



## Utility Interruption and Insurance

With the torrential storms throughout the country over the past few months, businesses struggle to recuperate operations and determine losses. It seems that most companies were perpetually victims to the wrath of Mother Nature leaving most without power and unprepared due to inadequate insurance.

It is a common assumption that a standard commercial property policy covers mostly everything, including losses resulting from power outages; however that is not true. Power failure from an element that is not on scheduled premises does not trigger coverage without specifically added endorsements. Coincidentally, the most frequent losses are power losses that result from an outside utility source such as overhead transmission lines.

Off Premises Overhead Transmission Lines (Direct Damage) coverage can be a savior for businesses that heavily depend on power and cannot temporarily function without it or cannot resume work elsewhere. This coverage can be added to the Business Income endorsement within the Property Coverage. With this coverage, the insurer will pay for damages at the scheduled property on the policy due to interruption of service. Coverage will only apply if the interruption results from a direct loss by a covered peril (included in the policy) somewhere other than the scheduled property. This includes interruption by power transmission lines, water communication and communication lines that are otherwise excluded without this endorsement.

While that endorsement extends coverage to protect the property and contents, insurers recommend that businessowners purchase the Business Income endorsement in conjunction with the Off Premises Overhead Transmission Lines coverage. Business Income aims to place the insured back into the fiscal condition they were in prior to the loss, as if nothing had occurred. This endorsement covers the economic aspects through the duration of a catastrophe so that the insured can resume operations without worrying about loss of income and revenue. The Business Income endorsement allows the insured to return to work quickly, provides payment for lost revenue, payroll for employees and continuing fixed expenses, and also preserves projected revenue with the same ability of growth and expansion.

Nearly 25% of businesses are unable to fully recover after a major loss due to inadequate insurance. Businessowners should be aware that a regular commercial insurance policy does not automatically provide coverage for loss of income due to momentary suspension of a business, so these endorsements are essential for companies to maintain steady financials if a loss occurs. For an additional premium, these coverages could save a business from fiscal ramifications that are typically endured during the event of a loss from a storm. Monetarily speaking, these types of losses have the potential to cease operations all together costing the insured money, time and possibly their business. Property damage, loss of revenue, destruction to contents, and the inability to sustain business are just a few factors to consider during a loss. If proper insurance is not in place, the business is solely responsible for construction and replacement costs that would likely be paid for through insurance.

It is essential that a business is fully prepared to handle any and all potential risks. Invest in your coverage so that your insurance will be invested in helping you in unexpected situations.

*Can you afford to lose business? Understand your coverage now; don't wait until after a catastrophe occurs.*

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