

Disaster Resiliency Tips for Small Businesses

The following tips highlight the insurance details that matter most after a loss and how to be a prepared and savvy buyer.

- Know your local risks: earthquakes, flood etc. If you're not sure, enter your address at <http://myhazards.caloes.ca.gov/> Basic business policies exclude flood and earthquakes.
- Know the risks associated with your specific type of business. Do you store customer data online? Do you have a fleet of vehicles? Is your business located on the ground floor?
- Work with a reputable commercial insurance agent with experience insuring your type (or similar type) of business. Trade associations are a good place to find qualified candidates.
- You can get quotes from more than one agent or insurer to see the full range of options for buying affordable, adequate coverage.
- Customize your coverage. This means covering your local risks and your business' specific risks. Cover your property, your inventory, your electronic data and your business income.
- Understand what's excluded - aim to add coverage to fill those gaps.
- Go over possible loss scenarios - take notes so you understand the coverage you are buying.
- Follow recommendations for add-ons and endorsements that will plug exclusions and coverage gaps. Essential: Code upgrades, sewer back-up. Useful: Glass breakage and outdoor property.
- Understand how policy deductibles will apply, how quickly your insurance will kick in and for how long. This may vary with different causes of loss and categories of coverage.
- Be aware of co-insurance provisions and penalties for underinsuring property.
- Photograph and document inventory, assets, and business income and expenses in detail. Store records securely. Very important for proving a business loss/ interruption claim.
- Opt for claim prep expense coverage so you can hire help documenting a loss.
- Save important documents offsite, including notes of communications with your agent/broker and insurance company.

Few small business owners have the time or staff to devote to insurance details or fine print, let alone second-guessing what their insurance agent recommends. Keeping the cost to a minimum is the main concern most people have when it comes to insurance. Far too many small business owners have

learned the hard way after a loss: Your insurance coverage will likely to be the deciding factor in whether your business can survive and thrive after a disaster. Insurance details matter, policies differ in how much they cover and exclude. Some agents, claim adjusters and insurance policies are better than others. You can't control nature; you can be a savvy insurance buyer and record-keeper.

Your **Business Owners Property insurance policy (“BOP”)** should cover the cost to repair or replace your buildings, equipment, inventory, vehicles and income you may lose due to a covered event and expenses you may incur to get back up and running after a disaster. If your basic BOP does not have the special wording that covers loss of income, you need a separate business interruption insurance policy or rider to provide that essential protection:

Business interruption insurance (also known as business income protection, profit protection, or out-of-business coverage) provides funds to make up the difference between your business' normal income and income during and immediately after a forced shutdown, also known as the “period of restoration.”

Important types of business interruption coverage:

- “Contingent business” interruption extends the coverage to include income losses that are incurred as a result of property loss at a key supplier or customer location.
- “Civil authority” coverage gives you protection for losses due to mandatory closures, evacuations, curfews or other official shutdowns or prevented access to your business.
- “Service interruption” coverage protects against losses due to a disruption of utilities or equipment breakdown due to power outages, surges, etc.
- “Extra expense” coverage is for additional expenses, such as rent for a temporary location, moving, hiring additional temporary help, or the cost of expediting replacement equipment/supplies. These are necessary extra expenses during the period of restoration that a business would not have incurred had there been no loss or damage to covered property. Some business interruption policies combine this with loss of business income coverage.

Some business interruption policies also provide income protection in the event an accident or injury causes the disability of an owner or key employee. This type of policy is usually combined with basic individual disability coverage. Though this type of policy is important to help an owner or key employee cover living expenses, additional benefits—in the form of a business interruption insurance policy—are often needed to keep the business running in his or her absence.

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Further Reading: [Picking a good agent or broker](#)

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