

Get ready for winter with insurance

By Ali Hill

According to the North American Electric Reliability Corp (NERC), insufficient natural gas infrastructure could cause electricity supply



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shortages during extreme cold this winter. With generators potentially going offline under extreme cold conditions, US Midwest, Northeast, Mid-Atlantic and Southern regions, along with some Canadian provinces, will be at the highest risk for shortages.

NERC is a not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the electrical grid.

“Recent extreme cold weather events have shown energy delivery disruptions can have devastating consequences for electric and gas consumers in impacted areas,” according to the regulatory authority.

The problem we are facing is there is not enough natural gas pipeline and infrastructure to supply gas generation by grid operators including PJM Interconnection, **which coordinates the movement of electricity through all parts of Pennsylvania.** This problem will only be magnified as the nation

places escalating demands on the electrical grid.

NERC has also reported load forecasting in winter is becoming increasingly complex. As a result, underestimating demand is a risk to energy reliability in extremely cold temperatures.

While business interruption Insurance will not keep your manufacturing facility, warehouse, professional services office, call center, retail store or other business open in the event of an electrical supply shortage, it can help protect your business from financial losses resulting from a temporary shutdown or disruption in normal operations.

What is business interruption insurance? Let’s start by discussing standard property insurance, which covers physical damage and losses to your business. These losses may include furniture and equipment burned in a fire, an office building damaged by a fallen tree, stolen equipment, stolen merchandise, broken windows, a restroom ruined by a broken pipe and myriad additional unplanned events. The loss of utilities from others is a unique coverage grant requiring knowledge and negotiation from your professional risk management team to secure from the carrier.

Standard property insurance coverage can help your

business recover from damage and loss by paying the costs of rebuilding or replacing damaged tangible property. But what about losses resulting from events beyond the direct damage coverage provided by property insurance? This is where business interruption insurance steps in. Generally, business interruption insurance will cover three types of losses:

- Revenue lost due to a business closure
- Fixed expense obligations incurred during the business interruption, including mortgage, rent, lease payments, loan payments, utility and payroll costs
- Extra expenses necessary to shift of operations to a temporary location

To determine a business interruption loss amount, you must be able to establish what your business would have earned had the unplanned event not occurred.

Your insurance carrier will consider past tax returns, profit and loss statements, projected sales and non-continuing expenses. To properly project losses, you should keep accurate records on file.

It is important to note business interruption coverage cannot be purchased as a standalone

policy; it can only be purchased as part of property coverage.

It is also important to note business interruption coverage must be related to your underlying policy, as the coverage will only extend to causes of loss (events) outlined in the core coverage. For example, business interruption coverage for a cyberattack can only be purchased with an underlying cyber insurance policy.

According to the National Association of Insurance Commissioners, only 30 – 40% of small business owners are protected by business interruption insurance. Contact your trusted risk management and insurance professional to add this protection.

And stay warm this winter.

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