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COMMERCIAL PROPERTY INSURANCE

Virtually all businesses need direct damage property insurance. Direct damage property insurance provides funds to pay for repair or replacement of the insured's buildings, equipment, supplies, inventory, and other property when it is physically damaged by a covered cause of loss, such as a fire or windstorm. To assure that the organization will receive the funds that it expects and needs in the event of a loss, the direct damage coverage must be properly written. It is particularly important to be sure that the policy covers the locations and types of property for which coverage is needed, that it covers all or most of the possible causes of loss to the property, that the property is valued appropriately, and that adequate limits of insurance have been purchased.

The protection of an insured's real and business personal property is a goal of any insurance program. Even smaller commercial operations have a large percentage of their assets in the form of tangible property. A thorough understanding of the Commercial Property Program offered by the Insurance Services Office (ISO) is helpful since the program is the insurance industry standard.

The coverage forms and endorsements developed for the Commercial Property Program may be used in a monoline Commercial Property-Only Policy or as a part of a Commercial Package Policy (CPP) that includes other coverage parts, such as General Liability and Auto.

The rating basis, as well as the forms and endorsement available, are virtually the same for either type of policy. The primary difference between the two programs is the eligibility for rating and premium modification programs or schedules.

COMMERCIAL PROPERTY COVERAGE AS PART OF A COMMERCIAL PACKAGE POLICY (CPP)

In order to be a Commercial Package Policy, the policy must contain at least two or more Coverage Parts:

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<tr>
<td>Because of the broad eligibility for the program, almost all other risks are eligible for coverage in a package format.</td>
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<tr>
<td>Only the types of property which are eligible for the Homeowners’ Program would not be eligible for the Commercial Package Policy Program.</td>
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<th>Package Modification Factors</th>
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<td>Any combination of two or more coverage parts is eligible for a Commercial Package Policy, however that does not necessarily mean the policy would receive the Package Modification Rating Factor.</td>
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Package modification factors (discounts) only apply when both property and liability coverages are provided in the package policy. The property portion of the policy must cover buildings or personal property (or both) and be written at 80% or higher coinsurance (90%, if blanket). Any of the commercial property coverage parts may be used to provide this coverage. In addition, commercial property coverage written using the physicians and surgeons coverage form from the commercial inland marine program qualifies for a package discount as long as the form is not written to cover only equipment and instruments usually carried by the insured.

Liability coverage in a package policy may be provided through a commercial general liability or garage coverage as long as it covers bodily injury and property damage exposures for the same premises for which property coverage is provided.

If the Property Coverage Form uses one of the below listed rating plans or schedules, the policy would not be eligible for a Package Modification Factor:

- Rating Plan for Highly Protected Risks
- Schedule for Petroleum Properties
- Schedule for Petrochemical Plants
- Schedule for Electric Generating Stations
- Schedule for Natural Gas Pumping Stations

The following coverages or endorsements do not receive the Package Modification Factor:

- Causes of Loss — Earthquake Form (CP 10 40)
- Sprinkler Leakage — Earthquake Extension (CP 10 39)
- Personal Liability Exposures
- Farms that are eligible for the Farm Combination Coverage
- Properties rated in the Dwelling Policy Program

**Minimum Premium**

Under the commercial package program, the minimum premium per package policy is the sum of the individual minimum premiums applying to each coverage part included in the package.

**COMMERCIAL PROPERTY COVERAGE FORMAT**

Whether the Commercial Property insurance is issued as a monoline policy or as part of a commercial package policy (CPP) the policy must include seven basic parts or forms:

- **Common Policy Declarations Form** ISO version IL 00 19 (or company adaptation thereof).
- **Common Policy Conditions Form** (IL 00 17) containing the conditions that are common to all Commercial Lines of insurance.
- **Commercial Property Declarations Form**, which some companies combine with the Common Policy Declarations in one document.
- **Commercial Property Conditions Form** (CP 00 90) including conditions that apply to all coverages in the Commercial Property Coverage Part.
- **Commercial Property Coverage Forms** (one or more) including the necessary descriptions of coverage, including what is covered and what is not, and conditions that apply specifically to that coverage, as well as the Limit of Insurance, Deductible, Optional Coverages, and Definitions.
• **Causes of Loss Forms** (one or more) describing the causes of loss or perils that are insured against and the exclusions.

• **Policy Cover or Jacket**, individually designed by companies and which may include a Table of Contents or an Index, a requirement in some states.

In addition to the above named forms, any number of endorsements may be attached to add additional coverage, restrict coverage, clarify coverage, or tailor the policy specifically to the needs of the insured or insurer.

One exception to the modular format in the commercial property program is *standard property policy CP 00 99*. It is a self-contained unit that includes causes of loss and applicable conditions and is used for insuring risks for which the coverage under the other forms of the program is too broad.

### COMMERCIAL PROPERTY COVERAGE FORMS

All of the Commercial Property Coverage Forms have four major purposes:

- To identify the subject of insurance;
- To describe coverages and coverage extensions;
- To provide conditions not specified in the Common Policy Conditions or Commercial Property Conditions Forms that apply to specific coverages; and,
- To list the types of property and causes of loss not covered.

There are twelve Commercial Property Coverage Forms as follows:

- Building and Personal Property Coverage Form (CP 00 10)
- Condominium Association Coverage Form (CP 00 17)
- Condominium Commercial Unit-Owners’ Coverage Form (CP 00 18)
- Builders’ Risk Coverage Form (CP 00 20)
- Business Income Coverage Form with Extra Expense (CP 00 30)
- Business Income Coverage Form without Extra Expense (CP 00 32)
- Legal Liability Coverage Form (CP 00 40)
- Extra Expense Coverage Form (CP 00 50)
- Leasehold Interest Coverage Form (CP 00 60)
- Mortgageholders’ Errors and Omissions Coverage Form (CP 00 70)
- Tobacco Sales Warehouses Coverage Form (CP 00 80)
- Standard Property Policy (CP 00 99)

The principal form for providing coverage for buildings and personal property exposures in the commercial property program is *Building and Personal Property Coverage Form, CP 00 10*. With the exception of builders risk or commercial condominium exposures, for which there are separate coverage forms under the program, virtually all types of commercial property are eligible to use the building and personal property coverage form.

Coverage for other exposures such as *legal liability, value reporting, mortgage holder’s errors and omissions, tobacco sales warehouses, and leasehold interest* are available through separate coverage forms under the commercial property program. A major change is that
building glass is now covered as part of the building. Therefore, the glass coverage part has been eliminated.

*Business income* exposures are handled through two basic coverage forms, one that includes extra expense coverage and one that does not.

**Commercial Property Declarations**

The commercial property declarations page will show the policy number and effective date, the identity of the named insured, and will list all endorsements attached to the coverage.

A description and location of each insured premises, identify coverages and show limits of insurance for each coverage will also be shown. Spaces are provided for optional coverages, the identity of any mortgage holders, the deductible, and exceptions to the deductible amount. Also shown are rates and causes of loss forms that apply.
Common Policy Conditions

Common policy conditions form IL 00 17 contains six conditions that must be incorporated into any policy written under the program and that apply to all the policy’s coverages. Most of these common policy conditions are based on provisions of the standard fire policy.

A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.

2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:

   a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or

   b. 30 days before the effective date of cancellation if we cancel for any other reason.

3. We will mail or deliver our notice to the first Named Insured’s last mailing address known to us.

4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.

6. If notice is mailed, proof of mailing will be sufficient proof of notice.

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Either the insured or the insurer may cancel a property insurance policy, but different requirements for doing so are imposed on each party.

The insurer can cancel the policy by providing 30 days' written notice of the cancellation to the insured listed first in the declarations, unless the cancellation is for nonpayment of premium, in which case only 10 days' notice is required. The cancellation notice need be sent only to the last known mailing address of the first named insured shown in the declarations. The insurer is not obligated to notify any other named insureds. Only the insured listed first in the declarations may initiate cancellation on behalf of the named insured. If the insurer cancels, any premium refund will be pro rata (exactly proportionate to the number of days remaining in the policy period).
For cancellation by the insured, the cancellation condition provides merely that any premium refund “may be less than pro rata.” This allows the insurer to use a “short rate” table to set the amount of premium refund on a policy cancelled by the insured, usually pro-rata less 10 percent for a cancellation requested by the insured.

Dealings between insurer and insured with respect to cancellation (and certain other matters) are to be carried out by “the first Named Insured shown in the Declarations” when more than one insured is named in the policy. Care should be taken in determining which insured is to be listed first in the declarations (or the named insured endorsement, if applicable) when there are multiple named insureds. It may also be advisable to have the policy endorsed to require that the insurer provide cancellation notice to all named insureds.

Premium refund is also made to the first named insured. It is the insured's responsibility to advise the agent and the insurer of any changes in the mailing address.

The cancellation provisions in the policy often are amended to comply with state laws regulating policy cancellation by the insurer. They supersede whatever cancellation provisions may be specified in the basic policy.

In some states, the number of days of advance notice required in the event of cancellation by the insurer is increased. Another common state amendment to the cancellation provision is to prohibit the insurer from canceling the policy except for specified reasons. In most cases, this type of provision applies only to cancellation of policies that have been in effect for a specified number of days (commonly 60 days). Finally, quite a few states impose nonrenewal notice requirements on insurers.

Since considerably more time may be necessary for a business and its insurance agent or broker to replace cancelled coverage, it is recommended that the insured attempt to negotiate a longer cancellation notice requirement with its insurer. If possible, 90 days’ notice should be required if the insurer cancels the policy for any reason other than nonpayment of premium. A similar notification requirement should be sought for nonrenewal or material change in policy provisions as well.

**Cancellation Changes Endorsement**

The cancellation changes endorsement affects cancellation of coverage only under certain conditions or on certain types of property. Many of these are designed to prevent fraudulent intent on the part of the insured. Penalties for vacancy (a 15 percent reduction in loss recovery in the event of loss by fire) are also established in the vacancy loss conditions of the direct damage coverage forms; as well as a delay of more than 30 days in commencing repairs after loss payment has been made. Nonpayment of property taxes or lack of utility service are other reasons property insurance coverage may be cancelled with as few as 5 days advance notice.
Changes

This condition stipulates that any changes in the terms of the policy can be made only by endorsement issued by the insurer. Requests for changes on the insured’s part must be made by the “first named insured”.

B. CHANGES

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy’s terms can be amended or waived only by endorsement issued by us and made a part of this policy.

Amendments to policies are frequently agreed to orally, however the laws of most states require that they be put in writing within a few business days. Typically, these oral agreements to amend the policy are confirmed in writing by means of a binder issued by the agent, and a written request to the insurer for policy endorsement.

Examination of Your Books and Records

This condition gives the insurer the right to audit books and records of the insured relating to the policy. The examination or audit may be made anytime during the policy period or any time within three years after the policy period ends.

C. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to 3 years afterward.

In practice, audits are seldom made in connection with property insurance policies, except those containing value reporting form endorsements, which specifically require the insured to submit periodic statements of the value of the insured property.

Inspections and Surveys

D. INSPECTIONS AND SURVEYS

1. We have the right to:
a. Make inspections and surveys at any time;

b. Give you reports on the conditions we find; and

c. Recommend changes.

2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

   a. Are safe or healthful; or

   b. Comply with laws, regulations, codes or standards.

3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

The insurer has the right to make inspections. However, except with respect to certification of boilers, pressure vessels, or elevators, the insurer is not obligated to make inspections.

An insurer's inspections and any resulting recommendations for improvements in loss control can be a valuable service to the insured. However they are performed primarily for the insurer's benefit, as a means of determining continued insurability, as well as proper classification and rating.

This condition does not place the insurer (or any rating, advisory, or similar organization making inspections under the policy) in the position of warranting that conditions connected with the insured's operations are safe or healthful or that the insured is in compliance with any legal requirements that may pertain to those operations.

**Premiums**

**E. PREMIUMS**

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums; and
2. Will be the payee for any return premiums we pay.

This condition specifies that the first named insured listed in the declarations is responsible for premium payment and will receive any return premium. The first named insured is also the only named insured who will receive cancellation notice and the only named insured who may cancel the policy on behalf of the insured.

When there are multiple named insureds, care should be taken in ordering the named insureds in the declarations, to list first that entity that should pay premiums and receive any return premiums due from the insurer.

Transfer of Rights and Duties

F. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS POLICY

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

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Insurance policies are issued to particular insureds, and the identity and character of the insured is a very important consideration in the underwriting process. The insurance policy applies only to those identified in the policy.

The protection of the policy may not be transferred or assigned to another without the insurer's consent, except that, in the event of the death of an individual named insured, the insured's rights and duties under the policy will be transferred to the insured's legal representative. Until a legal representative is appointed, rights and duties of the deceased insured with respect to the deceased insured's property pass to anyone having “proper temporary custody” of that property.
Commercial Property Conditions CP 00 90

Conditions spell out rights and obligations of the parties to the contract, and describe some of the provisions that affect the scope of coverage. This separate form contains nine conditions that apply to the Commercial Property Program, in addition to the Common Policy Conditions. The provisions of the CP 00 90 are:

- Concealment, Misrepresentation or Fraud
- Control of Property
- Insurance Under Two or More Coverages
- Legal Action Against the Insurer
- Liberalization
- No Benefit To Bailee
- Other Insurance
- Policy Period, Coverage Territory
- Transfer Of The Rights Of Recovery Against Others To The Insurer

The Commercial Lines Manual requires attachment of the commercial property conditions form to all commercial property policies unless the mortgageholders errors and omissions coverage form is the only form used.

COMMERCIAL PROPERTY CONDITIONS

This Coverage Part is subject to the following conditions, the Common Policy Conditions and applicable Loss Conditions and Additional Conditions in Commercial Property Coverage Forms.


“This Coverage Part" refers to each of the commercial property coverages provided by the policy, regardless of how many individual coverage forms apply.

Concealment, Misrepresentation or Fraud

The coverage is voided if fraud, intentional concealment or misrepresentation of a material fact is committed by any insured concerning:

- This coverage part,
- The covered property,
- The insured's interest in the covered property, or
- A claim under this coverage part.

The act of any insured could void the policy as to all other insureds, including the named insured him or herself.
The concealment, misrepresentation, or fraud condition works to void coverage whether the fraud, concealment, or misrepresentation occurs before or after a loss.

**A. CONCEALMENT, MISREPRESENTATION OR FRAUD**

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

A concealment and fraud condition protects the insurer from the insured's dishonesty. An insurance contract is a contract of "utmost good faith" between the parties to the contract. The insurer is entitled to rely on the integrity of the insured as well as the accuracy and completeness of the information presented by the insured, to the best of the insured's knowledge, in determining whether to offer insurance and at what price.

**Control Of Property**

Only negligence or negligent acts by the insured affect this policy’s coverage. Negligent acts or neglect of parties other than the insured, and outside the insured's direction and control do not affect this coverage.

This protects an innocent insured when damage results from the act or neglect of another person, and that act or neglect relates to some control over the property.

The second part of the “control of property” condition states that when more than one location is insured under the policy, the breach of any policy condition will affect coverage only with respect to the specific location where the breach occurred, and does not affect coverage at any location where the breach does not exist at the time of loss.

**B. CONTROL OF PROPERTY**

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.
The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.


<table>
<thead>
<tr>
<th>Insurance under Two or More Coverages</th>
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<tbody>
<tr>
<td>When two or more of the policy's coverages apply to the same loss or damage, the insurer is not liable for more than the actual amount of the loss or damage.</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>C. INSURANCE UNDER TWO OR MORE COVERAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.</td>
</tr>
</tbody>
</table>

This coverage condition is intended to prevent the insured from profiting from a loss by collecting more than once for the same loss, which would violate the principle of indemnity.

<table>
<thead>
<tr>
<th>Legal Action Against the Company</th>
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<tbody>
<tr>
<td>This condition makes clear that the insured cannot take legal action against an insurer unless the insured has fully completed all the duties and responsibilities that can be reasonably expected of a property owner after a loss.</td>
</tr>
<tr>
<td>Also, any legal action must be brought within two years following the loss or damage.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. LEGAL ACTION AGAINST US</th>
</tr>
</thead>
<tbody>
<tr>
<td>No one may bring legal action against us under this Coverage Part unless:</td>
</tr>
<tr>
<td>1. There has been full compliance with all of the terms of this Coverage Part; and</td>
</tr>
<tr>
<td>2. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.</td>
</tr>
</tbody>
</table>
**Liberalization Clause**

If the insurer adopts a revision to the insurance that broadens coverage, as long as no additional premium is associated with this broadened coverage and the broadening occurs within 45 days prior to or during the policy period; the broadened coverage applies without charge.

If the coverage is reduced, however, the reduction does not automatically apply. Nor do any enhancements or upgrades that would be subject to an additional premium charge.

**E. LIBERALIZATION**

If we adopt any revision that would broaden the coverage under this Coverage Part without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this Coverage Part.


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**No Benefit To Bailees**

A bailee is someone to whom property has been entrusted, usually for the purpose of having a service to that property performed in exchange for a fee. The "no benefit to bailee" clause is designed to ensure that a covered loss for which a bailee is legally liable will ultimately be paid for by the bailee.

**F. NO BENEFIT TO BAILEE**

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.


Only the insured may benefit from this insurance. Even if another party has custody of covered property, payments will be made to the insured and only for the insured's financial interest in the property. No coverage exists for the time, labor, loss of use, or other potential loss that might be experienced by any other party having custody of the property covered on this coverage form.

The subrogation provisions of the policy would enable the insurer to recover from a bailee for any loss paid under the policy for which the bailee is legally liable. This clause reinforces the insurer's subrogation rights against bailees.
Other Insurance

This condition explains how coverage will be determined or loss will be handled when other sources of insurance exist. The condition does not prohibit other insurance. In fact, many insureds with commercial property carry more than one policy with more than one insurer to cover a specific risk.

G. OTHER INSURANCE

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.

2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.


If the other insurance is subject to the same plan, terms, conditions, and provisions as this coverage part, the loss is shared based upon the portion this limit has to the total Limits of Insurance of all insurance covering the property on the same basis.

If the other insurance applicable to a covered loss is not the same type as this coverage part, then the insurance in this policy will only pay the amount that exceeds any other insurance whether collectable or not. Even if the other insurance is denied by that insurer, this policy will react as if the other insurer had paid and only offer an amount over what the other insurance should have paid. However, this policy will not pay more than the Limit of Insurance stated in the Declarations.

Policy Period and Coverage Territory

The policy period and coverage territory apply to all losses. To be covered under the commercial property policy, loss or damage must begin during the policy period shown in the declarations. Loss must also commence within the coverage territory, the United States (including its territories and possessions), Canada, and Puerto Rico.

H. POLICY PERIOD, COVERAGE TERRITORY

Under this Coverage Part:

1. We cover loss or damage commencing:

a. During the policy period shown in the Declarations; and
b. Within the coverage territory.

2. The coverage territory is:
   
a. The United States of America (including its territories and possessions);

b. Puerto Rico; and

c. Canada.

Subrogation

This condition preserves the insurer’s subrogation rights with respect to third parties who might be responsible for a loss under the policy.

I. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

1. Prior to a loss to your Covered Property or Covered Income.

2. After a loss to your Covered Property or Covered Income only if, at time of loss, that party is one of the following:

   a. Someone insured by this insurance;

   b. A business firm:

      (1) Owned or controlled by you; or

      (2) That owns or controls you; or

   c. Your tenant.

This will not restrict your insurance.

ISO Direct Damage Coverage Forms

- Building and personal property coverage form (CP 00 10)
- Condominium association coverage form (CP 00 17)
- Condominium commercial unit-owners coverage form (CP 00 18)
- Builders risk coverage form (CP 00 20)
- Legal liability coverage form (CP 00 40)
- Mortgageholders errors and omissions coverage form (CP 00 70)
- Tobacco sales warehouses coverage form (CP 00 80)

Direct damage coverage forms provide coverage for the repair or replacement of property damaged by a covered cause. Time element forms, on the other hand, provide coverage for loss of income or increase in operating expenses that result from suspended operations while the damaged property is being repaired or replaced. They are referred to as time element forms because the dollar amount of loss suffered by the insured depends on how long it takes to repair or replace the damaged property.

Time Element forms are covered in detail in another course. This course will concentrate on the most common Direct Damage Coverage Forms.
CP 00 10 10 00–BUILDING AND BUSINESS PERSONAL PROPERTY FORM

The ISO Commercial Property forms are the most widely used property forms nationwide and are considered to be the industry standard. The CP 00 10 is the most commonly used coverage form in the group since it provides coverage for Building and Business Personal Property. This section is based on the October 2000 edition.

COMMERCIAL PROPERTY DECLARATIONS PAGE

Each insurance company develops and modifies their own version of the Commercial Property Declarations to meet their specific needs. The most common items found on the Commercial Property Declarations include:

- The name and address of the insurer, with or without a company logo
- Policy number
- Name and mailing address of the agency
- Name and mailing address of the insured
- Designation of the legal entity of the insured, such as individual, partnership, corporation or other
- Policy period including effective and expiration date with month, day and year, as well as time of day
- Location addresses of the premises the insured owns, rents, or occupies
- Specific building number and location number for each item covered
- Construction of each item (building or structure) covered
- Occupancy of each building
- Causes of loss, coinsurance and deductible for each item
- Limits of insurance
- Valuation of each item (replacement cost or actual cash value)
- Rates for coverages, where required by state
- Any mortgagee that may apply, for each item
- Optional coverage selected for each item
- List of the forms and endorsements that apply to the commercial property policy or coverage section
- Total commercial property coverage premium

Some commercial property policies divide the necessary information into two declaration parts. The first being the commercial property declarations page with the insurer, insured, and location information, including the effective and expiration dates. The second part, often called the "supplemental declarations" contain the specific coverage information for each item insured.

Sample: COMMERCIAL PROPERTY DECLARATIONS

**INSURER NAME**

**INSURER LOGO**
INSURER ADDRESS

POLICY NUMBER: XXXXXXXXXX

Type of Policy (New/Renewal)

Type of Billing (Annual, monthly, etc.)

INSURED NAME

AGENCY NAME

INSURED MAILING ADDRESS

AGENCY MAILING ADDRESS

AGENCY PHONE NUMBER

AGENCY CODE

DESIGNATED ENTITY OF THE INSURED: ___ INDIVIDUAL;

___ PARTNERSHIP OR JOINT VENTURE; ___ CORPORATION;

___ OTHER - DESCRIBE: ____________________________________

TYPE OF BUSINESS:

POLICY PERIOD: FROM XX-XX-XX TO XX-XX-XX AT 12.01 A.M. AT THE INSURED’S MAILING ADDRESS

LOCATION ADDRESS OF ALL PREMISES YOU OWN, RENT OR OCCUPY:

Location #1:
Location #2:
Location #3:

Mortgage Holders
Prem. No: Bldg. No:
Name And Mailing Address:

Forms And Endorsements Applicable To Specific Premises/Coverages:
Prem. No: Bldg. No: Coverages: Form Number:
(All that apply to policy)
CP XX XX XX, CP XX XX XX, CP XX XX XX

In return for your payment of the premium, and subject to all of the terms of this policy. We agree with you to provide insurance as stated in this policy.

TOTAL COMMERCIAL PROPERTY PREMIUM: $__________________
SUPPLEMENTAL DECLARATIONS

DESCRIPTION OF EACH PREMISE:

- Prem. No:
- Bldg. No:
- Construction:
- Occupancy:
- Coverage:
- Limit Of Insurance:
- Covered Causes Of Loss:
- Coinsurance
- Rates
- Optional Coverages
- Agreed Value: Expiration Date: Coverage Amount:
- Replacement Cost
- Building
- Personal Property
- Including "Stock"
- Inflation Guard (Percentage)

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM  CP 00 10

This section provides a detailed discussion of the building and personal property coverage form. The ISO policy language is displayed in a box, with the explanation of each provision.

Under the ISO commercial property program, a building and personal property coverage form (CP 00 10) is combined with one or more causes of loss forms and common policy conditions and commercial property conditions forms to provide a complete package of property coverage for commercial risks. The building and personal property coverage form extends to all types of commercial property except those classified as builder’s risk or condominiums, which must be insured by separate coverage parts designed specifically for them under the commercial property program.

To reduce the number of necessary attachments, common optional coverages such as inflation guard, agreed value, and replacement cost are incorporated into the basic building and personal property coverage form. When an option is purchased, coverage is indicated by an entry on the declarations.

Insuring Agreement
Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section H—Definitions.

The policy form begins by defining the terms “you” or “your” as the named insured and “we”, “us” and “our” as the company providing insurance coverage. Named insured means only the entities listed (named) in the Declarations. If an entity is not listed, there is no coverage.

Throughout the policy words enclosed in quotation marks are defined in Section H of the policy. These meanings should be applied in interpreting the policy provisions. Undefined words are subject to the standard dictionary definitions and prior court interpretations.

**COVERAGE**

The insurance company will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

**A. Coverage**

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

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- “Direct physical loss or damage” means that the loss must be definite in place and time, tangible, and measurable.
- “Covered Property” is defined in the Covered Property paragraph.
- “At the premises described in the Declarations” means that only the premises listed on the Declarations and only the Covered Property at those premises are protected. If the location and property are not listed correctly, there is no coverage.
- “Caused by or resulting from any Covered Cause of Loss” is defined in the applicable Cause of Loss Form.

**COVERED PROPERTY**

Covered Property is defined by first, stating what is covered property, and follows with the type of property that does not qualify for coverage.
It is therefore, important to review the covered and excluded property provisions carefully, with the needs of the client’s business in question firmly in mind.

### 1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this section, A.1., and limited in A.2., Property Not Covered, if a Limit of Insurance is shown in the Declarations for that type of property.

There are three categories of covered property: buildings, business personal property, and personal property of others. Coverage applies to each category of property for which a limit of liability is indicated in the declarations.

#### Covered Locations

Commercial property insurance policies cover property at locations that are identified in the policy as covered locations. The covered locations are usually listed on the declarations page, or in a separate schedule of covered locations.

Coverage also applies to property that is in the open or in a vehicle within a specified distance of the premises. In most commercial property forms (including ISO commercial property forms) the specified distance is 100 feet.

"Premises" is usually interpreted to mean not just the insured building(s) but also the land on which they are situated, up to the legal property limit. Therefore, forms that cover property within 100 feet of the premises cover property up to 100 feet away from the property boundary, rather than up to 100 feet away from the building, unless the language of the form in question indicates otherwise.

#### Unscheduled Locations

The ISO building and personal property coverage form (CP 00 10) provides $10,000 of coverage on personal property away from scheduled locations. All other unscheduled locations are excluded.

#### Covered Property – Buildings

Building coverage applies to the buildings or structures identified in the declarations, as well as completed additions to those buildings or structures, fixtures, permanently installed machinery and equipment, and personal property used to service and maintain the building and premises.

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To be considered building property an item must not only be owned and permanently installed, it must also be attached to the building. Any items that are owned and attached to the building but not permanently installed may still be covered as building items if they are listed on endorsement CP 14 15 -- additional building property.

Coverage for some property that is definitely nonbuilding is also incorporated within the building definition, specifically "personal property owned by the insured that is used to maintain or service the building or structure or its premises, including: a) fire extinguishing equipment; b) outdoor furniture; c) floor coverings; and d) appliances used for refrigerating, ventilating, cooking, dishwashing or laundering."

When the owner of the building is also the owner of the personal property of the building, "building equipment and fixtures" of the building insurance include storm doors, storm sashes, shades, blinds, wire screens, screen doors, and awnings (whether in position or stored on the premises).
Any additions, alterations, and repairs in progress, including applicable materials, supplies, and temporary structures on or within 100 feet of the described premises are covered only if no other insurance exists for the project. The other insurance condition applying to the building and personal property coverages rules out coverage of this type of property under this form.

**Business Personal Property**

Business personal property coverage applies to all personal property not otherwise excluded that is owned by the insured and used in the business, while located within 100 feet of the premises. Business personal property coverage includes the insured's use interest as a tenant in improvements and betterments. It also specifically includes the value of work performed or arranged by the insured on personal property of others. Leased personal property of others is included in this category if the insured is contractually obligated to insure it. However, leased personal property that the insured is not obligated to insure and personal property of others that is not leased must be covered under the next category of covered property (personal property of others) or under a leased property endorsement.

When a Limit of Insurance is shown in the Declarations, the following is covered under the business personal property coverage, as long as it is not otherwise excluded or limited and it is in the building at the indicated premises; or if outside, it must be in the open or in a vehicle that is within 100 feet of the premises:

- Furniture and fixtures,
- Machinery, equipment, and stock
- All other personal property owned by the insured and used for business,
- Labor, materials or services furnished or arranged by the insured on the personal property of others,
- If the insured is a tenant, the insured's interest in any improvements and betterments made by or acquired by the insured, and
- Any leased personal property the insured has a contractual responsibility for.

Property covered as personal property includes:

- TV antennae and towers, affixed to the building or to an outbuilding;
- Fuel;
- Laundering machines whether or not attached to the realty;
- Portable air conditioning and ventilating units;
- Refrigerators;
- Stoves; and
- Wall-to-wall carpeting when not included in the realty mortgage.

However, in the absence of personal property insurance, coverage for these items can be provided under building insurance.

"Stock" is defined in the form a merchandise held in storage or for sale, raw materials, and in-process or finished goods, including supplies used in packing or shipping them. Stock of outdoor trees, shrubs, and plants is treated as any other stock and is not subject to coverage limitations imposed by the outdoor property coverage extension.
Business personal property also contemplates coverage of the "labor, materials, or services furnished or arranged" by the insured on personal property of others.

A tenant’s use interest in improvements and betterments protected under the business personal property coverage of the building and personal property coverage form consists of fixtures, alterations, installations or additions of a permanent type that have been acquired at the expense of the tenant, but are not legally removable by a tenant.

Use interest is the value the named insured has invested in the improvements and is generally based on the length of the lease agreement.

Coverage for improvements and betterments does not cover an insured’s loss of use if a lease is cancelled after a covered loss. This type of exposure may be covered by adding leasehold interest coverage form CP 00 60.

The insured’s business personal property also includes leased personal property for which the insured has a contractual responsibility to insure, unless otherwise insured under Personal Property of Others. This provision allows coverage for unplanned, short-term equipment leasing under business personal property. The insured has the option to buy coverage under personal property of others or endorsement CP 14 60 (leased property). The limits selected should take the leased property into account.

Various categories of business personal property (stock, contents except stock, machinery and equipment, furniture, fixtures, tenant’s improvements and betterments) may be assigned individual limits of insurance by using endorsement CP 19 10, business personal property -- separation of coverage. This endorsement may also be used to exclude certain types of personal property, since any categories not listed with an individual limit of insurance are not covered at the specified locations.

Very few items of business personal property are excluded from the building and personal property coverage form. However, if either the insured or an underwriter wishes to exclude some particular items, endorsement CP 14 20 -- additional property not covered can be used for this purpose.

b. Your Business Personal Property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises, consisting of the following unless otherwise specified in the Declarations or on the Your Business Personal Property—Separation of Coverage form:

(1) Furniture and fixtures;

(2) Machinery and equipment;

(3) "Stock";

(4) All other personal property owned by you and used in your business;

(5) Labor, materials or services furnished or arranged by you on personal property of others;
(6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:

(a) Made a part of the building or structure you occupy but do not own; and

(b) You acquired or made at your expense but cannot legally remove;

(7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others.

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If not permanently installed, machinery and equipment are considered personal property and are covered under this category of covered property, rather than under building coverage.

Coverage is provided subject to the limit of insurance for the insured's own business personal property, so the value of leased personal property that the insured is obligated to insure must be considered in establishing the business personal property limit, in order to avoid both coinsurance and underinsurance problems. The valuation of personal property of others is at actual cash value even if the replacement cost coverage option applies, to the insured's property. To insure leased personal property at other than actual cash value, use the leased property endorsement (CP 14 60) which includes a valued coverage option.

**Personal Property of Others**

Most businesses need coverage for personal property of others, including equipment leased by the insured, property loaned to the insured, and personal property of clients, business associates and employees.

The ISO building and personal property coverage form includes an option to cover personal property of others at replacement cost. However, most forms cover personal property of others at actual cash value, even when the insured's property is covered on a replacement cost basis.

Up to $2,500 additional insurance is automatically provided by a coverage extension of the insured's business personal property coverage to apply to personal property of others in the care, custody, or control of the insured.

c. Personal Property of Others that is:

(1) In your care, custody or control; and

(2) Located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.
However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

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A limit of insurance for personal property of others must be shown in the declarations in order for coverage to apply. The insured might purchase coverage under this category, for personal property of others that is not leased and for leased personal property that there is no obligation to insure.

There is no requirement that personal property belonging to others must be used in the named insured’s business in order to qualify for protection. All settlement will be with the owner of the personal property, not with the named insured. This is not the same as Bailee’s Coverage.

An alternative to covering leased property under either business personal property or personal property of others coverage is to use a leased property endorsement (CP 14 60). This endorsement covers specifically described property under a written lease agreement.

Personal property of others can also be covered using the legal liability coverage form (CP 00 40).

**PROPERTY NOT COVERED**

This section lists the categories of property that are not covered under this coverage form. There are also some types of property that are covered only to a limited extent.

Many of these excluded property categories are excluded not only because they are considered uninsurable but because they are typically covered under other types of insurance policies. Coverage for most of the excluded property types can be added by endorsement.

The 2000 edition ISO commercial property forms do not restrict coverage on building glass (windows). However, all prior-edition ISO forms, and many proprietary insurer forms as well, contain significant restrictions on coverage for building glass.

1. Accounts, bill currency, deeds, food stamps, other evidences of debt, money, notes or securities. Lottery Tickets held for sale are not considered securities. These items can be covered in crime policies and inland marine policies where insurance can be provided for the necessary amount.

2. Animals are not covered except in two situations:
   - Owned by others and boarded by the insured
   - Animals owned as “stock” and only while in the building

3. Automobiles held for sale can be covered in a variety of ways using either an Inland Marine coverage part or an Automobile coverage part. However, autos held for sale are not covered under the Commercial Property form.
4. Bridges, roadways, walks, patios or other paved surfaces. Consumers who chose to insure this property could purchase coverage with form CP 14 10, Additional Covered Property Endorsement. Bridges may also be covered under the Inland marine Coverage part.

5. The insurance contract is never to be used to facilitate illegal activities, so the form excludes any item associated with illegal trade.

6. The cost of excavations, grading, backfilling or filling is not covered because the expense is associated with new construction and is not generally applicable to existing construction. Insureds who want to cover this cost as part of the building can do so with form CP 14 10, Additional Covered Property.

7. Foundations that are at or below ground level are not covered because the chance of loss is remote. If an insured wishes such coverage, it is available with form CP 14 10.

8. Land, water, and lawns are all items that have value but are not normally included in the building limit. If an insured wants to insure these items, the coverage is available using form CP 14 10.

9. Airborne and waterborne personal property is not covered. Inland Marine Floaters should be used to provide any necessary coverage.

10. Bulkheads, pilings, piers, wharves or docks are not items typically associated with the average risk. If coverage for such property is necessary, it may be purchased either through the Ocean Marine market or form CP 14 10.

11. If duplicate coverage more specifically insures property that is also protected under the commercial property policy, this policy will respond to a loss as if it were excess insurance. Even if the specific insurance has been exhausted or is unavailable for another reason, that coverage will still be considered when determining the payment obligation under this policy.

12. Insurance protection for retaining walls that are not part of a building, and underground pipes, flues or drains are not insured by the standard commercial property policy. Again, form CP 14 10 is an option available to an insured.

13. Records and written information is basically covered for the paper cost only. Research, restoration or replacement of valuable information is not covered except for a small amount under the policy’s Coverage Extension. The Inland Marine Valuable Papers form can provide more complete coverage.

14. Vehicles, self-propelled machines, aircraft and watercraft that are licensed for public road use or that are operated principally away from the described premises are not covered except in the following, limited circumstances:

   a. The named insured manufactures, processes or warehouses
   b. The vehicle is not an auto and is held for sale.
   c. Rowboats or canoes stored out of water at the described premises
   d. A trailer (subject to the Coverage Extension for Non-Owned Detached Trailers)

15. Described property that is outside any building such as grain, hay, straw, crops, fences, radio or television antennas (including satellite dishes), signs if not attached to building, trees,
shrubs, and plants unless extended. The Outdoor Property Extension provides named perils coverage subject to a low limit of insurance. Inland Marine and Farm coverages may be needed to satisfy the needs of insureds having a significant outside property exposure.

Signs attached to buildings are covered but are subject to a limit of $1,000 per sign per occurrence.

2. Property Not Covered

Covered Property does not include:

a. Accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;

b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;

c. Automobiles held for sale;

d. Bridges, roadways, walks, patios or other paved surfaces;

e. Contraband, or property in the course of illegal transportation or trade;

f. The cost of excavations, grading, backfilling or filling;

g. Foundations of buildings, structures, machinery or boilers if their foundations are below:

(1) The lowest basement floor; or

(2) The surface of the ground, if there is no basement;

h. Land (including land on which the property is located), water, growing crops or lawns;

i. Personal property while airborne or waterborne;

j. Bulkheads, pilings, piers, wharves or docks;

k. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;

l. Retaining walls that are not part of a building;

m. Underground pipes, flues or drains;

n. The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Coverage Extensions;
1. Covered Causes of Loss

See applicable Causes of Loss Form as shown in the Declarations.

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Four Cause of Loss Forms are available: Basic, Broad, Special and Earthquake.
• **BASIC CAUSE OF LOSS (CP 10 10):** Fire, lightning, explosion, windstorm, hail, smoke, aircraft or vehicles, riot or civil commotion, sprinkler leakage, vandalism, sinkhole collapse and volcanic action are included in the Basic Cause of Loss Form. Exclusions of Sprinkler Leakage, Vandalism and Windstorm only are available by endorsement.

• **BROAD CAUSE OF LOSS (CP 10 20):** An intermediate level Broad Causes of Loss Form adds several additional covered causes of loss over the Basic Form, including Breakage of Glass, Falling Objects, Weight of Snow, Ice, or Sleet and Water Damage.

• **SPECIAL CAUSE OF LOSS (CP 10 30):** The Special Causes of Loss Form provides coverage on an "all risk" basis which essentially covers anything not otherwise excluded.

• **EARTHQUAKE CAUSE OF LOSS (CP 10 40):** All earthquake shocks or volcanic eruptions that occur within any 168-hour period will constitute a single earthquake or volcanic eruption.

The causes of loss are described in detail later in this course.

### ADDITIONAL COVERAGES

The following four additional coverages are provided in the Coverage Form:

- Debris Removal
- Preservation of Property
- Fire Department Service Charge
- Pollutant Clean Up and Removal

**Debris Removal**

When a physical loss occurs, debris is left behind, and it costs money to clear the debris away. The cost to remove debris of covered property that has been damaged by a covered cause of loss is covered, subject to a sublimit of 25 percent of the sum of the direct damage loss payment amount and the deductible. An additional $10,000 of debris removal coverage applies if the property damage and debris removal loss together exhaust the limit of insurance, or if 25 percent of the sum of the direct damage loss payment and the deductible proves insufficient to cover the debris removal expense. In order to be covered, these expenses must be reported to the insurer within 180 days of the date of the direct damage loss.

There is no coverage for the cost to remove debris of property of others that happens to land on the insured's premises.

4. Additional Coverages
   
a. Debris Removal

(1) Subject to Paragraphs (3) and (4), we will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy
period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of the direct physical loss or damage.

(2) Debris Removal does not apply to costs to:

(a) Extract "pollutants" from land or water; or

(b) Remove, restore or replace polluted land or water.

(3) Subject to the exceptions in Paragraph (4), the following provisions apply:

(a) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.

(b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

(4) We will pay up to an additional $10,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

(a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.

(b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if (4)(a) and/or (4)(b) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus $10,000.

(5) Examples

The following examples assume that there is no coinsurance penalty.

**Example #1**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limit of Insurance</td>
<td>$90,000</td>
</tr>
<tr>
<td>Amount of Deductible</td>
<td>$500</td>
</tr>
<tr>
<td>Amount of Loss</td>
<td>$50,000</td>
</tr>
<tr>
<td>Amount of Loss Payable</td>
<td>$49,500</td>
</tr>
</tbody>
</table>
($50,000 – $500)

Debris Removal Expense $ 10,000
Debris Removal Expense Payable $ 10,000
($10,000 is 20% of $50,000)

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense ($49,500 + $10,000 = $59,500) is less than the Limit of Insurance. Therefore the full amount of debris removal expense is payable in accordance with the terms of Paragraph (3).

Example #2

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Limit of Insurance</td>
<td>$ 90,000</td>
</tr>
<tr>
<td>Amount of Deductible</td>
<td>$ 500</td>
</tr>
<tr>
<td>Amount of Loss</td>
<td>$ 80,000</td>
</tr>
<tr>
<td>Amount of Loss Payable</td>
<td>$ 79,500</td>
</tr>
<tr>
<td>($80,000 – $500)</td>
<td></td>
</tr>
<tr>
<td>Debris Removal Expense</td>
<td>$ 30,000</td>
</tr>
<tr>
<td>Debris Removal Expense Payable</td>
<td></td>
</tr>
<tr>
<td>Basic Amount</td>
<td>$ 10,500</td>
</tr>
<tr>
<td>Additional Amount</td>
<td>$ 10,000</td>
</tr>
</tbody>
</table>

The basic amount payable for debris removal expense under the terms of Paragraph (3) is calculated as follows: $80,000 ($79,500 + $500) x .25 = $20,000; capped at $10,500. The cap applies because the sum of the loss payable ($79,500) and the basic amount payable for debris removal expense ($10,500) cannot exceed the Limit of Insurance ($90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph (4), because the debris removal expense ($30,000) exceeds 25% of the loss payable plus the deductible ($30,000 is 37.5% of $80,000), and because the sum of the loss payable and debris removal expense ($79,500 + $30,000 = $109,500) would exceed the Limit of Insurance ($90,000). The additional amount of covered debris removal expense is $10,000, the maximum payable under Paragraph (4). Thus the total payable for debris removal expense in this example is $20,500; $9,500 of the debris removal expense is not covered.
It is important to consider debris removal costs in establishing limits of insurance on covered property. It is also necessary to evaluate the debris removal sublimit to be sure that it is adequate.

A debris removal additional limit of insurance endorsement (CP 04 15) can be used to provide additional coverage. This endorsement replaces the $10,000 additional debris removal coverage with the amount of debris removal coverage indicated in the endorsement.

The pollutant cleanup exclusion in the debris removal provision applies only to the cost to extract pollutants from land or water or to remove, restore, or replace polluted land or water. The cost to remove debris of covered property contaminated by a pollutant as a result of a covered cause of loss is covered under the debris removal provision.

**Preservation Of Property**

The commercial property policy encourages insureds to take action to protect property by providing coverage as an incentive. Covered property that is moved from the insured location for protection from loss or damage by a covered peril is insured against any physical loss or damage for 30 days while it is being moved or stored.

The property must be moved back to the covered location or the temporary location must be added to the policy within 30 days from the date of the move. If neither action is taken after 30 days, all coverage ceases.

**b. Preservation of Property**

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to that property:

(1) While it is being moved or while temporarily stored at another location; and

(2) Only if the loss or damage occurs within 30 days after the property is first moved.

This is truly "all risk" coverage—probably the only such coverage in existence. Under the preservation of property additional coverage, coverage is not limited to damage from a covered cause of loss. Any direct physical loss to the covered property occurring during the move and for up to 30 days at the new location is covered, including property in transit from coverage.

**Fire Department Service Charge**
The insured’s liability for service charges assessed by a fire department of up to $1,000 are covered, provided that they are imposed by local ordinance or assumed contractually by the insured prior to loss. The deductible does not apply to this coverage.

c. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to $1,000 for your liability for fire department service charges:

(1) Assumed by contract or agreement prior to loss; or

(2) Required by local ordinance.

No Deductible applies to this Additional Coverage.

Pollutant Clean Up And Removal

Expenses to extract pollutants from land or water at the described premises are covered, up to a maximum of $10,000 per location per policy year, provided that the release of the pollutant is caused by a covered cause of loss. This additional coverage applies regardless of whether covered property is damaged. Expenses to extract pollutants must be reported to the insurer within 180 days of the date of direct damage loss in order to be covered.

d. Pollutant Clean Up and Removal

We will pay your expenses to extract "pollutants" from your land or water at the described premises if the discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants." But we will pay for testing which is performed in the course of the extracting the "pollutants" from the land or water.

The most we will pay under this Additional Coverage for each described premises is $10,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12-month period of this policy.

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Coverage applies to cleanup and removal of pollutants from land or water at the described premises only. This coverage does not include coverage for testing, monitoring or assessing for levels of pollution, except in the case of testing during the course of extraction.

CP 04 07 Pollutant Clean Up and Removal Additional Aggregate Limits for Insurance may be used to increase the limit.

The pollutant cleanup additional coverage does not require damage to covered property. All that is required is that the pollutant release be the result of a covered cause of loss occurring within the policy period.

**Increased Cost Of Construction**

The ordinance or law exclusion found in all three causes of loss forms eliminates coverage for any increase in the cost of repairing covered damage that results from complying with ordinances or laws regulating construction, demolition, repair, or use of property. Many local building ordinances require that any building that is damaged to some specified extent (such as 50 percent) be demolished and reconstructed in accordance with current building codes. The ordinance or law exclusion in the causes of loss forms prevents the insured from recovering for loss of the undamaged portion of an insured building, the expense of demolishing the undamaged portion of the building, and the extra cost of upgrading the reconstruction to comply with current building codes.

For each damaged building insured on a replacement cost basis, coverage is provided for increased costs incurred to comply with ordinances or laws regulating the construction or repair of buildings or establishing zoning or land use requirements. The limit for this additional coverage is the lesser of: $10,000 or 5 percent of the limit of insurance applicable to the building. However, if the damaged building is subject to a blanket limit, the increased cost of construction limit is the lesser of: $10,000 or 5 percent of the value of the damaged building at time of loss multiplied by the applicable coinsurance percentage. (Much broader coverage for building ordinance loss exposures is available under the ordinance or law coverage endorsement, CP 04 05.)

This coverage clause limits the amount that the insurer will pay. This amount is considered additional insurance, (not included in the limit of insurance). There are also restrictions described in this clause as to when the insurer will not pay for the increased cost of construction: the property must actually be repaired or replaced at the same or another premises; and, the repairs must be made within two years of the loss date (unless the insurer agrees in writing to extend this period).

<table>
<thead>
<tr>
<th>e. Increased Cost Of Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) This Additional Coverage applies only to buildings to which the Replacement Cost Optional Coverage applies.</td>
</tr>
<tr>
<td>(2) In the event of damage by a Covered Cause of Loss to a building that is Covered Property, we will pay the increased costs incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding or replacement of damaged parts of that property, subject to the limitations stated in e.(3) through e.(9) of this Additional Coverage.</td>
</tr>
</tbody>
</table>
(3) The ordinance or law referred to in e.(2) of this Additional Coverage is an ordinance or law that regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises, and is in force at the time of loss.

(4) Under this Additional Coverage, we will not pay any costs due to an ordinance or law that:

(a) You were required to comply with before the loss, even when the building was undamaged; and

(b) You failed to comply with.

(5) Under this Additional Coverage, we will not pay any costs associated with the enforcement of an ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

(6) The most we will pay under this Additional Coverage, for each described building insured under this Coverage Form, is $10,000 or 5% of the Limit of Insurance applicable to that building, whichever is less. If a damaged building is covered under a blanket Limit of Insurance which applies to more than one building or item of property, then the most we will pay under this Additional Coverage, for that damaged building, is the lesser of: $10,000 or 5% times the value of the damaged building as of the time of loss times the applicable coinsurance percentage.

The amount payable under this Additional Coverage is additional insurance.

(7) With respect to this Additional Coverage:

(a) We will not pay for the Increased Cost of Construction:

(i) Until the property is actually repaired or replaced, at the same or another premises; and

(ii) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

(b) If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the Increased Cost of Construction, subject to the provisions of e.(6) of this Additional Coverage, is the increased cost of construction at the same premises.

(c) If the ordinance or law requires relocation to another premises, the most we will pay for the Increased Cost of Construction, subject to the provisions of e.(6) of this Additional Coverage, is the increased cost of construction at the new premises.

(8) This Additional Coverage is not subject to the terms of the Ordinance or Law Exclusion, to the extent that such Exclusion would conflict with the provisions of this Additional Coverage.

(9) The costs addressed in the Loss Payment and Valuation Conditions, and the Replacement Cost Optional Coverage, in this Coverage Form, do not include the increased cost attributable
to enforcement of an ordinance or law. The amount payable under this Additional Coverage, as stated in e.(6) of this Additional Coverage, is not subject to such limitation.

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If the insured elects to rebuild the damaged building at another site, the insurer will not pay more for the increased cost of construction than the amount that would have been payable if the damaged building had been repaired or rebuilt at the original site. If, however, an ordinance or law requires relocation to another site, the insurer will pay the increased cost of construction at the new site—subject to the increased cost of construction additional coverage limit.

Costs incurred to comply with ordinances requiring the insured to test for, clean up, remove, etc., pollutants are excluded from coverage under the increased cost of construction additional coverage.

The increased cost of construction additional coverage specifically excludes the costs of any changes the insured was supposed to have made prior to the loss, but failed to make.

**COVERAGE EXTENSIONS**

If the coverage of the form is subject to at least 80 percent coinsurance, several coverage extensions apply.

5. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

If a coinsurance percentage of 80% or more or, a Value Reporting period symbol, is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

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Each of these extensions is an additional amount of insurance, rather than a sublimit.

- Newly acquired or constructed property
- Personal effects and property of others, valuable papers and records—the cost of research
- Property off-premises
- Outdoor property

**Newly Acquired Or Constructed Property**

The ISO building and personal property coverage form covers additions, alterations, and repairs to covered buildings. It also provides temporary coverage for new structures under construction.
Newly acquired buildings and buildings under construction at covered locations are covered for 30 days from acquisition or start-up of construction, subject to a limit of $250,000 per building. Personal property at newly acquired locations, business personal property at newly constructed buildings at the insured's premises, and newly acquired business personal property at existing locations is also covered for 30 days from acquisition, subject to a limit of $100,000 per building. This extension does not apply to property at fairs, trade shows, or exhibitions nor to personal property of others in the insured's possession to be worked on or in connection with the insured's manufacturing or wholesaling activities.

a. Newly Acquired or Constructed Property

(1) Buildings

If this policy covers Building, you may extend that insurance to apply to:

(a) Your new buildings while being built on the described premises; and

(b) Buildings you acquire at locations, other than the described premises, intended for:

(i) Similar use as the building described in the Declarations; or

(ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is $250,000 at each building.

(2) Your Business Personal Property

(a) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:

(i) Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions;

(ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations; or

(iii) Business personal property that you newly acquire, located at the described premises.

The most we will pay for loss or damage under this Extension is $100,000 at each building.

(b) This Extension does not apply to:

(i) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or

(ii) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.
(3) Period Of Coverage

With respect to insurance on or at each newly acquired or constructed property, coverage will end when any of the following first occurs:

(a) This policy expires;
(b) 30 days expire after you acquire the property or begin construction of that part of the building that would qualify as covered property; or
(c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

This extension provides coverage for buildings under construction at scheduled locations only; no coverage applies for buildings under construction at unscheduled locations. Newly acquired buildings are covered only if they are to be used similarly to the buildings at scheduled locations, or a warehouse.

The coverage provided by this extension is temporary. Coverage ends 30 days after acquisition or start of construction of covered property, at policy expiration, or when the insured reports values to the insurer—whichever comes first. Premium is charged for the entire period the property was insured. This extension is not free protection.

An endorsement (newly acquired or constructed property—increased limit, CP 04 25) is available to increase the coverage limit applicable to newly acquired or constructed buildings only. No corresponding endorsement is available to increase the limit for personal property at newly acquired locations. The limit shown in the endorsement replaces the $250,000 limit provided in the form itself.

The limited coverage typically provided in commercial property forms for property under construction is not an adequate substitute for a builders risk policy, even for additions to existing structures only. The coverage for property in transit and off-site storage of building materials is usually very limited or nonexistent on commercial property policies. It is preferable to purchase an inland marine builders risk policy, since they tend to be much broader than commercial property policies.

Personal Effects and Property of Others

b. Personal Effects and Property of Others

You may extend the insurance that applies to Your Business Personal Property to apply to:
(1) Personal effects owned by you, your officers, your partners or members, your managers or your employees. This extension does not apply to loss or damage by theft.

(2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is $2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

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An additional $2,500 per occurrence is available at each described premises for loss or damage to personal effects (items usually worn or carried on the person) owned by the insured, the insured’s officers, partners, or employees and to any property of others in the insured’s care, custody, or control. Property of others is a much broader category than personal effects. It need not be similar to the business personal property of the insured.

The perils applying to business personal property and apply to these items, except that no theft coverage is provided for personal effects of the insured or the insured’s employees, regardless of which causes of loss form applies. Losses involving such claims are handled directly with the party who owns the property.

Valuable Papers and Records

c. Valuable Papers and Records—Cost of Research

You may extend the insurance that applies to Your Business Personal Property to apply to your costs to research, replace or restore the lost information contained in lost or damaged valuable papers and records, including those which exist on electronic or magnetic media, for which duplicates do not exist. The most we will pay under this Extension is $2,500 at each described premises, unless a higher limit is shown in the Declarations.

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Coverage is extended to apply to the cost of researching and restoring information contained in valuable papers and records, including information stored on computer media. Unless a higher limit is shown on the declarations page, this extension is limited to $2,500 per location.

Nearly all businesses have a valuable papers cost of research exposure, so this is an important coverage extension. However, the amount of coverage provided may not be adequate for many insureds.

An inland marine valuable papers and records coverage form can cover irreplaceable items on a valued basis. They also provide coverage on an “all risks” basis, whereas the coverage provided under this extension depends on which causes of loss form the insured has selected.
Property Off Premises

d. Property Off-Premises

(1) You may extend the insurance provided by this Coverage Form to apply to your Covered Property while it is away from the described premises, if it is:

(a) Temporarily at a location you do not own, lease or operate;

(b) In storage at a location you lease, provided the lease was executed after the beginning of the current policy term; or

(c) At any fair, trade show or exhibition.

(2) This Extension does not apply to property:

(a) In or on a vehicle; or

(b) In the care, custody or control of your salespersons, unless the property is in such care, custody or control at a fair, trade show or exhibition.

(3) The most we will pay for loss or damage under this Extension is $10,000.

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Property temporarily away from the insured premises at locations that are not owned, leased, or operated by the insured is covered for up to $10,000. Property in storage at leased location is also covered, as long as the lease was executed after policy inception. Property in or on a vehicle and property in the custody of salespersons are excluded from coverage under this extension.

The property off-premises coverage extension applies to:

- Stock
- Business personal property at fairs, trade shows, or exhibitions
- Business personal property that is in storage at a location leased by the insured, provided that the lease was signed after the inception of the policy period

If storage space that was leased during the policy period is still leased when the policy renews, it must be added to the policy as a covered location or coverage will cease.

Numerous inland marine coverage forms are available to cover excluded off-premises items, items in transit or property located on the premises of another entity for storage, service or repair.
Outdoor Property

If any of the named perils of fire, lightning, explosion, riot, civil commotion, or aircraft cause damage to outdoor fences, radio antennas, television antennas, satellite dishes, detached signs, or trees, shrubs, and plants, coverage applies to the loss, including debris removal expense (no other debris removal coverage is available for these items).

Payment for trees, shrubs, and plants is restricted to $250 per item with an overall limit of $1,000. Trees, shrubs, and plants held for sale are not subject to this provision. Indoor trees, shrubs, and plants used for decoration are not subject to these limitations in regard to covered perils or limits.

e. Outdoor Property

You may extend the insurance provided by this Coverage Form to apply to your outdoor fences, radio and television antennas (including satellite dishes), signs (other than signs attached to buildings), trees, shrubs and plants (other than "stock" of trees, shrubs or plants), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:

(1) Fire;
(2) Lightning;
(3) Explosion;
(4) Riot or Civil Commotion; or
(5) Aircraft.

The most we will pay for loss or damage under this Extension is $1,000, but not more than $250 for any one tree, shrub or plant. These limits apply to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.

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The intent is to provide very limited coverage. No coverage applies to windstorm, hail, vandalism, damage by vehicles, or theft—all perils to which this type of property is particularly susceptible.

An outdoor trees, shrubs, and plants endorsement (CP 14 30) may be used to expand the coverage provided for trees, shrubs, and plants used in landscaping on the insured's premises. The applicable causes of loss form, the per plant, shrub, or tree limit, and an aggregate per occurrence limit must be specified by location in the endorsement.

Detached signs may also be fully insured, using an outdoor signs endorsement (CP 14 40). The same is true of radio and television antennas (CP 14 50). Both of these endorsements require
scheduling a limit of insurance at each building and premises, as well as the causes of loss form, and the coinsurance percentage applicable.

**Non-Owned Detached Trailers**

<table>
<thead>
<tr>
<th>e. Non-Owned Detached Trailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) You may extend the insurance that applies to Your Business Personal Property to apply to loss or damage to trailers that you do not own, provided that:</td>
</tr>
<tr>
<td>(a) The trailer is used in your business;</td>
</tr>
<tr>
<td>(b) The trailer is in your care, custody or control at the premises described in the Declarations; and</td>
</tr>
<tr>
<td>(c) You have a contractual responsibility to pay for loss or damage to the trailer.</td>
</tr>
<tr>
<td>(2) We will not pay for any loss or damage that occurs:</td>
</tr>
<tr>
<td>(a) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;</td>
</tr>
<tr>
<td>(b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.</td>
</tr>
<tr>
<td>(3) The most we will pay for loss or damage under this Extension is $5,000, unless a higher limit is shown in the Declarations.</td>
</tr>
<tr>
<td>(4) This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.</td>
</tr>
</tbody>
</table>

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It has become very common for trucking companies delivering goods to the insured to leave the trailer to be unloaded by the insured and return later to retrieve the empty trailer. The insured is usually responsible for any damage to, or theft of, the trailer while it is on the insured's premises. Using rented trailers as storage facilities is another increasingly common business practice that subjects the insured to liability for damage to this type of property of others.

Non-owned trailers used in the insured's business are covered, provided that the trailer is in the insured's care, custody, or control at a covered location and the insured is contractually obligated to pay for loss or damage to the trailer. The limit is $5,000, unless a higher limit is shown in the declarations.

No coverage applies to loss occurring while the trailer is attached to a vehicle, even if the vehicle is not in motion, or to loss occurring during hitching or unhitching. This coverage is
subject to the applicable causes of loss form, and only the special causes of loss form (CP 10 30) provides coverage for theft.

This coverage is excess over any other insurance covering such property whether the insurance can be collected or not.

Each of these Extensions is additional insurance. The Additional Condition, Coinsurance, does not apply to these Extensions.

The coverage amounts granted under each of these extensions are in addition to the limits of insurance in the declarations, rather than sublimits, and are not subject to coinsurance.

It is important to remember, also, that each is only an extension of the coverage selected by the insured. If there is no coverage under the policy, the coverage extension will not apply.

**Exclusions and Limitations**

B. Exclusions And Limitations

See applicable Causes of Loss Form as shown in the Declarations.

Excluded causes of loss and limitations on covered causes of loss are identified in the three causes of loss forms, at least one of which must be specified in the declarations as applicable to the coverage provided under this coverage form. These will be discussed later in this course.

**LIMITS OF INSURANCE**

Property insurance limits place a maximum on the amount to be paid in the event of loss. They are usually arranged on either a scheduled or a blanket basis. If limits apply on a scheduled basis, a separate limit of liability will apply for each type of property at each location. If limits apply on a blanket basis, generally a single limit of liability will apply for all types of property at all locations covered by the policy. It is also possible to arrange blanket limits that apply to certain locations or apply only to certain types of property. However, a single blanket limit that applies to all property at all locations is the ideal.

Blanket limits are particularly helpful in situations where inventory is frequently moved between two or more locations, while the total value at risk remains relatively constant. The blanket limit eliminates the necessity of insuring each location on the basis of the anticipated maximum value of the inventory.
Used in combination with an agreed amount clause, a blanket limit is a hedge against the possibility of inaccurate property value estimates, since the entire blanket limit can be applied to a single loss. Agreed amount removes the need to meet a coinsurance requirement as well.

Provided that the values used to arrive at the specific limits are very accurate and are adequate to contain normal fluctuation in contents values, specific limits may work well. However, blanket limits do allow a margin for error, particularly when combined with an agreed amount provision. For that reason, blanket limits are recommended whenever possible, even though the premium is slightly higher.

**Reporting Form Option**

Insuring inventory on a reporting form basis is an important option for businesses faced with widely fluctuating inventory levels. The reporting form limit may be written as a single blanket reporting form limit applicable to all reporting locations or as a specific, per location, reporting form limit. In either case, the idea is to set the limit equal to or higher than the maximum anticipated value. The premium charge at the beginning of the policy term is usually based on 75 percent of the limit selected, with monthly (or quarterly) reports of value to be submitted within 30 days of the end of each reporting period. The values reported are averaged at the end of the policy period, and a premium adjustment is made using the average monthly value as the premium basis. In this way, the insured avoids paying for more insurance than is needed while maintaining adequate insurance limits for peak inventory levels.

However, reporting forms have significant disadvantages. The first is the reporting requirement itself, which must be taken very seriously. As long as reports are submitted on time, the insured can recover the full amount of the loss, up to the applicable limit of insurance. However, if a report is overdue at the time of a loss, the most the insured can collect is the value that was last reported for that location. If the first report is overdue at the time of the loss, the loss recovery will be limited to 75 percent of the loss, subject to the reporting limit as a maximum.

Another disadvantage of reporting forms is the full-value reporting requirement, which functions like a 100 percent coinsurance clause. Full, 100 percent values, on the valuation basis specified in the policy (actual cash value or replacement cost), must be reported every month to avoid a severe penalty.

**C. Limits Of Insurance**

The most we will pay for loss or damage in any one occurrence is the Applicable Limit of Insurance shown in the Declarations.

The most we will pay for loss or damage to outdoor signs attached to buildings is $1,000 per sign in any one occurrence.

The limits applicable to the Coverage Extensions and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of Insurance.
The insurer will never pay more for any one loss occurrence than the applicable limit(s) shown in the declarations—with the exception of the additional coverage limits established in the form’s coverage extensions and additional coverages.

**AMOUNTS PAYABLE IN ADDITION TO THE LIMITS IN THE DECLARATIONS**

**Additional Coverages**

- $10,000 per location—Debris removal expenses (under certain circumstances)
- $1,000 per occurrence—Fire department service charges
- $10,000 per location—Pollutant clean-up and removal expenses
- $10,000 per building—Increased cost of construction

**Coverage Extensions**

- $250,000 per building—Newly acquired or constructed buildings
- $100,000 per building—Newly acquired personal property or personal property in newly acquired or constructed buildings
- $2,500 per location—Personal effects and property of others
- $2,500 per location—Valuable papers—cost of research
- $10,000 per occurrence—Property off-premises
- $1,000 per occurrence—Outdoor property (including detached signs)
- $5,000 per occurrence—Non-owned detached trailers

The preservation of property additional coverage is included within the applicable limit of insurance.

The provision establishes a sublimit of $1,000 applicable to attached signs. Detached signs are also covered, but only under the outdoor property coverage extension which provides very restricted coverage.

**Deductible**

The ISO building and personal property coverage form (CP 00 10) imposes a single deductible to be subtracted from the total amount of loss claimed under the form.

When a loss happens, the insurer will reduce the loss according to, if applicable, any Coinsurance or the Agreed Value Optional coverage provisions. Next, the amount of the loss is compared to the deductible amount and if the loss is less than the deductible, the entire loss becomes an out of pocket cost for the named insured.
If the loss amount is greater than the deductible, the company then pays for the loss by contributing either the amount of the loss minus the deductible, or the policy's Limit of Insurance, whichever is least.

If the occurrence that caused the claim involves loss to more than one item of Covered Property and separate Limits of Insurance apply to that loss, the deductible only is applied once per occurrence.

An available optional deductible endorsement is CP 03 20 – Multiple Deductible Form, can be used to apply different deductibles to different items.

In any one occurrence of loss or damage (hereinafter referred to as loss), we will first reduce the amount of loss if required by the Coinsurance Condition or the Agreed Value Optional Coverage. If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limit of Insurance, whichever is less.

When the occurrence involves loss to more than one item of Covered Property and separate Limits of Insurance apply, the losses will not be combined in determining application of the Deductible. But the Deductible will be applied only once per occurrence.

**Example No. 1:**

(This example assumes there is no coinsurance penalty.)

| Deductible: | $250 |
| Limit of Insurance - Bldg. 1: | $60,000 |
| Limit of Insurance - Bldg. 2: | $80,000 |
| Loss to Bldg. 1: | $60,100 |
| Loss to Bldg. 2: | $90,000 |

The amount of loss to Bldg. 1 ($60,100) is less than the sum ($60,250) of the Limit of Insurance applicable to Bldg. 1 plus the Deductible.

The Deductible will be subtracted from the amount of loss in calculating the loss payable for Bldg. 1:

\[
\begin{align*}
60,100 - 250 &= 59,850 \\
\end{align*}
\]

$59,850 Loss Payable - Bldg. 1
The Deductible applies once per occurrence and therefore is not subtracted in determining the amount of loss payable for Bldg. 2. Loss payable for Bldg. 2 is the Limit of Insurance of $80,000.

Total amount of loss payable: $59,850 + 80,000 = $139,850

**Example No. 2:**

(This example, too, assumes there is no coinsurance penalty.)

The Deductible and Limits of Insurance are the same as those in Example No. 1.

Loss to Bldg. 1: $70,000 (exceeds Limit of Insurance plus Deductible)
Loss to Bldg. 2: $90,000 (exceeds Limit of Insurance plus Deductible)
Loss Payable - Bldg. 1: $60,000 (Limit of Insurance)
Loss Payable - Bldg. 2: $80,000 (Limit of Insurance)
Total amount of loss payable: $140,000

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The standard deductible applying to all perils except earthquake, is $250 and applies only once per occurrence.

The deductible is subtracted from the amount of the loss, not from the amount of insurance. For this reason, the application of the deductible does not always reduce the insured's loss recovery. If the loss amount exceeds the applicable limit plus the deductible, the insurer must pay the limit of insurance (assuming that there is no coinsurance penalty) and therefore the application of the deductible has no effect on loss recovery.

**LOSS CONDITIONS**

The loss conditions establish the obligations of the insurer and the insured in the event of a covered loss.

The Loss Conditions in this portion of the policy apply in addition to the Common Policy Conditions as well as the Commercial Property Conditions.

E. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.
The following Loss Conditions are found in this section of the coverage form:

- No abandonment is allowed
- How appraisals will be handled
- Duties in the event of loss or damage
- How loss payment will be handled
- What happens if the premises are vacant or unoccupied
- How valuation will be determined

**Abandonment**

1. Abandonment

There can be no abandonment of any property to us.

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The named insured owns the property after the loss and remains responsible for all expenses associated with the ownership of any property. The occurrence of a loss does not change this status unless or until the insurance company agrees to accept the ownership of the property.

Although the insured cannot abandon damaged property to the insurer, coverage for the cost of removal of debris of covered property is provided under the debris removal additional coverage.

**Appraisal**

2. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

a. Pay its chosen appraiser; and

b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

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The appraisal process is not concerned with determining the valuation basis (actual cash value, replacement cost value, or some other valuation basis) of the property in question. Nor is it concerned with whether coverage applies to the loss in question. The purpose of the appraisal is to determine the value of the damaged property or the amount of the loss.

The condition regarding appraisal in the building and personal property coverage form provides that if either the insurance company or the insured submits a written demand for an appraisal after a property loss, each will choose and pay for an appraiser. In the event the appraisers fail to agree on both the value of the property and the amount of loss, the issue is given to an umpire (previously selected by the two appraisers or appointed by a judge from any court having jurisdiction). When an agreement is reached by any two of these three parties (the two appraisers and umpire), the decision stands. Each party is responsible for the cost of their own appraiser and all other expenses are divided equally between the insurance company and the insured.

The insurance company may still deny a claim despite the fact an appraisal has been done. The insurer’s participation in the appraisal process is not an implied agreement to pay the claim.

**Duties in the Event of Loss**

<table>
<thead>
<tr>
<th>3. Duties In The Event Of Loss Or Damage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. You must see that the following are done in the event of loss or damage to Covered Property:</td>
</tr>
<tr>
<td>(1) Notify the police if a law may have been broken.</td>
</tr>
<tr>
<td>(2) Give us prompt notice of the loss or damage. Include a description of the property involved.</td>
</tr>
<tr>
<td>(3) As soon as possible, give us a description of how, when and where the loss or damage occurred.</td>
</tr>
<tr>
<td>(4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.</td>
</tr>
<tr>
<td>(5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.</td>
</tr>
<tr>
<td>(6) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.</td>
</tr>
<tr>
<td>Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.</td>
</tr>
</tbody>
</table>
(7) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

(8) Cooperate with us in the investigation or settlement of the claim.

b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

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In the event of loss, the insured must: notify the police if a violation of law is involved; notify the insurer promptly; protect the property from further damage and keep a record of expenses incurred in that effort; provide the insurer with an inventory of the damaged and undamaged property on request; permit the insurer to inspect the property and pertinent records; if requested, submit to questioning under oath concerning the insurance or the claim; and submit, within 60 days of the insurer's request, a signed, sworn proof of loss containing the information required by the insurer.

This requirement is needed to protect the insurer's interests, to be sure the claim is legitimate as well as making sure there's a chance that responsible parties may be found and punished, and that lost property may be recovered.

The named insured must cooperate with the insurance company in the investigation or settlement of the claim. The named insured must also take reasonable measures to protect the Covered Property from further damage.

If late notice or another violation of this condition prejudices the insurer’s rights, it could void coverage. However, if the insurance company fails to supply necessary forms and explain exactly what information is required or if the insurer is not clear in its requests and confuses the insured, any delay in providing the information can't be used as an excuse to deny coverage.

**Loss Payment**

4. Loss Payment

a. In the event of loss or damage covered by this Coverage Form, at our option, we will either:

(1) Pay the value of lost or damaged property;

(2) Pay the cost of repairing or replacing the lost or damaged property, subject to b. below;

(3) Take all or any part of the property at an agreed or appraised value; or
(4) Repair, rebuild or replace the property with other property of like kind and quality, subject to
b. below.

We will determine the value of lost or damaged property, or the cost of its repair or replacement,
in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any
applicable provision which amends or supersedes the Valuation Condition.

b. The cost to repair, rebuild or replace does not include the increased cost attributable to
enforcement of any ordinance or law regulating the construction, use or repair of any property.

c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.

d. We will not pay you more than your financial interest in the Covered Property.

e. We may adjust losses with the owners of lost or damaged property if other than you. If we
pay the owners, such payments will satisfy your claims against us for the owners' property. We
will not pay the owners more than their financial interest in the Covered Property.

f. We may elect to defend you against suits arising from claims of owners of property. We will do
this at our expense.

g. We will pay for covered loss or damage within 30 days after we receive the sworn proof of
loss, if you have complied with all of the terms of this Coverage Part and:

(1) We have reached agreement with you on the amount of loss; or

(2) An appraisal award has been made.

The value of covered property will be determined in accordance with the form's valuation
condition or any provision that amends or supersedes that provision.

The insurer, not the insured, gets to choose exactly how a covered loss will be settled. The
insurer has the option to pay the "value" of the lost or damaged property based on the valuation
provisions in the form. The insurer's option to take all or any part of the property at its agreed or
appraised value establishes the insurer's right to take the salvage, although the insured may not
abandon the property to the insurer. In this event, the loss payment amount will be the value of
the property as agreed between the insurer and the insured, or as determined by the appraisal
process. The insurer may also elect to pay the cost of repairing or replacing the property, or to
actually arrange for the repairs or to supply the replacement. However, unless the replacement
cost coverage option applies, the insurer will settle on a replacement cost basis only when that
option is in its own best interests.

This provision will not encompass any increased cost because of enforcement of any ordinance
or law regulating construction, use, or repair of any property.
The company must notify the named insured of which option they will exercise within 30 days after receiving the sworn proof of loss. If the insured has complied with the terms of the contract and the amount of loss is determined and agreed upon (or appraisal award is made), the insurer promises payment within 30 days after receipt of the sworn statement of loss.

The insurer will pay no more than the insured's financial interest in covered property. This prevents any recovery for qualities or characteristics of covered property such as sentimental value. As property owner, the insured's financial interest in covered property is its full actual cash value or replacement cost value. This is true regardless of whether the property is encumbered by loans.

The insurance company will adjust claims for property not owned by the named insured with the owner of the property. The most that will be paid, however, is the property owner’s financial interest in the property.

The insurance company may choose to provide defense for the insured against any lawsuits resulting from claims regarding property of others. If the insurer does defend the named insured against suits due to claims of owners of property, the insurer will handle the related expense.

**Recovered Property**

5. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

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If property is recovered by the insurance company or by the named insured, prompt notice must be given to the other party. The named insured gets to choose whether to return the claim payment or keep the recovered property.

If the insured chooses to retain the recovered property, the insurer's loss payment must be returned, but the insurer will pay for any necessary repairs to the recovered property plus the recovery expenses.

**Vacancy**

Vacancy of a building increases the likelihood of loss to property. Losses that occur to vacant property also tend to be more severe, since delays in discovery often allow deterioration after the initial damage. The vacancy provisions are designed to protect the insurer against this significant increase in hazard.
Property policies contain a condition limiting or reducing coverage for certain causes of loss on a building that is vacant longer than 60 consecutive days unless otherwise provided in writing. For some causes of loss, coverage is eliminated altogether.

A vacant building is defined differently, depending on who is the insured. One definition applies if the insured is a building tenant and another that applies if the insured is a building owner.

"Building" for a tenant insured means the portion of the building rented or leased to that insured. The portion will be considered vacant if there is not enough business personal property within to conduct customary business operations.

"Building" for the owner insured means the entire building, which is considered vacant unless at least 31% of its total square footage either is rented, or is used by the owner to conduct customary operations. A building containing the furniture and fixtures of a business, but from which the stock has been removed, would be considered vacant since without the presence of the stock, "customary operations" could not be conducted. A building could contain fixtures, fittings, and business personal property still be considered vacant if it were not being put to its intended use of performing customary operations. Buildings under construction or renovation are not considered vacant.

6. Vacancy

a. Description of Terms

(1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1)(a) and (1)(b) below:

(a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.

(b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:

(i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or

(ii) Used by the building owner to conduct customary operations.

(2) Buildings under construction or renovation are not considered vacant.

b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

(1) We will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:
(a) Vandalism;

(b) Sprinkler leakage, unless you have protected the system against freezing;

(c) Building glass breakage;

(d) Water damage;

(e) Theft; or

(f) Attempted theft.

(2) With respect to Covered Causes of Loss other than those listed in b.(1)(a) through b.(1)(f) above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

Whenever a building has been vacant as defined for more than 60 consecutive days prior to the onset of any damage or loss, there is no coverage for:

- Vandalism
- Sprinkler leakage (unless the system has been protected against freezing)
- Building glass breakage
- Water damage
- Theft
- Attempted theft

For any other covered cause of loss, the amount of payment made by the insurer to the insured will be 15% less than the amount that would have otherwise been paid had the building been occupied.

In states that allow its use, a cancellation changes endorsement (CP 02 99), entitles the insurer to cancel the policy with only 5 days' prior written notice to the insured if any of five conditions exists with respect to covered property. One of these conditions is vacancy or unoccupancy of a building for 60 or more consecutive days. Otherwise, an insurer that intended to cancel as a result of the building vacancy would have to provide the insured with the 30 days' notice of cancellation promised in the common policy conditions.

**VACANCY PERMIT**

It is important to notify the insurer whenever vacancy beyond a few weeks is anticipated. The insurer may be willing to waive the policy's vacancy restrictions, particularly if precautions will be taken to protect the insured property during the period of vacancy. In most cases, policies applicable to commercial property require additional premium and the attachment of a permit in order for insurance to be continuous during a period of vacancy.
Two endorsements can be used to alter the vacancy provision. The vacancy changes endorsement (CP 04 60) allows for the 31 percent square footage occupancy requirement to be replaced by a lower percentage specified in the endorsement schedule. Another endorsement, the vacancy permit endorsement (CP 04 50) can be used to rescind the vacancy provisions of the form. Under this endorsement, vacancy is permitted at the locations and during the time periods specified in the endorsement.

If property is vacant there is a considerable surcharge in the pricing. Since vacancy is often only discovered after a loss, the Loss Conditions severely limit coverage if the vacancy has not been stated in advance.

**VALUATION**

There are basically two types of valuation from which to choose: actual cash value and replacement cost. Replacement cost is generally defined as the cost to replace new today with materials of like kind and quality. The term "actual cash value" is generally interpreted as the cost to replace new today with materials of like kind and quality, less depreciation. The only difference between replacement cost and actual cash value is depreciation.

The building and personal property coverage form generally provides actual cash value coverage for loss to covered property. However, five specific exceptions apply:

First, if the coinsurance requirement is met, and the loss involves costs of $2,500 or less the insurer pays either the cost of repair or replacement.

Second, if covered as the insured’s business personal property, loss to stock that is sold but not delivered is settled based on its selling price less any discounts and expenses that are normally incurred. Otherwise, such goods that are treated as property of others are valued at actual cash value. A manufacturer’s selling price endorsement (CP 99 30) is available to insure finished stock manufactured by the insured at its selling price, less discounts and unincurred expenses.

Third, replacement of glass with safety glazing material is provided if required by law.

Fourth, for tenant’s improvements and betterments, the type of settlement is determined by how soon damages are repaired by the insured. If repairs are "promptly" made, settlement is calculated on an actual cash value basis. "Promptly" is not defined in terms of actual length of time, but is presumed to mean "immediately" or "quickly."

If repairs are not made promptly, a proportional settlement is made. The original cost of the improvement is multiplied by the number of days from the loss to the lease’s expiration or the expiration of the renewal option period, if applicable. The amount computed is then divided by the number of days from the installation of the improvement to the expiration of the lease or the renewal option period.

These formulas are used only if the insured is disqualified from actual cash value recovery by failure to undertake repairs promptly. No settlement is made if someone other than the tenant repairs damaged improvements.

Fifth, for valuable papers and records, whether the records are in written format or on electronic or magnetic media, includes only blank materials for reproducing the records and labor costs for
transcribing or copying them from duplicates. (Costs to research and restore records when no duplicates exist are covered up to $2,500 under a coverage extension.

The following items will not be settled at replacement cost even when attached to the building:

- Awnings or floor coverings
- Appliances for refrigerating, ventilating, cooking, dishwashing or laundering
- Outdoor equipment or furniture

Losses involving these items are valued at Actual Cash Value.

The cost of building repairs or replacement does not include any increased cost because of enforcement of any ordinance or law governing repair or construction of any property.

<table>
<thead>
<tr>
<th>7. Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>We will determine the value of Covered Property in the event of loss or damage as follows:</td>
</tr>
<tr>
<td>a. At actual cash value as of the time of loss or damage, except as provided in b., c., d., e. and f. below.</td>
</tr>
<tr>
<td>b. If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is $2,500 or less, we will pay the cost of building repairs or replacement.</td>
</tr>
<tr>
<td>The cost of building repairs or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.</td>
</tr>
<tr>
<td>However, the following property will be valued at the actual cash value even when attached to the building:</td>
</tr>
<tr>
<td>(1) Awnings or floor coverings;</td>
</tr>
<tr>
<td>(2) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or</td>
</tr>
<tr>
<td>(3) Outdoor equipment or furniture.</td>
</tr>
<tr>
<td>c. &quot;Stock&quot; you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.</td>
</tr>
<tr>
<td>d. Glass at the cost of replacement with safety glazing material if required by law.</td>
</tr>
<tr>
<td>e. Tenant's Improvements and Betterments at:</td>
</tr>
<tr>
<td>(1) Actual cash value of the lost or damaged property if you make repairs promptly.</td>
</tr>
<tr>
<td>(2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:</td>
</tr>
</tbody>
</table>
(a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and

(b) Divide the amount determined in (a) above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

(3) Nothing if others pay for repairs or replacement.

f. Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:

(1) Blank materials for reproducing the records; and

(2) Labor to transcribe or copy the records when there is a duplicate.

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Endorsements available to amend the Valuation Condition in the basic coverage form include:

- **CP 04 38 – Functional Building Valuation** – This form changes the valuation method to functional replacement cost as defined in the endorsement.

- **CP 04 39 – Functional Personal Property Valuation (Other than Stock)** – This form changes the valuation method to functional replacements cost as defined in the endorsement.

**ADDITIONAL CONDITIONS**

Two additional provisions apply along with the Common Policy and Commercial Property Conditions; the Coinsurance condition and the Mortgageholders condition. Both conditions apply only if indicated in the policy declarations.

F. Additional Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

**COINSURANCE**

Most property insurance policies contain a coinsurance clause. The coinsurance clause requires the insured to purchase a limit of insurance for covered property equal to some specified percentage of its full value in exchange for a lower rate. If at the time of loss it is determined that the limit of insurance is less than the amount required by the coinsurance
clause, the loss recovery will be limited to that same percentage of loss as the ratio of the insurance amount carried to the insurance amount required.

The applicable limit of insurance is the most the insured can collect, even if the amount determined by application of the coinsurance formula is greater than the limit of insurance.

The coinsurance clause is activated by insertion of a coinsurance percentage in the appropriate place on the declarations page. ISO rates contemplate 80 percent coinsurance. A 5 percent rate credit applies for 90 percent coinsurance and a 10 percent credit for 100 percent coinsurance. Significant rate surcharges apply when anything less than 80 percent coinsurance applies.

Use of a coinsurance clause is the insurer’s means of protecting itself against underinsurance. Since most property losses are partial, rather than total, insureds could purchase limits of insurance equal to only a fraction of the total value of covered property and still be fully covered for most losses. If this were permitted, insurers would receive an inequitable premium and few insureds would have adequate protection against catastrophic loss exposures.

The coinsurance clause grants the insured a reduction in rate for the insured’s acceptance of a condition that he/she maintains the insurance at a specified percentage of the true value of property covered. The insured becomes a coinsurer or contributor to a loss if there is failure to maintain the insurance at the required level. The insured then stands to receive the face amount of the policies.

The 80% coinsurance clause is widely used. It allows a 20% “cushion” against rising building values and fluctuating inventories. Higher percentage requirements should be used only where full insurance is carried and values are carefully monitored.

1. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

(1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;

(2) Divide the Limit of Insurance of the property by the figure determined in step (1);

(3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in step (2); and

(4) Subtract the deductible from the figure determined in step (3).

We will pay the amount determined in step (4) or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss.
Example No. 1 (Underinsurance):

When: The value of the property is $250,000
The Coinsurance percentage for it is 80%
The Limit of Insurance for it is $100,000
The Deductible is $250
The amount of loss is $40,000

Step (1): $250,000 x 80% = $200,000 (the minimum amount of insurance to meet your Coinsurance requirements)
Step (2): $100,000 / $200,000 = .50
Step (3): $40,000 x .50 = $20,000
Step (4): $20,000 − $250 = $19,750
We will pay no more than $19,750. The remaining $20,250 is not covered.

Example No. 2 (Adequate Insurance):

When: The value of the property is $250,000
The Coinsurance percentage for it is 80%
The Limit of Insurance for it is $200,000
The Deductible is $250
The amount of loss is $40,000

The minimum amount of insurance to meet your Coinsurance requirement is $200,000 ($250,000 x 80%). Therefore, the Limit of Insurance in this Example is adequate and no penalty applies. We will pay no more than $39,750 ($40,000 amount of loss minus the deductible of $250).

b. If one Limit of Insurance applies to two or more separate items, this condition will apply to the total of all property to which the limit applies.

Example No. 3:

When: The value of property is:
Bldg. at Location No. 1 $75,000
Bldg. at Location No. 2 $100,000
Personal Property at Location No. 2 $75,000

The Coinsurance percentage for it is 90%
The Limit of Insurance for Buildings and Personal Property at Location Nos. 1 and 2 is $180,000
The Deductible is $1,000
The amount of loss is:
When a blanket limit applies to damaged property, the coinsurance clause applies, not to the value of the damaged property only, but to the total value of all of the property covered by the blanket limit. If the blanket limit of insurance is not equal to the stipulated percentage of the total value of all the property covered by the blanket limit, a coinsurance penalty will apply.

Because of the operation of the coinsurance formula, the coinsurance clause affects the amount of recovery only in partial loss situations. If the loss amount were a total loss, the insurer would pay the limit of insurance applicable to that property. The insured would suffer an uninsured loss of the difference between the value of the property and the insurance amount selected. However, this loss would be the result of underinsurance rather than the action of the coinsurance clause. Adhering to the coinsurance requirements of the policy serves only to prevent a coinsurance penalty in the event of partial loss; it does not prevent underinsurance.

The deductible is subtracted from either the loss amount (if there is no coinsurance penalty) or the amount arrived at by applying the coinsurance formula (when there is a coinsurance penalty). It is *not* subtracted from the limit of insurance.

The coinsurance condition does not apply to the coverage extensions provided in the form (newly acquired or constructed property, personal effects and property of others, valuable papers and records—cost of research, property off premises, outdoor property, and non-owned detached trailers). However, it could affect the amount of loss recovery for the debris removal, fire department service charge, or pollutant cleanup additional coverages.

The value of all covered property will be considered in determining whether the coinsurance condition has been met, so it is important to specifically exclude by endorsement any property qualifying for coverage under the definition of "covered property" for which no coverage is intended.

The coinsurance clause always applies to the value of the property at the time of the loss, based on the method of valuation specified in the policy on either ACV or RC.
There are two ways to avoid a coinsurance penalty. One is to purchase insurance to at least the required percentage of the value of the insured property. If the limit of insurance is at least the stipulated percentage of the value of the covered property (at the time of loss), there is no coinsurance penalty.

The other way to avoid a coinsurance penalty is with the agreed value coverage option in the form. The agreed value coverage option suspends the coinsurance clause until the date specified in the declarations, usually until the next policy anniversary date.

Most companies require that, when a policy affords blanket coverage, a 90% or 100% coinsurance clause must be used in conjunction with an annual statement of values form.

### Mortgageholders

2. Mortgageholders
   
a. The term "mortgageholder" includes trustee.

b. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.

c. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.

d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:

   (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;

   (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and

   (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

   All of the terms of this Coverage Part will then apply directly to the mortgageholder.

e. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:

   (1) The mortgageholder’s rights under the mortgage will be transferred to us to the extent of the amount we pay; and

   (2) The mortgageholder’s right to recover the full amount of the mortgageholder's claim will not be impaired.
At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

f. If we cancel this policy, we will give written notice to the mortgageholder at least:

(1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or

(2) 30 days before the effective date of cancellation if we cancel for any other reason.

g. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

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This condition spells out the rights and duties of any mortgagees or trustees (mortgage holders) that are named on the declarations.

The mortgage clause is designed to afford special protection for the interest of lenders in mortgaged property. Even if the insurance coverage is voided by some act of the insured, the protection of the coverage remains in force for a period of time for the benefit of the mortgagee.

If the insurance company cancels the policy, it must give written notice to the mortgageholder at least 10 days before the effective date if the cancellation is for non payment of premium, or 30 days before the effective date of cancellation if being terminated for any other reason.

If the insurance company decides to non-renew, it must give the mortgageholder at least 10 days notice prior to the expiration of the policy.

In addition, when there is a mortgagee named in the declarations, the loss proceeds, up to the amount of the mortgage debt, are payable to the mortgagee.

The insurance company will pay for covered loss or damage to building or structures to each mortgageholder listed, in order of precedence as interests may appear. The mortgageholder must be able to prove their interest at the time of the loss.

If the insurance company pays the mortgageholder for any loss or damage but denies payment to the named insurance because of the named insured’s actions or non compliance with the terms and conditions of this Coverage Part:

1. The mortgageholder’s right under the mortgage will be transferred to the insurance company to the extent of the amount paid

2. The mortgageholder’s right to recover the full amount of the mortgageholder claim is not impaired.
At the insurance company’s option, the mortgage holder may be paid the full payment of the principal and interest on the mortgage in exchange for transfer of the mortgage to the insurance company. The insured continues mortgage payments, but to the insurance company instead of the original mortgage holder.

A mortgage holder is also required to notify the insurance company of any known change in ownership, occupancy, or increase of hazard.

**OPTIONAL COVERAGES**

The policy contains four optional coverages. The insuring agreements of these popular optional coverages are built into the building and personal property coverage form. This format removes the need for additional endorsements to provide those commonly requested coverages.

Each one must be selected on the Declarations Page in order to be applicable. The selection must be made for each item of Covered Property. It is possible to have an optional coverage on Building but not have it on Business Personal Property. It is also possible for the optional coverage to apply to some buildings and not to others.

G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

The following four optional coverages are available:

- Agreed Value
- Inflation Guard
- Replacement Cost Coverage
- Replacement Cost for Property of Others

**Agreed Value**

1. Agreed Value

   a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.

   b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.

   c. The terms of this Optional Coverage apply only to loss or damage that occurs:

      (1) On or after the effective date of this Optional Coverage; and
The coinsurance Condition imposes a harsh penalty if the value of Covered Property at the time of loss does not meet the coinsurance requirement.

The coinsurance clause can be suspended with respect to some or all covered property by electing the agreed value coverage option in the form. It replaces the coinsurance condition with a provision, which states that the insurer will pay the same proportion of loss as the ratio of the limit of insurance to the agreed value shown for the property in the declarations. This option is indicated by the insertion of an agreed value amount and expiration date under the agreed value heading in the property declarations for each location and type of covered property to which it applies. The agreed value option suspends the coinsurance clause only until the agreed value expiration date shown in the declarations.

An agreed value clause usually expires 1 year from its effective date or on the policy anniversary date. If the insured fails to submit an updated statement of values prior to the expiration date of the agreed amount clause, the coinsurance clause is reinstated.

Most insurers will consent to provide agreed value coverage on receipt of an acceptable statement of property values signed by the insured. Receipt of an updated statement of property values is usually required for renewal of the agreed amount coverage option.

This is a very desirable coverage option. Property values can be difficult to determine accurately, despite the insured's best efforts. With the agreed value coverage option there is no possibility of the insured suffering a coinsurance penalty until and unless it is allowed to expire.

While agreed value coverage eliminates the possibility of a coinsurance penalty, the possibility of underinsurance remains. The limit of insurance is the still the most the insurer will pay.

**Inflation Guard**

2. Inflation Guard

a. The Limit of Insurance for property to which this Optional Coverage applied will automatically increase by the annual percentage shown in the Declarations.

b. The amount of increase will be:

   (1) The Limit of Insurance that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Limit of Insurance, times the annual percentage shown in the Declarations, expressed as a decimal (example: 8% is .08), times the amount of change.
(3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Limit of Insurance, divided by 365.

Example:

If: The applicable Limit of Insurance is $100,000
The annual percentage increase is 8%
The number of days since the beginning of the policy year (or last policy change) is 146

The amount of increase is

$100,000 x .08 x 146 ÷ 365 = $3,200

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The inflation guard provision increases the limit of insurance on the coverage to which it applies, automatically and continuously, throughout the policy year, by a stipulated percentage of the initial coverage limit. It assists the insured to maintain adequate property insurance limits in times of inflation and lessens the need for constant monitoring of property insurance limits. The inflation guard option is activated by an entry of a percentage increase in limit of insurance applicable for each year on the declarations page.

In the building and personal property coverage form, this annual rate is applied on a pro-rata basis to building and personal property coverages. In the event of a mid-term loss, the most current limits of insurance will be increased by the pro-rata percentage applying to the property before any loss settlement amounts are computed.

The example included in the inflation guard option provisions illustrates how exactly the limit of insurance at time of loss, or on any particular date during the policy term, is determined.

When a policy has the Optional Coverage Inflation Guard, the policy limit should still be reviewed periodically or the named insured may suffer a loss in limits at the renewal inception date.

Replacement Cost

3. Replacement Cost

a. Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Loss Condition, Valuation, of this Coverage Form.

b. This Optional Coverage does not apply to:
(1) Personal property of others;

(2) Contents of a residence;

(3) Manuscripts;

(4) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or

(5) "Stock," unless the Including "Stock" option is shown in the Declarations.

Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.

d. We will not pay on a replacement cost basis for any loss or damage:

   (1) Until the lost or damaged property is actually repaired or replaced; and

   (2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

With respect to tenants' improvements and betterments, the following also apply:

(3) If the conditions in d.(1) and d.(2) above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost, as set forth in the Valuation Condition of this Coverage Form; and

(4) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.

e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:

(1) The Limit of Insurance applicable to the lost or damaged property;

(2) The cost to replace, on the same premises, the lost or damaged property with other property:

   (a) Of comparable material and quality; and

   (b) Used for the same purpose; or

(3) The amount actually spent that is necessary to repair or replace the lost or damaged property.
Replacement cost coverage may be purchased for building property, personal property, stock, or the personal property of others (under certain circumstances). Replacement cost does not apply to stock unless the replacement cost designation on the declarations page specifically shows the “Including Stock” option. The actual cash value settlement provision is replaced by the provisions of this optional coverage. An insured may still request an actual cash value settlement (with coinsurance computed on an actual cash value basis) and then give notice within 180 days of the loss of intent to make a replacement cost claim for the additional amount.

The insured must make repairs or replacement "as soon as reasonably possible” and no replacement cost settlements will be made by the insurance company until the repairs or replacements are completed.

Tenants' Improvements and Betterments are not considered personal property of others under this coverage option. New language has been added to clarify how the replacement cost option applies to tenants' improvements and betterments.

- This property is not considered personal property of others, and is, therefore, covered on a replacement cost basis if the replacement cost option has been elected.
- If tenants’ improvements and betterments are not repaired or replaced, or are not repaired or replaced "as soon as reasonably possible after the loss," the valuation basis will be a portion of the insured's original cost, as outlined in the form's valuation condition.
- The insurer will not pay for loss to tenants’ improvements and betterments if someone else (such as the landlord or the landlord's insurer) pays for repairs or replacement.

If a covered building is rebuilt at a new location, loss recovery is limited to the amount it would have cost to rebuild at the existing location.

The cost of repair or replacement excludes any increase caused by the enforcement of any construction-related ordinance or law.

The insurance company will pay the least of the following:

- The applicable insurance limit,
- The cost of replacing with comparable property, or
- The cost to repair or replace the loss or damaged property.

There are five types of covered property to which replacement cost coverage does not apply:
- **Personal property of others.** An actual cash value settlement on damaged personal property of others could create goodwill problems for the insured. The building and personal property coverage form includes an option to cover personal property of others on a replacement cost basis.

- **Manuscripts.** The $2,500 valuable papers—cost of research coverage extension may effectively provide a small amount of replacement cost coverage for replaceable manuscripts; if either higher limits or coverage for irreplaceable manuscripts are needed, a valuable papers and records coverage form can be used to provide full coverage.

- **Fine arts.** Fine arts are typically insured on a valued basis using an inland marine coverage form, since valuation of such items poses special problems.

- **Residential contents.** Residential contents will seldom be the subject of insurance under this commercial property coverage form, but, if so, it may be possible to negotiate replacement cost coverage using a manuscript endorsement.

- **Stock.** An “including stock” option built into the form allows stock to be covered at replacement cost, if so indicated on the declarations page. The only difference between replacement cost and the insurance definition of actual cash value is the subtraction of an amount representing any physical depreciation from the cost to replace in determining actual cash value. Since the insured's stock will not typically have suffered depreciation, there may be no practical difference between the two valuation bases. In all cases where property would actually be replaced, replacement cost coverage is recommended.

Awnings, floor coverings, appliances, and outdoor equipment or furniture are, like other covered property, are valued at replacement cost, unless they happen to be contents of a residence, property of others, or stock, which are specifically excluded from replacement cost coverage in the replacement cost coverage option itself.

**Replacement Cost—Personal Property of Others**

3. Extension Of Replacement Cost To Personal Property Of Others

   a. If the Replacement Cost Optional Coverage is shown as applicable in the Declarations, then this Extension may also be shown as applicable. If the Declarations show this Extension as applicable, then Paragraph 3.b.(1) of the Replacement Cost Optional Coverage is deleted and all other provisions of the Replacement Cost Optional Coverage apply to replacement cost on personal property of others.

   b. With respect to replacement cost on the personal property of others, the following limitation applies:

   If an item(s) of personal property of others is subject to a written contract which governs your liability for loss or damage to that item(s), then valuation of that item(s) will be based on the amount for which you are liable under such contract, but not to exceed the lesser of the replacement cost of the property or the applicable Limit of Insurance.
When this coverage option applies, personal property of others is covered on a replacement cost basis. Any items for which the insured is liable under a written contract will be valued at the amount of the insured's liability under that contract, up to the lesser of its replacement cost or the limit of insurance.

It is important that the full replacement value of property of others be considered when setting the business personal property limit, in order to avoid a coinsurance penalty.

This option is available only to insureds that have elected to value their own property at its replacement cost, using the replacement cost coverage option. This Extension modifies the Replacement Cost Optional Coverage to include Personal Property of Others. The extension is subject to the following limitation:

If an item is subject to a written contract which governs the named insured’s liability for loss or damage to that item, then valuation of that item will be based on the amount for which the named insured is liable.

The most the insurance company will pay is the lesser of:

- Written contract amount
- Replacement cost of the item

**DEFINITIONS**

Only two words are defined in this Coverage Form. These definitions apply to the building and personal property coverage form and to any of the causes of loss forms that may be combined with it.

**H. Definitions**

**Pollutants**

Pollutants are defined to mean any solid, liquid, gaseous, or thermal irritant or contaminant which includes alkalis, chemicals and waste. Waste is defined to also include materials that are to be recycled, reconditioned or reclaimed.

1. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
Stock

Stock is merchandise held in storage or for sale, any raw materials and in-process or finished goods. This also includes supplies that are used in their packing or shipping.

2. "Stock" means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.

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PROPERTY LOSS EXPOSURES: PERILS AND HAZARDS

All property is exposed to a variety of conditions and forces that act to damage the physical structure of the property. These forces represent exposure to loss, known as “perils.”

Perils are often affected by other factors, known as "hazards," which create an opportunity for the peril to cause damage to property or tend to increase the damage done by the peril.

This section describes and explains the major perils that threaten property and the hazards associated with common business operations. The fire peril represents the most important peril from an insurance and loss control point of view.

**Covered Perils**

Property insurance covers losses that result from covered causes called perils. Insurance addresses perils coverage in two major ways: named perils or all risks. Named perils forms cover only losses that are caused by the perils that are specifically covered in the policy. All risks forms, on the other hand, cover losses from all causes except those that are specifically excluded in the policy.

**Named Perils Coverage**

There are two named perils forms: the basic causes of loss form (CP 10 10) and the broad causes of loss form (CP 10 20).

**All Risks Coverage**

Most of today's all risks forms, including current ISO forms no longer use the the phrase "all risks" to prevent incorrect interpretations of the coverage provided. All risks coverage is virtually always broader than named perils coverage. Many insurers refer to this coverage as “named exclusions” form.

Since all risks policies provide coverage for loss from all causes except those that are specifically excluded, all risks forms contain a long list of excluded perils (exclusions). The exclusions and limitations are the key to determining the coverage provided by an all risk form.

Exclusions and limitations in insurer all risks forms tend to be similar, however there are variations. The only way to determine what is covered is to carefully review the exclusions and limitations in a particular form. Since this course primarily focuses on the ISO forms, we will now discuss the ISO Causes of Loss forms.

**SUMMARY OF ISO ALL RISKS EXCLUSIONS AND LIMITATIONS**

- Building ordinance enforcement
- Off-premises utility service interruption
- Earth movement
- Governmental seizure or destruction of property
- Nuclear hazard
- War and military action
- Water (flood, mudslide, seepage, and sewer backup)
- Electrical damage to electrical devices
- Delay, loss of use, and loss of market
- Smoke, vapor, or gas from agricultural or industrial operations
- Wear and tear; rust, corrosion, fungus, decay, deterioration, hidden or latent defect; smog; settling, cracking, shrinking, or expansion; nesting, infestation, or release of secretions by insects, birds, rodents, or animals
- Dampness, dryness, changes or extremes of temperature, and marring or scratching, all with respect to personal property only
- Collapse, except coverage resulting from the specified causes of loss; hidden decay, insect, or vermin damage; weight of people or personal property or rain that collects on a roof; and faulty workmanship or materials if loss occurs during construction or renovation
- Mechanical breakdown
- Boiler explosion
- Loss to steam and hot water equipment from any condition within the equipment
- Seepage or leakage of water over a period of 14 or more days
- Employee dishonesty
- Voluntary parting with property and unauthorized transfer of property
- Rain, snow, ice, or sleet damage to personal property in the open
- Weight of snow, ice, or sleet on gutters and downspouts
- Damage to building interiors by rain, snow, sleet, ice, sand, or dust unless the roof or walls are first damaged—except damage by thawing of snow, ice, or sleet
- Pollution
- Missing property when the only evidence of loss is inventory shortage
- Theft of building materials and supplies not yet attached to buildings
- Loss from causes other than the "specified causes of loss" to: valuable papers and records; animals; builder's machinery, tools, and equipment off premises; breakage of fragile articles
- Theft loss sublimits apply to: furs; jewelry; patterns, dies, and molds; and stamps, tickets, and letters of credit

Many of the exclusions are based on loss exposures for which coverage is available under other types of insurance, whereas other exclusions represent losses that are generally considered to be uninsurable, such as loss caused by war, nuclear hazards, and flood.
BASIC, BROAD AND SPECIAL CAUSES OF LOSS FORMS

In addition to one or more coverage forms, the Commercial Property coverage part requires a Causes Of Loss form.

The Cause of Loss Forms specifies the coverage trigger or "what must happen in order for coverage to be available" The more perils that result in an eligible loss, the more expensive the policy. The forms also discuss any exclusions and limitations.

The Causes of Loss Forms allow insurance buyers to customize the Commercial Property policy. Consumers can select a Cause of Loss Form for each type of property in the Coverage Form. This gives the insured maximum flexibility in arranging insurance coverage.

Three of the causes of loss forms are named peril forms, which means that the insurance only covers losses caused by the perils specified in the form. The forms also list exclusions that apply to all or some of the coverages, and it is the named perils and the exclusions that shape the coverage. The special form is what has traditionally been known as an "all risk" form—it covers all risks that are not excluded. On the special form, exclusions and limitations are particularly important because it is the exclusions and limitations that shape the coverage. It is important to remember that all causes of loss forms contain exclusions, which help to sculpt and define the coverage.

ISO CAUSES OF LOSS FORMS

The Cause of Loss Forms have three major purposes:

1) To identify the causes of loss or perils insured against;

2) To identify the relevant exclusions; and,

3) To provide essentially the same package of perils, regardless of the type of coverage selected.

Four Cause of Loss Forms are available: Basic, Broad, Special, and Earthquake.

- **BASIC CAUSE OF LOSS (CP 10 10):** Fire, Lightning, Explosion, Windstorm, Hail, Smoke, Aircraft or Vehicles, Riot or Civil Commotion, Sprinkler Leakage, Vandalism, Sinkhole Collapse, and Volcanic Action are included in the Basic Cause of Loss Form. Exclusions of Sprinkler Leakage, Vandalism and Windstorm only are available by endorsement.

- **BROAD CAUSE OF LOSS (CP 10 20):** An intermediate level Broad Causes of Loss Form adds several additional covered causes of loss over the Basic Form, including Breakage of Glass, Falling Objects, Weight of Snow, Ice, or Sleet, and Water Damage.
• **SPECIAL CAUSE OF LOSS (CP 10 30):** The Special Causes of Loss Form provides coverage on an "all risk" basis which essentially covers anything not otherwise excluded.

• **EARTHQUAKE CAUSE OF LOSS (CP 10 40):** All earthquake shocks or volcanic eruptions that occur within any 168-hour period will constitute a single earthquake or volcanic eruption.

At least one causes of loss form must be attached to the property coverage part. More than one causes of loss form can be attached to the coverage part, with different causes applying to different classes or locations of insured property.

The earthquake form adds two specific perils and it can only be used with another cause of loss form.

**Proximate Cause**

Direct loss caused by a specific peril does not necessarily mean that the peril was the only factor damaging insured property. When a specific peril is the "proximate cause" of a loss, courts have held that the peril in question caused the loss.

### Commercial Property Cause of Loss Comparison

The following chart is a simple comparison between the three Cause of Loss forms available under the 2000 edition of the ISO Commercial Property Program.

<table>
<thead>
<tr>
<th>Covered Cause of Loss</th>
<th>CP 10 10 Basic</th>
<th>CP 10 20 Broad</th>
<th>CP 10 30 Special</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Lightning</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Explosion</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Wind and hail</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Smoke</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Aircraft/vehicle</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Riot or civil commotion</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Vandalism</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Sprinkler leakage</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Sinkhole/collapse</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Event/Condition</td>
<td>CP 10 10 Basic</td>
<td>CP 10 20 Broad</td>
<td>CP 10 30 Special</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>----------------</td>
<td>----------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Volcanic action</td>
<td>Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Falling objects</td>
<td>Not Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Weight of ice/snow</td>
<td>Not Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Water damage</td>
<td>Not Covered</td>
<td>Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Risks of direct physical loss unless excluded or limited</td>
<td>Not Covered</td>
<td>Not Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Exclusions</td>
<td>CP 10 10 Basic</td>
<td>CP 10 20 Broad</td>
<td>CP 10 30 Special</td>
</tr>
<tr>
<td>Ordinance or law</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Earth movement</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Governmental action</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Nuclear hazard</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Utility services</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>War/military action</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Water</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Electric arcing</td>
<td>Excluded</td>
<td>Excluded</td>
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</tr>
</tbody>
</table>

**Commercial Property Cause of Loss Comparison**

<table>
<thead>
<tr>
<th>Exclusions</th>
<th>CP 10 10 Basic</th>
<th>CP 10 20 Broad</th>
<th>CP 10 30 Special</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay, loss of market</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Smoke from agricultural or industrial smudging</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Wear and tear</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Rust and latent defects</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Smog</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Event Description</td>
<td>CP 10 10 Basic</td>
<td>CP 10 20 Broad</td>
<td>CP 10 30 Special</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------</td>
<td>----------------</td>
<td>---------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Settling, cracking</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Critter infestation</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Mechanical breakdown</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Marring/scratching</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Steam boiler explosion</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>14 day water seepage</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Non maintained frozen systems</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Dishonest act by insured</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Trick or fraud</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Prop in open rain damage</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Collapse</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Pollutant discharge</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Neglect to save and preserve</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Weather conditions</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Acts or decisions</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
<tr>
<td>Faulty, inadequate or defective planning, design, materials or maintenance</td>
<td>N/A</td>
<td>N/A</td>
<td>Excluded</td>
</tr>
</tbody>
</table>

**Special Exclusions**

<table>
<thead>
<tr>
<th>Special Exclusions</th>
<th>CP 10 10 Basic</th>
<th>CP 10 20 Broad</th>
<th>CP 10 30 Special</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Income - Utility services</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Business Income - Finished stock</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Business Income - TV antenna</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Business Income – Delay</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Leasehold interest - Ordinance exception</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Leasehold interest - Lease cancellation</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Leasehold interest - License cancellation</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Leasehold interest - Consequential loss</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Legal Liability - Ordinance exception</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Legal Liability - Govt. action exception</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Legal Liability – Nuclear exception</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Legal Liability - Utility exception</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Legal Liability - War exception</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Legal Liability – Contractual exception</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Legal Liability – Nuclear Hazard exception</td>
<td>Excluded</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
</tbody>
</table>

### Commercial Property Cause of Loss Comparison

<table>
<thead>
<tr>
<th>LIMITATIONS</th>
<th>CP 10 10 Basic</th>
<th>CP 10 20 Broad</th>
<th>CP 10 30 Special</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steam boilers</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Hot water boilers</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Interior damage without exterior damage</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Material not attached building</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Inventory shortage</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Unauthorized transfer</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Valuable papers</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Animals</td>
<td>Limitation</td>
<td>Limitation</td>
<td>Limitation</td>
</tr>
<tr>
<td>Fragile Items</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Non-owned builders, machinery</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Theft of – Furs</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Theft of – Jewelry</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Theft of - Patterns/dies</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Theft of - Stamps/tickets</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>Coverage</td>
<td>CP 10 10 Basic</td>
<td>CP 10 20 Broad</td>
<td>CP 10 30 Special</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>----------------</td>
<td>---------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Repair of fire extinguishing devices</td>
<td>N/A</td>
<td>N/A</td>
<td>Limitation</td>
</tr>
<tr>
<td>ADDITIONAL COVERAGE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collapse</td>
<td>Not Covered</td>
<td>Not Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Property in transit</td>
<td>Not Covered</td>
<td>Not Covered</td>
<td>Covered up to $5,000</td>
</tr>
<tr>
<td>Cost to tear out and replace parts of the building to repair system water damage</td>
<td>Not Covered</td>
<td>Not Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Incidental expenses involved with glass repair</td>
<td>Not Covered</td>
<td>Not Covered</td>
<td>Covered</td>
</tr>
<tr>
<td>DEFINITIONS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specified causes of loss</td>
<td>N/A</td>
<td>N/A</td>
<td>Defined</td>
</tr>
</tbody>
</table>
CAUSES OF LOSS—BASIC FORM AND CAUSES OF LOSS—BROAD FORM

The basic and broad causes of loss forms are nearly identical, except that the broad causes of loss form provides coverage for four named perils that are not covered under the basic causes of loss form. To save time and paper, we will discuss them together in this course.

COVERED CAUSES OF LOSS

Perils covered under both Causes of Loss—Basic (CP 10 10) and Causes of Loss - Broad (CP 10 20)

- Fire
- Lightning
- Explosion
- Windstorm or hail
- Smoke
- Aircraft or vehicles
- Riot or civil commotion
- Vandalism
- Sprinkler leakage
- Sinkhole collapse
- Volcanic action

Perils covered Only under Causes of Loss—Broad (CP 10 20)

- Falling objects
- Weight of snow, ice, or sleet
- Water damage (from appliance leakage)
- Collapse from named causes

Fire—Basic and Broad Forms

CAUSES OF LOSS—BASIC FORM AND CAUSES OF LOSS—BROAD FORM

A. COVERED CAUSES OF LOSS

When Broad is shown in the Declarations, Covered Causes of Loss means the following:

1. Fire.
Fire means combustion accompanied by a visible light, a flame, glow or incandescence. Heat or smoke in the absence of such light is not considered to be fire. A "friendly fire" is intentionally set and remains within its container or intended limits. A "hostile fire" or "unfriendly fire" is one that escapes its intended limits or is not started intentionally. A fire in a fireplace is "friendly," but when a spark from it ignites nearby curtains, a hostile fire has started. Only "hostile fires" are covered by insurance.

### Lightning—Basic and Broad Forms

2. Lightning.

Although it is not defined in the forms, lightning may be described as naturally (or atmospherically) generated static electricity, manifesting itself as either a lightning bolt or an atmospheric surge. Since thunder that often accompanies lightning is directly produced by the lightning, damage caused by thunder, even in the absence of electrical damage, has been held to be covered within the peril of lightning. Often lightning damage occurs without clear evidence of its origin.

### Explosion—Basic and Broad Forms

3. Explosion, including 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. This cause of loss does not include loss or damage by:

a. Rupture, bursting or operation of pressure relief devices; or

b. Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from the water.

The explosion peril includes the explosion of gases or fuel within the furnace, flues, or passages of a fired vessel. However, it excludes damage from the rupture or operation of pressure relief vessels and rupture of contents of a building on account of expansion caused by water.

### Windstorm or Hail—Basic and Broad Forms

4. Windstorm or Hail, but not including:
| a. Frost or cold weather;                        |
| b. Ice (other than hail), snow or sleet, whether driven by wind or not; or |
| c. Loss or damage to the interior of any building or structure, or the property inside the building or structure, caused by rain, snow, sand or dust, whether driven by wind or not, unless the building or structure first sustains winds or hail damage to its roof or walls through which the rain, snow, sand or dust enters. |

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Windstorm and hail coverage excludes damage by frost, cold weather, snow, ice, or sleet, even if wind-driven.

This peril encompasses windstorm or hail damage to building exteriors. Damage to building interiors or contents is covered only when wind or hail first creates an opening in the walls or roof, in which case inside damage by rain, snow, sand or dust is covered. The exclusion eliminates coverage for loss by rain or snow that enters through an open window or door.

**Smoke—Basic and Broad Forms**

5. Smoke causing sudden and accidental loss or damage. This cause of loss does not include smoke from agricultural smudging or industrial operations.

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Smoke damage which is sudden and accidental (but not smoke from agricultural smudging or industrial operations.)

**Aircraft or Vehicles—Basic and Broad Forms**

6. Aircraft or Vehicles, meaning only physical contact of an aircraft, a spacecraft, a self-propelled missile, a vehicle or an object thrown up by a vehicle with the described property or with the building or structure containing the described property. This cause of loss includes loss or damage by objects falling from aircraft.

We will not pay for loss or damage caused by or resulting from vehicles you own or which are operated in the course of your business.

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The aircraft or vehicles cause of loss applies to damage to the insured property caused by direct physical contact between the insured property and an aircraft (including spacecraft or self-propelled missile) or vehicle an object falling from an aircraft, or an object thrown upward by a
vehicle. Coverage does not apply to damage caused by a vehicle owned or operated by the insured.

### Riot or Civil Commotion—Basic and Broad Forms

7. Riot or Civil Commotion, including:
   a. Acts of striking employees while occupying the described premises; and
   b. Looting occurring at the time and place of a riot or civil commotion.

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Riot or civil commotion, including acts of striking employees while occupying the described premises, and looting at the time and place of a riot or civil commotion

Even though neither the Basic nor Broad forms cover theft, some theft coverage is provided in regard to looting in connection with a riot or civil commotion.

### Vandalism—Basic and Broad Forms

8. Vandalism, meaning willful and malicious damage to, or destruction of, the described property.

We will not pay for loss or damage caused by or resulting from theft, except for building damage caused by the breaking in or exiting of burglars.

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Vandalism, meaning willful and malicious damage to property, including building damage caused by burglars breaking in or exiting (but no other loss or damage resulting from theft).

In the 2000 editions, damage to glass is covered in the same manner and to the same extent as damage to other types of covered property. Both the basic and broad causes of loss forms provide full coverage for building glass breakage due to vandalism.

The vacancy provision in several of the ISO direct damage coverage forms, including the building and personal property coverage form (CP 10 10), voids coverage for vandalism loss occurring after the building has been vacant for more than 60 consecutive days.
9. Sprinkler Leakage, meaning leakage or discharge of any substance from an Automatic Sprinkler System, including collapse of a tank that is part of the system.

If the building or structure containing the Automatic Sprinkler System is Covered Property, we will also pay the cost to:

a. Repair or replace damaged parts of the Automatic Sprinkler System if the damage:

(1) Results in sprinkler leakage; or
(2) Is directly caused by freezing.

b. Tear out and replace any part of the building or structure to repair damage to the Automatic Sprinkler System that has resulted in sprinkler leakage.

Automatic Sprinkler System means:

(1) Any automatic fire protection or extinguishing system, including connected:

(a) Sprinklers and discharge nozzles;
(b) Ducts, pipes, valves and fittings;
(c) Tanks, their component parts and supports; and
(d) Pumps and private fire protection mains.

(2) When supplied from an automatic fire protection system:

(a) Nonautomatic fire protection systems; and
(b) Hydrants, standpipes and outlets.

Sprinkler leakage means discharge from an automatic sprinkler system, including coverage for the collapse of a tank that is part of the automatic sprinkler system. "Automatic sprinkler system" means any automatic fire protective or extinguishing system, including connected sprinklers and discharge nozzles, ducts, pipes, valves and fittings, tanks and their component parts and supports, pumps and private fire protection mains. When supplied by an automatic fire protective system, hydrants, standpipes, outlets, and other non-automatic fire protective systems are considered to be part of the automatic system.

Coverage applies to leakage as well as sudden discharge of water from the system, caused by an accident or system malfunction -- the type of leakage or discharge that is of interest and
concern to most insureds. Coverage includes the cost of repairing the system, including the cost of tearing out and replacing walls or ceilings if necessary. Coverage extends to discharge of any substance from any automatic fire extinguishing system, not just water.

The vacancy provision in several of the ISO direct damage coverage forms, including the building and personal property coverage form (CP 00 10), voids sprinkler leakage coverage after the building has been vacant for more than 60 consecutive days. If, however, the system has been protected against freezing, the vacancy provision merely reduces the recovery for sprinkler leakage loss by 15 percent.

**Sinkhole Collapse—Basic and Broad Forms**

10. Sinkhole Collapse, meaning loss or damage caused by the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

   a. The cost of filling sinkholes; or
   
   b. Sinking or collapse of land into man-made underground cavities.

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Sinkhole collapse, means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. The cost of filling sinkholes, however, is not an insured loss. Sinking or collapse of land into manmade underground cavities is not covered.

In previous forms, the earth movement exclusion would have prevented coverage for this type of loss; however the earth movement exclusion in the current forms excepts sinkhole collapse.

**Volcanic Action—Basic and Broad Forms**

11. Volcanic Action, meaning direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

   a. Airborne volcanic blast or airborne shock waves;
   
   b. Ash, dust or particulate matter; or
   
   c. Lava flow.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

This cause of loss does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the described property.
Volcanic action is defined to mean only direct loss caused by lava flow, ash, dust, and airborne volcanic blast or shock waves. Earth movement is not included, nor does any coverage apply to the cost of removing ash or dust from otherwise undamaged property.

All volcanic eruptions that occur within any 168-hour period constitute a single occurrence.

**Additional Covered Perils—Broad Form Only**

Three perils are found in the broad form that are not included in the basic form: falling objects; weight of snow, ice, or sleet; and water damage.

---

**Falling Objects—Broad Form Only**

12. Falling Objects

But we will not pay for loss or damage to:

a. Personal property in the open; or

b. The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

Falling objects coverage applies to damage to buildings or structures as well as personal property contained within buildings, but only when the roof or walls are first damaged by the falling object. If a falling object enters the building through an opening, such as an open window, and subsequently damages the contents, no coverage applies. The same would be true if a falling object shook the building causing damage to contents, but did not damage its roof or outside walls.

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**Weight of Snow, Ice, or Sleet—Broad Form Only**

13. Weight of Snow, Ice or Sleet

But we will not pay for loss or damage to personal property outside of buildings or structures.
All damage created by the weight of snow, ice or sleet is covered except for loss to personal property outside of a building or structure.

**Water Damage—Broad Form Only**

14. Water Damage

a. Water Damage, meaning accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a plumbing, heating, air conditioning or other system or appliance, that is located on the described premises and contains water or steam.

However, Water Damage does not include:

(1) Discharge or leakage from:

(a) An Automatic Sprinkler System; or

(b) A sump or related equipment and parts, including overflow due to sump pump failure or excessive volume of water;

(c) Roof drains, gutters, downspouts or similar fixtures or equipment.

(2) The cost to repair any defect that caused the loss or damage;

(3) Loss or damage caused by or resulting from continuous or repeated seepage or leakage that occurs over a period of 14 days or more; or

(4) Loss or damage caused by or resulting from freezing, unless:

(a) You do your best to maintain heat in the building or structure; or

(b) You drain the equipment and shut off the water supply if the heat is not maintained.

b. If coverage applies subject to a. above, and the building or structure containing the system or appliance is Covered Property, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or steam escapes. But we will not pay the cost to repair any defect that caused the loss or damage.

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Water damage, meaning accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam, other than an automatic sprinkler system or a sump pump and its related equipment. The form requires that the system or appliance be located on the covered premises for coverage to apply.
The water damage peril does not apply to discharge of water from roof drains, gutters, or downspouts. No coverage applies to water damage resulting from malfunction of the system, in the absence of the cracking or breaking apart of the equipment; coverage applies only when the water damage is the result of an opening in the system.

Coverage does not apply to continuous seepage over a period of 14 days or more. Loss caused by freezing is covered only if a reasonable attempt is made to maintain adequate heat in the building, or if the system is drained and the water supply shut off. In the event of a covered loss the cost to tear out and replace portions of a structure to repair the appliance or system is also covered, but the cost of repairs to the leaky appliance or system is not.
BASIC & BROAD FORM EXCLUSIONS

There are three separate groups of exclusions in both forms. The first two groups of exclusions are numbered but not otherwise labeled in the form. The third group of exclusions labeled "Special Exclusions" apply only to specific coverage forms.

Group 1 Exclusions

The first group of Group exclusions are subject to a "concurrent causation" lead-in provision that is intended to eliminate all coverage for any loss that involves the excluded cause of loss, even if other unexcluded causes of loss were also involved.

Exclusions – Basic and Broad Forms

The "concurrent causation" exclusion is not needed in the CP 10 10 because it defines the types of loss that are eligible for coverage.

B. EXCLUSIONS

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

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This lead-in language is intended to preclude any possibility of coverage for loss caused by any of the seven excluded causes of loss in this group by application of the legal doctrine of concurrent causation. In cases where the courts have applied this doctrine, losses resulting from multiple causes have been held covered if at least one of the causes of the loss is covered under the policy, even though other excluded perils also contributed to the loss.

Although the application of the doctrine of concurrent causation in property insurance coverage has been limited primarily to all risk policies, most named perils property policies contain anti-concurrent causation language, just like all risk property policies do.

The seven Group 1 exclusions are as follows.

- Ordinance or law
- Earth movement
- Governmental action
- Nuclear hazard
- Utility services
- War and military action
- Water
Five of the seven exclusions (all but the ordinance or law and the war exclusions) contain ensuing loss language that preserves coverage for certain types of loss that result from the excluded cause of loss.

**Ordinance or Law—Basic and Broad Forms**

**Ordinance or Law Coverage**

Many localities have ordinances that require any building that has been damaged to some specified extent (typically, 50 percent) to be demolished and reconstructed in compliance with current building codes. In the absence of a special coverage endorsement, a standard property insurance policy will pay to demolish and reconstruct only the damaged portion of the building; the cost to demolish and rebuild the undamaged portion of the building and the increased cost of rebuilding the entire building to comply with current codes is not covered. The ISO endorsement is called ordinance or law coverage (CP 04 05). This coverage might be a wise precaution even for those with relatively new facilities, in the absence of a program of regular inquiry into the status of the local building codes.

Local governments develop ordinances and laws relating to the construction and remodeling of buildings. While many may be grandfathered (granted an exception) as long as a building is standing, once a substantial loss occurs and remodeling or rebuilding is necessary, the grandfathered laws will come into play. This exclusion states that the policy will not pick up any costs associated with meeting the laws and ordinances.

Historically, the ordinance or law exclusion has been aimed principally at excluding coverage for the extra costs associated with compliance with local building ordinances. Many communities have enacted regulations requiring that a building that has been damaged to some specified extent (usually 50 percent) must be demolished and reconstructed in accordance with current building codes. The effect of this exclusion in the causes of loss forms is to prevent loss recovery for the undamaged portion of an insured building, the expense of demolishing the undamaged portion of the building, and the extra cost of upgrading the reconstruction to comply with current building codes. This exclusion, and the definition of "period of restoration" in the business income and extra expense coverage forms, also acts to prevent recovery for income loss or extra expense incurred beyond the length of time that would have otherwise been required to rebuild.

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**a. Ordinance or Law**

The enforcement of any ordinance or law:

1. Regulating the construction, use or repair of any property; or
2. Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance or Law, applies whether the loss results from

1. An ordinance or law that is enforced even if the property has not been damaged; or
The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

The passage of the Americans With Disabilities Act (ADA) of 1990 created a new type of building laws loss exposure. Title III of the ADA is concerned with making public and commercial buildings physically accessible for disabled persons. It imposes remodeling and reconstruction requirements on some organizations that vary depending on the primary use of each building. Some of the requirements apply regardless of whether the building in question must be remodeled or rebuilt for reasons other than ADA compliance.

Both direct damage and time element endorsements are available to add back coverage for additional costs resulting from compliance with building laws after a covered direct damage loss. The direct damage coverage endorsement (ordinance or law coverage, CP 04 05) and the building ordinance—increased period of restoration endorsement (CP 15 31) will be discussed later in this course.

Earth Movement—Basic and Broad Forms

Earthquake Coverage

The issue of earthquake coverage in commercial property insurance forms is very much analogous to the issue of flood coverage, which was just discussed. Earthquake and most other forms of earth movement are almost without exception excluded even under very broad all risks policies.

Some insurers will add earthquake coverage to the basic property policy by endorsement. If the insurer that provides the basic property policy is unwilling to provide earthquake coverage by endorsement, it may be possible for the insured to obtain coverage using a difference-in-conditions policy (DIC) as a supplement to the basic property policy. Regardless of whether coverage is provided by endorsement to the basic policy or as part of a DIC policy, earthquake coverage, like flood coverage, is normally written subject to a high per occurrence deductible and an earthquake coverage sublimit, which is usually an annual aggregate limit as well.

BASIC CAUSES OF LOSS FORM

b. Earth Movement

(1) Earthquake, including any earth sinking, rising or shifting related to such event;

(2) Landslide, including any earth sinking, rising or shifting related to such event;

(3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
(4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of reality. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in b.(1) through (4) above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

(5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire or Volcanic Action, we will pay for the loss or damage caused by that fire or Volcanic Action.

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BROAD CAUSES OF LOSS FORM

b. Earth Movement

(1) Earthquake, including any earth sinking, rising or shifting related to such event;

(2) Landslide, including any earth sinking, rising or shifting related to such event;

(3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;

(4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of reality. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in b.(1) through (4) above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

(5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the loss or damage caused by that fire, building glass breakage or Volcanic Action.

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Earth movement other than sinkhole collapse is excluded (but any resulting loss by fire or explosion is covered.)

Volcanic eruption is excluded (but any resulting loss by fire or "volcanic action" is covered). "Volcanic action" means damage by the airborne blast, or particles or lava flow. Damage by the land shock waves of a volcanic eruption is not covered.
The concurrent causation lead-in to this group of exclusions is designed to exclude any possibility of a finding of coverage for any loss involving earth movement.

The language explicitly excludes loss resulting from soil conditions that cause settling, cracking, or other damage to foundations. The language also defines soil conditions to include "contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface."

Two ISO commercial property endorsements are available to provide earthquake coverage: the earthquake and volcanic eruption endorsement, CP 10 40, and the earthquake and volcanic eruption endorsement, sublimit form, CP 10 45. These endorsements only partially buy back the excluded coverage since they provide coverage for earthquake and volcanic eruption only; loss from other types of earth movement remains excluded. Many businesses that need earthquake coverage elect to purchase a separate difference-in-conditions (DIC) policy.

**Basic Form versus Broad Form**

Both the basic and broad causes of loss forms grant coverage for fire and volcanic action that result from volcanic eruption. The broad causes of loss form also grants coverage for resulting building glass breakage.

**Governmental Action—Basic and Broad Forms**

c. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.

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If the government seizes property or destroys property, there is no coverage unless it was seized and destroyed to prevent spread of fire, provided the fire would have been covered under the policy.

There is no coverage when a governmental entity confiscates or destroys property unless it was done to prevent the spread of a fire. Examples that are not covered include confiscation of contraband and demolition of a condemned building.

Sometimes firefighters deem it necessary to deliberately destroy a building that is in the path of a fire to eliminate its fuel source and prevent its spread.
Nuclear Hazard—Basic and Broad Forms

d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation, or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

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There is no coverage for loss caused by nuclear reaction or radioactive contamination, except that coverage is provided for ensuing fire.

Hospitals, research facilities, and other entities that use radioactive materials can be covered for direct damage and income or expense loss from radioactive contamination with a radioactive contamination endorsement (CP 10 37) to any of the causes of loss forms. This endorsement provides either "limited" or "broad" radioactive contamination coverage.

Utility Services—Basic and Broad Forms

e. Utility Services

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion does not apply to the Business Income coverage or to Extra Expense coverage. Instead, the Special Exclusion in paragraph B.3.a.(1) applies to these coverages.

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There is no coverage for direct damage to property if the utility service failure occurs away from the premises, but there is no coverage for business income or extra expense loss if the utility service failure occurs outside of the building. There is no coverage for business income and extra expense loss resulting from damage to transmission lines (or other equipment), even if the damaged transmission lines are on the insured's premises.

Three ISO property endorsements are available to address this exclusion:

- Off-premises power failure—direct damage (CP 04 17)
- Off-premises services—time element (CP 15 45)
- Spoilage coverage (CP 04 40)
Although the spoilage coverage endorsement provides very broad direct damage coverage, boiler and machinery consequential loss coverage may be the best way to provide full coverage for businesses with a spoilage exposure.

**War and Military Action—Basic and Broad Forms**

<table>
<thead>
<tr>
<th>f. War and Military Action</th>
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<tbody>
<tr>
<td>(1) War, including undeclared or civil war;</td>
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<tr>
<td>(2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or</td>
</tr>
<tr>
<td>(3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.</td>
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There is no coverage for damage by war or military action, not even for ensuing fire. However, this exclusion does not eliminate coverage for damage done by terrorists.

The war exclusion is made up of three parts:

- Item (1) excludes damage by war, including undeclared or civil war.
- Item (2) excludes damage caused by "warlike action by a military force.
- Item (3) excludes damage in connection with rebellion, revolution, or civil war. These are actions taken by armed groups of citizens to take control of the government away from those currently in power.

Although the existing exclusion of war and military action in the causes of loss forms does not apply to terrorism, two endorsements that became available for use in January of 2002 in most jurisdictions would replace the existing exclusion with new exclusions of war, military action, and terrorism. These endorsements, which were developed by ISO in consultation with insurance regulators, are expected to be widely used.

Some ocean marine coverage for war damage may be available from specialty or government insurers but generally speaking, war damage is considered to be commercially uninsurable.

**Water—Basic and Broad Forms**

g. Water
(1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;

(2) Mudslide or mudflow;

(3) Water that backs up or overflows from a sewer, drain or sump; or

(4) Water under the ground surface pressing on, or flowing or seeping through;

(a) Foundations, walls, floors or paved surfaces;

(b) Basements, whether paved or not; or

(c) Doors, windows or other openings.

But if Water, as described in g.(1) through g.(4) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

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Damage caused by water from outside the building is not covered. This exclusion is broken into four subparts which define exactly what is meant by water.

**Flood Coverage**

Virtually all commercial property forms contain an exclusion of flood damage and usually a very sweeping exclusion of most other types of water damage (such as sewer backup, seepage, and mudslide) as well. If the flood exposure is low to moderate, some insurers will add flood coverage to the basic property policy by endorsement. An ISO flood coverage endorsement recently became available, but most insurers that elect to write flood insurance do so on their own coverage endorsements. If the insurer that writes the basic property coverage is unwilling to provide flood coverage, it may be possible to obtain coverage using a separate difference-in-conditions (DIC) policy as a supplement to the basic property policy.

Whether coverage is provided by endorsement to the basic policy or as part of a DIC policy, flood coverage is normally subject to a separate deductible that is much higher than the deductible that applies to loss from other causes (typically at least $25,000 to $50,000 per occurrence) and a flood coverage sublimit that may be much lower than the limit that applies to loss from other causes. The flood coverage sublimit is usually an annual aggregate limit as well, whereas most other property insurance limits apply per occurrence. An annual aggregate flood limit establishes the maximum that the insurer will pay for all loss from flood during the policy year.

Businesses whose property is exposed to severe flood hazards may have to turn to the National Flood Insurance Program (NFIP) for flood insurance. NFIP is a federally funded program that makes flood insurance available in participating communities. Flood insurance limits of up to $500,000 per building and $500,000 contents per building are available, depending on the size
of the business, subject to very low deductibles. NFIP policies are available through normal insurance distribution channels, from both independent agents and direct writers.

In some instances an insurer may be willing to endorse the property policy to provide flood coverage in excess of an NFIP policy. Businesses with property values in excess of the NFIP's maximum coverage limits should explore this possibility.

1) **Flood** - is definitely not covered; flood includes surface water, tides, and tidal waves. Also not covered is the overflow of any body of water which could be a river, creek, ocean, lake, whether natural or manmade. The spray from the water is not covered, even if it is wind-driven.

2) **Mudslide and mudflow** – this occurrence can happen with a lot of water. This subpart states that neither of these conditions is covered.

3) **Sewers, drains and sumps** - can become overwhelmed by the water coming into them and they will begin to backup or overflow. This is not covered.

4) **Water can saturate the ground** – this creates pressure against any type of surface or subsurface part of the building. Water that enters through foundations, walls, floors, paved surfaces, basements, doors, windows and other openings is not covered.

If fire or explosion occur because of water, there is coverage for the damage due to the fire or explosion. In addition, there is coverage for damage due to the sprinkler leakage.

The water damage exclusion can be partially negated by attaching the flood coverage endorsement CP 10 65, which adds coverage for damage caused by flood or mudslide. The exclusions of sewer backup and seepage of water remain unchanged.

Coverage for flood and mudslide can also be obtained through the National Flood Insurance Program (NFIP), either directly from NFIP or from any of NFIP's "Write Your Own" participating insurers. Particularly for properties exposed to a high risk of flood, the NFIP is frequently the only available source of coverage. Flood insurance is the subject of another course.

**Conclusion to Group 1 Exclusions**

| Exclusions B.1.a. through B.1.g. apply whether or not the loss event results in widespread damage or affects a substantial area. |
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The seven Group 1 exclusions—ordinance or law, earth movement, governmental action, nuclear hazard, utility services, war and military action, and water—apply regardless of whether the damage from these causes of loss is widespread or localized.
Group 2 Exclusions

2. We will not pay for loss or damage caused by or resulting from:

Several of the exclusions contain ensuing loss language that explicitly grants coverage for certain types of ensuing loss.

The Group 2 exclusions are listed below.

- Artificially generated current
- Delay, loss of use, or loss of market
- Smoke from industrial operations
- Wear and tear, etc.
- Boiler explosion
- Continuous leakage
- Discharge caused by freezing
- Employee dishonesty
- Voluntary parting with property
- Precipitation damage to personal property outdoors
- Collapse (except as provided under the collapse additional coverage)
- Release of pollutants

This group of exclusions is not subject to the concurrent causation lead-in of the first group of exclusions. Therefore, if a cause of loss in this second group of exclusions contributed with a covered cause of loss in producing property damage, the portion of the loss attributable to the covered cause of loss would be covered despite the dual causation.

Artificially Generated Current—Basic and Broad Forms

a. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires. But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by that fire.

Artificially generated electrical current removes coverage for damage to equipment caused by power surge or electric arcing. But if a fire results from the power surge or arcing, any resulting fire damage is covered.

Coverage for these types of losses is available under a boiler and machinery policy, and, for electronic data processing (EDP) equipment, under an EDP policy.
An electrical apparatus endorsement (CP 04 10) can be used to provide broader coverage for public utilities. This endorsement provides coverage for electrical damage as well as damage by the fire or explosion to electrical equipment if fire or explosion follows the initial electrical damage.

Off-Premises Utility Service Interruption Coverage

Some businesses are susceptible to direct damage loss resulting from interruption in utility service. Examples include food processors, supermarkets, and florists dependant on refrigeration and clothing manufacturers using electrical power in the time-sensitive process of cloth dyeing. If the utility service interruption is the result of a fire or other covered cause of loss at the insured's premises, the damage caused by the utility service interruption would be covered. However, most commercial property policies do not cover damage to the insured's property resulting from events taking place away from the insured's premises, even if the event is a covered cause of loss.

Utility service interruption coverage is widely available by endorsement. It pays for damage resulting from utility service interruption originating away from the insured's premises. However, for coverage to apply, the service interruption must result from damage from a covered peril, such as a fire or a windstorm. Since mechanical breakdown is not a covered cause of loss under a commercial property policy, utility service interruption loss resulting from a mechanical breakdown at the power plant would not be covered. (Coverage for this type of loss is available under a boiler and machinery policy.)

Bursting of Pipes, Leakage from Appliances—Basic Form Only

b. Rupture or bursting of water pipes (other than Automatic Sprinkler Systems) unless caused by a Covered Cause of Loss.

c. Leakage or discharge of water or steam from any part of a system or appliance containing water or steam (other than an Automatic Sprinkler System), unless the leakage or discharge occurs because the system or appliance was damaged by a Covered Cause of Loss.

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There is no coverage under the basic causes of loss form for loss from rupture of water pipes or discharge of water from an appliance or system (other than an automatic sprinkler system), unless a covered cause of loss has damaged the pipes, appliance, or system. Such things are covered under broad and special forms.

Basic versus Broad Form

These two exclusions are found only in the basic form. In fact, the second of the two exclusions is a covered cause of loss in the broad form.
Boiler Explosion—Basic and Broad Forms

b. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control.

But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion.

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Explosion of steam boilers, steam pipes, steam engines or steam turbines owned, leased or operated and controlled by the named insured are excluded (but any resulting loss by fire or combustion explosion is covered)

In the Basic Causes of Loss Form the Boiler Explosion Exclusion is exclusion 2.d., but in the Broad Causes of Loss Form it is 2.b.

Coverage for explosion of steam equipment (and for electrical and mechanical breakdown of equipment as well) is available under a boiler and machinery policy. The exclusion applies only if the equipment is owned, leased, or operated by the insured. There is no exclusion of damage from a boiler explosion if the insured is a tenant in a building where a boiler explosion occurs.

Mechanical Breakdown—Basic and Broad Forms

c. Mechanical breakdown, including rupture or bursting caused by centrifugal force.

But if mechanical breakdown results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

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In the Basic Causes of Loss Form the Mechanical Breakdown Exclusion is exclusion 2.e., but in the Broad Causes of Loss Form it is 2.c.

Mechanical breakdown is not covered, but if the breakdown causes damage by some covered cause of loss, the resulting damage is covered.

Coverage for mechanical breakdown is available under boiler and machinery policies and, for electronic data processing (EDP) equipment, under EDP policies.
Neglect To Preserve Property from Further Damage—Basic and Broad Forms

d. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

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The "duties in the event of loss" provision found in every edition of the building and personal property coverage form (CP 00 10) requires the insured to take reasonable steps to protect property damaged by a covered cause from further damage.

Special Exclusions

These "special exclusions" are included in all three causes of loss forms. They apply only to coverage under specific coverage forms. The first group of exclusions applies only to the two business income coverage forms and the extra expense coverage form. Another set of exclusions applies only to the leasehold coverage interest form, and another set of exclusions applies only to the legal liability coverage form.

Special Exclusions: Business Income and Extra Expense Coverage—Basic and Broad Forms

Special Exclusions

The following provisions apply only to the specified Coverage Forms.

a. Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, or Extra Expense Coverage Form

We will not pay for:

(1) Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs outside of a covered building.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss resulting from that Covered Cause of Loss.

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The Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form or Extra Expense Coverage Form contain the following extra exclusions:
There is no coverage for business income or extra expense loss that results from utility service failure that originates outside of a covered building.

If the failure is internal, there is coverage. If the power outage in one building is due to a problem at another building on the same premises, there is still no coverage.

Coverage for such losses can be added by endorsement, using the utility services—time element endorsement (CP 15 45).

(2) Any loss caused by or resulting from:

(a) Damage or destruction of "finished stock"; or
(b) The time required to reproduce "finished stock."

This exclusion does not apply to Extra Expense.

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There is no coverage for loss due to damage of "finished stock" or the time required to reproduce "finished stock."

A manufacturer's selling price endorsement (CP 99 30) to the direct damage coverage form is available to provide coverage for the difference between the selling price and the manufacturing cost of finished stock.

(3) Any loss caused by or resulting from direct physical loss or damage to radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers.

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There is no business income or extra expense coverage for loss in connection with radio or television antennas, including satellite dishes. This exclusion can be deleted by attachment of the radio or television antennas—business income or extra expense endorsement (CP 15 50).

(4) Any increase of loss caused by or resulting from:

(a) Delay in rebuilding, repairing or replacing the property or resuming "operations," due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or

(b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations," we will cover such loss that affects your Business Income during the "period of restoration" and any extension
of the "period of restoration" in accordance with the terms of the Extended Business Income Additional Coverage and the Extended Period Of Indemnity Optional Coverage or any variation of these.

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There is no coverage for any increase in business income or extra expense loss caused by a strike. Increase in business income or extra expense loss caused by the suspension, lapse, or cancellation of a license, lease, or contract caused by the suspension of operations is covered, but only to the extent that it affects the insured's business income during the policy's indemnity period.

Coverage applies to business income loss incurred during any extension of the period of restoration granted in the policy and its endorsements.

Losses caused by strikes are generally considered uninsurable. No standard endorsement provides strike coverage. However, strike insurance may be available from specialty insurers, such as Lloyd's of London.

(5) Any Extra Expense caused by or resulting from suspension, lapse or cancellation of any license, lease or contract beyond the "period of restoration."

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Similar to the above, there is no coverage under Extra Expense if a license, lease or contract is suspended, lapsed or cancelled beyond the "period of restoration." Once the property damage that triggered coverage has been repaired, extra expense coverage ends.

(6) Any other consequential loss.

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A consequential loss is a loss that results from direct physical damage to or loss of property. Any consequential loss not already specifically covered or specifically excluded in the form is excluded here.

**Special Exclusions: Leasehold Interest Coverage—Basic and Broad Forms**

b. Leasehold Interest Coverage Form

1. Paragraph B.1.a., Ordinance or Law, does not apply to insurance under this Coverage Form.
2. We will not pay for any loss caused by:

(a) Your cancelling the lease;

(b) The suspension, lapse or cancellation of any license; or

(c) Any other consequential loss.

The leasehold interest coverage form (CP 00 60) provides coverage for loss resulting from the
cancellation of an insured tenant's lease because of a covered cause of loss.

The building ordinance exclusion does not apply to the leasehold interest coverage form, which
means coverage applies without the need for the building ordinance coverage endorsement for
cancellation of the lease as a result of damage by a covered cause of loss; even if the lease
would not have been canceled, except for the need to comply with a building ordinance.

Coverage applies only to loss resulting from cancellation of the lease, and not to loss resulting
from cessation of operations made necessary by the cancellation of a license to operate.

The exclusion of any other consequential loss reinforces the fact that coverage under the
leasehold interest coverage form applies only to the consequential loss specifically insured
against under that form.

Special Exclusions: Legal Liability Coverage Form—Basic and Broad Forms

c. Legal Liability Coverage Form

(1) The following Exclusions do not apply to insurance under this Coverage Form:

(a) Paragraph B.1.a., Ordinance or Law;

(b) Paragraph B.1.c., Governmental Action;

(c) Paragraph B.1.d., Nuclear Hazard;

(d) Paragraph B.1.e., Utility Services; and

(e) Paragraph B.1.f., War and Military Action.

(2) The following additional exclusions apply to insurance under this Coverage Form:

(a) Contractual Liability

We will not defend any claim or "suit," or pay damages that you are legally liable to pay,
solely by reason of your assumption of liability in a contract or agreement. But this
exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

(i) Your assumption of liability was executed prior to the accident; and

(ii) The building is Covered Property under this Coverage Form.

(b) Nuclear Hazard

We will not defend any claim or "suit," or pay any damages, loss, expense or obligation, resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

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The legal liability coverage form is quite different from most of the other commercial property coverage forms because it provides coverage for damage to property of others for which the insured is legally liable.

Five exclusions are removed and are not applicable to this coverage form:

(i) Ordinance or Law
(ii) Governmental Action
(iii) Nuclear Hazard
(iv) Utility Services
(v) War and Military action

Two exclusions are added:

(I) Contractual Liability

There is no coverage for protection given through contract except for an agreement to assume liability for building damage due to attempted break in. The assumption of such liability must be made prior to any accident and the building must be covered under the policy.

(II) Nuclear Hazard

There is no coverage for "suits" brought due to any damages or expenses relating to nuclear reaction, radiation, or contamination.

Under the legal liability coverage form, there is no coverage for liability assumed by contract unless the insured is also legally liable in tort for the damage in question, except for liability for damage by burglars or robbers to a covered building. The building ordinance, governmental action, war, nuclear, and utility service failure exclusions do not apply to coverage under the legal liability coverage form. The insurer will not defend any claim or suit or pay any loss in connection with nuclear reaction, nuclear radiation, or radioactive contamination.
The appropriate way to deal with contractually assumed liability for damage to leased property is to insure it under a property insurance policy. The responsibility to purchase property insurance, as specified in the lease, may rest with the lessor or the lessee.

### Additional Coverage—Broad Form Only

The broad causes of loss form includes an "additional coverage" that is not included in the basic causes of loss form: collapse from named causes.

### Additional Coverages: Collapse—Broad Form Only

C. Additional Coverages—Collapse

The term Covered Cause of Loss includes the Collapse Additional Coverage as described and limited in 1. through 5. below.

1. With respect to buildings:

   a. Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose;

   b. A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse;

   c. A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building;

   d. A building that is standing or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion

2. We will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if the collapse is caused by one or more of the following:

   a. Fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; breakage of building glass; falling objects; weight of snow, ice or sleet; water damage meaning accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains water or steam; all only as insured against in this Coverage Part;

   b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;

d. Weight of people or personal property;

e. Weight of rain that collects on a roof;

f. Use of defective material or methods in construction, remodeling, or renovation if the collapse occurs during the course of the construction, remodeling, or renovation. However, if the collapse occurs after construction, remodeling, or renovation is complete and is caused in part by a cause of loss listed in 2.a through 2.e., we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling, or renovation, contributes to the collapse.

The criteria set forth in 1.a. through 1.d. do not limit the coverage otherwise provided under this Causes of Loss Form for the causes of loss listed in 2.a.

3. With respect to the following property:

a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;

b. Awnings, gutters and downspouts;

c. Yard fixtures;

d. Outdoor swimming pools;

e. Fences;

f. Piers, wharves and docks;

g. Beach or diving platforms or appurtenances;

h. Retaining walls; and

i. Walks, roadways and other paved surfaces;

if the collapse is caused by a cause of loss listed in 2.b. through 2.f., we will pay for loss or damage to that property only if:

a. Such loss or damage is a direct result of the collapse of a building insured under this Coverage Form; and

b. The property is Covered Property under this Coverage Form.

4. If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:
a. The collapse was caused by a Cause of Loss listed in 2.a. through 2.f. above;
b. The personal property which collapses is inside a building; and
c. The property which collapses is not of a kind listed in 3. above, regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph 4. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

5. This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this Coverage Part.

Coverage for loss from the collapse of a building, a part of a building, or personal property in a building applies only if the collapse was the result of a covered cause of loss, or one of the following: building glass breakage; weight of rain collected on a roof; weight of people or personal property; hidden decay, insect, or vermin damage of which the insured had no knowledge prior to the collapse; or faulty materials or workmanship during construction or renovation. Except with respect to collapse from one of the form's covered causes of loss, coverage for collapse applies only to loss from a sudden falling down or caving in of the structure; a building that is in danger of falling down is not considered to have collapsed.

All the ISO forms that provide collapse coverage provide it only as a carefully described and limited additional coverage. This named perils approach to providing collapse coverage is designed to preclude the possibility of coverage being granted in court under the concurrent causation doctrine, for a collapse loss caused by earthquake or mudslide.

The collapse definition specifies that collapse of a building means "the abrupt falling down or caving in of a building or a part of a building" such that it cannot be occupied for its intended purpose.

"Collapse" applies to direct physical loss or damage caused by or resulting from and does not include settling, cracking, shrinkage, bulging or expansion.

The insurer will pay for loss or damage to the following items only if they are covered property and only if the loss is a direct result of the collapse of a building:

- Outdoor antennas and satellite dishes and their lead-in wires, masts or towers;
- Awnings, gutters and downspouts; yard fixtures;
- Outdoor swimming pools; fences; piers, wharves, and docks; diving platforms;
- Retaining walls; walks, roadways and other paved surfaces.
**Basic Form versus Broad Form**

There is no collapse additional coverage provision in the basic causes of loss form.

Collapse caused by faulty workmanship or materials (item 2.f. above) is excluded from coverage altogether under the builders risk coverage form (CP 00 20). It can be added back by endorsement (builders risk—collapse during construction, CP 11 20).

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**Limitation—Basic and Broad Forms**

Both the basic and broad causes of loss contain this single coverage limitation, which addresses coverage for loss to animals.

D. LIMITATION

We will pay for loss of animals only if they are killed or their destruction is made necessary.

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The ISO commercial property forms provide very limited coverage for loss to animals. This limitation in the causes of loss forms establishes that loss to animals is covered only if they are killed by a covered cause of loss or if their destruction is made necessary by the occurrence of a covered cause of loss. Animals are covered property in only two situations.

- When the animals are the insured's inventory or stock, and then only while they are indoors.
- When the animals are being boarded by the insured for others.
CAUSES OF LOSS—SPECIAL FORM

The CP 10 30 is the broadest of the three forms and should be viewed as the first choice for most insureds. However, there may be times when an alternative must be chosen. A firm understanding of all three forms will allow the agent to provide advice to the insured.

Special Form – Covered Causes of Loss

The Causes Of Loss-Special form provides the broadest coverage of all — open perils or named exclusion coverage. It does not list perils, but it covers everything that is not excluded or limited. It also adds an additional coverage, and two extensions of coverage.

Most of the words on the "special" form are used in stating the exclusions and limitations. Because there are no stated perils to describe or define coverage, coverage statements and definitions are intermingled with the exclusions, and a separate definitions section attempts to clarify the coverage. "Specified causes of loss," a term appearing frequently in the exclusions, is essentially the same as the broad form perils.

CAUSES OF LOSS—SPECIAL FORM

A. COVERED CAUSES OF LOSS

When Special is shown in the Declarations, Covered Causes of Loss means RISKS OF DIRECT PHYSICAL LOSS unless the loss is:

1. Excluded in Section B., Exclusions; or

2. Limited in Section C., Limitations;

that follow.

The special form is commonly known as an all risk form. Instead of itemizing each of the covered causes of loss, it provides coverage for all causes of loss that are not specifically excluded in the form.

An important advantage of the all risk approach to insureds is that it is more difficult for insurers to deny coverage under an all risk form than under a named perils form. This is because with an all risk form, the burden of proof is on the insurer to show that coverage does not apply to a particular loss, whereas with a named perils form, the insured must show that loss was caused by a peril specifically insured against in the policy.
Exclusions

Since it provides coverage for all causes of loss that are not specifically excluded, the special form contains a long list of excluded perils rather than a list of covered perils. There are three groups of "exclusions" applicable to any coverage form to which the special causes of loss form applies. Then there are "special exclusions" that apply only to specific coverage forms. Finally, there are "limitations," which are restrictions on coverage otherwise provided.

This form only contains three exclusions but they all have multiple subparts.

For purposes of this discussion, the unlabeled groups of exclusions are referred to as the Group 1, Group 2, and Group 3 exclusions. The Group 1 exclusions are subject to a "concurrent causation" lead-in provision that is intended to eliminate all coverage for any loss that involves the excluded cause of loss, even if other unexcluded causes of loss were also involved. The Group 2 exclusions are distinguished from the Group 1 exclusions in that they are not subject to a concurrent causation lead-in provision. The Group 3 exclusions consist of particular causes of loss that have been cited by the courts in applying the legal doctrine of concurrent causation to first-party property insurance.

Group 1 Exclusions

The sources of loss mentioned in the first exclusion are not covered if they cause damage directly, indirectly or by appearing in the chain of events that contribute to the loss. Any exception to the chain of event condition is stated in the exclusion subpart. The 00 edition adds wording to further emphasize that there is no coverage for these events by stating that widespread nature of an event does not impact the coverage.

B. EXCLUSIONS

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

There is no coverage for any loss caused by one of the seven excluded causes of loss in this group, even if a covered cause of loss contributed with the excluded cause of loss in producing the damage. Unless a specific exception is made in the individual exclusion, even resulting damage from an unexcluded peril is excluded.

This lead-in language is intended to preclude any possibility of coverage for loss caused by any of the seven excluded causes of loss in this group by application of the legal doctrine of concurrent causation. In cases where the courts have applied this doctrine, losses resulting from multiple causes have been held covered if at least one of the causes of the loss is covered or not specifically excluded from coverage under the policy.

The seven Group 1 exclusions are as follows.
- Ordinance or law
- Earth movement
- Governmental action
- Nuclear hazard
- Utility services
- War and military action
- Water

All but the ordinance or law and war exclusions contain ensuing loss language that preserves coverage for certain types of loss that result from the excluded cause of loss.

**Ordinance or Law**

a. Ordinance or Law

The enforcement of any ordinance or law:

1. Regulating the construction, use or repair of any property; or
2. Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance or Law, applies whether the loss results from:

1. An ordinance or law that is enforced even if the property has not been damaged; or
2. The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

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There is no coverage for loss, or increase of loss, that is the result of the enforcement of building ordinances.

Historically, the ordinance or law exclusion has been aimed principally at precluding coverage for the extra costs associated with compliance with local building ordinances. Many communities have regulations requiring that a building that has been damaged to some specified extent (usually 50 percent) must be demolished and reconstructed in accordance with current building codes. The effect of this exclusion in the causes of loss forms is to prevent loss recovery for the undamaged portion of an insured building, the expense of demolishing the undamaged portion of the building, and the extra cost of upgrading the reconstruction to comply with current building codes. This exclusion, and the definition of "period of restoration" in the business income and extra expense coverage forms, also prevents recovery for income loss or extra expense incurred beyond the length of time that would have otherwise been required to rebuild.
The passage of the Americans With Disabilities Act of 1990 (the ADA) created a new type of building laws loss exposure. Title III of the ADA is concerned with making public and commercial buildings physically accessible for disabled persons. It imposes remodeling and reconstruction requirements on some organizations that vary depending on the primary use of each building. Some of the requirements apply regardless of whether the building in question must be remodeled or rebuilt for reasons other than ADA compliance. The causes of loss forms include a new paragraph specifying that the exclusion applies to the cost of complying with local building ordinances after a direct damage loss and also to the cost of complying with laws that affect construction, remodeling, or repair of buildings even in the absence of damage to the building.

Both direct damage and time element endorsements are available to add back coverage for additional costs resulting from compliance with building laws after a covered direct damage loss. The direct damage coverage endorsement (ordinance or law coverage, CP 04 05) has been revised to make it clear that there is coverage for loss resulting from the enforcement of Title III of the ADA, except with respect to any changes the insured was supposed to have made prior to the loss but failed to make. The building ordinance—increased period of restoration endorsement (CP 15 31) has also been revised, to incorporate the 72-hour deductible that applies to business income coverage under the two business income coverage forms.

**Earth Movement**

b. Earth Movement

(1) Earthquake, including any earth sinking, rising or shifting related to such event;

(2) Landslide, including any earth sinking, rising or shifting related to such event;

(3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;

(4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in b.(1) through (4) above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

(5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the loss or damage caused by that fire, building glass breakage or Volcanic Action.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

(a) Airborne volcanic blast or airborne shock waves;

(b) Ash, dust or particulate matter; or
(c) Lava flow.

All volcanic eruptions that occur within any 168 hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the described property.

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b. Earth Movement

The form itemizes the type of earth movement that is ineligible for coverage. The list is more detailed, reducing ambiguity. Earth Movement is now broken into 5 separate items.

1) **Earthquake** includes any sinking, rising or shifting of the earth

2) **Landslide** includes any sinking, rising or shifting of the earth.

3) **Mine Subsidence** is excluded in regard to both man-made and natural mines. There is no coverage whether the mine has ceased operation or is still in operation. Coverage for mine subsidence may be purchased separately. In some states the coverage must be offered in certain counties (Illinois, Indiana, Kentucky, Pennsylvania or West Virginia.) There are laws specifying that the coverage must be offered, the price that may be charged and the manner in which the protection must be provided.

4) **Sinkhole Collapse** is covered but any other earth sinking is not. Any rising, shifting, erosion, contraction or expansion of earth is not covered, nor is water under the surface of the ground or poor soil conditions.

   An important amendment to this exclusion is that if fire or explosion occurs due to any earth movement, then coverage exists for the ensuing damage.

5) **Volcanoes** typically erupt over a number of days. The policy acknowledges this by attributing all activity that takes place within 168 hours to a single occurrence. This is very important to the insured in regard to the deductible. Instead of multiple deductibles, only one deductible applies to damage which occurs in that 168 hours. However, this also limits the amount of coverage to the policy limit over the entire 168 hours as well.

There is no coverage for earth movement (other than sinkhole collapse), except for ensuing fire or explosion, or for volcanic eruption, except for ensuing fire or volcanic action.

The language specifies that earth sinking, rising, or shifting includes "soil conditions which cause settling, cracking, or other disarrangement of foundations or other parts of realty." It further specifies that "soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface."
In the case of earthquake, ensuing fire or explosion are covered, and, in the case of volcanic eruption, ensuing fire, glass breakage, and volcanic action (a named peril in both the basic and broad causes of loss forms) are covered.

The 2000 editions of the causes of loss forms explicitly exclude loss resulting from soil conditions that cause settling, cracking, or other damage to foundations. They also define soil conditions to include "contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface."

There are two ISO commercial property endorsements that provide earthquake coverage: the earthquake and volcanic eruption endorsement, CP 10 40, and the earthquake and volcanic eruption endorsement, sublimit form, CP 10 45. These endorsements only partially negate the effect of this exclusion, in that they provide coverage for earthquake and volcanic eruption only; loss from other types of earth movement remains excluded. Many businesses that need earthquake coverage elect to purchase a separate difference in conditions (DIC) policy.

Businesses can purchase coverage for sprinkler leakage resulting from earthquake or volcanic eruption (without otherwise purchasing coverage for earthquake or volcanic eruption). This option is included in the CP 10 40 (earthquake and volcanic eruption endorsement) and in CP 10 45 (earthquake and volcanic eruption endorsement, sublimit form), and in most cases this coverage is available under the sprinkler leakage—earthquake extension endorsement (CP 10 39).

**Governmental Action**

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<th>c. Governmental Action</th>
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<tbody>
<tr>
<td>Seizure or destruction of property by order of governmental authority.</td>
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<tr>
<td>But we will pay for loss or damage caused by or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.</td>
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<td>Copyright, Insurance Services Office, Inc., 1999</td>
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</tbody>
</table>

There is no coverage for the loss suffered by the insured when a governmental entity confiscates its property or orders it destroyed, such as confiscation of contraband and demolition of a condemned building.

This exclusion prevents coverage only when the insured's property is the subject of a specific governmental order for its destruction or confiscation. It does not exclude coverage for any and all damage that results from the actions of a governmental entity.

Coverage does apply if the destruction of the insured's property is ordered to prevent the spread of a fire, when firefighters deem it necessary to deliberately destroy a building that is in the path of a fire to eliminate its fuel source.
**Nuclear Hazard**

d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation, or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

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There is no coverage for loss caused by nuclear reaction or radioactive contamination, except for damage resulting from an ensuing fire.

The nuclear exclusion found in all property insurance policies is nearly absolute. Businesses that do not use radioactive materials simply cannot obtain coverage for damage to their property interests from nuclear hazards. However, hospitals, research facilities, and others that use radioactive materials can be covered for direct damage and income or expense loss from radioactive contamination under a radioactive contamination endorsement (CP 10 37) to any of the causes of loss forms. This endorsement provides either "limited" or "broad" radioactive contamination coverage.

Utilities operating nuclear reactors can obtain nuclear energy hazard coverage through the American Nuclear Insurers, an association of stock insurers who pool their capacity in order to provide a market for nuclear hazard coverage, or through the Mutual Atomic Energy Liability Insurers, an association of mutual insurers.

**Utility Services**

e. Utility Services

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion does not apply to the Business Income coverage or to Extra Expense coverage. Instead, the Special Exclusion in paragraph B.4.a.(1) applies to these coverages.

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There is no coverage for direct physical loss that results from utility service failure if the failure occurs away from the described premises. However, resulting damage from a covered cause of loss is covered.
Business income and extra expense coverage are exempt from the utility service exclusion, but subject to a new and more restrictive special exclusion. The new special exclusion eliminates coverage for business income and extra expense coverage if the failure occurs outside of a covered building. There is no coverage for business income and extra expense loss resulting from damage to transmission lines (or other equipment), even if the damaged transmission lines are on the insured's premises.

There are three ISO property endorsements that address this exclusion.

- Utility services—direct damage (CP 04 17) for those whose property could be damaged by an interruption in utility service
- Utility services—time element (CP 15 45) for those whose operations would be interrupted as a result of an interruption in utility services
- Spoilage coverage (CP 04 40) for businesses that process, store, or sell perishable items

**War and Military Action**

f. War And Military Action

(1) War, including undeclared or civil war;

(2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

(3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

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There is no coverage for damage by war or military action, not even for ensuing fire. However, this exclusion does not eliminate coverage for damage done by terrorists.

- Item (1) is simply an exclusion of damage by war carried out by large groups of armed military personnel who are being directed by a governing authority.
- Item (2) excludes damage caused by "warlike action by a military force.
- Item (3) is an exclusion of damage in connection with rebellion, revolution, or civil war. These are actions taken by armed groups of citizens to take control of the government away from those currently in power.

After the attacks on the World Trade Center and the Pentagon on September 11, 2001, there was considerable fear that insurers might deny claims for resulting losses on the basis of the war exclusion.

Although the existing exclusion of war and military action in the causes of loss forms does not apply to terrorism, two endorsements became available for use in January of 2002 in most
jurisdictions which would replace the existing exclusion with new exclusions of war, military action, and terrorism.

**Water**

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<tr>
<th>g. Water</th>
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<tbody>
<tr>
<td>(1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;</td>
</tr>
<tr>
<td>(2) Mudslide or mudflow;</td>
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<tr>
<td>(3) Water that backs up or overflows from a sewer, drain or sump; or</td>
</tr>
<tr>
<td>(4) Water under the ground surface pressing on, or flowing or seeping through:</td>
</tr>
<tr>
<td>(a) Foundations, walls, floors or paved surfaces;</td>
</tr>
<tr>
<td>(b) Basements, whether paved or not; or</td>
</tr>
<tr>
<td>(c) Doors, windows or other openings.</td>
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But if Water, as described in g.(1) through g.(4) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

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This exclusion is of loss caused by flood, mudslide, sewer backup, and seepage of water through floors, walls, and openings in buildings.

Nearly all commercial property forms contain an exclusion of loss from flood and other types of water damage.

The water damage exclusion can be partially negated by attaching the flood coverage endorsement (CP 10 65). This endorsement adds coverage for damage caused by flood or mudslide. The exclusions of sewer backup and seepage of water however, remain unchanged.

Coverage for flood and mudslide (but not sewer backup or seepage) can also be obtained through the National Flood Insurance Program (NFIP) either directly from NFIP or from any of NFIP’s "Write Your Own" participating insurers. Particularly for properties exposed to a high risk of flood, the NFIP is frequently the only available source of coverage.

Some insurer flood coverage endorsements provide broader coverage for water damage than is provided under the ISO endorsement or NFIP policy, possibly including sewer backup, seepage, or both, as well as flood and mudslide.
Under the special causes of loss form, the only water damage that is still covered after application of the flood and seepage exclusions is damage caused by leakage from an appliance or sprinkler system occurring over a period of less than 14 days. The water damage coverage extension grants coverage for the cost of tearing out and replacing otherwise undamaged portions of a building, if necessary, to repair a system or appliance that has caused a covered water damage loss. The “appliance leakage repair” limitation establishes that there is no coverage for the cost of repairs to the faulty appliance or system itself, with one exception: coverage is provided for repairing a fire extinguishing system that has caused a covered loss (such as a sprinkler leakage loss).

Conclusion to Group 1 Exclusions

Exclusions B.1.a. through B.1.g. apply whether or not the loss event results in widespread damage or affects a substantial area.

The seven Group 1 exclusions—ordinance or law, earth movement, governmental action, nuclear hazard, utility services, war and military action, and water—apply regardless of whether the damage from these causes of loss is widespread or localized.

Group 2 Exclusions

2. We will not pay for loss or damage caused by or resulting from any of the following:

This second group of exclusions is not subject to the concurrent causation language found in the lead-in to the Group 1 exclusions. This indicates an intent to exclude loss only when a Group 2 exclusion is the sole cause of the loss in question. If an unexcluded cause contributes to loss involving a Group 2 excluded cause of loss, loss from the unexcluded cause is covered. If an unexcluded cause results from a Group 2 excluded cause of loss, loss from the unexcluded cause is also covered.

However, several of the Group 2 exclusions contain ensuing loss language that explicitly grants coverage only for certain types of ensuing loss, which limits coverage for ensuing unexcluded loss to only the specified types of ensuing loss.

The Group 2 exclusions are listed below.

- Artificially generated current
- Delay, loss of use, or loss of market
- Smoke from industrial operations
- Wear and tear, etc.
- Boiler explosion
- Continuous leakage
- Discharge caused by freezing
- Employee dishonesty
- Voluntary parting with property
- Precipitation damage to personal property outdoors
- Collapse (except as provided under the collapse additional coverage)
- Release of pollutants

**Artificially Generated Current**

a. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by that fire.

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If electricity, other than lightning, damages electrical devices there is no coverage unless there is a fire and then only for the fire loss.

Coverage for these types of losses is available under a boiler and machinery policy, and, for electronic data processing (EDP) equipment, under an EDP policy.

An electrical apparatus endorsement (CP 04 10) can be used to provide broader coverage for public utilities. This endorsement provides coverage for electrical damage as well as damage by the fire or explosion to electrical equipment if, and only if, fire or explosion follows the initial electrical damage.

**Delay, Loss of Use, Loss of Market**

b. Delay, Loss of Use or Loss of Market.

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Loss of use or loss of market are primarily indirect or consequential losses, rather than direct physical losses.

This exclusion reinforces the basic requirement in property insurance that insured property must be physically damaged in order for coverage to apply.

Loss of income or increased expenses due to delay, loss of use, and loss of market resulting from direct physical damage to insured property can be covered under the time element coverage forms: the business income coverage (and extra expense) coverage form (CP 00 30)
and the business income coverage form (without extra expense) CP 00 32), the extra expense coverage form (CP 00 50), and the leasehold interest coverage form (CP 00 60).

Smoke from Industrial Operations

c. Smoke, vapor or gas from agricultural smudging or industrial operations.

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Smoke vapor or gas that is caused by agricultural smudging or industrial operations is excluded. All other smoke-related damage qualify for insurance protection.

Losses of this type are excluded primarily because of the predictable damage, which can be expected by insureds located near operations of this type.

d.(1) Wear and tear;

(2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;

(3) Smog;

(4) Settling, cracking, shrinking or expansion;

(5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals.

(6) Mechanical breakdown, including rupture or bursting caused by centrifugal force. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision.

(7) The following causes of loss to personal property:

(a) Dampness or dryness of atmosphere;

(b) Changes in or extremes of temperature; or

(c) Marring or scratching.

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in a "specified cause of loss" or building glass breakage, we will pay for the loss or damage caused by that "specified cause of loss" or building glass breakage.

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d. Wear and Tear.

There are 7 parts to this exclusion. Most of these items should be viewed as routine costs of doing business, not as losses. These sources of property damage should be expected by insurance consumers and so are not covered causes of loss.

The "wear and tear" exclusions are found in only in the special causes of loss form; they are not included in the basic and broad causes of loss forms. The reason is that the special form provides coverage for any direct physical damage to covered property as long as the cause of loss is not specifically excluded. In the absence of the "wear and tear" exclusions, an all risk form could be interpreted to cover repair or replacement of any covered property that happens to wear out, stop working, malfunction, or spoil during the policy period—not due to any external cause, but simply because of the normal life span or other characteristics of that type of property.

The wear and tear exclusion contains ensuing loss language that explicitly grants coverage for ensuing loss from one of the "specified causes of loss" or building glass breakage.

The term "specified causes of loss" is defined in the definitions section of the form to mean fire, lightning, explosion, windstorm, hail, smoke, aircraft, vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, weight of snow, ice, or sleet, and water damage.

The special causes of loss form provides coverage for damage to the elevator, as well as to any other covered property, in the event of an elevator collision, even if a mechanical breakdown was the cause of the elevator collision.

Boiler Explosion

e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for loss or damage caused by or resulting from 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.

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Boiler explosion damage is excluded, if the insured owns, leases, or operates the equipment. But ensuing fire or combustion explosion damage is covered. (A combustion explosion is an explosion triggered by combustion—usually a fire or spark—rather than by a buildup of pressure within a container.)
If the insured suffers damage due to the explosion of someone else’s steam boiler, there would be coverage. If the insured owns or operates them, there is coverage only if fire or combustion explosion results.

Coverage for explosion of steam equipment (as well as electrical and mechanical breakdown of equipment) is available under a boiler and machinery policy.

**Continuous Leakage**

f. Continuous or repeated seepage or leakage of water that occurs over a period of 14 days or more.

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Water that leaks or seeps over a period of 14 days or more is not covered. This means that internal water leaking is covered unless it goes on for a period greater than 14 days.

This sort of gradual or ongoing and relatively long-term condition is excluded because attentive maintenance of the property should lead to its discovery and correction.

**Discharge Caused by Freezing**

g. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

(1) You do your best to maintain heat in the building or structure; or

(2) You drain the equipment and shut off the supply if the heat is not maintained.

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If freezing causes a discharge of water or other substances from equipment, and the insured has not attempted to maintain heat in the building or, alternatively, drained the equipment and shut off the supply if heat will not be maintained, the loss or damage caused by that discharge is excluded. This exclusion does not apply to discharge of water or other substances from fire protective systems, such as sprinkler systems.

**Employee Dishonesty**

h. Dishonest or criminal act by you, any of your partners, members, officers, managers, employees (including leased employees), directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:
(1) Acting alone or in collusion with others; or

(2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees (including leased employees); but theft by employees (including leased employees) is not covered.

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Loss due to dishonest or criminal acts on the part of the insured or employees of the insured is not covered, however vandalism by employees "including leased employees" is covered. This exclusion extends to anyone to whom the insured entrusts property. Coverage for loss due to employee dishonesty is available under an employee dishonesty coverage form or fidelity bond.

**Voluntary Parting with Property**

i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

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If the insured or someone the insured trusts with property is tricked into giving away any property, there is no coverage.

The justification for this exclusion is that such losses can usually be prevented by the exercise of caution on the part of the insured. Some insurers may be willing to remove this exclusion or add coverage by endorsement.

**Precipitation Damage to Personal Property Outdoors**

j. Rain, snow, ice or sleet to personal property in the open.

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There is no coverage for rain, snow, ice or sleet damage to that personal property.

Since most personal property is susceptible to damage by exposure to the elements, damage by rain, snow, ice, or sleet is a predictable consequence of leaving such items outdoors.
Collapse

k. Collapse, except as provided below in the Additional Coverage for Collapse. But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.

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Loss caused by collapse is excluded here and then added back as a very limited additional coverage. However, if loss from an unexcluded cause (such as fire or explosion) results from a collapse, the resulting loss is covered, whether or not the collapse itself would be covered.

Release of Pollutants

l. Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss." But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

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Damage by pollutants is covered only if the release of the pollutants is caused by one of the specified causes of loss (fire, lightning, explosion, windstorm, hail, smoke, aircraft, vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, weight of snow, ice, or sleet, and water damage). Even if damage by pollutants is not caused by a specified cause of loss, and is therefore not covered, resulting damage from one of the specified causes of loss is covered.

Separate and distinct from the issue of coverage for damage to insured property is the issue of pollutant cleanup coverage. The ISO direct damage coverage forms, notably the building and personal property coverage form (CP 00 10), provide a small amount ($10,000 per location per year) of coverage for cleanup of polluted land or water at the insured premises, provided that the release of the pollutant is caused by a covered cause of loss during the policy period.

The term "pollutants" is not defined in the causes of loss forms. Instead it is defined in the definitions sections of the appropriate coverage forms, as follows:

“Pollutants means any solid, liquid, gaseous, or thermal irritant or contaminant including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. Waste includes materials to be recycled, reconditioned, or reclaimed.”
Neglect To Preserve Property from Further Damage

m. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

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This excludes loss resulting from neglect of the insured to protect property from further damage. The "duties in the event of loss" provision found in every edition of the building and personal property coverage form (CP 00 10) require the insured to take steps to protect property from further damage, so the exclusion of coverage when they do not is logical.

Group 3 Exclusions

The subparts under this exclusion are commonly called the concurrent causation exclusions.

3. We will not pay for loss or damage caused by or resulting from any of the following, 3.a. through 3.c. But if an excluded cause of loss that is listed in 3.a. through 3.c. results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss or damage.

b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

c. Faulty, inadequate or defective:

(1) Planning, zoning, development, surveying, siting;

(2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(3) Materials used in repair, construction, renovation or remodeling; or

(4) Maintenance;

of part or all of any property on or off the described premises.

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There is no coverage for loss caused by: acts or decisions of a person, group, organization, or governmental body; faulty or inadequate planning, zoning, or surveying; or faulty or inadequate design, materials, workmanship, or maintenance. Also excluded is loss caused by weather conditions, but only if weather conditions contribute with a cause of loss excluded in the first group of exclusions to cause damage. However, resulting loss or damage from an otherwise unexcluded cause is covered.

These exclusions are designed to prevent recovery for excluded causes of loss under the legal doctrine of concurrent causation. In cases where the courts have applied this doctrine, losses resulting from multiple causes have been held to be covered if at least one of the causes of the loss is covered (or, not specifically excluded from coverage) under the policy. In several of these cases, design errors, faulty workmanship or materials, weather conditions, or zoning or planning decisions were held to be concurrent, unexcluded causes of flood, mudslide, or earth movement losses, which are clearly not intended to be covered by the forms.

### Special Exclusions

The "special exclusions," included in all three causes of loss forms, are exclusions that apply only to coverage provided under specific coverage forms. The first group of special exclusions apply only to the two business income coverage forms and the extra expense coverage form. Another set of special exclusions applies only to the leasehold interest coverage form, and another set applies only to the legal liability coverage form.

### Special Exclusions—Business Income and Extra Expense Coverage

4. Special Exclusions

The following provisions apply only to the specified Coverage Forms.

a. Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, or Extra Expense Coverage Form

We will not pay for:

(1) Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs outside of a covered building.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss resulting from that Covered Cause of Loss.

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There is no coverage for business income or extra expense loss that results from utility service failure that originates outside of a covered building.
The "utility services" exclusion (in Group 1) specifically does not apply to business income and extra expense coverage. Instead, coverage under the two business income coverage forms and the extra expense coverage form is subject to this more restrictive "special exclusion," which eliminates coverage for loss resulting from any utility service failure occurring outside the building. As a result, there is no coverage for business income and extra expense loss resulting from damage to transmission lines, even if the damaged transmission lines are on the insured's premises. However, coverage for such losses can be added by endorsement, using the utility services—time element endorsement (CP 15 45).

(2) Any loss caused by or resulting from:
   (a) Damage or destruction of "finished stock;" or
   (b) The time required to reproduce "finished stock."

This exclusion does not apply to Extra Expense.

There is no coverage for business income loss resulting from damage to finished stock.

Since the insured's manufacturing operations are, by definition, complete with respect to finished stock, the destruction of finished stock will not suspend operations. Therefore, a business income loss in connection with destruction of finished stock would be limited to the anticipated profit on the sale of that stock. A manufacturer's selling price endorsement (CP 99 30) to the direct damage coverage form is available to provide coverage for the difference between the selling price and the manufacturing cost of finished stock.

(3) Any loss caused by or resulting from direct physical loss or damage to radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers.

The phrase "including satellite dishes" was inserted after the phrase "television antennas" to make it clear that satellite dishes are considered television antennas.

There is no business income or extra expense coverage for loss in connection with radio or television antennas. However, this exclusion can be deleted by attachment of the radio or television antennas—business income or extra expense endorsement (CP 15 50).

(4) Any increase of loss caused by or resulting from:
(a) Delay in rebuilding, repairing or replacing the property or resuming "operations," due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or

(b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations," we will cover such loss that affects your Business Income during the "period of restoration" and any extension of the "period of restoration" in accordance with the terms of the Extended Business Income Additional Coverage and the Extended Period Of Indemnity Optional Coverage or any variation of these.

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There is no coverage for any increase in business income or extra expense loss caused by a strike. Increase in business income or extra expense loss due to the suspension, lapse, or cancellation of a license, lease, or contract caused by the suspension of operations is covered, but only to the extent that it affects the insured's business income during the policy period of restoration (the time between the loss date and the date when the damaged property is repaired or replaced).

Coverage applies, not only to the period of restoration but also during any extension of the period of restoration granted in the policy and its endorsements.

Losses due to strikes are generally considered uninsurable, and there are no standard endorsements that provide strike coverage. However, some forms of strike insurance may be available in specialty markets such as Lloyd's of London.

(5) Any Extra Expense caused by or resulting from suspension, lapse or cancellation of any license, lease or contract beyond the "period of restoration."

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Coverage for extra expenses due to or resulting from suspension, lapse, or cancellation of a lease or contract ceases after the damaged property has been repaired or replaced. Once the property damage that triggered coverage has been repaired, extra expense coverage ends.

(6) Any other consequential loss.

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A consequential loss is a loss that results from direct physical damage to or loss of property. This is an exclusion of any consequential loss not already specifically covered or specifically excluded in the form.
Special Exclusions—Leasehold Interest Coverage

b. Leasehold Interest Coverage Form

(1) Paragraph B.1.a. Ordinance or Law, does not apply to insurance under this Coverage Form.

(2) We will not pay for any loss caused by:

(a) Your cancelling the lease;

(b) The suspension, lapse or cancellation of any license; or

(c) Any other consequential loss.

The leasehold interest coverage form (CP 00 60) provides coverage for loss resulting from the cancellation of an insured tenant's lease as a result of a covered cause of loss.

The building ordinance exclusion does not apply to coverage under the leasehold interest coverage form.

The exclusion of coverage under the leasehold interest coverage form for loss due to the suspension, lapse, or cancellation of any license simply means that coverage applies only to loss due to cancellation of the lease.

The exclusion of any other consequential loss reinforces the fact that coverage under the leasehold interest coverage form applies only to the form of consequential loss specifically insured against under that form: an insured tenant's financial loss due to the cancellation of a favorable lease as a result of a covered cause of loss.

Special Exclusions—Legal Liability Coverage

c. Legal Liability Coverage Form

(1) The following Exclusions do not apply to insurance under this Coverage Form:

(a) Paragraph B.1.a., Ordinance or Law;

(b) Paragraph B.1.c., Governmental Action;

(c) Paragraph B.1.d., Nuclear Hazard;

(d) Paragraph B.1.e., Utility Services; and
(e) Paragraph B.1.f., War and Military Action.

(2) The following additional exclusions apply to insurance under this Coverage Form:

(a) Contractual Liability

We will not defend any claim or "suit," or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement. But this exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

(i) Your assumption of liability was executed prior to the accident; and

(ii) The building is Covered Property under this Coverage Form.

(b) Nuclear Hazard

We will not defend any claim or "suit," or pay any damages, loss, expense or obligation, resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

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The legal liability coverage form is quite different from most of the other commercial property coverage forms to which the causes of loss forms apply. It is designed to provide coverage for damage to property of others for which the insured is legally liable.

Under the legal liability coverage form, there is no coverage for liability assumed by contract unless the insured is also legally liable in tort for the damage in question, except for liability for damage by burglars or robbers to a covered building. The building ordinance, governmental action, war, nuclear, and utility service failure exclusions do not apply to coverage under the legal liability coverage form. The insurer will not defend any claim or suit or pay any loss in connection with nuclear reaction, nuclear radiation, or radioactive contamination.

Coverage is provided for liability for damage to a covered building done by burglars or robbers, provided the insured assumed this liability in a written lease agreement prior to the burglary or robbery.

The appropriate way to deal with contractually assumed liability for damage to leased property is to insure it under a property insurance policy affording coverage for the causes of loss for which the insured will be held accountable. The responsibility to purchase property insurance, as specified in the lease, may rest with the lessor or the lessee. A waiver of subrogation should be used to prevent the property insurer from subrogating against the other party, in the event of a loss caused by that party's negligence.
Limitations

The "limitations" of the special causes of loss form are exclusions of coverage for certain types of loss to particular kinds of property. They are exclusions that apply very narrowly, and are distinguished from the form's "exclusions" by their specificity.

C. LIMITATIONS

The following limitations apply to all policy forms and endorsements, unless otherwise stated.

There are four limitations, each with several subparts. In previous editions of the form, coverage for glass breakage was limited to $250 per occurrence and an aggregate limit of $500. This limitation has been removed, since glass breakage is now covered on the same basis as any other cause of loss.

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.

The language is intended to make it clear that the limitations eliminate not only direct damage loss, but also time element losses suffered as a consequence of the excluded direct damage loss, unless a particular limitation stipulates otherwise.

Steam Boilers

a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an 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.

b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.

Steam boilers, steam pipes, steam engines or steam turbines are not covered if the loss was caused by or resulted from a condition inside the equipment. But there is coverage if the loss or damage was caused by an explosion of gases or fuel within the furnace of a fired vessel or within the flue through which combustible gases flow.
Any water heating device, including hot water boilers, are not covered if the loss is due to a condition inside the equipment unless an explosion occurs.

**Building Interiors**

c. The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:

(1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or

(2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.

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There is no coverage for damage by the elements to the interior or the contents of a building, unless the damage is caused by thawing of snow or ice on the building, or unless the building’s walls or roof have first been damaged by an unexcluded cause of loss.

**Building Materials Theft**

d. Building materials and supplies not attached as part of the building or structure, caused by or resulting from theft.

However, this limitation does not apply to:

(1) Building materials and supplies held for sale by you, unless they are insured under the Builders Risk Coverage Form; or

(2) Business Income coverage or Extra Expense coverage.

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There is no coverage for theft of building materials and supplies, unless the building materials are held for sale by the insured. However, building materials and supplies covered under the builders risk coverage form are not covered for loss by theft regardless of whether they are held for sale by the insured.

This limitation does not preclude coverage for an otherwise covered business income or extra expense loss that results from theft of building materials and supplies.

An endorsement (builders risk—theft of building materials, fixtures, machinery, and equipment, CP 11 21) can be used to close this coverage gap under the builders risk coverage form.
Missing Property

e. Property that is missing where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.

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Although theft coverage is provided under the special causes of loss form, there must be some evidence that a theft has occurred for coverage to apply. Property that is missing when there is no physical evidence to show what happened to it, such as a shortage revealed by an inventory, is not covered.

Property Transfer

f. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

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There is no coverage for loss of or damage to property that has been transferred away from a covered location on the basis of unauthorized instructions. The primary peril excluded by this limitation is theft; however, damage or destruction of property by any peril is excluded as well.

Various Property Types

2. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:

a. Valuable papers and records, such as books of account, manuscripts, abstracts, drawings, card index systems, including those which exist on film, tape, disc, drum, cell or other data processing, recording or storage media. Valuable papers and records do not include prepackaged software programs.

b. Animals, and then only if they are killed or their destruction is made necessary.

c. Fragile articles such as statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:

(1) Glass; or

(2) Containers of property held for sale.
d. Builder’s machinery, tools and equipment owned by you or entrusted to you, provided such property is Covered Property.

However, this limitation does not apply:

(1) If the property is located on or within 100 feet of the described premises, unless the premises is insured under the Builders Risk Coverage Form; or

(2) To Business Income coverage or to Extra Expense coverage.

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The insurance company will not pay for losses to any of the following types of property unless the loss is caused by a "specified cause of loss" or building glass breakage:

- Valuable papers and records, including those which exist on any type of data processing device. An important exception is that prepackaged software programs are not considered valuable papers and records since they’re readily available, off the nearest computer or general retailer’s shelf.

- Animals are covered but only if they are killed or must be destroyed due to damage caused by the "specified cause of loss" or building glass breakage.

- Fragile articles which would include statuary, marbles, chinaware and porcelains, if broken. This does not apply to glass or containers of property held for sale.

- Builders’ machinery tools and equipment that is owned by you or entrusted to you and that qualifies as Covered Property. However, this limitation is not applicable if the property is located on or within 100 feet of the described premises. The limitation is also inapplicable under the Business Income or Expense Coverage Form.

Coverage for breakage and marring and scratching of fragile articles is typically available under an inland marine fine arts coverage form.

Full coverage for contractor’s equipment is available under an inland marine contractor’s equipment policy.

**Theft Coverage**

3. The special limit shown for each category, a. through d., is the total limit for loss of or damage to all property in that category. The special limit applies to any one occurrence of theft, regardless of the types or number of articles that are lost or damaged in that occurrence. The special limits are:

a. $2,500 for furs, fur garments and garments trimmed with fur.
b. $2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth $100 or less per item.

c. $2,500 for patterns, dies, molds and forms.

d. $250 for stamps, tickets, including lottery tickets held for sale, and letters of credit.

These special limits are part of, not in addition to, the Limit of Insurance applicable to the Covered Property.

This limitation, C.3., does not apply to Business Income coverage or to Extra Expense coverage.

This provision limits theft coverage on particularly susceptible property to specified dollar amounts. If needed, full all risk coverage including theft is available for these categories of property under inland marine coverage forms.

The theft coverage sublimits apply to: furs and garments trimmed in fur; jewelry, watches, precious stones, and precious metals; patterns, dies, molds, and forms; and stamps, tickets, and letters of credit.

The limits established in the provision apply per occurrence, regardless of the number of items lost. Also, the limits established in the provision are part of, not in addition to, the limits of insurance shown in the declarations.

The limitation does not restrict recovery for business income or extra expense loss resulting from theft of the property subject to the limitation.

A "theft exclusion" endorsement can be attached to the special form if theft coverage is not wanted or if an underwriter will not write it. When the theft exclusion applies, building damage caused by burglars breaking in or exiting and loss or damage that occurs due to looting during a riot will still be covered.

**Appliance Leakage Repair**

4. We will not pay the cost to repair any defect to a system or appliance from which water, other liquid, powder or molten material escapes. But we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

a. Results in discharge of any substance from an automatic fire protection system; or

b. Is directly caused by freezing.
However, this limitation does not apply to Business Income coverage or to Extra Expense coverage.

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There is no coverage for the cost of repairing an appliance or system that causes an otherwise covered water damage loss, unless the damage was caused by freezing. However, the cost of repairing a fire extinguishing system that has caused a covered water damage loss is covered. This limitation does not apply to business income or expense loss.

**Additional Coverage—Collapse**

The special form adds an additional coverage, collapse, which is virtually identical to the same coverage on the broad form.

Loss from collapse is excluded from coverage in the "Exclusions" section of the form, except to the extent that coverage applies under the collapse additional coverage.

**D. ADDITIONAL COVERAGE—COLLAPSE**

The term Covered Cause of Loss includes the Additional Coverage—Collapse as described and limited in D.1. through D.5. below.

1. With respect to buildings:

   a. Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose;

   b. A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse;

   c. A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building;

   d. A building that is standing or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

2. We will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if the collapse is caused by one or more of the following:

   a. The "specified causes of loss" or breakage of building glass, all only as insured against in this Coverage Part;
b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;

c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;

d. Weight of people or personal property;

e. Weight of rain that collects on a roof;

f. Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in D.1.a. through D.1.e., we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

The criteria set forth in 1.a. through 1.d. do not limit the coverage otherwise provided under this Causes of Loss Form for the causes of loss listed in 2.a., 2.d. and 2.e.

3. With respect to the following property:

a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;

b. Awnings, gutters and downspouts;

c. Yard fixtures;

d. Outdoor swimming pools;

e. Fences;

f. Piers, wharves and docks;

g. Beach or diving platforms or appurtenances;

h. Retaining walls; and

i. Walks, roadways and other paved surfaces;

if the collapse is caused by a cause of loss listed in 2.b. through 2.f., we will pay for loss or damage to that property only if:

a. Such loss or damage is a direct result of the collapse of a building insured under this Coverage Form; and

b. The property is Covered Property under this Coverage Form.
4. If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:

a. The collapse was caused by a Cause of Loss listed in 2.a. through 2.f. above;

b. The personal property which collapses is inside a building; and

c. The property which collapses is not of a kind listed in 3. above, regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph 4. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

5. This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this Coverage Part.

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Coverage for loss from the collapse of a building, a part of a building, or personal property in a building applies only if the collapse was the result of one of the specified causes of loss, or one of the following: building glass breakage; weight of people or personal property; weight of rain on a roof; hidden decay, insect, or vermin damage of which the insured had no knowledge prior to the collapse; or faulty materials or workmanship during construction or renovation. Except with respect to collapse from one of the form’s covered causes of loss, coverage for collapse of a building or part of a building applies only to loss from a sudden falling down or caving in of the structure; a building that is in danger of falling down is not considered to have collapsed.

All the ISO forms that provide collapse coverage provide it only as a carefully described and limited additional coverage, after having first excluded collapse in the exclusions section of the form. This named peril approach to providing collapse coverage is designed to preclude the possibility of coverage being granted under the concurrent causation doctrine for a collapse loss caused by earthquake or mudslide. It also effectively prevents coverage for collapse due to faulty workmanship or materials occurring after construction or renovation is complete, and for collapse at any time due to design error. (Presumably, the insured would be able to collect for such losses from the responsible party.)

Collapse due to faulty workmanship or materials is excluded from coverage altogether under the builders risk coverage form (CP 00 20). It can be added back by endorsement (builders risk—collapse during construction, CP 11 20).
There are three extensions that enhance the Special Cause of Loss Form’s protection, personal property in transit, damage caused by or resulting from appliance leakage, and expenses associated with repair or replacement of damaged glass.

**Property in Transit**

E. ADDITIONAL COVERAGE EXTENSIONS

1. Property in Transit. This Extension applies only to your personal property to which this form applies.

   a. You may extend the insurance provided by this Coverage Part to apply to your personal property (other than property in the care, custody or control of your salespersons) in transit more than 100 feet from the described premises. Property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory.

   b. Loss or damage must be caused by or result from one of the following causes of loss:

      1. Fire, lightning, explosion, windstorm or hail, riot or civil commotion, or vandalism.

      2. Vehicle collision, upset or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the road bed.

      3. Theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.

   c. The most we will pay for loss or damage under this Extension is $5,000.

   This Coverage Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

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Personal property in a motor vehicle owned, leased or operated by the named insured is covered while in transit, provided it is not property in the care, custody or control of a salesperson and it is more than 100 feet from the premises.

The loss or damage must be caused by one of the following causes of loss:

- Fire, lightning, explosion, windstorm, hail, riot, civil commotion or vandalism.
- Collision with another vehicle or an object, upset or overturn. Hitting the roadbed is NOT considered collision.
- Theft by visible forced entry of an entire bale, case or product. The vehicle must have been securely locked.

This extension provides an additional limit of insurance of $5,000.
All risk coverage for property in transit, including coverage for property in transit by means of transportation other than owned motor vehicles, is available under inland marine transit forms.

**Appliance Leakage**

2. Water Damage, Other Liquids, Powder or Molten Material Damage. If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

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If necessary to repair a system or appliance that has caused a covered water damage loss, coverage specifically extends to the cost of tearing out and replacing otherwise undamaged portions of a building. This coverage is subject to the applicable limit of insurance.

**Glass**

3. Glass

a. We will pay for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed.

b. We will pay for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building. This does not include removing or replacing window displays.

This Coverage Extension, E.3., does not increase the Limit of Insurance.

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If repair or replacement of damaged glass is delayed, the expense of putting up temporary plates or boarding up openings is covered, subject to the applicable limit of insurance. If it is necessary to remove or replace obstructions to repair or replace damaged glass that is part of a building, this expense is also covered, subject to the applicable limit of insurance.

**Definitions**

Only one term is defined in the definitions section of the special causes of loss form: specified causes of loss.

**F. DEFINITIONS**
"Specified Causes of Loss" means the following: Fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

Sinkhole Collapse

1. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:
   a. The cost of filling sinkholes; or
   b. Sinking or collapse of land into man-made underground cavities.

Falling Objects

2. Falling objects does not include loss or damage to:
   a. Personal property in the open; or
   b. The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

Water Damage

3. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains water or steam.

Although the special causes of loss form is an all risk form, coverage for some types of property under some circumstances is limited to loss from "specified causes of loss." Exactly which perils are included as "specified causes of loss" is spelled out here. Several of the perils that comprise the "specified causes of loss" are not defined anywhere else in the form, including sinkhole collapse, falling objects, and water damage.
Earthquake and Volcanic Eruption Endorsement CP 10 40 must be used in combination with:

- At least one other Cause of Loss Form (Basic CP 10 10, Broad CP 10 20 or Special CP 10 30),
- The Building and Personal Property Coverage Form (CP 00 10) and
- Commercial Property Conditions (CP 00 90),

in order to form a commercial property coverage part or policy.

The form provides coverage against two causes of loss:

1. Earthquake
2. Volcanic Eruption

The other Causes Of Loss forms cover volcanic action, which includes only those perils that occur above ground. Volcanic eruption, however, which is included only in the Earthquake form, includes volcanic activity that occurs both above and below the ground.

All earthquake shocks or volcanic eruptions that occur within any 168-hour period constitute a single earthquake or volcanic eruption. The expiration of the policy will not reduce the 168-hour period.

When Earthquake-Sprinkler Leakage Only has been indicated in the Declarations, then Earthquake and Volcanic Eruption apply only to sprinkler leakage loss resulting from earthquake or volcanic eruption.

Earthquake Form Exclusions

The earthquake exclusions section begins with most of the standard exclusions found on other causes of loss forms – ordinance or law, governmental action, nuclear hazard, utility service failure, and war risks are excluded.

The earthquake form has three other exclusions. Earthquake coverage does not cover loss or damage caused by or resulting from:

- Artificially generated electric current
- Fire, explosion (other than volcanic explosion), landslide, mine subsidence, tidal wave, flood, mudslide or mudflow, even if attributable to an earthquake or volcanic eruption
- Any earthquake or volcanic eruption that begins before the inception of this insurance

When computing the value of the building or structure to determine the coverage limit, the cost of the exterior masonry veneer should be excluded. It should also be excluded when applying the Earthquake or Volcanic Eruption deductible, and when calculating the amount necessary to comply with the Additional Condition - Coinsurance.
There are two exceptions to this limitation:

- If the description of the property in the Declarations specifically states that masonry veneer is included, or
- If less than 10% of the entire outside wall area is faced with masonry veneer (excluding stucco).

**Earthquake Deductible**

A special earthquake deductible provision applies to all coverage forms except business income and extra expense coverages. For all other coverage forms, the earthquake and volcanic eruption deductible will be the percentage shown in the declarations times the limit of insurance for each type of covered property. Deductibles will be applied separately to:

- Each building, if two or more buildings are damaged
- The building and personal property in that building, if both sustain damage
- Personal property at each building, if personal property at two or more buildings sustains damage
- Personal property in the open

The earthquake coverage form will not pay for loss or damage until it exceeds the applicable deductible(s), and it will then pay the amount in excess of any deductible up to the applicable limit of insurance, after any reduction required by any coinsurance condition, agreed value coverage, or underreporting of values when coverage is written on a reporting basis. The actual calculations can become quite complex.

In the case of business income and or extra expense coverages, the earthquake form excludes coverage for the first 168 hours of loss, but only for buildings over four stories in height.

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**EARTHQUAKE AND VOLCANIC ERUPTION ENDORSEMENT (SUB-LIMIT FORM) — CP 10 45**

The Earthquake and Volcanic Eruption Endorsement (Sub-Limit Form) CP 10 45 must be used along with:

- At least one other Cause of Loss Form (Basic CP 10 10, Broad CP 10 20 and/or Special CP 10 30),
- The Building and Personal Property Coverage Form (CP 00 10)
- Commercial Property Conditions (CP 00 90),

in order to form a commercial property coverage part or policy.

This endorsement permits property to be covered for Earthquake and Volcanic Eruption on a sub-limit basis, meaning a limit that is lower than the coverage amount that applies to the other Causes of Loss.
The Additional Condition - Coinsurance does not apply to loss resulting from Earthquake or Volcanic Eruption. The Covered Causes of Loss, exclusions, limitations and related provisions are identical to form CP 10 40. The sub-limit is shown on the Declarations (or on a Schedule) as the Earthquake and Volcanic Eruption Limit of Insurance.

A Statement of Values is required when this endorsement is used, except when coverage applies to a Builder’s Risk form that is written on a non-reporting basis. The Statement of Values is required because the deductible is calculated as a percentage of the stated value of the property, not as a percentage of the sub-limit.

The limit of insurance for Earthquake and Volcanic Eruption is an annual aggregate limit, and is the most the company will pay for all loss or damage resulting from Earthquake or Volcanic Eruption within the 12-month policy period. The Annual Aggregate limit applies regardless of the number of Earthquakes or Volcanic Eruptions that occur during that time period.

An increased annual aggregate limit option is available at an additional premium charge, which increases the Annual Aggregate to two times the limit of insurance for Earthquake or Volcanic Eruption. Using this option, the limit of insurance still applies for an individual Earthquake or Volcanic Eruption. However, if there is more than one Earthquake or Volcanic Eruption during the policy period, the company will pay up to two times the limit of insurance, regardless of the number of loss events. However, if a single Earthquake or Volcanic Eruption begins during one annual policy period and ends during the next policy period, the limit of insurance for the second policy period would not apply to that Earthquake or Volcanic Eruption, to assure that two policy periods do not respond to loss by the same earthquake.

The limit of insurance for Earthquake and Volcanic Eruption is not increased by any amounts payable under an Additional Coverage or Coverage Extension described in the applicable Coverage Form, such as debris removal, newly acquired or constructed property, valuable papers or outdoor property.

Coverage may be written on a blanket basis. However, the most the company will pay for any property covered on a blanket basis is the limit of insurance or the amount shown for that property in the most recent Statement of Values on file.

If there is loss resulting from Earthquake or Volcanic Eruption along with an eligible ensuing loss, the company will also pay for the loss or damage created by the other peril. However, the most the company will pay is the limit of insurance applicable to the other Cause of Loss. The Earthquake and Volcanic Eruption sub-limit is not added to the limit of insurance shown in the declarations for the other peril.
The following listing identifies, by number and title, forms and endorsements available to modify ISO's Commercial Property Program.

**Form Numbering:**

The numbering of the forms and endorsements offered by ISO have a very specific meaning. A 10 place format is used.

- The first two places are letters indicating the line of insurance, such as CP for commercial property.
- The next two places indicate the category of insurance, further detailed below.
- The next two are the item or form number within the category.
- The next two are the month of that form's edition date.
- The final two are the year of that form's edition date.

**Categories:**

Endorsements are grouped in categories according to their purpose as follows:

- Coverage Forms-CP 00
- State Amendatory Endorsements-CP 01
- State Cancellation and Suspension Endorsements-CP 02
- Deductible Endorsements-CP 03
- Additional Coverage Endorsements-CP 04
- Causes of Loss-CP 10
- Builders Risk Endorsements-CP 11
- General Endorsements-CP 12
- Value Reporting Form and Related Endorsements-CP 13
- Additional Property/Property Not Covered-CP 14
- Time Element Endorsements-CP 15
- Applications, Worksheets and Rating Information Forms-CP 16
- Condominium Endorsements-CP 17
- Supplemental Schedules-CP 19
- Leasehold Interest Factor Tables-CP 60
- Miscellaneous Endorsements-CP 99

**CATEGORY 00 — COVERAGE FORMS**

**CP 00 10 Building and Personal Property Coverage Form**

**CP 00 15 Glass Coverage Form**

This form has been withdrawn from use with the 2000 edition of the Commercial Property Program.

**CP 00 17 Condominium Association Coverage Form**
**CP 00 18 Condominium Commercial Unit-Owners Coverage Form**

**CP 00 20 Builders' Risk Coverage Form**

**CP 00 30 Business Income Coverage Form (and Extra Expense)**

**CP 00 32 Business Income Coverage Form (Without Extra Expense)**

**CP 00 40 Legal Liability Coverage Form**

**CP 00 50 Extra Expense Coverage Form**

**CP 00 60 Leasehold Interest Coverage Form**

**CP 00 70 Mortgage Holder's Errors and Omissions Coverage Form**

**CP 00 80 Tobacco Sales Warehouse Coverage Form**

**CP 00 90 Commercial Property Conditions**

**CP 00 99 Standard Property Policy**

**CATEGORY 03 — DEDUCTIBLES**

**CP 03 20 Multiple Deductible Form**

This endorsement modifies the policy to indicate a schedule of deductibles applicable to premises and buildings where there are multiple deductibles on a building schedule with a number of locations insured.

The policy stipulates that if loss occurs at more than one building location as a result of one occurrence, the largest applicable deductible applies.

Premium reductions are given for the use of deductibles over the minimum $500 standard to the commercial property program, based on the table of credit factors filed for the program. An optional $250 deductible buyback is also available for additional premium, as filed.

**CP 03 21 Windstorm or Hail Percentage Deductible**

This endorsement is available to provide an optional deductible applying to the causes of loss of windstorm or hail. This option is on a percentage basis. The available options are 1%, 2%, or 5%. Premium reductions are given for the use of deductibles in the commercial property program.

**CATEGORY 04 — ADDITIONAL COVERAGE**

**CP 04 01 Brands and Labels**
This coverage option provides that if branded or labeled merchandise is damaged, the insurer may settle the property loss per either an agreed or appraised price. The insured may still distribute the merchandise. If the labels are kept, "salvage" must be stamped on each label. They insured may also remove the brands and labels, before selling. If "stamping" would damage the goods further, this option can’t be used by the insured. There is no premium change normally associated with the use of this endorsement.

Under the '00 edition, the insurer will reimburse the insured for the expense to prepare the salvage property, but this amount is paid as part of the insurance limit.

**CP 04 05 Ordinance or Law Coverage**

Provides three coverage options for an insured building that faces an increased cost of construction or demolition because of an ordinance or law. The endorsement must specify the covered building and the selected option. The three options are:

A. Coverage for Loss to the Undamaged Portion of the Building

B. Demolition Cost Coverage

C. Increased Cost of Construction

**CP 04 07 Pollutant Clean Up and Removal Additional Aggregate Limit of Insurance**

This endorsement provides an additional amount of coverage to the built-in $10,000 under the additional coverage section of the applicable commercial property form. Additional premium is charged for this option.

**CP 04 10 Electrical Apparatus**

Adding this option (for public service light, power and utility property) to the applicable cause of loss form, clarifies that while loss to electrical equipment and devices from artificial currents is excluded, loss from fire, explosion or electricity to electrical equipment or devices is eligible for coverage. A deductible of $1,000 applies.

There is no premium change normally associated with the use of this endorsement.

**CP 04 15 Debris Removal Additional Limit of Insurance**

Use of this endorsement increases coverage for debris removal above the $5,000 provided by the policy’s additional coverage section. The increased limits may be scheduled for specific premises or buildings. There is additional premium charged for the increase in limit.

**CP 04 17 Utility Services - Direct Damage**

Coverage is provided for loss or damage to scheduled property from interrupted utility services. The interruption must result from direct physical loss by a covered cause of loss to property that is not located on the described premises. Communication, power and water lines that supply the
insured premises may be scheduled as covered property including overhead transmission lines (as long as the latter are specified as covered). There is additional premium charged for the increase in limit.

**CP 04 18 Condominium Commercial Unit-Owners Optional Coverages**

An endorsement attaches to a Condominium Commercial Unit-Owners Coverage Form to protect against loss assessments and miscellaneous real property losses.

There is additional premium charged for the increase in coverage and limits.

**CP 04 25 Newly Acquired or Constructed Property - Increased Limit**

This endorsement is available for increasing the automatic Limit of Insurance applicable to newly acquired or constructed property coverage extension in the basic commercial property program. There is an additional premium charged for this option.

**CP 04 38 Functional Building Valuation**

Coverage may be added to replace the valuation loss condition of the applicable commercial property policy. The new condition pays to replace a damaged building on the same site with a functionally equivalent building. In the event of a partial loss, the damaged portion of the building would be repaired with less costly material. While no premium charge typically applies to this change, an insured that uses this option should carefully evaluate the selected building limits.

**CP 04 39 Functional Personal Property Valuation (Other Than Stock)**

This endorsement modifies the commercial property form the same way as the Functional Building Valuation referenced above. There is no premium change normally associated with the use of this endorsement. However, the personal property limit must be carefully evaluated when this option is used.

**CP 04 40 Spoilage Coverage**

This endorsement extends coverage to perishable stock at the described premises. The stock may be owned by the insured or be in an insured’s care, custody or control. Coverage may be purchased against breakdown or contamination and for power outage. Breakdown or contamination refers to spoilage from failure of refrigerating, cooling or humidity control equipment. The policy also covers refrigerant contamination. Power outage coverage handles spoilage due to interruption of electrical power, as long as the interruption is beyond the insured's control.

The form excludes loss caused by disconnecting refrigeration, disconnecting cooling or humidity controls; turning off electrical power, or the inability of a power source to provide sufficient power related to fuel or governmental order. The endorsement also excludes loss because of problems with an on-premises power supply or due to glass breakage to a glass component of any refrigerating, cooling or humidity control unit. There are also some provisions.
Additional premium is charged for this option.

**CP 04 50 Vacancy Permit**

**CP 04 60 Vacancy Changes**

This endorsement was introduced with the 10 00 version of the Commercial property Program. It allows an insured to specify a different minimum percentage of building rental or use without violating the basic policy’s vacancy provision. The lowest percentage allowed by the endorsement is ten percent.

**CATEGORY 10 — CAUSES OF LOSS**

**CP 10 10 Causes of Loss - Basic Form**

**CP 10 20 Causes of Loss - Broad Form**

**CP 10 30 Causes of Loss - Special Form**

**CP 10 33 Theft Exclusion**

An endorsement which applies to the Causes of Loss-Special Form and which excludes theft loss except when it happens during riot-related looting. There is also coverage for damage from burglar entry and exit. There is a reduction in premium since this option decreases coverage.

**CP 10 35 Watercraft Exclusion**

An option for use with the Causes of Loss--Special Form, which excludes loss to retaining walls, bulkheads or piers, wharves, and docks resulting from watercraft. No premium change is normally associated with this form.

**CP 10 37 Radioactive Contamination**

This endorsement adds either limited or broad radioactive contamination coverage to a Causes of Loss form. Naturally, additional premium is charged for this option.

**CP 10 39 Sprinkler Leakage - Earthquake Extension**

Use of this endorsement adds coverage for sprinkler leakage caused by earthquake or volcanic eruption. Additional premium is charged for this form.

**CP 10 40 Causes of Loss - Earthquake Form**

Adds coverage for earthquake and volcanic eruption as a covered cause of loss. Additional premium is charged for this form.

**CP 10 45 Earthquake And Volcanic Eruption (sub-limit form)**
**CP 10 51 Grain Properties - Explosion Limitation**

This endorsement provides for more limited coverage of explosion when insuring grain elevators or processing plant buildings. Typically, neither a reduction nor a change in premium is involved with this endorsement’s use.

**CP 10 52 Broken or Cracked Glass Exclusion Form**

An endorsement which may be added to the Glass Coverage Form to exclude further loss or damage to glass that is broken or cracked. A schedule or diagram identifying the location and description of the broken plates is included in the endorsement.

This form was withdrawn from use with the ’00 edition of the Commercial Property Program.

**CP 10 53 Windstorm or Hail Exclusion - Direct Damage**

Excludes direct damage caused by windstorm or hail as a covered cause of loss.

There is normally a reduction in premium for the use of this endorsement.

**CP 10 54 Windstorm or Hail Exclusion**

Excludes direct and indirect damage caused by windstorm or hail as a covered cause of loss.

There is normally a reduction in premium for the use of this endorsement.

**CP 10 55 Vandalism Exclusion**

Excludes vandalism as a covered cause of loss.

There is normally a reduction in premium for the use of this endorsement.

**CP 10 56 Sprinkler Leakage Exclusion**

Excludes sprinkler leakage as a covered cause of loss.

There is normally a reduction in premium for the use of this endorsement.

**CP 10 60 Molten Material**

This endorsement adds as a covered cause of loss, the accidental discharge of molten material from equipment and heat from such discharged material.

There is normally an additional premium charged for the increase in coverage.

**CP 10 65 Flood Coverage**
This endorsement was introduced with the 10 00 version of the Commercial property Program. It adds flood as a covered cause of loss. It is designed to provide coverage for flood on either a primary or an excess basis (over a National Flood Insurance Policy). Coverage may apply to Buildings or Business Personal Property. The form’s schedule has an area called "Inception Date of Flood Coverage Endorsement" and it specifies that coverage does not begin until after 72 hours from that date.

**CP 10 70 Pier and Wharf Additional Covered Causes of Loss**

An endorsement which adds loss or damage to pier and wharf structures caused by floating ice or collision of any vessel or floating object.

There is normally an additional premium charged for the increase in coverage.

**CATEGORY 11 — BUILDERS’ RISK ENDORSEMENTS**

**CP 11 05 Builders’ Risk Reporting Form**

Modifies coverage under the Builders’ Risk form to require monthly reporting of covered property values.

**CP 11 06 Builders’ Risk Premium Adjustment Form**

This is the actual form used to report values under the Builders’ Risk Reporting Form.

**CP 11 13 Builders’ Risk Renovations Form**

An endorsement used to insure renovations and/or additions that are under construction via the Builders’ Risk Coverage Form.

There are changes to the Builders’ Risk rating formula when this endorsement is used.

**CP 11 14 Builders’ Risk - Separate or Sub-Contractor's Exclusion**

Allows an insured to exclude the value of any installation made by a specific contractor or sub-contractor at the specified location. Normally, this is done when that contractor must provide coverage for the excluded items or if they are covered elsewhere.

There is not a premium credit for this exclusion; however, the Limit of Insurance should reflect the reduction in coverage.

**CP 11 15 Builders’ Risk - Separate or Sub-Contractor's Coverage**

Allows an insured to include the value of any installation made by a specific contractor or sub-contractor at the specified location.

There is no increase in rate for this endorsement; however, the Limit of Insurance should reflect the included amount.
**CP 11 20 Builders’ Risk - Collapse During Construction**

This endorsement modifies coverage under the additional coverage collapse cause of loss in the Builders’ Risk form.

There is normally no change in premium when this endorsement is used.

**CP 11 21 Builders’ Risk - Theft of Building Materials, Fixtures, Machinery, Equipment**

This endorsement allows an insured to purchase theft coverage for the items listed, as long as it is intended to be permanently installed in the structure under construction, or within 100 feet of the premises. Coverage is limited until construction begins and a watchman must be on duty in order to qualify for coverage.

There is an increase in premium for the use of this endorsement.

**CP 11 99 Builders’ Risk Changes - Standard Property Policy**

This endorsement must be used any time a Builders’ Risk Coverage is purchased in connection with the Standard Property Policy (CP 00 99) as it provides the necessary changes to complete coverage.

**CATEGORY 12 — GENERAL ENDORSEMENTS**

**CP 12 01 Commercial Property Coverage Part Policy Changes**

This is a general, all encompassing form that may be used when endorsing a commercial property policy or coverage form.

**CP 12 05 Commercial Property Coverage Part Supplemental Declarations**

This Supplemental Declarations was developed for policies that have items and/or locations whose descriptions do not fit onto the main Declarations Page because of limited space.

**CP 12 11 Burglary and Robbery Protective Systems**

When this endorsement is used, it describes protective safeguards used by the insured on covered premises. The system is identified by symbols that represent premises’ burglar alarm systems sirens. The insured is required to maintain the protective system.

**CP 12 18 Loss Payable Provisions**

Use of this endorsement allows an insured to schedule loss payables, lender’s loss payables, and contract of sale interests, in addition to explaining the terms and conditions of coverage for those insurable interests.

**CP 12 30 Peak Season Limit of Insurance**
This endorsement is used to increase the Limit of Insurance on covered personal property at the described locations for the periods shown on the schedule.

There is an additional premium charged for the increase in coverage.

**CP 12 40 Commercial Property Coverage Part Renewal Endorsement**

This endorsement was developed to provide the renewal of commercial property coverage parts or policies. It extends the coverage form for an additional period, as indicated, at the limits and values specified.

**CP 12 60 Loss Adjustment Endorsement**

Use of this endorsement by insurers facilitates the handling of their insureds’ covered property losses, which include both property and boiler and machinery insurance. It details the handling procedure between the insurers, with the support and cooperation of the insured.

**CP 12 99 Standard Property Policy Renewal Endorsement**

This endorsement was developed to provide the renewal of standard property coverage parts or policies. It extends the coverage form for an additional period, as indicated, at the limits and values specified.

**CATEGORY 13 — VALUE REPORTING FORM AND RELATED ENDORSEMENTS**

**CP 13 10 Value Reporting Form**

An endorsement for those insureds whose inventory or business personal property values fluctuate often and widely, or whose business personal property moves from one owned location to another frequently. The value of covered property is reported subject to five value reporting options: daily values reported monthly; weekly values reported monthly; monthly reporting of values; quarterly reporting; and annual reporting of values. The premium charged is adjusted at periodic intervals based on the actual values reported.

**CP 13 20 Additional Locations - Special Coinsurance Provisions**

An endorsement used to cover property at additional locations on a reporting form basis. Covered property is insured at reported locations, acquired locations and incidental locations. The coinsurance clause is modified to cover values at all locations. The premium charged is adjusted at periodic intervals based on the actual values reported.

**CP 13 30 Agricultural Products Storage**

This endorsement is used to exclude agricultural products at fairs and exhibitions while in transit, storage charges or elevator charges, and unpaid custom duties on agricultural products. The loss valuation clause is amended to cover property on a market value basis. There is no premium change normally associated with the use of this endorsement; however, the personal property limit must be carefully evaluated when this formed is used.
**CP 13 60 Report of Values**

The actual form used for the preparation and reporting of values with a value reporting form coverage.

**CP 13 61 Supplemental Report of Values**

When the Report of Values, CP 13 60, does not contain adequate room for the number of items or locations, this supplemental report of values is available.

**CP 13 70 Multiple Location/Premium and Dispersion Credit Application**

Property insureds that have a sufficient number of properties and values may use this application to request the credit be calculated and applied to the policy, if applicable.

**CATEGORY 14 — ADDITIONAL COVERED PROPERTY/PROPERTY NOT COVERED**

**CP 14 10 Additional Covered Property**

This endorsement modifies the policy to allow coverage for property classes listed under the Property Not Covered section. Items such as the cost of excavation, foundations, underground pipes, pilings, fences, retaining walls, bridges, vehicles or self-propelled machines, and animals (normally considered excluded property) may be covered if they are scheduled on this endorsement.

Premiums are normally charged based on the insurance limit selected for each scheduled item.

**CP 14 15 Additional Building Property**

This adds additional scheduled building property to the building coverage. There is no premium change normally associated with the use of this endorsement; however, the building limit must be carefully evaluated in light of its use.

**CP 14 20 Additional Property Not Covered**

At the insured's option, this may be used to schedule items to a policy's Property Not Covered section. Such items may include but are not be limited to, awnings, chimneys, crop silos, swimming pools, waterwheels, value of improvements, alterations and repairs, personal property in safes and vaults, contents of crop silos, glass, metal, ores or gravel, property of others, signs, and vending machines and stock. There is no premium change normally associated with the use of this endorsement.

**CP 14 30 Outdoor Trees, Shrubs and Plants**

This endorsement adds coverage for scheduled trees, shrubs and plants. A limit of insurance is shown for each item. The insured may opt to exclude vehicles as a covered peril. An additional premium charge is made for this increase in coverage.
**CP 14 40 Outside Signs**

Adds coverage for the described outside signs. There is a premium charge made for this increase in coverage.

**CP 14 50 Radio or Television Antennas**

This endorsement is used to add scheduled radio or television antennas, including satellite dishes, to covered property.

There is a premium charge made for this increase in coverage.

**CP 14 60 Leased Property**

An endorsement that modifies the policy to add scheduled personal property of others in the insured's care, custody or control under written leases. The policy may be optionally written on an agreed value.

There is no premium change normally associated with the use of this endorsement; however, the business personal property limit must be carefully evaluated in light of its use.

**CATEGORY 15 — TIME ELEMENT ENDORSEMENTS**

**CP 15 07 Expanded Limits on Loss Payment**

This endorsement expands the periods of restoration under an extra expense form to cover for additional time periods beyond the usual three months. Provision is made to schedule monthly periods of restoration up to one year and beyond for applicable percentages of the limit of liability.

There is a premium charge made for this increase in coverage.

**CP 15 08 Business Income From Dependent Properties - Broad Form**

This form is used to provide for coverage under the business income and extra expense form for loss sustained at a dependent property which suspends operations at the insured property. Contributing locations, recipient locations, manufacturing locations, and leader locations must be individually described for coverage to be in effect. Coverage applies to miscellaneous locations, but for no more than .03% of all limits of liability. There is a premium charge made for this increase in coverage.

**CP 15 09 Business Income From Dependent Properties - Limited Form**

This endorsement covers in the same manner as CP 15 08, but on a more limited basis.

There is a premium charge made for this increase in coverage.

**CP 15 10 Ordinary Payroll Limitation**
An endorsement that allows ordinary payroll expenses to be covered for a limited time period or be excluded under a Business Income Policy. No premium change is normally associated with this endorsement.

**CP 15 11 Power, Heat and Refrigeration Deduction**

Use of this endorsement excludes the cost of power, heat or refrigeration from coverage under the Business Income Policy.

There is no premium change normally associated with the use of this endorsement; however, the limit must be carefully evaluated in light of its use.

**CP 15 13 Seasonal Leases - Monthly Limits on Loss Payment**

This endorsement provides for loss of business income sustained limited to a monthly basis of recovery. The limit of monthly recovery is scheduled on the endorsement.

Different rating factors are used when this option is selected for Business Income Coverage.

**CP 15 15 Business Income Report/Work Sheet**

This work sheet assists in determining the actual limit of Business Income Coverage to be carried. It contains step-by-step details and procedures to assist with this limit determination.

**CP 15 20 Business Income Premium Adjustment**

Provides for premium on a Business Income Policy to be adjusted annually based on reports of values for the latest available 12 months’ experience and further reports of values 120 days following each succeeding 12 month period. The policy is subject to a coinsurance clause. Premium is paid in advance and adjusted at the end of the policy year.

**CP 15 24 Mining Properties - Business Income**

This endorsement can be quite flexible. It can be used to exclude the loss of business income as a result of damage to underground property in mines. It is also available to provide coverage on either a limited or broad basis.

**CP 15 25 Business Income Changes - Educational Institutions**

The CP 15 25 revises the meaning of business income to include coverage for tuition and fees from students. Coverage is written on either a limited or broad basis.

**CP 15 29 Electronic Media and Records**

This endorsement deletes the limitation of 60 days coverage for a period of restoration for suspension of business. The business interruption has to be caused by loss or damage to media and records. An insured may designate the length (in days) for the period of restoration on a schedule. Additional premium is usually charged for attaching this endorsement.
**CP 15 31 Ordinance or Law - Increased Period of Restoration**

Use of this endorsement extends the time period of recovery to include the amount of actual and necessary loss sustained during the increased period of suspension resulting from the enforcement of an ordinance or law regulating the construction or repair of the covered property.

**CP 15 34 Extra Expense From Dependent Properties**

An endorsement that modifies the Extra Expense Policy in the same manner as the CP 15 09 form does on Business Income Policies.

**CP 15 45 Utility Services - Time Element**

This form protects against the loss of business income or extra expense caused by interruption of service to the described premises resulting from physical damage to property off-premises supplying communications, power or water to the premises.

There is normally some type of premium charge or increase for the use of this endorsement.

**CP 15 50 Radio or Television Antennas - Business Income or Extra Expense**

This endorsement eliminates the radio or television antennas special exclusion in the business income or extra expense coverages.

**CP 15 55 Business Income Changes - Time Period**

In the Commercial Property Program, a 72-hour waiting period (deductible) applies to business income coverages. This endorsement may be used to reduce that waiting period to 24 hours.

There is normally an additional premium charge for the use of this endorsement.

**CP 15 56 Business Income Changes—Beginning of the Period of Restoration (No Waiting Period)**

Use of this endorsement eliminates the 72-hour waiting period to the business income coverage forms. This is accomplished by redefining the "period of restoration" to read that the period begins immediately after the time of direct physical loss or damage. There is a surcharge applied to the time element rates when using this endorsement.

**CATEGORY 16 — APPLICATIONS, WORKSHEETS, RATING IDENTIFICATION FORMS**

**CP 16 12 Application For Commercial Earthquake Specific Rating**

**CP 16 15 Statement of Values**

The completion of this statement of values is mandatory when the Agreed Value Option has been selected for covered property. This statement provides the insurer with values based upon
the insured’s best knowledge and belief. Both parties agree to use these values when settling eligible losses.

**CP 16 20 Request For Loss Costs/Codes**

An application for requesting ISO to assign codes or to develop loss costs for specific properties.

**CP 16 25 Tentative Rates For New Construction**

An application for requesting that tentative or estimated codes and loss costs be promulgated for specific property under construction. Final codes and loss costs will be reviewed and updated at completion of construction.

**CP 16 50 Class Rate Information**

An application that is used to request ISO to assign codes or class rates for specific properties.

**CP 16 55 Class Rate Information Blanket Average Rates or Schedule of Properties**

An application for requesting ISO to assign codes or develop loss costs for blanket and scheduled properties.

**CATEGORY 17 — STANDARD PROPERTY POLICY CONDOMINIUM ENDORSEMENTS**

**CP 17 98 Condominium Commercial Unit-Owners Changes - Standard Property Policy**

This endorsement explains mandatory changes to the Standard Property Policy (CP 00 99) and it must be attached whenever a condominium commercial unit owners coverage form is attached to the CP 00 99.

**CP 17 99 Condominium Association Changes - Standard Property Policy**

This endorsement explains mandatory changes to the Standard Property Policy (CP 00 99) and it must be attached whenever a condominium association coverage form is attached to the CP 00 99.

**CATEGORY 19 — SUPPLEMENTAL SCHEDULES**

**CP 19 10 Your Business Personal Property - Separation of Coverage**

This endorsement provides for a schedule of business personal property with separate limits applicable at each location.

There is normally no premium charge associated with the use of this endorsement.
**CP 19 13 Reported - Acquired - Incidental Locations Schedule**

Using this endorsement provides for a schedule of business personal property, stock or personal property of others at each of described reported, acquired and incidental locations.

**CP 19 15 Glass Coverage Schedule**

This is the schedule used with the Glass Coverage Form to describe plate glass insured at scheduled buildings. Coverage may also be included for vacant buildings.

This form was withdrawn from use with the '00 edition of the Commercial Property Program.

**CP 19 40 Legal Liability Coverage Schedule**

The schedule used with the Legal Liability Coverage Form to indicate the schedule of items to be covered.

**CP 19 60 Leasehold Interest Coverage Schedule**

The schedule used with the Leasehold Interest Coverage Form to indicate the schedule of items to be covered.

**CATEGORY 60 — LEASEHOLD INTEREST FACTOR TABLES**

All of these endorsements contain a schedule of factors for use with the Leasehold Interest Coverage Form, at the indicated percentage level:

- **CP 60 05 Leasehold Interest Factors For 5.0%**
- **CP 60 06 Leasehold Interest Factors For 6.0%**
- **CP 60 07 Leasehold Interest Factors For 7.0%**
- **CP 60 08 Leasehold Interest Factors For 8.0%**
- **CP 60 09 Leasehold Interest Factors For 9.0%**
- **CP 60 10 Leasehold Interest Factors For 10.0%**
- **CP 60 11 Leasehold Interest Factors For 11.0%**
- **CP 60 12 Leasehold Interest Factors For 12.0%**
- **CP 60 13 Leasehold Interest Factors For 13.0%**
- **CP 60 14 Leasehold Interest Factors For 14.0%**
- **CP 60 15 Leasehold Interest Factors For 15.0%**

**CATEGORY 99 — MISCELLANEOUS ENDORSEMENTS**

**CP 99 05 Distilled Spirits and Wines Market Value**

This endorsement is a special endorsement that is added to risks involving distilled spirits. It modifies the valuation condition on a commercial property policy regarding distilled spirits. A schedule is in the policy declaring the type of distilled spirits or wine insured and the premises and building where the stock is located. The value of bottled distilled spirits is determined, in the event of loss or damage, at the market price as of the time and place of loss or damage, less discounts and expenses the insured otherwise would have had.
The value of all bulk distilled spirits other than irreplaceable bulk distilled spirits, is determined at the bulk market price as of the time and place of loss or damage, less discounts and expenses.

**Determining the Value of Distilled Spirits**

The value of "older bulk distilled spirits" is determined at the market price per proof gallon of equivalent bottled distilled spirits as of the time and place of loss or damage, less unpaid taxes; paid or determined taxes that are refundable under the Internal Revenue Code; and charges and expenses of converting bulk distilled spirits to bottled distilled spirits.

The value of "younger bulk distilled spirits" is determined at the bulk market price of new distilled spirits of the same kind and quality, plus the pro rata difference between the value determined for the bulk market price of new distilled spirits and the market price of such bulk distilled spirits at attained age as per valuation of "older bulk distilled spirits."

The bottled winery products market value is determined at the price the stock could have been sold for as case goods as of the time and place of loss, if no loss had occurred. The bulk wine value is determined at the price the wine could have been sold for at the time and place of the loss, or the market value of replaceable bulk wine of the kind and quality, whichever is less.

All values exclude unpaid U. S. government Internal Revenue taxes for which the insured is liable, and discounts and expenses which otherwise would have occurred. Values would include state, county and local taxes for which the insured is liable.

**Definitions**

The following definitions are included in the endorsement:

**Bottled winery products**

Wine and other winery products in the bottle; or not bottled, but irreplaceable in kind and quality, which would be bottled and in the hands of the insured as producer or processor, in the ordinary course of business.

**Bulk wine**

Wine in the insured's hands as producer or processor, other than bottled winery products.

Irreplaceable bulk distilled spirits are aged in wood cooperage, not replaceable with like kind and quality; and held by the insured as a distiller for sale as bottled goods.

**Older bulk distilled spirits**

Irreplaceable bulk distilled spirits of an attained age equivalent to the weighted average age of bottled distilled spirits into which such irreplaceable bulk distilled spirits would have been converted.

**Younger bulk distilled spirits**

All irreplaceable bulk distilled spirits other than older bulk distilled spirits.
This clause is very important for distillers and bottlers of alcoholic beverages other than beer. It is necessary to pay careful attention to the market values and prices of these goods due to the fluctuation of values, the process of aging in bond, federal taxation, and other expenses.

There is normally no extra rating factors or charges applied for the use of this endorsement; however, the Limit of Insurance applying to the business personal property must be carefully reviewed and evaluated in light of use of this coverage.

**CP 99 10 Alcoholic Beverages Tax Exclusion**

An endorsement related to the Distilled Spirits and Wines Market Value endorsement, and used for policies covering stocks of alcoholic beverages, is the Alcoholic Beverages Tax Exclusion Endorsement (CP 99 10). The effect of this endorsement is to exclude the value of US government Internal Revenue taxes and custom duties and refundable state and local taxes paid or fully determined on stocks of the following property that is held for sale:

- Distilled spirits,
- Wines,
- Rectified products,
- Beer.

**When Loss Is Due to Theft**

If theft is a covered cause of loss, the policy would not cover the value of taxes and custom duties, but cover only loss or damage caused by theft. The Limits of Insurance for covered property in the Declarations would be revised to the limits shown in the schedule only for loss or damage caused by theft.

**Effect On Coinsurance**

It is important to point out that the value of stock in policies to which these selling price and market value endorsements are added, be taken into consideration in determining the application of a coinsurance clause. When the endorsements are attached to the policy, it is possible that the insured could become a coinsurer in the event of loss due to the effect of the clause which may increase the value of the stock. The clause adds a factor of profit to the value of the stock when it is sold but not delivered. In the case of distilled spirits and wine, the value is increased as the product is processed or "aged" from a raw material state and as taxes are added.

There is normally no extra rating factors or charges applied for the use of this endorsement; however, the Limit of Insurance applying to the business personal property must be carefully reviewed and evaluated in light of use of this coverage.

**CP 99 02 Manufacturers’ Consequential Loss Assumption**

This endorsement attaches to a commercial property policy that insures manufacturers’ stock. The policy coverage is modified to pay for a reduction in value of any remaining parts of stock in process of manufacture when that is caused by direct physical loss or damage to other parts of stock. The loss must occur at a described premises and must be caused by an eligible peril.
In the application of the Coinsurance Additional condition in the policy, the value of stock in process of manufacture at any location to which the endorsement applies includes the additional value that it represents in stock at other locations.

There is normally no extra rating factors or charges applied for the use of this endorsement; however, the Limit of Insurance applying to the business personal property must be carefully reviewed and evaluated in light of use of this coverage.

**CP 99 05 Distilled Spirits and Wines Market Value**

**CP 99 10 Alcoholic Beverages Tax Exclusion**

**CP 99 20 Contributing Insurance**

When this endorsement is attached to a commercial property policy, it schedules the limits of all contributing insurance at each described location for buildings, business personal property, personal property of others, business income, and specific additional coverages. No premium charge is associated with this endorsement.

**CP 99 30 Manufacturers' Selling Price**

This endorsement is used to modify "actual cash value" as it relates to stock or personal property of others in the valuation condition of the Building and Personal Property Coverage Form (CP 00 10) and the Condominium Commercial Unit-Owners Coverage Form (CP 00 18). The Manufacturers' Selling Price Endorsement covers manufacturers’ finished stock. The valuation loss condition is modified to base settlement on manufactured finished stock according to its original selling price, minus an insured’s discounts and normal expenses.

There is normally no extra rating factors or charges applied for the use of this endorsement; however, the Limit of Insurance applying to the business personal property must be carefully reviewed and evaluated when using this coverage option.

**CP 99 31 Market Value - Stock**

This endorsement may be used to modify "actual cash value" as it relates to stock or personal property of others in the Valuation condition of the Building and Personal Property Coverage Form (CP 00 10) and the Condominium Commercial Unit-Owners Coverage Form (CP 00 18). The Market Value--Stock Endorsement (CP 99 31) is a form added to a commercial property policy for manufacturing risks. The valuation condition is amended for "stock subject to market value." Valuation is determined at the market price as of the time and place of loss or damage, less discounts and expenses the insured otherwise would have had. Stock subject to market value means stock of a kind that is bought and sold at an established market exchange where the market prices are posted and quoted. For example, certain commodities traded on the market, such as grains, coffee, concentrated orange juice, cotton, pork bellies, etc.

There is normally no extra rating factors or charges applied for the use of this endorsement; however, the Limit of Insurance applying to the business personal property must be carefully reviewed and evaluated in light of use of this coverage.
**CP 99 42 Storage or Repairs Limited Liability**

Use of this endorsement modifies the commercial property policy’s valuation condition on personal property of others held for storage or repairs by the insured. The value is determined in the event of loss or damage at the actual cash value, or the value shown on the receipt issued by the insured to the owner before the loss, whichever is less. This clause would be important to owners of storage warehouses or other bailees who store or repair items for others. Close attention should be given to the application of the coinsurance clause where values may be increased due to the operation of the clause.

There is normally no extra rating factors or charges applied for the use of this endorsement; however, the Limit of Insurance applying to the business personal property must be carefully reviewed and evaluated in light of use of this coverage.

**CP 99 92 Household Personal Property Coverage**

Another endorsement which may affect the amount of insurance under the policy is the Household Personal Property Coverage Endorsement. This endorsement is used on a policy covering an occupancy used as living quarters. The endorsement modifies the form by permitting the application of a 10% increase in the Limit of Insurance for household personal property for such property while it is away from the premises.

Property covered includes household personal property belonging to the insured, or at the insured's option to a domestic worker, to a member of the insured's family, or property for which the insured is legally liable.

The most common application of this clause could be when the condominium property form is used, and the insured is a resident owner of a condominium unit in a commercial condominium, or when the insured resides in an apartment in a mercantile building occupied or owned by the insured.

There is normally no extra rating factors or charges applied for the use of this endorsement; however, the Limit of Insurance applying to the business personal property must be carefully reviewed and evaluated in light of use of this coverage.

**CP 99 93 Tentative Rates**

This informs an insured that the rates at which a policy was issued are subject to review and an adjustment may occur.

**CATEGORY IL — INTERLINE ENDORSEMENTS**

**IL 00 03 Calculation of Premium**

This endorsement is used to explain that temporary or tentative rates were in use at the time of policy issuance and that, as soon as final promulgation of rates is done, the policy will be re-rated and the additional or return premium will be calculated based on the current actual rates.

**IL 04 15 Protective Safeguards**
Protective Safeguards

Many insurers routinely attach a protective safeguards endorsement to the commercial property policies that they issue. This endorsement makes it a condition of coverage that the protective safeguards cited in the endorsement, such as an automatic sprinkler system or night watch guard, be in operation at all times except when the insurer has been notified of the impairment in protection. Failure to maintain the protective safeguards in good working order or failure to notify the insurer of even a temporary impairment in the protection suspends coverage until the protection is restored. ISO’s protective safeguards endorsement (IL 04 15) requires that the specific protection system to which the endorsement applies be identified in the endorsement. However, some individual insurer protective safeguards endorsements apply to any of the protective safeguards described in the endorsement that were operative at the time of policy inception.

Because a protective safeguards endorsement can effectively void coverage, it is advisable to resist the attachment of such an endorsement to the property insurance policy whenever possible. If there is no alternative but to accept the endorsement, great care must be taken to notify the insurer whenever even the slightest impairment in protection is contemplated.

This endorsement describes the protective safeguards on the insured premises and stipulates that the insured is required to maintain the scheduled services or protective devices listed. Protective safeguards are identified by symbol for automatic sprinkler systems, automatic fire alarms, security service, service contracts with private fire departments, etc.
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