



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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OFFICIAL NEWS RELEASE

FOR IMMEDIATE RELEASE

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DISASTER PLANNING FOR SMALL BUSINESSES

Review and Update Your Business Insurance in Case Disaster Strikes

Tornado. Wildfire. Winter melt. Hurricane. Flood. Across the country, springtime can bring all kinds of potentially damaging weather. Now is the time for small business owners to get prepared for the possibility of disaster by reviewing their business insurance needs and policies. Because you never know when disaster will strike, here's a checklist from the Connecticut Insurance Department and the National Association of Insurance Commissioners' (NAIC) Insure U for Small Business education program to get your review started.

General Planning

» Is your business ready for disaster?

- Do you have an emergency response plan for employees and customers?
- Do you have copies of important papers and information stored off site?
- Does the information include: receipts, photos, insurance policies, contact details for your agent or company, employee roster, etc.? These documents will assist you if you need to file a claim later.
- Do you have a back up of your computer and electronic books, records and other business information that you can access in the event of a disaster?

» Minimize your insurance risks by:

- Installing fire and security alarms.
- Planning and training employees for emergencies on the premises, such as fires and evacuations.
- Having employees keep wallets and other personal items in a secure place. Keeping the business' cash and other valuables in a safe.
- Keeping office space in good physical condition.

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»Review your insurance needs and your current policies with your insurance agent or other advisors.

- Are your policies up-to-date with your insurance coverage needs and are the limits for each coverage at a level that protects your investment?
- If you question the types of insurance your business needs, find out more about your options at Insure [U for Small Business](#).

Property Insurance

Your property insurance policy covers you for damage or theft of the physical property and equipment of your small business. If you own the physical structure of your business address, your property insurance should cover both the structure and your other business assets like your inventory, equipment, and computers. If you lease the space you occupy, you are responsible for insuring your personal property/contents. As a leaseholder, you need to have a contingency plan in case your landlord or your landlord's insurer is not able to repair the building where your business is located promptly.

» Here are a few things you should know about your property insurance policy:

- There are three types of property insurance – each covering a wider range of perils. Know which form your business has – Basic, Broad, or Special – and what perils are covered.
- Check to see if your property will be replaced for the actual cash value (ACV) or replacement cost. ACV reimburses the cost to replace, rebuild, or repair damages, taking depreciation into consideration. Replacement cost does not factor in depreciation. You can find more information about the differences between ACV and replacement cost in the property damage section of Insure [U for Small Business](#).
- Flood damage is not a covered peril in a standard business property insurance policy. You can purchase flood coverage from the National Flood Insurance Program (NFIP), administered by FEMA. You generally have to wait 30 days for a flood insurance policy to go into force. If you are worried about damage from flood, find out more about the NFIP at www.floodsmart.gov. If the flood insurance property limits from the NFIP are inadequate to cover your business, check with your insurance agent about other coverage options.
- Consider any physical improvements to your business or the neighborhood that have been made since your property was last appraised. If there have been changes since the last time your insurance company assessed your property value, it may be time to update your policy.
- What is your limit of liability or the maximum amount insurance will pay for covered loss?

Business Interruption

Business interruption insurance covers lost business income due to circumstances stated in your policy – such as fire or hail – that shut down your business for an extended period. Business interruption/continuation insurance covers expenses associated with running your business, like your payroll and utility bills, based on your company's financial records. Business

interruption/continuation may also help pay for the extra expenses to keep your business in operation until you recover.

» A few things to check in your Business Interruption/Continuation policy:

- What perils – or covered occurrences – are listed in your policy?
- What expenses are covered and is the limit adequate for the amount the policy will pay out?
- Benefits under this kind of coverage may not be payable for a certain number of days after the business interruption has occurred. Check to see if your policy has a waiting period and make sure you have sufficient funds to tide you over for that time.

Liability Insurance

Liability insurance, also called Commercial General Liability (CGL), covers four categories of events for which you could be held responsible: bodily injury; damage to property of others; personal injury, including slander and libel; and false or misleading advertising.

» Here are a few things to know about your CGL policy when preparing for a disaster:

- There are three types of legal damages people may sue you for that are typically covered by a CGL policy: compensatory damages, general damages, and punitive damages.
- Medical payments are generally a separate coverage section of a CGL policy and generally have a separate stated limit. If a customer is hurt on your premises – whether you are responsible for the injuries or not – your medical payment limit is the amount your policy will pay for their immediate care and treatment. Check your medical payment limits and decide if this amount is enough for your needs. If not, you might consider raising your medical payment limits.
- A commercial umbrella liability policy provides extra protection above a standard CGL policy. This kind of policy will increase the amount of liability paid per incident and sometimes coverages for commercial automobile and workers' compensation. An umbrella policy will have its own terms and limits, so make sure to review it closely to see when it will respond over your standard CGL policy. Small business owners may want to consider an umbrella policy if they are concerned about protecting their personal assets or the assets of their business from lawsuits. The form in which you organize your business (e.g. sole proprietorship; corporation, limited liability company, etc.) can also help to address concerns about protecting your assets and personal liability—those matters are beyond the scope of this information article and we'd suggest that you consult with your accountant or other advisors regarding business formation issues.
- Premiums for your CGL policy may be impacted by the addition or reduction of employees, new product offerings or inventory; alterations to your building; or changed state regulations. If any of this has changed, it's a good idea to talk with your insurance agent or company to reevaluate your policy and premiums.

Workers' Compensation Insurance

In Connecticut, companies that have one or more employees are required to comply with the Workers' Compensation Act. Workers' compensation insurance will supply the coverage required by the Act. Workers' compensation insurance protects a business owner from claims by employees following a work-related injury or illness. It generally covers an employee's medical expenses, rehabilitation costs, and lost wages.

» Use this checklist to help keep your workers safe:

- Is the office space in good physical condition? Is there anything that would impede workers from taking shelter or evacuating in an emergency?
- Review emergency procedures with your employees.
- Comply with safety requirements that can limit work injuries.
- Understand the terms of your workers' compensation insurance policy. If you have questions about the situations covered by the policy, call your state insurance department or your insurance agent or company.
- Have phone numbers and directions to the nearest doctor, clinic, or hospital.
- Make sure there is a vehicle available to transport an injured or sick employee.
- Have emergency contacts available to advise families if your employees cannot leave the workplace after a disaster or if an employee is transported to a doctor, clinic, or hospital.

Commercial Auto Insurance

Automobile liability insurance – required by most states – covers medical expenses for injured persons and damages to the property of other individuals as a result of a motor vehicle accident caused by the insured's negligence. Typically, commercial auto insurance policies have higher liability limits than a personal auto insurance policy. They also may have provisions that cover rented and other non-owned vehicles, including employees' cars driven for company business.

» Here are a few things to check in your auto insurance policy:

- If you are relying on either a personal auto insurance or personal umbrella liability policy to provide you with protection for your company's use of vehicles, look closely at the provisions, as business-related liability may be excluded.
- Is your policy up-to-date on all business vehicles? Does the policy reflect up-to-date information on: where you garage the vehicle, who drives it, your liability limits and deductibles? These factors can all affect your premium, so if anything has changed, be sure to contact your insurance agent or company for a policy review.
- You might want to consider increasing insurance on the vehicles to cover permanently attached items, such as a generator or storage unit that could be damaged or lost in a

disaster.

- If you have a business umbrella policy, be sure to review the policy to see if it has auto coverage. Know your liability limits and check to see if the policy places limitations on the vehicles' drivers.

More Information

Insurance choices can be some of the most confusing and stressful decisions when starting a small business or managing the growth of a company. Get help understanding your insurance choices from Insure U for Small Business. Go to <http://www.insurance.insureuonline.org/smallbusiness/> for tips and considerations on: Workers' Compensation insurance, Business Property and Liability insurance, Commercial Auto insurance, Group Health and Disability insurance, Group Life and Key Person Life insurance and for insurance needs of Home-Based businesses.

Do not be a victim of insurance fraud! Before you sign a contract or write a check for coverage, STOP. CALL your state insurance department and CONFIRM that the agent and company you are working with are licensed to do business in your state.

Consumers interested in filing a complaint or who have an inquiry are encouraged to visit the Insurance Department website at www.ct.gov/cid, or call toll free 1-800-203-3447, or direct at 860-297-3900 for more information.

The Connecticut Insurance Department's Consumer Affairs Unit offers consumer outreach programs on a number of insurance topics, at no charge. Speakers are available to address groups or organizations on an insurance topic of their choice and will answer any general questions the group has about insurance. Want to stay informed! Visit [Facebook](#) and become a fan of the Connecticut Insurance Department.

ABOUT THE CONNECTICUT INSURANCE DEPARTMENT

The mission of the Connecticut Insurance Department is to serve consumers in a professional and timely manner by providing assistance and information to the public and to policy makers, by regulating the insurance industry in a fair and efficient manner which promotes a competitive and financially sound insurance market for consumers, and by enforcing the insurance laws to ensure that consumers are treated fairly and are protected from unfair practices. For more information, visit the Connecticut Insurance Department at www.ct.gov/cid.

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