ATLANTA 2023

RISKWORLD®

APRIL 30–MAY 3

DISCLAIMER

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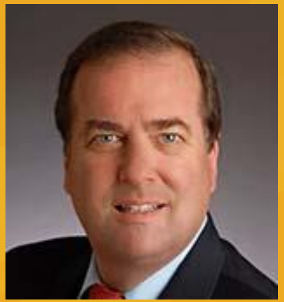
"Stay Prepared: Maximizing Insurance Coverage for the Chronic Risk of Civil Unrest"

May 3, 2023
9:30 am – 10:30 am



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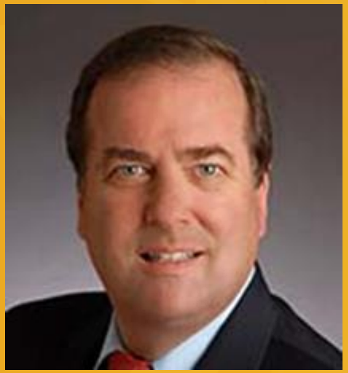

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Robert M. Horkovich is "the 'go-to person' in the area of insurance recovery," according to a client cited by Chambers USA, which has recognized Mr. Horkovich as a leading insurance recovery attorney every year since 2005. According to Chambers, Mr. Horkovich “has a strong ‘client-first’ attitude” and “is recognized in the market for his leading trial and negotiation skills, with an undisputed national presence.”

Bob has obtained over $5 billion in settlements and judgments from insurance companies for his clients. Bob is a trial lawyer with substantial experience in trying complex insurance coverage actions on behalf of corporate policyholders and governmental entities. His victories include one of the top 10 jury verdicts in the United States, the top insurance recovery jury verdict in the United States, seven landmark state Supreme Court decisions, eight jury verdicts and nine bench trial decisions in favor of the policyholder.

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With more than 25 years of insurance and risk management experience, Paul Marshall is responsible for the development, growth, profitability and overall strategy of McGowan Program Administrators' active shooter/ workplace violence insurance program.

Throughout his career, Marshall has had direct experience in retail agency sales, program management, underwriting and claims. He has authored multiple articles on the topics of active shooter, workplace violence and deadly weapon attacks, and he makes frequent appearances on a variety of news outlets. In addition, Marshall has presented at several industry conferences, including RIMS, PIA, CPCU and PRIMA.

DOMESTIC

- Watts Riots: – August 1965 – 34 deaths. At least $40 million in property damage. 6 days of civil unrest.
- Detroit 1967: – "12th Street Riot" – "Blind Pig" Raid – 43 deaths. 1,189 injured. Over 400 buildings destroyed.
- Miami 1980: – Arthur McDuffie (insurance salesman) – 18 deaths. $100 million in property damage over 4 days.

Source: Orangecountyregister.com

Source: weebly.com

Source: miamidsa.com

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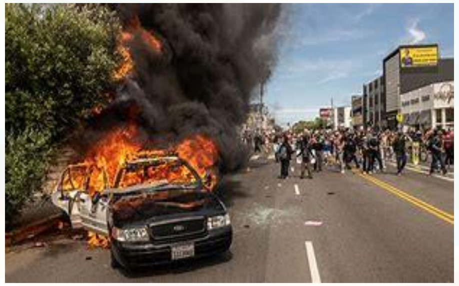
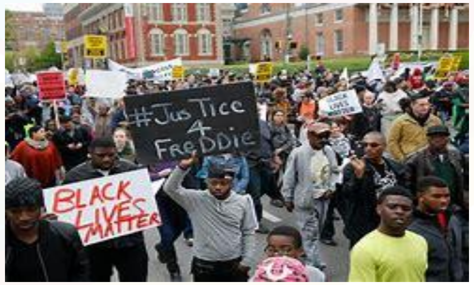
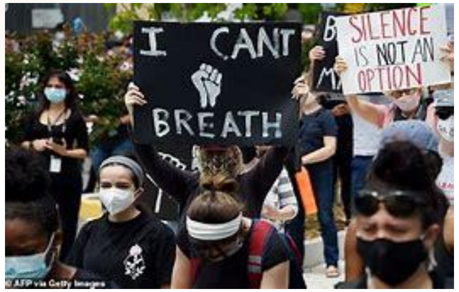
DOMESTIC (CONT'D)

- Los Angeles 1992: – Rodney King protests – 63 deaths. 2,383 injured. 12,000 arrests. $1 billion in damages to over 1,000 properties within 5 days. Loss of $3.8 billion in taxable sales.
- Baltimore April 2015: – Freddie Gray protests – 250 arrests. Over $9 million in damage to 350 businesses, 16 buildings incinerated, within 8 days.
- Minneapolis/St. Paul May 2020: – George Floyd Jr. protests – At least 23 deaths. $1 to $2 billion in damages to 1,500 properties within 5 days. Over 2,000 other cities internationally affected.
- Washington D.C. – January 6, 2022: – 138 police officers injured, 4 died. Property damage exceeded $2.73 million.

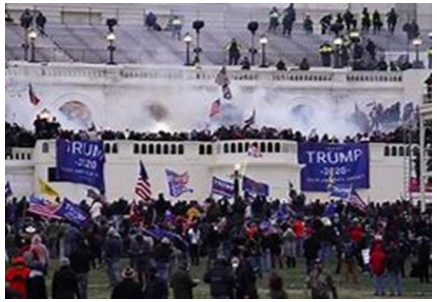

Source: TheNewYorkTimes.com



Source: businessinsider.com



Source: Dailymail.com



Source: newstalkkzrg.com

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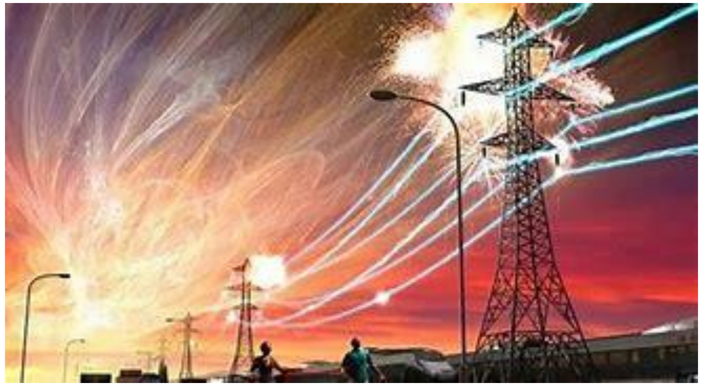
US POWER GRID

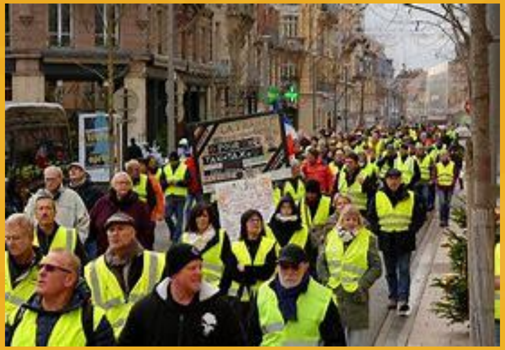
- Historic Black-Outs – Riots/Vandalism
  - Direct Physical Attacks on US Power Grids
    - 2022: 163 (up 77%)
    - North Carolina – 45,000 people left in dark for several days. Motive was to cause civil unrest.
    - State of Washington – thousands left without electricity after Christmas Day 2022 – attacks on four power substations. Motive was burglary.
  - Cyber Attacks



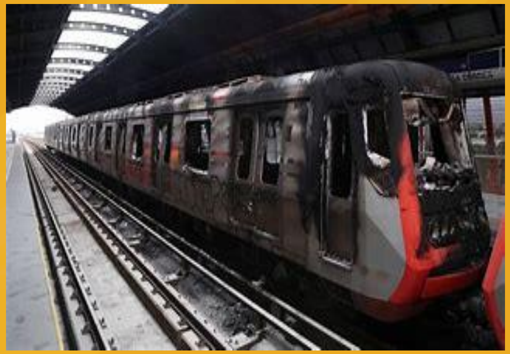
Source: ReadyNutrition.com

INTERNATIONAL

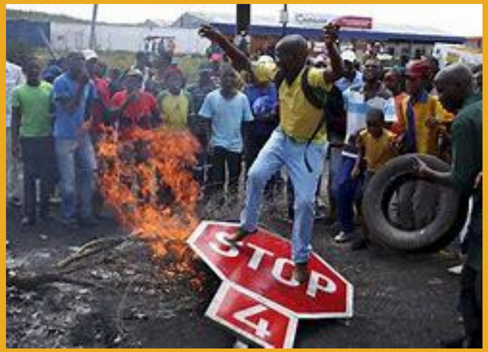
- France – 2018 – Yellow Vest movement cost retailers over $1.1 billion.
- Chile – 2019 – subway fare hike caused $3 billion in insured losses.
- Hong Kong – 2019 – 91% of City's MTR stations damaged; At least $76.5 million in insurance claims.
- South Africa – 2021 – protests caused $1.7 billion in damage.
- Canada, France, New Zealand – COVID restriction demonstrations forced companies to halt operations.



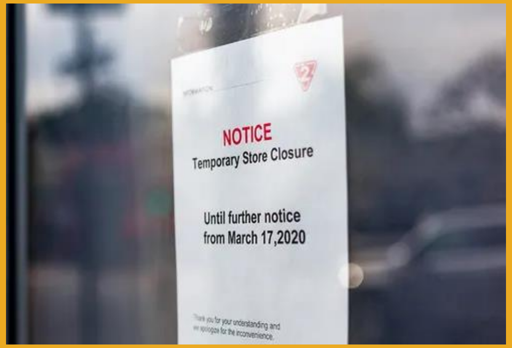
Source: peopledispatch.org



Source: CTVNews.com



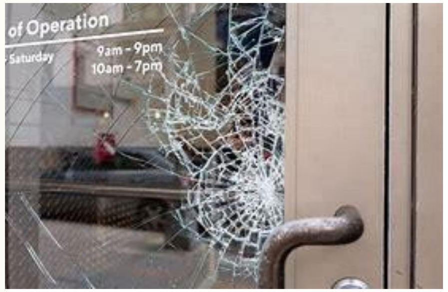
Source: IBTimesUK.com



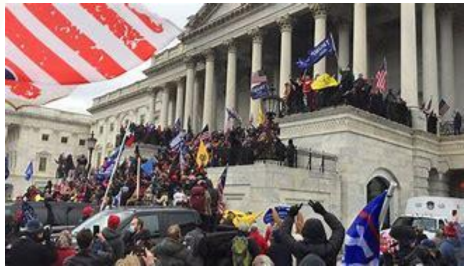
Source: FoxNews.com

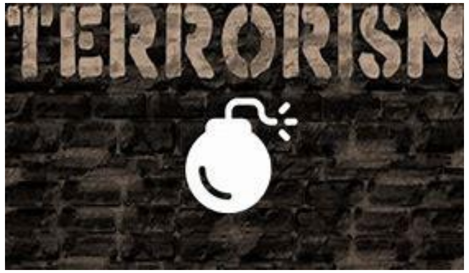
INSURANCE COVERAGE FOR CIVIL UNREST

- First Party Property
- Business Income Coverage
- Civil Authority Coverage
- Extra Expense Coverage
- All Risk Coverage
- SRCC (Strikes, Riots, and Civil Commotion)
- Commercial General Liability Coverage
- Political Violence Coverage
- Separate Terrorism Coverage



Source: vgminsurance.com


Source: stand.ie.com



Source: pillarandcloud.com

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FIRST PARTY PROPERTY POLICIES

- ISO CP 10 10 (Basic Form)
- ISO CP 20 10 (Broad Form)
- ISO CP 30 10 (Special Form)
- Cover physical loss or property damage to the insured premises or contents.
- Measures to protect property from further damage are covered by “protection of property” or “sue and labor” clauses.
- Riots, vandalism or civil unrest historically have been covered on both “insured peril” and “all risk” commercial insurance policies.
- Look for exclusions. Trend is to exclude SRCC.
- Make sure you understand definitions (“civil commotion” v. “civil unrest”; “riots” and “malicious mischief” v. “vandalism”.)

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BUSINESS INTERRUPTION/ INSURANCE COVERAGE (a/k/a "BUSINESS INCOME INSURANCE")

- Part of First Party Property Coverage
- Covers loss of income due to halt of business operations due to damage to policyholder's property while property is being repaired, replaced or restored.
- Also can cover payroll, payroll related expenses, normal operating expenses.
- Consider "Extended" Business Income Coverage for a "ramp up" period after restoration but before operations are back to normal."

Source; fineartamerica.com

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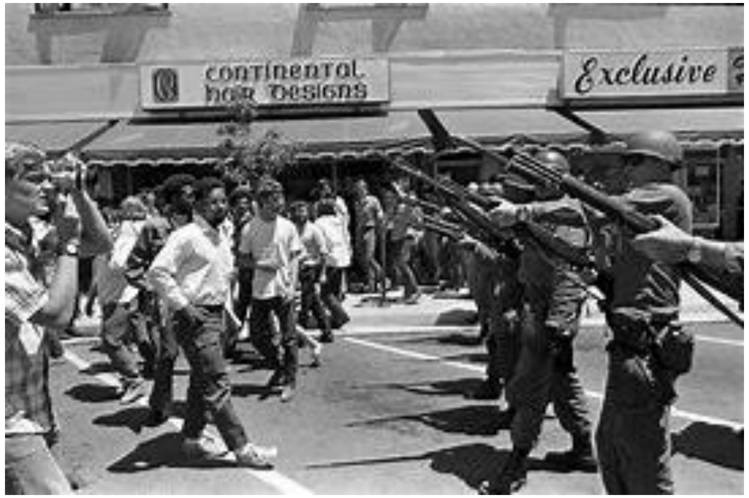
CIVIL AUTHORITY COVERAGE

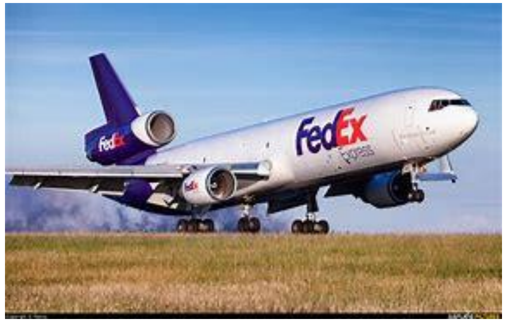
- Provides coverage when a civil authority restricts access to the insured premises limiting hours or halting operations.
- Property damage does not have to be to your insured premises. But typically has to be within a set geographic distance.
- May be subject to a waiting period.
- Issues may arise re: temporary closures (i.e. evening curfews).



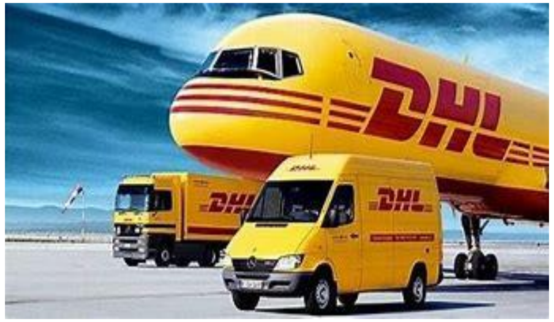
Source: reddit.com

EXTRA EXPENSE COVERAGE

- Covers additional expenses resulting from continuing business operation while insured premises are being repaired due to damage or loss.
- Example: Extra expenses of expedited shipping of necessary business supplies in order to resume operations as soon as possible.



Source: airplanepictures.net



Source: projectsandlogistics.com

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ALL-RISK PROPERTY DAMAGE COVERAGE

- Example: ISO Form BP 00 03 01 10; CP 10 30 10 120.
- SRCC historically has been covered. Recent trend is to exclude SRCC from All Risk coverage.
- Covers looting and vandalism. Check for riots or civil commotion exclusions.
- May exclude stolen money or securities but that may be covered through Commercial Crime coverage.

Source: LosAngelesTimes.com

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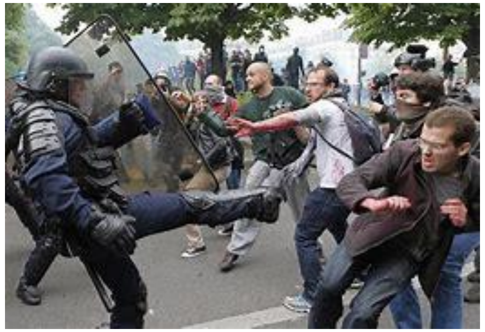
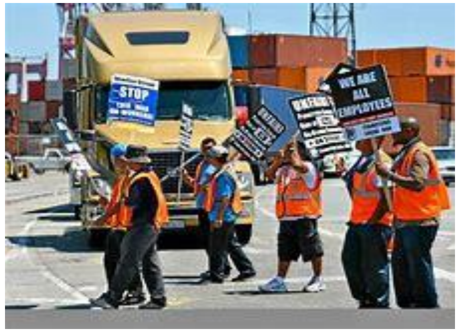
SRCC

- Strikes, Riots and Civil Commotion Clause or Stand-Alone Policies.
- Covers loss or damage directly caused by riots or protests labor disturbances.
- Commercial policies may include “civil commotion” as a named peril. Covers riots or lootings. Also, may include “vandalism”.
- Increasingly offered by specialty insurance companies. Watch for aggregate loss coverage and stricter definitions.
- Carefully consider terms, definitions, limitations and exclusions.



Source: The Spokesman-Review.com



Source: BreibartNews.com

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SRCC (CONT'D)

- "Number-one contender for being the primary peril to be insured and underwritten":
  - Bjorn Revisswing, Head of Global Political Violence at Allianz.
- Sales of policies in the U.S. covering businesses specifically for civil unrest doubled between September 2022 and October 2022.
- Lloyd's of London has stopped underwriting SRCC within general property policies.
- SRCC perils are being excluded from all-risk policies on renewal.

SRCC (CONT'D)

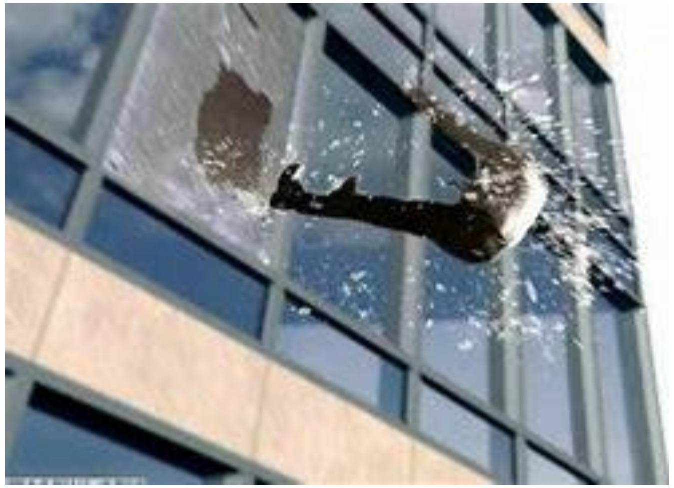
- "Driven by increased frequency and losses, property insurers are increasingly looking to limit SRCC cover . . . ."

- "It is critical for risk mangers and business leaders to be aware of law the risk spectrum is evolving and the consequential effects this will have . . ."

www.chubb.com

COMMERCIAL GENERAL LIABILITY COVERAGE

- Protects your company if someone is hurt (broken glass/fire/collapsing building, tear gas, private security guard action, etc.), sues your company, and your business is found liable.
- Includes defense costs coverage in addition to indemnity coverage.



Source: reddit.com

NUMBER OF “OCCURRENCES” DEBATE

- Need to consider the size of your overall coverage as well as the size of your deductible or self-insured retention.
- Nordstrom 2020 Civil Unrest Example: 1 occurrence providing $25 million in coverage or (as the 5 insurance companies argued in Court) numerous occurrences triggering separate $1 million deductibles and providing only $4.7 million in coverage.
- Consider number of properties in different locations/cities number of days, etc.
- Examine your “occurrence” definition and your overall insurance program.
- Check your sub-limits.

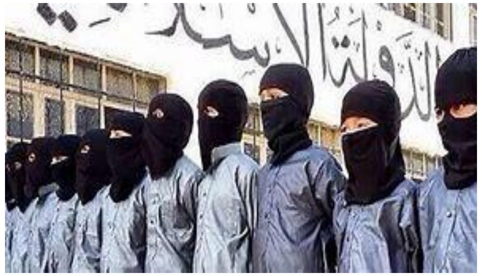
Source: istock.com

POLITICAL VIOLENCE POLICIES

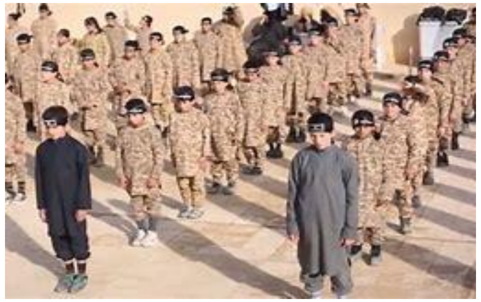
- May contain a SRCC extension.
- Underwriters review Political Violence and Terrorism coverage for SRCC risk exposure taking into account industry, locations, and security.
- Looting typically is excluded.
- May contain a “reverse burden of proof” clause. If insurance company makes out an arguable case that the exclusion applies, then the burden falls on policyholder to prove the exclusion does not apply. Some jurisdictions have rejected this.

TERRORISM POLICIES

- Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) extended through 12/31/27 (federal share of insured terrorism losses reduced, mandatory recoupment of federal losses increased).
- Must be available from all insurance companies and underwriters.
- Typically covers isolated covert terrorist attacks as designated by the government but not street level civil unrest.
- Endorsements:
  - Political Violence
  - Riots and Civil Commotion



Source: NBCNews.com



Source: theepochtimes.com

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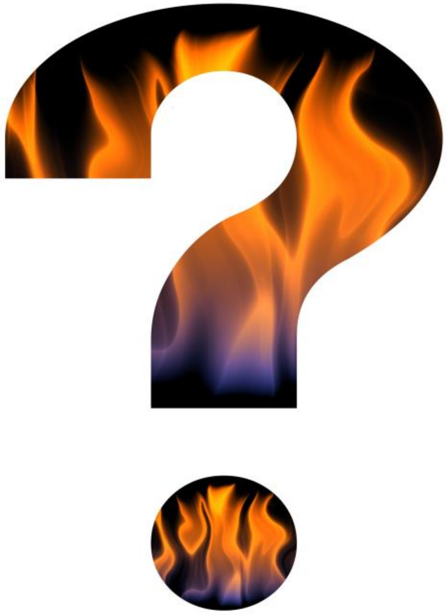
PLANNING AND PROTECTING

- May get premium discount for loss prevention/mitigation.
- Protect Physical Infra Structure/Increase Lighting.
- Take Measures to Protect Employees/ Evacuation – Early Closure.
- Evaluate Supply Chain Vulnerabilities.
- Relocate property if possible (planes, ships, trucks, etc.)
- Relocate re-route hub traffic if possible.
- Report immediately. Contact broker.
- Mitigate further damage (mitigation may be covered).
- Take waiting period into account before making claim.
- Collect loss data.
- Document full extent of damage. Take pictures. Track expenses.
- Conduct Voluntarily Assessments/Security Audits.

QUESTIONS?



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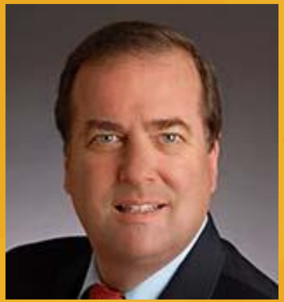
THANK YOU.



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