

Types of Commercial Property Policies

There are three types of commercial property policies in Texas. The policies protect against different causes of damage, commonly called “risks.” These include fires, lightning storms, windstorms, or damage caused by vehicles and civil commotion.

Be sure to read your policy carefully. You may need to buy additional coverages or specialized policies -- such as flood, windstorm, or crime coverage -- to fully protect your business.

- **Basic form policies** typically cover common risks.
- **Broad form policies** typically cover the common risks in addition to water damage, structural collapse, sprinkler leakage, and damage caused by ice, sleet, or weight of snow.
- **Special form policies** cover all types of risks except those the policy specifically excludes. Common exclusions include damages from flood, earth movement, war, terrorism, nuclear disaster, wear and tear, and insects and vermin.

Most commercial property policies cover damage from windstorms except in counties on the Texas coast. However, companies may exclude windstorm and hail coverage from policies they sell in the 14 coastal counties and parts of Harris County on Galveston Bay. If your business is in one of Texas’ coastal counties, you’ll need a separate windstorm policy. (Refer to the section on windstorm coverage for more information.)

Replacement cost and actual cash value coverage

Commercial property policies provide either replacement cost coverage, actual cash value coverage, or a combination of both. **Replacement cost coverage** will pay to replace your property with new property of like kind and quality, up to the policy’s dollar limit. An **actual cash value** policy will pay the replacement cost of the property minus depreciation due to age and normal wear and tear. Although replacement cost coverage is more expensive than actual cash value coverage, it might better ensure that your business fully recovers after a loss.