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Business Interruption Policies – What Is and Isn't Covered?

The NZMEA appreciate the support by IC Frith (NZ) in providing the following information on Business Interruption insurance claims.

The Auckland power crisis of 1998 and the Queenstown business district flooding in 1999, both resulted in widespread disruption/damage. These tell us that assessing Christchurch earthquake Business Interruption claims will not be straight forward.

Some losses will result directly from damage to the "insured's premises". Others will rely on a combination of damage to their premises and clauses in the Policy that broaden the policy coverage. The most common ones include:

- Customers and suppliers premises.
- Acts of civil authorities.
- Prevention of access.
- Transport routes, ports airports.
- Supply of basic services.
- Closure due to injury or disease.

Many of the Business Interruption policies will have either an excess or time deductible against some of the above.

Wide area damage/depopulation is a less common extension and this will effect Business Interruption claims.

Business Interruption Insurance is not easy to explain in a few words and it is recommended that you consult your brokers.

The other most important issue is the Material Damage policies which will cover plant stock and buildings. While earthquake is an added extension your members should again contact their brokers to make sure the cover has been provided and to what extent.

Because of the scope of the disaster and the number of people affected patience is going to be paramount. Insurers will get to see everybody, but depending on the severity of the damage it could take time. You should take photos of damage, clean up and do any running repairs if possible.

You should also have advised your broker or insurer direct of any claim you will have to make by now. If damage has not yet been discovered it will not count against your company as long as it is reported when discovered.

What can you expect from Commercial Loss Management?

The benefits to Brokers of contacting Commercial Loss Management to assist in insured's Business Interruption are two-fold.

Firstly, they can reduce your claims workload (whilst fully keeping you in the communications loop) and allow you to focus on insurance broking matters because of their expertise and because they are acting in the Insured's best interests, without increasing costs (Our fees are covered under the Claims Preparation Costs item)

Secondly, they can strengthen your client relationship because you have brought a broker in to provide your client with the same level of expertise that Loss Adjusters will provide to Insurers.

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