

Are You Covered in Case of a Business Interruption?



If a fire causes your facility to be temporarily unusable, what would you do next? 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, also referred to as Business Income coverage, this setback can be minimized by simply adding this coverage to your Property Insurance policy.

What is included in a Business Interruption Insurance Policy?

The following is covered under a Business Interruption policy:

- Compensation for lost income if your business has to vacate its premises as a result of disaster-related damage covered under a Property Insurance policy.
- Covers the profits that would have been earned based on previous financial records, had the disaster not occurred.
- Covers operating expenses, such as utilities, that must be paid even though business temporarily ceased.

- Covers expenses of operating in a temporary location while repairs to the permanent location are completed.

Considerations for Business Interruption Insurance

Here are some things to think about if you're considering Business Interruption Insurance:

- Business Interruption Insurance cannot be purchased on its own; it must be added to a Property Insurance policy or included in a Business Owner's Insurance policy.
- Policy limits should be sufficient enough to cover a large amount of time to rebuild the permanent business space. Generally the business must be closed for several days before coverage begins, and it does not pay for those days retroactively.
- Price of coverage 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.

What is Extra Expense Insurance?

Extra Expense Insurance is also a viable inclusion to cover the amount needed to avoid having to shut down a

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business while the permanent location is being repaired. This coverage reimburses for expenses that arise on top of normal business expenses, but are not covered by Business Interruption Insurance. Depending on the disaster, Extra Expense Insurance may be sufficient enough to provide financial relief without having to utilize Business Interruption Insurance.

Insurance experts estimate that Business Interruption Insurance is one of the most, if not the most, valuable coverage available, yet business owners often overlook it. 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 coverage is invaluable in covering the loss of income while the permanent business location is being repaired. Consult Huckaby & Associates today to learn about all of our business continuity resources.