Commercial Property Issues #2: Miscellaneous Points to Ponder...
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Presented by

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DEBRIS REMOVAL

A. Overview

1. Obviously, prior to being able to repair or replace damaged property after a loss, the debris must first be removed.

2. The cost for removal can be substantial!

3. Good News/Bad News…There is coverage, _BUT_...

B. What does the policy say?

1. Will pay to remove debris of **Covered Property** resulting from a **Covered Cause** of Loss

2. Coverage does not apply to costs to:
   a. Extract pollutants from land or water; or...
   b. Remove, restore or replace polluted land or water

*Note: However, the exclusion does not apply to the cost to remove debris of covered property which has been contaminated by a pollutant resulting from a covered cause of loss.*
q. The following property while outside of buildings:
   (1) Grain, hay, straw or other crops;
   (2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than "stock" of trees, shrubs or plants), all except as provided in the Coverage Extensions.

3. Covered Causes Of Loss

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

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 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**

- Limit of Insurance: $90,000
- Amount of Deductible: $500
- Amount of Loss: $50,000
- Amount of Loss Payable: $49,500

\[(\$50,000 - \$500)\]

- Debris Removal Expense: $10,000
- Debris Removal Expense Payable: $10,000

\[(\$10,000 \text{ is 20\% of } \$50,000.)\]

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**

- Limit of Insurance: $90,000
- Amount of Deductible: $500
- Amount of Loss: $60,000
- Amount of Loss Payable: $79,500

\[(\$80,000 - \$500)\]

- Debris Removal Expense: $30,000
- Debris Removal Expense Payable
  - Basic Amount: $10,500
  - Additional Amount: $10,000

\[(\$20,500 \text{ is } 25\% \text{ of } \$80,000.)\]
C. What does the policy pay?

(3)(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.

- The cost for Debris Removal is included within the policy limit.

(3)(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.

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>
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</tr>
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<td>Amount of Loss Payable</td>
<td>$49,500</td>
</tr>
<tr>
<td>Debris Removal Expense</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

For Debris Removal, policy will pay up to 25% of:

- Amount paid by carrier $49,500
- Plus deductible $500
  
$50,000

Policy will pay up to 25% of $50,000. Therefore, the policy could pay up to $12,500 for Debris Removal.

**Payable Debris Removal Expense = $10,000**
q. The following property while outside of buildings:

(1) Grain, hay, straw or other crops;

(2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than "stock" of trees, shrubs or plants), all except as provided in the Coverage Extensions.

3. Covered Causes Of Loss

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

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 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

Limit of Insurance: $ 90,000
Amount of Deductible: $ 500
Amount of Loss: $ 50,000
Amount of Loss Payable: $ 49,500
($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

Limit of Insurance: $ 90,000
Amount of Deductible: $ 500
Amount of Loss: $ 80,000
Amount of Loss Payable: $ 79,500
($80,000 - $500)

Debris Removal Expense: $ 30,000
Debris Removal Expense Payable
Basic Amount: $ 10,500
Additional Amount: $ 10,000
• The policy (ISO '07 ed. & earlier) will pay up to an additional $10,000 ('12 ed. pays $25,000) if:

a) The 25% is not enough within the limit of insurance

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</tr>
<tr>
<td>Debris Removal Expense</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

Policy initially states it will pay up to 25% of $50,000. However, $12,500 is not sufficient for this loss. The policy ('07 ed. & earlier) will pay up to an additional $10,000.

**Payable Debris Removal Expense for this loss = $20,000**

OR ...

b) The limit of insurance is not enough to pay for the damage and debris removal

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</table>

Policy initially states it will not pay more than the limit of insurance. However, the cost of debris removal and actual loss or damage in this loss exceeds the policy limit. Therefore, the policy will pay up to an additional $10,000 ('07 ed. & earlier) beyond the policy limit.

**Payable Debris Removal Expense for this loss = $20,500**
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DEBRIS REMOVAL ADDITIONAL INSURANCE

This endorsement modifies insurance provided under the following:

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

SCHEDULE*

|-----------|-----------|-----------------------|--------------------|

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

The additional amount of $10,000 for debris removal in the Debris Removal Additional Coverages section is replaced by the higher amount shown in the Schedule.
D. Debris Removal Additional Limit of Insurance Endorsement (CP 04 15)

- Many insureds need far more Debris Removal coverage than the unendorsed policy provides

- This endorsement is used to increase the additional $10,000 provided in the base policy

“The additional amount of $10,000 for debris removal in the Debris Removal Additional Coverages section is replaced by the higher amount shown in the schedule.”
How would the “Additional Coverage – Debris Removal” respond to the following losses?

1. Leo owns an apartment building and has a Building and Personal Property Coverage Form with a Building Limit of $600,000. A fire causes $200,000 damage to the building and $100,000 damage to tenants’ property. The debris removal costs are $60,000, with the tenants’ debris accounting for approximately one third of the total.

   The policy pays “25% plus $10,000” to remove “Covered Property”:

   (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:

   What is “Covered Property” and how much will it pay?

   b. Personal Effects And Property Of Others

   (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.
2. Susan has ten very large oak trees on her premises. A severe windstorm blew three of the trees down and Susan was shocked to learn that it would cost a total of $5,200 to remove them.

e. **Outdoor Property**

You may extend the insurance provided by this Coverage Form to apply to your out-door fences, radio and television antennas (including satellite dishes), 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.

3. Two weeks later another tree was struck by lightning. The cost to remove the tree was $1,800 and the replacement was $2,400. Susan has a $1,000 deductible. How would the policy respond?
4. A severe windstorm tore off sections of your insured's roof and scattered them across the neighboring premises.

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.

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 direct physical loss or damage.
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.

2. **Property Not Covered**

Covered Property does not include:

a. Accounts, bills, currency, 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. Electronic data, except as provided under Additional Coverages – Electronic Data. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This Paragraph n., does not apply to your "stock" of prepackaged software.

o. The cost to replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawings and card index systems. Refer to the Coverage Extension for Valuable Papers And Records (Other Than Electronic Data) for limited coverage for valuable papers and records other than those which exist as electronic data.

p. Vehicles or self-propelled machines (including aircraft or watercraft) that:

(1) Are licensed for use on public roads; or

(2) Are operated principally away from the described premises.

This paragraph does not apply to:

(a) Vehicles or self-propelled machines or autos you manufacture, process or warehouse;

(b) Vehicles or self-propelled machines, other than autos, you hold for sale;

(c) Rowboats or canoes out of water at the described premises; or

(d) Trailers, but only to the extent provided for in the Coverage Extension for Non-Owned Detached Trailers.
PROPERTY NOT COVERED

A. The good news…All items described as Property Not Covered should not be included in the values for policy limits or coinsurance purposes

The bad news…They’re not covered!

B. Most items can be covered by endorsement or on a separate form

1. Items b, d, f, g, j, l and m, as well as fences under item q and certain vehicles under item o can be added by using endorsement CP 14 10 – Additional Covered Property

2. Others (with the exception of contraband!) can be written on other property forms such as Inland Marine, Crime, etc.

3. Most insureds have some of these exposures…And most insureds are not aware of the fact that they are not covered!
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL COVERED PROPERTY

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM ASSOCIATION COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY

The following is withdrawn from PROPERTY NOT COVERED and added to COVERED PROPERTY:

<table>
<thead>
<tr>
<th>Prem. No.</th>
<th>Bldg. No.</th>
<th>Paragraph Reference</th>
<th>Description of Property</th>
</tr>
</thead>
</table>

* Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.
C. Additional Covered Property – CP 14 10

1. Expands the definition of Covered Property

“The following is withdrawn from PROPERTY NOT COVERED and added to COVERED PROPERTY…”

2. Important to include the values in the policy limits

3. When setting limits, the insured often includes the value of certain Property Not Covered without realizing it

4. Many of these items might be better covered elsewhere
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL PROPERTY NOT COVERED

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

The following is added to PROPERTY NOT COVERED:

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</tr>
</thead>
</table>

*SCHEDULE*

*Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.*
D. **Additional Property Not Covered – CP 14 20**

1. Can be used to add specific types of property to the list of “Property Not Covered” if insured does not want to cover this property and does not want it to be included in the coinsurance calculations.

2. Can be used to make an “unacceptable” risk acceptable!
BUILDING AND PERSONAL PROPERTY COVERAGE FORM

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.

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.

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.

a. Building, meaning the building or structure described in the Declarations, including:

(1) Completed additions;
(2) Fixtures, including outdoor fixtures;
(3) Permanently installed:
   (a) Machinery and
   (b) Equipment;
(4) Personal property owned by you 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;
(5) If not covered by other insurance:
   (a) Additions under construction, alterations and repairs to the building or structure;

(b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

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.
ADDITIONAL BUILDING PROPERTY

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE

Prem. No. Bldg. No. Additional Building Property

E. Additional Building Property – CP 14 15

1. Can be used to clarify that certain items which might be “gray area” are covered under Building Coverage (ex. Machinery or equipment attached to the building, but not “permanently attached”

2. Can be used to cover certain Business Personal Property under Building Coverage instead of Personal Property Coverage (ex. Church organs or freezer cases in supermarkets)

3. Insured must already have Building Coverage on the policy

A. Additional Building Property described in the Schedule or in the Declarations is added to BUILDING.
B. Additional Building Property described in the Schedule or in the Declarations does not apply under YOUR BUSINESS PERSONAL PROPERTY.
YOUR BUSINESS PERSONAL PROPERTY-
SEPARATION OF COVERAGE

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

A. The following Limits of Insurance and Covered Causes of Loss apply to the types of property included under YOUR BUSINESS PERSONAL PROPERTY

<table>
<thead>
<tr>
<th>Prem. No.</th>
<th>Bldg. No.</th>
<th>Type of Property</th>
<th>Limit of Insurance</th>
<th>Causes Of Loss Form Applicable</th>
<th>Coinsurance</th>
</tr>
</thead>
</table>

B. If a Limit of Insurance is shown for Your Business Personal Property in the Declarations, without further indication of the Type of Property, that Limit of Insurance will not apply to any property described in this endorsement.
F. Your Business Personal Property – Separation of Coverage – CP 19 10

1. Can separate out and specify a limit for any of the seven categories of Business Personal Property

2. Can be used to rate Tenants Improvements and Betterments as Building instead of Business Personal Property