

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 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. This setback can be minimised by adding business interruption (BI) insurance to your property insurance policy.

What can be included in a BI Policy?

- Compensation for lost income if has to vacate its 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.
- Operating expenses, such as utilities, that must be paid even though business temporarily ceased.
- The increased cost of working, including expenses of operating in a temporary location while repairs to the permanent location are completed.

Considerations for BI Insurance

- BI 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.

Insurance experts estimate that BI 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, BI cover is invaluable in covering the loss of income while the permanent business location is being repaired. Contact Sirelark Risk Services at 01603 343 053 today to learn about our business continuity resources and to make sure that your business can survive an interruption.

Provided by Sirelark Risk Services

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