

Commercial Property Policy Won't Cover Floods or Earthquakes

Many business owners are confused by the seemingly endless array of insurance policies and premiums. But an understanding of what your basic commercial property insurance covers and doesn't cover is critical to any risk management strategy.

Furthermore, any responsible risk management plan must include an assessment for flooding and earthquake damage, and a plan for insurance protection, where needed.

Does commercial property insurance cover flood damage?

No. Standard commercial property insurance will not reimburse you for flood damage, including flooding related to hurricanes and storm surges.

Neither commercial package policies nor business owner's policies include flood risks as standard coverage.

How can I get flood coverage?

There are two markets for commercial flood policies, the most common of which is policies issued by the National Flood Insurance Program through licensed insurance agents. However, not all policies fall within the jurisdiction of the NFIP.

You may be able to obtain flood coverage through private insurers, but these policies are hard to come by and coverage and pricing will depend on your location and flood risk. These policies are known as "differences in conditions" policies that are essentially riders to property policies.

What does it cover?

Flood insurance provides two kinds of protection: Building property coverage and personal contents. Talk to us about the specific items in your building(s). Coverage of basements and areas below the lowest elevated floor are underwritten separately from other floors.

Commercial flood insurance from the NFIP provides up to \$500,000 in coverage for direct physical damage to buildings from or by flooding. This includes damage to floors, walls, ceilings, plumbing, electrical systems and HVAC.

The NFIP also covers the contents of a building up to \$500,000. Contents coverage includes furniture, fixtures, inventory, machinery, equipment and other property owned by your business that has been damaged by a flood. The limit for contents coverage is separate from the limit for buildings coverage.

Does commercial property insurance cover earthquakes?

Again, typically not. This is not a standard coverage under commercial property insurance and the business would need to purchase a separate commercial earthquake policy.

While earthquakes have occurred in every state in the union since 1900, according to the Insurance Information Institute, some states have more exposure to earthquake hazards than others.

The [U.S. Geological Survey](#) has identified areas with particularly high earthquake hazards in California, Oregon and Washington, and has even identified hotspots in Nevada, Utah and Wyoming.

How can I get earthquake insurance?

Commercial earthquake policies are available in the private market and are also sold as differences in conditions policies that are riders to your commercial property insurance.

We can find you coverage if you're in the market.

What does earthquake insurance cover?

Earthquake insurance usually protects you against damage to your building and damage to business equipment and inventory. In some cases, there is a business interruption insurance component.

Deductibles range from 2% to 20% of the value of your building, so there's no substitute for having some liquid capital available, or a ready and reliable line of credit before an earthquake strikes.

Be prepared to undergo a building/facilities inspection. Before you qualify for coverage, your underwriter may ask you to make specific property upgrades, such as bolting your building to its foundation, bracing your chimneys and walls, or other items. They may also have you strap water heaters to the walls or frames.

Again, you'll need to obtain earthquake insurance separately from your commercial property insurance policy. Call us for specifics and to get the application process started.

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