




Protecting and supporting your community

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Ansvar Industrial Special Risks Mark IV Modified Insurance Policy Overview & Benefits

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Policy Overview

The Ansvar Industrial Special Risks (ISR) Mark IV Modified Policy Wording provides cover for physical loss, destruction or damage to your property unless otherwise excluded as stated in your certificate of insurance. It is designed for medium to large organisations with asset values in excess of \$5 million.

The Ansvar ISR Mark IV Modified Policy Wording will protect you for most property losses and damages except for exclusions noted in the policy. A number of perils such as fire, bushfire, storm, cyclone, hail, lightning, earthquake and flood may be covered subject to sub-limits, other limitations on terms and exclusions negotiated in your policy.

There are two sections in the Ansvar ISR Mark IV Modified Policy Wording:

Section 1 – Material Loss or Damage
Section 2 – Consequential Loss

If your organisation owns or has assumed responsibility for assets such as buildings, contents or any other property described in your certificate of insurance, it is possible that this property may be damaged. This may also lead either to an increase in the cost of running your organisation or a reduction in income. The Ansvar Industrial Special Risks (ISR) Mark IV Modified Policy Wording is designed to protect you against Material Loss or Damage and Consequential Loss to your organisation's revenue or profit.

Summary of Key Additional Benefits

Section 1 – Material Loss or Damage

The Indemnity – Cover now available:

- **Loss minimisation costs (including travel)** incurred to avert or minimise losses including the protection, safeguarding or recovery of property.
- **Demolition and removal of owned property** covers the reasonable cost of demolishing and removing an insured's damaged or undamaged property, whether or not it is still useful for its original purpose.
- **Reinstatement of undamaged property** includes the cost of reinstating any property belonging to the insured that has been necessarily demolished and removed for the purpose of reinstatement or replacement of property.
- **Award liability for employees' clothing and/or tools**, covering exposure to legal liability for the loss or damage to the property of employees.
- **Accompanied baggage in Australia**, covering personal property of the insured, directors or employees away from the premises and within the commonwealth of Australia whilst engaged on business travel.
- **Amended Co-insurance Proviso** makes it clear that only clause (a) which is professional and other fees, is subject to any co-insurance clause or memorandum in the policy.

The Property Insured - Cover now available:

- **Property Insured (B)** extends the automatic cover on property acquired during the period of insurance to include property of others for which the insured becomes responsible and/or agrees to insure.
- **Property of Guests and Lodgers (B)** extends the term 'property insured' to include property belonging to the Insured's guests and/or lodgers whilst in care custody and control of the Insured.
- **Money – Extended Definition** extends the definition of money to include traveller's cheques, securities and negotiable instruments.

Basis of Settlement – Cover now available:

- **Heritage Protection** extends the basis of settlement on any building of historic significance and legally protected by national, state and/or local legislation and/or regulation or which the owner or custodian wish to reinstate to a reasonably equivalent appearance and capacity, using the original design and suitably equivalent materials if damaged.
- **Notable Old Buildings without Legal Protection** extends the basis of settlement on any building which is not protected by heritage legislation and which the owner would prefer to replace with something more functional if destroyed or badly damaged. For example an old church which has outlived its original function could be used for a different purpose.
- **Leased Equipment – Residual Value** extends the basis of settlement to take into account a lessee's contractual liability in respect the destruction or total loss of equipment leased on a residual value basis unless the alternative basis of settlement would produce a lower amount than the reinstatement value of the equipment the Declared Value will be calculated accordingly however not exceeding 10% above replacement value.
- **Securities (A)** extends the meaning of securities in Basis of Settlement (e) to certificates of stock, bonds, coupons and all other types of securities.
- **Basis of Settlement (E)** ties all the records and computer software into one area and addresses appropriately the basis of settlement for this category of Insured Property.
- **Basis of Settlement (G)** adds in that glass will be replaced in accordance with the Australian Standard or current equivalent.
- **Valuation of Property – Employees and Others** extends the basis of cover on the personal property of directors, employees and visitors from indemnity value to new replacement cost.
- **Jewellery and Furs of Employees and Others (B)** covers jewellery and furs at the Insured's premises that belong to employees and the like.
- **Goods sold but not delivered (A)** under basis of settlement responds to the possibility that ownership of finished goods made to order may revert to the insured (as supplier) following destruction before delivery.
- **Pairs and Sets (A)** extend to include personal property comprising a pair or set.

Memoranda to Section 1 – Cover now available

- **Labels, containers and wrappings** clarifies the coverage in respect of labels, containers and wrappings and complements the Branded Goods memorandum.
- **Declared Values (B)** protects the insured from under-declaration. This endorsement is designed to protect the Insured who has declared the current value of Insured Property in the overall however due to a transfer of assets between locations has not made the change by increasing the declared values at the other location.
- **Reinstatement or Replacement Provision (vi)** is an extra provision that enables the insured to rebuild a destroyed building and/or to replace with property of a different nature and/or purpose without increasing the insurer's liability. It allows extra flexibility to the Insured as to how the replacement value can be expended.
- **Reinstatement of damage by the Insured** allows the insured the flexibility to reinstate damage to their own property. The insured must have the necessary skills to do so and have the consent of the Insurer.
- **Reinstatement Elsewhere** allows the insured to reinstate part the damaged property elsewhere.
- **First loss insurance – theft and money** clarifies the average / co-insurance memorandum shall not apply to any claim for theft and money to which a sub-limit or sub-limits apply as stated in the certificate of insurance and/or the schedule.

- **Extra cost of reinstatement elsewhere** covers extra costs of reinstatement, without increasing the insurer's liability, if the insured goes elsewhere voluntarily. The base wording provides the extra cost of reinstatement latitude only if the insured is driven to reinstate elsewhere by the requirements of the responsible authority at the site.
- **Floor space ratio index (Plot Ratio) (A)** widens the scope of the memorandum to apply to buildings that are more than 50% damaged rather than total or constructive total loss.
- **Co-Insurance Memorandum – Amended (C)** moves the co-insurance clause to 80% and states that co-insurance does not apply on claims less than 10% if the declared value at the situation. This endorsement also automatically provides the removal of co-insurance where a valuers report has been obtained subject to the report being no more than three (3) years before the commencement of the period of insurance and which an approved valuer has updated not more than twelve (12) months prior to the commencement of the period of insurance.
- **Constructive Total Loss** extends to define actual total loss as loss, destruction or damage and not merely physical loss, destruction or damage of or to the insured property. For example, equipment in a multi-storey building may become inaccessible after an earthquake without the contents being destroyed or damaged.
- **Changes in a temperature controlled environment** covers damage to stocks by temperature variation due to the breakdown of thermostats and other temperature controlled devices.
- **Buildings of architectural and historic interest** is an endorsement particularly appropriate for old church buildings and other notable old public buildings. It allows consideration of the architectural features or structural materials of any building(s) when reinstating the cost of erecting a similar type of building of current design if the materials are readily available.
- **Abandoned undamaged portion of a building** deems any abandoned undamaged portion of a building to have been destroyed due to the exercise of statutory powers or delegated legislation or authority by any government department, local government or statutory Authority that is reinstated at another site.
- **Undamaged Foundations (A)** deems any undamaged foundations not destroyed when the property insured is damaged to have been destroyed due the exercise of statutory powers or delegated legislation or authority by any government department, local government or statutory Authority that is reinstated at another site.
- **Undamaged Foundations (B)** deems the term 'foundations' to include services such as conduits, pipes, cables and wiring which are built in to the footings, foundation floors or concrete floor slabs.
- **Application of deductibles** endorsement is now in place which makes it clear that the limits and sub-limits apply in excess of the deductibles and so are always available in full to meet claims

Section 2 – Consequential Loss

The Indemnity – Cover now available:

- **Property at outside stores and outworkers' premises (B)** extends the indemnity clause to cover Consequential Loss beyond the boundaries of the insured premises to outworkers' premises elsewhere in Australia for property for which the insured is responsible.

Basis of settlement – Cover now available:

- **Gross Profit – Average/Under-Insurance Amended (C)** introduces the 80% average clause, if Gross Profit is selected. Co-Insurance will not apply on claims less than 10% of the declared values on Gross Profit. This endorsement automatically provides the removal of co-insurance where a defined valuers report has been obtained and the estimate from the report is declared at the commencement of the period of insurance.
- **Gross Rental Specification (C)** introduces the 80% average clause, if Gross Rentals is selected. Co-Insurance will not apply on claims less than 10% of the declared values on Gross Rentals. This endorsement automatically provides the removal of co-insurance where a defined valuers report has been obtained and the estimate from the report is declared at the commencement of the period of insurance.
- **Gross Revenue Specification (C)** introduces the 80% average clause, if Gross Revenue is selected. Co-Insurance will not apply on claims less than 10% of the declared values on Gross Revenue. This endorsement automatically provides the removal of co-insurance where a defined valuers report has been obtained and the estimate from the report is declared at the commencement of the period of insurance.
- **Dual Pay-Roll** introduces the 80% average clause, if Payroll is selected. Co-Insurance will not apply on claims less than 10% of the declared values on Pay Roll. This endorsement automatically provides the removal of co-insurance where a defined valuers report has been obtained and the estimate from the report is declared at the commencement of the period of insurance.

- **Accommodation Bonds** is available for insured's that hold accommodation bonds which is often the case if the business is a retirement village or nursing home. In the event of major damage and where the insured has no alternative accommodation available for their residents, they will most likely have to refund any accommodation bond paid by a resident. The loss of interest on this capital will be taken into account by this endorsement.
- **Temporary Accommodation** will provide cover for the reasonable and necessary cost of providing temporary accommodation for residents and resident staff where the property includes residential accommodation and such accommodation becomes uninhabitable as a consequence of damage covered under the policy.

The Indemnity – Cover now available:

- **Government Incentives** are included in the definition of turnover which include financial incentives or concessions granted to the insured by any Australian or State Government Department in recognition of specific performance in the development of market opportunities or employment of disadvantaged persons.

Exclusions to all sections

Property Exclusions – Cover now available:

- **General Property Cover – Australia** writes back General Property cover anywhere in Australia by deeming Property Exclusions 1, 13(B), Perils Exclusions 3(a), 3(b) and 6(a) to be inoperative, up to the sub limit stated in the schedule of the policy against 'General Property Cover – Australia'.
- **Property in Transit – Australia** writes back Property in Transit within Australia by deeming Property Exclusions 1 and 13(b), Perils Exclusions 3(a), 3(b), 4(a), 6(a) and 6 (c) to be inoperative, up to the sub limit stated in the schedule against 'Property in Transit – Australia'.
- **Property in the open air (Storm) (A)** writes back physical loss, destruction of or damage to gates, fences and retaining walls caused by wind, rainwater or hail by amending Property Exclusion 13 (a), up to the sub limit stated in the schedule against 'Property in the open air (A)'.
- **Machinery Breakdown (Physical Damage and expediting Expenses)** writes back Machinery Breakdown by amending Property Exclusion 16 up to the sub limit stated in the schedule of policy against 'Machinery Breakdown (Physical Damage and Expediting Expenses)'.
- **EDP Breakdown** writes back electronic data processing breakdown by deeming Property Exclusion 16, Perils Exclusions 4(a), 4 (c), 4 (e) and 6 (c) inoperative, up to the sub limit stated in the schedule against 'EDP Breakdown'.

Perils Exclusions – cover now available:

- **Flood** writes back Flood by deleting Paragraph (a) of Perils Exclusion 3, up to the sub-limit stated in the schedule
- **Flood – Amended Definition (B):** now aligns with the Insurance Contracts Regulations 1985 standard definition of flood.

Claims Case Study

The following case study illustrate potential scenarios in which Ansvar’s Industrial Special Risks Insurance Policy could apply.

Arson

Church arson and break-ins are on the rise in Australia with New South Wales and Victorian regional areas having been increasingly targeted.

An arson attack occurred on a heritage listed church in suburban Sydney. A fire spread through the roof of the building causing significant fire and smoke damage to the heritage listed building.

After investigations and assessment, it was found that the church was under-insured.

Outcome

The co-insurance clause was applied to the claim, leaving the insured severely out of pocket. A working example is shown below (note: these figures are for demonstration purposes only and not factual).

Property Assets Declared	\$5,000,000
Claim Amount for Damage to your Property	\$1,750,000
Value of your Property Assets at the commencement of the period of insurance	\$10,000,000
Policy Deductible	\$2,500

The Formula (Mark IV Modified Standard 85%)

Property Assets Declared X Claim Amount

85% of Value of Property Assets

less

Policy Deductible

= The amount payable by the Insurer

Claim Payment Calculation (Using 85% Average Method)

\$5,000,000 x \$1,750,000

\$8,500,000

= \$1,026,912

Less \$2,500

= \$1,026,912 payable by the Insurer

Therefore \$723,088 will be self-insured by the insured under Section 1

The Average/Under-Insurance clause will not apply if the Declared Value is greater than 85% of the value of your property assets at the commencement of the Period of Insurance or if the amount of the loss is less than 5% of the Declared Value.

The Formula (Using 80% Average Method)

Property Assets Declared x Claim Amount

80% of Value of Property Assets

less

Policy Deductible

= The amount payable by the Insurer

Claim Payment Calculation

\$5,000,000 x \$1,750,000

\$8,000,000

= \$1,093,750

Less \$2,500

= \$1,091,250 payable by the Insurer

Therefore \$658,750 will be self-insured by the insured under Section 1

Solution

The insured’s financial position will improve slightly by applying the new 80% co-insurance average clause as shown above.

The real benefit will be if the insured elects to obtain a valuers report not being more than three years before commencement of the period of insurance, allowing for the automatic removal of the co-insurance clause.

The current valuation would also ensure the insured has peace of mind that property is insured for its full value and reduce any self-insurance to be borne by the insured due to the co-insurance clause being applied.

Ansvar Insurance can assist in valuing a property through our Risk Solutions team.

About Ansvar

Ansvar is a leading specialist commercial and consultative insurer offering tailored insurance products and services to the Care, Community Service (including Not-for-Profit), Education, Faith and Heritage sectors. With more than 50 years of experience in the Australian insurance industry we've developed a deep understanding of our clients' needs, risks and challenges they face, as well as the environments in which they operate.

Ansvar is owned by the Ecclesiastical Insurance Office plc, est. 1887, a leading insurer of heritage, religious and charitable organisations in the UK.

Our approach

Service is paramount at Ansvar, and our team is committed to consistently providing the best client experience possible.

Our dedicated Claims team are focused on quickly solving the problems of our clients. With a compassionate approach they are always mindful of the reputation of our clients, particularly when handling sensitive claims.

Because Ansvar understands the varied and vast risk exposure of our clients in our core sectors, we offer expert Risk Management advice and practical solutions to help our clients protect their assets and importantly, their people.

Through our expertise and flexible underwriting approach, Ansvar offers tailored insurance solutions to provide the right cover to suit the unique needs of our client's within our core sectors.

Supporting our community

Our goal is to be a valued and recognised contributor to the community. This has been the ethos of Ansvar since our inception.

Each year, through our Community Education Program, Ansvar donates a percentage of our profits to organisations that provide valuable support to improve and enrich the lives of young Australians, so that they may contribute positively to the community in which they live.



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