Washington State Department of
Enterprise Services

Frequently Asked Questions – Master Property Insurance

Question #	Question	Answer
1.	What does our Master Property Policy cover?	The Master Property Policy covers buildings, contents, and electronic data processing (EDP) equipment for the risks of direct physical loss including earthquake and flood. The policy also provides Business Interruption Coverage for lost income and Extra Expense Coverage for repairs. The buildings, contents and equipment are insured on a **replacement value basis**. In order for the coverage to apply, the buildings, contents and equipment must be listed and the replacement value stated by location and valued for replacement cost.
2.	What is NOT covered by the Master Property Policy?	Property that is not listed is not covered by the Master Property Policy. The Master Property Policy does not include coverage for boilers and/or pressure vessels including air conditioning equipment or compressor units. This coverage must be purchased on a separate policy known as the Boiler & Machinery policy. Do not list boilers and pressure vessels on the Master Property Policy. The Master Property Policy does not cover fine arts (paintings, statues, antiques) at your locations. These may be covered by a separately purchased Fine Arts policy.
3.	How do I decide whether property should be insured under the Master Property Policy?	Agencies make the decision whether to insure their property or retain the risk of loss. Please feel free to consult with the Department of Enterprise Services, Office of Risk Management about this decision. There are certain circumstances that will require commercial property insurance coverage. <u>Federal Emergency Management Agency (FEMA)</u> –Agencies who accept Federal Emergency Management Agency (FEMA) money for repairs must insure the repaired building for the amount received from FEMA for 25 years. This is, however, not the way property insurance policies work. To insure buildings and contents you typically insure for the amount it will cost to replace the entire building. This could generate a significant premium over 25 years. **Example**: If an agency accepts $25,000 in FEMA

		funds to make repairs to a $25 million building, the total insurance premium could be more than $500,000 over 25 years because the replacement cost of $25 million is the amount on which the premium is calculated. You should consider this in weighing whether to accept FEMA funds. If FEMA funds are accepted only for building contents and equipment, the required term for insuring these items is about 5 years. FEMA only places an insurance requirement on **Buildings, Contents, Equipment and Vehicles**. Currently, if the amount FEMA pays is less than $5,000, the insurance requirement is waived. Certificate of Participation (COP) – Agencies financing the repair, remodel or purchase of real property through the State Treasurer's Office must insure the building for the term of the financing agreement. As with FEMA funds, the Treasurer requires insurance in an amount equal to the borrowed funds – but to add a building to the Master Property Policy, you must insure for the building "replacement value". This amount may be more than the borrowed funds. Revenue Generating – Another reason for insuring real property is because the property is "revenue generating." For instance, if a college dorm is damaged or destroyed, the dorm will not generate revenue until it is rebuilt or repaired and occupied. If the dorm is insured, there is coverage for damage to the building and replacement for the lost revenue (Business Interruption Coverage) and repairs (Extra Expense Coverage). Contractual Requirement with a Lessor – When the state leases buildings for operations (e.g. Jefferson Building), the lessor, as part of the lease agreement, may require the lessee (the State) to provide proof of insurance coverage for the building and its fixtures. It is a good idea to review all leases annually. If insurance is required, these buildings and fixtures (leasehold improvements) should be added to the Master Property Policy at replacement value. Cost-Benefit Analysis If insured replacement values at a location are less than the sum of the Self-Insured Retention / Deductible of $250,000 plus the property location's paid premium, then

		you shouldn’t insure it unless there is a FEMA, COP or lease requirement for insurance (see Question #3).
4.	What is the deductible for the master property policy? What are the policy limits?	The Self-Insured Retention or Deductible is \$250,000 per occurrence except for earthquake and/or flood where it is 3% of affected values with a minimum of \$250,000. The Maximum Policy Limit is \$100,000,000 per occurrence.
5.	Besides replacement or repair of listed buildings, contents and electronic data processing equipment, what other type of costs are covered by the Master Property Policy when I have a loss?	Other costs that are covered subject to \$250,000 deductible per occurrence are (1) business interruption (loss of net income), (2) extra expense (for repairs), (3) debris removal from a building loss, (4) demolition and/or increased cost of construction, (5) additional costs in the course of construction and (6) cleanup for land/water contaminant or pollutant. These coverages have their own specific limits which are part of the overall policy limits.
6.	What are Business Interruption Coverage and Extra Expense Coverage?	In the event of a loss of insured property, Business Interruption Coverage may reimburse you for the net income that would have been earned if the covered property loss had not occurred. “Contingent” Business Interruption Coverage reimburses for loss of net income due to a loss to other property that is associated with insured property (e.g. exclusive supplier or adjacent property). Extra expenses needed to restore operations (such as additional property rental) are covered by the Extra Expense Coverage.
7.	How do I find the rate (premium) my agency is being charged for property insurance?	You will receive an invoice with your premium breakout from the Department of Enterprise Services, Office of Risk Management after renewal. The invoice will include the rate per \$100 value. In 2012, the rate was .083 cents per \$100 of insured value.
8.	My agency purchased new equipment, how do I add it to the Master Property Policy?	Fill out an add/delete/change form here and enter the equipment values in the appropriate field. **Please fill in the effective date of this change.**
9.	My agency no longer needs Master Property coverage, what do I do?	You fill out an add/delete/change form here, check the delete box, fill in the location address, and leave blank (or put 0 if mandatory field) all the value fields. This will tell the Office of Risk Management that you no longer want this location covered by the Master Property insurance policy. **Please fill in the effective date of this change.**
10.	My agency has moved, what do I do?	Fill out the add/delete/change form here with your new address and date of move so that we can update your property list.

11.	My agency has had a loss, what do I do?	Inform the Department of Enterprise Services, Office of Risk Management as soon as possible with the notice of loss, preferably by e-mail, including the following information: • Agency • Agency/College contact person with knowledge of incident • Contact phone number and email address • Date of incident/loss • Brief description of incident including extent of damage, location, estimated financial loss, etc. • Name of responding fire or police agency and their case/report number (if available) • Attach any appropriate documentation (police/fire reports, etc). The Office of Risk Management will work with the broker and you should hear from an adjuster shortly.
12.	Who do I contact if I have other questions?	Contact Kim Haggard at (360) 407-8139 or John Christenson at (360) 407-9461 in the Department of Enterprise Services, Office of Risk Management.