

## BOP Insurance vs. Commercial Property Insurance: Which One is Right for Your Construction Company?

Written by: Keith Signoriello, Principal and Owner, C&S Insurance

In the construction industry, managing risks is a constant, day-to-day concern. From the safety of your workforce to the financial viability of your projects, there are numerous potential challenges to address. Insurance plays a key role in mitigating these risks, and choosing the right coverage for your business is critical.

Business owner's policy and commercial property insurance are two common forms of insurance in the construction industry. Understanding the differences between them can help construction professionals make informed decisions about their insurance needs.



### UNDERSTANDING COMMERCIAL PROPERTY INSURANCE

Commercial property insurance, also known as commercial real estate insurance or business personal property insurance, serves a crucial role in safeguarding a business's physical assets. Whether you own your business premises, rent a workspace, or operate from home, this coverage protects against myriad potential threats including fire, theft, burglary, wind, and lightning.

Here's what commercial property insurance typically covers:

1. Your owned or rented workspace against damage caused by events like fire or vandalism.

2. The machinery, tools and equipment necessary for your business operations; if they get damaged or stolen, the policy can help pay for repairs or replacements.
3. Your inventory, or the products or goods stored for business purposes; if they're stolen or damaged due to covered perils, the policy will compensate for the loss.
4. Items like furniture and other personal property used in the business, making this coverage particularly useful for businesses with significant investments in office fixtures and fittings.

Commercial property insurance is calculated based on the actual cash value (cost to replace an item minus its depreciation), replacement cost value (cost to replace an item

with something comparable or equivalent), or the fair market value (cost of an item if it were to go on the market today). The average cost for commercial property insurance depends on the type of business, location, property value, safety measures, policy limits, deductibles, and other coverage options.

It's important to remember that commercial property insurance doesn't cover every type of property damage. For instance, it doesn't cover damage to a customer's property on your premises, intentional property damage by you or your employees, or damage to your vehicle while making a delivery. It also doesn't cover natural flood damage. For these types of risks, other commercial insurance products may be needed.

---

## UNDERSTANDING BOP INSURANCE

---

A BOP is a convenient package that combines several types of essential coverage into one policy. Many small businesses opt for a BOP because it bundles commercial property insurance, general liability insurance, and business income (or interruption) insurance.

Here's what BOP insurance typically includes:

**Commercial Property Insurance:** Just like a standalone commercial property insurance policy, this component of a BOP helps protect your business's building and the tools that you use to operate.

**General Liability Insurance:** This coverage helps your business handle claims related to bodily injury, property damage, and reputational harm, such as libel or slander.

**Business Income Insurance:** Also known as business interruption insurance, this coverage helps replace lost income if you can't operate because of covered property damage.

One of the biggest benefits of a BOP is its convenience and comprehensive coverage. By combining multiple policies into one, a BOP can provide extensive coverage that would be much more expensive if purchased separately. Additionally, a BOP simplifies the insurance process by consolidating the management and renewal of multiple policies into one, making it easier for small business owners to keep track of their coverage.

It's important to note that a BOP may not be the best fit for all businesses. Larger businesses or those with unique risks may require more specific or extensive coverage than what a BOP provides. In these cases, it may be more beneficial to purchase standalone policies that more accurately address the business's needs.

---

## BOP INSURANCE VS. COMMERCIAL PROPERTY INSURANCE

---

For construction companies, with their high reliance on equipment and machinery, having adequate insurance coverage is essential. However, a BOP may offer more comprehensive protection due to the inclusion of liability and business income insurance. Use the following table to quickly compare these two insurance types.

**Coverage:** Combines general liability, property, and business interruption insurance into one policy; ideal for small- to medium-sized businesses with standard risks; primarily covers property including owned or leased property, inventory, and equipment.

**Flexibility:** Offers limited customization; specifics of the policy are often predetermined; highly flexible with options for numerous endorsements and additions to cater to unique risks.

**Cost:** Typically less expensive due to bundled coverage; cost-effective for businesses seeking comprehensive coverage at a reasonable price; costs can vary based on the amount of property covered and the specifics of the policy; can be more expensive due to broader coverage and customization options.

**Business Interruption Coverage:** Includes business interruption insurance, which helps cover the loss of income due to a covered event that disrupts business operations; does not typically include business interruption insurance; can be added separately if required.


---

## CHOOSING THE RIGHT COVERAGE

---

Choosing between BOP and commercial property insurance depends largely on your business's specific needs. Smaller

companies or startups may find that a BOP offers sufficient coverage at an affordable price. Larger businesses, especially those with multiple locations or high-value equipment, might opt for commercial property insurance for its broader coverage.

The bottom line is, both BOP and commercial property insurance can play a vital role in risk-management strategy in the construction industry. They offer protection for your business, assets, and operations, ultimately ensuring the financial health of your company. As a construction professional, understanding your business's unique risks will guide you in selecting the best insurance coverage to protect your business investment. 



---

### About the Author

---

Keith Signoriello is the principal and owner of [C&S Insurance](#), headquartered in Mansfield, Mass. Signoriello and his construction practices group specialize in helping contractors control insurance costs and increase profitability through solution-based risk management. C&S works closely with clients' leadership teams to develop safety programs that decrease loss events, reduce insurance costs, and enhance productivity.

---

### About the Article

---

Republished from [Construction Executive](#), a publication of [Associated Builders and Contractors](#). Copyright 2023. All rights reserved. Associated Builders and Contractors is a national construction industry trade association representing more than 21,000 members. Based on the merit shop philosophy, ABC helps its members develop people, win work, and deliver work safely, ethically, and profitably for the betterment of the communities in which they work.

Any views and opinions expressed in this article may or may not reflect the views and opinions of the Construction Management Association of America (CMAA). By publishing this piece, CMAA is not expressing endorsement of the individual, the article, or their association, organization, or company.