



Business Income/Extra Expense: What Next?

The pictures of devastation we have seen from across the country are stark reminders that every day, we face risks to our business that cannot be controlled. Yet you don't have to live in a hurricane zone to experience a loss that halts business. Fire, floods, earthquakes and other natural disasters often cause irreparable damage, including loss of operations. Even loss of utilities can interrupt your business, which will be discussed in our next newsletter.

Business Income coverage, formerly known as Business Interruption, when added to your Property Insurance coverages can cushion the economic fallout and your ability to remain in business as a result of a covered loss causing a slowdown or suspension of your operations during the time required to repair or replace the damaged property. Business Income provides coverage for the following exposures:

- Loss of income associated with an interruption of operations resulting from a covered loss to your location/equipment
 - Loss of profits you would have earned had your location/equipment not been damaged by the covered loss
- Operating expenses for the annual expenses you have that relate to the primary operation of your business such as rent, lease payments on property or equipment, wages and salaries, payroll taxes, benefits, insurance premiums, property taxes, utilities, etc. that continue to be charged even if the business operations are temporarily hindered
- Temporary location expenses so business can continue during repair/reconstruction (Note—not all policies cover this expense)

Extra Expense coverage pays for expenses in excess of normal operating expense that you incur to continue operations while your property is being repaired or replaced after being damaged by a covered cause of loss. Examples would be notification to clients or your temporary address/phone number, room and board for staff to assist in the resumption of operations, cost for consultants hired to resurrect your computer systems, etc. Extra Expense coverage can be written on a stand-alone basis or in addition to Business Income depending on your needs.

When purchasing Business Income and/or Extra Expense coverage, the completion of a worksheet is not only necessary to determine the actual limits needed but is a requirement of the insurance carrier. Also consider the following:

- How long will it take to rebuild your business in the event of a partial or complete loss? Can your business be conducted out of another location? Consider that most policies have a 48-hour waiting period before coverage begins. How long beyond that will it take?
- What risks are inherent to your business? Do you live in an area that is prone to natural disasters? Is your local fire department close enough to respond quickly? Is there any increased risk for business income/extra expense that your business faces?

It's vital to companies to understand how even the smallest interruption in business can affect everything from computer systems to losing key clients to the competition. Having a policy in place that protects businesses from the inability to operate goes a long way in maintaining a competitive position and restoring the business should disaster strike.