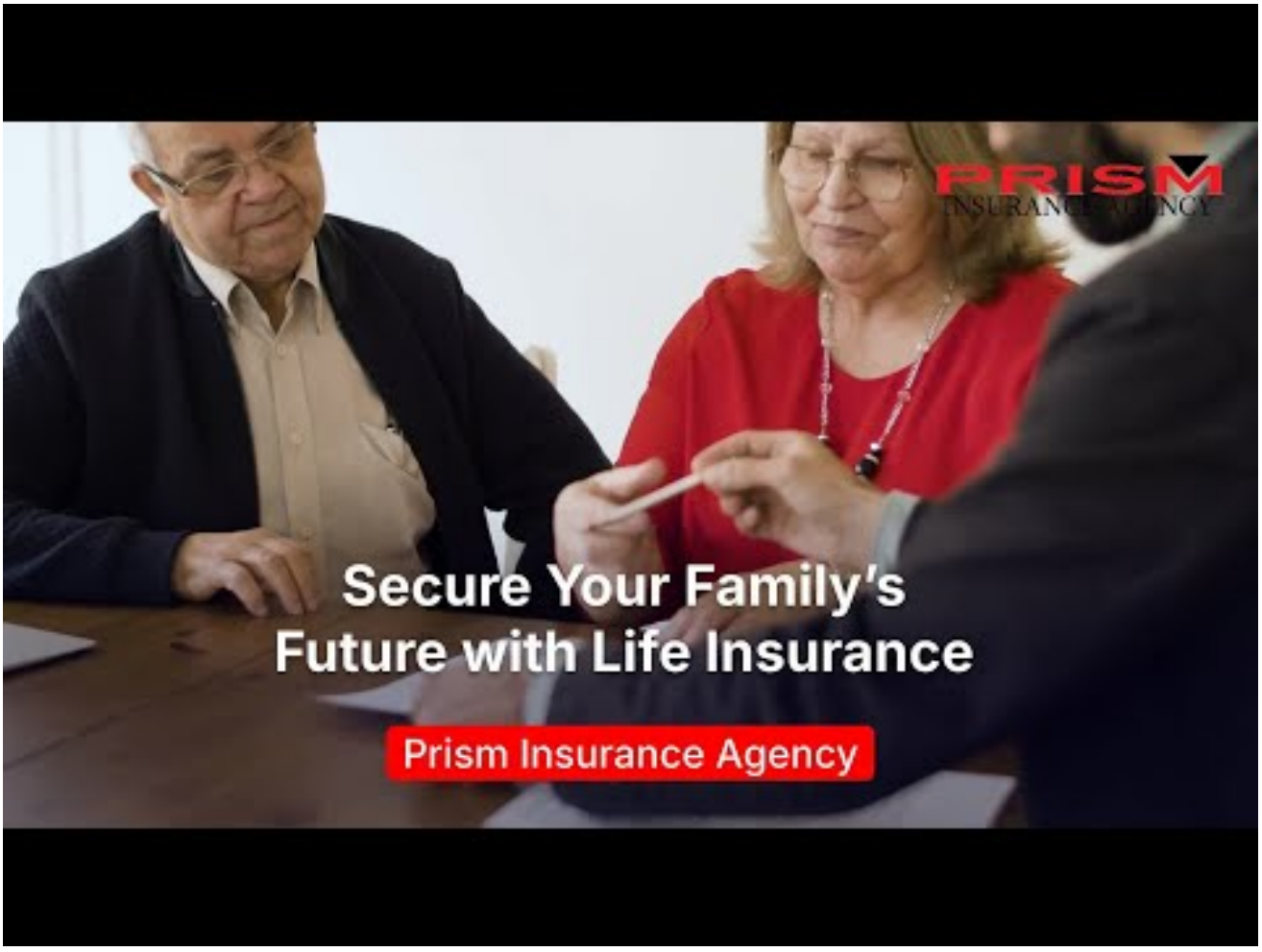
Commercial property insurance: protecting your buildings and equipment

If you run a business, the physical spaces and equipment you rely on every day represent a significant investment. A fire, a storm, or even a burst pipe can damage your building or destroy expensive machinery, leaving you with repair bills that disrupt your operations. Commercial property insurance is designed to cover the cost of repairing or replacing those physical assets, so your business can get back on its feet.

What commercial property insurance covers

Commercial property insurance typically covers the building you own or lease, as well as the contents inside it. That includes things like office furniture, computers, inventory, tools, and specialized equipment. If a covered event - such as a fire, windstorm, hail, lightning, or vandalism - damages your property, the policy pays to repair or replace it, up to the limits you choose.



Some policies also cover loss of income if your business has to shut down temporarily while repairs are made. This is often called business interruption coverage, and it can help replace lost revenue and pay ongoing expenses like rent and payroll during the downtime.

It is worth noting that commercial property insurance is not the same as general liability insurance. General liability covers injuries or property damage that happen to other people, like a customer slipping on your floor. Commercial property insurance covers your own assets. Many businesses carry both types of coverage as part of a broader package.

What is typically not covered

Standard commercial property policies have exclusions. Flood and earthquake damage are almost always excluded, so you would need separate policies for those risks. Wear and tear, gradual deterioration, and pest infestations are also not covered. Mechanical breakdown of equipment can sometimes be added as an endorsement, but it is not automatic.

Another common gap is coverage for commercial vehicles. If you own trucks or vans used for business, those are covered under a separate commercial auto policy, not your property insurance.

It pays to read your policy carefully and ask your agent about exclusions that matter for your industry. A restaurant with a lot of cooking equipment, for instance, may want to check if grease cleanup or damage from a kitchen fire is fully covered.



How the coverage works

When you buy a commercial property policy, you choose a coverage limit - the maximum the insurer will pay for a single loss. You also choose a deductible, which is the amount you pay out of pocket before the insurance kicks in. Higher deductibles usually mean lower premiums, but you need to be sure you can afford the deductible if a loss occurs.

The policy will use one of two valuation methods to settle claims. Actual cash value pays the replacement cost minus depreciation. Replacement cost pays what it actually costs to replace the damaged item with a new one of similar kind and quality, without subtracting depreciation. Replacement cost coverage costs more, but it can save you from having to pay a large portion of the replacement bill yourself.

If you lease your building, your landlord may require you to carry certain coverage for improvements you have made, like built-in shelving or lighting. Your personal property inside the leased space is your responsibility to insure.

Protecting business assets beyond the building

Equipment is often the most valuable asset a business owns. A construction company's excavator, a bakery's industrial oven, or a dental practice's X-ray machine can cost tens of thousands of dollars to replace. Commercial property insurance can cover these items whether they are kept on site or moved between job locations, depending on how the policy is written.

If you have expensive tools or portable equipment, check whether your policy covers them off premises. Some policies have sub-limits for items taken off site, so you may need additional coverage if employees regularly take laptops or tools home.

Inventory can fluctuate throughout the year. A policy with blanket coverage may automatically adjust to seasonal changes, while a scheduled policy requires you to list specific items and their values. Review your coverage annually to make sure it keeps pace with your current inventory levels.

Business interruption and extra expense coverage

A fire that damages your building might shut you down for weeks or months while repairs are made. Business interruption coverage replaces lost income during that period, based on your historical financial records. It can also cover ongoing expenses like rent, utilities, and payroll, which do not stop just because your doors are closed.

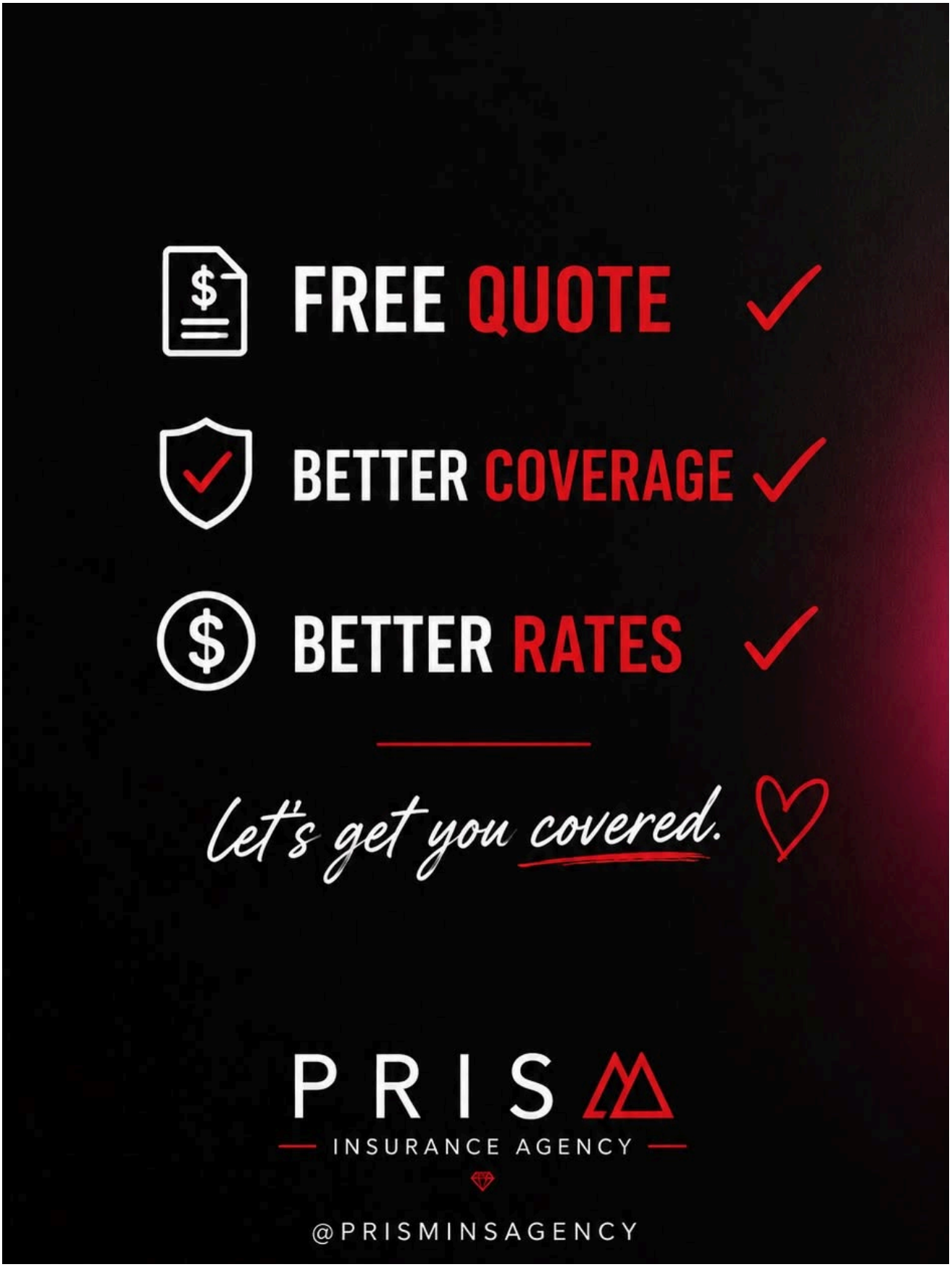
Extra expense coverage goes a step further. It pays for temporary measures to keep your business running, such as renting a temporary location or leasing replacement equipment. These two coverages are often sold together as part of a commercial property policy, but they are not automatic - you have to choose them.

If you rely on a steady flow of customers, even a short interruption can be costly. A restaurant that loses its kitchen for a month may lose not only current income but also future business from regulars who find another place to eat. Business interruption coverage helps bridge that gap.

Professional liability and other coverages

While commercial property insurance protects your physical assets, it does not cover mistakes or negligence in the services you provide. That is where professional liability insurance comes

in. If you are an accountant, consultant, or architect, a client could sue you for errors in your work. Professional liability coverage pays legal defense costs and settlements.



Some industries require professional liability by law or by contract. Even if it is not mandatory, it is worth considering if your work involves giving advice or performing a service that could cause financial harm to a client.

Your business may also need coverage for data breaches or cyber attacks, which are not covered by standard property policies. Cyber insurance is a separate product that can help with notification costs, credit monitoring, and legal fees after a breach.

If you have employees, workers' compensation insurance is required in most states. It covers medical expenses and lost wages for employees who are injured on the job. Commercial property insurance does not cover employee injuries.

For businesses looking to bundle multiple coverages into one policy, a business owner's policy (BOP) often combines commercial property, general liability, and business interruption at a lower premium than buying each separately. The eligibility for a BOP depends on the size and type of your business.

A good way to start evaluating your options is to talk with an agent who works with businesses in your area. They can help you identify the risks specific to your industry and recommend appropriate limits. Myprisminsurance is one source where business owners can learn about different coverage types and compare policies side by side.

When you review a quote, look beyond the price. Check the coverage limits, deductibles, exclusions, and the financial strength rating of the insurer. A cheap policy that leaves you underinsured after a loss is not a bargain.

How to decide what coverage you need

Start by taking an inventory of everything your business owns that would be expensive to replace. Include the building itself (if you own it), all equipment, furniture, computers, inventory, and supplies. Estimate the replacement cost, not the market value or what you paid for it years ago.

Think about how long it would take to rebuild or replace major assets. If you lease, check your lease agreement for any insurance requirements. Some landlords require tenants to carry a certain amount of property insurance and to name the landlord as an additional insured.

Consider the location of your business. A building in a flood zone or a wildfire-prone area will have different risks than one in a low-risk area. If your area is prone to certain natural disasters, you may need separate policies or endorsements to fill the gaps.

Review your coverage every year. If you buy new equipment, expand your space, or add inventory, your limits may need to increase. If you sell off assets, you may be able to lower your

premium. Keeping your policy up to date ensures you are not paying for coverage you no longer need or, worse, finding out after a loss that you are underinsured.



Some business owners assume their landlord's insurance covers their contents. In most cases, it does not. The landlord's policy covers the building structure, not your inventory, equipment, or improvements you made to the space. You need your own policy to protect those items.

If you run a home-based business, your homeowners policy may provide limited coverage for business equipment, but it is usually not enough. A separate commercial property policy or an endorsement to your homeowners policy can fill that gap. Check with your agent to see what your current policy covers.

Ultimately, commercial property insurance is about protecting the investment you have made in your business. The right policy can mean the difference between a minor setback and a major financial loss. By understanding what is covered, what is excluded, and how claims are paid, you can choose coverage that fits your needs and your budget.

If you are unsure where to start, a conversation with an insurance professional can clarify what risks matter most for your business. Myprisminsurance offers resources that explain the differences between coverage types and help business owners make informed decisions. Taking the time to review your options now can save you from a difficult situation later.