

INSURANCE & DISASTER PREPAREDNESS CHECKLISTS

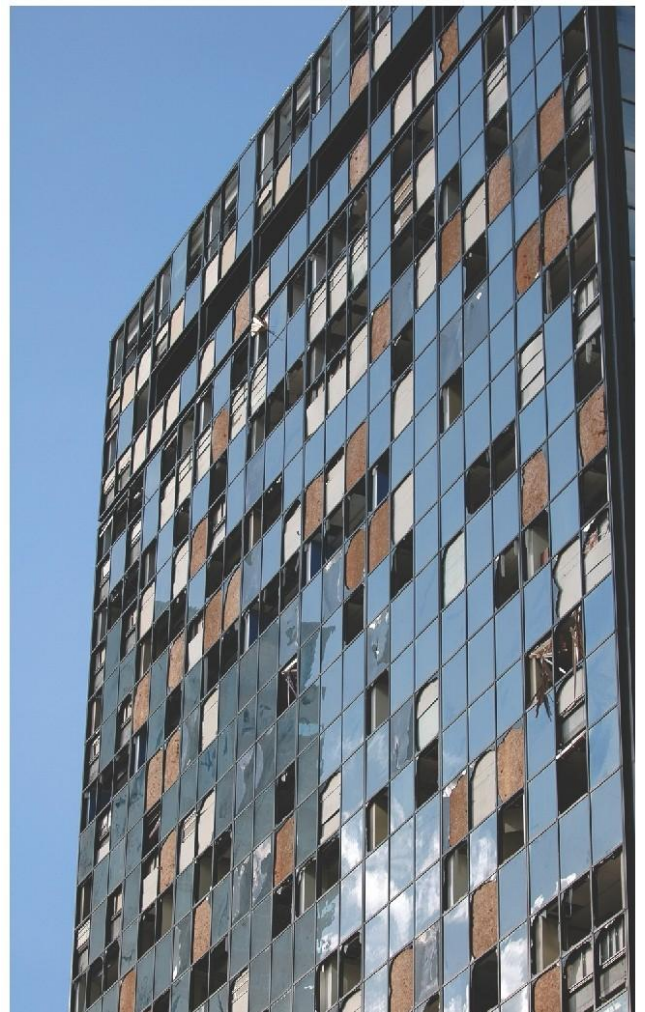


Having clear, actionable plans in place before a disaster strikes can help your organization minimize damage to people and property and recover as quickly as possible.

Hurricane Katrina and Superstorm Sandy showed the importance of being able to gather supporting documentation for physical damage and time-element claims, even before access to damaged or affected locations is possible.

The checklists on the following pages are meant as a starting point for the types of issues your organization should be considering.

Please review these with your insurance agent.



REVIEW YOUR PROPERTY INSURANCE POLICY:

	NOT STARTED	IN PROGRESS	COMPLETE
Understand the extent of policy limit(s) and sublimit(s).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ascertain if there are any coinsurance provisions . Property coinsurance clauses may differ by insurer. The coinsurance provision will decrease the amount of a recovery. (See Glossary of Insurance Terms on pg. 8 for an explanation of <i>coinsurance</i> .)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Examine business interruption/time element coverage detail. NOTE: If the cause of loss has a sublimit (e.g. flood) then the policy will typically pay for covered losses - including business interruption - only up to the sublimit amount.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review policy deductibles. Understand whether a deductible is a dollar limit or a percentage of the value. A percentage deductible (e.g. 3-5%) will typically be applied to the <u>total values</u> for the location.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does “service interruption” coverage apply to property damage only or does it apply to business interruption as well? Service interruption provides coverage for direct physical loss, damage, or destruction to electrical, steam, gas, water, sewer, telephone, or any other utility or service including transmission lines and related plants, substations, and equipment of suppliers of such services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the service interruption coverage have any distance limitations or other exclusions? A waiting period may apply, e.g. the first 72 hours of service interruption are not covered. Exclusion for certain perils such as earthquake. Exclusions for overhead transmission and distribution lines.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Know how your property(ies) is/are valued under the policy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understand any restrictions on timing and location of rebuilding.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Be aware of and ready to meet all time-sensitive provisions in your policy, including requirements on filing proof of loss and suit (especially critical for policies in the -National Flood Insurance Program).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Determine if flood is covered or excluded.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REVIEW YOUR PROPERTY INSURANCE POLICY:

	NOT STARTED	IN PROGRESS	COMPLETE
Understand the definition of flood in the policy and whether it includes “storm surge.”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Verify if your policy is from the National Flood Insurance Program, if National Flood insurance is available, and if flood coverage is required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the policy cover “ contingent business interruption ”? Contingent business interruption coverage is designed to cover an insured’s business income loss resulting from loss, damage, or destruction of property owned by others, including: direct “suppliers” of goods or services to the insured and/or direct “receivers” of goods or services manufactured or provided by the insured.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does your contingent business interruption coverage have any idle periods provisions which provide that there will be no loss payable for any period of time during which the business would not have been in operation in the absence of a loss. A recovery may be precluded by the idle periods clause-regardless of physical damage because it the business could not have continued operations due to the loss of its principal supplier – causing an idle period.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the policy cover ingress and egress ? The elements for this coverage are: <ol style="list-style-type: none"> 1. Ingress to or egress from insured property is prevented; 2. By a covered peril; and 3. A direct loss results. 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the ingress and egress coverage require physical damage to the insured location? Are there limits to the number of days of coverage?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the policy cover civil authority ? This generally provides coverage for lost business income due to an “action” taken by a civil authority.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the policy have a concurrent causation of loss clause? Concurrent causation provisions attempt to reduce or eliminate insurance coverage where two different perils, one covered by the policy and one excluded from coverage by the policy, act together, in concert or concurrently to cause damage or loss.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

EVALUATE PROPERTY LOSS CONTROL AND PROPERTY SECURITY:

	NOT STARTED	IN PROGRESS	COMPLETE
Identify locations-your own, your customers, and your suppliers-that might be exposed to direct or indirect hurricane damage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review plans or policies for mitigating property damage before a storm hits and for recovery when it's over.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensure that storm-monitoring systems are operating effectively to enable sufficient time for an organized shutdown.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Verify that battery-operated equipment and other supplies needed to maintain property integrity and security are available and operational.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Identify security resources-fencing, barriers, additional manpower, and so on that may be needed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Identify and update phone lists of roofing, electrical, and restoration contractors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review and update business continuity plans based on potential impacts inside and outside the strike zone.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Verify suppliers' business continuity plans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evaluate possible impacts on and opportunities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Discuss with other local businesses possible recovery-coordination efforts post-storm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Discuss with other local businesses possible recovery-coordination efforts post-storm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assess crisis management procedures and tiered-response actions that elevate as impacts and disruptions become more severe.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Develop tailored messaging and communications for suppliers, customers, and employees regarding hurricane policies and procedures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PLAN FOR EMPLOYEE SAFETY:

	NOT STARTED	IN PROGRESS	COMPLETE
Review and update employee evacuation and notification plans, including employee home and emergency contact lists.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensure all employees are aware of emergency policies and procedures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensure that employees who stay on site during a storm have current contact lists potable water, nonperishable food, first-aid kits, flashlights, hand-held radios or cell phones and other supplies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arrange for employees to work remotely when necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Establish procedures to account for employees and to disseminate information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review human-resource-related issues, including skills inventories and potential payments to injured, homeless, or evacuated staff.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

EVALUATE CLAIMS PREPARATION AND MANAGEMENT ISSUES:

	NOT STARTED	IN PROGRESS	COMPLETE
Review and update procedures and responsibilities for gathering and processing information. This should include identifying outside resources needed for claims preparation and recovery.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Determine if all asset values are up-to-date to reflect current values for potential claims involving property damage, business interruption, and other coverage areas.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Secure and duplicate vital financial records-paper-based and digital-at a water- and wind-protected site.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Meet with insurers to set claims management protocols, and determine who will represent insurers and your organization in	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

EVALUATE CLAIMS PREPARATION AND MANAGEMENT ISSUES:

	NOT STARTED	IN PROGRESS	COMPLETE
the adjustment of daims. Be prepared to meet with all parties to establish daims and communications guidelines immediately after an event.			
Maintain detailed tracking of all documentation requests-what was requested, who requested it, who is responsible to respond, and when and to whom the information was sent.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Frequently Asked Questions

- Q. How do the National Flood Insurance Program (NFIP) flood deductibles apply?
- A. The NFIP deductibles will apply separately to Building Property and Personal Property claims. You can normally choose different deductibles for Building Property and Personal Property coverage.
- Q. What is the difference between a “**per occurrence**” deductible and an “**aggregate deductible**” on a commercial insurance policy?
- A. A “**per occurrence**” deductible requires the policy holder to pay that amount on each and every loss before the insurance company will pay. For example, if a business has a \$1,000 per occurrence deductible and suffers a \$30,000 loss, then the business will absorb the first \$1,000 of that loss and receive a check for \$29,000.
- An “**aggregate deductible**” typically benefits a business owner by putting a cap on the amount of deductibles paid during the policy period. For example, if a policy had a “per occurrence” deductible of \$1,000 and an “aggregate deductible” of \$5,000, then if the policy holder suffered 5 losses greater than \$1,000 the business would have exhausted the aggregate deductible. That means every loss after that during the policy period would have \$0 deductible. If the “per occurrence” and the “aggregate deductible” were exactly the same, then the policy holder would pay only one full deductible during the policy period, regardless of the number of occurrences.
- Q. How do windstorm deductibles work on a commercial insurance policy?
- A. There are two types of windstorm deductibles; a flat amount or a percentage amount. A flat amount is a specific dollar amount per occurrence, such as \$1,000 for every claim. A percentage based deductible is based on the value of the property. If the business property is worth \$2,000,000 and the policy had a 1% deductible, then for every windstorm occurrence the policy holder would pay a \$20,000 deductible.
- Q. Will my business have business interruption coverage for a power outage cause by a flood, even if my property is not damaged?
- A. Typically “off-premises power coverage” excludes losses caused by flood. Your business may be able to purchase that coverage, but it could be provided with a distance limitation. Distance limitations mean that if the flood causes a power transformer to go down within X miles of your business, you may have coverage. But if the transformer is damaged farther away you may not have coverage.

GLOSSARY OF INSURANCE TERMS

TERM	DEFINITION
Business Interruption coverage	Commercial property insurance covering loss of income suffered by a business when damage to its premises by a covered cause of loss causes a slowdown or suspension of its operations. Coverage applies to loss suffered during the time required to repair or replace the damaged property. It may also be extended to apply to loss suffered after completion of repairs for a specified number of days.
Co-insurance	<p>Coinsurance is a penalty imposed on the insured by the insurance carrier for under reporting/declaring/insuring the value of tangible property or business income. The penalty is typically based on a percentage stated within the policy and the amount under reported. One example:</p> <p style="padding-left: 40px;">A buildings 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 it suffers a loss, 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 \div (0.80 \times 1,000,000) \times 200,000 = \\$187,500$ (less any deductible). In this example, the underreporting penalty would be \$12,500.</p>
Contingent Business Interruption (direct and indirect)	Indemnity insurance cover designed to compensate for the losses incurred due to interruption or stoppage of a key suppliers' business. Direct contingent business interruption is designed to compensate for losses only from direct suppliers, those that deliver their goods or services directly to the insured. Indirect contingent business interruption is designed to cover business interruption losses when a key supplier to a direct supplier is damaged by a covered peril causing the direct supplier to be unable to provide their goods or services.
Ingress and egress coverage	If the only physical access to that business (typically a road) is closed, ingress coverage provides insurance for the lost business that ensues. Likewise, egress coverage provides insurance for the lost business that result when a business is unable to exit or leave an area in order to conduct its business.
Time element coverage	Refers to coverage for loss resulting from the inability to put damaged property to its normal use. This type of coverage is called "time element" insurance because the amount of loss depends on how long it takes to repair or replace the damaged property. The best-known types of time element insurance are business interruption and extra expense coverage

If you have additional questions about this document, insurance or disaster preparedness, please email ctrecovers@ct.gov .