

# Insurance Lessons Learned From Sandy: Steps to Keep Your Business Running Following a Disaster

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Three Steps for Keeping Your Business Running

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**NEW YORK, October 3, 2013** — The difficulty many businesses had reopening after Hurricane Sandy is a reminder of the importance of having a disaster recovery plan and the right type and amount of insurance, according to the [Insurance Information Institute](#) (I.I.I.). In fact, the I.I.I. noted that an estimated 25 percent of businesses never reopen at all following a major disaster.

“Business owners are busy building their businesses, but they need to invest the time and money to develop a disaster recovery and contingency plan,” said [Loretta Worters](#), vice president with the I.I.I. “Having the proper insurance to help keep their business going when disaster strikes is also crucial. Every day a business is not up and running it is losing revenue.”

# Three Steps for Keeping Your Business Running

## 1. Develop a Business Contingency Plan

- Keep up-to-date, computerized and written records.
- Identify critical business activities and resources needed to maintain customer service while your business is closed for repairs.
- Do research before a disaster strikes by finding alternative facilities, equipment and supplies, and locating qualified contractors that can repair your facility, if needed.
- Consider the resources you may need to activate during an emergency such as back-up sources of power, computers and communications systems.
- Compile important contact information including employees, local and state emergency management agencies, major clients, contractors, suppliers, realtors, financial institutions, insurance brokers and claims representatives.

## 2. Have a Disaster Response Plan in Place

- Set up an emergency response plan and train employees how to execute it. Make sure you include someone from each area of the business.
- Appoint a leader to be in charge of developing, managing and updating your disaster recovery plan. This includes how you will communicate with employees, families, outside safety and emergency organizations, customers, neighboring businesses and, if necessary, the media.

## 3. Review Your Insurance

There are several forms of business insurance coverage to consider and discuss with your insurance professional:

- **Building Coverage** provides coverage up to the insured value of the building if it is destroyed or damaged by a covered cause of loss, such as a hurricane.
- **Business Personal Property** provides coverage for contents such as furniture, fixtures, equipment and machinery, computers, printers, inventory and supplies. It also includes coverage for personal property that is kept at the business site.
- **Business Interruption coverage** typically comes into play if there is *physical damage* to the structure as the result of a risk or peril specified by the policy language. Remember: *Most commercial property policies exclude flood coverage.*

There are four types of coverage that are typically associated with business interruption coverage. Determine which coverages are right for you:

- i. **Business Income** provides coverage for lost revenue and normal operating expenses if the place of business becomes uninhabitable after a loss during the time repairs are being made. The amount of business income payment is determined by your company's net profit or loss before taxes and continuing normal operating expenses, including payroll. *Make sure the policy limits are sufficient to cover your company for more than a few days.* After a major disaster it can take more time than anticipated to get a business back on track. And be aware that there is generally a 24- to 48-hour waiting period before business income coverage kicks in.
- ii. **Extra Expense** insurance provides coverage for the extra costs incurred above and beyond your normal monthly expenses—such as temporary relocation or leasing of business equipment—while repairs are being completed at your place of business. Extra Expense insurance can be combined with business income as part of the policy.
- iii. **Contingent Business Interruption/Supply Chain Coverage** compensates you for any income you lose due to property loss or damage at a supplier's or customer's location. The cause of the interruption must be from a covered peril and must result in physical damage that inhibits the third party from being able to supply or receive the insured's goods. Supply chain insurance also offers business owners protection against both physical and non-physical interruptions to their business, such as strikes, riots, ingress/egress, pandemics and more. Any peril that interrupts a company's supply chain can be underwritten into the policy. It is important to make sure your company's records and books are up-to-date and accurate in order to be able demonstrate how a key component, product, supplier or re-seller contributes to company earnings.
- iv. **Civil authority** coverage pays for loss of income or extra expenses as a result of a government denying you access to your business due to a covered loss at a location owned by someone else.

The I.I.I. pointed out that most standard business policies *do not* include flood insurance. Flood insurance is available from the [National Flood Insurance Program](#) and some private insurers. The NFIP provides up to \$500,000 for the structure and \$500,000 on contents, which includes damage to inventory, merchandise and machinery. There is a 30-day waiting period before the coverage goes into effect.

Commercial excess flood insurance is also available to business owners. This coverage is over and above the standard flood insurance policy. Remember: *If you bought separate policies for flood or windstorm coverage, ask your insurance professional if those policies include business interruption coverage.*

“You’ve worked hard to build your business,” said Worters, “and like any other investment, there are potential risks. That’s why it’s important to reduce those risks as much as possible with the right type of insurance coverage.”

## RELATED LINKS AND RESOURCES

Video: [Business Owners Policy Quiz](#).

Article: [Insuring Your Business](#).

Insurance Institute for Business & Home Safety  
National Flood Insurance Program  
Small Business Administration

*The I.I.I.'s free mobile apps can help you create a disaster plan, learn about selecting the right insurance for your needs and budget, and create and maintain a home inventory. Learn more about our suite of apps [here](#).*

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