



Management Advisory

Assessing Insurance Coverage for Disaster Recovery

In developing your contingency plan, your firm will identify and evaluate those factors likely to have an impact on the viability of your practice following an emergency. In some firms, planning for contingencies may not, however, include determining the adequacy of fire and disaster insurance coverages. Many companies discover that they are not properly insured only after they have suffered a loss. Lack of appropriate insurance can be financially devastating. The key to staying afloat in the aftermath of a disaster is advance preparation. One aspect of this is to create a continuity plan centered around a carefully structured insurance program.

Whether or not your firm has an in-house risk manager, your firm uses a professional insurance broker. Discuss the following topics with your insurance advisor to determine your individual needs.

- ✓ How will my property be valued?
- ✓ What perils or causes of loss does my policy cover?
- ✓ What are my deductibles?
- ✓ What does my policy require me to do in the event of a loss?
- ✓ What types of records and documentation will my insurance company want?
- ✓ Are records in a safe place where they can be obtained after an emergency?
- ✓ To what extent am I covered for loss due to interruption of power?
- ✓ Is coverage provided for both on and off-premises power interruption?
- ✓ Am I covered for lost income in the event of business interruption?
- ✓ Do I have enough coverage?
- ✓ For how long is coverage provided?
- ✓ How long is my coverage for lost income if my practice is closed by order of a civil authority?
- ✓ To what extent am I covered for reduced income due to clients not immediately coming back once my practice resumes?
- ✓ How will my emergency management program affect my rates?

In assessing your coverages, explore business interruption insurance, extra expense coverage for the temporary relocation and extended indemnity to allow extra time to get revenue back up to pre-disaster levels.

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