

Wildfires – Commercial Insurance Implications

In response to the wildfire situation currently unfolding in Alberta and British Columbia, Lloyd Sadd hopes for the safety of all those impacted and is ready to assist as needed. We would also like to inform all our valued clients of the potential commercial insurance coverage available in response to these devastating events.

The coverage most likely to be triggered as a result of fire is All-Risk Property, Business Interruption and Contingent Business Interruption. These coverages are purchased by the majority of our clients. While the types and amounts of coverage purchased may vary, there are common coverage considerations contained within a Property/Business Interruption/Contingent Business Interruption policy.

Physical Damage/ Business Interruption (BI)/ Contingent Business Interruption (CBI)

Should an owned facility (BI location) or a third-party facility (CBI location) that is a declared location suffer damage directly related to any of the wildfires, then coverage would apply subject to the overall Policy Limit as follows:

a) Physical Damage

- Coverage: Replacement Cost if the damaged facility is an owned location
- Deductible: Dollar amount – varies by policy.

b) Business Interruption

- Coverage: Actual loss sustained on an earnings basis is covered up to the corresponding Period of Indemnity (POI) at the affected location
- Deductible: Waiting period in days – varies by policy.

c) Contingent Business Interruption

- Coverage: If a dependent non-owned facility was damaged by fire and is a declared/insured location, then the actual loss sustained on an earnings basis is covered up to the corresponding Period of Indemnity (POI) at the affected location
- Deductible: Waiting period in days – varies by policy.

The above coverage is limited to locations that have been declared in the Statement of Values and Business Interruption worksheets submitted to insurers. Locations that have not been declared would not normally be eligible for coverage with a few possible exceptions such as newly acquired properties, extra expenses, miscellaneous unnamed locations etc.



Additionally, there are three additional Business Interruption extensions of coverage that may apply in a loss as follows:

Civil Authority Interruption

Depending on the policy form, business interruption coverage may be available for wildfire losses where access to the policyholder's property was prevented or prohibited by "action or order of civil authority," even where the insured's own property did not suffer a physical loss or in cases where the authorities evacuated the areas before any damage occurred.

- Coverage: Typically limited to a defined number of days of interruption but may be subject to a dollar maximum
- Deductible: Waiting period in days – varies by policy.

Prevention of Ingress / Egress

Depending on the policy form, business interruption coverage should be available for wildfire losses where ingress to or egress from the insured property is prevented, irrespective of whether the insured property has been damaged or not.

- Coverage: Typically limited to a defined number of days of interruption but may be subject to a dollar maximum
- Deductible: Waiting period in days – varies by policy.

Off Premises Service Interruption

Depending on the policy form, business interruption coverage should be available for wildfire losses where property connected to, or necessary for, operation of the insured property is damaged. This could include utilities, power stations, transmissions or distribution lines but is generally limited to that property within a specified distance of the insured location.

- Coverage: Typically limited to a dollar maximum
- Deductible: Waiting period in days – varies by policy.

It is important to note that there are other insurance coverages in addition to those listed above, such as General / Pollution Liability and Control of Well and Extra Expense that could be triggered as a result of the wildfires. These policies may also contain strict discovery and reporting provisions that must be adhered to for coverage to apply.

Finally, there are potential challenges with adding/insuring new property and assets over the next few weeks. The majority of regional and national carriers have placed binding moratoriums on new business as a result of the fires. This is typically determined by postal code and is changing daily. Please reach out to Lloyd Sadd should you be considering onboarding any new assets.

If, due to the wildfires, it is believed that any of the above coverages will be triggered under your current insurance program, please advise your Lloyd Sadd account service team as soon as possible so that we may notify Underwriters as appropriate, and please do not hesitate to contact us for further clarification.

**LET US HELP YOU
MANAGE YOUR RISK**

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