented to you for a period of seven or fewer consecutive days. A separate limit of insurance applies to Damage to Premises Rented to You as described in Section III – Limits of Insurance.” [i]
1. “Exclusions c. through n. do not apply to damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in Section III – Limits of Insurance.” [ii]

Common sub-limits for “Damage to Premises Rented to You” are \$50,000 and/or \$100,000. Contrary to popular belief however, the Umbrella coverage form offers no such coverage giveback for “damage to premises rented to you.” Per the Insurance Service Office’s Umbrella Liability Coverage Form “CU 00 01 04 13”, the property damage exclusion is written with no giveback offered:

- “Exclusions: m. Damage To Property “Property damage” to: (1) Property: (a) You own, rent, or occupy including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another’s property” [i]

Consequently, the Umbrella or Excess Liability insurer does not intend to drop down (“follow form”) and pay losses in excess of a \$50,000 or \$100,000 damage to premises rented to you limit.

This could result in a coverage gap for the insured; and perhaps a serious one at that. For example, one of our recent new business wins derived from an unhappy insured that just went through an unexpected and uncovered property damage claim.

This insured, a tenant in a warehouse building, had a fire at their rented building resulting in a total loss. The landlord’s property carrier alleged it was the insured’s fault for the fire loss and thus went to subrogate against them as the tenant. There was no waiver of subrogation agreement in place and the landlord’s property insurer demanded repayment for damages. The total amount demanded was just under \$1M dollars. When this Insured’s Umbrella carrier failed to drop-down and pick-up the fire legal liability claim, they were in shock to find that they were not fully insured for the claimed loss. Eventually however, the Insured was able to settle with the property insurer, but not after great litigation cost and time. While it was fortunate for the Insured that a lower amount was negotiated, their agent lost their trust and return, lost their business.

On the contrary however, the remedy to all this is simple and a few easy steps can be taken to protect your client:

1. Increase the “damage to premises rented to you” limit on your client’s General Liability Policy to \$1M per occurrence. Most carriers can do this for a small additional premium. A \$1M limit offers more adequate coverage than the GL’s standard sub-limit.
2. If they have a significant exposure (especially in triple-net-lease situations), recommend to the Insured that they procure property insurance coverage on the premises. ISO offers various forms to obtain necessary coverage,

including a legal liability form.

3. Or, if required by written contract by an upstream party (sometimes common in General Contractor – Subcontractor agreements) ask your Umbrella underwriter to amend their form to follow-form and drop-down over the “damage to premises rented to you” limit. Although uncommon, most Umbrella underwriters can amend their form by manuscript endorsement to provide the coverage. Typically, the carrier will require a \$1M attachment and will charge a small additional premium to add the coverage.

In conclusion, be sure to check whether the Umbrella contract you are using will respond over the “damage to premises rented to you” limit. Not all Umbrella policies will automatically cover as excess over a commercial General Liability policy's fire damage coverage, but as the Intelligent Broker, make it your responsibility to stop the fire with your client's Umbrella policy before it starts!

[1] Insurance Services Office's Commercial General Liability Coverage Form CG 00 01 04 13, pg. 5 of 16

[1] Insurance Services Office's Commercial General Liability Coverage Form CG 00 01 04 13, pg. 6 of 16

[1] Insurance Services Office's Commercial Umbrella Liability Coverage Form CU 0001 04 13, pg. 4 of 17

## Halcyon Announcement!!

### We are Happy to Announce Our Newest Market **GUARD!**



Guard offers our agents the ability to write Commercial Property and Casualty accounts (particularly small- to medium-sized businesses); Workers' Compensation coverage nationwide and Business Owner's, Commercial Umbrella, Commercial Auto, and Disability policies in a rapidly expanding number of select states

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Learn More About Us



## Team Member Spotlight: Jennifer Eick

The relationship we have with our agent partners is very important to us. While we work with you on a day to day business level, we thought you'd like to learn



more about our team members.

In this issue, we have Small Business Assistant Underwriter Jennifer Eick who is in the spotlight.

**Years at Halcyon:** 5 years

**Years in Insurance:** 5 years

**First Job:** Cashier at Target

**Favorite Movie:** The Sound of Music

**Favorite Vacation spot:** Rome, Italy

**Little-known fact:** I have a 6 pound Chihuahua-mix named Sammy

**If I'm not at work, you can find me....** At home reading or at Disney with my family

**Most important lesson learned:** You can learn something from every person you meet

**Advice for Success:** Always give 100%

**If I wasn't doing this, I'd:** Probably be a teacher

**Pet Peeve:** Bad driving and parking

**Hobbies:** Reading (especially historical fiction) and baking/cooking

**If I could have met anyone in history, it would be:** Queen Elizabeth I

**My favorite part about my job is:** The people I work with

## ***Personal Lines***

### ***Halcyon Now Offering USLI for Personal Comprehensive Liability, Excess Liability and Personal Umbrellas!***

***Receive Instant Quotes in Minutes by Rating Online via Our Website or Our Instant Phone Quote Option!***

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A few areas we've had success:

- Secondary Homes purchased in LLC's
- Insureds with a large schedule of rental properties – Can write Excess Liability up to

25 homes!

- See the attached HitZones for all three products!

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CALL: 877-268-8219 or email [marketing@halcyonuw.com](mailto:marketing@halcyonuw.com) for your own log in to quote online!



**We Are Looking for Some  
Great People to Join Our  
Team!**

For a list of current job  
opportunities - please visit our  
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### **Did You Know?**

Halcyon offers premium financing arrangements with great rates for your commercial accounts. Contact your Halcyon Production Underwriter for more information.

### **Claims Update!!**

Halcyon's website now has direct reporting available for all claims ensuring faster access for appointed agents using online reporting for most companies. Please use our claims links by clicking [CLAIMS](#) to report any claims.

### **Is Your Agency File Active with Us?**

Please remember to send a copy of your E&O renewal certificate to [compliance@halcyonuw.com](mailto:compliance@halcyonuw.com) annually to remain

active.

**IMPORTANT** - Please make sure we have an active [ACH Payment Authorization Form](#) on file for your agency to receive commissions via direct deposit. Send the completed copy to [compliance@halcyonuw.com](mailto:compliance@halcyonuw.com).

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**Halcyon Underwriters Middle Market Success List**  
January-April 2016

Class	Description	Lines	Premium
Construction	Fire, Security, & Alarm Installation	Auto/WC	\$65K
Construction	Reception	Auto	\$80K
Construction	Traffic & Highway Contractor	All Lines	\$886K
Construction	Industrial GC	All Lines	\$48K
Construction	Road Contractor	Umbrella	\$93K
Construction	Electric Contractor	Package	\$83K
Distributor	Computer Equipment	WC	\$86K
Healthcare	Medical Surgical Office	All Lines	\$53K
Hospitality	Event/Party Equipment	IM, WC	\$264K
Hospitality	Restaurant	Eng/Um	\$96K
Hospitality	Hotels/Restaurants	Package	\$237K
Manufacturing	Vision Diagnostic Equipment	All Lines	\$200K
Real Estate	Property Owner	Umbrella	\$43K
Retail	Mattress Stores	Package	\$43K
Service	Baggage/Valis Services	WC	\$963K
Service	Telemarketing Call Center	WC	\$75K
Service	Engineering	All Lines	\$458K
Telecommunications	Broadcasting	Auto/GI/Int.	\$304K
Wholesaler	Dealer Risk Services	BA/GI/OS	\$11K

Take a look at our  
**Middle Market Success List!**

What Are We Writing?

Click Below

[Halcyon New Business Success List](#)

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