



Current Articles 2006 – November

Revised Commercial Property Wordings

The IBC have approved new Commercial Property wordings. These new wordings will replace the Commercial Building, Equipment and Stock form in current use and separately will replace both for the Named Perils and Broad Form. The new wordings will be titled “Commercial Property – Named Perils” and “Commercial Property- Broad Form”.

There are numerous changes and too many to mention in this article. However, I will try and focus on the major items.

The items that can be insured are Building, Equipment, Stock, **Contents** and **All Property**. These last two items replace the former Contents of Every Description (COED) and Property of Every Description (POED). Property at a Temporary Location is restricted to Canada only. The previous wording applied coverage to Canada, the continental United States excluding Alaska. Property in Transit has replaced the former “Parcel Post” and “Other Transit” and will apply in Canada and the continental United States **including** Alaska.

The exclusion pertaining to “money” etc. now excludes “cash cards” also. This exclusion has also been changed to include coverage for lottery tickets. As roadways, walkways, parking lots or other exterior paved surfaces have previously been interpreted to be “fixed structures pertaining to the building”; an exclusion has been added for these items. However the exclusion does not apply to the first \$10,000 of any loss. Concurrent causation language has been added to the exclusions for earthquake, flood and war. The snowslide, explosion and settling exclusion has now been made applicable to ALL insured property. The previous wording applied these exclusions to the building only. Exclusions have been added for illegal “Drug Operations”, Misrepresentation of Data, Terrorism, Fungi and Fungal Derivatives.

Coverage for Growing Plants, Trees Shrubs, etc. in the open has been more clearly identified to apply to such items outside the building. There is a limit of \$500.00 for any single item and an occurrence limit of \$5,000.00.

The Locked Vehicle Warranty has been amended by deleting the requirement of a “metal” container and coverage will now apply to a “fully enclosed body or compartment” (including a fiberglass container). As windows are not always capable of being locked, the new wording requires the doors to be locked and the windows closed.

Debris Removal is now covered subject to a maximum of 25% of the sum of (1) the total amount payable for the direct loss of or damage to insured property: and (2) the amount of the applicable deductible. The previous form did not include a percentage maximum.

The new “Commercial Property Policy Conditions” replaces the previous Statutory Conditions. The new clauses closely follow the previous Statutory Conditions with only minor changes to provide

clarity. This was amended as recent Supreme Court of Canada decisions have limited the "Statutory Conditions" to policies insuring against the peril of fire only and NOT to an All Risk policy. Since these "Policy Conditions" are not by statute, can they be amended by individual insurers?

Many archaic words or phrases such as "forthwith, notwithstanding, thereto, therefrom, thereat, therein, etc. have been replaced with easier to understand words and phrases.

Although most of the changes are minor, there are some significant amendments to note. What about the salesman that takes a computer or other business property on a trip to the USA? The new "Temporary Location" is limited to Canada! Not all insurers are going to adopt this wording at all or certainly not at the same time. Using a form that is more limited and not bringing the amendment to the attention of the insured can create a problem for the broker. It is necessary that you make yourself aware of what Commercial wordings ALL your markets are using or intending to change.

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