

Dental Practice Property & Valuations

The PPP Property form is unique in the insurance industry and much consideration has gone into the design of coverages and how we address the specific needs of a dental office. These coverages will only work properly, when detailed review and allocation is made to the specific coverage line items and the needs of each practice. Evaluation of your dentist's practice every year is always recommended by PPP Underwriting and Claims to ensure the changes, purchases, liquidation and growth of the office is addressed in advance of a possible claim.

As technology in the industry continues to change, some equipment values have reduced while other newer and more sophisticated machines are dramatically more expensive. The more specialized the dental practice, the more expensive the equipment. There is also a range of office build-outs from a basic office with cubical partitions and mobile workstations, to a high-end technology savvy practice with permanent custom built cabinets, flat screen televisions in each bay, massage chairs and concierge features.

In this article we will address how to complete the property coverage section of your application, what property belongs in each line item, the average values seen in today's practices, and the importance of our unit DEE coverage and why proper allocation of limits is important.

The PPP Property Application

Completing the property application should be a primary focus of your meeting with the insured. It is important to take stock of the entire office and any growth or changes expected in the coming one to two years. Discussing the unique coverage features of the PPP policy form first, so the dentist understands our commitment to his practice and its unique exposures, is key to gaining both trust and compliance in this process. Once you have done that, it's time to break down all the office has to be insured.

Your application for property will include the following critical items to be reviewed. Although applications are not required every year, you may want to consider as part of your annual check-in with the insured a review of these two key questions, reminding them of their current values and inquiring on any changes that may need to be made.

Sample from the current property application:

30. Blanket Practice Contents	
A. Furniture and Fixtures	
B. Operatory Equipment	
C. Instruments and Supplies	
D. Improvements and Betterments (Including custom cabinetry) <i>For example, property that would be considered part of the building, which you are responsible for or you are required to insure pursuant to the terms of a lease agreement.</i>	
E. Glass	
F. HVAC (requires purchase of Equipment Breakdown coverage (If required by your lease agreement and building is not owned)	
33. Dentist's Electronic Equipment (including Computers/Electronic Data Processing equipment) <i>Higher limits available through Equipment Breakdown coverage option</i>	
A. Do you use surge protection devices?	<input type="checkbox"/> Yes <input type="checkbox"/> No

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There are a myriad of equipment and supplies in a dental practice. So what goes where? Below is a sample breakdown of how to allocate your practice property in the above lines of coverage:

Dentists Electronic Equipment <i>Consists of all electronic equipment, including handheld items which are battery charges</i>	Operatory Equipment <i>Consists of non-electronic equipment required in the operatory, which is not permanently affixed</i>	Instruments & Supplies
Dental Chair Systems Dental Lights Intraoral Imaging Equipment Extraoral Imaging Equipment Sensors X-ray Units Phosphor Plate Systems Scanners – handheld, desktop and free-standing units Digital Cameras Helioident 3D Printing Equipment CAD/CAM Furnaces Grinding & Milling Units CAD/CAM Software Laptop computers, desktop computers Tablets Administrative Copier, Scanner, Printer Televisions	Dental Cart Delivery System – cabinet mounted, chair mounted, overhead or free standing Simplicity Carts Instrumentation Arm Cuspidor & Support Center Dental Stools Treatment Stations/Cabinet Center Consoles Side Cabinets Storage Cabinets Island Consoles Operatory Support Center Mobile Carts Sink and Rear Stations	Toothbrushes Forceps Pliers Dispensing Guns Syringes & Applicators Oral Hygiene Products Files Elevators Gauze Wire Mixing Bowls & Spatulas Drinking Cups & Dispensers Impression Materials Bands Explorers Sterilization Equipment First Aid Kits Carvers & Hoes Barrier Protection Evacuator Handpieces & Tips Lab Instruments Protective Equipment Scalpel & Sutures Bonding Agents & Adhesives Anesthetic & Sedatives Cotton Rolls & Sponges
Improvements & Betterments <i>Typically for rented office spaces or owned condominiums offices which the dentist must build out to their specifications and insure separately from building coverage. These are not included in the Furniture and Fixtures category.</i>	Furniture & Fixtures	
Permanently affixed custom cabinetry Flooring Treatment room and office build out (sheetrock or specialty dividers) Ceiling Lighting Restroom Fixtures/Improvements	Filing Cabinets Storage Cabinets Desks Reception Furniture Rugs Decorative Accessories Magazine Racks End Tables Patient Room Chairs	

Setting Values

The PPP program has access to many skilled professionals with expertise in various areas of insurance and risk management. The program has been contracted with RMC to handle temporary dental services for many years, and we recently brought them onto our claims field adjusting. Access to this team and their intimate knowledge of our program and insureds allows us to collect data on property claims and better educate our agents and insureds. Coming up with values for a practice is no easy feat for agents, so we have tapped into our experienced building expert team at RMC for guidance on this process.

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As of 2018, our RMC Healthcare Building Consultant reported the following average costs for dental office building and DEE exposures:

Cost Per Dental Bay <i>Includes standard x-ray equipment and in-house lab. General Dentists are on the lower end with Specialists toward the higher end.</i>	\$50,000 to \$75,000
Milling Machine	\$80,000 to \$140,000
Panoramic X-Ray Machine	\$30,000 to \$100,000
Tissue or Intraoral Laser	\$30,000 to \$80,000
Endodontic Microscope	\$15,000 to \$35,000
Custom Lab/Sterilization Dental Cabinetry Work Center	\$20,000 to \$40,000

Not to be forgotten is the interior build out costs, which are **in addition** to the above equipment and dental bay limits. A basic/standard level office runs around \$35 per square foot, while a high end/customized office buildout is approximately \$100 per square foot.

HVAC Equipment Breakdown

When a tenant is required by lease agreement to cover the costs of the HVAC, the PPP can accommodate this easily. What is not so easy is setting that equipment limit. At times, a lease agreement may indicate what this coverage limit should be. In most cases, we find the landlord does not offer this limit leaving our insured and agent to ponder what to request.

HVAC Units are typically categorized by the unit of measurement 'ton' – this refers to the capacity of air required to melt one ton of ice in 24 hours. They detail this by a reading known as Btu (British thermal unit) per hour. All of these terms and readings should be listed specs on the units manufacturing plate located on the front or side of all HVAC units.... Example: (12,000 btu = 1 ton, 24,000 btu = 2 ton)

It would be in the best of interest of the agent to find out how many 'tons' the unit is and begin the calculations from there. RMC's Building Consultant uses 450 square foot as a general rule per ton but not all builders work that way. The 'per Ton' pricing is estimated at about \$1,500 per ton... it is safe to use \$2k per ton for the expensive coastal states.

If the building is 2 stories, add \$2,000 per day for installation and removal with a crane (2-4 days consideration). Again, RMC recommends finding the size/ton of the unit and working from there, but for the sake of simplicity, this would be an easy table to maximize coverage consideration:

- 1k square feet - \$3,000
- 2k square feet - \$6,000
- 3k Square feet - \$9,000
- 4k Square feet - \$12,000
- And so on... **Crane charges not included**

Dentist's Electronic Equipment

DEE coverage is a key feature of the PPP policy, providing coverage for the myriad of dental equipment of an electronic nature found in every dental practice. Many manual tools from days past have been enhanced making way for more powerful and effective electronic options and digital resolution. Common equipment includes: lasers, burs, air compressors, drills, excavators, periodontal scalers, scopes, x-ray equipment, polishing tools, etc. Additional electronics include the movable dental chair, cameras, monitors for displaying x-rays and photos, computer equipment, printers, scanners, phone systems, intercom systems and other devices used in office management.

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Dentist's Electronic Equipment (DEE) is defined in the policy as follows:

<p>16. Dentist's Electronic Equipment</p> <p>We will pay for direct damage to covered dentist's electronic equipment (including extra expense), located on or within 1000 feet of the described premises, caused by or resulting from a covered electronic equipment cause of loss as defined below. The most we will pay for damage and extra expense covered by this covered related expense is \$50,000.</p> <p>For purposes of this coverage, dentist's electronic equipment means any electronic dental equipment, computers, dental chair, x-ray equipment or other components capable of accepting information, processing it according to a plan and producing the desired results. This includes any telephone components or equipment, telephone switchgear, operating programs, related software, facsimile transmission equipment, telex equipment and other related hardware used for the transmission of communications. It also includes software for electronic data processing, recording or storage media such as films, tapes, cards, discs, drums or cells.</p> <p>Covered electronic equipment cause of loss means risk of direct physical loss to dentist's electronic equipment except as excluded or limited below. The covered electronic equipment cause of loss also includes electrical disturbance.</p>
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It is important that all items which are electronic in nature, which includes items which may require battery charging, are included under the DEE limit. This is not just a coverage for electrical surge, but for comprehensive property loss exposures any other content may suffer within in building. While this rate is higher than the contents rate, coverage is broader and exposure to loss greater. When coverage is placed under this line item, only 8 exclusions apply to the items protected here, as shown in the Dentist's Electronic Equipment Section 16 of the blanket property form. If the equipment is not listed here, but instead under the Contents section, the DEE is then exposed not only to the 8 events noted in the DEE section, but the other 14 exclusions listed under the Property Policy Exclusions section II of the form.

Item 16. DEE Exclusions	Common Property Exclusions
<p>We will not pay for loss or damage caused by or resulting from the exclusions as indicated below. Only the following exclusions as stated in this Coverage Part, Section II. EXCLUSIONS apply to dentist's electronic equipment:</p> <ul style="list-style-type: none"> a. Exclusion A.4., Governmental Action; b. Exclusion A.5., Nuclear Hazard; c. Exclusion A.6., War And Military Action; d. Exclusion B.2., Delay, loss of use or loss of market; e. Exclusion B.4., Wear and tear; f. Exclusion B.5., Rust, corrosion; g. Exclusion B.7., seepage, migration; h. Exclusion B.13., dishonest or criminal acts, <p>The following additional exclusions shall also apply:</p> <ul style="list-style-type: none"> i. Depreciation, obsolescence, dampness or dryness, cold or heat or any other cause of consequential loss or damage; j. Error, omission in machine programming or incorrect instructions to a machine; k. Errors, omissions or deficiencies in design, specification, materials or workmanship. <p>For purposes of this coverage electrical disturbance means electrical injury, magnetic injury, disturbance of electronic recordings or erasure of electronic recordings including damage caused by interruption of an electrical power supply, power surge, blackout or brownout.</p>	<p>Includes all of the exclusions to the left under DEE, as well as these additional exclusions:</p> <p>II. EXCLUSIONS</p> <p>A. We will not pay for damage caused directly or indirectly by any of the following. Such damage is excluded regardless of any other cause or event that contributes concurrently in any sequence to the damage.</p> <ul style="list-style-type: none"> 1. Ordinance or Law 2. Earth Movement 3. Volcanic Eruption 4-6 included in left column 7. Water <ul style="list-style-type: none"> a. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not; b. Mudslide or mudflow; c. Water that backs up from a sewer or drain except as provided under the covered related expenses; d. Water under the ground surface pressing on, or flowing or seeping through: <ul style="list-style-type: none"> 1) foundations, walls, floors or paved surfaces; 2) basements, whether paved or not; or 3) doors, windows or other openings. <p>But if damage by fire, explosion or sprinkler leakage results, we will pay for that resulting damage.</p> <p>B. We will not pay for damage caused by or resulting from any of the following:</p> <ul style="list-style-type: none"> 1. artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances or wires; if damage by fire results, we will pay for that resulting damage. 3. smoke, vapor or gas from agricultural smudging or industrial operations; 6. smog; 8. settling, cracking, shrinking or expansion;

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	<p>9. nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents, or other animals;</p> <p>10. mechanical breakdown, including rupture or bursting caused by centrifugal force; or explosion or other damage to steam boilers, steam pipe, steam engines or steam turbines, hot water boilers or other water heating equipment except sterilization heating equipment heating equipment or domestic water supply systems owned or leased by you, or operated under your control. If damage by fire or combustion explosion results, we will pay for that resulting damage. We will also pay for damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass;</p> <p>11. continuous or repeated seepage or leakage of water that happens over a period of 14 days or more;</p> <p>12. water, or other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment, except fire protective systems, caused by or resulting from freezing, unless:</p> <ul style="list-style-type: none"> a. you do your best to maintain heat in the building; or b. you drain the equipment and shut off the water supply if the heat is not maintained. <p>14. voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense; or</p> <p>15. collapse, except as provided under the Definition of covered cause of loss for ALL RISKS OF DIRECT PHYSICAL LOSS A., Collapse.</p>
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The PPP Dentist's Electronic Equipment has a small automatic sublimit in the PPP property form, for no additional charge. Higher limits are available and should be considered to address an office's exposures fully. As you can see from the valuations earlier in this article, the small sublimit of \$50,000 will not cover much of the equipment found in a dental practice.

We strongly encourage you in the coming application cycle to review the property on each of your dental practices to ensure these values are up to date in allocated in the property coverage line item. It is our goal to have our insured property covered for any loss that may befall them. They have come to the PPP for protection, and with our care and guidance we can assure them they have purchased a policy and enough coverage that will respond and get them restored to business as quickly as possible.

Credit:

Thank you to Brandon Stokes, Healthcare Program Manager and Building Consultant, RMC Group for his insight and research helping make this article possible.

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