



# **BUSINESS INTERRUPTION INSURANCE**

## **WHY INSURE?**

- Is your business capable of surviving a major loss?
- Are your future earnings and profits protected?

Research shows that a significant number of businesses which sustain a major loss do not resume trading. Even many of those which do have some form of Business Interruption Insurance still fail within 3 years, with only a fraction of businesses surviving. Inadequate or under-insurance is the main reason for this.

## **WHAT HAPPENS TO YOUR BUSINESS IF YOU SUFFER A MAJOR FIRE OR OTHER SERIOUS EVENT?**

- Lost sales
- Cash shortage

## **THIS WILL CAUSE FAILURE OR DIFFICULTY OF YOUR BUSINESS TO:**

- Meet payment of continuing operating expenses
- Meet payment of staff salaries and wages
- Service debt
- Meet payment of other fixed expenses

## **THE END RESULT?**

- In the short term - **NO NET PROFIT**
- In the long term - **POSSIBLE LOSS OF MARKETS CAUSING SLOW RECOVERY AND POTENTIAL BUSINESS FAILURE**

## **HOW DOES A BUSINESS INTERRUPTION POLICY RESPOND?**

Money needs to be available to pay costs which the business will still incur despite the fact that it is not fully operating, or even worse if it stops altogether. In addition to this there may be extra costs as a direct result of the loss and these also need to be covered.

A Business Interruption policy pays the bills to maintain your business, it can:

- services your debt
- retain employees despite their inability to work
- meet redundancy payments for those employees who have to be laid off
- fund increased costs of working to maintain part of whole production
- maintain your net profit.

## **MAJOR REQUIREMENTS FOR BUSINESS INTERRUPTION COVER**

- Adequate Rate of Gross Profit \* - represents the percentage of your downturn in turnover that you will receive in the event of a claim, less any savings in expenses
- Adequate Sum Insured \* - represents the maximum amount you will receive in the event of a claim
- Adequate Indemnity Period \* - represents the length of time during which your downturn in turnover will be claimable

\* All these figures are used in calculating your under-insurance ratio, if any.

## **IMPORTANT CONSIDERATIONS**

- The accident causing your loss of profit or reduction in turnover must be covered under your Material Damage section of your policy.
- If your Rate of Gross Profit, Sum Insured &/or Indemnity Period are incorrect under-insurance will apply & your policy may not pay in full.
- A generous sum insured for Additional Increased cost of working should be allowed as this is not subject to under-insurance & will greatly assist in keeping your business trading.
- When setting your sums insured please take into account business trends for your period of insurance as well as your Indemnity Period.
- When setting your Indemnity Period please consider what the maximum period during which your business could be affected as the result of an accident. Taking into account such things as:
  - Demolition of buildings Plant and Machinery & site clean up
  - Having Architect / Engineering plans drawn up
  - Council permits / building tenders / awarding of contracts
  - Delivery of Machinery and Plant / Rebuilding
  - Availability of temporary premises
  - Trend of business / time to recapture Market share
  - Outsourcing work
  - Availability to work overtime (Employees or Repairers)