Northridge 20 Symposium

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