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INSURANCE BROKERAGE

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The "Must Know" About Business Power Outage Insurance

This communication relates solely to planned power outages when the area is not under mandatory evacuation.

In October 2019, the headlines read, “Fearing what forecasters called a “potentially historic” windstorm this weekend, Pacific Gas & Electric Co. on Saturday began preemptive blackouts that are expected to affect more than 2.5 million people across huge portions of the state in an aggressive attempt to avert catastrophic wildfires [1]”.

Shortly thereafter, PG&E flipped the switch and the power went out.

Food spoiled. Businesses lost revenue, profit and incurred continuing expenses.

Insurance claims were filed. Claims were denied.

Why?

Here’s the “must know” about insurance for business power outage when the area is not under mandatory evacuation...

1. Power outage coverage is not automatic – The standard Businessowner’s Policy [2] provides coverage for direct physical damage to insured property that occurs, at the insured premises, from a covered cause of loss. The policy also includes coverage for related loss of business income. However, loss due to failure of utilities that occurs on or away from the premises is generally excluded and must be specifically added by endorsement.

2. Spoilage Coverage – The endorsement that provides additional coverage for spoilage as a result of a power outage requires that the damage must be caused by a “covered cause of loss” (for example: fire, windstorm, hail, etc.).

3. Loss of Business Income – Additional coverage for the loss of income [3] that occurs from the loss of utility services may also be endorsed to a Businessowner’s Policy. This coverage also requires that there be direct physical loss or damage, by a covered cause of loss, to utility service equipment.

4. Deactivation of electrical power exclusion – The deactivation of electrical power “caused by the manipulation of any switch or other device used to control the flow of electrical power or current” is excluded as a covered cause of loss. Simply put, insurance coverage does not

apply if someone intentionally turns it off...a similar exclusion applies if someone disconnects or unplugs a refrigeration device from the power source.

So an intentional PG&E power shut-off to prevent potential wildfires [1], on its own, does not trigger insurance coverage even for those who carry the additional Power Outage endorsements.

What else can be done?

The best loss is the loss that never happens in the first place. With the prospect of additional power shut-downs in the future, many business owners are investing in portable generators in an effort to eliminate as much potential loss as possible.

In some cases, consumers have reason to believe that PG&E was at fault when it comes to their spoilage or business income loss. Claims can be filed directly with PG&E. Check out **How to file a PG&E claim** [4].

VANTREO is here to help. If you would like more information on Power Outage Insurance, just let us know. **Reply here** [5].

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