

Disaster-Proof Your Business: An Insurance Checklist From The I.I.I.

Make Sure Your Business Is Prepared to Survive?40 Percent Do Not Reopen after a Catastrophe

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NEW YORK, August 10, 2015 ? Every year businesses temporarily shut down?or close forever?because of a disaster such as a flood, fire or hurricane, according to the Insurance Information Institute (I.I.I.).

Forty percent of businesses do not reopen after a disaster and another 25 percent fail within one year, according to the Federal Emergency Management Agency (FEMA). But by taking measures to prepare, businesses can increase their chance of getting back on their feet financially and keeping their doors open. The I.I.I. recommends the following steps:

Develop a Business Continuity Plan

A Business Continuity Plan can serve as a crucial tool in helping a company prepare for and survive major catastrophes. When developing a Business Continuity Plan, share the plan with employees, assign responsibilities and offer training so your workforce can collaborate in the recovery of the business. Conduct regular drills to assess and improve response.

Maintain Key Information Offsite

To get your business up and operating after a disaster, you?ll need to be able to access critical business information. In addition to backing up computer data, keep an offsite list of your insurance policies, banking information and phone numbers of employees, key customers, vendors and suppliers, your insurance professional and others. If you have a back-up site make sure it?s sufficiently far away so as not to be affected by the same risks that threaten the primary location.

Take a Business Inventory

Creating a business inventory includes listing all business equipment, supplies and merchandise and don't forget to include commercial vehicles.

Review Your Insurance Coverage

The time to review your insurance policy is *before* disaster strikes and you have to file a claim. It is important that your business have both the right amount and type of insurance for its needs and risk profile. There are two types of policies you can buy as a business owner:

- **A Business Owner Policy (BOP)** is commonly used by small businesses. BOP policies combine property and liability coverage in one policy and are usually less comprehensive than a commercial policy.
- **A Commercial Multi-peril (CMP)** policy, combines several coverages such as commercial property, liability, inland marine and commercial auto into a single policy. It is typically less expensive to buy a CMP policy than to buy the coverages individually.

Opt for Replacement Cost Coverage

Most commercial property policies provide either replacement cost coverage, actual cash value coverage, or a combination of both. Replacement cost coverage will pay to rebuild or repair property, based on current construction costs. Actual cash value coverage will pay to rebuild or replace the property *minus* depreciation. Depreciation is a decrease in value due to wear and tear or age. If your business is destroyed and you only have actual cash value coverage, you may not be in a position to completely rebuild.

Consider Tenant Coverage

If you rent or lease a building, consider tenant coverage, which will insure your on-premises property, including machinery, furniture and merchandise. The building owner's policy will not cover your contents.

Don't Forget About Flood Insurance

Flooding is not covered by standard commercial insurance policies, so consider buying a separate flood policy. If you're located in a high- to moderate-risk flood zone, you could be protecting your business from devastating financial loss. Commercial flood coverage is available from the National Flood Insurance Program (NFIP) and provides up to \$500,000 in building coverage and \$500,000 for contents. You can also get coverage through private insurers.

Visit the Business Insurance section of the I.I.I. website for more information .

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National Flood Insurance Program

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