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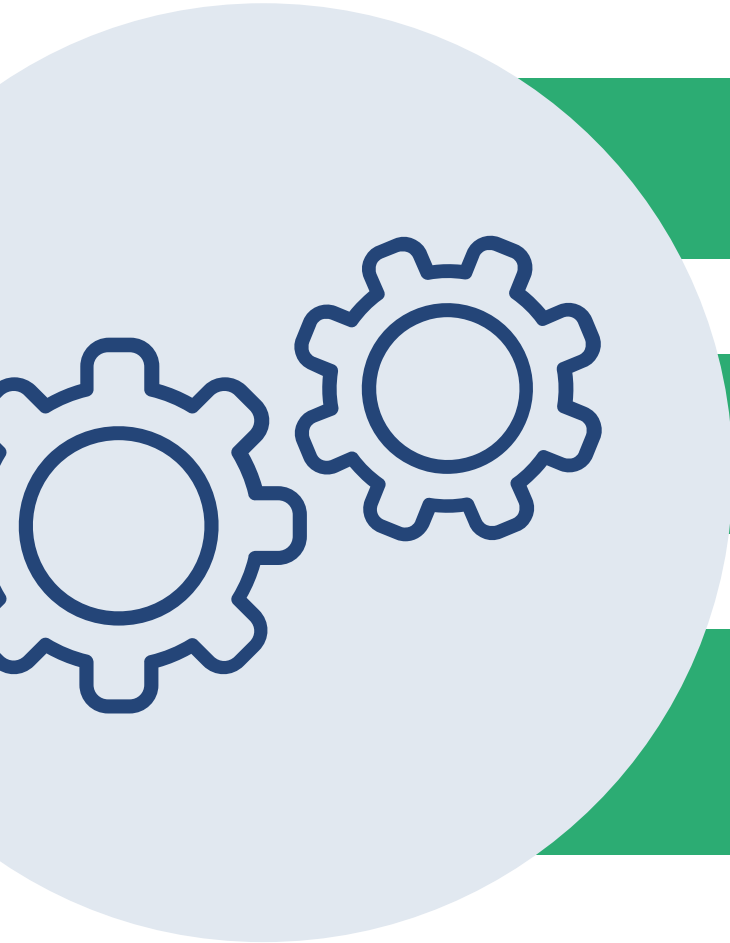
CII Local Institutes

Utility extensions – a repeat of the pandemic expectation issues?

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Learning outcomes

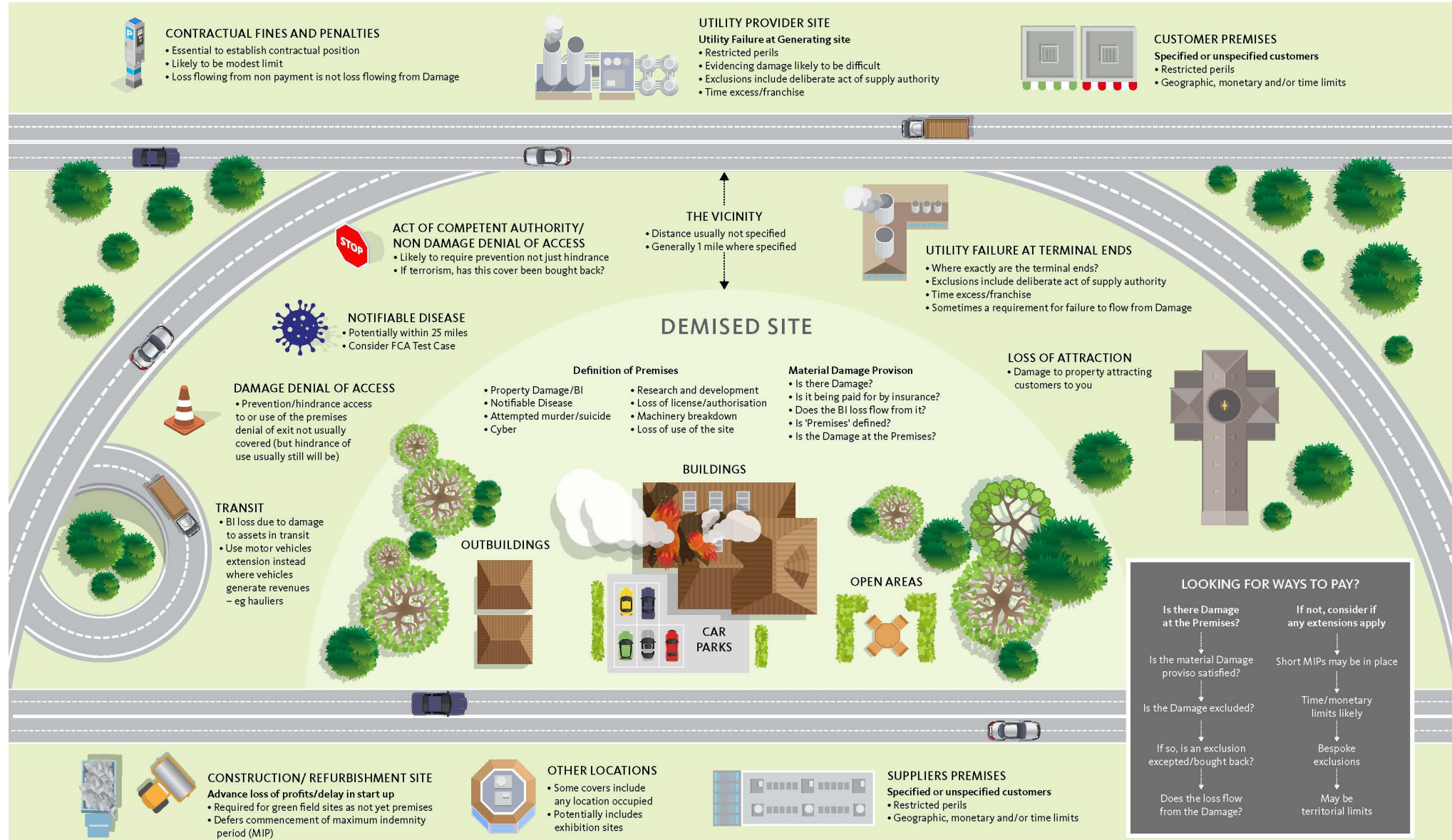


Understand the different ways in which power failure is covered in the UK

Appreciate the difficulties that might present if there were to be a power loss over a wide area

Be aware that expectation issues arising out of covid-19 cover may not be unique, and be emboldened to pursue clarity in policy wordings

Contingent Business Interruption cover?



Failure of public utilities – what is the issue?

- Non-damage contingent BI extensions could affect many businesses at the same time and may aggregate risk and exposure
- Just like covid-19 did
- The most obvious example is utility failure
- For many businesses, a failure of power will also cause loss of internet access and a reduction in turnover
- So would such losses caused by power failures across a large area be picked up by utility extensions?
- Will there be the level of misunderstanding that we saw with covid-19?



Utility Failure cover – what is available now?

- Extending the definition of premises to include the generating site
- Extending the covered causes of loss – terminal ends cover
- What about utility providers as suppliers?
 - Is the definition of a supplier under (an unspecified) supplier extension sufficient/does it clarify the intention of the parties?
 - Are utility providers excluded?
 - Is cover restricted to the supplier with whom the policyholder transacts
 - Are specified tiers included
 - Is it open ended?



Expanding the definition of the 'premises'

- Includes loss from damage at utility provider (generating) premises (often with a limited MIP)
- Usually (restricted) perils not all risks
 - Fire, lightning, aircraft, explosion
 - Potentially, storm, flood, earthquake, malicious damage/riot can be covered
- Exclusions
 - Deliberate act of the supply authority
 - Strikes/labour disputes
 - Time franchises
- Issues
 - Obtaining evidence to trigger cover (or apply an exclusion)
 - This is an extension to the business interruption cover, not the whole policy



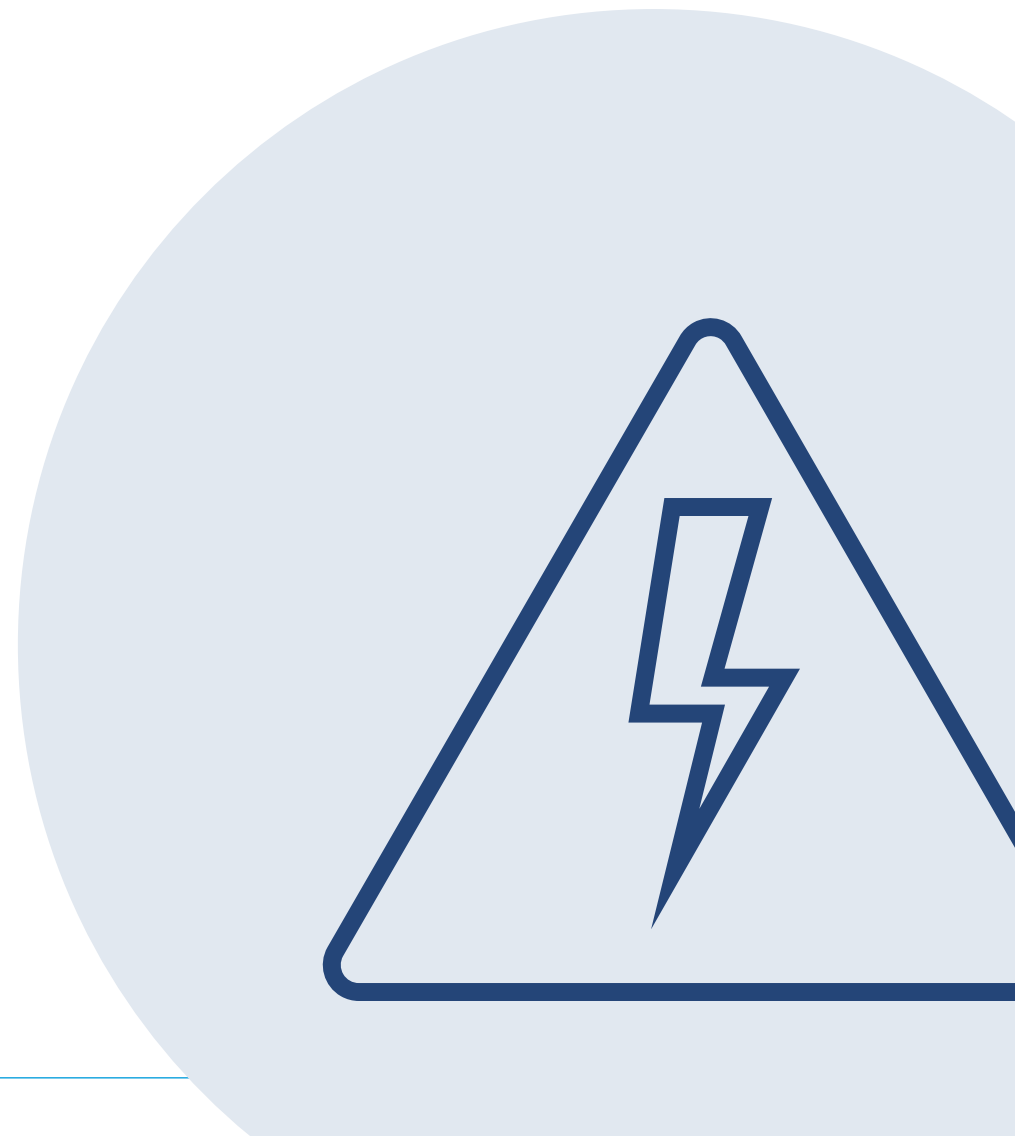
Expanding the scope of covered causes – terminal ends cover

- Extends to cover interruption or interference arising from the accidental failure of utilities at terminal ends
- Wider than undertaking premises based cover in two ways
 - Includes failure due to an incident affecting infrastructure between the generating site and the policyholder's premises (not just an incident at the former)
 - Does not restrict perils operative, and usually **no need for damage at all**
- Hybrid policies (accidental failure at terminal ends due to Damage) are appearing
- Exclusions/Issues arising similar to cover for peril at the generating site
- Time franchises/excesses are the norm



So, what scenario does the title of this talk allude to?

- Electricity failure will generally produce internet outage for many policyholders
- Might a widespread power failure (not caused by damage at a generating site) reveal a diaspora of perceptions about cover similar to the FCA test case?



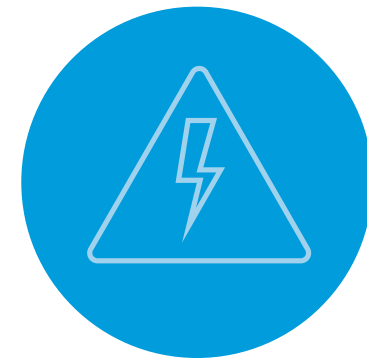
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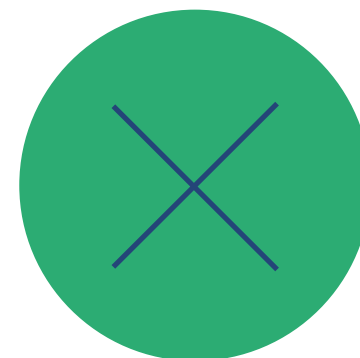
Failure of public utilities – echoes of the test case

	Covid-19 cover	Utility cover
Out of scope	Specified Disease	Damage at generating site
Hybrid	Denial of access due to disease	Failure at terminal ends due to damage
Covered?	Notifiable disease	Accidental failure at terminal ends



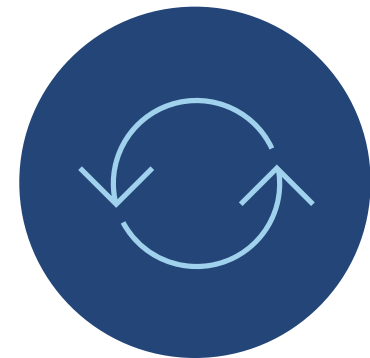
Cover for Failure of public utilities - exclusions

- Telecommunication services
(may be brought back in separately, may not be)
- Cyber.....
 - IUA/LMA wordings
 - Exclude loss:
 - directly or also indirectly caused by a cyber incident
 - Malicious only, or all events?
 - Application to utility failure



Cover for Failure of public utilities – avoiding a re-run of the COVID-19 claims experience

- Revisit what cover you think you are buying/providing
- Check the policy wording – accidental failure at terminal ends or specified peril damage at a generating site
- Confirm with the other party that a consensus exists
- Check the scope of re-insurance cover



THANK
YOU

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