# BUSINESS INTERRUPTED: Celebrate Small Business Week By Making Sure Insurance Is Part Of Your Business Plan, Says I.I.I.

## National Small Business Week is April 30 - May 6

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**NEW YORK, May 1, 2017**? Whether a start-up or an established company, disruptions can devastate a business. Purchasing business interruption (BI) coverage is one way you can help protect your assets in case of a disaster or other loss, according to the Insurance Information Institute (I.I.I.).

?Many businesses are often unaware of the true costs and impact a business interruption can have on their operations without the proper coverage, said Loretta Worters, a vice president with the I.I.I. ?Many businesses do not survive because they either lack coverage or have inadequate limits for that *coverage*.?

Two in five businesses have suffered a business interruption loss in the last five years, according to a 2017 RIMS Business Interruption Survey. Moreover, a 2015 Nationwide survey found that 66 percent of small businesses, generally identified as those with 50 or fewer employees, lack business interruption coverage.



In business, sometimes you need to take risks to achieve your dreams. *But going without business interruption insurance* shouldn't be one of them.

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### What is Business Interruption Insurance?

Also known as business income insurance, business interruption insurance compensates you for lost income if your company has to vacate its premises due to disaster-related damage that is covered under your property *insurance* policy, such as natural catastrophes, supply chain disruptions or cyber risks. Business interruption insurance is most commonly found in commercial property insurance policies and businessowners policies (a package policy for small businesses, often referred to as a ?BOP?).

Business interruption coverage often includes coverage for extra expenses the policyholder incurs in excess of normal operating expenses during the period of restoration that reduce the amount of loss?expenses incurred to mitigate damages. These expenses typically include generators, temporary office space and computer equipment, overtime wages, employee meals outside of normal workdays, and expediting expenses necessary to speed the replacement of machinery, equipment or other personal property.

Business interruption coverage is typically triggered under three circumstances:

- 1. There is direct physical damage to the business? premises of such magnitude that the business must suspend its operations.
- 2. There is physical damage to other property caused by a loss that would be covered under your business? insurance policy, and that damage totally or partially prevents customers or employees from gaining access to your business.
- 3. The government shuts down an area due to property damage caused by a peril covered by your business? insurance policy that prevents customers or employees from gaining access to your business? premises.

Most BI policies have a waiting period of several days before the policy?s coverage comes into play. Coverage is available for as long as it is necessary to get the business up and running again, although the policy?s payouts usually last no more than 12 months.

Other types of BI policies specifically address instances in which a business? operations are disrupted because of a governmental action (civil authority); access to a business is restricted or limited (ingress/egress coverage); or a utility?s problems (e.g., power outage, water main break).

?Insurers use your financial records when processing a business interruption claim, so make sure they are accurate and up to date,? said Worters. ?This is especially important for growing businesses whose revenue increases annually,? she said. ?Be able to show the income the business was generating both before and after the loss.?

Check out *The I?s on Insurance: (Not so Risky) Business* video and small business tips on our Business Pinterest Board. Join the conversation on Twitter using the hashtag #dreamsmallbiz.

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