

## Covered Causes of Loss (Lecture 5)

### *Overview of Lecture 5 (chapter 5 CPCU 3)*

#### *I. Insuring agreement*

#### *II. Causes of loss forms*

##### *A. Basic*

##### *B. Broad*

##### *C. Special*

##### *D. Exclusions*

##### *E. Special form additional concurrent causation exclusion*

#### **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."**

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#### **II. Causes of loss forms**

##### **A. Basic**

##### **1. fire**

- flame or glow and rapid oxidation (both must exist)

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- friendly fire is one that is intentionally ignited and remains inside the intended receptacle

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2. lightning

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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)