



## **Business Insurance Overview**

### **3 Types of Business Insurance Policies**

#### **1. Property Insurance**

Property insurance insures against loss or damage to the location of the business and its contents. It can also insure the property of others in your control when the loss occurs. Property insurance can be for a specific risk. For example, a fire insurance policy insures only against a fire loss to the location. A tornado is not a fire and, therefore, that loss would not be covered. The insured location can be owned, leased or rented.

#### **2. Casualty Insurance**

Some insurers will lump property and casualty insurance together and refer to the coverage as “property and casualty” insurance. In fact, “packaged” policies of property and casualty. Property insurance insures the location of the business while casualty insurance insures the business.

- a. For example, if your business is on the seventh floor of a building and a natural disaster, such as a flood, occurs that wipes out the first floor, but causes no damage to the seventh floor, then any loss would not be covered by your property insurance because there is no direct loss to the location of the business. However, if you have business continuation or business interruption insurance you may have coverage for the indirect loss to your business.

#### **3. Business Interruption Insurance**

Business interruption insurance insures against loss or damage to the cash flow and profit of a business caused by the business being unable to operate because of interruption. The easiest example is to think about a critical piece of machinery being struck by lightning. The repairs to the machine may be covered by other coverage such as property or casualty insurance. But, if you can’t make widgets for three months, then there is no replacement of that income without this coverage.

- When a disaster strikes, the location may be temporarily unusable. Your business will not be producing income and may continue to incur fixed costs (rent, utilities, etc.). Standard property insurance does not cover the loss of income caused by the temporary closure of the business. Business interruption insurance can be included in the property insurance coverage to cover this loss.
- Business interruption coverage covers:
  - The income your business would have made during the period your business location is unusable. This amount is determined by your historic financial records.

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- The costs and expenses incurred by your business even though the location is unusable. Again, these fixed costs are determined by analysis of historical financial records.
- Costs incurred in having to move and operate from a temporary location. “Extra expenses” that may be incurred by keeping the location open. Extra expense coverage is offered by insurers to lower business interruption costs. For example, if your business can stay open by renting a piece of equipment, then the extra expense of the rental would be covered because the insurer would rather pay the extra expense of the rental than the cost of a shut down.

#### **Business Insurance Links**

- [Flood Insurance Issues in Recovery](#)
- [National Flood Insurance Program and Reforms](#)
- [Flood Premiums Rise Drastically](#)
- [National Flood Insurance Program](#)
- [Building Higher](#)