

This article is the first in a 10 part series that will cover the basics of [insuring your restaurant](#) . Our goal here is to give you a bird's eye view of the options and issues that you, as the restaurant owner, should consider as you go about evaluating your current insurance coverage or as you tackle the job of insuring your restaurant for the first time. Part 1 covers the property insurance needs that you will have.

Let's start by touching on basics of the property that you need to insure. Some of this is obvious and some of it less so. The most obvious items here are the building, if you own it or are responsible for insuring it, and the contents in the building such as tools, equipment, inventory, dishes, tables etc. There are also a few less obvious property items to insure. The first of these would apply to restaurants who don't need building coverage but who have invested in fixtures and remodeling that is permanently attached to the building. For these items you need tenant's betterments and improvements coverage. Bear in mind that this coverage is added at the building insurance rate but will only apply to items that you actually did pay to install. If your lease requires you to insure the air conditioners on the roof but you didn't actually pay to install them in the first place, your tenant's improvements and betterments coverage will not help you out if they are hit by lightning and destroyed.

This brings me to another issue that is often overlooked by restaurant owners. It is very important that you take the time to read your lease carefully to see just what you are agreeing to in terms of insurance requirements. You may be required to insure things that don't belong to you and this may force some extra work and research on your part as you set up your property insurance coverage. For more detailed help on this, [read my blog about leases and their impact on restaurant owners' insurance policies.](#)

One of the sub categories of property coverage deals with the valuation of the items that you are covering. In general, there are 2 choices of valuations, actual cash value and replacement cost. Actual cash value is defined as replacement cost coverage minus depreciation. Replacement cost coverage is the cost that it will take to replace that item with a new one at the time of loss. Most policies are written on a replacement cost basis and in general that is what I would recommend. But there are some situations, for instance with older buildings, when you may want to consider using actual cash value as your valuation method. For [more detailed information on this situation, read my blog here](#)

The valuation decision is an important one in that it will help you decide how much insurance to

buy for the building and contents and betterments. You should always insure for the full value (either replacement value or actual cash value) of the item or items you are insuring. That is because most policies will have a coinsurance clause. Coinsurance is the tool that insurance companies use to make sure all of the policyholders carry full value. The reason that is important to them is that most losses are partial losses and some people would prefer to reduce their insurance costs by insuring for only part of the value of their assets. If this were to happen, then those who insure for full value would be heavily subsidizing those that purchased partial insurance. To remedy this problem, most all property insurance policies have a coinsurance clause. This clause imposes a penalty at the time of loss on those who did not carry full value insurance. [The coinsurance clause is a bit complicated but important to understand so please read my blog about coinsurance here](#)

The last consideration that this article will cover regarding your restaurant insurance property coverage is your deductible. Your deductible is the amount of money that you will spend in the event of a loss, before the insurance money kicks in. Since insurance is best used for large, catastrophic losses, it is generally felt that you should carry the highest deductible you can comfortably pay without a huge disruption to your cash flow. Always evaluate the deductible you choose against the savings it provides on your insurance policy costs. You can evaluate it by considering how many years you would have to go without a loss to break even on the additional deductible costs versus the amount you are saving by moving up to that deductible level. But remember, when it comes to restaurant insurance, your deductible will apply to each and every loss all over again. This is not like health insurance which generally has a per year deductible.

Taking the time to evaluate all of your property exposures and carrying full value replacement cost protection on them will pay off in spades should you ever experience a property loss to your restaurant. Understanding your lease requirements and evaluating your deductible value will help you make sure you have the appropriate coverage and can afford the policy and the loss should it happen. In part 2 of this series we will take the time to study liability insurance and its implications for the restaurant owner.

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