

Are there any disasters my property insurance won't cover?

Yes. Floods, earthquakes and acts of terrorism are generally not covered.

Protection against flood damage.

Property insurance policies usually exclude coverage for flood damage. Find out from your local government office or your commercial bank whether your business is located in a flood zone. Also ask around to find out whether your location has been flooded in the past. Government projects to map flood zones may be slow to keep up with new developments.

If you need to buy a flood insurance policy, contact your insurance agent or the National Flood Insurance Program. For more information about this program call 888-CALL-FLOOD or look at its web site <http://www.fema.gov/nfip/>. The federal government requires buildings in flood zones that don't conform to flood plain building codes to be torn down if damage exceeds 50 percent of the market value. Consider purchasing "ordinance or law" coverage to help pay for the extra costs of tearing down the structure and rebuilding it. If your policy contains a coinsurance clause, make sure your property is sufficiently insured to comply with the clause.

Protection against earthquake damage.

Coverage for earthquake damage is excluded in most property insurance policies, including homeowners and business owners package policies. If you live in an earthquake-prone area, you'll need a special earthquake insurance policy or commercial property earthquake endorsement.

Earthquake policies have a different kind of deductible -- a percentage of coverage rather than a straight dollar amount. If the building is insured for \$100,000, with a 5% deductible, for example, in the event of an earthquake, your business would be responsible for the first \$5,000 in damage.

Remember that business interruption insurance, which reimburses you for lost income during a shutdown, applies only to causes of damage covered under your business property insurance policy. If your business premises are shut down due to earthquake damage, you'll need to have earthquake coverage to make a claim under a business interruption policy.

Protection against terrorist attack losses.

Under the Terrorism Risk Insurance Act of 2002, only businesses that purchase optional terrorism coverage are covered for losses arising from terrorist acts. The exception is workers compensation, which covers injuries and deaths due to acts of terrorism.