



Navigating Property Insurance for  
Coastal Condos and Apartments:

# A Decision- Maker's Guide

# Welcome to the Navigating Property Insurance for Coastal Condos and Apartments: A Decision-Maker's Guide.

This comprehensive guide is designed to provide valuable information on protecting your property, choosing the right coverage, and mitigating risks in areas prone to hurricanes. With over 25 years of catastrophe insurance experience, ICAT is here to help you safeguard your investment.

Commercial property insurance provides protection for your property against various risks, including fire and theft. However, in coastal regions, you likely need additional coverage for damages caused by storms, hurricanes, flooding, and potential loss of income. Wind/Hail insurance can cover damage from hurricanes and tropical storms, but it is often not included in standard policies for areas at high risk of such events. Wind/Hail coverage, along with flood insurance, are often necessary for condo and apartment building owners in coastal regions.

ICAT offers All Other Perils include Wind/Hail coverage to commercial property owners and tenants in the Gulf, Florida, Eastern Seaboard and Hawaii. Wind/Hail (excluding AOP) coverage may be available in some areas on a Named Peril basis.

## WHAT IS ALL OTHER PERILS (AOP) COVERAGE?

AOP coverage, also known as All Risk coverage, is a type of insurance that covers an event or circumstance that causes damage to your property, except for those specifically excluded in your policy. If you live in a hurricane-prone region, damage caused directly by hurricane winds, rain, or storm surge associated with hurricanes is likely excluded from your AOP policy.

ICAT offers a policy which includes Wind/Hail and AOP coverage to commercial property owners and tenants in hurricane-prone regions



**Peril:** A peril is an event that may damage your property or belongings. Examples of perils include fire, hurricane, break-in, lightning, and more.

## HOW ARE MY WIND, HURRICANE, OR NAMED-STORM DEDUCTIBLES SET AND HOW DO THEY WORK?

Deductibles for wind damage can either be a flat dollar amount or a percentage of your total insured value. This percentage usually ranges from 1-5%. Some insurance companies have a special deductible for named hurricanes or storms, which is often higher than other deductibles. For example, if your property is insured for \$1,000,000 and you have a 2% hurricane deductible, you would need to pay \$20,000 out of pocket before your insurance covers any repairs.

## HOW DO I KNOW IF I HAVE ENOUGH COVERAGE?

Understanding how much coverage you need is crucial, especially in states prone to natural disasters. Work with your agent to evaluate not just the value of your property but also the contents, the cost to rebuild, and potential loss of income due to closure for repairs. Many condo and apartment building owners don't realize they might be underinsured.



### WHAT’S THE DIFFERENCE BETWEEN REPLACEMENT COST AND ACTUAL CASH VALUE COVERAGE?

- **Replacement Cost Coverage:** This pays for the amount needed to replace your property with a new one of the same type and quality at current prices.
- **Actual Cash Value Coverage:** This pays the replacement cost minus depreciation, which is the decrease in value over time. If you have this type of coverage, it might not be enough to fully rebuild your property.

### CONSEQUENCES OF UNDERVALUATION

Understanding the risks and accurately valuing your property is an important part of determining the coverage you need. Discuss your coverage with your agent to ensure you’re considering not only the value of the property but also the contents, the cost to rebuild, potential loss of income, and more.

The consequences of undervaluation can 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 a new roof or an increase in property value. The ITV calculation example shows how undervaluation can impact out-of-pocket costs for an apartment or condo building 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 (premium + deductible + uninsured loss)</b>	<b>575,000</b>	<b>103,125</b>



**Are you underinsured?** A recent study revealed 90% of buildings studied were underinsured, with 68% of the buildings valued from 2020 to 2021 underinsured by 25% or more!<sup>1</sup>

# How does Business Income coverage work?

Business Income (BI) covers the reduction in an organization's income when operations are interrupted by damage to property caused by a covered peril. Because the severity of a BI loss is directly related to the length of time required to restore the property, BI coverage is considered a "time element" coverage.<sup>2</sup> In most cases, if your building is damaged in a hurricane and you must rebuild, the loss of income and cost of ongoing expenses would not be covered unless you had business income coverage on a wind policy.

Visit <https://www.icat.com/about/tools-resources.html> to download ICAT's Understanding Business Income brochure, as well as other helpful educational tools.





**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)

1. Insurance Information Institute. (2024, December 19). Commercial property insurance shows signs of improvement, stable growth, says new Triple-I brief. <https://www.iii.org/press-release/commercial-property-insurance-shows-signs-of-improvement-stable-growth-says-new-triple-i-brief-121924>

2 (Business Income Insurance, 5th edition; The Institutes Knowledge Group)

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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