

Business Interruption Insurance

If a fire causes the facility to be temporarily unusable, what would you do next? Would your business be able to pay utilities, wages or any other standing charges without any income? It could take months before the damaged property is rebuilt and the stock, machinery and equipment are repaired or replaced. Ideally, you would move to a temporary location while your permanent place of business is being repaired. Yet, traditional Property Insurance does not cover this move or a loss of income when a business must temporarily close. With Business Interruption Insurance, this setback can be minimised by simply adding this cover to your Property Insurance policy.

What can be included in a Business Interruption Policy?

- Compensation for lost income if you have to vacate your premises as a result of disaster-related damage covered under a Property Insurance policy.
- Compensation for the gross profits that would have been earned based on previous financial records, had the major loss/peril not occurred.
- Covers operating expenses, such as utilities, that must be paid even though business temporarily ceased.
- Covers the increased cost of working, including expenses of operating in a temporary location while repairs to the permanent location are completed.

Considerations for Business Interruption Insurance

- Business interruption insurance cannot be purchased on its own—it must be added to an existing insurance policy, such as property or office insurance.

- Purchasers must also determine that the policy's maximum indemnity period is sufficient to cover the amount of time it will take for the business to recover following a major loss. This includes considering the worst damage or disaster that the business could incur, estimating how long it will take to repair or replace buildings, machinery and stock, and determining the length of time it will take to recover customers and market share. Typical maximum indemnity periods range from 12 months to 36 months, in 6 month increments.
- Price of cover depends on the risk of disaster to the premises. This may depend on the business location, nature of the business and how easily the business could function at an alternate location on a temporary basis.

Insurance experts estimate that Business Interruption Insurance is one of the most, if not the most, valuable cover available. Yet, it is often overlooked by business owners. Since Property Insurance only covers the cost of physical loss or damage and contents of a business in the event of a disaster, Business Interruption cover is invaluable in covering the loss of income while the permanent business location is being repaired.

Contact BHIB Insurance Brokers at (0330) 024 06 06 today to learn about our business continuity resources and to make sure that your business can survive an interruption.