NYC 9/11 Public Portal Document

THE NEW YORK TIMES, SUNDAY, NOVEMBER 18, 2001

Shops Near Ground Zero Were Insured, but Not Enough

By JOSEPH P. FRIED

Samuel Castro had insurance in case a customer had an accident in his Lower Manhattan hat store. But he did not have insurance to cover damage to his inventory or sales losses inflicted by a disaster. Carrying such insurance, he says, would have cost too much.

So when the World Trade Center towers burned and collapsed in the Sept. 11 terrorist attack — and a cloud of soot and pulverized debris invaded his store two blocks away — there was no insurance reimbursement for his $20,000 worth of ruined headgear and for $15,000 in lost revenue from his three-week shutdown, he says.

"I was just careless," Mr. Castro said recently. "Sometimes you don't think about the worst cases."

Throughout Lower Manhattan, small shops like Samuel's Hats, at 74 Nassau Street, and small businesses in the area's office buildings lacked insurance coverage for all or most of their losses stemming from the trade center's destruction, according to business and insurance specialists.

In some cases, the businesses had no insurance coverage at all, they say, but much more often it was a matter of not having enough insurance. A form of underinsurance, they say, was having adequate coverage in some categories but no coverage at all in other important categories.

Mr. Castro, for example, had about $1 million in liability insurance in case of injuries in his store but no coverage for business interruption or property damage caused by disaster.

"Most businesses had some form of insurance, but based on our limited knowledge today, most were underinsured," said Carl Weisbrod, president of the Alliance for Downtown New York, the local business improvement district.

He said his group did a survey of more than 400 of the thousands of retailers in the area and found that 88 percent were insured, but the vast majority were underinsured because they were not covered for business interruption.

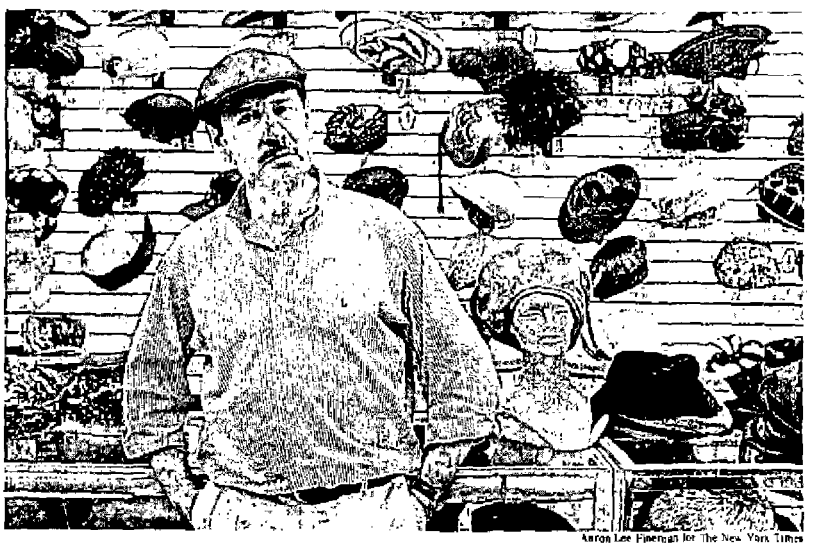
"These are small businesses and many have small profit margins," Mr. Weisbrod said. "They may have insured certain risks they're nervous about, like liability, which can ruin a business. Some may have had fire insurance but not insurance against other perils." He said his group had not done a similar survey of office-based businesses.

Fred P. Hochberg, a former acting administrator of the federal Small Business Administration, said that some businesses did not have business disruption insurance, but "many didn't know it exists."

Robert Hartwig, the chief economist at the Insurance Information Institute, a trade group, said he thought that the great majority of businesses, including small ones, had coverage for property damage. But he said that the "real issue is whether they have the right amount."

He added that "in this event, which was far more severe than one could have imagined, the answer is no."

Robert N. Waxman, a certified public accountant whose office was in one of the trade center towers, is in that category.



Aaron Lee Fineman for The New York Times

Samuel Castro's hat store was closed for three weeks after Sept. 11. He had no insurance for ruined goods.

> *'You never expect to have a complete, 100 percent loss.'*

He had what is generally regarded as the Cadillac of property insurance — coverage based on the cost of replacing destroyed items rather than on the prices he paid for them minus depreciation. The problem was that he had not bought enough of the insurance, he said, so that the reimbursement under his policy came to just one-third of the cost of replacing his lost furnishings and equipment.

"You never expect to have a complete, 100 percent loss," Mr. Waxman said. He declined to disclose the value of the lost property, but said: "You don't realize till you sit down and add up everything how much you have in an office. If I were to do it today, I'd have a lot more coverage."

So far, Mr. Waxman has not had to shop for a new policy, or, for that matter, for new furnishings and equipment. He is using an office in a friend's law firm while hunting for new quarters.

Mr. Castro said that he, too, had learned a lesson, and would seek more comprehensive insurance to cover property and business-interruption losses as well as potential liability damages. But he said it would mean a big increase in costs. His liability-only premium, he said, was about $1,500 a year. Adding business-interruption coverage and up to $200,000 in property coverage would raise the annual premium to about $5,000.

He said that to make up for the uninsured losses totaling $35,000 in wiped-out sales and ruined merchandise, he would seek a grant from one of the government or private programs providing financial aid to the damaged small businesses. But this will involve negotiating a maze of programs and eligibility rules that other small-business owners in the area say have left them confused and discouraged.

Many owners in the area were also confused about their insurance, said Jeannine W. Chanes, a lawyer who represents policyholders and volunteered to provide legal advice for affected small businesses.

Some owners who sought guidance in "were shocked and traumatized and said they didn't have any insurance," she said. But it often turned out they had at least some coverage. Others, however, completely lacked insurance.

"We saw a startup company, in the computer business, that was in business six months," Ms. Chanes said. "They were intending to get insurance and hadn't gotten to it." She said the company's computer terminals were ruined when the gritty debris from the towers' collapse infiltrated its offices, but she did not know the amount of its loss.

"We're also seeing situations where the policyholders said they had asked their broker to renew their policies and the broker didn't," she said. "They might have a suit against the broker."

Like other experts, Ms. Chanes said that even large companies in the area might not have had enough insurance for "this unprecedented loss."

A study by the city comptroller's office has estimated that losses in Lower Manhattan will total about $34 billion in destruction and damage of property and another $10 billion in lost business revenues.

The survey projected that about half the losses in each category would be covered by insurance. But the business specialists noted that large companies usually had greater resources to cope with a shortfall in insurance proceeds.

And large companies, they said, are better at negotiating with insurance companies when insurers may insist, for example, that part of the revenue loss is not reimbursable under a business-interruption claim because it resulted from factors like the declining economy rather than from the disaster.

Meanwhile, in Samuel's Hats, Mr. Castro, said he did not want to wind up in the same position again.

Though the costs of fuller coverage will be sharply higher, he said, "I should have it, because I don't know which way things are going."

CITY_21MC100_011833030

NYC-WTC_000414980