

## Power Failure Pointers

RECENT STORMS BROUGHT widespread loss of power and other utility services, and with these failures came a flood of questions about what coverage is available to both home owners and business owners. Power and utility failures can happen at any time of year, and may be caused by a number of events. Whether or not there is coverage under your home or business policy depends on several factors such as what caused the loss and where it happened. In most cases, if the power failure was caused by a covered loss to property on premises, the resulting spoilage and loss of use is covered. If the loss happens off premises, coverage varies. A tree that falls on power lines coming into the home or business is a covered loss to covered property. The tree that falls on power lines off premises is not a covered loss to covered property.

Food spoilage is a concern for home owners and certain businesses when power failures last for an extended period of time. Most policies provide limited spoilage coverage if the power failure was caused by a covered loss to property on the insured premises. If the loss happens off premises, there is usually no coverage under the standard policy. However, some companies offer special equipment breakdown and loss of utility coverages, including losses that occur off premises.

What about indirect losses such as the additional expenses required to live elsewhere while the home is uninhabitable or business can-

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not operate due to the lack of power or other utilities? Coverage for “Additional Living Expenses” is usually only available if the loss that caused the home to be uninhabitable was a covered loss.

If a business cannot operate because of a loss of power or other utility service, there may be coverage available for the loss of income. If the power fail-

ure was caused by a direct covered loss to covered property, then the resulting business income would be covered. However, if the tree falls on power lines off premises, there is usually no business income coverage under the standard policy. Optional coverage must be purchased.

One other thing to consider is ensuing loss. If a power or utility failure causes an otherwise covered loss, then that ensuing loss may be covered, even if the power failure loss is not. For example, if the power failure caused the

pipes to freeze, resulting in water damage, the loss could be covered.

Power and utility failures can cause traumatic losses to your insureds’ homes and businesses. PSE&G in New Jersey reported that they had over 480,000 people without power for up to a week due to the March 13, 2010 storm. Understanding policy language and providing the proper coverage for such events is another mark of the true insurance professional.

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