

The endorsement provides some coverage that the Nuclear Hazard exclusion would otherwise eliminate. The endorsement covers “radioactive contamination,” defined as “direct physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage to the described property.”⁵

Two coverage alternatives are possible—the first treats radioactive contamination as a consequence of another covered cause of loss; the second, as a freestanding cause of loss.

Neither coverage applies if the described premises contain a nuclear reactor or new or used nuclear fuel. Losses arising from radioactive material off premises are also excluded.

CASE STUDY: COMMERCIAL PROPERTY COVERAGE OPTIONS

It is important to understand the coverage provided by the commercial property forms developed by Insurance Services Office, Inc. (ISO), such as the Building and Personal Property Coverage Form (BPP), and the causes of loss forms that are used with these coverage forms. It is also important to understand the additional coverage options that can be provided by adding endorsements.

Insurance professionals must develop skills to determine the appropriate coverage for business owners’ commercial insurance needs. Once they have a basic understanding of the commercial property coverage forms, it is important to understand the coverage options provided by various endorsements. Applying that understanding to the facts of a case develops the ability to assist organizations with the appropriate insurance options for their loss exposures.

Insurance professionals need to understand how endorsements can modify commercial property coverage for an organization’s unique loss exposures.

Case Facts

Too Cool Clothing operates a small garment factory in downtown Los Angeles. Too Cool is an upscale, trendy brand currently experiencing a great deal of media “buzz.” The owners, Li and Mai, who belong to several environmental preservation groups, recently upgraded their factory with solar panels to provide electricity.

Li attends a celebrity fashion show in Hollywood, where Max, another designer and manufacturer of trendy clothing, described a fire at his factory. One of his employees forgot to turn off a toaster oven. It caught nearby newspapers on fire, and the fire quickly spread to the trash and kitchen cabinets. Many garments that were ready for shipment were heavily damaged by smoke. Max’s insurance policy covered the damage to the garments; however, his



insurer took the garments as salvage to be sold. Max did not have coverage for the expense of overtime for his garment workers, who were frantically working to replace the damaged garments and to remove the labels before the insurer took the damaged garments as salvage. Max worked for two days straight to remove the labels himself, and he missed an important premiere as a result. However, he believed he had to remove the labels to prevent his brand from being associated with damaged goods sold at “fire sale” prices.

Li and Mai decide to meet with their insurance broker. They want to be sure they have appropriate insurance coverage after their “green” upgrades and after learning of Max’s fire loss. Now that Too Cool is experiencing successful growth, they want to review their coverage. Their broker, Julio, meets with them at the factory.

What endorsement(s) would Julio be likely to recommend for Too Cool’s BPP policy?

Case Analysis Tools and Information

Julio reviews Too Cool’s BPP and these potential endorsements:

- Increased Cost of Loss and Related Expenses for Green Upgrades endorsement (CP 04 02 09 09)
- Brands and Labels Endorsement (CP 04 01 10 00)
- Manufacturers’ Consequential Loss Assumption endorsement (CP 99 02 07 88)

Case Analysis Steps

Julio first looks at the loss exposure from the recent addition of the solar panels. If Too Cool experienced damage to the factory from a covered cause of loss, the BPP would pay for repair and replacement with standard building materials, not with the upgrades. Julio therefore recommends adding an Increased Cost of Loss and Related Expenses for Green Upgrades endorsement that will list coverage for the solar panels in the endorsement’s schedule.

After discussing Max’s fire loss with Li and Mai, Julio recommends a Brands and Labels endorsement for Too Cool. Now that Too Cool has become an upscale, trendy brand, Li and Mai would not want the label to be associated with damaged goods sold by their insurer as salvage in the event of a covered loss. The Brands and Labels endorsement provides coverage for the expense of removing labels if this type of loss should occur at Too Cool’s factory.

In touring the factory, Julio observes that the front and back panels for some sequined shirts are manufactured separately. The backs of the shirts have designs that are silk-screened onto the fabric in one part of the plant, while the fronts of the shirts have the sequins sewn onto the fabric in another part of the plant. The fronts and backs of the shirts are then sewn together in yet another area of the factory. If there were a fire or another covered loss in one



part of the factory, it is possible that either the fronts or the backs of the shirts would be damaged. However, a loss to either part of the shirts would also result in a loss to the undamaged part because the fabric could not be exactly matched to replace the damaged portion. Julio recommends a Manufacturers' Consequential Loss Assumption endorsement to cover this type of situation.

Coverage Recommendations

Julio recommends a total of three endorsements to Too Cool's owners that should provide coverage that will give them enhanced protection in the event of a loss similar to the fire and subsequent damage that occurred at the factory of their fellow designer, Max. The three recommended endorsements are: the Increased Cost of Loss and Related Expenses for Green Upgrades endorsement (CP 04 02), the Brands and Labels Endorsement (CP 04 01), and the Manufacturers' Consequential Loss Assumption endorsement (CP 99 02).

This solution might not be the only viable one. Other solutions could be exercised if justified by the analysis. In addition, specific circumstances and organizational needs or goals may enter into the evaluation, making an alternative action a better option. See the exhibit "Recommendations for Commercial Property Coverage Options Case Study."

Recommendations for Commercial Property Coverage Options Case Study

Loss Exposure	Endorsement
Solar Panels	Increased Cost of Loss and Related Expenses for Green Upgrades endorsement
Brand reputation if labeled merchandise is sold as salvage	Brands and Labels endorsement
Loss of undamaged garment parts because of damage to other parts of the garment	Manufacturers' Consequential Loss Assumption endorsement

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SUMMARY

In addition to the valuation provisions contained in the Building and Personal Property Coverage Form (BPP), optional valuation methods can be provided by certain endorsements including: the Manufacturer's Selling Price (Finished "Stock" Only) endorsement, the Functional Building Valuation Endorsement, and the functional Personal Property Valuation endorsement.

