



**DISASTER
RECOVERY
SERVICES**

INSURING TANGIBLE CONTENTS & ASSETS

(800) 400-9353
ATIrestoration.com



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Introduction

If your business or home was damaged and you had to replace everything inside, could you afford it? If you use expensive or special equipment that is difficult to replace, or you keep a lot of stock on the premises, this is a question worth exploring. Damaged equipment can hinder your ability to operate your business. Content recovery and restoration completed by the professionals allow you to restore your contents and assets with utmost care and respect. To cover your losses and expenses, contents insurance is highly recommended for almost any business and homeowner.

Both business and homeowners insurance policies typically include coverage for tangible assets and personal belongings inside the buildings themselves. This is described in most insurance policies as “contents insurance.” Contents insurance helps pay to replace or repair your belongings if they are stolen, destroyed completely, or damaged by a covered disaster. It’s crucial to understand the type of coverage you need—or already have—and how much that policy may pay for covered claims if and when the time comes to file a claim.

What Does Contents Insurance Cover?

“Contents,” by restoration industry definition, are items and personal belongings not structurally a part of a home or business. Most appliances can be considered contents if they are not directly hooked up to a utility in the building. For example, electric oven ranges or refrigerators are treated as content since they can be simply unplugged from the outlet. If the oven range is connected to a gas line or the refrigerator is connected to plumbing, these types of appliances are considered to be parts of the building’s structure. Anything else is considered content. Some categories of personal property have a maximum dollar limit that your insurance company will pay in the case of a loss. In those instances, it is recommended you cover your expensive contents on their own policy (i.e., artwork, jewelry, etc.).





BUSINESS (COMMERCIAL)

Business (or “commercial”) contents insurance commonly covers damages or losses caused by fires, flooding/storms, and theft for:

- Fixtures and fittings (flooring, lighting, the equipment in your office kitchen, etc.)
- Furniture (desks, chairs, shelves, etc.)
- Office equipment (computers, printers, modems, etc.)
- Manufacturing equipment, machinery, and tools
- Any staff or client belongings on the premises

In some instances, business contents insurance may also cover stock and cash within the premises. Check the policy details carefully to ensure you’re getting an appropriate level of coverage for your business’ needs. Policies vary, but generally, contents insurance won’t cover you for any damage caused by natural or general wear or tear.

THERE ARE OVER SEVEN MILLION SMALL BUSINESSES IN THE U.S., RANGING FROM CONSTRUCTION FIRMS TO GROCERY STORES TO HOME-BASED BUSINESSES. ALL HAVE ONE THING IN COMMON: WITHOUT THE RIGHT INSURANCE COVERAGE, EACH COULD BE WIPED OUT BY A DISASTER OR A LAWSUIT*.

*INSURANCE INFORMATION INSTITUTE (TRIPLE-I)



HOME

It can take years to accumulate your personal possessions and knowing the details of a particular policy will help ensure protection of those valuables. Similar to business insurance, homeowners’ contents insurance (or “personal property insurance”) helps cover the majority of valued items damaged or lost in a fire, flood/storm, and theft. The common categories of personal property include furniture, clothing, TVs and other electronics, jewelry, and recreational equipment. Compared to most businesses, homes are filled with more personal, irreplaceable belongings like memorabilia, heirlooms, antiques, and sentimental family items.

49% OF HOMEOWNERS HAVE PREPARED AN INVENTORY OF THEIR POSSESSIONS TO HELP DOCUMENT LOSSES*.

*2014-2020 STUDY CONDUCTED BY TRIPLE-I



OTHER SECTORS AND BUILDINGS

More than just businesses and homes are in need of content recovery. Religious institutions like churches, synagogues, and mosques contain items both sacred for worship and necessary for social and functional purposes. Libraries are not only teeming with books ranging in value and difficulty to replace, but also house functional items like desks, computers, and shelving on which the books are kept. Sometimes historical items and other valuable records can be kept in library displays as well. Hospitals, municipal buildings, schools and universities, and museums, just to name a few, are all susceptible to the possibility of damages and losses.

Taking Inventory

The best way to select the right policy is by creating an inventory of contents and belongings. Insurance Information Institute (Triple-I) suggests photographing every item to be covered and making a list with serial numbers on electronics, makes and models, and year of purchase. Every bit of information will help when filing a claim, so it may benefit you to also attach official documentation, like receipts and appraisals, to the inventory list. Creating an inventory is the best way to assess what is owned and how much it's worth. It not only reveals how much content insurance coverage is needed but will also be a valuable tool at the time a claim is filed.

Proper inventory assessments also help support businesses with accounting accuracy and tax liability. When items and products in your inventory lose value due to damage, deterioration, or loss from theft or a disaster, inventory write-offs can be made if the company chooses not to repair the content.

Basics of Contents Insurance and Coinsurance

The concept, understanding, and use of contents insurance and coinsurance may seem overwhelming. Understanding what is covered and how much everything is worth can be exhausting in finding the right policy, including the coinsurance percentage and what riders should be purchased, if any. When in doubt, risk management professionals offer assistance to thoroughly read through a property insurance policy and help you understand what is involved. The Insurance Services Office (ISO) is an insurance advisory organization that provides statistical and actuarial information and focuses on property and casualty insurance to cover contents restoration. ISO forms include actual examples of how and when certain insurance and coinsurance is adequate or not to cover your repairs.

First, the insured sets the direct damage coverage limit based on how the loss will be settled: actual cash value vs. restoration or replacement cost. Next, the coinsurance percentage for contents is determined. The best way to establish insurable value is by way of appraisal. An estimated amount may not provide the accuracy needed to establish creditable value and the insured limit. In order to settle a loss, the insurance company will compare your policy limit to the minimum limit required by the coinsurance clause.

LOSS RECOVERY FORMULA:

$$\left(\frac{\text{AMOUNT OF LOSS} \times \text{LIMIT OF INSURANCE}}{\text{LIMIT OF INSURANCE REQUIRED}} \right) - \text{DEDUCTIBLE} = \text{LOSS RECOVERY}$$

THE 80% RULE

One of the most common coinsurance breakdowns is the 80/20 split. Under these terms, the insured is responsible for 20% of the costs to restore and the insurer pays the remaining 80%. With most insurance providers, the insurer will only cover the cost of damages or losses if the owner has purchased coverage equal to at least 80% of the total replacement value. If the amount of coverage is less than the minimum 80%, the insurance company will only reimburse the homeowner a proportionate amount of the required minimum coverage that should have been purchased. Capital improvements and inflation affect personal property values. Therefore, home and business owners should review their policies periodically to ensure coverage continues to meet the 80% minimum.

THE 80% RULE IN HOME INSURANCE ONLY CONCERNS PROPERTY COVERAGE, NOT THE LIABILITY COVERAGE THAT ALSO COMES WITH A BASIC POLICY.

ACTUAL CASH VALUE VS. REPLACEMENT COST

When choosing and purchasing a contents insurance policy, most insurers will provide two choices: actual cash value and restoration/replacement cost. Actual cash value coverage will help pay the cash value of the insured contents. However, it also factors in the item's depreciation. It only pays out a percentage of what you originally paid for it or the items' current cash value at the time of the claim. Replacement cost coverage goes further to help reimburse the cost of restoring or replacing an item with one of similar type and quality. This comes at a price, however. If replacement cost coverage is chosen, the policy premium will likely increase.

ARE YOUR CONTENTS ADEQUATELY PROTECTED? COMPARE THE VALUE OF YOUR POSSESSIONS WITH YOUR PERSONAL PROPERTY COVERAGE LIMITS.



COVERAGE LIMITATIONS

All types of insurance policies will have a coverage limit and a deductible. Standard contents insurance policies will limit coverage for certain types of valuable items, like antiques, collectibles or precious jewelry. While your contents insurance coverage may be higher than the value of these pieces, the policy may only provide limited coverage.

In this case, optional coverage can be purchased to provide additional protection, often referred to as a rider, floater, endorsement, or scheduled personal property coverage. According to Triple-I, an item will likely need to be professionally appraised before being scheduled. Scheduling items may have additional and significant benefits in the event of damages or a loss. It may include coverage for a greater number of risks and also may bypass any deductible payment when a claim is filed.

EVALUATE YOUR MOST VALUABLE ITEMS AND CONSIDER EXTRA COVERAGE WITH SCHEDULED PERSONAL PROPERTY COVERAGE.

BAILEE'S COVERAGE

The relationship between contractor and customer in content restoration is referred to as bailment. Bailment occurs when one party (the Bailee) takes the property of another (the Bailor) into their possession. When a contractor has someone's property in bailment, they become liable for any damages, whether or not there is fault on the contractor's part. Content restoration operations are often not fully or properly covered by standard liability insurance policies. It is highly encouraged that you review your insurance program with a qualified insurance professional who is familiar with the restoration and remediation industry.





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