

# Commercial Property Insurance



Your property is subject to many risks, including social and catastrophe perils, structural issues and even disputes with tenants. By purchasing a commercial property insurance policy, you can make sure that you are protected against these risks.

## Insurable Perils

Basic commercial property insurance policies provide one of two basic levels of cover: all risks, and named or defined perils. All risks cover generally applies to all losses caused by perils that are not specifically excluded by the policy. Named or defined perils are enumerated in the policy and can include the following:

- Fire
- Explosion
- Lightning
- Smoke
- Floods
- Windstorms
- Hail
- Acts of terrorism
- Riots or civil commotions
- Theft
- Malicious damage

- Vehicles and aircraft
- Subsidence
- Accidental damage or loss

Make sure you know what perils are covered under your current policy, and what perils are excluded.

## Buildings Insurance

Typical commercial property insurance includes cover for buildings on your property. Buildings insurance covers the cost of rebuilding or repairing buildings after loss or damage due to the perils listed above. Items typically covered under buildings insurance include:

- Structure (walls, roof, floors, etc)
- Fixtures and fittings, such as kitchen units
- Outbuildings
- Gates and fences
- Car parks and garages
- Pipes and ducts
- Cables and wiring equipment

Property owners commonly insure their premises on a reinstatement basis, rather than on an indemnity basis. This means that instead of the insurance settlement having a deduction for wear and tear (indemnity basis), the settlement would allow you to repair or replace

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the covered buildings as new (reinstatement). The reinstatement cost is based on the sum insured value of the property—that is, the total cost to rebuild and repair. These costs are determined at the time of the loss, not when the insurance was actually purchased.

When you purchase insurance, it is important to select a sum insured value that takes into consideration the cost inflation throughout the duration of the policy period. Because it is difficult to assess inflation trends, many commercial buildings are insured on a 'day one' basis. This entails assessing reinstatement costs and declaring a value for the building at the time the insurance policy takes effect ('day one' of the policy). An agreed percentage is then added to the declared value to cover inflation costs. Typically, 15 to 30 per cent is enough to cover inflation during the period of insurance and period of reinstatement.

## Loss of Rent

When you are leasing a building or building space to a business or company, you could lose your rental income if your tenant must relocate after a covered peril. Check your commercial property insurance policy to see if it covers loss of rent. If not, you can purchase it as an extension. Keep in mind that this will not cover instances where your tenant refuses to pay rent owed.

## Property Owners' Public Liability

Property owners' liability covers you for costs and damages—including medical—if a member of the public, or someone visiting your tenant, is injured while on your property. This cover is often included in commercial property insurance policies, but you may need to add it as an extension.

## Unoccupied Property

Unoccupied buildings are more susceptible to fire, vandalism, undetected repairs and other losses. If you own unoccupied property, it is advisable to purchase unoccupied property insurance to protect against risks.

## Other Insurance to Consider

As a property owner, you may also want to consider the following covers:

*Employers' liability.* If you employ administrative or maintenance staff, you are likely required by law to carry employers' liability insurance. This insurance protects you against claims due to employment-related injuries or illnesses, including compensation and costs for accidental bodily injury to anyone you employ, including temporary staff and volunteers.

*Legal expenses.* Legal expenses insurance provides cover for legal costs that result from incidents on your property. Covered legal costs may include property protection, repossession, tenant default, legal defence, contract disputes, debt recovery, tax protection and bodily injury.

One of the most important aspects of owning a property is making sure that you have purchased enough cover to be adequately protected. At In2Matrix (UK) Ltd we understand that determining your property's value is critical, so we're here to help. Contact us at 44 (0) 20 3638 5152 to learn more about our insurance and loss control solutions to protect your property.