



# Commercial Insurance Survival Guide for Office Owners on the Coast

Your guide to insurance coverage in hurricane-prone regions



FEMA says 40% of businesses don't reopen after a disaster and 25% fail within a year.<sup>1</sup>



**Welcome to the Commercial Insurance Survival Guide for Office Owners. This comprehensive guide is designed to provide valuable information on protecting your business, choosing the right coverage, and mitigating risks in areas prone to hurricanes. With ICAT's expertise in coastal insurance, we are here to help you safeguard your office investment.**

### **Does commercial property insurance cover damage caused by hurricanes?**

Commercial property insurance protects your business against property damage claims, but you'll need additional coverage to protect your business from storm damage, flooding, loss of income, and more. Wind and hail insurance covers damage caused by hurricanes but is often excluded or limited in standard commercial property insurance policies in hurricane-prone areas. This coverage is often required for businesses in high-risk coastal regions.

### **How does wind coverage work?**

Small businesses may need to purchase separate wind coverage in hurricane-prone regions. Wind and hail policies cover losses caused by wind events, including physical damage to buildings and structures, damage to equipment and inventory, lost income due to closures caused by needed repairs, and more. Talk to your agent to ensure your business is protected.



## What's the difference between Replacement Cost and Actual Cash Value coverage?

- › **Replacement cost coverage** refers to the amount of money that an entity would need to spend to replace an asset with another asset of the same type and functionality at current market prices.
- › **Actual cash value coverage** pays replacement cost minus depreciation. Depreciation is a decrease in value because of wear and tear or age. If you have actual cash value coverage, the policy might not pay enough to fully rebuild your business.

## How are my wind, hurricane, or named-storm deductibles set and how do they work?

These deductibles are usually a flat dollar deductible or between 1-5% of the total insured value of the policy, building, or location. This number is dependent on your location and the insurance carrier. For wind damage coverage, some insurance companies use what's called a Named Hurricane or Named Storm deductible. It only applies to damage caused by a named hurricane or named tropical storm, and it's usually higher than your other deductibles for other causes of loss. Most hurricane deductibles are from 1-5%. So, if your total insured value is \$1,000,000 and you have a 2% hurricane deductible, you would need to pay \$20,000 out of pocket before your insurance company would cover any repairs for hurricane or named storm damage.

## What additional coverage do I need?

In addition to wind and hail coverage, you'll likely need to protect your office from loss of income, payroll, and more. We recommend you talk with your agent to ensure you have adequate coverage for your unique business.



According to a 2023 survey, 75% of small businesses in the United States are underinsured. Many business owners buy a policy when they're just starting out, but don't update it as their business grows.<sup>2</sup>



## How do I know if I have enough coverage?

Understanding accurate valuation is an important part of determining how much insurance you need. Work with your agent to ensure you're considering not just the value of property, but also the contents, the cost to rebuild, loss of income and more.

Consequences of undervaluation include the property owner having to pay out of pocket to rebuild. Insurance to Value (ITV), considers the property value along with other factors, such as inflation, materials, and service costs to replace the property should a loss occur. It is important to review your policy annually to ensure that the coverage is updated based on changes to your business or property, such as business growth, a new roof, an increase in property value, and more. The example below shows how undervaluation can impact out-of-pocket cost for an office owner.

### ITV Calculation Example

Example	Submitted	Accurate
Building Value	2,000,000	2,750,000
Premium	15,000	20,625
Loss Amount	2,500,000	2,500,000
Uninsured Loss	500,000	0
<b>Out of Pocket Cost</b> (premium + deductible + uninsured loss)	<b>575,000</b>	<b>103,125</b>



**Over 70% of small business owners don't understand what their business insurance covers.**

**ICAT and Victor provide commercial property insurance solutions to meet your needs. Contact your agent to get a quote today!**

[www.icat.com](http://www.icat.com)

[www.victorinsurance.com](http://www.victorinsurance.com)



<sup>1</sup>Sill, "Most small businesses fail in first 6 hours after a fire, how a public adjuster may help save your business" Nov. 9, 2023. <https://www.sill.com/latest-news/posts/most-small-businesses-fail-in-first-6-hours-after-a-fire-how-a-public-adjuster-may-help-save-your-business/#:~:text=FEMA%20says%2040%25%20of%20businesses,25%25%20fail%20within%20a%20year>

<sup>2</sup>Hiscox, "Three in Four Small US Businesses Underinsured." Insurance Business America, Oct. 12, 2023. <https://www.insurancebusinessmag.com/us/news/sme/three-in-four-small-us-businesses-underinsured--hiscox-462866.aspx#:~:text=Majority%20do%20not%20understand%20what%20business%20insurance%20covers&text=A%20new%20insurance%20survey's%20findings,scope%20of%20their%20business%20insurance>.

This document is for illustrative purposes only and is not a contract. It is intended to provide a general overview of the program described. Please remember only the insurance policy can give actual terms, coverage, amounts, conditions and exclusions. Program availability and coverage are subject to individual underwriting criteria.

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