

COVERAGE INSIGHTS



Businesses often rely on buildings, structures, tools and equipment to provide products and services. Moreover, many businesses are responsible for storing others' property on their premises. If this property is compromised, it can lead to substantial financial hardship for the company.

To mitigate this risk, businesses can secure commercial property insurance to safeguard against financial loss. This article provides information on the coverage provided by commercial property insurance.

Commercial property insurance is generally written to cover commercial buildings and structures, their contents, and the personal property of others that are in a business's care, custody or control. These policies can offer financial assistance to repair or replace these items if they are damaged, destroyed or stolen.

Commercial property insurance policies are generally available on an "open perils" or "named perils" basis. Both types of coverage have policy limits stipulating the maximum amount they will pay out per covered loss. However, an open perils policy offers coverage for losses caused by all perils unless they are specifically excluded, while a named perils policy only provides coverage for the perils listed in the insurance contract. Common named perils include:

- Fire
- Wind
- Lightning
- Vandalism
- Explosions
- Falling objects
- Theft
- Smoke

The building section of a commercial property insurance policy covers buildings and structures listed and described in the policy declarations. Other types of property are also typically covered under these provisions, including:

- Finished additions
- Indoor and outdoor fixtures
- Permanently installed machinery and equipment

Moreover, personal property owned by the insured business and used to service or maintain the building or structure (such as outdoor furniture, fire-extinguishing equipment, floor coverings and appliances) falls under the building coverage section. Additions under construction, alterations and repairs to the building or structure are also covered.

Materials, equipment, supplies and temporary structures used for making additions, alterations or repairs to the building or structure are included in this section if they are not already covered by other insurance and they are on or within 100 feet of the described premises.

In the business personal property section of a commercial property insurance policy, coverage extends to personal property owned by the insured and located within the building or structure described in the declarations. This coverage also generally extends to property in the open or in a vehicle and within 100 feet of the insured building, structure or premises. Covered property typically includes:

- Furniture
- Fixtures
- Machinery

It includes coverage for "stock," which refers to:

- Merchandise held in storage for sale
- Raw materials for manufacturing
- In-process goods
- Finished goods
- Supplies used for packing or shipping finished goods.

This section of the policy covers the value of labor, materials or services performed by the insured on others' personal property. For example, if a business fixes clocks and a customer's repaired clock was damaged in a fire at the insured's building, the value of those repair services would be covered.

Another aspect covered under this section is an insured's use interest as a tenant in improvements or betterments in a building. These provisions refer to unremovable fixtures, alterations, additions or installations that the insured paid for or acquired and are part of a building or structure occupied by the insured (even if they don't own it). For example, if the insured is a lessee who installed unremovable new carpeting, its value would be covered.

The business personal property section also insures leased property for which a business has contractual responsibility unless the insurance is otherwise provided for under the "personal property of others" section of the commercial property insurance policy.

The personal property of others section of a commercial property insurance policy applies to the personal property of others in the insured's care, custody or control. To receive coverage, the property must be located in or on the building or structure described in the declarations or in the open or in a vehicle and within 100 feet of the building, structure or premises described in the declarations (whichever distance is greater). Under this coverage, payment for the loss or damage to others' personal property is provided to the owner of the property.

It is important for businesses to be aware of the types of property that do not qualify for coverage under a commercial property insurance policy. These include:

- Money, notes and securities
- Accounts, bills, currency, food stamps or other evidences of debt
- Animals not held for sale or boarded by the insured
- Automobiles held for sale
- Bridges and roadways
- Walks, patios or other paved surfaces
- Aircraft, watercraft, and other vehicles or self-propelled machines (with certain exceptions) and personal property that is airborne or waterborne
- Land, water, crops and lawns (unless the lawn is part of a vegetated roof)
- Excavations, grading, filling or backfilling costs
- Retaining walls that are not part of a building
- Bulkheads, pilings, piers, docks or wharves
- Foundations below the lowest basement floor or underground
- Property more specifically insured elsewhere except for the excess of the amount due from the other insurance

- Below-ground pipes, drains and flues
- Electronic data (with certain exceptions)
- The replacement costs of valuable papers and records (with certain exceptions)
- Fences, radio and television antennas and their lead-in wiring, trees, shrubs and plants outside of buildings (with certain exceptions)
- Contraband or property in the course of illegal transportation or trade

It is important to note that insurance can be obtained for almost all the items listed in this section by endorsements or separate policies. However, contraband and property in the course of illegal transportation or trade are never insurable.

Commercial property insurance can provide valuable financial protection. Each business has unique needs, and a licensed insurance professional can assist a company in securing an insurance portfolio that provides the coverages that best suit the business.

For more coverage insights, contact us today.

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