

# Harvey: Property Insurance Claim Issues to Watch



As of this writing, the full scope of Harvey's damage and the specific nature of claims resulting from the storm remain to be seen. But like nearly every major disaster before it, Harvey is a reminder of the importance of reviewing property insurance policies and understanding the scope of coverage before a loss happens.

As businesses respond to and recover from Harvey, risk professionals should consider the following areas of focus that have been prominent in the aftermath of past natural disasters. This is not an all-inclusive list.

## BUSINESS INTERRUPTION

Business interruption (BI) is a complex coverage and one that can be challenging during claim settlement. Business interruption claim adjustment can involve issues relating to coverage application, loss measurement, indemnity period, and deductibles.

In concept, BI coverage does not replace revenues. Instead, it replaces the profits lost

and the continuing expenses that a property would have incurred if it were operational for the length of time required to reinstate the damaged facility. If the policy includes an extended period of indemnity, it could replace lost profits and extra expense for the time required to restore the business to pre-loss expectations. Expenses can be categorized as continuing (those that continue regardless of operational status) and variable (those that completely or partially abate during a period of interruption).

## DEDUCTIBLES

Natural hazard perils, including named windstorm or flood, may have special deductibles. These may be straight dollar deductibles or may be a percentage of value of the property or business interruption exposure for each affected location. These losses may also be subject to a minimum per occurrence deductible. Other forms of coverage may also have waiting periods.

## SERVICE INTERRUPTION

Like previous disasters, Harvey has brought with it disruptions in electrical and other services. Although policies vary, coverage for service interruption typically must be caused by a peril insured against or a peril not otherwise excluded. It generally deals with the service supplier, such as a utility.

There are also important issues relating to the scope of the coverage, including limitations on distance and whether damaged overhead transmission and distribution lines trigger coverage.

## CIVIL AUTHORITY AND INGRESS/EGRESS

These two extensions of coverage come into play where a government entity shuts down an area or prohibits access to a facility, or when a location is simply not accessible, whether due to flooding, windstorm, or some other peril.

1. Civil and military authority coverage can be triggered, particularly when officials exercise caution ahead of and following a storm. Ahead of Irene, Sandy, and Matthew, government officials told people to stay home as the storms approached. Whether such coverage will be triggered by Harvey will depend on the words of relevant authorities and on the specific policy language.
2. Ingress/egress may be triggered when access to or the ability to leave a property is blocked or impaired. This can arise after the peril, when an area is surrounded by water and the roads are not passable. Wording is very important. For example, has the access to or egress from your property been “prevented” or “impaired”? It is critical to understand the exact terms and definitions within a specific policy.





## NAMED WINDSTORM OR FLOOD

Perils definitions may be a central focus. Past perils led to disputes about windstorm or named windstorm definitions, on the one hand, and flood definitions on the other. The treatment of storm surge and/or wind-driven water is one area to watch.

## IMPLEMENTING LOSS MANAGEMENT PLANS

At its core, loss management is about permitting an insured to continue operations. When recovering from a major catastrophe, all parties need to work cooperatively.

Decisions will have to be made in areas such as reinstatement, replacement, and mitigation. On occasion, there may not be a sufficient number of stakeholders available to make such decisions. That can slow down

the process, and at times lead to difficulties around such issues as reconstruction alternatives, use of alternative suppliers, time elements exposures, funding protocols, partial payments, and the like. Following well-crafted loss management plans will mean that the empowered personnel are involved, including adjusters, forensic accountants, building consultants, risk managers, financial executives, and public relations.

## WIDE-AREA IMPACT

A major disaster often affects an extensive geographic area. Businesses that may not have suffered significant damage themselves can still see their revenues decrease if properties in their vicinity are all damaged. A customer base may have evacuated or be driven away. This is a particular focus for retail and hospitality industries.

## MANAGING YOUR RECOVERY AND CLAIMS FILING PROCESS

The recovery period following Harvey likely will be one of high stress for companies and their employees. People may be working to put their own lives back together while being asked to assist in getting employers up and running. Insurance recoveries can play a vital role in accelerating that process.

You should work with your insurance advisors to initiate the insurance recovery process by giving timely notice to insurers, and work to minimize disruptions to your normal operations.



## TEXAS HB 1774

A new Texas law, HB 1774, takes effect on Friday, September 1, 2017. It relates to lawsuits arising from weather-related property insurance claims disputes. There are differing viewpoints about how meaningful the law will be for property owners, including those affected by Harvey.

Our advice to property owners affected by Harvey is that if you believe you may have a claim, the most prudent course of action is always to report it in as timely a fashion as possible. If you wish for Marsh to report a claim or a possible claim, please confirm with your Marsh representative and we will promptly do so. We would also advise clients to visit [the Texas Department of Insurance website](#) for more information about HB 1774.

For more information, visit [Marsh's Harvey Resource Center](#), contact your Marsh representative, or contact:

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