

Local Government Insurance Trust

RISK MANAGEMENT BULLETIN

No. 120

September 25, 2009

UNSCHEDULED PROPERTY: THE HIDDEN RISK

The LGIT Property Scope of Coverage requires that the Member "...shall furnish to the Trust statements of value for Buildings, Personal Property, Fine Arts, Mobile Equipment, and Historic Property to the extent each is covered..." New or additional values added during the coverage period are treated in the same fashion. These statements of value are often referred to as schedules. The LGIT Liability Scopes of Coverage also require accurate statements reflecting number of employees, number and types of autos, etc., to be covered. Recognizing the difficulty Members may encounter in their efforts to comply with these requirements, LGIT has broadened coverage to encompass some of the situations which could arise from honest mistakes but there are limitations. To assist Members in navigating this issue, some pointers follow.

The following property **MUST** be scheduled or **NO** coverage whatsoever:

"...Bridges, roadways, walks, patios, other paved surfaces, boardwalks, piers, bulkheads, wharves, docks, pilings and vacant or abandoned Property or Buildings..." (Page 2, Property Scope of Coverage).

However, the Unscheduled Property coverage section on page 2 covers any other property that is unscheduled with the following coverage reductions:

- Actual Cash Value (Replacement Cost less physical depreciation per page 33, item j);
- Excludes Debris Removal, Demolition and Increased Cost of Reconstruction, Excavation, Backfilling, Grading, Time Element, Extraction of Pollutants from Land or Water, Flood or Earth Movement.
- Limit of \$500,000 per occurrence unless a higher limit chosen.

The Definitions section on page 33 states that Covered Property does **NOT** include:

- Currency, money, evidence of debt, notes, securities, jewelry, underground tanks, or underground piping or sewers.
- Watercraft over 26 feet long or aircraft.
- Autos, unless scheduled.

- Property sold by Member under trust agreement, conditional sale, installment plan or other deferred payment plan, after such Property has been delivered to the purchaser.
- Overhead transmission and distribution lines.
- Land, trees, shrubs, bushes, growing crops, standing timber or live animals. (Note: some coverage added back under Trees, Shrubs and Bushes section and Golf Course Endorsement).
- Mobile Equipment. (Note: covered under Mobile Equipment section on page 12 which requires scheduling or no coverage).
- Freestanding pilings.

Further coverage limitations:

- Unscheduled Fine Arts at Actual Cash Value (Stated Value applies if scheduled).
- Scheduled Autos at Actual Cash Value.
- Scheduled Mobile Equipment five years or older at Actual Cash Value.
- Historic Buildings must be scheduled as a Historical Building to receive Reproduction Cost (otherwise Replacement Cost as with any other building).
- Scheduled Vacant Buildings at Actual Cash Value.

Much of the risk assumed by LGIT on behalf of its Members is laid off to, or shared with, reinsurers who require essentially the same statements of value. The accuracy of the statements of value we send to our reinsurers go a long way towards engendering their trust in the credibility of LGIT. Your cooperation in our efforts to collect accurate information could result in the reduction of reinsurance costs for LGIT and savings for each individual Member.

This bulletin is intended to be merely informational and is not intended to be used as the basis for any compliance with federal, state, or local laws, regulations or rules, nor is it intended to substitute for the advice of legal counsel

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