

Billions in interruption claims for 9/11 still open

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NEW YORK — According to a PricewaterhouseCoopers analysis, of the 5,493 business interruption claims filed stemming from Sept. 11, 2001, approximately 768 claims remain open with loss exposure of \$8.6 billion.

As of June 11, 2003, a total of 4,735 business interruption claims relating to Sept. 11 have been paid, costing insurers \$3.4 billion.

Business interruption coverage continues to represent the largest portion of claims stemming from the events of Sept. 11, 2001.

PricewaterhouseCoopers anticipates that 30 percent or \$12 billion of the total loss estimates of \$40.2 billion relating to the events of Sept. 11, 2001 are attributed to business interruption claims.

“The exercise of calculating a business interruption loss is a difficult task under normal circumstances,” said Steve Kessler, director, PricewaterhouseCoopers Insurance Claims Practice. “Claims that are easier to measure and review by the insurers are generally being paid out accordingly.”

Some of the key issues in connection with the significant business interruption claims that have not settled include the following:

- Business interruption claims were filed either after the physical damage and extra expense claims were concluded or after negotiations on these more straight-forward portions were well underway.
- Coverage afforded under the policy and related endorsements are being interpreted differently by the policyholder and the insurer, due to an unusual convergence of two key factors—a unique event(s) coupled with policy coverages that never contemplated anything even remotely like what occurred on September 11, 2003.
- Policyholders did not sustain physical damage. Claims based solely on civil authority, service interruption, and contingent business interruption triggers, as well as business interruption claims for locations outside of “Ground Zero” or the Pentagon. For example, how far physically from the Pentagon or the World Trade Centre will coverage extend? Does it extend to airports located more than 1,000 miles away?
- No agreement between policyholder and insurer in connection with the scope of physical damage. For example, will cleaning of the building and contents restore the property to pre-loss condition or is razing of the building and/or replacement of the contents required.
- The business interruption period of indemnity was still running even one year or more after September 11 and thus, the claims were or are not yet certain. For example, for former WTC tenants who could relocate to a comparable location might their period of interruption last until the WTC complex is rebuilt?
- Difficulty delineating between the effects of a weakening economy and the business interruption loss resulting from and the event(s) of Sept. 11. □