

CIC

Certified Insurance Counselors

Commercial Property Coverage Forms & Endorsements



Section Goal

In this section, participants will analyze the Commercial Property Policy, including the Building and Personal Property Coverage Form, and how coverage may be modified.



Learning Objectives:

1. Using knowledge of the **Common Policy Conditions**, **Commercial Property Declarations**, and **Commercial Property Conditions**, the participant will be able to explain to a client the rights and duties of the first Named Insured, how coinsurance applies, and who has the rights of recovery in the event of a loss.
2. Using knowledge of the Building and Personal Property Coverage Form, the participant will be able to **distinguish between what is Covered Property and Property Not Covered**, and **endorsements**, if any, that may be used to modify the insurance coverage.



Learning Objectives:

3. Using knowledge of Covered Property in Building and Personal Property Coverage Form including

- **Specific** Coverage
- **Scheduled** Coverage
- **Blanket** Coverage
- Key Endorsements

the participant will be able to distinguish the **advantages and disadvantages of writing a policy on a blanket basis** and describe the endorsements that are available to handle fluctuating values.



Learning Objectives:

4. Using knowledge of the **six Additional Coverages** in the Building and Personal Property Coverage Form, the participants will be able to explain how coverage applies in the event of a loss, and the **endorsements available to modify coverage**.
5. Using knowledge of the **seven Coverage Extensions** in the Building and Personal Property Coverage Form, the participants will be able to explain how coverage applies in the event of a loss and the **endorsements available to modify coverage**.



Learning Objectives:

6. Using knowledge of the Building and Personal Property Coverage Form including

- Limits of Insurance
- Deductibles

the participant will be able to explain how the policy will respond in the event of loss or damage and describe the **endorsements that can be used to modify these policy provisions.**



Learning Objectives:

7. Using knowledge of the **Loss Conditions** in the Building and Personal Property Coverage Form, the participant will be able to explain how the policy will respond in the event of loss or damage and explain the **endorsements that can be used to modify these policy conditions**.
8. Using knowledge of the Building and Personal Property Coverage Form, describe the purpose of the four **Optional Coverages** and how these coverages apply when activated on the Declarations Page.



Structure of a Commercial Property Policy



Learning Objective 1

Using knowledge of the **Common Policy Conditions, Commercial Property Declarations, and Commercial Property Conditions**, the participant will be able explain to a client the rights and duties of the first Named Insured, **how coinsurance applies**, and who has the rights of recovery in the event of a loss.

Components of a Commercial Property Policy (CPP)

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Common Policy Declarations (IL DS 00 09 08)

Common Policy Conditions (IL 00 17 11 98)

Commercial **Property** Coverage Part Declarations Page
(CP DS 00 10 00)

Commercial **Property** Conditions (CP 00 90 07 88)

Commercial **Property** Coverage Form(s)

Commercial **Property** Causes Of Loss Form(s)

Endorsement



Common Policy Declarations

IL DS 00 09 08



Common Policy Declarations IL DS 00 09 08

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- Named Insured
- Mailing Address
- Policy Period
- Business Description
- Premium For Coverage Parts – Total
- Forms Applicable



Common Policy Conditions IL 00 17 11 98

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- A. Cancellation – almost all states have an endorsement that modifies this provision
- B. Changes – first Named Insured is the person who is authorized to make changes to the terms of the policy with carrier consent
- C. Examination Of Your Book And Records – at any time during the policy period and **up to 3 years after**



Common Policy Conditions IL 00 17 11 98

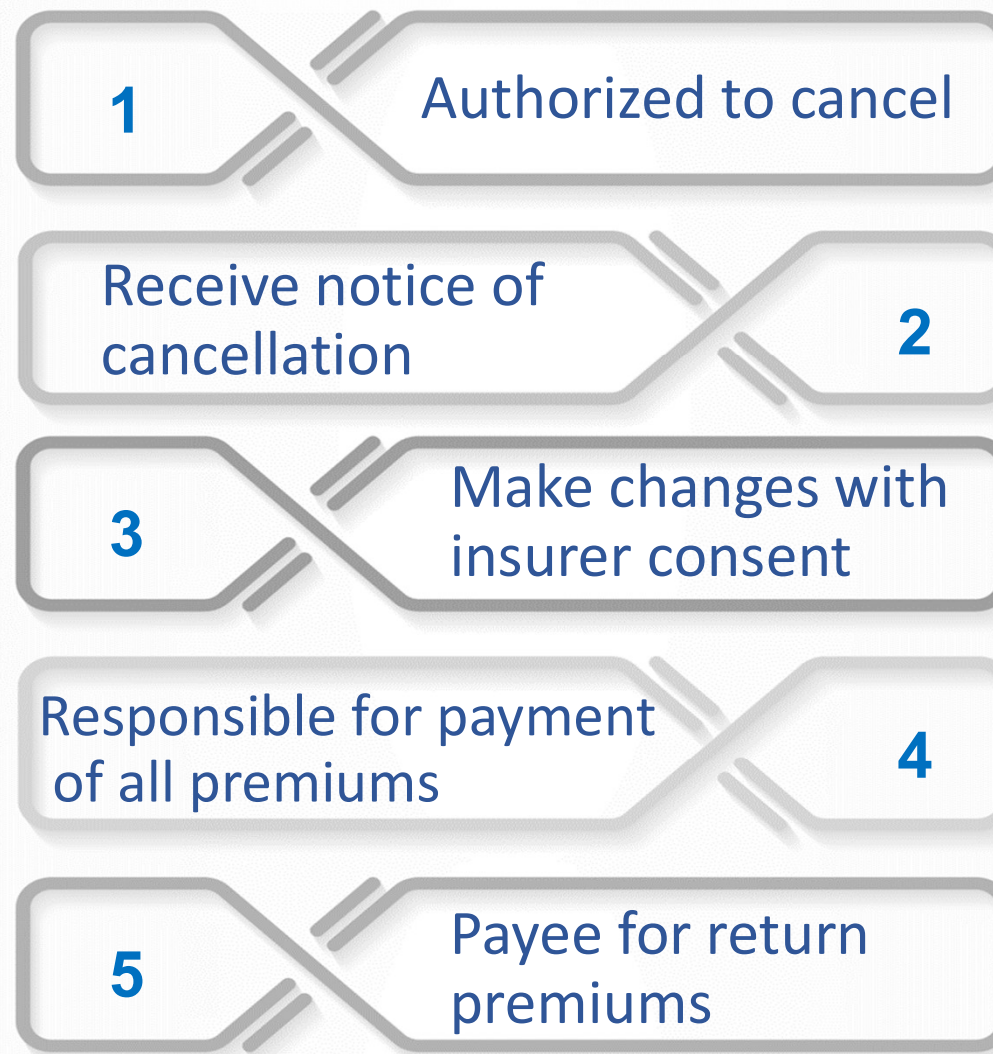
7-8

- D. Inspections And Surveys – carrier has **right to make inspections** at any time
- E. Premiums – first Named Insured is responsible for payment of all premiums
- F. Transfer Of Your Rights And Duties Under This Policy – your rights may not be transferred without our written consent, except in the case of death of a Named Insured



Summary of the Five Rights & Duties of the First Named Insured

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Commercial Property Declarations CP DS 00 10 00

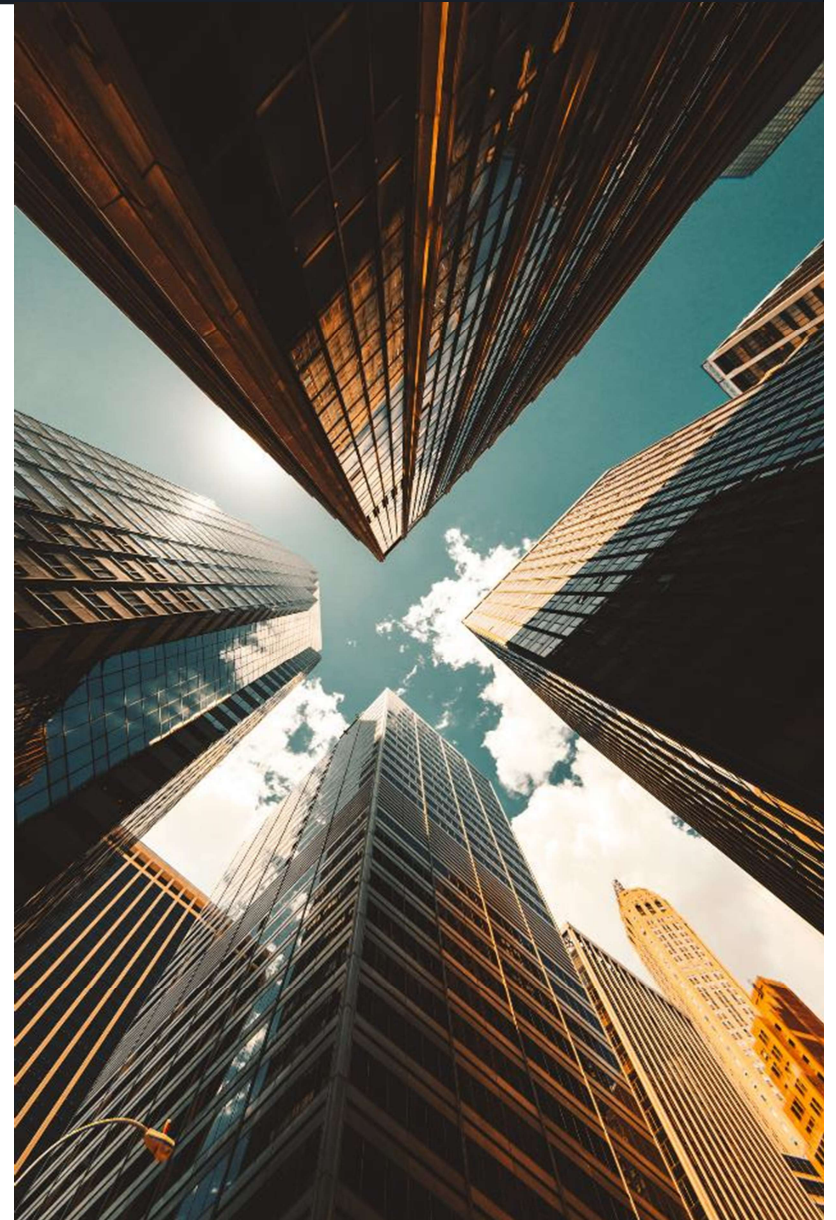
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Effective Date

Named Insured

Description Of Premises

- Location
- Construction
- Occupancy

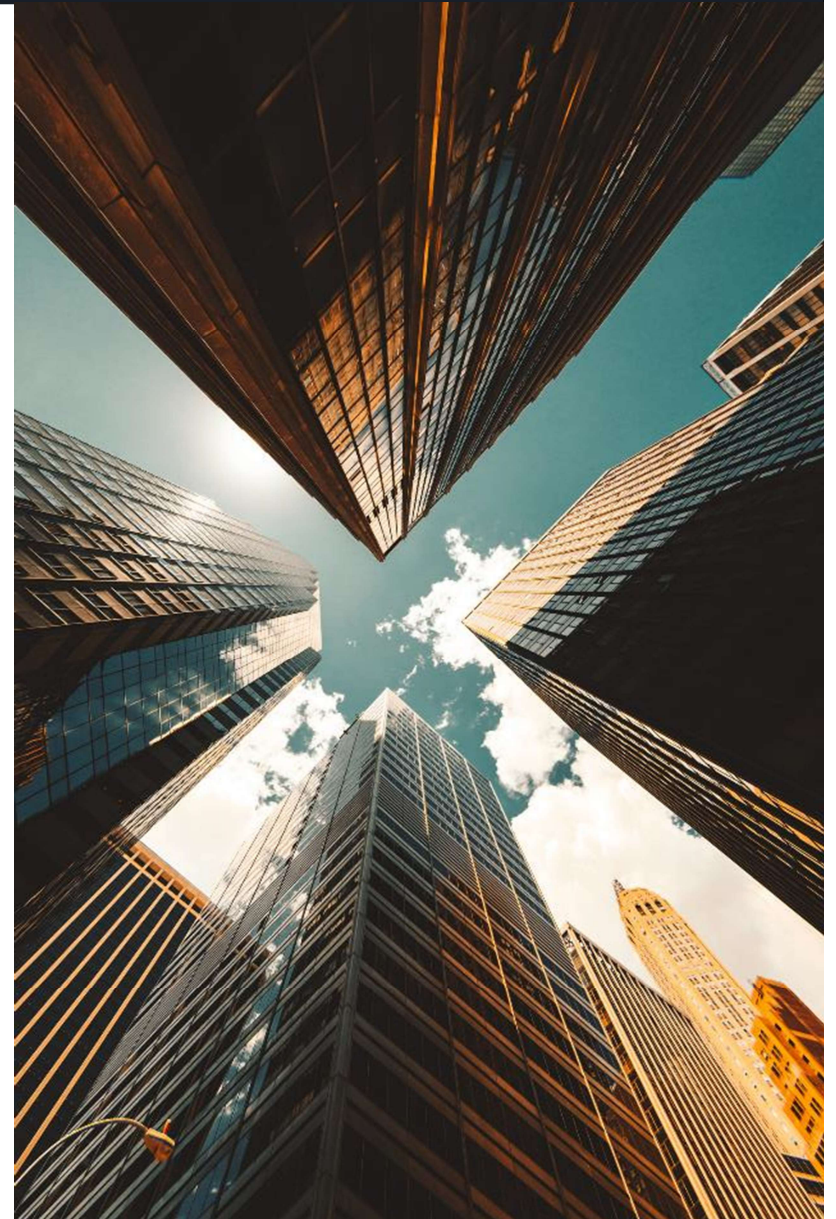


Commercial Property Declarations CP DS 00 10 00

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Coverages Provided

- Coverage
- Limit of Insurance
- Covered Causes of Loss
- Coinsurance
- Rates



Explanation of Coinsurance

Coinsurance can be described as a **rating and underwriting concept** that is designed to encourage an insured to purchase an amount of insurance **equal to the full value** of the property being insured

- When insurance is carried in the **amount required** by the coinsurance percentage, *usually 80% of the value or more*, the insurance company pays the entire loss, not to exceed the limit of insurance
- If the **limit of insurance is adequate**, then **no penalty applies**



Explanation of Coinsurance

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The insurance amount required is the value of the Covered Property at the time of loss multiplied by the coinsurance percentage on the Declarations.

Example:

\$250,000 = Value of property at the time of loss

80% coinsurance requirement

\$200,000 = Limit of insurance required



Explanation of Coinsurance

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If the amount carried is less than the amount required, then the named insured is considered underinsured.

The following coinsurance formula is used to determine the loss settlement amount:

$$\frac{\text{Amount Carried}}{\text{Amount Required}} \times \text{Loss} = \text{Recovery } \textit{minus} \text{ deductible} \\ \textit{equals} \text{ settlement}$$



Explanation of Coinsurance

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Example of Inadequate Limits (Underinsurance)

Building \$100,000

Deductible \$1,000

Insurance Amount Carried \$40,000

Coinsurance Clause 80%

Insurance Amount Required \$80,000

(\$100,000 X 80% = \$80,000)

A loss occurs, and the Insured building damage is \$10,000.

$$\frac{\$40,000}{\$80,000} \times 10,000 \text{ loss amount} = \$5,000 \text{ minus } \$1,000 \text{ deductible equals } \$4,000$$

The settlement is \$4,000

Commercial Property Declarations – Optional Coverages

Coverage must be activated on the Declarations.

Agreed Value

- Expiration date only, not longer than 12 months
- **Suspends coinsurance clause**
- Can apply to Covered Property and/or Business Income



Commercial Property Declarations – Optional Coverages ¹⁴

Replacement Cost

- ACV applies unless Replacement Cost (RC) is activated on the Declarations
- For RC for Personal Property of Others, coverage can be activated by adding the Extension of Replacement Cost to Personal Property of Others endorsement



Commercial Property Declarations – Optional Coverages

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ACV

- Traditionally the valuation method found in property insurance policies
- Cost to replace the covered property at the premises at the time of the loss, **minus depreciation** due to the fact that the property has been used for a period of time

REPLACEMENT COST

- Method of valuation commonly desired but oftentimes must be requested
- The amount needed to replace covered property at a premises with like kind and quality in today's dollars
- **Depreciation is not considered**



Commercial Property Declarations – Optional Coverages

Inflation Guard

- Mark annual percentage for item(s) covered

Business Income – Will be taught in tomorrows session

If Business Income Coverage is also provided, these Optional Coverages entries also apply on the Declarations in addition to Business Income Agreed Value

- Monthly Limit of Indemnity
- Maximum Period of Indemnity
- Extended Period of Indemnity



Commercial Property Declarations – Optional Coverages

Mortgageholders

- Per Building

Deductible

- \$500 deductible standard in most states
- Other deductibles available

Forms Applicable – Carriers use a separate page(s) in policy



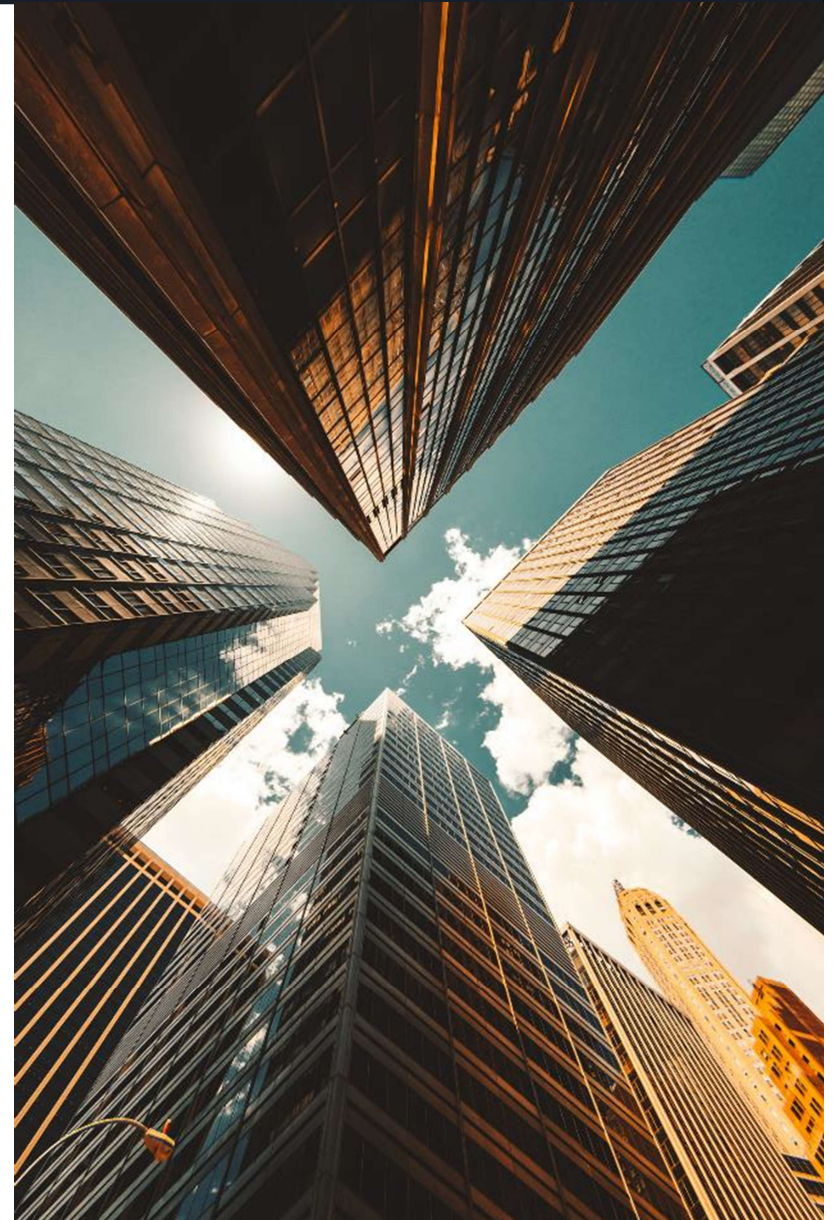
Commercial Property Conditions

CP 00 90 07 08



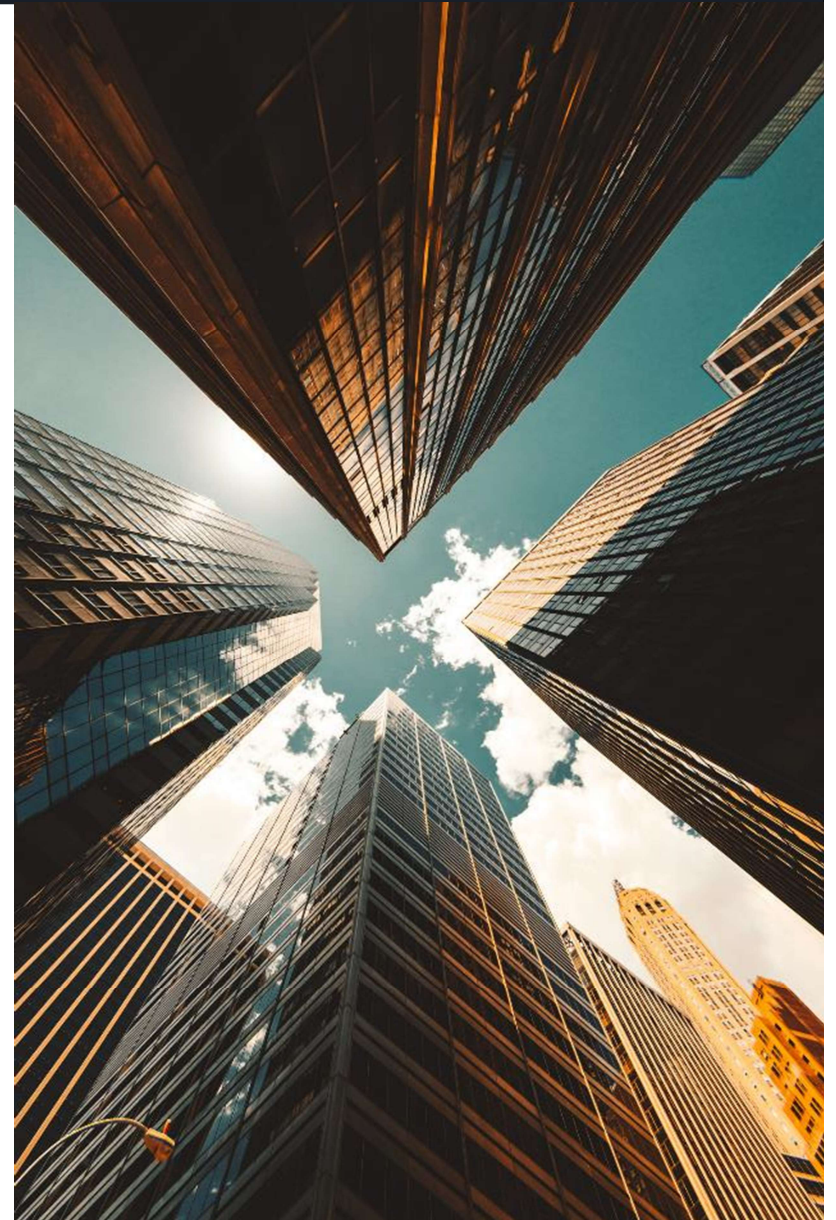
Commercial Property Conditions CP 00 90 07 08

- A. Concealment, Misrepresentation Or Fraud
- B. Control Of Property
- C. Insurance Under Two Or More Coverages
- D. Legal Action Against Us



Commercial Property Conditions CP 00 90 07 08

- E. Liberalization
- F. No Benefit To Bailee
- G. Other Insurance
- H. Policy Period, Coverage Territory



Endorsements Available to Modify the Coverage Territory

Business Personal Property Limited International Coverage –
CP 04 32 04 02

Property In The Process Of Manufacture By Others Limited
International Coverage – CP 04 33 04 02



Commercial Property Conditions CP 00 90 07 08

- I. Transfer Of Rights Of Recovery Against Others To Us (Also known as the Waiver of Subrogation Clause)
 1. Can waive rights of recovery against anyone as long as it is **prior to a loss and it is in writing**
 2. Can waive rights of recovery **after a loss if in writing** and the responsible party is, at time of loss, one of the following:
 - a. Another insured, or
 - b. A business owned or controlled by the named insured,
OR
a business that owns or controls the named insured, or
 - c. A **tenant of the named insured**



Commercial Property Coverage Forms



Commercial Property Coverage Forms

Purposes

1. Identifies the subject of insurance
2. Describes additional coverages and coverage extensions
3. Provides additional conditions not specified in the common policy conditions or the commercial property conditions
4. Provides same coverages regardless of Causes Of Loss Form(s) selected



Commercial Property Coverage Form Types

Building and Personal Property Coverage Form
(CP 00 10 10 12)

Condominium Association Coverage Form (CP 00 17 10 12)

Condominium Commercial Unit Owners Coverage Form
(CP 00 18 10 12)

Builders Risk Coverage Form (CP 00 20 10 12)

Business Income (and Extra Expense) Coverage Form
(CP 00 30 10 12)

Business Income (Without Extra Expense) Coverage Form
(CP 00 32 10 12)



Commercial Property Coverage Form Types

Legal Liability Coverage Form – CP 00 40 10 12

Extra Expense Coverage Form – CP 00 50 10 12

Leasehold Interest Coverage Form – CP 00 60 06 95

Mortgage Holders Errors & Omissions Coverage Form –
CP 00 70 10 12

Tobacco Sales Warehouses Coverage Form – CP 00 80 10 12





PRACTICE EXERCISE

KNOWLEDGE CHECK



Knowledge Check 1

1. The Common Policy Conditions stipulates certain conditions. Select the correct answer.
 - a. The first named insured has certain rights and duties.
 - b. Stipulates that all insureds have the same rights and duties.
 - c. Stipulates that all insureds have the right to make changes.
 - d. Stipulates the named insured can make changes without the insurer's consent.

Correct answer: A

Answers to ALL knowledge checks can be found on pages 116-122





Knowledge Check 1

2. If the named insured has a building valued at \$1,000,000 and has 80% indicated on the Declarations for coinsurance, which of the following is the amount that is required to avoid a coinsurance penalty?
- a. At least \$800,000
 - b. At least \$1,000,000

Correct answer: A





Knowledge Check 1

3. What is the formula that applies when an insufficient Limit Of Insurance is carried?
- a. Amount carried/amount required X Loss = Recovery minus deductible equals settlement
 - b. Amount required/amount carried X Loss = Recovery minus deductible equals settlement
 - c. Amount carried/amount required X (Loss minus Deductible) = Recovery settlement

Correct answer: A





Knowledge Check 1

4. When can a named insured waive his rights of recovery against another party?
- a. It must be in writing prior to a loss
 - b. Prior to a loss, but it does not have to be in writing
 - c. Before and after a loss as long as it is in writing
 - d. It must be in writing prior to a loss; after a loss in writing but only for certain responsible parties

Correct answer: D



Insuring Agreement, Covered Property & Property Not Covered

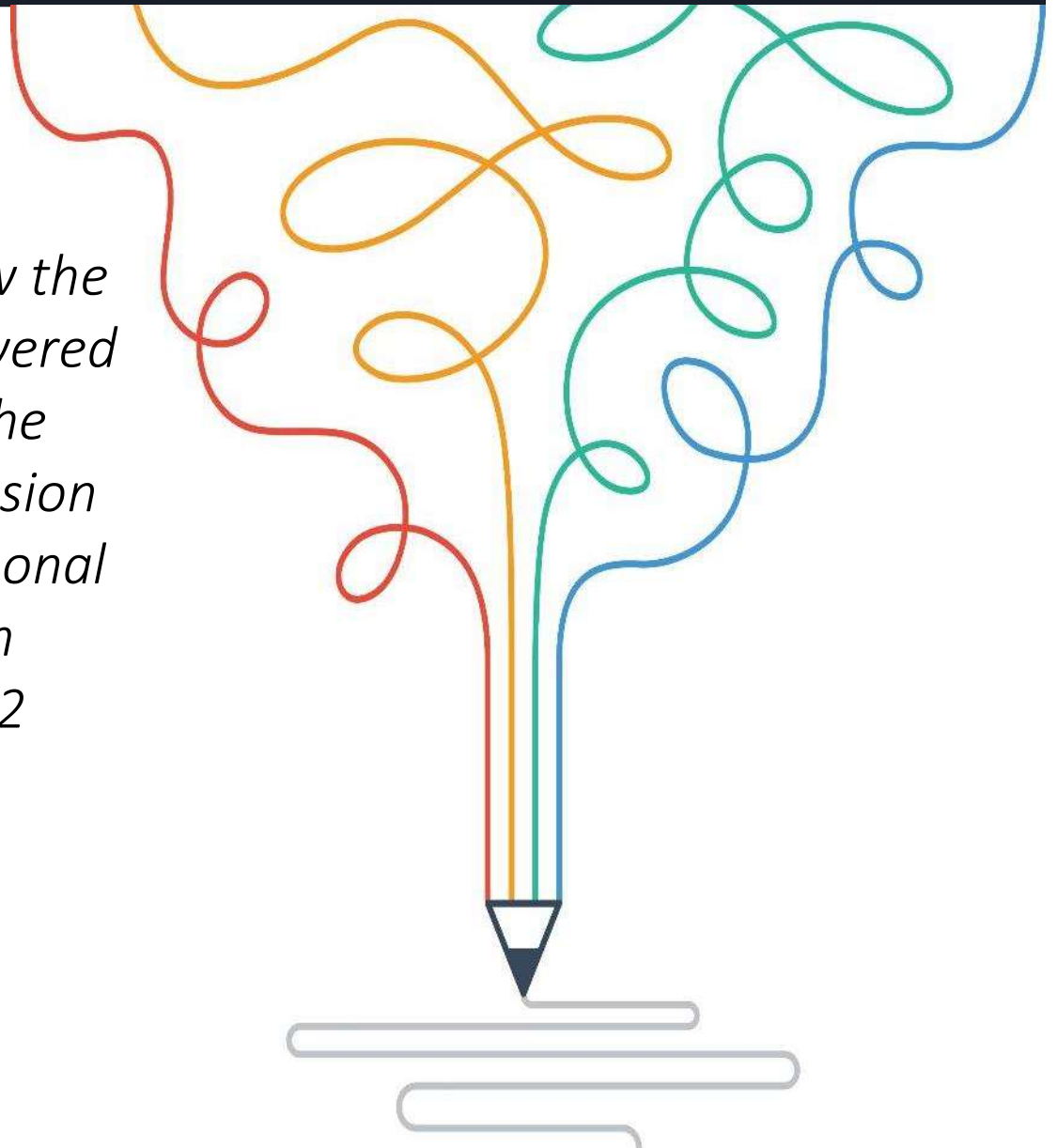


Learning Objective 2

Using knowledge of the Building and Personal Property Coverage Form, the participant will be able to distinguish between what is Covered Property and Property Not Covered, and endorsements, if any, that may be used to modify the insurance coverage.

Insuring Agreement, Covered Property & Property Not Covered

In this section we will review the Insuring Agreement, the Covered Property provision, and the Property Not Covered provision under the Building And Personal Property Coverage Form (BPPCF) – CP 00 10 10 12



Building And Personal Property Coverage Form (CP 00 10 10 12)

Paragraph 1 restricts broadness

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.



Building And Personal Property Coverage Form (CP 00 10 10 12)

Paragraph 2 identifies how named insured and insurer will be identified

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.



Building And Personal Property Coverage Form (CP 00 10 10 12)

Paragraph 3 identifies how to identify words with special meaning and where to find the special meaning

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.



Building And Personal Property Coverage Form (CP 00 10 10 12)

Insuring Agreement

- There must be **direct physical loss or damage**
- Loss or damage must be to **covered property**
- Must be **at the premises described** in the Declarations
- Must be by or result from a **covered cause of loss**



COVERAGE TRIGGERS – MUST HAVE ALL FOUR



Building And Personal Property Coverage Form (CP 00 10 10 12)

Covered Property

Building – includes not only the building or structure identified in the Declarations but also a number of other types of property

- **Completed** additions
- Fixtures, including outdoor fixtures
- Machinery and equipment (considered permanently installed) can be covered as Building Property in certain instances.
- **Personal property** used to service the building or premises
- IF NOT COVERED BY OTHER INSURANCE



Endorsements That Modify the Meaning of Building Property

Additional Building Property – CP 14 15 07 88

- Clarifies that certain “*gray area*” items are covered under Building, for example:
- Used to cover certain items under **Building instead of Your Business Personal Property** (e.g., church organs, freezer cases in supermarkets, large production equipment, etc.)
- Must already have coverage for Building



Endorsements That Modify the Meaning of Building Property

Additional Property **Not** Covered – CP 14 20 07 88

- Used to add specific types of property to the list of “Property Not Covered” (**e.g., tenants improvements & betterments for owner of building** where lease requires tenant to insure these)
- Specified property should not be included in the Limit Of Insurance and nor included in the coinsurance calculations
- May make an unacceptable risk acceptable



Building And Personal Property Coverage Form (CP 00 10 10 12)

Your Business Personal Property

- In/on described structure OR in the open/in a vehicle within 100 feet of structure OR 100 feet of the premises, whichever is greater
- Furniture and fixtures
- Machinery and equipment
- Stock is a defined term



Building And Personal Property Coverage Form (CP 00 10 10 12)

Your Business Personal Property

- Your owned personal property used in your business
- Covers **labor/materials**
- **Use interest** in improvements and betterments as defined
- Leased property – contractual responsibility to **insure**



Endorsements That Modify Your Business Personal Property

Additional Property **Not** Covered – CP 14 20 07 88



The insured operates a large stone quarry. Their “stock” consists of large amounts of stone aggregate, used for making concrete, which is both loose and still attached to the rock face.

The stone is constantly exposed to the elements and faces very little risk from a Covered Cause Of Loss. Using this endorsement, the named insured can add “stock” to the Property Not Covered.

Accordingly, the named insured would not need to include the value of the “stock” in their Limit Of Insurance.



Endorsements That Modify Your Business Personal Property

Leased Property – CP 14 60 07 88

- To insure personal property leased to the named insured as Your Business Personal Property instead of categorizing it as Personal Property Of Others
- Should be on every Building And Personal Property Coverage Form – *all leased property* indicated in the Schedule
- **Leased property may be covered on an Agreed Value basis rather than ACV or RC** – *as stated in the lease* if the Agreed Value Option is selected on the Schedule



Endorsements That Modify Your Business Personal Property

Your Business Personal Property – Separation of Coverage – CP 19 10 06 95

example

Erica's Accoutrement is a small clothing retailer. The leased space is in a new strip shopping center and is completely unfinished. Prior to starting business at this location, the named insured – Erica – has to install walls, flooring, an employee restroom, and a built-in sales counter.

Additionally, Erica has to insure all of the items traditionally associated with a clothing retailer (e.g., inventory, shelves, cash registers, computers, etc.)

Erica signed a 10-year lease on the location and will need to be able to replace the improvements made to the space during that time. Erica asks her agent if she can insure the renovations she completed, even though her lease states that the improvements belong to the owner of the building. *(continued on next slide)*

Endorsements That Modify Your Business Personal Property

Your Business Personal Property – Separation of Coverage – CP 19 10 06 95

example

The agent explains that even though Erica does not own the improvements and betterments, her lease gives her an insurable interest in its use (i.e., a use interest).

The agent goes on to explain that even though the renovation would be considered Your Business Personal Property, her coverage for the improvements and betterments could be insured under the lower building rate by indicating that tenant's improvements and betterments are to get a separate Limit Of Insurance using the endorsement Your Business Personal Property – Separation of Coverage CP 19 10 06 95.

Note that in this case, the value of the tenant's improvements and betterments would not be included in the Your Business Personal Property Limit Of Insurance.



Building And Personal Property Coverage Form (CP 00 10 10 12)

Personal Property Of Others

Applies to property that has been entrusted to the named insured for the named insured:

- *to work on*
 - *on consignment*
 - *sold but not delivered*
 - *leased to*
 - *property of the named insured's employees kept at work*
-

Only covers the property for direct damage, not loss of use



Building And Personal Property Coverage Form (CP 00 10 10 12)

Property Not Covered

There are **17 categories of Property Not Covered** – *“Should be called Property WE want more money to cover”*

- Customarily insured under more specialized policies
- Because it is relatively unsusceptible to loss
- Because it is more susceptible to loss
- Exceptions for some property held for sale
- Restricted coverage for certain types of property



Building And Personal Property Coverage Form (CP 00 10 10 12)

Property Not Covered

Endorsement available:

Additional Covered Property – CP 14 10 06 95

- Expands the definition of Covered Property
- Can be used to buy back certain property that is included in Property Not Covered
- Important to include the values in the Limit Of Insurance
- An example is the named insured has a fence for which coverage is wanted





PRACTICE EXERCISE

KNOWLEDGE CHECK



Knowledge Check 2

1. Which are the categories of Covered Property under an unendorsed Commercial Property Policy?
 - a. Building, Your Business Property, Personal Property of Others
 - b. Building and Business Personal Property Only
 - c. Building, Business Personal Property, Leased Equipment
 - d. Building, Your Business Personal Property, Personal Property of Employees

Correct answer: A





Knowledge Check 2

2. The named insured has a CPP covering their owned building and their business personal property. Indicate which of the following items are covered under Building or as Your Business Personal Property.

	Building	Your Business Personal Property
a. Fixtures, including outdoor fixtures	X	
b. Furniture and fixtures		X
c. Permanently installed machinery or equipment	X	
d. Fire extinguishing to service the building	X	





Knowledge Check 2

3. Indicate which of the following are Covered Property and Property Not Covered under the BPPCF.

	Covered Property	Property Not Covered
a. Retaining walls that are a part of a building	X	
b. Paved surfaces such as a parking lot		X
c. Underground pipes, flues or drains		X
d. Building foundations, including those below the lowest basement floor		X



Methods of Writing Commercial Property Insurance



Learning Objective 3

Using knowledge of Covered Property in Building and Personal Property Coverage Form including, **Specific Coverage, Scheduled Coverage, Blanket Coverage**, and key endorsements, the participant will be able to distinguish the **advantages and disadvantages of writing a policy on a blanket basis** and describe the **endorsements that are available to handle fluctuating values**.

Methods of Writing Commercial Property Insurance



Specific Coverage

- One location
- Specific amount of insurance applies to each type of property

Example:

Building

Your Business Personal Property

Location #1

\$500,000

\$300,000



Methods of Writing Commercial Property Insurance



Example:

Scheduled Coverage

- Two or more properties or locations
- Still a specific amount of insurance applies to each type of property at each separate location scheduled

Building
Your Business Personal Property

Location #1

\$500,000

\$300,000

Location #2

Building
Your Business Personal Property

\$800,000

\$400,000

Methods of Writing Commercial Property Insurance

Blanket Coverage – Two Options

1. One limit that applies to more than one type of property (e.g., Building and Your Business Personal Property) at the same location
2. One limit that applies to one or more types of property (e.g., just buildings, just business personal property or buildings and business personal property combined) at two or more locations

Insures Multiple Properties, Single Limit, One Policy



Methods of Writing Commercial Property Insurance

2. One limit that applies to one or more types of property (cont.)

Examples:

<u>Location 1</u>	<u>Location 2</u>	<u>Location 3</u>
Bldg. \$200,000	Bldg. \$300,000	Bldg. \$500,000
<i>Blanket Limit on Buildings = \$1,000,000</i>		

<u>Location 1</u>	<u>Location 2</u>	<u>Location 3</u>
BPP \$100,000	BPP \$200,000	BPP \$300,000
<i>Blanket Limit Your Business Personal Property = \$600,000</i>		

<u>Location 1</u>	<u>Location 2</u>	<u>Location 3</u>
Bldg. \$200,000	Bldg. \$300,000	Bldg. \$500,000
BPP \$100,000	BPP \$200,000	BPP \$300,000
<i>Blanket Limit on Buildings & Your Personal Property = \$1,600,000</i>		

Methods of Writing Commercial Property Insurance

Blanket Coverage (*cont.*)

Coinsurance is required:

- Normally 90% or 100%
- Applies to the total blanket limit



Methods of Writing Commercial Property Insurance

Blanket Coverage (*cont.*)

Rates

- Either the **highest 80% coinsurance rate** of any type of property applies, or an average rate may be used
- A 90% coinsurance requirement receives the 80% coinsurance credit, and a 100% coinsurance requirement receives the 90% coinsurance credit



Methods of Writing Commercial Property Insurance

Blanket Coverage (*cont.*)

- Rates remain in effect for no more than one year before re-computation
- A **sworn statement of values must be filed with insurer annually**

Written on specific categories

- For example, stock only, improvements and betterments



Blanket Coverage

ADVANTAGES

- Can apply insurance where needed
- Handles fluctuating values between locations or divisions
- Reporting forms are easier
- Insured may have 100% ins. to value at each location, but only carrying 90% for all locations combined

DISADVANTAGES

- 90-100% coinsurance required
- Underwriting restrictions
- Statement of values required
- Rates for 1 year only
- Same causes of loss for all property
- List all ownership interests with multiple locations





example

CP Exhibit Statement of Values

Item #	Location/Occupancy	Coverage	100% Value	80% Rate	Premium
1	Hardware Store 101 Main	Building	\$250,000	.05	\$125
2	Personal Property 101 Main	BPP	\$100,000	.10	\$100
3	Auto Parts Store 103 Sycamore	Building	\$500,000	.20	\$1000
4	Personal Property 103 Sycamore	BPP	\$250,000	.10	\$250

Sum of Premiums	= \$1,475
Sum of Values	= \$1,100,000
Blanket Rate	= \$1,475 divided by \$1,100,000
	= 13.4 cents per \$100 of insurance

Quicksand Mutual Insurance Company
 CP Coverage Parts Declaration Page
 Eddie's Hardware and Automotive Inc.

example

<u>Premises</u>	<u>Bldg.</u>	<u>Coverage</u>	<u>Limits</u>	<u>Cause of Loss</u>	<u>Coinsurance</u>
1&2	Blanket	A	\$1,100,000	Special	90%
1&2	Blanket	B	Included	Special	90%
	N/A	C	N/A	--	--

If indicated by "X" the following apply:

RC (X)

Agreed Value

Inflation Guard (X)
 4%

A = Building B = Business Personal Prop C = Personal Prop of Others

This exhibit should be used solely as a guide. Please read the policy.



Endorsements That Address Changing/Fluctuating Values

Limitation On Loss Settlement – Blanket Insurance (Margin Clause)

CP 12 32 06 07

Severely restricts the “blanket concept”!

example

How Margin Clause Applies

- Buildings #1 through #3 are covered under a Blanket Limit Of Insurance of \$4,500,000
- The combined value of these three buildings at the time of loss is \$5,000,000
- There is a coinsurance requirement of 90% ($.90 \times \$5,000,000 = \$4,500,000$); therefore, no coinsurance penalty

Value of Building #1 on Statement of Values	\$1,000,000
Margin Clause Percentage	110%
Maximum Loss Payable Building #1 ($\$1,000,000 \times 1.10$)	\$1,100,000
Amount of Loss to Building #1	\$1,200,000
Deductible	\$10,000

Step (1): Amount of loss minus Deductible
 $(\$1,200,000 - \$10,000 = \$1,190,000)$

Step (2): Since \$1,190,000 is more than the maximum loss payable, insurer will pay \$1,100,000

Pays \$1,100,000

CP Endorsements That Address Changing/Fluctuating Values

Peak Season – CP 12 30 PREDICTABLE FLUCTUATIONS

To increase coverage during predictable seasonal increases

- Any # of periods with a policy term; **specifies dates**
- Shows **additional amount needed**, not total limit
- Additional premium pro-rated



CP Endorsements That Address Changing/Fluctuating Values

Value Reporting Form – **UNPREDICTABLE FLUCTUATIONS**

- For fluctuating personal property values
- To provide adequate coverage and appropriate premium
- **Timely** and **accurate periodic reports**
- Eligible property: personal property of named insured, of others, or stock only
- Premium adjustments



CP Endorsements That Address Changing/Fluctuating Values

Value Reporting Form – CP 13 10

- **Reporting provisions**
 - **New policy** – first report due at **60 days**
 - Renewal policy – report due at **30 days**
 - All subsequent reports due within 30 days at the end of each reporting period



CP Endorsements That Address Changing/Fluctuating Values

Value Reporting Form – CP 13 10

- Requirements for reporting values
- Daily, weekly, monthly
- Quarterly
- Policy year reports



CP Endorsements That Address Changing/Fluctuating Values

Value Reporting Form – CP 13 10

- Value reporting
 - Correct reporting
 - Full reporting
 - Reports in excess of Limit of Insurance



CP Endorsements That Address Changing/Fluctuating Values

Value Reporting Form – CP 13 10

example

Correct Reporting

House Depot has a value reporting form with a provisional limit of \$1,000,000. Their report for February was received on March 15th showing values of \$800,000.

On April 26th they suffered a fire loss of \$1,000,000. An audit of their books showed the actual values for the month of February were accurate. How much will their policy pay?

Answer: \$1,000,000



CP Endorsements That Address Changing/Fluctuating Values

Value Reporting Form – CP 13 10

example

Full Reporting

House Depot has a value reporting form with a provisional limit of \$1,000,000. Their report for March was received on April 17th showing values of \$400,000.

On April 26th they suffered a fire loss of \$200,000. An audit of their books showed the actual values for the month of March were \$800,000. How much will their policy pay?

*Inventory Reported (DID)
Actual Inventory (SHOULD) \times Loss = Recovery (up to provisional limit of insurance)*

Answer: \$100,000



CP Endorsements That Address Changing/Fluctuating Values

Value Reporting Form – CP 13 10

example

Reports in Excess of Limit Of Insurance

House Depot's April report was received on May 24th showing accurate values of \$1,200,000.

On May 30th, they had another fire which destroyed \$1,100,000 of inventory. How much will their policy pay?

Answer: \$1,000,000



CP Endorsements That Address Changing/Fluctuating Values

Value Reporting Form – CP 13 10

- Reports **MUST** be on time!
- Missed **first report**, policy will not pay more than **75%**
- **Subsequent late reports**, payment **based on most recent report values**
- Reports must include values of any “specific insurance”



Value Reporting Form – CP 13 10

example

Value Reporting Examples

Limit of Insurance: \$100,000

Policy Period: 1/1/18 – 1/1/19

<i>First Report Late</i>	<i>Subsequent Reports Late</i>	<i>Under Reported</i>	<i>In Excess Report</i>
<p><i>Policy pays 75% of amount that would otherwise would have been paid</i></p> <p><u>Example:</u> No report submitted</p> <p><i>\$100,000 loss on 4/20/18</i></p> <p><i>Policy pays \$75,000</i></p>	<p><i>Policy pays no more than last report of values</i></p> <p><u>Example:</u> Last report rec'd on 5/15/18 with April values of \$82,000</p> <p><i>\$100,000 loss on 8/10/18</i></p> <p><i>Policy pays \$82,000</i></p>	<p><i>Policy pays the percentage reported</i></p> <p><u>Example:</u> July report rec'd on 8/25/18</p> <p><i>Reported values \$50,000</i></p> <p><i>Actual values \$100,000</i></p> <p><i>\$40,000 loss on 9/5/18</i></p> $\frac{\$50,000}{\$100,000} = \frac{1}{2}$ <p><i>Policy pays \$20,000</i></p>	<p><i>Policy limit applies</i></p> <p><u>Example:</u> Sept report rec'd on 10/20/18 with values of \$125,000</p> <p><i>\$125,000 loss on 10/27/18</i></p> <p><i>Policy pays \$100,000</i></p>



PRACTICE EXERCISE

KNOWLEDGE CHECK





Knowledge Check 3

1. A named insured has a CPP written on a value reporting form with a monthly reporting period on the Business Personal Property (BPP). The insured has a limit of \$500,000 on BPP. Indicate which of the following is an accurate statement:
 - a. After four months, the insured who has never submitted a report has a \$10,000 covered loss to BPP. The insured will only be able to collect 75% of the covered loss.
 - b. After four months, the insured who has never submitted a report has a \$10,000 covered loss to BPP. The insured will be able to receive 100% of this loss since the CPP will pay based on the policy limit.

Correct answer: A





Knowledge Check 3

2. The insured has been reporting on time but underreporting their values on all their reports. In the June report, they should have reported \$400,000, but they actually reported \$200,000. A claim occurred in early August with a loss of \$100,000. Indicate which of the following is an accurate statement:
- a. At the time of loss, they will only be able to receive 50% of the loss.
 - b. At the time of loss, they will be able to receive the full amount since the loss was less than the reported amount.

Correct answer: A



Additional Coverages



Learning Objective 4

Using knowledge of the **six Additional Coverages** in the Building and Personal Property Coverage Form the participants will be able to explain how coverage applies in the event of a loss, and the **endorsements available to modify coverage**.

Additional Coverages

Six Additional Coverages:

- Debris Removal
- Preservation Of Property
- Fire Department Service Charge
- Pollutant Cleanup And Removal
- Increased Cost Of Construction



- Electronic Data



Additional Coverages

a. Debris Removal

- (1) Covered Property as well as some other property on the described premises from a Covered Cause of Loss
- (2) Does NOT apply to property that is not/would not be Covered Property, deposits of mud or earth, extract pollutants from land or water, or polluted land or water
- (3) The most paid for direct physical loss plus debris removal expense is the applicable Limit of Insurance
- (4) Pays up to an additional \$25,000 if the Limit Of Insurance is exhausted or debris removal expenses exceed the limitation



Additional Coverages

Debris Removal

Part of policy limit

Additional Ins.

$$\overbrace{[\text{Paid loss} + \text{Deductible}] \times 25\%}^{\text{Part of policy limit}} + \overbrace{25,000}^{\text{Additional Ins.}} = \text{DR}$$

Additional Coverages

DEBRIS REMOVAL EXAMPLE #1

\$100,000 Building

\$1,000 Deductible

\$24,000 Loss:

$$23,000 + 1,000 = 24,000 \times 25\% = 6,000 + 25,000 = \mathbf{31,000}$$

\$31,000 of Debris removal coverage on a 24,000 loss

Additional Coverages

DEBRIS REMOVAL EXAMPLE #2

\$100,000 Building

\$1,000 Deductible

96,000 Loss



$$95,000 + 1,000 = 96,000 \times 25\% = 5,000 + 25,000 = 30,000$$

\$30,000 of Debris Removal on a 96,000 loss.

\$30,000 of Debris Removal on a 96,000 loss.

EX

Additional Coverages

b. Preservation Of Property

True “all risk” coverage

(1) Includes transit or while in temporary storage at another location

(2) Within 30 days after the property is first moved

Note: DOES NOT INCREASE LIMIT OF INSURANCE



Additional Coverages

c. Fire Department Service Charge

- Up to **\$1,000** unless a higher limit is shown on the Declarations
- Not for “voluntary payments”
- **Deductible does not apply**



Note: **IN ADDITION TO LIMIT OF INSURANCE**



Additional Coverages

d. Pollutant Clean-up And Removal

- Limited time/amount -
\$10,000 Aggregate Limit
- Extraction of pollutants only

Note: **IN ADDITION TO LIMIT
OF INSURANCE**



Additional Coverages

e. Increased Cost Of Construction

- (1) Applies only to **buildings** to which the Replacement Cost Optional Coverage applies
- (2) **Increased costs** incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding, or replacement of damaged parts
- (3) Refers to a **current ordinance or law**
- (4) Will not pay under certain circumstances
- (5) Does not pay for loss that results from “pollutants” and/or “fungus” or the costs related to cleanup and testing



Additional Coverages

e. Increased Cost Of Construction (*cont.*)

(6) Limited to \$10,000 or 5% of the building's Limit of Insurance, whichever is less

(7) With respect to Increased Cost of Construction – Additional Coverage

(a) Does not pay until the property is repaired or replaced as long as the repairs are made within two years – this can be extended by the insurer in writing



Additional Coverages

(7) With respect to Increased Cost of Construction – Additional Coverage
(*cont.*)

- (b) If the named insured elects to rebuild at **another premises**, the most that will be paid is the increased costs of construction at the original premises or the increased cost of construction limit of insurance
- (c) If the ordinance or law **requires the building to be rebuilt at a new location**, the most that will be paid is the ICC at the new premises or the ICC limit



Additional Coverages

e. Increased Cost Of Construction (*cont.*)

(8) Does not conflict with the
Ordinance Or Law Exclusion

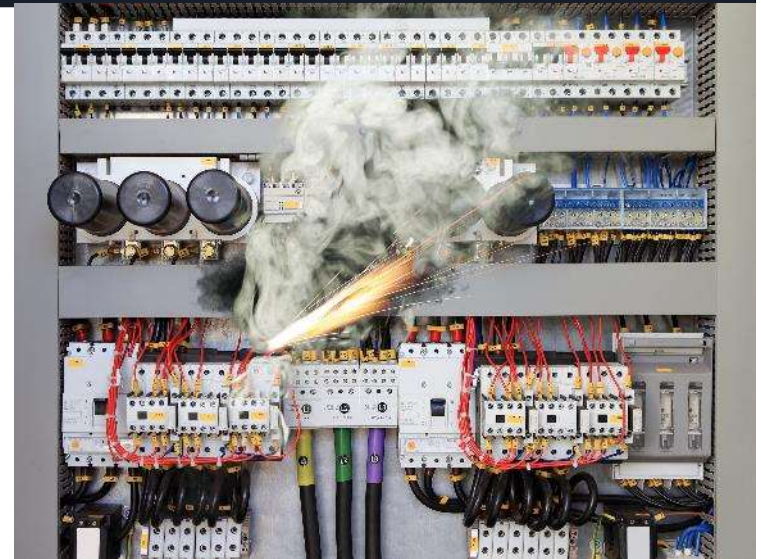
(9) Clarifies the amount payable



Additional Coverages

f. Electronic Data

- **\$2,500 aggregate limit** available for each policy year
- Limit applies regardless of the number of occurrences/premises/locations/computer systems
- Coverage applies to data that has been **destroyed/corrupted by one of the named Causes of Loss**
- If a Covered Cause of Loss is added by endorsement, the additional Cause of Loss will not apply to this Additional Coverage
- Perils for this coverage **include computer virus**



Coverage Extensions



Learning Objective 5

Using knowledge of the seven **Coverage Extensions** in the Building and Personal Property Coverage Form, the participants will be able to explain how coverage applies in the event of a loss and the **endorsements available to modify**.

Coverage Extensions

Seven Coverage **Extensions**

- | | |
|---|---|
| a. Newly Acquired Or Constructed Property | e. Outdoor Property |
| b. Personal Effects And Property Of Others | f. Non-owned Detached Trailers |
| c. Valuable Papers And Records (Other Than Electronic Data) | g. Business Personal Property Temporarily In Portable Storage Units |
| d. Property Off-premises | |



Coverage Extensions

a. Newly Acquired Or Constructed Property

(1) Buildings – up to \$250,000

(2) Your Business Personal Property – up to \$100,000

(3) Period of Coverage – up to 30 Days



Coverage Extensions

b. Personal Effects And Property Of Others

(1) NO theft coverage for personal effects

(2) Personal property of others in named insured's care, custody, or control (CCC)

Note: NOT more than **\$2,500**



Coverage Extensions

c. Valuable Papers And Records – Cost of Research

- Cost to **replace or restore if duplicates do not exist**
- NOT if electronic data
- Named perils coverage only
- NOT more than **\$2,500**



Coverage Extensions

d. Property Off-premises

- **Temporarily** at a location but NOT at location owned/leased/operated
- Storage at a leased location, if the lease executed after the beginning of the current policy term
- At any fair, trade show, or exhibition
- **NOT in or on a vehicle**
- **NOT in CCC of salespersons unless at fair, trade show, or exhibition**
- NOT more than **\$10,000**



Coverage Extensions

e. Outdoor Property

- Limited property/**limited perils** (FLARE)
- **NOT more than \$1,000** total (\$250 for any one tree, shrub, or plant)
- Coverage includes debris removal expense



Coverage Extensions

f. Non-owned Detached Trailers

- Used in business/in CCC/**contractual responsibility for loss or damage**
- **NOT attached to any motorized vehicle/conveyance**
- **NOT during hitching/unhitching/accidentally unhitched**
- NOT more than **\$5,000**
- Excess coverage



Coverage Extensions

g. Business Personal Property **Temporarily** In Portable Storage Units

- Temporarily stores in a portable storage unit located **within 100 feet of building or structure or 100 feet of the described premises** – whichever is greater
- **90 days maximum** from when storage unit on premises
- NOT more than **\$10,000**
- Not applicable if otherwise covered and NOT applicable to loss or damage to storage unit itself





PRACTICE EXERCISE

KNOWLEDGE CHECK



Knowledge Check 4

1. The named insured is the landlord of a building and has a CPP with a limit of \$750,000 on the building. A fire occurs causing significant damage to the building and creating a large amount of debris that must be removed. Which of the following is an accurate statement?
 - a. Debris removal is an Additional Coverage and the CPP pays only for 25% of the direct damage loss.
 - b. Debris removal is an Additional Coverage and the CPP pays for 25% of a direct damage loss, plus an additional \$25,000 after the policy limits are exhausted.
 - c. The CPP does not pay for Debris Removal.
 - d. Debris removed is not cover under the CPP unless added by endorsement.

Correct answer: **B**





Knowledge Check 4

2. The named insured has a CPP covering both the building and business personal property. The building has been damaged by a covered cause of loss. The insured moves some of the contents to prevent damage. Which of the following is an accurate?
- a. Preservation of Property is included as an Additional Coverage and provides coverage for only 24 hours following the loss.
 - b. Preservation of Property is included as an Additional Coverage and provides coverage for 30 days after covered property is first moved.
 - c. Preservation of Property is included as an Additional Coverage but only applies to the building, not business personal property.
 - d. Preservation of Property is included as an Additional Coverage for temporary storage, but does not apply to transit.

Correct answer: **B**





Knowledge Check 4

3. The named insured has a CPP with 80% coinsurance on a \$750,000 building. They purchase a warehouse valued at \$300,000. Do they have any coverage for this newly acquired property under the Building and Personal Property Coverage Form (BPPCF)?
- a. The BPPCF provides coverage for newly acquired property as a Coverage Extension up to \$250,000 but only for 30 days or policy expires, whichever occurs first.
 - b. The BPPCF provides coverage for newly acquired property as a Coverage Extension up to the policy building limit but only until the policy expires.
 - c. The unendorsed CPP does not provide coverage for newly acquired property.

Correct answer: A





Knowledge Check 4

4. Indicate whether the following items are an Additional Coverage or a Coverage Extension:

	Additional Coverage	Coverage Extension
a. Increased Cost of Construction	X	
b. Outdoor Property		X
c. Fire Department Service Charge	X	
d. Personal Effects and Property of Others		X



Exclusions and Limitations, Limits Of Insurance & Deductibles



Learning Objective 6

Using knowledge of the Building and Personal Property Coverage Form including **Limits of Insurance and Deductibles**, the participant will be able to explain how the policy will respond in the event of loss or damage and describe the **endorsements that can be used to modify these policy provisions**.

Building And Personal Property Coverage Form (CP 00 10 10 12)

B. Exclusions And Limitations

Exclusions and limitations are specific to the **Causes Of Loss Form shown in the Declarations. Discuss in tomorrow's session.**



Building And Personal Property Coverage Form (CP 00 10 10 12)

C. Limits Of Insurance

- Applicable **Limit Of Insurance shown in the Declarations**
- NOT more than **\$2,500 per sign whether attached or not**
- Certain Additional Coverage have separate Limits Of Insurance

Endorsement available:

Outside Signs – CP 14 40 06 07



Building And Personal Property Coverage Form (CP 00 10 10 12)

D. Deductible

- Per occurrence AFTER application of coinsurance
- If more than one item of Covered Property is damaged and separate Limits of Insurance apply, losses are not combined in determining application of deductible – **but deductible only applied once**
- Deductibles can be modified to reduce insurance premiums or make a risk more acceptable



Building And Personal Property Coverage Form (CP 00 10 10 12)

Endorsements selected for discussion:

Deductibles By Location – CP 03 29 04 18

Multiple Deductible Form (Fixed Dollar Deductibles) – CP 03 20 04 18

Windstorm Or Hail Percentage Deductible – CP 03 21 10 12



Loss Conditions



Learning Objective 7

Using knowledge of the **Loss Conditions** in the Building and Personal Property Coverage Form the participant will be able to explain how the policy will respond in the event of loss or damage and explain the **endorsements that can be used to modify these policy conditions.**

Loss Conditions

Seven Loss Conditions:

1. Abandonment
2. Appraisal
3. Duties In The Event Of Loss Or Damage
4. Loss Payment
5. Recovered Property
6. Vacancy
7. Valuation



Building And Personal Property Coverage Form (CP 00 10 10 12)

E. Loss Conditions

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

1. Abandonment



Building And Personal Property Coverage Form (CP 00 10 10 12)

2. Appraisal

- Used to determine value of property or amount of loss
- Can be requested by insurer or named insured
- Outlines selection of appraisers process
- Outlines appraisal process including allocation of costs
- **May be binding**
- But coverage can still be denied



Building And Personal Property Coverage Form (CP 00 10 10 12)

3. Duties In The Event Of Loss Or Damage – Listed on page 88

- Outlines named insured's duties
- Gives insurer certain rights



Building And Personal Property Coverage Form (CP 00 10 10 12)

4. Loss Payment

- a. **Insurer's options**
- b. The cost does not apply to *increased costs of construction*
- c. Insurer's option expressed within 30 days after receipt of proof of loss
- d. No more than named insured's financial interest



Building And Personal Property Coverage Form (CP 00 10 10 12)

4. Loss Payment (*cont.*)

- e. Insurer may deal directly with owners of property
- f. Insurer may defend named insured at insurer's expense
- g. Insurer payment within 30 days of proof of loss if the named insured has complied with terms, and agreed on amount, or an appraisal award has been made
- h. Specific provisions for party wall

Endorsement available:

Loss Payable Provisions – CP 12 18 10 12



Building And Personal Property Coverage Form (CP 00 10 10 12)

5. Recovered Property

- Notice of recovered property required by either named insured or insurer
- Insured's option as to accept return or not



Building And Personal Property Coverage Form (CP 00 10 10 12)

6. Vacancy Defined

- (a) **Tenants** - Such building is vacant when it does not contain enough business personal property to conduct customary operations.
- (b) **Building Owner** - The building is vacant unless 31% of the total square footage is
 - (i) **Rented and used** to conduct necessary operations, and/or
 - (ii) Used by the building owner to conduct customary operations.



Building And Personal Property Coverage Form (CP 00 10 10 12)

If vacant **more than 60 days**

Excluded Causes –


- | | | | |
|----|-------------------|----|----------------|
| 1. | Vandalism | 2. | Glass Breakage |
| 3. | Theft | 4. | Water Damage |
| 5. | Sprinkler leakage | | |

15% Reduction – All other covered causes of loss (i.e. Fire)



Building And Personal Property Coverage Form (CP 00 10 10 12)

VACANCY EXAMPLE

						Convenience Store
						20%
						

\$170,000 PAID

Fire Damage To Building = 200,000



Building And Personal Property Coverage Form (CP 00 10 10 12)

6. **Vacancy**

Endorsements available:

Vacancy Permit – CP 04 50 07 88

Vacancy Changes – CP 04 60 10 12



Building And Personal Property Coverage Form (CP 00 10 10 12)

7. Valuation

- a. ACV except as otherwise provided
- b. Building damage \$2,500 or less/coinsurance satisfied, pays cost of repairs or replacement NOT including increased costs of construction
- c. Stock (sold but not delivered) at selling price minus expenses not incurred
- d. Glass at cost of any required safety-glazing materials
- e. Special valuation for tenants' improvements and betterments



Building And Personal Property Coverage Form (CP 00 10 10 12)

Endorsements selected for discussion:

Manufacturer's Selling Price (Finished "Stock" Only) – CP 99 30 06 95

Market Value – Stock – CP 99 31 07 88

Manufacturers Consequential Loss Assumption – CP 99 02 07 88

Functional Personal Property Valuation (Other Than Stock) –
CP 04 39 10 90

Functional Building Valuation – CP 04 38 09 17

Increased Cost Of Loss And Related Expenses For **Green Upgrades** –
CP 04 02 10 12



Additional Conditions



Additional Conditions

1. Coinsurance

- Policy will not pay the full amount of any loss *if the value at the time of loss times the Coinsurance percentage shown in the Declarations is greater than the Limit of Insurance* for the property.



Additional Conditions

2. Mortgageholders

- Separate rights
- Separate duties





PRACTICE EXERCISE

KNOWLEDGE CHECK





Knowledge Check 5

1. The named insured has a CPP with a building limit of \$1,000,000. The building has been vacant for 3 months. Which of the following is an accurate statement under the Building and Business Personal Property Coverage Form (BPPCF)?
 - a. There is no coverage under the BPPCF after a building has been vacant for more than 60 consecutive days.
 - b. There is coverage provided under the BPPCF up to 30 days but only for damage caused by the Covered Causes of Loss.
 - c. There is coverage for fire but the payment is reduced by 10%.
 - d. There is no coverage after a building has been vacant for more than 60 consecutive days for certain Covered Causes of Loss and the payment on others is reduced by 15%.

Correct answer: D





Knowledge Check 5

2. The valuation loss condition under the Building and Business Personal Property Coverage Form (BPPCF) automatically provides coverage on an actual cash value basis except as otherwise provided. True or False?
- a. True
 - b. False

Correct answer: A





Knowledge Check 5

3. The named insured owns an older building they want insured. If the building suffers a significant loss, they want to rebuild with less costly material in lieu of. Which of the following endorsement would modify coverage?
- a. No endorsement is needed as a CPP written on an ACV basis will meet the needs for a partial loss.
 - b. Functional Building Valuation Endorsement
 - c. Selling Price Clause Endorsement

Correct answer: **B**



Optional Coverages



Learning Objective 8

Using knowledge of the Building and Personal Property Coverage Form, describe the purpose of the four **Optional Coverages** and how these coverages apply when activated on the Declarations Page.

Optional Coverages under the BPPCF – CP 00 10 10 12

Four Optional Coverages:

1. Agreed Value
2. Inflation Guard
3. Replacement Cost
4. Extension Of Replacement Cost To Personal Property Of Others



Building And Personal Property Coverage Form (CP 00 10 10 12)

1. Agreed Value

- **Suspends Coinsurance**

Beware: This **does not remove the coinsurance**, it suspends it!

- Has an expiration date

Note: There is an additional premium charge of 5%



Building And Personal Property Coverage Form (CP 00 10 10 12)

Inflation Guard

- Limit of Insurance increased
- Increase applies pro rata throughout policy period
 - Pro rata premium charge (e.g., 8% annual increase – 4% additional premium)



Building And Personal Property Coverage Form (CP 00 10 10 12)

3. Replacement Cost

- a. Replaces ACV in Loss Condition – Valuation
- b. **Does NOT apply to:**
 - (1) **Personal property of others;**
 - (2) **Contents of a residence;**
 - (3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or
 - (4) "Stock", unless the Including "Stock" option is shown in the Declaration



Building And Personal Property Coverage Form (CP 00 10 10 12)

3. Replacement Cost (*cont.*)

- c. Claim may be made for ACV – intent to make RC claim within 180 days
- d. Must be repaired/replaced as soon as reasonably possible
- e. Least of:
 - (1) The limit of Insurance applicable;
 - (2) The cost to replace 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
- f. DOES NOT APPLY to “increased costs of construction”



Building And Personal Property Coverage Form (CP 00 10 10 12)

Endorsement selected for discussion:

Increase In Rebuilding Expenses Following Disaster (Additional Expense Coverage On Annual Aggregate Basis) – CP 04 09 10 12



Building And Personal Property Coverage Form (CP 00 10 10 12)

4. Extension Of Replacement Cost To Personal Property Of Others
 - a. Two actions required for this optional coverage to apply:
 - Must have replacement cost on named insured's property
 - Must “trigger” replacement cost for personal property of others
 - b. Payment limited to lesser of amount required by contract/replacement



Definitions

"Fungus"

means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi

"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"

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





PRACTICE EXERCISE

KNOWLEDGE CHECK





Knowledge Check 6

1. The named insured has a CPP with both building and business personal property insured. Which of the following statement is true regarding Agreed Value?
 - a. Suspends coinsurance and there is no additional premium charge.
 - b. Removes coinsurance for an additional premium charge of 5%.
 - c. Suspends coinsurance for an additional premium charge of 5%.
 - d. Agreed Value is triggered by an endorsement with an additional premium charge of 10%.

Correct answer: C





Knowledge Check 6

2. Indicate whether the following are true or false regarding Inflation Guard:

	True	False
a. Inflation Guard automatically applies		X
b. A percentage of must be shown in the Declarations for this Optional Coverage to apply	X	
c. The Limit of Insurance changes quarterly		X
d. The increase to the Limit of Insurance changes daily	X	





Knowledge Check 6

3. The named insured has coverage under their CPP for Building, Your Business Personal Property, and Personal Property of Others at a location described in the Declarations. Which of the following is an accurate statement?
- a. There is an option for extending Replacement Cost to the Personal Property of Others.
 - b. If the insured has Replacement Cost on Your Business Personal Property, the CPP will automatically extend Replacement Cost Coverage to the Personal Property of Others.

Correct answer: A



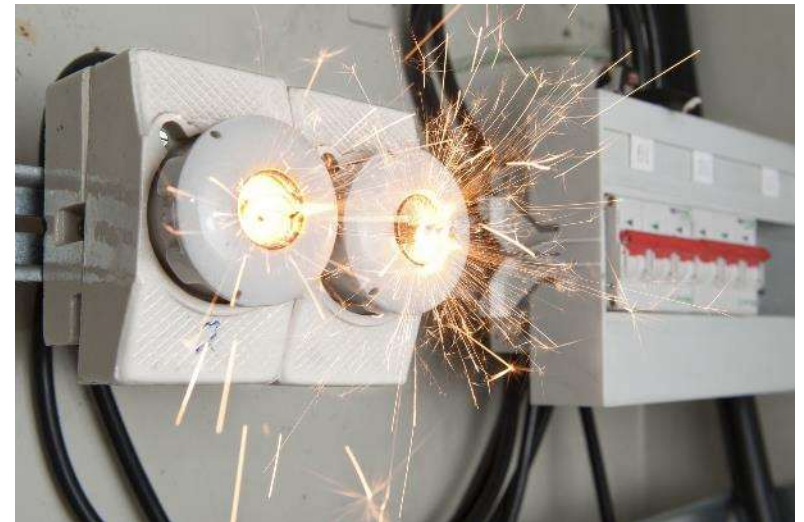
Legal Liability Coverage Form

CP 00 40 10 12



Legal Liability Coverage Form – CP 00 40 10 12

- Even though the BPPCF provides coverage for insurable interest, this Coverage Form is designed for named insureds that may have an obligation to pay sums due to **negligent damage from a covered cause of loss** to property of others that is in the insured's care, custody, or control.
- This property form is an alternative to “fire legal liability” coverage on the CGL Policy



Legal Liability Coverage Form – CP 00 40 10 12

- Insured **must have a legal obligation** to pay damages
- Coverage applies to tangible **property of others in the named insured's care, custody or control**
- Subject to applicable Causes of Loss form shown in the Declarations
- Has Characteristics Of Property And Liability Coverage Forms



Learning Objectives:

1. Using knowledge of the Common Policy Conditions, Commercial Property Declarations, and Commercial Property Conditions, the participant will be able to explain to a client the rights and duties of the first Named Insured, how coinsurance applies, and who has the rights of recovery in the event of a loss.
2. Using knowledge of the Building and Personal Property Coverage Form, the participant will be able to distinguish between what is Covered Property and Property Not Covered, and endorsements, if any, that may be used to modify the insurance coverage.



Learning Objectives:

3. Using knowledge of Covered Property in Building and Personal Property Coverage Form including

- Specific Coverage
- Scheduled Coverage
- Blanket Coverage
- Key Endorsements

the participant will be able to distinguish the advantages and disadvantages of writing a policy on a blanket basis and describe the endorsements that are available to handle fluctuating values.



Learning Objectives:

4. Using knowledge of the six Additional Coverages in the Building and Personal Property Coverage Form, the participants will be able to explain how coverage applies in the event of a loss, and the endorsements available to modify coverage.
5. Using knowledge of the seven Coverage Extensions in the Building and Personal Property Coverage Form, the participants will be able to explain how coverage applies in the event of a loss and the endorsements available to modify coverage.



Learning Objectives:

6. Using knowledge of the Building and Personal Property Coverage Form including

- Limits of Insurance
- Deductibles

the participant will be able to explain how the policy will respond in the event of loss or damage and describe the endorsements that can be used to modify these policy provisions.



Learning Objectives:

7. Using knowledge of the Loss Conditions in the Building and Personal Property Coverage Form, the participant will be able to explain how the policy will respond in the event of loss or damage and explain the endorsements that can be used to modify these policy conditions.
8. Using knowledge of the Building and Personal Property Coverage Form, describe the purpose of the four Optional Coverages and how these coverages apply when activated on the Declarations Page.





**Any
Questions?**

Thank
you