



BUSINESS INTERRUPTION INSURANCE

(current as of 3/19/2020)

Almost all businesses carry insurance and for many, business interruption insurance exists within their policy. The detailed information below will outline the basic premise of business interruption insurance and what could generally be considered a claim. You should check with your insurance provider to understand your coverage and what, if any claims you may have.

WHAT IS BUSINESS INTERRUPTION INSURANCE?

Business interruption insurance is insurance coverage that replaces business income lost in a disaster. Business interruption insurance is not sold as a separate policy but is either added to a property/casualty policy or included in a comprehensive package policy as an add-on or rider.

UNDERSTANDING BUSINESS INTERRUPTION INSURANCE

- Business interruption insurance premiums (or at least the additional cost of the rider) are tax-deductible as ordinary business expenses.
- This type of policy pays out only if the cause of the business income loss is covered in the underlying property/casualty policy. The amount payable is usually based on the past financial records of the business.
- Business interruption insurance coverage lasts until the end of the business interruption period, as determined by the insurance policy.
- Most business interruption insurance policies define this period as the date that the covered peril began until the date that the damaged property is physically repaired and returned to the same condition that existed prior to the disaster.
- The insurer is only obligated to pay if the insured actually sustained a loss as a result of the interruption. The amount that will be recouped by the business will not exceed the limit stated in the policy.

WHAT BUSINESS INTERRUPTION INSURANCE COVERS

Most business insurance cover the following items:

- Profits. Based on prior months' performance, a policy will provide reimbursement for profits that would have been earned had the event not occurred.
- Fixed costs. These can include operating expenses and other incurred costs of doing business.
- Temporary location. Some policies cover the costs involved with moving to and operating from a temporary business location.
- Commission and training costs. In the wake of a business interruption event, a company will often need to replace machinery and retrain personnel on how to use the new machinery. Business interruption insurance may cover these costs.

- Extra expenses. Business interruption insurance will provide reimbursement for reasonable expenses (beyond the fixed costs) that allow the business to continue operating while the business gets back on solid footing.
- Civil authority ingress/egress. A business interruption event may result in government-mandated closure of business premises that directly cause financial loss. Examples include forced closures because of government-issued curfews or street closures related to a covered event.
- Employee wages. Coverage of wages is essential if a business does not want to lose employees while shutting down. This coverage can help a business owner make payroll when they cannot operate.
- Taxes. Businesses are still required to pay taxes, even when disaster hits. Tax coverage will ensure a business can pay taxes on time and avoid penalties.
- Loan payments. Loan payments are often due monthly. Business Interruption coverage can help a business make those payments even when they are not generating income.

