

September 26-29, 2024 | Sheraton Boston Hotel



09/27/2024

Loss of Use: The New Math

3:45 PM - 4:45 PM

Marshall Katz

1 CEU

Sponsored by Safety Insurance

Loss of Use: The New Math

Marshall Katz



© Marshall Katz

Recording and or use without the authors
written consent is strictly prohibited.

Keep for the future

- Follow up
- Questions
- Jokes 😊

marshkatz2013@gmail.com

Disclaimer

The information in this outline is to be used as a guide only. Neither the author, MAIA, affiliates, or any other organizations associated with this outline or presentation are liable for misprints, typos, interpretations held different from any person or organization. Policies, riders, endorsements, coverage, and any issues not being able to cover exposures are the agent and company responsibilities.

This program is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal or other expert assistance is required, the services of a competent professional person should be sought.

With special thanks to the Insurance Services Office, Inc. (ISO) and The Automobile Insurers Bureau of MA (AIB) for advance information, continued support, and permission to use their forms and information.

▪ **Loss of Use: The New Math**

- Running out of cash is not the answer. We'll discuss what should happen.
- 15 Minutes
 - The Fire Loss to the Home
- 15 Minutes
 - The Fire Loss to The Business
- 15 Minutes
 - The Flood Loss
- 15 Minutes
 - Discussion and Wrap Up

Warning!



What forms will we be talking about today.

- © Insurance Services Office, Inc.
- Copyright, Automobile Insurers Bureau

What forms will we NOT be talking about today.

- Contains copyrighted material of the Insurance Services Office, Inc.

If it's not ISO or AIB out of the box; know what the differences are by asking the claims department to give you the cheat sheets.

- Contains copyrighted, of the Automobile Insurers Bureau
- AAIS
- MSO
- Carriers own forms

Review what they state and compare and contrast coverage.

Thanks ISO & AIB and Others for allowing us to use your forms!

The Fire Loss to the Home

© Insurance Services Office, Inc., 2010 HO 00 03 05 11

D. Coverage D – Loss Of Use

The limit of liability for Coverage **D** is the total limit for the coverages in **1. Additional Living Expense**, **2. Fair Rental Value** and **3. Civil Authority Prohibits Use** below.

1. Additional Living Expense

If a loss covered under Section **I** makes that part of the "residence premises" where you reside not fit to live in, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.

2. Fair Rental Value

If a loss covered under Section **I** makes that part of the "residence premises" rented to others or held for rental by you not fit to live in,

we cover the fair rental value of such premises less any expenses that do not continue while it is not fit to live in.

Payment will be for the shortest time required to repair or replace such premises.

3. Civil Authority Prohibits Use

If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against, we cover the loss as provided in **1. Additional Living Expense** and **2. Fair Rental Value** above for no more than two weeks.

4. Loss Or Expense Not Covered

We do not cover loss or expense due to cancellation of a lease or agreement. The periods of time under **1. Additional Living Expense**, **2. Fair Rental Value** and **3. Civil Authority Prohibits Use** above are not limited by expiration of this policy.



The Mess After the Loss

- The insured is in shock and
- They have to complete a proof of loss form and they have to find contractors they want to work with and
- The contractors then have to file permits to get the job started and
- When each phase of the project is completed
- The permits have to be signed off on which
- All creates delays and
- The clock is clicking as
- The insured is living elsewhere
- Eating up their limits on the policy

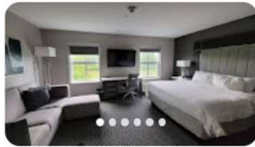
This answer scared me.

[If-a-house-is-completely-burned-down-after-a-big-fire-how-long-could-it-take-to-have-it-rebuilt](https://www.quora.com/If-a-house-is-completely-burned-down-after-a-big-fire-how-long-could-it-take-to-have-it-rebuilt)

Years and years. The problems can come from different directions: building permits, environmental review, the possibility of toxic contamination of the soil in the site, construction method changes as a result of the fire, etc. Then there can be financing troubles, depending on current interest rates, and title troubles perhaps involving unresolved issues about lot lines and easements. And once you have a building permit and financing, there could be a labor strike or other protest that interferes with the actual work. There are many ways to foul up a construction project.

<https://www.quora.com/If-a-house-is-completely-burned-down-after-a-big-fire-how-long-could-it-take-to-have-it-rebuilt>

Costs per day when I googled Marriot Residence Inn

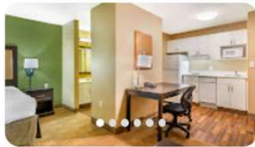


Residence Inn Boston Concord **\$138**

4.6 ★★★★★ (345) · 3-star hotel

GREAT DEAL 37% less than usual

All-suite hotel with a bar & a pool

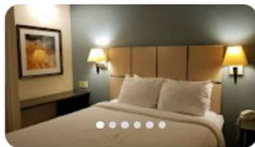


Extended Stay America - Boston -
Westborough - Computer Dr. **\$95**

3.6 ★★★★★ (390) · 2-star hotel

Casual all-suite hotel with free Wi-Fi

📶 Free Wi-Fi · 🍳 Free breakfast

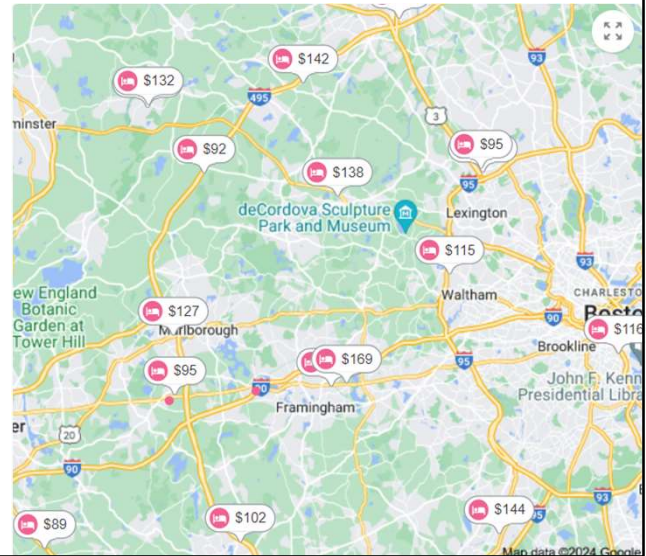


Sonesta Simply Suites Boston
Burlington **\$95**

3.9 ★★★★★ (579) · 2-star hotel

Unfussy hotel with a BBQ grill & a gym

📶 Free Wi-Fi



The Math


- The insureds home is insured for \$200,000
- Coverage D Loss of Use is then \$40,000
- The contractors have to file permits to get the job started and
- When each phase of the project is completed
- The permits have to be signed off on which
- All creates delays and
- The clock is clicking as
- The insured is living elsewhere
- Eating up their limits on the policy

\$169.00 per day X 365 days = \$61,685

The policy covers \$40,000

Ooops we're short.

Maybe recommend they look for the lowest cost deal they can get.



The Math

- The insured's home is insured for \$400,000
- Coverage D Loss of Use is then \$80,000
- The contractors have to file permits to get the job started and
- When each phase of the project is completed
- The permits have to be signed off on which
- All creates delays and
- The clock is ticking as
- The insured is living elsewhere
- Eating up their limits on the policy

\$169.00 per day X 365 days = \$61,685

The policy covers \$80,000

Still a little money left...but not years

Maybe recommend they look for the lowest cost deal they can get.



Maybe recommend they raise their limits on the policy?

Homeowners name

Address

Policy effective date

Policy Premium \$1,000.00

Coverage A \$200,000

Coverage B \$20,000 additional needed

Coverage C \$100,000 additional needed

Coverage D \$40,000 additional needed \$25,000-\$100 \$50,000-\$150 \$100,000-\$200
circle amount desired or write in other amount here \$

Date 7/1/2024

x Mr. Forgetfull

The Fire Loss to The Business

The Mess After the Loss

- The insured is in shock and
- They have to complete a proof of loss form and they have to find contractors they want to work with and
- The contractors then have to file permits to get the job started and
- When each phase of the project is completed
- The permits have to be signed off on which
- All creates delays and
- The clock is ticking as
- The insured is shut down and
- Eating up their limits on the policy

5. Additional Coverages

f. Business Income

(1) Business Income

(a) We will pay for the actual loss of Business Income you sustain due to the necessary **suspension of your "operations"** during the "period of restoration". The suspension must be **caused by direct physical loss of or damage to property** at the described premises. The loss or damage must be **caused by or result from a Covered Cause of Loss**. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of such premises.

(4) This Additional Coverage is not subject to the Limits of Insurance of Section I – Property.

(b) We will only pay for loss of Business Income that you sustain during the "period of restoration" and that occurs within **12 consecutive months** after the date of direct physical loss or damage. **We will only pay for ordinary payroll expenses for 60 days** following the date of direct physical loss or damage, **unless a greater number of days is shown in the Declarations**.

(2) Extended Business Income

(a) If the necessary suspension of your "operations" produces a Business Income loss payable under this policy, we will pay for the actual loss of Business Income you incur during the period that:

- (i) **Begins on the date** property except finished stock is actually **repaired, rebuilt or replaced** and "operations" are resumed; and
- (ii) **Ends on the earlier of:**
 - i. The date you could **restore your "operations"**, with reasonable speed, to the level **which would generate the Business Income amount that would have existed** if no direct physical loss or damage had occurred; or
 - ii. **60 consecutive days** after the date determined in Paragraph **(a)(i)** above, **unless a greater number of consecutive days is shown in the Declarations**.

g. Extra Expense

(1) We will pay necessary Extra Expense you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property at the described premises. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of such premises.

(4) We will only pay for Extra Expense that occurs within 12 consecutive months after the date of direct physical loss or damage. This Additional Coverage is not subject to the Limits of Insurance of Section I – Property.

Like additional living expenses on the HO form except for a business.

Maybe recommend they raise their limits on the policy?

Businessowners name

Address

Policy effective date

Policy Premium \$1,000.00

Business income only covers for 12 months after a covered loss and shutdown.

Ordinary Payroll is only covered for 60 days. Additional days needed:

Circle one if desired: 90 180 360 720

Extended business income is covered for 60 days. Additional days needed:

Circle one if desired: 30 60 90 180

Extra expense only covers for 12 months after a covered loss and shutdown.

Date 7/1/2024

x Mr. Clumsycook

What business may be shut down and need the business income portion of the coverage:

- Restaurants
- Bars
- Manufacturing
- Those businesses that have a unique setting and cant just operate anywhere

What business may be shut down and need the extra expense portion of the coverage:

- Insurance agencies
- Newspapers
- Work clothes cleaning companies
- Those businesses that service a customer base

The Flood Loss

V. EXCLUSIONS

A. We only pay for direct physical loss by or from flood, which means that we do not pay you for: Loss of revenue or profits;

1. **Loss of revenue or profits;**
2. Loss of access to the insured property or described location;
3. **Loss of use** of the insured property or described location;
4. **Loss from interruption of business or production;**
5. Any **additional living expenses** incurred while the insured building

is being repaired or is unable to be occupied for any reason;

6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities we describe in Coverage D—Increased Cost of Compliance; *or*
7. Any other economic loss you suffer.



The Problem

- The NFIP does not help with those items that are covered on a ISO property policy form
- The ISO property policy form does not cover flood losses, therefore
- The ISO property form will not cover business income, additional living expenses, etc. so
- We need a market that does

NEPTUNE Commercial Flood	NEPTUNE Residential Flood
\$4,000,000	\$4,000,000
\$1,000,000	\$500,000
Business Interruption, Replacement Cost on Building, Rental Loss of Income (Apartments Only), Basement Contents, Pool Repair & Refill	Temporary Living Expenses, Replacement Cost on Contents, Basement Contents, Unattached Structures, Pool Repair & Refill, Loss of Rents
Optional	Optional
No wait on real estate closing or rollovers from another flood policy. Otherwise, 10 days.	No wait on real estate closings or rollovers from another flood policy. Otherwise, 10 days.

Thought

- Go find some alternative flood markets like maybe Number 1 has some offerings
- Do some number crunching to show insureds alternative solutions
- Let the insured pick the one they like

Questions Comments Suggestions

marshkatz2013@gmail.com

**Thank you for
sharing part of
your day!**