



101 GUIDE

Property insurance

We understand—it's hard thinking about devastating events that could affect your business, but the reality is that sometimes these events happen. That's why choosing the right property insurance is vital. Business property insurance covers your buildings, the contents within those buildings, and loss of income if you're out of business due to a claim. It can help protect your business in case of unexpected accidents or tragedies like fire, theft, wind damage, or even a building's collapse under the weight of snow.

KNOW YOUR BUSINESS, KNOW YOUR COVERAGE

As you research property insurance, keep in mind that exclusions to basic policies can affect your business's ability to reopen or continue operations quickly after a loss. The following events (often referred to as perils) are often excluded from property insurance policies:

- Floods and earthquakes
- Employee dishonesty
- Normal wear and tear
- Exposures involving vehicles subject to motor vehicle registration

Enhancements and endorsements

Most insurers offer enhancements or endorsements to give you the opportunity to expand upon your primary coverages. Examples of these enhancements and endorsements include:

- Coverage in case of an earthquake
- Coverage of smaller costs, such as replacing a fire extinguisher after a fire

Protecting and restoring business income

Should a disaster affect your business, it's important to consider the likelihood of significant income loss—for you and your employees—along with the repairs and rebuilding efforts. Business income insurance, also known as business interruption insurance, is typically structured either on a limited time period or limited amount of income. It can prove invaluable in financially protecting you, your family, and your employees as you deal with the aftermath of a loss.

CHOOSING THE RIGHT AMOUNT OF COVERAGE

Replacement value vs. actual value

Finding the right amount of coverage can be difficult. While you don't want to be over-insured and pay unnecessarily high premiums, being underinsured leaves your business and employees vulnerable. A good place to start is determining the value of your building. Most insurers work with vendors who provide standardized valuation tools, determining a building's value based on one of two factors:



- **Replacement value:** The cost to replace a building with new construction
- **Actual value:** The replacement value minus depreciation—also referred to as actual cash value (ACV) or depreciated cost value

The value you choose should be based on your estimated ability to rebuild in case a disaster strikes, and the risk you're willing to take. If your business bases coverage on the actual cash value, you'll likely pay lower premiums over the course of your policy, but you could be out huge sums if you're forced to rebuild from scratch. If your coverage is based on replacement value, your premiums may rise by a percentage each year to keep pace with the rising costs of new construction, but your out-of-pocket cost in case of emergency would likely be lower.

It can be much more difficult to determine the value of what's inside the building. Businesses in certain industries, for example, may have expensive manufacturing equipment they must include, while others focus on assessing the value of their in-stock inventory. Work closely with your representative to determine the appropriate value of building contents, because an accurate assessment can help get your business up and running much sooner in the event of a covered loss.

Owning vs. renting your building

Do you own or rent the location of your business? If you own, then you'll likely be responsible for most—if not all—expenses in case of a loss.

If you rent your space, your situation likely demands different options. These details are usually determined by your existing contract, so you should look closely at your lease or purchase agreement to find the gaps in coverage. After that, work with your insurance representative to customize your policy to minimize your loss potential.

CHOOSING A PROVIDER

Successful providers can customize a range of policy options, making it easier for your business to get the coverage you need. As you research potential providers, keep the following factors in mind:

- **Level of service:** Providers with outstanding claims service are always available and are quick to respond in an emergency. When your provider is able to get representatives on-site soon after a disaster, it can help minimize your losses associated with the claim.
- **Financial stability:** As a business owner, it's important that you're confident your provider has the financial stability to pay the claim and fund your rebuilding in a timely manner.
- **Risk management:** Also called safety services or loss control programs, risk management options help your company focus on creating a culture of safety. With the right plan, you can have access to a team of experts who will work with your business, guide your team through risk scenarios, and assess your business's environmental and occupational health hazards. In doing so, they can help you reduce your losses by working to prevent problems from happening in the first place.

Having the appropriate business property insurance coverage in place is crucial to getting your business up and running in the wake of a loss. Work closely with your provider to determine what's best for you, your business, and your employees, so you can recover from costly losses and business interruptions—or, ideally, avoid them altogether.

For more information, check out [sentry.com](https://www.sentry.com).

Or to talk to a representative, call 800-4SENTRY (800-473-6879).

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