



Current Articles 2006 – February

The New Commercial Building, Equipment & Stock – Broad Form

The IBC has recently released a draft wording to update the Commercial Building Equipment and Stock Broad Form and known as IBC 4037 and which is intended to replace the IBC 4036 dated December 1995. Please note that not all insurers may adopt the new wording and care should be used to compare the previous wording with the revised form. The main goal was to modernize and clarify the wording. Archaic words and phrases like “forthwith, notwithstanding, thereto, therefrom, thereat and therein” have been replaced with easier to understand words and phrases.

The term “Property of Every Description” has been replaced with “All Property” Similarly; “Contents of Every Description” has been simplified to “Contents” The separate section for Parcel Post has been removed, as coverage for Parcel Post will now be included with Property in Transit. The definition of “Premises” has been amended to apply to Temporary Locations and Newly Acquired Location, if covered **and in or on vehicles within 100 metres of such locations**. This 100-metre extension previously only applied to the described location(s).

The Territory limitation has changed the coverage for Temporary or Newly acquired Locations to apply in Canada only. A new section has been added to apply to a Building at a Newly Acquired Location in addition to the Contents. Property in Transit and Sales Representatives is limited to Canada or the continental United States. The “excluding Alaska” exclusion in the previous policy has been removed thus giving a slightly broader territorial coverage. The Property in Transit has clearly identified that the coverage only applies **“until delivered”**.

Exclusions applicable to Earthquake, War and Flood have included exclusion for concurrent causation. Ensuing loss by fire, explosion smoke or leakage from fire protective equipment is still covered.

Other changes to the exclusion include extending the exclusion for snowslide, explosion and settling to all insured property. Previously the exclusion solely applied to the building. There is a new exclusion for “illegal drug operations”. The exclusion for “mysterious disappearance” was corrected and now to apply to any mysterious disappearance – not only that disclosed on taking inventory.

Exclusions for Data, Terrorism and Fungi and Fungal Derivatives have been built into the wording. These are the same as were previously added by endorsements.

The term “in the open” has been replaced with “outside the building”. The coverage applicable to Growing Plants, Trees, Shrubs or Flowers outside the Building has a limit of \$500. per tree, etc. but now an additional occurrence limit of \$5,000 has been added.

The Breach of Conditions Clause identifies that "if the Insured does not comply with a condition of this insurance, any claim for subsequent loss or damage is not recoverable." This may tie with the Property Protection Systems Clause that requires the insured to notify the insurer immediately of any known interruption of the described systems. The effect of lack of such notification is now quite clear and could result in a denial of a subsequent claim.

The Definitions section has included 8 additional items, some of which I mentioned above.

In addition to the new policy wording there is a corresponding new Declaration Page – IBC 4000. This form has paralleled the changes in the new wording.

There are not a lot of significant changes but care should be used to determine changes applicable to a specific client's requirements and in also determining if the insurer has adopted this new wording.

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