

	<p><b>Department of Administration</b></p> <p><b>State of Montana</b></p> <p><b>Issued by: The Risk Management &amp; Tort Defense Division</b></p> <p><b>Subject: Property Insurance</b> A summary of the state's property insurance requirements and insurance coverages.</p>	<p><b>Number: RMTDINS0803</b></p>
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**Section:**

- I. DESCRIPTION
- II. INSURING AGREEMENT
- III. EXTENSIONS OF COVERAGE
- IV. PROPERTY NOT COVERED
- V. LOSS PAYMENT/VALUATION
- VI. SPECIAL CONDITIONS
- VII. DEFINITIONS
- VIII. PERILS EXCLUDED
- IX. TERRITORY
- X. DEDUCTIBLES
- XI. LIMITS
- XII. PROGRAM REQUIREMENTS
- XIII. LOSS SETTLEMENT
- XIV. SPECIAL SERVICES
- XV. REPORTING LOSSES

## **I. DESCRIPTION**

In accordance with §2-9-101, MCA through §2-9-305, MCA, the Department of Administration, Risk Management & Tort Defense Division administers a comprehensive insurance plan in behalf of Montana state government. The division also defends and indemnifies state agencies and employees in any TORT claim for damages arising from the lawful discharge of official duties rendered or which should have been rendered in the course of employment and within the scope of duty. This document provides a broad overview of insurance coverage provided under the state property/casualty insurance plan as well as specific program requirements for state agencies that participate in the state's property insurance program. This document does not amend, alter, or extend coverage provided under the state property/casualty insurance program or statute. Do not attempt to interpret coverage, limits, or exclusions and apply these to state activities without contacting the Risk Management & Tort Defense Division. Specific exclusions, limits, or conditions may apply.

## **II. INSURING AGREEMENT**

The state's commercial insurance policy is extended to cover direct physical loss or damage to property at premises as described in the master statement of values as well as property in the care, custody, or control of the state, which the state is responsible to keep insured. Coverage applies to occurrences in the United States, (including its territories and possessions), and Puerto Rico. For coverage outside these territories please contact the Risk Management and Tort Defense Division.

## **III. EXTENSIONS OF COVERAGE**

Coverage is hereby provided for covered property and covered costs and expenses:

### **A. COURSE OF CONSTRUCTION**

The state's policy provides automatic coverage as respects construction, remodeling, and other projects subject to limits in the policy declarations. The property must be real or personal property (excluding dams, piers, roads, and bridges).

## **B. FIREFIGHTING EXPENSES**

The state's policy covers actual costs of fire fighting expenses including, but not limited to, municipal charges by fire departments for response, and/or protecting property included in the policy.

## **C. OFF PREMISES SERVICES**

The state's policy covers physical damage, business interruption, and/or extra expense incurred as a result of covered perils which result in loss of heat, light, power, gas, water, telephone, or similar services on state premises.

## **D. ARCHITECTS AND ENGINEERS FEES AND LOSS ADJUSTMENT EXPENSES**

The state's policy covers architects and engineers fees and loss adjustment expenses including, but not limited to, accountants, consultants, and engineers. However, public adjusters are specifically excluded.

## **E. EXPEDITING EXPENSES**

Coverage applies to reasonable and necessary expenses to avoid or minimize the suspension of business and to expedite the repair of such damaged property of the state, including overtime and the extra costs of rapid transportation.

## **F. DEBRIS REMOVAL**

Coverage applies to expenses incurred in the removal of debris from the premises that may be damaged by a covered peril. Does not apply to the cost to extract pollutants unless pollutants were deposited because of a covered peril.

## **G. BUILDING LAWS**

The policy covers loss occasioned by laws regulating the construction, repair, or demolition of a building, which is in force at the time of a loss.

## **H. DEMOLITION COST**

The policy covers the cost of demolishing any undamaged portion of a covered state building from a covered peril and/or resulting from enforcement of a local or state ordinance or law regulating the construction, repair, or demolition of buildings or structures and in force at the time of the loss.

## **I. INCREASED COST OF CONSTRUCTION**

The state's policy is extended to cover the undamaged portion of a covered building, including the cost of clearing the site, caused by a covered peril, and in force at the time of the loss.

## **J. ERRORS & OMISSIONS**

No unintentional errors or omissions in the description, location, or valuation of property will prejudice the state's right of recovery from a loss.

## **K. ANIMALS**

The state's policy is extended to cover police dogs, horses, and other specially trained animals, including re-training expenses arising from a covered peril and subject to specified limits.

## **L. VALUABLE PAPERS**

The state's policy is extended to cover valuable papers or the cost to reconstruct valuable papers physically lost or damaged by a peril insured against during the term of the policy.

## **M. TRANSIT**

The state's policy is extended to cover property of the state while in due course of transit, worldwide, against All Risks of direct physical loss not otherwise excluded by the policy.

#### **N. VEHICLES ON STATE PREMISES**

The state's policy is extended to cover vehicles while on state premises against physical loss or damage by a peril insured against during the term of the policy.

#### **O. ASBESTOS CLEAN UP AND REMOVAL**

The state's policy specifically excludes asbestos materials, clean up, or removal unless asbestos itself is damaged and released by a covered peril at a covered location. Coverage is not extended to undamaged asbestos.

#### **P. BUSINESS INTERRUPTION**

The state's policy is extended to cover loss of income and rental value caused by direct physical loss to real and personal property. All reasonable and necessary income less expenses that do not necessarily continue during the interruption for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, and replace covered property are covered. Due consideration to be given to the continuation of normal charges and expenses necessary to resume operations.

#### **Q. EXTRA EXPENSE**

The state's policy is extended to cover necessary extra expense incurred for only such length of time as would be required with due diligence and dispatch to repair or replace covered property.

#### **R. INGRESS/EGRESS**

The state's policy is extended to cover actual loss sustained for a period of 4 weeks, when as a direct result of physical loss or damage, ingress or egress is prevented within a 10-mile radius from property covered by the policy.

#### **S. EXPENSES TO REDUCE LOSS**

The state's policy is extended to cover reasonable and necessary expenses to reduce or prevent loss.

#### **IV. PROPERTY NOT COVERED**

- A. Aircraft, watercraft, rolling stock.
- B. Standing timber, bodies of water, growing crops.
- C. Land (except landscaping, sand traps, tees, greens, etc.)
- D. Property in due course of ocean marine transit.
- E. Shipment by mail in the custody of the U.S. Postal Service.
- F. Power transmission, feeder lines, and underground pipes more than 1,000 feet from a state building.
- G. Tunnels, bridges, dams, catwalks unless prior approval has been granted by the State Risk Manager.
- H. Personal property of state employees.

#### **V. LOSS PAYMENT/VALUATION**

- A. For real and personal property (not including personal property of state employees), replacement cost within a reasonable period of time. If property is not replaced within a reasonable period of time, then the actual cash value (ACV) applies.
- B. On improvements and betterments replacement cost at the time of loss without deduction for depreciation. If property is not replaced within a reasonable period of time, then the actual cash value (ACV) applies.
- C. On manuscripts, drawings, patterns, electronic media, books, and valuable papers the full replacement cost including expenses incurred to recreate the information lost, damaged, or destroyed with like kind and quality. If not repaired in a reasonable period of time, then the cost of blank or unexposed material.
- D. On antique, restored, or historical buildings, the cost of acquisition, relocation to the site, and renovation or reconstruction.
- E. On property of others, the state's obligation as defined in the contract or lease but not to exceed replacement cost.
- F. On valuation of library contents, a raw cost per book as defined in the state's policy, not including the shelving cost.
- G. Various others.

## **VI. SPECIAL CONDITIONS**

- A. Automatic coverage for the peril of earthquakes for 30 days.
- B. Automatic coverage for property acquired by the state.

## **VII. DEFINITIONS**

- A. "Occurrence" is a loss, incident, or series of losses, arising out of a single event or originating cause. Each loss by windstorm is a single claim unless more than one windstorm occurs within 72 hours whereby it shall be deemed a single claim. Each loss by flood as defined in the state's policy. Each loss by earthquake, however, all losses, which occur within 168 periods, are deemed to be one loss. The state may select the moment from which each period is deemed to have commenced.
- B. "Personal Property of Others" means any property (other than real property) belonging to others for which the state has assumed liability including, but not limited to, clothing, jewelry, sound equipment, fine arts, EDP media, valuable papers, electronic equipment, and tools.
- C. Improvements and betterments mean additions or changes made by the state at its own expense to enhance the building's value.

## **VIII. PERILS EXCLUDED**

- A. Moth, vermin, termites, insects, inherent vice, latent defect, faulty materials, error in design, faulty workmanship, wear, tear, rust, rot, corrosion, wet or dry rot, etc.
- B. Damage occasioned by shrinking, evaporation, or expansion.
- C. Breakdown of equipment.
- D. Misappropriation, conversion, inventory shortage, mysterious disappearance,
- E. Electrical injury, disturbance, wiring, unless created by covered loss.
- F. Shrinkage, evaporation, change in color, loss of weight, change in texture unless such loss is caused by a covered peril.
- G. Loss or damage caused by rain, sleet, snow, or other perils to personal property left in the open (except carriers or bailers for hire).
- H. Loss or damage caused by hostile or warlike action.

- I. Loss or damage by nuclear reaction, radiation, or radioactive contamination.
- J. Cost of delay in completion of a contract.
- K. Contractor's tools or equipment.
- L. Death of an animal by natural causes, neglect, surgical procedure, abortion, etc.

**IX. TERRITORY**

- A. Property within the United States or 'in-transit'.
- B. Property overseas subject to \$1,000,000 limit.

**X. DEDUCTIBLES**

\$2,000,000 per occurrence all risk.  
 \$1,000 per agency, per occurrence for all perils, including specially trained animals.  
 24 hour waiting period for service interruption.

The state's retention shall be as follows:

**XI. LIMITS**

The insurance shall pay for direct physical loss or damage to covered property (i.e. buildings, business property, and personal property) at premises described in the most recent statement of values or other documentation on file with the insurance carrier. Coverage causes of loss means direct physical loss unless the loss is excluded.

\$1,000,000,000	All perils, per occurrence
\$1,000,000,000	Business Income (rental value included)
\$ 600,000,000	Terrorism (PEPIP Members combined)
\$ 400,000,000	Earthquake
\$ 100,000,000	Flood (\$20,000,000 Flood Zone A)
\$ 50,000,000	Course of Construction
\$ 50,000,000	Expediting Expenses
\$ 50,000,000	Extra Expense
\$ 50,000,000	Errors & Omissions
\$ 25,000,000	Automatic Acquisition
\$ 25,000,000	Transit.
\$ 25,000,000	Increased Cost of Construction
\$ 25,000,000	Transit



\$ 25,000,000	Off-Premises Service Interruption
\$ 10,000,000	Service Interruption (Time Element)
\$ 5,000,000	Business Income Toston Dam Only
\$ 5,000,000	Scheduled Landscaping
\$ 2,500,000	Money & Securities
\$ 2,500,000	Unscheduled Fine Arts
\$ 2,500,000	Watercraft up to 27 feet
\$ 2,500,000	Contingent Business Interruption
\$ 2,500,000	Research Animals
\$ 1,000,000	Personal Property Outside the U.S.
\$ 1,000,000	International property.
\$ 500,000	Jewelry, Furs, Precious Metals, and Stones
\$ 1,000,000	Claims Preparation Expenses

## **XII. PROGRAM REQUIREMENTS**

All state properties (buildings, contents, and special contents) must be listed on the state property/casualty insurance information system by January 15<sup>th</sup> each year. These reports include estimated replacement cost must be reported for:

- A. All owned property;
- B. All borrowed, rented, or leased property in the state's possession or control for which the state is responsible for loss or damages; and
- C. Property your agency intends to cover under any special plan (money & securities, boiler & machinery, electronic data processing, exceptional items).

## **XIII. LOSS SETTLEMENT**

- A. State agencies must report a loss no later than 5 days after it is discovered. Catastrophic losses must be reported as soon as possible, preferably within 24 hours after discovery of the loss.
- B. The state's coverage will not exceed the least of the following:
  1. The limit of liability provided for in this policy.
  2. The actual expenditure for repairs or replacement of the damaged or destroyed property.
  3. In the event of a loss, the Risk Management & Tort Defense Division may require records of agency ownership, control, and responsibility for damage. The division may also need to know how each agency determined its reported cost.

#### **XIV. SPECIAL SERVICES**

- A. State agencies that need coverage for something not mentioned or something excluded or limited by the state policy are encouraged to contact the Risk Management & Tort Defense Division. The division may be able to form a plan of self-insurance to meet agency needs. Any plan we develop must be consistent with §2-9-201, MCA. The division may have to obtain legislative approval for the plan. The division may be able to obtain commercial insurance to meet your needs.
- B. The Risk Management & Tort Defense Division may be able to help a state agency develop a risk control plan that will remove or reduce the need for coverage. Agencies that establish effective property loss management programs are eligible for a %10 insurance premium discount. Contact RMTD for additional information.
- C. The division may also assist you to get an insurance appraisal on your property in order to assure that coverage is adequate.
- D. In addition, division staff may be able to help you pursue a claim against your contractor's insurance company. The extent of our assistance depends on agencies' needs, our expertise, and available resources.

#### **XV. REPORTING LOSSES**

The ***State Report of Incident Form*** should be used. Claims shall be reported as soon as possible, preferably within five business days. Claims not reported within a practical and reasonable period of time may be denied. Attach supporting information, such as:

- A. Evidence of state ownership or responsibility;
- B. Repair estimates, photographs, other data on cost of damages; and
- C. Information on any adverse party's insurance;
- D. Evidence you complied with any conditions of payment specified in applicable Special Plans.

Sample forms may be found on the division's website under 'Claims.' You may photocopy them (front and back) as needed.