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ERC Frankona

Endorsements

Loss of Profit seminar

1 -2 June 1999, Bratislava

Endorsements

- An endorsement to a policy is an
 - Additional coverage
 - For extra premium
 - Sublimited coverage
 - Different deductible than main policy
- Need for endorsements varies according

to

- Occupancy, type of industry

e – Country and/or region

Endorsements

- Most common endorsements involving BI
 - Extra expense
 - Perishable or seasonal raw materials (agricultural products, frozen foods)
 - Loss of Public Utilities
 - Off Premises Power
 - Public Authority
 - Contamination clean-up
 - Denial of Access
 - Customers and suppliers' extension

Endorsements

- Precautions - Sublimits
 - high loss potentials
 - risks that are hard to quantify
 - risks without survey report
 - What to sublimit
 - Extra Expense
 - Customers' and suppliers' extension
 - Loss of Utilities - Off Premises Power
 - Closure of premises
 - How to sublimit
 - Monetary sublimits
 - Time sublimits

Endorsements

- Precautions - Deductibles
 - Depends on the frequency and severity of loss
 - Where to place a deductible
 - Off Premises Power
 - Loss of Utilities
 - Denial of access
 - How to determine the deductible
 - Monetary
 - Time deductible
 - Quota-share (percentage)

Endorsements

- Extra Expense

- Consists of additional Expenses incurred by the insured to continue his business during the time his facility is being rebuilt
- Not to confuse with expediting expenses (Property endorsement) nor with expenses to reduce loss (LoP loss minimisation measure)
- No special sublimit required because the amounts are generally low
- EE would only be written when the insured really believes that his costs to maintain activity would be higher than the expenses to reduce loss

Endosements

- Perishable or seasonal raw materials
 - Covers the LoP caused by the loss of raw materials that cannot be replaced
 - Endorsement adapted for the Agricultural products transformation industry and the Food industry
 - Sum insured should be the gross profit and the fixed & semifixed costs to transform the raw materials into finished products
 - No special deductible necessary
 - Sublimit of liability should be equivalent to the size of the largest storage

Endorsements

- **Loss of Public Utilities**
 - Loss of process water, public steam, Natural Gas supply to the facility
 - Loss must occur 300 metres away from insured premises and be a covered loss
 - Private Utility supplies are not part of this coverage (Machinery breakdown policy)
- **Beware**
 - Accumulation of loss in regions dependent on a single public supplier with limited gridded distribution system
 - Damage to distribution lines should be excluded if they are old

Endorsements

- Off Premises Power
 - Coverage of LoP in case of loss of Power to the plant, caused by a covered cause of loss (on insured's policy) occurring to the energy producing premises of the Power Company
- Beware
 - Avoid including damage to overhead power lines
 - Deductible must be in days of outage (or hours)
 - Aggregate deductible may exist but is to be avoided
 - Accumulation of loss in regions dependent on one power plant

Endorsements

- Public Authority

- Extension of the period of indemnity to cover delays in re-construction due to necessity of obtaining Permit to build and/or exploitation permits
- Can also cover the time between clean-up and decontamination until receipt of authorization from Public Authority to enter contaminated premises (depends on wording)

- Beware

- Sublimit needed: generally 3 months max for Delays in reconstruction

Endorsements

- Contamination clean-up
 - Covers the extra period of time between clean-up and decontamination until receipt of authorization from Public Authority to enter contaminated premises and start rebuilding
 - This endorsement does not cover the clean-up of pollution due to the insured's normal activity
- Beware
 - Sublimit needed: generally 3 months maximum
 - Risk assessment of the facility is needed to detect hazards (Asbestos, PCB)

Endorsements

- Denial of access
 - Covers the LoP due to the closure of roads and other means of transportation to and from the facility
 - Closure must be caused by an event described in the endorsement and/or be a covered cause of loss on a neighbour's premises
- Beware
 - Need heavy sublimit although litigation is possible with neighbour's insurance
 - because of uncontrollable cause of loss
 - when no information is given about neighbours of insured premises

Endorsements

- Contingent BI

- Also called Customers' & Suppliers' Extension
- What is it ?
 - Covers the risk of losing a supply of raw material caused by covered physical damage on the supplier's premises
 - And/or covers the risk of not being able to sell finished products to a sole customer, due to physical damage on the customer's premises
- When is it covered ?
 - When the insured has a sole supplier or a sole customer or one of both that is responsible for a significant portion of his turnover

Endorsements

- Contingent BI

- What information is needed ?
 - Request a schedule of locations. This allows you to determine accumulations with other insureds
 - The plants must be listed with complete address
 - The profit and costs related to the customer-supplier should be identified. These values are the basis to calculate the value insured
- Coverage
 - A deductible should be set. Generally one month
 - Sublimit : the less information you have about the suppliers-customers, the lower it should be

Endorsements

- Contingent BI
 - Dangers
 - Do not give it as additional coverage to compensate premium reduction
 - Blanket C-BI shows the insured's ignorance of his key suppliers
 - The C-BI limit is independent of the Master Policy LoL.
- C-BI is the main cause of exceeding an

EML

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