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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.

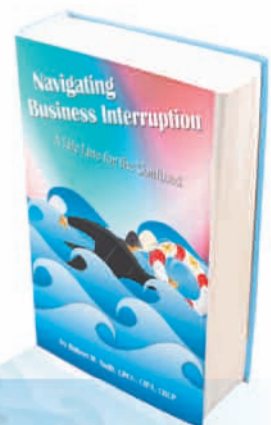
Ingress and egress coverage involves the inability to enter or leave the insured premises. Examples are customers not being able to gain access to the premises, or goods not being able to be transported in or out. Involvement of civil authority is NOT required. Not all insurance companies offer this 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.

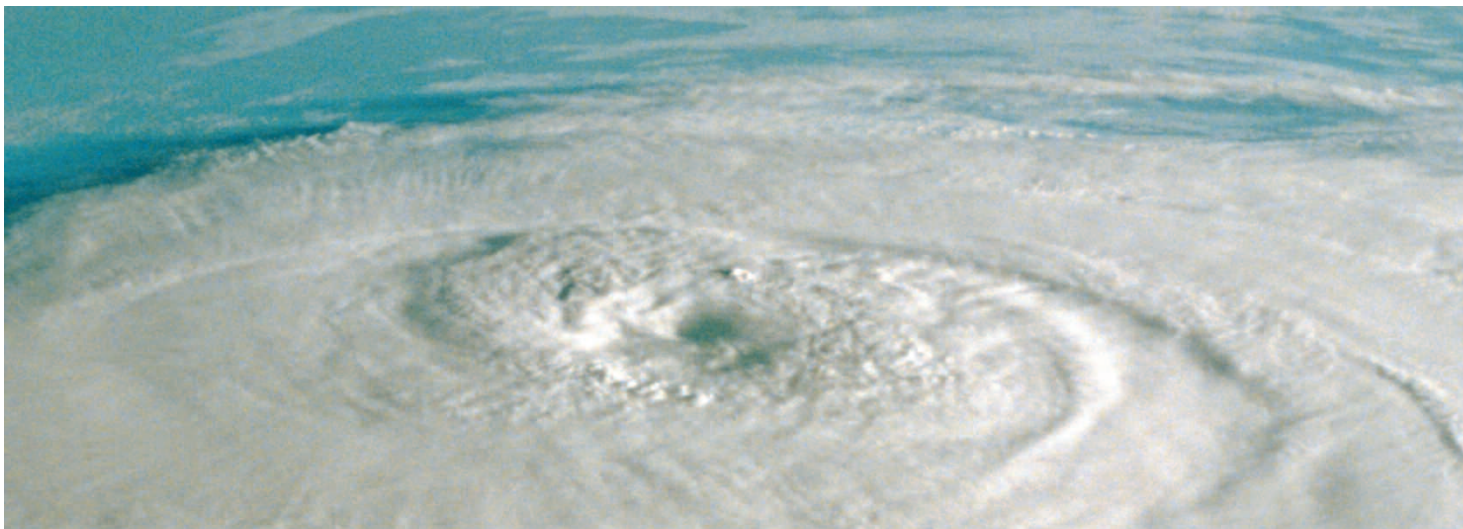
In summary, businesses need to assess their exposure to interruption and determine what protection is right for them. *The bottom line: How is the business going to continue their sales if they cannot access their facilities?*

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!



HURRICANE WARNING!

As hurricane season is in full swing, watch for some of the major hidden dangers of areas flooded by storm:

Do not walk through flowing water.

Drowning is a major cause of flood deaths. Use a pole or stick to make sure the ground continues in front of you.

Do not drive through a flooded area.

If you come upon a road barrier, turn around and go the other way; the road or bridge may be washed out. Also, when you are not able to determine the depth of the water, you run the risk of being swept away.

Stay away from power lines and electrical wires. Electrocutation is also a major killer in floods. Electrical current can travel through water. Report downed power lines.

Turn off your electricity when you return home. Some appliances, such as TV sets, can shock you even after they have been unplugged. Don't use appliances or motors that have gotten wet unless they have been taken apart, cleaned and dried by a professional. Fire from electrical shorts is also a possibility.

Watch for animals—especially snakes.

Small animals that have been flooded out of their homes may seek shelter in yours. Use a stick to poke and turn items over and scare away small animals. Fire ants may also be a problem.

Look before you step. After a flood, the ground & floors are covered with debris, including broken bottles and nails, and may be slippery.

Be alert for gas leaks. Use a flashlight to inspect for damage. Don't smoke or use candles, lanterns, or open flames unless you are sure that the gas has been turned off and the area aired out.

Carbon monoxide exhaust kills. Use generators, gas-powered machines, and camping stoves outdoors. Cook with charcoal outdoors only.

Clean everything that got wet. Floodwaters have picked up sewage and chemicals from roads, farms, factories, and storage buildings. Spoiled food and flooded cosmetics and medicine are health hazards. When in doubt, throw them out.

b. (FUNNY!)

[a little insurance humor]

Confucius say: "Needing insurance is like needing a parachute...if it isn't there the first time, chances are you won't be needing it again."

CPCU CONVENTION IN DENVER

The annual CPCU meeting in the "Mile High City" was a great success!

The convention was filled with networking and cutting-edge information. Talking with people, we discovered their biggest challenge was choosing from among the great educational seminars available to them. They wanted to attend them all!

Congratulations to the new CPCU designees. There were about one thousand that received the prestigious designation. Looking ahead, next year's convention will be in Orlando, Florida at the downtown Marriott (Orlando World Center), September 25-27th, so mark your calendars. It was great seeing everyone and we look forward to talking to you soon.

FEMA AND FLOOD INSURANCE PANEL

Our own Robert Swift participated in the FEMA discussion panel at the CPCU convention and answered lots of questions during and after the program. Here is a brief recap for your information.

What we learned about FEMA and flood insurance: Business income is not covered.

How do you provide BI for flood losses through a property market?

The National Flood Insurance Policy does not cover Business Income, so you must buy the coverage from a commercial property insurance company. There is usually a limit as to how much the company will provide for this peril, say \$5 million. If a larger amount is needed, then the insurance buyer usually has to go to an excess surplus lines company to purchase more protection. Flood is a defined term in the policy, so make it a point to read the coverage forms and definitions and make sure it includes back-up of sewers and drains.

Feel free to contact us if you have a question. We're here to help.

Call: 561.818.9194

email: info@bisimplified.com

AND THE WINNERS ARE...

Congratulations to our lucky CPCU winners:

One year's subscription to BISimplified.com:

- **James C. Smith**
Attorney At Law
Reno, Nevada



Cowpoke Contingency Plan:

- **Stephen Laskoski**
Commercial Lines Underwriter
Farm Family Insurance Company
Albany, New York

Break Free:

- **Douglas Tietjens**
Commercial Lines Senior Underwriter
Mutual Benefit Group
Huntingdon, Pennsylvania

Movie Mania:

- **Bruce Fisher**
Sales Executive, Western Region
American Institute for CPCU
Insurance Institute of America
Malvern, Pennsylvania



BOOTH 305—THE EXPO HOTSPOT

The BISimplified.com booth was so busy. We loved meeting everyone and having the opportunity to explain all the great benefits found on our business interruption website. Remember, we are the only complete business interruption e-source with simplified, interactive worksheets:

- 16 industry-specific Business Income worksheets
- Contingent Business Income worksheet
- Commercial Property Risk Calculator
- Property Claim worksheet
- Business Income Claim worksheet

All worksheets have pop-ups that ease you or clients through the process. We also offer technical support; we're just a phone call away. No other resource compares. We guarantee you will be completely satisfied, or your money will be fully refunded.

Be a part of the BISimplified.com revolution—join today and put us to work for you.

“What a joy! My customers were always calling me, highly frustrated and with lots of questions. One pass through the website, and **all their questions were answered.**”



We are
Your Partner in Protection™



Why do I need Business Income insurance?

Answer: Without it, you would be forced to get a loan or use your savings account to fund your ongoing operations while you had no income. Without sales, how would you pay your rent, utilities, etc.?

Are all insurance policies the same?

Answer: No. Each insurance company creates its own contract which has been approved in the states where it is doing business. There are a lot of common elements, but each policy has its own coverages, exclusions, and definitions.

How would you calculate the BI for a property that will take multiple years to rebuild?

Answer: The simple answer is to buy multiple years of Business Income if the underwriter will let you. However, there are two issues: Will the market wait that long for the facilities to be rebuilt? Probably, if it is habitational as in an apartment complex, probably not, if it is a sales or service organization. The longer the rebuild time, the fewer the amounts of continuing expenses will be incurred. So there is a decreasing Business Income exposure as the years go by. The best business response is to have a Contingency Plan that reduces the recovery time so this will not become an issue.

Get the Facts... Risk Management magazine, Risk Reporter states:

- 80% of companies that suffer an extended disaster are out of business within 5 years (University of Minnesota).
- 50% of companies that suffer a disaster without a Contingency Plan go out of business within two years (IBM Business Recovery Services).
- 29% of companies that suffer a major disaster will close within two years; 43% never reopen (Datapro).

WE WELCOME YOUR INPUT!

Send us your comments, questions and jokes to be published in upcoming issues.

CONTACT US AT: info@bisimplified.com

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