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Lesson to be learned from recent power outage

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I'm sure you have seen and heard the many stories of business owners who suffered uninsured losses due to the power outages caused by the recent storms in the northeast. Downed trees and limbs were the primary cause of failed power lines for millions.

For certain types of businesses, the losses were even more severe. For example: restaurants, grocery stores, and other manufacturers or distributors of perishable goods can suffer substantial losses when they lose electricity for such an extended time. Many, if not most, of such losses are uninsured.

Generally, a basic property policy will not provide coverage for loss resulting from a power failure or the failure of any other utility service if it occurs away from the affected premises. If a wind or snow storm were to bring down trees and power lines that are not on your premises, most likely you would have no coverage for loss of income resulting from the lack of any utility service unless your policy was crafted to specifically address the exposure.

It is important that you thoroughly understand your exposures and evaluate your options for minimizing such losses.

* Insurance may be an option. A Service Interruption coverage extension may be available to cover this exposure but it should be noted that such endorsements can vary greatly. For example, some service interruption endorsements do not apply when the loss of power is due to damage to overhead lines.

* You also need to know your exposures to financial loss to help make certain that the insurance coverage adequately covers you. You should assess whether you would, in fact, be subject to loss of earnings if you lose service. Or alternately, whether the key exposures are for the extra expenses to continue your operations and damage to your equipment, inventory, and/or in-process product being manufactured or developed. The actual exposures to loss will affect the limits and coverage terms you negotiate.

* Other non-insurance techniques should also be considered such as the use of generators.

Before the next storm hits, evaluate the most cost effective method or combination of methods to protect your business operations.

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