



Property Protection—Insurance Insights for Business Owners

The DC Department of Insurance, Securities and Banking (DISB) knows that informed District business owners help create thriving businesses and communities. Successful businesses know what is needed to protect and preserve property when damage may occur as a result of weather, an accident, civil unrest or similar events. DISB wants to make sure that all businesses (start-ups, small and medium-sized) know about insurance coverage that protects or preserves property before a loss occurs. Every business owner should understand these three aspects of their insurance policy:

1. What are policyholders asked to do during or after a loss?
2. What types of losses are covered?
3. What policy provisions provide protection for business property?

During or After a Loss

Policyholders have certain contractual duties to mitigate and protect in the event property is damaged by a covered cause of loss. These duties, in order, are to:

1. prevent possible injury as a result of the damaged property; and
2. protect the property from further damage.

Insurance companies require policyholders to complete what is "*practical and reasonable*" to secure and protect damaged property. It is important to document all measures taken in order to satisfy this requirement. Failure to reasonably mitigate or protect property from further damage could result in a decreased claims settlement.

After a Disaster or Covered Incident Occurs:

- Contact/notify the insurer of the event and damage.
- Control access to the premises (which may include hiring guards/security).
- When practical, mitigate the effects of any damage.
- If called for, demolish risky areas of the property to avoid further damage and possible injuries as a result of the damage.
- Relocate personal property that belongs to the business to a temporary location to prevent exposure damage or theft. Attempt to save and secure irreplaceable personal property (books, manuscripts). Pay special attention to computers and electronics.

Failure to meet this “*practical and reasonable*” standard can result in denied coverage of further damage. It is a best practice to always address issues immediately after the damage takes place. If additional destruction occurs after the primary incident and preventative measures were not taken in a timely manner, the policyholder may be liable.

Events or Causes of Loss That Trigger Business Insurance Coverage

If a building or business personal property includes office supplies, furniture, computers, machinery or other items a business uses to conduct business and suffers direct damage as a result of a covered cause (i.e., fire, lightning, windstorm, smoke, vandalism, riot, civil commotion, sprinkler leakage, breakage of glass, falling objects, weight of snow or ice, water damage, sinkhole collapse), the business owner policy or commercial property insurance policy may provide coverage.

Determining Business Property Protection Insurance Coverage

Rarely are two insurance policies alike. Be sure that your business or commercial property policy is examined thoroughly. Business owners who are unsure of their coverage should check with their agent or broker to verify coverage types. Here are examples of the types of language that may be found in insurance policies that you should look for:

Preservation/Protection of Property

“If it is necessary to move covered property from the described premises to preserve it from loss or damage by a covered cause of loss, we [the insurer] will pay for any direct physical loss or damage to that property: (1) While it is being

moved or while temporarily stored at another location; and (2) Only if the loss or damage occurs within 30 days after the property is first moved. Coverage may be available to return property to its original location.”

Debris Removal

“We [the insurer] will pay your expense to remove debris of covered property and other debris that is on the described premises when such debris is caused by or results from a covered cause of loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical damage.”

Reasonable Repairs

“In the event that covered property is damaged by an applicable peril insured against, we [the insurer] will pay the reasonable cost incurred by you for necessary measures taken solely to protect against further damage.”

Pollutant Clean Up and Removal

“We [the insurer] will pay your expense to extract “pollutants” from land or water at the described premises if the discharge, dispersal seepage, migration, release or escape of the pollutants is caused by or results from a covered cause of loss that occurs during the policy period.” [This provision includes smoke bombs and tear gas.]

Breakage of Glass

“Covered Causes of loss means breakage of glass that is part of a building or structure. This cause of loss does not include breakage of neon tubing attached to the building or structure.”

Extra Expense Coverage

Some business property policies provide “extra expenses” coverage. This coverage is protection for expenses a business incurs in order to continue operating while the damaged property is being repaired, replaced or restored. These expenses could include expenses incurred to hire security or purchase other safety measures, such as boarding up broken windows and preventing further damage.

Remember These Steps

- It is important to read an insurance policy thoroughly.

- In the event of a loss, all reasonable steps must be taken to protect property from further damage.
- Report a claim immediately.
- Document all communication.
- If possible, set damaged property aside to be examined by adjusters.
- Keep a record of the expenses incurred to protect property from further damage. Reasonable expenses for items such as plywood, tarps or labor to seal openings or broken windows can be submitted for consideration in the settlement of a claim.
- Contact an agent, insurer or broker with specific questions concerning coverage.

If you need additional help call DISB at 202-727-8000 or email disb.askthecommissioner@dc.gov.

About DISB

The mission of the Department of Insurance, Securities, and Banking (DISB) is three-fold: (1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District; (2) empower and educate residents on financial matters; and (3) provide financing for District small businesses.