

Be a Savvy Tenant

Meeting with Your Insurance Agent to Fully Discuss Your Business Insurance



CHERRY & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

You have carefully reviewed the lease and the property owner's insurance (as I discussed in my last article), now is the time to meet with your insurance agent. Together, you can work to find the best amount of coverage to satisfy your lease requirements, while also covering your business from unforeseeable losses. Here are some basic facts to know about business insurance:

- **Most commercial policies in today's market cover between \$2 million to \$5 million in general liability insurance. This amount can vary based on the size of the property you are leasing, the length of the lease, and the requirements of the insurance company.**
- The amount of general liability on your policy (the tenant's policy) should not exceed the amount the owner carries.
- Most leases we've reviewed require a minimum of one year of business interruption insurance.
- The type of replacement cost coverage you have matters. If something catastrophic happens, and your business or business equipment becomes damaged, the type of replacement cost coverage you have in place will suddenly become very important to you. There are two options: Actual Cash Value and Replacement Value Coverage.

The less expensive option to choose is "actual cash value," which will pay you the actual cash value of your equipment LESS DEPRECIATION. Though the premiums for this insurance may be lower, if you actually need to place a claim, you may not be paid enough to replace your property and equipment, due to depreciation.

Though it can be more expensive, it may be in your best interest to purchase "Replacement Value Coverage," which replaces your property at current market prices. This ensures that you have the funds necessary to purchase the property and equipment needed to run your business. It is a major stress to have your business interrupted for any period of time. Having ample replacement value coverage in place will give you peace of mind, and allow you to return to business-as-usual as quickly as possible.

Taking the time to research and negotiate the insurance provisions required by your lease, versus the insurance your business actually needs, can save you valuable money for the duration of your lease, and will make sure you are fully covered if you need to file a claim.

Always have an insurance professional review the details of this section of your lease, and negotiate these provisions to provide the most protection possible. You never want to have to use this coverage, but it certainly is important to know you have the right protection in place, if the need arises.