



Understanding Business Interruption Insurance

What BI covers, exclusions, and options

Business income or business interruption (BI) falls under the business personal property portion of a commercial package policy and covers your property and its contents if they're damaged as a result of a covered event such as a fire or wind. If the damage is going to take some time to repair before your business can get back to operational status, you may lose revenue due to being shut down. BI will help you bridge that gap.

Make sure you read your insurance policy closely and speak with your insurance advisor to understand if you are adequately covered. Here's a brief breakdown of what BI covers, in addition to exclusions and payout options.

What It Is

BI provides income to repair damaged physical property during a covered event and income for loss of revenue when a business has to shut down.

What It Covers

Damage to physical property. For coverage to apply, the damage has to be a covered peril in your insurance policy. BI also covers lost revenue for businesses that have to shut down, and the extra expense coverage provides money to move business operations to another location while the original building is repaired.

Exclusions

BI doesn't cover extreme weather events such as earthquakes or flood and doesn't cover pandemics, such as COVID-19. Earthquake or flood coverage must be under separate policies that offer BI.



Payout Options

1. Actual loss sustained

There is no limit; the insurer will pay until you are operating again. You must be able to prove your loss. The insurer will look at the past one to two years of sales and determine the loss payout based on those sales and the cost of damaged property. This option may not be available with some carriers.

2. Agreed value no coinsurance

The client and the company agree to set a limit that is not subject to coinsurance. Total income paid out includes damages to physical property and loss of income.

3. 1/6 month limitation based on client-agreed value

No coinsurance. This is similar to the agreed value, but the insurer takes the limit and divides it by six on the payout.

Example: if you have a \$1 million limit, your policy will pay out on a provable loss of \$166,667/month maximum every 30-day period. There is also a 1/3 option.

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