

Covering Business Utility Services

A commercial property insurance policy can usually be depended upon to handle direct loss to structures, equipment and related property that are owned by a business. However, what may happen when weather conditions turn mean and cause indirect damage by knocking out utility services? Items could be harmed by heat-induced transformer breakdowns; or broken power lines, including compressors, motors and switches, at a business could result in food spoilage. Equipment damage may also occur due to an accidental and sudden loss of power. Power surges may harm expensive equipment. A commercial property policy may be of little or no help for such instances. Generally, such policies exclude coverage for loss that involves the failure of utility services. Therefore, a business could be harmed when a utility failure or interruption of any type occurs away from the insured business location.

Fortunately, a commercial operation may buy additional, optional coverage to protect against utility service-related losses. A company usually has the option to buy the type of coverage it needs, such as services for water, telephone/communications (either including or not including land lines), gas and electric power.

A company that selects such coverage usually has the option to protect different classes of property including what business locations to insure, type of property (the firm's own property and/or property that belongs to others, such as customers), and the sources (perils) of loss covered. The choices usually have to be reflected on its insurance policy, meaning that the information has to be listed on a policy declarations page or schedule.

Where available, the coverage option usually defines the utility services listed on the schedule. Typically the form includes descriptions similar to those found in one, available form:

- Water Supply Services are the pumping stations and water mains that supply the covered premises.
- Communication Supply Services refers to telephone, radio, microwave or television services that are included as covered property but coverage is not limited to only that property. The only specifically excluded communication property is a satellite. Overhead transmission lines may be included or excluded, depending on the manner in which the schedule is completed.
- Power Supply Services means five specific types of property used to supply electricity, steam or gas to the scheduled property. The types of property are generating plants, switching stations, substations, transformers and transmission lines. The transmission lines may be included or excluded, depending on the manner in which the schedule is completed.

If your business is concerned about its vulnerability to power-related loss, be sure to check with your insurance professional about this valuable coverage option.

COPYRIGHT: Insurance Publishing Plus, Inc.2008

All rights reserved. Production or distribution, whether in whole or in part, in any form of media or language; and no matter what country, state or territory, is expressly forbidden without written consent of Insurance Publishing Plus, Inc.