

Commercial Property Quick Tips

Property Forms

Unlike the general liability and automobile forms, no one property form stands alone. The base is the Building and Personal Property form CP 00 10, which lays the ground work--the rules of engagement, if you will. This form, like most others, can be endorsed to broaden or restrict coverage. However, coverage is only provided by the attachment of one of the causes of loss forms. There are three primary options. The first is Basic; the second is Broad and the third is Special. As their names imply, each form provides more coverage, progressively, than the one before it, and only one is selected for coverage.

However, even though you might select Special causes of loss, only specified perils will be applied to some coverages, such as Outdoor Property. To avoid unpleasant surprises, it's best to read the forms *before* the loss.

Property Not Covered

A number of items are included in the Property Not Covered provisions of the Building and Personal Property form CP 00 10, and in each case there's a specific reason for the inclusion. Examples of the logic are:

- Land - most perils that would befall land aren't covered anyway on the basic form - earthquake and flood are examples;
- Contraband - not covered because this would promote illegal transactions;
- Crops - hail and wind could create catastrophic losses which are better covered elsewhere - crop insurance.
- Electronic data - also better covered under another form with more specific provisions for these exposures - Inland Marine.
- Currency - certainly for the peril of fire, this exposure is uninsurable. There is no paper trail, no proof currency exists, so hard to make a case for coverage to be provided.

For those items that can either be added back to the property form or covered by another line of business, it's best to have a conversation with your underwriter to gauge eligibility.

Coinsurance

Establishing the replacement cost for your building and contents values can make a serious dent in your claim payments.

If the replacement cost (this is *nothing* to do with market value) times the coinsurance percentage selected isn't at least equal to the limit on your property policy, your claim

check could be less than expected. If your limit is half what it should be, the check that is issued for your loss will also be about half the amount of the loss, less your deductible.

Vacancy

Your building and Business Personal Property form contains specific requirements for the percentage of vacancy allowable. Whether your building is owner or tenant occupied, the percentage of occupancy required is at least 31%. If the percentage falls below this level, two penalties are triggered at the time of the claim:

- Coverage is reduced - no vandalism, building glass breakage, water damage, theft, attempted theft or sprinkler leakage, unless the system has been protected against freezing; and
- The ultimate payout will be reduced by 15%.

Note that the percentage will be calculated at the time of loss, not at the time the policy is written. Further, many carriers require a much higher level of occupancy (closer to 70%) for eligibility purposes.