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[the business interruption e-source]

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BUSINESS INTERRUPTION CONSULTANTS, INC.

UNDERSTANDING CIVIL AUTHORITY AND INGRESS/EGRESS INSURANCE COVERAGES

We all know about civil authority and ingress/egress coverages, but did you know that most business owners do not know they exist or how they work? This is another area of insurance confusion that comes back to haunt the agent and underwriter. Here is the information you need to educate your consumer and save yourself a major headache.

Civil authority coverage is common, providing up to 30 consecutive days of coverage depending on the carrier. For business income claims, it begins 72 hours after the civil authority prohibits access to property that is covered for business income purposes. The form provides insurance on an actual loss sustained basis for loss of business income and necessary extra expenses that are caused by the action of a civil authority that prohibits access to the described premises. The civil authority's action must be due to direct physical loss of, or damage to property not at the described premises, that is brought about by a covered cause of loss. This coverage has been limited after 9/11 and the rash of hurricanes in 2004. It now only applies to physical damage to "adjacent" property or to property within a specified radius such as one half or one mile away.

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For example, there is a major fire that affects half of a shopping mall. Although Bob's Retail Store is not damaged by the fire, the municipal government orders the entire mall and its access roads closed for five days while tests are conducted on the structural integrity of the mall building.

Also be aware that civil authority comes into play only AFTER the property damage has occurred. In this case, a hurricane is heading to Miami. Three days before landfall, the city enacts a curfew and closes all of the businesses. The hurricane causes a lot of damage, so the closure remains in effect for another three days. Then the city lifts the ban on activity, but your landlord will not let you access your building for another three days while they inspect the building for damage. The business has been closed for nine days. What is the claim? Only the three days from the occurrence of the property damage to the lifting of the closure by the city. But wait a moment! There is a 72 hour deductible; there goes the three day claim. This is why a well thought out contingency plan is a necessity so there will be enough available cash to see the business through the period of closure.

Additionally, if you are in the Midwest and your supplier or customer is in Miami, the Midwestern business also needs a Contingency Plan so they are able to work around any delays that occur as a result of a hurricane or other disaster that occurs to the business in Florida. Keep in mind that civil authority coverage does not transfer to third parties and contingent business income coverage does not apply to civil authority.

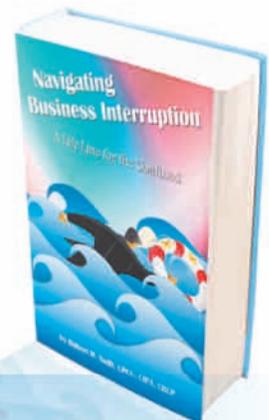
Ingress and egress coverage involves the inability to enter or leave the insured premises. Examples are customers not being able to gain access to the premises, or goods not being able to be transported in or out. Involvement of civil authority is NOT required. Not all insurance companies offer this coverage, so individual company endorsements would have to be reviewed for full coverage specifications. The damage must occur to the type of property that is not excluded on the policy. Therefore, there must be some physical damage by a covered cause of loss that causes ingress or egress to be restricted.

To clarify, a major windstorm downs numerous trees in a wide swath. Merle's Manufacturing cannot ship products or receive components for five days because the needed trucks cannot maneuver past the downed trees on the area roads. There is no actual government closure of the roads, only caution signs.

In summary, businesses need to assess their exposure to interruption and determine what protection is right for them. *The bottom line: How is the business going to continue their sales if they cannot access their facilities?*

Announcing our newest addition to the Be Prepared arsenal: *Navigating Business Interruption, A Life Line for the Confused.*

This complete business interruption training guide will be available next spring, so add to your "must have" list. More detailed information will be available soon!



COMING NEXT SPRING!