



## Minimizing your loss with Extra Expense Coverage – Explaining the Coverage

There is a common misunderstanding on the need for optional coverages offered on your CURIE policy and understanding what coverages to purchase.

Business interruption is coverage for loss of net profit generated for operations such as bookstores, restaurants and sport complexes that are rented out to third party group users or the public. It's important to understand that this does not include general tuition income. Business interruption is tied a building. It should also be noted that there is a co-insurance clause of 90% under 8.1 of the property policy provisions, so make sure the amount of BI coverage you have purchased is accurate.

Loss of rent covers loss of rental income due to rented facilities being untenable through an insured peril, this is utilized to cover

commercial landlord/tenant arrangements such as businesses/research park rentals.

Extra expense in a blanket coverage that provides cover during a restoration of an insured peril. The costs above what would normally be insured to conduct business as usual. If a loss occurred to a residence building extra expense would include the cost of alternative living accommodation, transportation to and from the campus and any other cost required to conduct the activity on an ongoing basis. For a loss of part or of all an educational facility the coverage provides for the cost of a temporary facility while restoration is taking pace.

Extra expense is the most common coverage that is used when a loss does occur. The basic coverage is based your annual insurable value amounts on your Duff and Phelps appraisals.

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Basic limits are as follows:

Insured Values	Minimum Policy Extra Expense
< 100MM	\$25,000
100-200MM	\$50,000
200-500MM	\$75,000
>500MM	\$100,000

Many schools have opted to increase their extra expense coverage. The maximum limit is \$50,000,000 with a limitation of 3 years after an insured peril occurs.

The best way to assess how much extra expense your school would need is to look at:

1. What expenses you would have to incur to set up labs and classrooms should a major building sustain a significant loss.
2. How large is your student resident housing is at your school. What would be the cost to find alternative housing for a residence if there was a fire to one of your residence buildings?

It is important to revisit this coverage every few years or when your campus has gone through a major construction project to ensure that your expense coverage is in line with your current business and demands at your university.



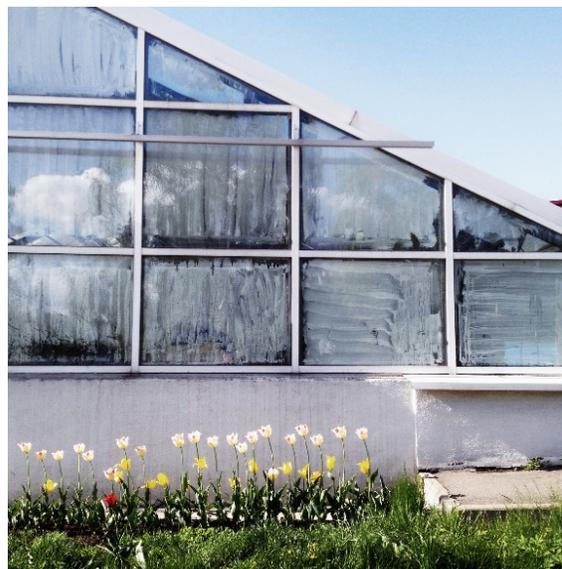
In the last year Dalhousie University had a major fire loss at their agricultural college in Truro, Nova Scotia. The extra expense coverage has played a major part of the claim to ensure that classes continue as the restoration of the damaged building takes place. The Cox Building was the largest building on this campus and therefore housed

a majority of the research labs and classrooms. There was little space available on campus and in a small town of Bible Hill to accommodate these researchers and students. Dal was able to acquire vacant space in a mall in the neighboring town of Truro, but the space had to be renovated to convert it

to research labs at great cost. Fume hoods had to be purchased and installed, cubicle space had to be created and the Dalhousie IT infrastructure had to be added. Also, it was not within walking distance to campus, so a bus company was hired to transport students and researchers between campus and the mall space.

**Some other issues that arose:**

- The contents and equipment had to be removed from the building and assessed for damage – could it be repaired, or should it be replaced. There was no space on campus to accommodate housing \$5 million worth of equipment. Therefore, a warehouse had to be leased to store and clean the equipment, the warehouse lease was covered under extra expense.
- The Registrar’s Office and the Bookstore were in this building and had to be ready for September. They had to find an alternate location on campus.
- Departments had to set up elsewhere, with temporary phone and IT setups.
- A theatre had to be converted to classroom space and the audio visual and lighting had to be upgraded.
- The greenhouses were inaccessible as they could only be accessed by going through the building, which was inaccessible. Therefore, a new, temporary, greenhouse had to be constructed to continue research.



All these components were covered under Dalhousie extra expense coverage. This coverage allowed Dal to continue studies for many students and staff while the building was being restored.

To confirm your current extra expense limit, review your property policy declaration page, your extra expense limit will be listed. If you have any questions regarding extra expense, please contact CURIE staff.