

How to buy insurance for a business so financial disaster doesn't strike.

Many Main Street businesses could be playing with fire — literally — by not maintaining appropriate levels of business insurance coverage, especially in states like Florida.

Pinching pennies can be foolhardy as climate change continues to impact the severity of weather-related events. As of Sept. 11, there had been 23 confirmed weather/climate disaster events this year with losses exceeding \$1 billion each in the U.S., according to [The National Centers for Environmental Information](#), which was above both the long-term and five-year annual averages. These events included two flooding events, 18 severe storm events, one tropical cyclone event, one wildfire event, and one winter storm event.

Here's what small businesses need to know about business insurance amid climate change:

Understand property damage exclusions and deductibles — the fine print matters more than ever:

- What property damage is covered and what exclusions may apply.
- What their deductible is and when coverage kicks in.
- Whether the policy covers the full cost of replacement cost and what limitations apply.
- Waiting periods co-insurance requirements and provisions for civil authority bans, when certain areas are declared inaccessible after a disaster.

Don't rely on a policy's 'summary' info or opt for lower cost without a thorough understanding of coverages.

Many small businesses chase prices without understanding what they are giving up. At renewal time, they may get sticker shock and ask for a premium reduction, but they don't always understand there are trade-offs for a \$300 or \$3,000 policy reduction. Read the policy carefully, without relying solely on the summary of costs or summary of coverages.

Run through likely weather scenarios and don't expect to 'beat the storm.'

To ensure they are appropriately covered, owners should perform a thorough evaluation of what could go wrong with respect to their business property, whether that's fire, flood, hurricane or something else. This analysis should take into account how much cash the business owner has on hand in the event of a disaster.

Conduct an annual review and include inflation in business valuation and property replacement cost estimates.

Inflation makes the cost of replacing property more expensive, and the coverage you planned for three years ago may no longer be appropriate given a changed price environment. Yet many businesses don't re-evaluate their insurance needs and coverage yearly, Klein said.

Check if more emergency cash might be required in your geographic market.

In certain areas of the country, the deductible for perils related to fire, wind and hail are higher than deductibles for other covered events. Especially in riskier markets, like Florida, where you'll have higher deductibles, and you have to plan for it.

Consider a separate flood insurance policy.

Online insurance is convenient but may fall short of identifying all of your needs.

There is value in working with a professional who is familiar with the intricacies of business insurance, your industry, and your particular business.

- 1. How is your business adjusting property damage coverage to handle more frequent and severe climate-related disasters?**
- 2. In negotiating insurance premiums, how does your organization balance cost with the need for comprehensive coverage during renewals?**
- 3. Considering climate change, what steps is your business taking to prepare for natural disasters, factoring in elements like cash reserves and coverage adequacy?**

*Thank you **Cheryl Winokur Munk***

