



PROFESSIONAL INSURORS
AGENCY, LLC

Factors That Determine Commercial Property Premiums



There are several components that factor into the formulation of your commercial insurance premiums. Chief among those components is the location of your property/properties, the age and building construction type, how it's being used and finally the loss history.

LOCATION OF YOUR PROPERTY/PROPERTIES: Properties in a well-established city with a strong fire protection class rating with nearby fire hydrants are generally less expensive to insure than properties located in a rural setting with no nearby fire hydrant or active fire department. Locations located in high crime areas are also generally more expensive to insure as the likelihood of crime-driven losses (vandalism, robbery, etc.) increase in those areas.



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LOCATION OF YOUR PROPERTY (CONT.)

High earthquake and flood-prone locations also generally pay more than locations situated in calmer areas. Lastly, neighboring properties can impact your commercial insurance pricing. For example, if your property is located next to a high-risk gas storage facility, it could negatively impact your pricing.

AGE & CONSTRUCTION TYPE OF PROPERTY:

Age, construction material, building updates and fire protection also impact commercial insurance pricing. Typically, the older the building is, the more expensive it is to insure. This is because older buildings are more loss prone than newly constructed buildings. However, this can be mitigated by actively updating older buildings with wiring, plumbing and HVAC modernization.

Building material is a major factor as well. Wood construction is much more likely

to burn and is also more susceptible to storm damage than concrete constructed buildings. Therefore, wood construction is more costly to insure than sturdier, less fire prone construction materials. Finally, other fire mitigation methods such as indoor sprinkler systems and fire suppression systems can play a role in reducing your property insurance costs.

HOW YOUR PROPERTY IS USED/TENANT STRUCTURE:

The tenant make-up of your commercial property is also a major consideration of how insurance carriers set your pricing. If your tenant is a propane dealer, your building will be more expensive to insure than if your tenant is an accounting firm due to the increased potential for fire and other hazards.

LOSS HISTORY OF YOUR PROPERTY:

Insurance carriers pay close attention to this dynamic and it's one of the major components in determining insurance pricing. If you own an apartment complex



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LOSS HISTORY OF YOUR PROPERTY (CONT.):

that has several fire losses, your insurance pricing and fire deductible will be higher than another complex that has taken steps to mitigate fire losses and doesn't have any such losses on its loss history. Examples of mitigating fire loss at an apartment complex would be implementing a policy of banning BBQ grills on balconies or any other low hanging building structure, putting fire extinguishers in hallways and in every unit and putting fire suppression systems in kitchen areas.

There's a dizzying array of property programs available out there. Contact Chris Hayes at 405-507-2740 or at chayes@pi-ins.com to find the one that best suites you and your business needs.