

Commercial Property Insurance: Causes of Loss Forms Explained

A causes of loss form is used to establish and define the particular types of perils covered in an insured's commercial property policy. Insurance Services Office Inc. (ISO)—an organization known for developing standard policy forms and filing information with state regulators on behalf of those utilizing its services (e.g., insurers and reinsurers)—provides three causes of loss forms policyholders can choose from for their commercial property coverage: basic, broad and special.

These three causes of loss forms vary in terms of the scope of perils they cover, with some forms being more restrictive than others. As such, it's crucial for insureds to have a clear understanding of these forms and determine which form best suits their specific commercial property coverage needs. This article explains the differences between basic, broad and special causes of loss forms and highlights covered perils under each form.

Basic Causes of Loss Forms

As they are the most restrictive of the three forms, basic causes of loss forms are employed in commercial property policies that provide named perils coverage. Such coverage only offers protection for losses caused by perils specifically outlined in a policy.

The following perils are covered under basic causes of loss forms:

- Fires
- Lightning
- Explosions

- Windstorms and hail
- Smoke
- Aircraft or vehicle accidents
- Riots or civil commotion
- Vandalism
- Sprinkler leakages
- Sinkhole collapses
- Volcanic action

Broad Causes of Loss Forms

Similar to basic causes of loss forms, broad causes of loss forms are also utilized in commercial property policies that provide named perils coverage. In fact, the language and wording of these two forms are nearly identical.

However, broad causes of loss forms are considered slightly less restrictive than their basic counterparts. In addition to the perils covered by basic causes of loss forms, broad causes of loss forms also offer coverage for these perils:

- Falling objects
- Weight of snow, ice or sleet
- Water damage (only due to appliance leakages)

Furthermore, broad causes of loss forms include collapse additional coverage, which provides protection for losses

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stemming from building or property collapses caused by specified perils. It's important to note that this coverage does not apply to collapses resulting from design errors, poor workmanship or faulty materials.

Special Causes of Loss Forms

In contrast to basic and broad causes of loss forms, special causes of loss forms are used in commercial property policies that provide open perils coverage. Also called all risks insurance—a term that is becoming less frequently used in policy documentation to avoid suggesting coverage may be broader than it actually is—this coverage offers protection for losses caused by any perils, apart from those specifically excluded in a policy (e.g., flooding, earthquakes or equipment breakdowns).

Special causes of loss forms are considered the least restrictive of the three forms. After all, such forms generally provide policyholders with the widest range of commercial property coverage when compared to their basic and broad alternatives.

Conclusion

Overall, ISO's three causes of loss forms provide varying commercial property coverage options for insureds to consider. Policyholders should carefully review their property exposures and related coverage needs to determine which form makes the most sense for their particular circumstances. Additionally, policy endorsements or other types of specialized coverage may be necessary to fill ongoing insurance gaps. In any case, it's best for policyholders to consult trusted insurance professionals when making coverage decisions.

For further insurance guidance and solutions, contact us today.