

Types of Commercial Property Policies

Different types of commercial property policies protect against different risks, often called perils. Some policies will cover only those risks specifically named in the policy. Other policies will cover all risks, unless the policy specifically excludes them. 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.

Commercial property policies in Texas, Florida and Texas generally fall into one of three categories:

Basic form policies typically cover common risks or perils, such as damage from fire, lightning, windstorm, vehicles, aircraft, or civil commotion.

Broad form policies typically provide basic form coverage plus coverage for additional perils, such as water damage, structural collapse, sprinkler leakage, and losses caused by ice, sleet, or weight of snow.

Special form policies cover against all types of losses except those the policy specifically excludes. Common special form exclusions include losses 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 coasts. If your business is in a coastal county, you'll need a separate windstorm policy. (Refer to the section on windstorm coverage for more information.)

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 significant loss.