

LESSON 1.4 BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Today we will cover three major concepts. The first is to identify the types of property covered and not covered by the Building and Personal Property Coverage form. The second is to describe the additional coverages and coverage extensions provided by the form, and the third is to explain how vacancy affects coverage and loss payment.

Providing insurance for real and business personal property is critical for any commercial operation. Any size of business may have a majority of its assets and resources committed to tangible property. A common approach to providing insurance protection is through the use of the Insurance Services Office Commercial Property Program. An ISO Commercial Property Policy consists of one or more Commercial Property Coverage Forms, one or more Cause of Loss Forms, the Commercial Property Conditions, the Common Policy Conditions, and Endorsements.

As the name indicates, the Building and Personal Property Coverage Form provides property coverage for buildings and/or business personal property. The covered property includes the buildings, your business personal property, and personal property of others. The form also contains descriptions of property not covered, coverage extensions, additional coverages, covered causes of loss, exclusions and limitations, limits of insurance, deductibles, and loss conditions.

Property Covered

When the policy uses the term “**building**,” it means the building or structure described in the Declarations, including any completed additions, fixtures, permanently installed machinery and equipment, and owned personal property used to service or maintain the building such as outdoor furniture, floor coverings, and refrigerators. There are items included in the definition of building that can be insured under the Building and Personal Property Coverage Form, provided that these items are not covered by other insurance. This includes materials, equipment, supplies, and temporary structures within one hundred feet of the described premises that are being used for making additions or repairs to the insured building or structure.

Business Personal Property is the named insured’s business personal property located in or on the building or structure described in the Declarations – or in the open (or in a vehicle) within one hundred feet of the building or structure – or within one hundred feet of the described premises – whichever is greater.

This property may include furniture, fixtures, machinery and equipment other than what is described as "Building." It also is the stock or materials used for making the named insured's products or merchandise held for sale, as well as all other personal property owned by the named insured and used in the named insured's business.

Personal property can also include the labor, materials, or services furnished or arranged by the named insured on the personal property of others. For example, a customer brings a computer into the named insured's store for upgrading. The named insured has started the work on the computer when a fire destroys the store. The value of the labor and materials used by the named insured is covered property to the named insured. Another form of property that is considered personal property is "use interest" in tenants' improvements and betterments. This covers the value of improvements and betterments made or acquired at the insured tenant's expense which cannot be legally removed.

Finally, personal property includes leased property that the named insured has a contractual obligation to insure. For example, the named insured is obligated to provide property insurance for a leased copier. This is part of Your Business Personal Property. However, if the named insured is only responsible for loss or damage to the copier but is not responsible to provide insurance, it is not automatically considered part of Your Business Personal Property.

Another category of property is the personal property of others. This is property that belongs to others that is in the named insured's care, custody, or control while in or on a building or structure described in the Declarations, or in the open, or in a vehicle within one hundred feet of the described premises. The covered property can be property the named insured is working on, or stores, or has on consignment, or borrows, or rents, or leases from others.

Property Not Covered

Now let's consider property that is specifically not covered under this coverage form. Now keep in mind that there are optional coverage endorsements, or separate policies that may be available for many of these.

There are seventeen types of property that are considered Property Not Covered.

1. First, accounts, bills, currency, food stamps or other evidences of debt, money, notes, or securities are not covered.

2. Second, animals are not covered, unless the animals are owned by others and being boarded or otherwise cared for by the insured, or if they're stock, inside of buildings, such as animals in a pet store.
3. Number three, automobiles that are held for sale are not covered.
4. Number four, bridges, roadways, walks, or other paved surfaces - not covered.
5. Number five, contraband, or property in the course of illegal trade or transportation is not covered.
6. The sixth category of property that's not covered is the cost of excavations, grading, and backfilling.
7. The seventh is foundations of buildings, structures, machinery, or boilers, if the foundation is below the lowest basement floor or surface of the ground, they're not covered.
8. The eighth type of property that is not covered includes land, water, growing crops, or lawns, other than lawns which are part of a vegetated roof.
9. Ninth, personal property while airborne or waterborne is not covered. This means personal property on a plane or on a boat.
10. Number ten: bulkheads, pilings, piers, wharves, or docks are not covered.
11. Number eleven: property covered under another coverage form or any other policy where the property is more specifically described is not covered.
12. Number twelve: retaining walls that are not a part of the building described on the Declarations - not covered.
13. The thirteenth type of property not covered includes underground pipes, flues, or drains.
14. The fourteenth type of property not covered is electronic data. Electronic Data does not include electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning or security system.
15. Number fifteen: the cost to research, replace or restore information on valuable papers and records, except as provided in the Coverage Extensions, is not covered.
16. Sixteen: vehicles or self-propelled machines, including aircraft or watercraft, are not covered as a group. But do you remember how insurance policies often take coverage away through exclusions and then give some coverage back through exceptions? Here we have an exception. Self-propelled machines are not covered except vehicles or self-propelled machines or autos that the named insured makes, processes, or warehouses; vehicles or self-propelled machines held for sale, other than autos; rowboats and canoes not in the water at the described premises; and trailers.

17. Finally, number seventeen: certain described property while outside of buildings, such as crops; or other property such as fences, radio and television antennas, trees, shrubs or plants other than stock are not covered.

For some of these categories, a limited amount of coverage is provided in another part of the policy. As stated, several of the excluded property items may be covered by use of specific endorsements.

Additional Coverages

There are six additional coverages contained in the Building and Personal Property Coverage Form. The first is **Debris Removal**. Debris Removal pays the named insured's expense to remove debris of covered property and other debris on the covered property, when caused by or resulting from a covered cause of loss. The Debris Removal limit of insurance is twenty-five percent of the loss and is not an additional amount of insurance. The damage to the property plus the debris removal expense are both subject to the limit shown on the Declarations. If the loss to covered property and the debris removal expense is greater than the limit of insurance or if the debris removal expense exceeds the twenty-five percent limitation, an additional twenty-five thousand dollars is available for debris removal expense.

Preservation of Property is the second additional coverage. At times, it may become necessary to remove covered property from the premises that is threatened by a covered cause of loss, such as an approaching hurricane. When this takes place, the policy pays for any direct damage to it during the move or while located elsewhere. This coverage extends for thirty days from the time of removal, and it has no effect on the limit.

The third additional coverage, **Fire Department Service Charge**, pays up to one thousand dollars for expenses required by a contract or agreement with a fire department to save or protect covered property that is in danger from covered perils. This coverage is not subject to any deductible.

The fourth additional coverage, **Pollutant Clean-up and Removal**, provides up to ten thousand dollars for the insured's expense to remove pollutants from land or water at the described premises, if the discharge or release of pollutants is caused by a Covered Cause of Loss and occurs during the policy period. The ten thousand dollars is an annual aggregate limit.

Increased Cost of Construction is the fifth additional coverage and it provides limited coverage for the increased cost of complying with building codes following damage to an

insured building that is insured on a Replacement Cost basis. Coverage is limited to five percent of the building value, and is subject to a maximum of ten thousand dollars. Note that this Additional Coverage only applies to damaged parts of the building.

Sixth, **Electronic Data Coverage** provides for the cost to replace or restore electronic data that has been destroyed or corrupted by a Covered Cause of Loss. The total available limit for this coverage is two thousand five-hundred dollars in any one policy year.

Coverage Extensions

In addition to the six additional coverages contained in the Building and Personal Property Coverage Form, there are seven Coverage Extensions. The coverage extensions apply only when a coinsurance percentage of at least eighty percent is shown on the Declarations. Each of these extensions provide additional limits of insurance and are not subject to the coinsurance requirements stated in the policy.

The first is the **Newly Acquired or Constructed Property**. Newly acquired or constructed buildings are covered automatically up to a maximum of two hundred and fifty thousand dollars per building, and newly acquired business personal property at any newly acquired locations is covered for not more than one hundred thousand dollars at each building.

Personal Effects and Property of Others is the second coverage extension. Business personal property coverage can be extended to include personal effects, which is the personal property of the named insured, its management or its employees. This does not include coverage for theft, and there is a limit of two thousand five-hundred dollars per described premises.

The third extension is for **Valuable Papers and records (other than Electronic data)**. It only applies to paper. The Coverage Extension pays up to two thousand five hundred dollars at each described premises for the cost to restore and replace valuable papers and records other than electronic data.

Property off premises is the fourth coverage extension. It pays up to ten thousand dollars for property temporarily located at premises other than the insureds. Coverage does not apply to property in or on a vehicle or in the care, custody, or control of the named insured's salespersons, unless at a fair, trade show, or exhibition. The maximum payment for loss or damage is ten thousand dollars.

The **Outdoor Property** Extension provides coverage for specified perils like fire, lightning, explosion, riot or civil commotion, or aircraft damage to fences, radio and television

antennas, including satellite dishes, or trees, shrubs, and plants. The limit is one thousand dollars for any one occurrence and does not cover more than two hundred and fifty dollars for any one tree, shrub or plant. For this extension, wind and hail, as well as vehicle damage, are not covered perils.

The sixth extension, **Non-owned Detached Trailers**, can be covered as personal property if used in the named insured's business. This extension provides a five-thousand-dollar limit of insurance.

Finally, **Business Personal Property Temporarily in Portable Storage Units**, is the seventh extension. It applies to property while it is temporarily stored in a portable storage unit, including a detached trailer, located within one hundred feet of the building or structure described in the Declarations. Coverage is provided up to ten thousand dollars for up to ninety days.

Vacancy as a Loss Condition

The Building and Personal Property Coverage Form also presents a series of Loss Conditions that outline obligations of the insured and certain rules for adjusting a property loss claim. One important loss condition that is important to remember is **Vacancy**. This condition states that if a building is vacant, certain causes of loss will not be covered, such as vandalism, water damage, or theft. For other types of losses the payment would be reduced by fifteen percent.

Be sure to complete the activities to ensure that you have a better understanding of this form – and everything it can do for your clients.