I recently read a report in *Michigan Lawyer's Weekly* about a collapse claim. The attorney for the plaintiff commented that collapse coverage is so restrictive that “…you really don’t get what you are paying for.”

I also worry about the collapse coverage, or lack thereof. When I am “on the fence” in placing coverage with Carrier A or B, the deal breaker to me is the collapse coverage exclusion, especially when you have large buildings with flat roofs or unique roof designs which could collapse. The collapse exclusion keeps me up at night more than any other exclusion because the ISO exclusion is so complex, and these losses can be enormous. Only a careful study of the exclusion will tell you what you do and do not have.

**THE COLLAPSE EXCLUSION**

The ISO form handles this as a coverage/exclusion. It *excludes* collapse as a peril, and then it *includes* collapse as a specific additional coverage with many limitations and gaps – in particular roof collapse caused by design error.

In examining the collapse exclusion/additional coverage, we must first take a look at the preamble to the exclusion section in the ISO form. The introduction to the exclusion section is as follows:

> We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Now let’s examine two specific exclusions that relate to collapse. The first specific exclusion is in 2.d.(4). (This language is from ISO form CP 10 30 06.07)

**Exclusion 2.d.(4)**

> Settling, cracking, shrinking, or expansion…but if an excluded cause of loss…results in a “specified cause of loss” we will pay for the loss or damage caused by that “specified cause of loss”…(“Specified cause of loss” is defined as fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice, or sleet; water damage.)
**Translation:** If a settling, cracking, shrinking, or expansion results in a “specified cause of loss,” such as a fire, the insurance carrier will pay for the loss or damage caused by the “specified cause of loss.” (Because the settling, cracking, shrinking, or expansion cannot result in lightning, windstorm, hail, aircraft or vehicles, riot or civil commotion, or vandalism, the pertinent “specified causes of loss” that could result from a roof collapse would be fire, smoke, leakage from sprinkler systems, or water damage.)

What this is saying is that if the settling, cracking, shrinkage, or expansion results in a fire, smoke, leakage from sprinkler systems or water damage, the resultant losses are covered but not the roof repair itself (unless it was also damaged by the resultant loss, such as a fire).

It is also saying that if a roof beam fails and collapse is imminent, but there is no damage other than the requirement to replace the beam (which could be expensive), there is no coverage under the ISO form.

The second specific exclusion that can relate to a collapse claim would be the actual collapse exclusion in 2.k. as follows:

<table>
<thead>
<tr>
<th>k. Collapse, including any of the following conditions of property or any part of the property:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) An abrupt falling down or caving in;</td>
</tr>
<tr>
<td>(2) Loss of structural integrity, including separation of parts of the property or property in danger of falling down or caving in; or</td>
</tr>
<tr>
<td>(3) Any cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion as such condition relates to (1) or (2) above.</td>
</tr>
</tbody>
</table>

But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion, k., does not apply:

(a) To the extent that coverage is provided under the Additional coverage – Collapse; or

(b) To collapse caused by one or more of the following:

(i) The “specified causes of loss”;*

(ii) Breakage of building glass;

(iii) Weight of rain that collects on a roof; or

(iv) Weight of people or personal property.

* Specified causes of loss are fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of ice, snow or sleet; and water damage.

**Translation:** If a roof collapse results in a fire or water damage because of breakage of pipes, coverage is provided for the resultant damage but not directly for repair or replacement of the roof.

Also, the exclusion does not apply to collapse caused by:

- The specified causes of loss.
- Weight of rain. (*Weight of snow, ice or sleet is a “specified cause of loss.”)
- Weight of people or personal property.
So far, you will see there is no coverage for a roof collapse (without an ensuing covered loss) or imminent collapse as a result of:

- Defective design of the roof.
- Defective materials in roof construction.
- Defective methods of construction.
- Acts of contractors, such as a contractor that cuts a supporting beam causing the collapse during or after construction or renovation.
- Hidden decay.
- Insects or vermin damage.
- Acts of tenants, such as a Hi-Lo hitting a roof supporting beam causing a collapse.
- Wet or dry rot.
- Roof water leaks that over time cause the steel roof beams to deteriorate and to break, causing a collapse.

Therefore, the specific exclusions are very broad, basically making an exception for collapse resulting from specified perils and weight of rain, people or personal property (and avoiding a concurrent causation claim denial).

**THE COLLAPSE COVERAGE**

Now let’s examine the additional coverage for collapse. (This language is taken from the ISO form CP 10 30 06 07.)

<table>
<thead>
<tr>
<th>D. Additional Coverage – Collapse</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coverage provided under this Additional Coverage – Collapse applies only to an abrupt collapse as described and limited in D.1. through D.7.</td>
</tr>
<tr>
<td>1. For the purpose of this Additional Coverage – Collapse, abrupt collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose.</td>
</tr>
<tr>
<td>2. We will pay for direct physical loss or damage to Covered Property, caused by abrupt collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if such collapse is caused by one or more of the following:</td>
</tr>
<tr>
<td>a. Building decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;</td>
</tr>
<tr>
<td>b. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;</td>
</tr>
<tr>
<td>c. Use of defective material or methods in construction, remodeling or renovation if the abrupt collapse occurs during the course of the construction, remodeling or renovation.</td>
</tr>
<tr>
<td>d. Use of defective material or methods in construction, remodeling or renovation if the abrupt collapse occurs after the construction, remodeling or renovation is complete, but only if the collapse is caused in part by:</td>
</tr>
<tr>
<td>(i) A cause of loss listed in 2.a. or 2.b.;</td>
</tr>
<tr>
<td>(2) One or more of the “specified causes of loss”;</td>
</tr>
<tr>
<td>(3) Breakage of building glass;</td>
</tr>
<tr>
<td>(4) Weight of people or personal property; or</td>
</tr>
<tr>
<td>(5) Weight of rain that collects on a roof.</td>
</tr>
<tr>
<td>3. This Additional Coverage – Collapse does not apply to:</td>
</tr>
<tr>
<td>a. A building or any part of a building that is in danger of falling down or caving in;</td>
</tr>
<tr>
<td>b. A part of a building that is standing, even if it has separated from another part of the building;</td>
</tr>
</tbody>
</table>
or
c. A building that is standing or any part of a building that is standing, even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

4. With respect to the following property:
a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;
b. Awnings, gutters and downspouts;
c. Yard fixtures;
d. Outdoor swimming pools;
e. Fences;
f. Piers, wharves and docks;
g. Beach or diving platforms or appurtenances;
h. Retaining walls; and
i. Walks, roadways and other paved surfaces; if an abrupt collapse is caused by a cause of loss listed in 2.a. through 2.d., we will pay for loss or damage to that property only if:
   (1) Such loss or damage is a direct result of the abrupt collapse of a building insured under this Coverage Form; and
   (2) The property is Covered Property under this Coverage Form.

5. If personal property abruptly falls down or caves in and such collapse is not the result of abrupt collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:
e. The collapse of personal property was caused by a cause of loss listed in 2.a. through 2.d.;
f. The personal property which collapses is inside a building; and
g. The property which collapses is not of a kind listed in 4., regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph 5. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

6. This Additional Coverage – Collapse does not apply to personal property that has not abruptly fallen down or caved in, even if the personal property shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

7. This Additional Coverage – Collapse will not increase the Limits of Insurance provided in this Coverage Part.

8. The term Covered Cause of Loss includes the Additional Coverage – Collapse as described and limited in D.1. through D.7.

Translation: Collapse must be an “abrupt falling down.” A beam that is cut, but where no collapse occurs immediately, is not a collapse claim even though the building cannot be occupied for safety reasons and rents or other income are lost.

However, if an abrupt loss occurs, direct physical damage or damage to covered property is covered but only if such collapse is caused by one or more of the following:

- Unknown building decay hidden from view.
- Unknown insect or vermin damage hidden from view.
- Abrupt collapse during the course of construction, remodeling, or renovation as a result of defective materials or methods in construction. (Note: Design error is not included as being covered.)
- Abrupt collapse after construction, remodeling, or renovation is completed but only if the collapse was caused by:
  o Unknown building decay hidden from view.
  o Unknown insect or vermin damage hidden from view.
  o Specified causes of loss (fire; lightning; explosion; wind or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire protection devices; falling objects; weight of snow, ice or sleet.)
- Breakage of building glass.
- Weight of people or personal property.
- Weight of rain that collects on a roof.

Again, you are left with a situation where **design defects in a roof are likely not covered** because this would most likely not be construed as being a defective material or method in construction.

It also is clear that if a collapse occurs **after** construction, remodeling, or renovation is complete, collapse must be caused by either unknown building decay that is hidden from view; unknown insect or vermin damage that is hidden from view; “specified causes of loss;” breakage of building glass; weight of people or personal property; or weight of rain that collects on a roof. Therefore, there is no coverage if the collapse is caused by defective materials or methods in construction or by design defect after construction, remodeling, or renovation is complete.

Also, under section D. Additional Coverage – Collapse, the ISO form indicates in paragraph 3. that the coverage does not apply to:

- A building or any part of a building that is in danger of falling down or caving in;
- A part of a building that is standing even if it is separated from another part of a building; or
- A building that is standing, or any part of the building that is standing, even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage, or expansion.

There is no coverage for collapse of outdoor radio or television antennas. Large radio transmission towers used by contractors, for example, or others would not be covered. Also, there is no coverage for collapse of fences or retaining walls.

**COLLAPSE OF PERSONAL PROPERTY**

We often think in terms of building collapses when we think about collapse coverage. However, in looking at the additional coverage for collapse and its exceptions, **collapse of personal property must be caused by the abrupt collapse of the building.** Review the following:

<table>
<thead>
<tr>
<th>D. Additional Coverage – Collapse</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. If personal property abruptly falls down or caves in and such collapse is not the result of abrupt collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:</td>
</tr>
<tr>
<td>a. The collapse of personal property is caused by a loss listed in 2.a. through 2.d.; (These are the building loss exceptions.)</td>
</tr>
<tr>
<td>b. The personal property which collapses is inside a building; and</td>
</tr>
<tr>
<td>c. The property which collapses is not of a kind listed in No. 4 (such as outdoor radio or television antennas, swimming pools, fences, retaining walls, etc.) The personal property collapse is covered if caused by the typical No. 2 a-d exceptions unless the damage is marring and/or scratching only.</td>
</tr>
</tbody>
</table>

For example, a number of years ago there was a significant loss with a paint supplier. This paint supplier had rows of shelving storing paint in its warehouse. One rack fell over, hitting another rack and causing a domino effect. This caused a major loss with all of the paint cans. This type of loss would not be covered under the ISO form because it is not one of the exceptions indicated under the Additional Coverage – Collapse section.
The ISO collapse exclusion is fraught with exceptions and limitations. The only clear statement one can make is that weight of snow, ice, sleet, or rain collecting on a roof as well as weight of people or personal property on the roof causing collapse would be covered. Furthermore, you can say that there is coverage for defective materials or methods of construction during construction, remodeling, or renovation. You can also say that building decay hidden from view unless known is covered as well as unknown insect or vermin damage are covered.

We mentioned that the ISO form does not cover imminent collapse. At least one carrier, Travelers Insurance Company, does have coverage for imminent collapse under one of its forms as a separate section. It indicates that as respects buildings or structures in a state of imminent collapse, it will not pay for loss of damage except if the state of imminent collapse has been caused only by one or more of the following which have occurred during the policy period:

- Fire; lightning; explosion; windstorm or hailstorm; riot or civil commotion; sinkhole collapse; weight of snow, ice, or sleet.
- Weight of people or personal property.
- Weight of rain that collects on a roof.
- Use of defective material or methods in construction, remodeling, or renovation if the state of imminent collapse occurs during the course of construction, remodeling, or renovation.

Obviously this form would be preferable to a form such as the ISO which does not have this coverage for imminent collapse because, as we said previously, imminent collapse is not covered.

**EARTHQUAKE**

What if an earth tremor or earthquake causes a roof to collapse? Is this covered? No coverage is provided because earthquake or tremors are not a “specified cause of loss” and do not fall under any other exception. Earthquake coverage is needed.

**CHUBB INSURANCE COMPANY**

The Chubb form does not include a specific collapse exclusion; however, there are several exclusions that could be used to exclude or limit collapse claims.

<table>
<thead>
<tr>
<th>Planning, Design, Materials Or Maintenance</th>
<th>This insurance does not apply to loss or damage (including the costs of correcting or making good) caused by or resulting from any faulty, inadequate or defective:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>planning, zoning, development, surveying, siting;</td>
</tr>
<tr>
<td></td>
<td>design, specifications, plans, workmanship, repair, construction, renovation, remodeling, grading, compaction;</td>
</tr>
<tr>
<td></td>
<td>materials used in repair, renovation or remodeling; or</td>
</tr>
<tr>
<td></td>
<td>maintenance,</td>
</tr>
<tr>
<td></td>
<td>of part or all of any property on or off the premises shown in the Declarations.</td>
</tr>
<tr>
<td></td>
<td>This Planning, Design, Materials Or Maintenance exclusion does not apply to ensuing loss or damage caused by or resulting from a peril not otherwise excluded.</td>
</tr>
</tbody>
</table>


Note the words “design,” “workmanship,” “construction,” “materials,” and “maintenance.” The exclusion concludes by indicating that it does not apply to ensuing loss or damage resulting from a peril not otherwise excluded.

**Translation:** If a roof collapses because of a bad design, the resulting damage is covered but not the roof itself (unless it is damaged by the ensuing loss).

### Wear And Tear Or Deterioration

| Wear And Tear Or Deterioration | This insurance does not apply to loss or damage caused by or resulting from wear and tear or deterioration. The Wear And Tear Or Deterioration exclusion does not apply to ensuing loss or damage caused by or resulting from a specified peril or water. |

Note that the Wear And Tear Or Deterioration exclusion is different than the Planning, Design, Materials Or Maintenance exclusion because the ensuing loss or damage must be caused by a specified peril or water. These are defined as follows:

### Specified Peril

**Specified peril** means:
- aircraft or self-propelled missiles;
- explosion;
- fire;
- leakage from fire protection equipment;
- lightning;
- mine subsidence;
- riot or civil commotion;
- sinkhole collapse;
- smoke;
- vandalism;
- vehicles;
- volcanic action; or
- windstorm or hail.

### Water

**Water** means water that:
- escapes from processing equipment, plumbing systems, refrigeration systems, cooling systems or heating systems (other than underground storage tanks, underground piping or underground tubing) provided such water is intended to be contained in such processing equipment, plumbing systems, refrigeration systems, cooling systems or heating systems;
- backs up or overflows through sewers, drains or sump;
- seeps or leaks through basements, foundations, roofs, walls, floors or ceilings of any building or other structure; or
- enters doors, windows or other openings in any building or other structure.

**Translation:** If the deterioration of a roof beam causes a collapse and the resulting ensuing loss or damage is caused by, for example, bursting of pipes, the water damage is covered but not the roof (unless the resulting water damages the roof).

### Earthquake

**Earthquake** means:
This insurance does not apply to loss or damage caused by or resulting from earthquake, regardless of any other cause or event that directly or indirectly:
- contributes concurrently to; or
- contributes in any sequence to,
the loss or damage, even if such other cause or event would otherwise be covered.

This Earthquake exclusion does not apply to ensuing loss or damage caused by or resulting from a specified peril.

**Translation:** If an earthquake causes a roof to collapse and sprinkler pipes burst as a result (or fire, explosion or smoke result), coverage is provided. However, if plumbing water pipes burst, coverage is not provided. Since the roof collapse was caused by earthquake, unless the ensuing specified peril damages the roof, no coverage is provided for the roof. *(Always add earthquake coverage.)*

<table>
<thead>
<tr>
<th>Settling</th>
<th>This insurance does not apply to loss or damage caused by or resulting from settling, cracking, shrinking, bulging or expansion of land, paved or concrete surfaces, foundations, pools, buildings or other structures.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>This Settling exclusion does not apply to ensuing loss or damage caused by or resulting from a specified peril.*</td>
</tr>
</tbody>
</table>

* Note that water damage caused by bursting of water pipes is not covered unless they are fire protection equipment pipes.

**Translation:** The result is the same as the earthquake exclusion. If a building settles, only an ensuing loss caused by a “specified peril” is covered. This means that bursting of plumbing pipes causing water damage is not covered.

**CONCLUSION**

So what can we say if we are examining a proposal between an ISO form carrier and others?

1. A carrier with an “imminent collapse” exception, such as Travelers, is better than ISO forms without this exception. Why? Business interruption will be covered even though there has been no ensuing loss.

2. The Chubb form would be better than pure ISO forms because a collapse arising out of design or material defects resulting in ensuing loss would be covered. (ISO forms do not cover design defects even if there is an ensuing loss.) If the collapse is as a result of, for example, a deterioration of a roof beam, the claim would be covered if the ensuing loss or damage is caused by or results from fire, explosion, sprinkler leakage, smoke or water. (The other specified perils are not pertinent.) (ISO forms do not cover “deterioration” but do cover “decay” hidden from view. The dictionary suggests that these words are the same.)

3. Chubb will cover sprinkler leakage arising out of earthquake, even if the insured has not purchased earthquake coverage (but other pipes are not covered).