

Northridge 20 Symposium

An Insurance Perspective - Physical Damage & Business Ramifications of an Earthquake

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Michael Hudson, Managing Director
michael.j.hudson@marsh.com

Los Angeles, CA

Business Survival from an Earthquake

- Many small businesses fail in the first 12 months following an earthquake loss
- Your best chance of business survival is through both
 - Business Continuation Planning
 - “I’ll figure it out when it happens” is not a proven survival technique
 - Earthquake Insurance
 - Know what is covered and what is not

Business Survival from an Earthquake

Business Continuation Planning

- What am I going to do?
 - How do I get started?
 - On-line tools
 - Outside Consultants & Engineers
 - What do I need to consider?
 - Hot sites
 - Retrofitting Earthquake Resistant Construction Features
 - Suppliers and Customers
 - Loss of Access
 - Utilities
 - More?

Business Survival from an Earthquake

Earthquake Insurance

- Commercial property insurance policies cover **direct** physical loss or damage and can include resulting business interruption
- Standard All-Risk policies exclude Earthquake coverage, but this can be purchased from
 - All-Risk markets as part of a property insurance policy
 - DIC markets as a separate placement
- Earthquake Insurance may only cover 50 – 60% of your loss (or less)
- Aggregated Coverage – once used it is gone
- The basic policy is limited in scope, and Extensions of Coverage should be purchased for more efficient coverage

Business Survival from an Earthquake

Earthquake Insurance

- Extensions of Coverage available at a price but not included with the standard policy:
 - Increased Cost of Construction - meeting new building codes
 - Contingent Business Interruption
 - Extra Expense
 - Rental Value
 - Ingress/Egress
 - Civil Authority
 - Extended Period of Indemnity – time to get the business running
 - Service Interruption(Utilities)
 - Building Foundations

Business Survival from an Earthquake

Earthquake Insurance

- What isn't covered?
 - Area Wide Impact
 - Higher Deductibles:
 - 5% - 10% of the value of the property, NOT THE LOSS
 - Loss in excess of Earthquake policy limit
 - Standard Property Insurance Exclusions
 - Your time and energy

Earthquake Insurance will not fully protect your business from loss

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