

## **15 Things to Consider With Your Property Insurance Coverage** by Linda Williams, CLU, ChFC

Here is list of issues to consider in reviewing your commercial property insurance.

### **1. Meet With Your Agent or Broker**

Schedule a personal meeting with your agent or broker to discuss your policy coverage. The personal interview is incomparable as a vehicle for efficiently understanding your options and making appropriate adjustments to your insurance policy.

### **2. Reevaluate Your Building's Replacement Cost.**

Building costs are constantly increasing. Sources in the building industry inform me that it costs approximately \$400 per square foot to building standard quality construction in San Francisco. Higher quality finishings can increase that cost significantly. It's a good idea to discuss current building costs with a contractor or an architect on a regular basis, and to make adjustments to your policy as needed.

### **3. "Extra Replacement Coverage"**

Some properties offer "Extra Replacement Coverage" as a policy endorsement. It adds some percentage of additional coverage as a margin for error at an incidental additional premium. The percentage of "Extra Replacement Coverage" may vary from company to company. Check with your agent or broker to determine if you already have this endorsement on your policy. If not, and it is available, it is definitely prudent and cost effective to add this coverage.

### **4. Business Property Coverage**

Do you need coverage for business property such as tools or outdoor furniture? Business property coverage is available as an added coverage on "actual cash value" or "replacement coverage" basis as desired.

### **5. Personal Property and Personal Liability**

Owner-occupiers should also carry insurance to cover their personal property and personal liability. Tenants should be encouraged to purchase insurance covering their possessions, which are not covered by your insurance.

### **6. "Building Ordinance or Law" Coverage**

Determine whether your policy includes this coverage. This coverage is usually available as an add-on endorsement at a relatively modest premium. This rider provides coverage for upgrade expenses that might be required by the building code following a covered loss. It also compensates the property owner if the city requires that an undamaged portion of the building be demolished and replaced, or if there are code restrictions, (setbacks, for example) that prevent the rebuilding of the building as it originally existed. This is a very important rider to have on older buildings in San Francisco. Depending on the carrier, this endorsement may offer various options or break down into several coverage components. Normally, no coverage would extend from the base building coverage to pay for code upgrade expenses or to replace any undamaged portion of the building unless the policy includes the Building Ordinance or Law endorsement.

### **7. Maximize Your General Liability Limits**

The premium adjustment is usually incidental. Condo Associations should carry at least a \$2,000,000 per occurrence limit, \$4,000,000 aggregate. State legislation specifies that with such limits, only the Condo Association may be sued for liability losses; therefore the individual unit owners are not personally responsible for the loss. With limits under \$2,000,000, a suit may be brought against individual unit owners individually responsible for loss occurrence.

### **8. Loss of Rental Income**

Many commercial property policies include coverage for the loss of rental income following a covered loss such as fire, replacing rental income until repairs can be completed, usually for up to one year. Some policies may specify a dollar limit for this coverage rather than a time limit.

### **9. Wrongful Eviction Coverage**

Wrongful eviction coverage is absolutely necessary in San Francisco. The Personal Injury endorsement should provide for the coverage of defense expenses if a tenant sues for wrongful eviction. It is important to add the Personal Injury endorsement on policies for two-unit owner-occupied buildings covered under a Homeowner's Policy where the second unit is rented out.

This provides coverage for defense expenses for wrongful eviction suits. Confirm that your policy provides this coverage. The coverage benefits and limitations may vary from policy to policy.

#### **10. Commercial and Personal Liability Umbrellas**

Make certain your entire insurance portfolio is properly coordinated using Commercial and Personal Liability Umbrellas as needed. Both Commercial and Personal Liability Umbrellas provide liability coverage only. Commercial liability umbrella policies provide excess liability coverage above underlying Commercial insurance policies such as business insurance, rental dwelling and apartment policy insurance. Personal Liability Umbrellas extend coverage above Personal Liability policies such as one's homeowners and auto insurance. If you own rental/commercial property, you probably need both a Commercial and Personal Liability Umbrella policy to provide appropriate additional coverage, depending on your needs.

#### **11. Review Your Policy Deductibles**

The higher the deductible – the lower the premium. Higher deductibles can also be a helpful reminder of the prudence of preserving your policy for major and/or catastrophic losses. In the event of a small claim, it is best to discuss options with your agent/broker. Insurers are obliged to pay out on covered claims. In certain cases, the loss of a claims-free discount can offset the benefits of submitting incidental claims. Check with your accountant to determine if any unreimbursed property damage may be taken as a tax deductible expense.

#### **12. Do You Have Earthquake Insurance?**

Check rates if available and determine if desired. Even if you have earthquake coverage, you should do what you can to retrofit your building.

#### **13. Workers' Comp Insurance**

Do you need Workers' Comp insurance? You absolutely do need it if you hire anyone to do maintenance work on your buildings unless they are employed by a licensed contractor who has WC insurance. Always require a Certificate of Insurance confirming General Liability and that WC insurance is in force. Always carry your own WC insurance if you hire any labor directly and/or cannot confirm that there is WC in force; otherwise you will be held personally liable for injuries sustained on your property. The general liability coverage in your building will not cover these types of losses.

#### **14. Professional Errors and Omissions**

Do you have any exposure for professional Errors and Omissions? This is a completely separate policy from your general liability. Do you need Employment Practices liability insurance? The latter is again a totally separate policy to provide protection against suits brought by employees for certain wrongful employment practices. Consider it if you have any employees.

#### **15. Life, Health, Disability and Long Term Care**

In the event of accident, illness or death, these policies may be critical in supporting you or your family's ability to continue to carry your commercial properties.

This checklist is being shared as a quick highlight or areas for consideration and is not intended to replace a comprehensive review of your insurance program with your agent/broker.

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