



Risk Alert

Business Interruption and Extra Expense

As Fund members begin the recovery process from Hurricane Harvey the Fund's Claims Adjusters are ready to help. As you begin to identify and quantify the extent of your losses be sure to consider the loss of income to the district as a result of being temporarily shut down by the storm. An important part of the property coverage afforded Fund members is for loss brought about by an interruption of the member's business.

After Hurricane Ike, several members were significantly affected by that storm. "Loss of Revenue/Business Interruption" coverage will reimburse a member for lost revenue up to \$1,000,000 that can be reasonably documented during a period of business interruption. The loss is adjusted by deducting expenses that do not continue during the period of interruption. If a water treatment plant is closed by storm damage and water cannot be sold during the period of restoration, the loss of revenue would be covered by the "Business Interruption" coverage. The process of determining the extent of loss is based on historical records, the costs that do not continue during the period of interruption and fixed ongoing expenses that do continue.

If the rental of generators or pumps can help restore operations more quickly, those are costs that could be covered in the Extra Expense provision. The member's purchase of raw or treated water for delivery to customers to replace what a district can't deliver due to the member's damaged property would also fall under the extra expense coverage.

The Fund's Claims Adjusters are ready to handle claims from Hurricane Harvey for you including any potential loss of income caused by covered damage to your facilities. The handling of business interruption claims is quite different from more simple property damage claims so we request your cooperation and patience. Very complicated Business Interruption claims may require involvement by forensic accountants who specialize in this type of claim. Good business records that cover ongoing expenses, past history of income for similar periods and expenses you incur to try to get back in business will help the adjuster achieve a fair result for the district and the Fund.

Note that Business Interruption and Extra Expense coverage would not apply to losses covered under separate flood policies placed outside the Fund with the National Flood Insurance Program.