



The  
Insurance  
Institute

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# Commercial General Insurance

## CIP-04 KEY POINTS



## CHAPTER 4

### PROPERTY INSURANCE

#### Fire and perils cover

Traditionally, property damage cover was arranged on a 'fire and perils' basis. This consisted of damage as a result of the perils listed below:

- Fire
- Lightning
- Explosion
- Aircraft
- Earthquake and underground fire
- Riot, civil commotion and malicious damage
- Storm and flood
- Escape of water from any tank apparatus or pipe
- Impact
- Sprinkler leakage
- Terrorism
- Subsidence, ground heave or landslip
- Theft
- Accidental damage.

#### 'All risks' cover

As insurance covers evolved, insurers developed products that were underwritten on an 'all risks' basis, i.e. any damage is covered, as long as it did not arise from an excluded cause.

For example, a material damage 'all risks' policy may cover all damage except:

- gradually operating causes
- work process
- poor workmanship
- engineering risks.

Material damage 'all risks' (including theft) cover has now become the more common basis of arranging property insurance.

### Rent

This is the only cover under a material damage policy that relates to any kind of business interruption loss, though there is an important difference between the two.

Under a material damage policy, loss of rent will be paid only if the insured buildings – or part of them – are unfit for occupation following insured damage.

Cover only applies until the building is repaired/reinstated following a loss and fit for occupation.

Business interruption policies also cover a policyholder's loss of rent receivable until the building is reoccupied.

### Extensions to cover

Some 'extensions' are provided as standard by some insurers and others require a specific request to include them on the policy.

#### Buildings

- Services
- Trace and access
- Fire brigade charges
- Damage by emergency services
- Landscaping damage
- Replacement of locks
- Workmen
- Tenancy
- Subrogation waiver (clause).

#### Contents

- Temporary removal
- Motor vehicles.

#### Stock

- Seasonal increase.

## GLASS INSURANCE



The term 'glass' includes:

- fixed glass in windows and doors
- sanitary fittings such as basins and toilets
- fixed signs.

Cover is provided on an 'all risks' basis, including the cost of boarding up.

Some policy wordings will apply a limit, whereas others will pay the 'reasonable cost' of replacing the glass without any specified limit.

Typical exclusions include:

- damage to glass in empty or disused premises
- scratching, gradual deterioration, wear and tear, change in colour or finish
- damage to glass in light fittings.

## MONEY INSURANCE

Insurers provide money cover as part of most package policies or, if the risk is large enough, they will issue a separate stand-alone policy.

The definition of money is very wide in order to include most items that have a transferable cash value.

### Policy limits

Different limits apply in respect of cash and non-negotiable money. A policyholder will normally select the cash limit required and the non-negotiable money will have an 'any one loss' limit.

Specific limits will apply to:

- Money on the premises during business hours, in transit or in a bank night safe
- Money in a locked safe
- Money in ATMs
- Money out of safe overnight or at employees' homes.

Cover is on an 'all risks' basis and the policy does not specify forcible and violent entry to/exit from the premises.

## COMPUTER INSURANCE

Cover for computers and associated equipment may be provided as part of a combined or package policy, and can also be purchased as a stand-alone engineering policy.

Regardless of the type of policy, cover is generally on an 'all risks' basis.

Cover for portable equipment is usually provided on a worldwide basis.

Cover also includes a provision for 'increased cost of working' and 'reinstatement of data' following a property damage loss.

For some businesses, a specialist computer policy may be required to cover loss from viruses, computer fraud, security breaches and cyber liability.

## Cyber insurance

Cyber insurance is designed to protect businesses from cyber-attacks, hacking incidents, accidental loss or interruption of data, or damage to their IT systems and/or networks.

All businesses, whether dealing with customers or not, would store, process or manage personally identifiable information relating to their own employees.

Cyber insurance cover can address the gaps left by other insurance policies such as property insurance (Chapters 3-5), liability insurance (Chapter 6) and professional indemnity insurance (Chapter 6F). This type of insurance covers third party liability (including defence costs), first party business interruption on some policies (see Chapter 5) and crises expenses.

Policy cover:

- Liability
- Crises management
- Administrative obligations
- Other, e.g. business interruption

Typical exclusions:

- Bodily injury and property damage
- Contractual liability
- Proposer's non-compliance with regulations
- Intellectual property, infringement of other patents or trade secrets
- Trading losses
- Unauthorised trading
- Criminal acts by the proposer
- Unauthorised or unlawfully collected data by the proposer
- Routine breakdown/downtime of servers

## **GOODS IN TRANSIT INSURANCE**

Goods in transit cover is required for buyers and sellers of goods and covers the clients' own goods/property while in transit.

Cover is generally on an 'all risks' basis and can be arranged on the basis of carriage by own vehicles or carriage by third-party vehicles.

Insurers will require details of where the goods are coming from, the estimated annual carryings to/from each area, the contract terms in force and the limits for any one loss.

An 'overnight warranty' is very common.

If using third-party carriers, cover may be required for inland transits and also for imports and exports.

## FARM INSURANCE

Insurances for farms are catered for by combined policies and they provide a range of tailored covers in one policy document, e.g. property, business interruption, liability, motor, etc.

There are some differences between farm policies and other commercial combined policies.

Farm policies typically cover the private dwelling house and its contents, farm outbuildings, farm machinery, equipment and stock. Straying cover is only provided away from premises.

### Policy cover

Insurers provide property covers for farmers on a fire and perils basis.

Unlike other commercial property policies, farm policies normally include cover for fire caused by spontaneous combustion, as farmers need protection from this risk.

Other important differences include the following:

- Livestock
- Agricultural produce
- Bulk milk storage installations
- Private dwelling houses.

## CONTRACTORS 'ALL RISKS' INSURANCE



Contractors 'all risks' insurance provides protection against the risk of loss or damage to property during the course of a building contract.

The sum insured is related to the contract value, plus other work or materials the policyholder is responsible for. The contract value is determined by the insured, but will usually include a costing for the scope of construction works, labour costs, sub contractors' fees and a provision for profit.

A separate sum insured will also be required for plant and machinery owned or hired and temporary buildings. Debris removal and professional fees are also insured under a separate item.

Policies are tailored to cover damage to:

- permanent and temporary building works
- materials and equipment for the building contract, including hired-in property the insured is responsible for
- the contractor's own equipment and property on site
- employees' tools and personal effects while on site.

Policies typically exclude damage caused by:

- wear and tear
- mechanical or electrical defects
- defective workmanship.

Policies also normally exclude damage to an existing property that the insured is working on.

### Arranging cover

Cover may be annual (rated on turnover and maximum value of any one contract) or for a single contract (rated on contract price and duration, and adjusted on final cost).

A separate sum insured is needed for items such as contractors' plant, equipment and temporary stores.

Some building contracts require the policy to be in the name of both the building contractor and their client. Joint policies normally contain a waiver of subrogation clause.



Insurers will require details of the site security arrangements. At a minimum, the contractor will be required to secure all material and equipment in a locked compound.