

Commercial Property Coverages

Commercial property policies are not standardized in Texas. Insurance companies must meet minimum state requirements but may develop their own policies. As a result, coverages and policy terms may vary by insurance company and by policy.

Commercial multi-peril (CMP) policies combine multiple coverages -- such as commercial property, liability, inland marine, and commercial auto -- to provide full protection with a single policy. It's typically cheaper to purchase a CMP policy than to purchase the coverages individually.

Business owner program (BOP) policies are a common type of commercial policy primarily for small businesses. BOP policies combine property and liability coverage in one policy.

Commercial property policies provide various types of coverage, either as part of the base policy or through policy endorsements. Endorsements expand or amend a policy's coverages and usually increase your premium. You can buy certain coverages as separate standalone policies.

Following are some typical commercial property coverages:

- **Building occupied by the insured coverage** insures a building that you regularly use but do not own. This coverage can be important if you lease or borrow a building that is critical for your operations.
- **Newly acquired or constructed buildings coverage** insures a new building if you add it to your policy within a certain amount of time. If you don't notify your insurance company within the time period – usually 30 days – your policy won't cover the new building. Commercial property policies generally only cover buildings named in the policy.
- **Employees' personal property coverage** insures your employees' personal property if the property is on your premises. Generally, you must buy this coverage as an endorsement if you need more than a limited amount.
- **Off-premises property coverage** covers your property located off site. Some policies might not cover off-premises property or may provide only limited coverage. You can usually buy an endorsement to cover off-premises property. If you can't buy an endorsement, you may have to buy a separate policy.
- **Business interruption coverage** pays for the income you'd lose if your business is damaged and you can't perform your normal business operations.
- **Extra expense coverage** pays any additional costs to return your business to normal after it's damaged.
- **Valuable papers coverage** provides limited coverage for your business records and other valuable papers. You may be able to buy an endorsement to increase this coverage.
- **Ordinance or law coverage** pays additional costs to repair or rebuild a facility to current building codes after it's damaged. Many policies provide limited ordinance coverage, but you can increase it with an endorsement.
- **Boiler and machinery coverage** covers boilers, air conditioning units, compressors, steam cookers, electric water heaters, and similar machinery. Coverage is generally only

for machinery listed in the policy and to any subsequent losses, such as when a boiler explosion or water heater leak causes damage to other property. You can usually purchase this coverage as either an endorsement or a separate policy.

- **Inland marine coverage** insures goods in transit by land, air, or inland waterways. It also covers projects under construction and transportation and communications structures, such as bridges, tunnels, and communications towers.

Other Coverages to Consider

Depending on the type of business you own and where it's located, you might want to consider additional coverages to ensure you're protected.

Crime Coverage

You can buy several types of coverage to protect your business from crime. Common crime coverages include:

- **Loss of glass and money due to theft** pays for damage to glass and for a theft of money resulting from a break-in.
- **Robbery and safe burglary (property other than money)** is a more limited form of coverage that does not include a loss of money or securities.
- **Forgery or alteration** protects your business against forgery or alteration of checks, drafts, promissory notes, or other types of payments.
- **Theft, disappearance, and destruction coverage** insures money, securities, and other property against losses, both on your premises and off premises in the custody of an employee or messenger.

A policy may pay losses from crime on either a loss sustained or discovery basis. Loss sustained coverage pays for losses that happened during the policy period, and discovery coverage pays for losses that happened at any time. Both types of crime coverage require that you learn about the crime during the policy period or extended reporting period.

Flood Insurance

Some insurance companies include flood coverage in their commercial property policies for areas with a low flood risk. However, most flood insurance is available only through the National Flood Insurance Program (NFIP). Some insurance companies may provide flood coverage in addition to NFIP coverage.

To qualify for NFIP coverage, your business must be located within an NFIP-participating community. These communities have adopted federal building and floodplain management programs to reduce the likelihood of flood damage. Special flood hazard areas are areas within NFIP communities that are at high risk for flooding. NFIP requires all structures within these areas to have flood insurance.

Note: More 25 percent of all floods in the United States occur in areas designated as low-to-moderate risk. You should consider flood insurance even if your business is outside a hazard area.

Windstorm and Hail Insurance along the Texas Coast

Insurance companies may exclude windstorm and hail coverage from commercial property policies for businesses in one of Texas' 14 coastal counties or within certain areas of Harris County. If your business is in one of these areas, you will have to buy windstorm coverage through the Texas Windstorm Insurance Association (TWIA), which is the state's insurer of last resort for windstorm and hail coverage.

Buildings constructed, repaired, or remodeled prior to January 1, 1988, are automatically eligible for TWIA coverage. Those constructed, repaired, or remodeled after that date must pass a state inspection and receive a Certificate of Compliance (Form WPI-8) before TWIA can issue windstorm and hail coverage.