

Business Interruption Losses

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With the changing weather patterns throughout the country creating fires, floods and hurricanes, companies are experiencing more business interruption losses. Although there may be provisions in insurance policies to cover some of these losses, it is important to note that the terms of the policy dictate the extent of the coverage.

For instance, business interruption insurance can compensate a company for lost income if the company had to vacate its premises due to disaster-related damage such as a fire covered under its property policy. It may also cover the profits a company would have earned, based on its financial records, had the disaster not occurred, as well as operating expenses such as electricity, that continue even though business activities have been halted.

Insurance policies should be carefully reviewed to determine their trigger points as some policies only cover business interruption when there is actual damage to property. However, many policies do contain a provision that covers actual business income lost when operations are suspended because of a governmental order that specifically denies access to the insured place of business. For companies in areas of the country where natural disasters are becoming more prevalent, it may be wise to have a civil authority provision included in your company's insurance policy.

Some of the other provisions companies should review their policies for are:

- Business income, or income that would have been earned by the business had no loss occurred.
- Extra expenses - those expenses incurred during the period of property restoration

that would not have been incurred if there had been no damage to the property.

- Contingent business interruption – an extension of coverage designed to cover loss of income incurred in your business due to a property loss at a key supplier or customer location.
- Civil authority, which coverage may also be available for loss of business income and extra expense sustained as a result of government denial of access to your property, due to a covered loss at a location not owned by you.

In reviewing policies for coverage of business interruption, it is important to make sure the policy limits are sufficient to cover the company



for more than a few days. In addition, it is imperative that a company ensure that the process of filing a claim be as smooth as possible by properly documenting the claim and having an effective claims team and leadership in place

immediately after the disaster. One of the most important team members to have in place is a disaster recovery specialist experienced in handling such claims. Risk Assessment & Transfer International has spearheaded numerous disaster recovery claims and stands ready to your assist your company.

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