

Shopping for Commercial Property Insurance

Before a business owner builds a structure or leases a property, he or she should have already begun shopping for commercial property insurance. A business owner should be aware of what characteristics will influence premium rates and acquire structures that will help to reduce them.

The company and the agent that a business owner chooses also have a significant impact on his or her overall rates. It is important to get multiple quotes because several insurance companies may have significantly different prices for the exact same property. Knowledge of the financial strength of an insurance company is also valuable. This is necessary to determine an insurance company's ability to pay claims. In addition, the experience and recognition that an agent has in selling commercial property insurance is important in assuring that a business gets its best possible policy and rate.



This brochure was produced as a public service by

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Commercial Property Insurance

Many times insurance is an afterthought for business owners in today's competitive marketplace where entry is steep and bankruptcy is a possibility. However, Commercial Property Insurance that is tailored to the specific needs of a business can be the most important action a business owner can take to assure success. It protects a business against unforeseen damage and property loss, and helps it move forward after a misfortune.



General Types

In Texas there is no standard Commercial Property Insurance policy. This benefits businesses because it allows each to customize its own policies to address its unique characteristics and needs.

There are three general types of commercial property policies that a business can have.

- **Basic Form** – covers common perils. Some examples are damage caused by fire, lightning, windstorms and vehicles.
- **Broad Form** – includes perils such as water damage and glass breakage in addition to the **basic form** perils.
- **Special Form** is a type of all-risk policy that will protect a business from most causes of loss except for those explicitly named.

For most businesses, it is advised to have a **Special all-risk** policy because it offers broad coverage with few limitations.

Other Considerations

There are additional coverages that a business must consider in order to protect its assets. These include:

- **General Liability** – protects business from expenses incurred from lawsuits.
- **Automobile Liability** – protects business related vehicles for liability, physical damage & theft.
- **Business Interruption** – reimburses businesses for lost income attributed to damaged or lost property covered in the policy.
- **Extra Expense** – the additional funds needed to resume business after a covered loss.
- **Specialized Coverage** – includes flood, crime, inland marine, boiler & machinery and cargo.



Businesses can combine their commercial property insurance with additional coverage into one policy. This type of policy is called a **commercial multi-peril** policy. It allows for several different coverages to be collected into a single policy. A common form of this type of policy is called a **Business Owners Program**, which is directed toward small-business owners. It combines property and liability coverage into one policy.

Fire Rating

Insurance companies use the degree of risk of loss for a particular business's property to determine its commercial property insurance costs. Businesses with relatively high-risk property will commonly pay higher premiums than businesses with relatively low risk property. One of the major factors in determining risk of loss is the risk of loss from fire. Actions by a business to make their buildings more fire-resistant can dramatically lower their property insurance premiums.

Five factors determine a building's fire rating:

- **Construction** – based on the fire resistance of materials in a building's structure
- **Occupancy** – determined by the degree of risk of the other businesses in a building
- **Location** – determined by the ease in which fire fighters can get to a building and minimize the damage caused by a fire
- **Exposure** – measures external and internal risks that increase a building's likelihood of catching on fire
- **Fire Protection** – inclusion of automatic sprinklers and fire alarms as well as fire extinguishers in a building

