surisk

COMMERCIAL INSURANCE / EXECUTIVE REPORT

What would your business retain after a coastal storm?

A decision framework for deductibles, policy boundaries and the cash the business may need to carry.

The premium is one part of the insurance decision. This report connects a defined storm scenario to the interests, terms and financial assumptions that determine which questions management should resolve before a loss.

A CLEARER RECORD. A BETTER CONVERSATION.

Understand — Review — Decide — Follow through

For commercial property owners, portfolio finance leaders and coastal operating businesses.

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EXECUTIVE SUMMARY

Make the retained cost visible.

Retained risk is the financial consequence the business continues to bear after considering the insurance that applies.

A broader decision than premium

A lower premium can be a sensible choice, but the decision needs a clear account of what the business accepts in exchange. Deductibles, limits, uninsured circumstances, timing and uncertainty can affect the amount or timing of cash the business must provide. Management should understand these consequences alongside the quoted price. This report proposes a way to examine them through one defined commercial-property scenario.

The review begins with the property and the interests involved. An owner may be concerned with building repairs and rental income, while an operator faces contents, interrupted operations and reopening decisions. A manager may coordinate the information without carrying either financial interest. Keeping these roles distinct makes both the insurance question and the financial planning exercise more useful.

Three records to bring together

The operating record describes the location, use, values and recovery needs. The insurance record identifies the relevant policies and their actual terms. The financial record explains the business's capacity to carry a defined cost or delay. Each record has its own assumptions and responsible person. The adviser helps connect them without presenting an estimate as a coverage decision.

Begin with one scenario, such as a storm that damages the building and interrupts its use. Separate the different causes and financial effects for review. Identify what can be confirmed, what requires additional interpretation and what management deliberately accepts. The resulting conversation should improve clarity about the decision. It should not promise that every storm consequence can be insured or that a planning calculation predicts a future claim payment.

> Ask what the business would need to fund, why that amount is assumed and which parts remain uncertain.

01 / DEFINE THE SCENARIO

One storm can create several insurance questions.

An event description should be detailed enough to separate causes, interests and consequences.

Describe the property and its use

Identify the commercial location, relevant organizations and current operations. Explain who owns the building, who owns its contents and who depends on its income. Describe the assumed event in plain language: what is damaged, where water or wind is involved, what prevents use and which activities are interrupted. These are scenario assumptions to test, not findings about a future event.

Avoid reducing the exercise to a single label such as 'hurricane coverage.' Different policies and provisions may address different parts of the story. The adviser should review the actual causes and interests against the relevant wording. Where facts would need investigation after a real event, preserve that uncertainty instead of treating the scenario as a definitive determination.

Separate flood questions from other property questions

FEMA's NFIP guidance explains that business building and contents coverage are purchased separately and that NFIP flood insurance does not cover business interruption or loss of use. Those are program-specific boundaries; private flood arrangements can differ. Ask the adviser to identify which form applies before carrying a general explanation into the business's own financial assumptions. [1]

The practical result is a map of questions, rather than a collection of policy names. Which insured interest is involved? Which cause is assumed? Which location and property description apply? What income or expense consequence is being considered? Keep the answer to each question linked to a document or to an explicitly unresolved item. This helps management recognize when an appealing summary leaves an important part of the scenario unanswered.

> Review the event in parts, then bring the financial consequences back together for the business decision.

02 / READ THE RETENTION

A deductible needs a basis and a trigger.

The number alone cannot explain how a deductible works in a particular insurance arrangement.

Ask how the amount is determined

Locate the relevant deductible wording and identify when it applies. If a percentage is involved, ask what value it is applied to. If more than one location or type of property is affected, ask how the wording treats those interests. Record any minimum, maximum or other relevant limitation that the adviser identifies. Do not assume the same calculation applies across policies because their summaries use similar labels.

The business also needs to understand timing. An expected insurance recovery and the immediate cash required to protect, repair or restart an operation are different planning questions. Finance should describe the available liquidity and other commitments. The adviser can explain the applicable insurance process, while management decides how to prepare for the period before the financial position is clear.

A simple comparison framework

Use the following structure when discussing alternatives. Populate it from actual terms and preserve any unanswered question. A premium comparison is most useful when management can see which assumptions stayed constant and which changed.

Decision element	What to establish
Application	The event or circumstances that trigger the deductible.
Calculation basis	The amount or value to which the wording applies.
Aggregation	How affected locations, interests or events are treated.
Financial capacity	The cash the business can carry and when it may be needed.

> Compare a deductible as a set of terms and financial consequences, not as an isolated percentage.

03 / EXAMINE THE LIMITS

Values, limits and recovery assumptions work together.

A complete discussion distinguishes the property's value, the selected insurance amount and the cost of recovering its use.

Keep the valuation basis explicit

A property's purchase price, tax assessment and reconstruction estimate can serve different purposes. Record the basis used for insurance, its source and the date it was reviewed. Ask who is responsible for updating it when the building changes. This keeps a convenient historical figure from becoming an unexplained assumption in the next renewal or retention discussion.

Some policies contain a coinsurance clause. Travelers explains that, when the clause applies, an insufficient insurance amount relative to the required percentage of value can reduce the claim calculation. The actual wording, valuation basis and any modifying provisions require review. [2] The management lesson is to examine the relationship between value and limit before treating a lower insurance amount as a straightforward saving.

Connect physical and commercial recovery

Repairing the building is one part of returning a business to useful operation. Consider equipment, contents, staffing, access, suppliers, customers and the sequence of reopening. Record which assumptions come from operating experience and which need verification. Finance can then distinguish estimated recovery needs from amounts that have been discussed under the actual insurance program.

Ask the adviser to identify any relevant income, expense or other provisions and explain the questions that remain. A planning model should show uncertainty openly. It can help management evaluate alternatives and prepare resources, but it cannot decide eligibility or the amount of a future claim. Update the assumptions when the property's use, values, tenant arrangements or recovery options materially change. This turns the exercise into a continuing decision record rather than a one-time estimate.

> A value review and a recovery discussion are part of understanding the financial decision, even before a quotation is compared.

04 / SYNTHETIC CASE

A smaller premium can mean a different cash decision.

Illustrative arithmetic only. All values and terms are invented; this is not a quotation or claim calculation.

Make the assumptions visible

Assume a commercial building has a stated value of $5 million solely for this exercise. One hypothetical option uses a flat $25,000 deductible for the selected scenario. Another uses 2% of that stated value. If that precise percentage basis and trigger apply, the arithmetic is $5,000,000 multiplied by 0.02, or $100,000. The difference between those assumed deductibles is $75,000.

That calculation establishes only the difference between two invented deductible amounts. It says nothing about whether a real loss is covered, which value a real policy would use, whether multiple deductibles apply, or how limits, exclusions and other terms affect payment. It also does not establish whether either option is commercially available. The scenario exists to make the management conversation concrete.

Ask the financial question

Suppose management is considering the second option because its quoted premium would be lower. Finance should compare that saving with the additional amount the business may need to carry under the stated assumptions. The discussion should include the timing of cash needs, other affected properties and the business's capacity to absorb a difficult period. The appropriate decision depends on the actual terms and the organization's circumstances.

The adviser records which assumptions were confirmed and which require further work. Management documents its choice and the reason for it. If the property value or deductible wording changes at the next renewal, the earlier calculation is revisited. This makes the decision accountable without presenting one retention level as universally correct. The useful outcome is understanding the trade-off, not demonstrating that the cheapest or most expensive option must be preferable.

> Illustrative difference: $100,000 minus $25,000 equals $75,000. Real decisions require the actual wording and financial context.

05 / THE ADVISORY PROCESS

Turn the scenario into an action record.

The review should leave management with a clear explanation of the decision and the work still required.

Prepare a focused review

Select one location and agree the scenario with the operating and finance teams. Gather the relevant policies, property information and existing recovery assumptions. Identify the authorized decision maker and the people who can verify values and operations. Keep the first review narrow enough to distinguish factual corrections from insurance questions and management choices.

Ask the adviser to explain the terms that are material to the scenario, the limitations of any preliminary answer and the options worth considering. Record where specialist valuation, legal or other professional input may be needed. Assign each outstanding question to a person and a next checkpoint. A visible unresolved item is more useful than a confident summary with no supporting evidence.

Preserve evidence and revisit the decision

Before an incident, agree where the business will keep policy contacts, property descriptions and recovery records. After an actual event, follow the instructions of the appropriate insurer and claim professional. FEMA's NFIP checklist recommends preserving communications and supporting evidence through its claim process. Use its guidance in the relevant program context rather than assuming every policy follows the same procedure. [4]

At renewal or after a material property change, revisit the decision record. Confirm the values, interests, deductible terms and financial assumptions still describe the business. Review whether the selected retention remains intentional. Technology can help keep the information accessible; the advisory relationship supplies interpretation and follow-through. The aim is a decision management can explain, supported by current facts and clear responsibility for the next step.

> A retained-risk decision should have an owner, a documented basis and a reason to be reviewed when circumstances change.

06 / YOUR NEXT CONVERSATION

Ask what the business is choosing to carry.

A useful review makes both confirmed terms and remaining uncertainty understandable.

Questions for finance and operations

Which interests and income streams are affected in the scenario? What assumptions support the recovery timeline? Which values are current, and where did they come from? How much cash could the business carry without disrupting other commitments? Could several properties create needs at the same time? Record the assumptions that management wants the adviser to examine, and the financial choices it must make itself.

Ask the operating team which records would be difficult to retrieve during a disruption. Identify who would preserve photographs, invoices, communications and repair information. A useful preparation exercise is to locate a sample packet now and note what is missing. The goal is practical readiness and a clearer account of the property, without assuming that the availability of evidence determines coverage.

Questions for the adviser

Which deductible applies to the defined scenario, and what is its calculation basis? What limits, sublimits or relevant terms need attention? Which parts of the income and expense story remain open questions? How do the alternatives differ beyond premium? What documentation would support an informed choice, and when should that choice be reviewed again?

Surisk's Risk Evaluation can begin with this one-location conversation and produce a prioritized set of questions and recommended next steps. Free Risk Dashboard access offers a separate starting point for a more organized insurance relationship. Choose the route that fits the immediate need. The purpose is to help management understand and act on its commercial insurance decisions, with technology supporting the record and an adviser guiding the discussion.

> A well-understood retention is a deliberate financial choice. An unexplained retention is an unfinished conversation.

SOURCES / YOUR NEXT STEP

Put the questions to work.

Bring one commercial location, a realistic storm scenario and the relevant policies. A focused review can separate confirmed terms, open questions and management's financial assumptions. The aim is an informed decision about protection and retained cost, with clear next steps.

> Get a second opinion on your insurance, or begin with free Risk Dashboard access.
> Choose the starting point that suits your business.

Get a Second Opinion

Get Dashboard Access

Sources and reading notes

[1] FEMA / NFIP — Protecting Businesses with Flood Insurance

Explains NFIP business coverage boundaries, including separate building and contents coverage and exclusion of business interruption.

[2] Travelers — Calculating Coinsurance

Illustrates the effect of a coinsurance requirement where that clause applies.

[3] Travelers — Understanding Business Income Coverage

General concepts for income interruption and recovery periods; specific terms control.

[4] FEMA / NFIP — Claims Checklist for Policyholders

NFIP-specific guidance on communication and supporting evidence after flooding.

About this report

Prepared November 2026. Surisk analysis and worked scenarios for commercial insurance decisions. Sources reviewed November 6, 2026. Use the frameworks to connect operating facts, policy wording and questions for your adviser.