



## **3 Types of Insurance You May Think You Have But Don't**

Insurance is the backstop for business owners when things go wrong. Things happen, but owners want to be financially protected for the unexpected. The problem is that owners may assume they're covered for certain events but find out after such events that they were mistaken. Don't fall into the same trap. Here are three common situations you may assume you're covered for but may need to make changes to be protected.

### **Terrorist event**

You're a restaurant owner whose windows have been blown out by a terrorist's bomb. Or you have a medical office but patients can't access your office because the street is closed following a terrorist attack. Will your business insurance policy help you? It depends.

After the September 11 attacks, insurance policies were clarified to exclude coverage for property damage resulting from terrorist attacks. However, businesses can obtain coverage for such events by paying extra. The \*Wall Street Journal reported that about 60% of companies across the country do carry additional coverage for terrorism. Unfortunately, many small businesses don't because of the added cost.

So, are you covered or not in an event such as the Boston Marathon bombings? It depends on whether this is officially certified to be an act of terrorism. The Terrorism Risk Insurance Program Reauthorization Act was passed post-9-11 to help insurers pay for terrorism claims. Under this law, terrorism coverage is now necessary for claims resulting from an act of terrorism and basic coverage does not provide protection if the Treasury Secretary, the Secretary of State and the U.S. Attorney all certify an event to be an act of terrorism. Note: This law is set to expire on December 31, 2014, but could be extended by Congress.

Even if you have terrorism coverage, it may only provide protection for property damage. You usually need a separate business interruption policy to protect you for lost profits resulting from acts of terrorism and the aftermath. Business interruption insurance pays for your operating costs (e.g., rent, utilities and wages to employees) in addition to the profits you would have earned during the period your business was forced to close.

### **Water damage**

Water damage is the most common type of property damage for commercial buildings businesses, \*according to one insurance company but there's water damage, and then there's water damage. Some types of water damage are covered by your business owner's policy (BOP), but others are not.

What's usually covered: BOP's typically limit coverage to water damage from within. This means damage that results from freezing pipes, broken pipes or other accidents causing water to be inside your facility.

What's usually not covered: BOP's typically don't cover water damage from without (outside your building or under the foundation). This can result from flooding (e.g., from storms, snow melts), water main breaks, or sewer backup.

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You can obtain coverage for water damage that ordinarily is not part of your BOP. This can be done in some cases simply by extending the coverage of your basic policy.

However, if your business is located within a flood zone, the only way to obtain coverage is with a separate flood insurance policy from the federal government (not a private insurer). The cost of coverage depends on where your business is located (the closer to a serious flood area, the higher the premiums). Find more about this coverage through the National Flood Insurance Program.

### **Home-based businesses**

Just because you have a good homeowner's policy doesn't automatically give you the protection you need for your home-based business. If a business client is injured in a fall or the inventory you store in your basement is destroyed by a fire, your homeowner's policy probably won't provide protection. There are two ways to remedy this:

Add a rider to your homeowner's policy to cover your home-based business. This option is useful if you have few business visitors and not too much business property to protect.

Obtain a separate business owner's policy (BOP). This option is preferable if clients and customers regularly visit your home and/or if you have expensive business property (costly equipment and/or inventory on the premises).

### **Conclusion**

You may be unaware of the type of coverage your business should have. Talk with your insurance agent to determine what risks your business faces and learn about additional coverage you may want or need.

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