Overview of Lecture 5 (chapter 5 CPCU 3)

I. Insuring agreement

“
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.”

II. Causes of loss forms

A. Basic
B. Broad
C. Special
D. Exclusions
E. Special form additional concurrent causation exclusion

II. Causes of loss forms

A. Basic

1. fire

   - flame or glow and rapid oxidation (both must exist)
   - friendly fire is one that is intentionally ignited and remains
     inside the intended receptacle
2. lightning

3. explosion
   - sudden combustion of gunpowder, dynamite, gasoline or natural gas

not covered:
   - rupture or bursting caused by excessive pressure or freezing
   - steam boiler explosions (owned, leased or operated by insured), however, resulting fire loss covered

4. windstorm and hail
   - tornadoes and hurricanes are windstorms

   - rain, snow, sand or dust only covered if exterior is damaged and opening in building was caused by wind or hail
5. smoke

6. aircraft and vehicle damage
   - physical contact with covered property or building required
   - no coverage if vehicle owned by named insured or operated in the course of named insured’s business

7. riot and civil commotion
   - violent gathering of persons
   - resulting looting at the time and place of riot

8. vandalism
   
   not covered:
   - no coverage for theft, except under special cause of loss form, but building damage done by burglars is covered
9. sprinkler leakage

- cost to repair or replace damage parts of sprinkler (and cost to reach damage)
- protective safeguards endorsement - coverage is automatically suspended if the insured knows the sprinkler is not operational and fails to notify the insurer

10. sinkhole collapse

- sudden sinking or collapse of land into natural underground empty space
- not collapse into man-made cavities in the earth

11. volcanic action

- not covered for removal of ash, dust, etc. if no loss to covered property
- all eruptions occurring in 7 day (168 hours) period constitute one occurrence
B. Broad

12. falling objects

   not covered:

   - interior of building or contents inside unless exterior of building is first damaged

13. weight of snow, ice, or sleet

   not covered:

14. water damage

   - accidental discharge from plumbing and appliances (not sprinklers)

   not covered:

   - seepage or leakage occurring over a period of more than 14 days
15.  breakage of building glass (vandalism) - additional coverage

   - note that glass breakage from covered perils other than vandalism is covered in basic form

   - limitation of $100 per pane and $500 per occurrence applies (limitation does not exist for loss of glass due to other covered perils)

16.  collapse - additional coverage

   - includes collapse of building and personal property inside building

   - use of defective materials or methods during construction (not for completed buildings)
not covered:
- most outdoor property unless building collapse is the direct cause of loss

C. Special
1. causes of loss

- thus, friendly fire, theft s.t. limitations, and vehicle damage even without direct physical contact or by insured covered

2. exclusions to match broad form conditions

- rain, snow, sand or dust damage to interior unless opening in building

- weight of ice, snow, and sleet damage to gutters and downspouts, personal property in open
3. specified causes of loss (14 broad form perils)

- animals (killed or destruction necessary by covered peril, decrease in value of living animals not covered)
- fragile articles (breakage)

- builders’ machinery, tools, etc. while away from premises

4. maintenance exclusions

5. theft coverage exclusions

- employee dishonesty

- voluntary parting (willingly, no threat of force)
- unauthorized instructions (transfer property to a person or a place outside premises)
- building materials and supplies unless attached to building or held for sale

- $ limits on some types of property (ex., $2500 for furs, jewelry, dies, etc.; $250 stamps, lottery tickets, etc.)

6. pollution exclusion

7. rain, snow, ice or sleet to personal property in the open

8. additional coverages special form

- property in transit (insured’s personal property in insured’s vehicle more than 100 ft. from premises) ($1000; between points in coverage territory; for theft, signs of forced entry)
D. Exclusions (all forms)

note on concurrent causation:
- courts ruled that coverage existed, even if excluded, when the occurrence that started events leading to the loss was not excluded (ex., dam ruptures due to faulty construction)

1. building ordinance

2. earth movement

3. governmental action

4. nuclear hazard
5. off-premises power failure (utility services)
   - loss of power or other utility if away from premises even if from covered peril
   - note that on-premises power or utility failure are covered if a result of covered perils on premises
   - for business interruption losses, failure of utility services anywhere outside of building not a covered cause of loss

6. war

7. water
   - flood, surface water, waves, tides, tidal waves, overflow of any body of water
   - but if loss by fire, explosion or sprinkler that damage is paid
8. artificially generated electrical current

9. mechanical breakdown

10. steam boiler explosion

E. Special form additional concurrent causation exclusion

- weather conditions; acts or failures to act of any entity; faulty, inadequate or defective planning, design, materials or maintenance; (if any of these contribute to an excluded peril)