Insurance Checklist for Businesses

This checklist is designed to help businesses assess the types of insurance coverage that can help the business survive and recover after a flood.

✓	CONSIDERATIONS
	Do you have coverage for flood? The National Flood Insurance Program (NFIP) provides coverage for up to $500,000 for damages to the building and $500,000 for contents. Flood coverage for business interruption is not available through NFIP.
	Do you have coverage for Business Interruption? Business Interruption insurance covers policyholders for lost profits plus continuing expenses after an insured loss, subject to specific limits in the policy.
	Do you have coverage for Service Interruption? Service Interruption coverage provides coverage for lost power. However, coverage is often excluded if the loss of power is caused by damage to overhead power lines within a certain distance from the insured property.
	Do you have coverage for Civil Authority? Civil Authority coverage insures for business interruption losses, should your business be impacted by an action by the government that restricts access to your location. This coverage has specific restrictions and limitations so be sure to carefully read your policy.
	Are the limits under your policy sufficient? All insurance policies have overall policy limits and specific limits for different types of coverage. Be sure to review your policy carefully to make sure your coverage is reasonable.
	If you have any key customers or suppliers, do you have Contingent Business Interruption coverage? What would the impact to your business be if one of your key suppliers or customers is impacted by a significant incident like a flood or a fire? If a significant portion of your revenue is dependent upon a key supplier or a key customer, you should consider Contingent Business Interruption coverage.
	What is the deductible under your policy? Insurance policies often have a single dollar deductible (e.g. $25,000 per occurrence) for most losses. However, some policies have specific deductibles for high risk types of losses. For example, if you are in a high risk area, you may have a deductible that is "5% of insured values". Be sure to check your policy carefully and understand what your deductible can be.

✓	CONSIDERATIONS
	Is the value of your building underreported? Coinsurance is a penalty imposed by the insurance carrier for under reporting/declaring/insuring the value of tangible property. The penalty is based on a percentage stated within the policy and the amount under reported. As an example: A building's replacement cost actually valued at $1,000,000 has an 80% coinsurance clause but is insured for only $750,000. Since its insured value is less than 80% of its replacement value when the loss occurs, the insurance payout will be subject to the underreporting penalty. For example, if it suffers a $200,000 loss, the insured would recover $750,000 ÷ (0.80 × 1,000,000) × 200,000 = $187,500 (less any deductible). In this example, the underreporting penalty would be $12,500. The most commonly issued coinsurance percentage would be 80% but it can be as high as 100%. For this reason, it is vital for values of property to be updated annually to reflect inflation and other increases in cost.
	Do you have any assets that have a long lead time and may take significant time to replace should a loss occur? If some key assets may take a long time to replace, consider having spares or vendors ready to execute a purchase order should a loss occur.
	If you have more than one location, have you considered how an incident at one location will impact the other location? For some businesses, a significant loss at one location can result in additional losses to another location due to interdependencies. For other businesses, if one location suffers a loss, another location can help offset that loss by shifting employees and other resources. Businesses should think through how a catastrophic loss at one location can impact other locations.