

## *DO I NEED FIRE INSURANCE?*



On January 18, 2010, a fast-moving fire gutted part of a car dealership in west Houston. The two-alarm fire was confined to a building that housed the used car showroom. I don't know any of the specifics of this fire or the results of any investigation into the blaze. I just know fires occur with regularity regardless of the season, the industry or the value of the property burned. I've worked with clients who had the foresight to buy property insurance and those who didn't. Take my word for it, it is much more pleasant to work with those who have the coverage they need at the time of loss. After seeing the above photo, it occurred to me that Texas used car dealers may appreciate a basic property insurance explanation.

Property insurance policies can become as complicated and as broad as the insured risk requires and qualifies for. They may include any number of coverage enhancement endorsements from valuable papers to loss of rents and dozens in between. The property coverage forms come in basic, broad and special, and the protection level can be actual cash value, replacement cost or a combination of the two.

The protection may extend only to named perils or it may be all-risk. The primary distinction between these two contract varieties is:

- Named Peril coverage extends only to loss incurred as a result of the specifically named perils listed in the policy, which vary between basic and broad contracts. They are most often: fire, lightning, explosion, windstorm or hail, smoke, aircraft, vehicles not owned or operated by the insured, riot or civil commotion, vandalism, sprinkler leakage, water excluding flood, surface water, or drain/sewer overflows, sinkhole collapse and volcanic action.
- All-risk policies cover risks for direct physical loss subject to the contract's limitations and exclusions.

In other words, the named perils approach places the burden of proof on the insured to apply one of the named perils in order to make a claim. The all-risk approach requires that the company assume the burden of proof in applying one of the exclusions or limitations to deny a claim. In both cases, the insurance company will search for legitimate declination reasons, but the bar is higher with the all-risk option.

Theft can be a bone of contention between insureds and the companies providing their property policies. **THEFT IS NOT AUTOMATICALLY INCLUDED IN ANY PROPERTY POLICY EXCEPT THE ISO APPROVED SPECIAL FORM.** Basic and broad (named peril) property forms do not automatically include theft protection; special (all-risk) forms do *unless excluded by endorsement*. The all-risk forms may also modify or limit the coverage by statement on the declarations page and/or endorsement. A common limitation is requiring a monitored alarm before the coverage will be enforced.

I began this month's chat talking about protecting your business from fire loss and ended the conversation with theft coverage. My lack of cohesion is symptomatic of the property policy's complexity. I've reached the space and word count limitation and then some. We'll save the rest of our discussion for the upcoming months. Be sure to tune in!

In the meantime, do not hesitate to contact me. I'm eager to receive your feedback, questions and comments. If you have specific subjects or insurance concerns you would like to see discussed here, please let me know. [annmullen@mulleninsurance.com](mailto:annmullen@mulleninsurance.com) or [www.mulleninsurance.com](http://www.mulleninsurance.com). We will make this column work for you.

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