

REAL ESTATE FINANCE

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The Importance of Insurance

The scope of Hurricane Katrina's toll is not yet known. However, the financial damages are estimated to exceed \$125 billion. The full range of business and industry has been hit with physical damage and destruction of property, disruption of operations, closures, loss of power and other resources, disruption and displacement of employees, and loss of business bases. Business closures include oil fields, oil refineries, stores, casinos, and public facilities. The states directly impacted include Alabama, Georgia, Louisiana, Mississippi, and Tennessee.

As communities and businesses seek to rebuild, their financial needs will be tremendous. Many have a valuable resource available in the form of property insurance. As Kirk A. Pasich, a partner at Dickstein Shapiro Morin & Oshinsky LLP, points out in this issue's first article, this insurance may provide coverage for physical damage to and loss of property, but may also cover financial losses arising from an inability to conduct business (either at all or at the same levels as before), the extra expenses incurred in dealing with the effects of the hurricane, including expenses incurred in advance to minimize any damages and loss, losses from looting, and the costs incurred in establishing the extent of the loss itself. Mr. Pasich explores what property owners and other businesses need to know to fully understand the scope of coverage afforded by their insurance policies in order to maximize the potential for recovering for all covered losses. He also highlights the traps they must avoid.

Lorelie S. Masters, a partner at Jenner & Block in Washington, DC, gives us a property insurance update. Ms. Masters discusses efforts to adopt the modern rule on notice in New York, the status of the Terrorism Risk Insurance Act, and the impact of recent decisions in the World Trade Center coverage litigation. She also provides a property insurance checklist and a checklist for business interruption losses.

A third insurance article, "Insurance Coverage for Construction Defect Claims," by Robert E. Frankel of Anderson Kill, discusses how insurance can provide an additional or alternative source of recovery for developers and contractors facing certain liabilities.