



ABOUT COMMERCIAL “FIRE AND EXTENDED COVERAGES” INSURANCE (FIRE AND E.C.)

Usually this type of coverage is offered when special circumstances render the proposed risk in the “Non-Standard” category.

“Fire and Extended Coverages” is a commercial form covering principally the perils of fire, smoke and lightning but also windstorm and riot or vandalism (unless specifically excluded as in the case of vacant buildings). It does not cover theft or any type of water damage except that of leakage from fire protective equipment.

In principle a building should be insured for 100% of its actual cash value (or depreciated value) but the assured can always decide otherwise **if he is prepared to carry a portion of the loss himself**. The assured would then become in effect an additional insurer to the contract through the workings of the co-insurance clause.

Only a professional evaluator can determine the actual cash value of a building but it is usually left up to the assured to finally decide the amount of insurance to purchase. Four factors can help in this decision:

1. Do I have enough insurance to at least cover the mortgage amount (if any)?
2. Is my amount of insurance equal to at least 80% of the actual cash value of the building? Otherwise I will be paying part of any partial loss myself.
3. Will I rebuild in the event of a total loss?
4. What are my co-owners or shareholders expecting from this situation?

Note: In the case of a vacant building since there is no water damage coverage and vandalism is excluded, it is suggested the assured make sure all doors and windows are locked and the water main is shut off. It is also important to keep the premises well maintained all year round.

This document serves as a brief explanation of the “Fire and Extended Coverages” form and in no way purports to be an exhaustive study in the matter.