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Business Interruption and the Pandemic Grandchildren Weigh In



Business Interruption insurance covers lost profits and fixed overhead if a company must close after being damaged. Following a recent fire, one of our customers had a 7-figure business interruption claim.

When the governor closed non-essential businesses we got many calls. “Will my business interruption insurance cover the lost income and pay my expenses?” Or from landlords “My tenants aren’t paying rent and I want to file a claim”.

Our industry has not been paying these claims. A pandemic, or government-ordered shutdown, does not trigger the coverage. Unlike a fire, a pandemic does not cause direct physical damage to the business. A number of lawsuits against insurance companies are now working their way thru the courts. Businesses and consumer groups are seeking business interruption coverage.

I explained the business interruption dilemma to our grandchildren Cameron (13), Chloe (11) and Jacob (6). Typical dinner conversation with Grandpa. They asked good questions like “can the insurance company afford to pay these claims (no), did the businesses know there was no coverage for pandemic (no), and did the agent explain it (no more questions)?

Chloe said the claims should be covered but not in full. She supported a partial payment to all the companies that bought business interruption. “It would be the fairest way”.

Cameron did not find in favor of coverage. In her view the policy is a contract and should not be reformed after the fact. “It would not be fair to either side”.

Jacob saw merit to each argument and preferred not to take a side. With two older sisters he’s learned to remain neutral.

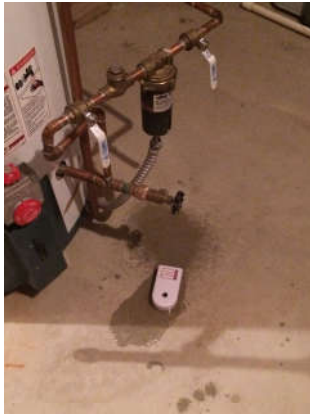
Business Interruption Insurance Available for “Black Swan” Events

Although business interruption insurance is not available for a pandemic, it is available for other situations that impact a business.

Damage or destruction of the power grid
Damage or destruction of systems that supply water
Damage or destruction of systems that supply communications
Damage or destruction of a business housing a key supplier
Damage or destruction of a business housing a key customer
Damage or destruction of a neighboring business that draws customers to your business

Over nearly 37 years I’ve seen very little insurance bought for these situations.

Managing Risk Around the House



I was at home one night when I heard an alarm sound. At first I thought it was the smoke alarm. It turned out to be the water alert under the hot water tank. A leak started which led to the small pool of water above. I was able to stop the leak until repairs could be made. The leak detector did its job and kept something small from turning into something large. I got the alarm at a hardware store for about \$20.



Pictured above are motion sensing security lights. I had them installed in the back and side of my house. The purpose is to light a new air conditioning system I had installed last year. Equipment of that type is a prime target for thieves.

I got the lights at Home Depot and I thought the price was reasonable. Our daughter Katie referred me to an electrician for the install. Total cost for the whole project was under \$300.



The basement of this house had not seen water in 25 years. Then it flooded twice this spring. The second time the power went out so the pump would not work. The homeowner thought it was time for a backup system. The materials cost about \$400 and he installed the backup himself. Pictured above is the sump pump with a Watchdog backup battery system. There are two pumps in the well with separate lines to the outside.



Voice of the Agency Retires After 25 Years

Kathy O'Keeffe started with our agency as a receptionist. Her duties were to answer phones and greet visitors. Over the course of her career she's taken on duties in banking, billing, supplies, facilities, records management and more. Thru it all she remains the voice of the agency and knows just about all the customers by name. "Everybody is replaceable" she tells me. "Not you" I reply.



Donna Osborne Retires After 18 Years

Donna services a large book of personal home / auto customers. She makes sure the policies are accurate, renewed on time, and priced correctly. It can be a challenging job with lots of details and things to track. I can't recall a single customer complaint over her 18 years in the position.

For Donna, the business was sort of a 24-7. She would often start a conversation by saying "I woke up in the middle of the night thinking about something on the Jones account. I was trying to remember if Mr. Jones called us about the new earrings. He told me a while ago he was buying them for his wife's birthday"

From the Claim Department

- \$58,553 Forklift in warehouse caught fire. Claim payment for value of the forklift, smoke damage to inventory, and clean-up.
- 0- Roofing contractor knocked on the door of our homeowner customer. Said there had been hail in the area and insurance companies were replacing roofs on the street. A claim was subsequently filed for roof damage caused by hail. Insurance company hired a professional engineer to inspect. Engineer found minor damage that could be repaired. Claim closed without payment.
- (Editors note: As you might imagine the homeowner was not happy with the outcome. Even minor repairs can leave the roof with shingles that don't match. Some roofers believe that just one unmatched shingle should result in a complete replacement by the insurance company)
- \$130,000 Patient injured in a dental office while getting out of the treatment chair. This claim was paid as an act of malpractice.
- 0- Siding for home damaged by hail. Homeowner reported the claim on May 10, 2020. The insurance company determined that no damaging hail was in the area that day. Last damaging hail in the area was Sept 1, 2019. The homeowner policy had a provision requiring notification within six months of the damage. Since it was more than six months since the Sept 1, 2019 storm the claim was closed without payment.
- (Editors note: Insurance companies are now requiring prompt notice of damage by wind or hail-180 or 365 days after the storm. Past policies did not have that requirement which led to claims being filed years after the damaging storm)
- \$23,790 Flooded basement due to heavy rain on March 19, 2020. Same basement flooded even worse during rainstorm on May 19, 2020. Second claim still open.
- \$1,376 Insured driver rear-ended another car. Duties of the driver involved making deliveries within central Ohio. Fifth traffic accident for this driver since 2015. Driver is no longer insured under the policy.
- \$30,150 Claim resulted from a traffic accident at a dangerous intersection. At-fault driver pulled out from a stop sign and failed to yield to a vehicle driven by our client. At-fault driver produced an insurance ID card but it was not valid. Insurance company is now pursuing legal remedies.
- (Editors note: Statistics show that a large number of accidents come from a small number of intersections. If you drive the same dangerous intersection on a regular basis consider an alternate route)
- 0- Liability claim submitted by commercial account. Plaintiff alleging fraud in the course of their business dealings. The insurance company was unable to provide defense or coverage. Commercial liability insurance is for bodily injury and property damage (but not fraud).
- \$250,000 Injury settlement for traffic accident involving a commercial vehicle and private passenger car.
- (Editors note: In this case the injuries to the claimant were not serious. However, our industry is seeing much larger settlements. The industry term is "social inflation" and it means that society now places a higher dollar value on pain, suffering and injury claims)



Above photo was taken at the Wright Brothers Museum in Dayton OH. Along with learning about flight our granddaughters learned about the first cash register. Dayton is the birthplace of the National Cash Register Company.

Today we don't write a lot of insurance on cash. We do write coverage for Funds Transfer Fraud, Computer Fraud and Social Engineering (fake instructions). These three types of coverage are often sold as a package. The cost is not high. The insurance company just wants to make sure adequate procedures are in place.



Pictured above are my parents with their six children. The photo was taken last August. Dad was diagnosed with cancer a few years earlier. He didn't want to be treated. In his mid-80's at the time he didn't want to reduce his quality of life. The Italian men of his era died quietly at home. No doctors for them (or him). At age 87, he passed away this past March.

Dad didn't say a whole lot.

Near the end I asked him if he had any advice for me. "No" he said. What about advice for the rest of the family? "I don't know what it would be". After a pause he said "just tell them I'm satisfied". Seeing the puzzled look on my face he said "I've made a number of critical decisions in my life and they all worked out right. Just know that I'm satisfied"



Workers compensation insurance in Ohio is written thru the Bureau of Workers Compensation (BWC). Our state is one of only 4 in the country where the work comp is monopolistic. In other words, only available thru a single source. For an Ohio agency we write a lot of work comp for states other than Ohio.

Work comp pricing is largely based on the claim experience. Loss prevention pays. I wanted my grandson to wear ear protection while using a noisy tomato press. He helped his grandmother make and can dozens of jars of spaghetti sauce.

From the Mailroom

Dear Ralph,



It's time to remove my name from your mailing list. By that I mean my homes in NY, Washington, and Ukraine. Don't get me wrong. I really enjoy the newsletters. I now have braided wire hoses on my washer, security lighting, leak detectors, a lock on my air conditioners, and a battery backup on my sump pump. Plus I love reading about your Italian family and your adorable dog Sadie. It's just that knowing me could be a liability for you now. I'm having that effect on people.

Rudy Giuliani

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