



PROTECTING YOUR BUSINESS: Business Interruption Coverage

If your business was forced to temporarily close due to damage to your business property, would you be able to continue to pay expenses such as your lease, loan payments, salaries and taxes until your business was operational again?

Business Interruption Coverage, also known as Business Income Coverage, is a type of insurance that helps replace the income your business does not receive when it must close because of damage to your business' property or premises.

This coverage is intended to provide you with the amount of profit your business would have earned had there not been any interruption caused by the closure.

Having Business Interruption Coverage can help provide your business relief, stability and assistance during temporary closures.

What Does Business Interruption Coverage Provide?

When shopping for Business Interruption Coverage, it is good to know what coverages are offered and provided. Business Interruption Coverage can help with the following:

- ✓ Employee Payroll
- ✓ Loan Payments
- ✓ Mortgage/Rent/Lease Payments
- ✓ Relocation Costs
- ✓ Taxes

What is Not Covered by Business Interruption Coverage?

Just as with any insurance policy, there are events that are not covered by your Business Interruption Coverage. If your business must temporarily close and it stops receiving income due to any of the events listed below, your Business Interruption Coverage may not provide benefits. Since there may be other policy exclusions, be sure to discuss these types of events with your insurance agent or insurance company and ask if there are any other events for which coverage will not be provided.

- ✗ Closure from losing electricity, gas, or water
- ✗ Earthquakes
- ✗ Flooding
- ✗ Glass breakage
- ✗ Income that is not documented
- ✗ Income not received because of partial closures, where your business is limited but still able to operate
- ✗ Pandemics, viruses, or communicable diseases

Typically, there must be physical damage to your business caused by an event that is covered by your policy before benefits are provided.



When Does Business Interruption Coverage Go Into Effect?



For Business Interruption Coverage to apply, your business must experience an interruption in the normal amount of income received as a result of the temporary suspension of business operations due to physical damage. You must also undergo a waiting period before benefits begin and a period of restoration.

insurance company. Oftentimes, while you will not receive benefits from your Business Interruption Coverage until 48-72 hours after direct physical damage has occurred, Extra Expense Coverage can be purchased to start benefits immediately.

INCOME LOSS

Your business does not receive income because physical damage to your business' property requires your business to temporarily close.

PHYSICAL DAMAGE

Physical damage to your business' property requires you to temporarily suspend your business operations. The cause of the physical damage must be covered under your Business Interruption policy. Your Business Interruption policy will list the causes of physical damage that are covered by the policy.

WAITING PERIOD

For most policies, you will not receive financial benefits from Business Interruption Coverage until after the waiting period, which is typically 48-72 hours after the business has experienced direct physical damage from an event covered by the policy. This timeframe can differ between insurance companies so be sure to discuss this timeframe with your insurance agent or

PERIOD OF RESTORATION

The suspension of your business must occur during a time period called the "period of restoration." The "period of restoration" is the time required to repair or restore the damaged property. It typically begins immediately after the physical damage to your business' property and typically ends when the damaged property should be repaired or when the business resumes operations at a new permanent location.

Please note, during the "period of restoration," benefits will be paid for a specific timeframe as outlined in the policy. Business Interruption Coverage is typically provided for 30 days but your insurance company may offer coverage for up to 12 months.

Additionally, if the business moves to a new location, the "period of restoration" ends when the business resumes operations at the new location. For most policies, the "period of restoration" does not include any increased time required to comply with a building code. For example, if the re-opening of your business is delayed by a month because the repairs must comply with a new building code, the income you would have received during that month may not be covered.



How Much Business Interruption Coverage Should I Purchase?

In addition to knowing what benefits Business Interruption Coverage can provide, it is also important to make sure the policy limits are sufficient to cover your business.

Business Interruption Coverage is typically provided for 30 days but your insurance company may offer coverage for up to 12 months.

A discussion with your insurance agent or insurance company can help you determine the amount of coverage you need to ensure the policy limits are sufficient to cover your business.

BE SURE YOUR POLICY PROVIDES ENOUGH COVERAGE TO SUPPORT YOUR BUSINESS.

A good measure to use is taking your business' gross earnings and projections to estimate your business' future profits. With your estimated future profits, you can better determine the appropriate amount of coverage your business will need.

It is also important to remember that after major damage, it can be an extended period before you can get your business back up and running. When talking with your insurance agent or insurance company, they may help you complete a Business Income worksheet.



A **Business Income worksheet** is a form used to estimate the yearly income from your business. The worksheet will be instrumental in helping determine

the proper amount of coverage needed for your business to survive a temporary closure due to physical damage. This amount is then used to help determine the amount of coverage you should purchase.

Endorsements & Additional Options

Some insurance companies will offer additional options and endorsements to their standard Business Interruption Coverage. Depending on your insurance company, some of these additional options and endorsements may require an additional premium.

Be sure to talk with your insurance agent or insurance company to see if your business could benefit from these additional business interruption coverages and if any additional premiums will be required.

CONTINGENT/DEPENDENT BUSINESS INTERRUPTION COVERAGE

Coverage for business income not received due to physical damage to a direct supplier's or customer's property. This can include suppliers and companies that are not able to provide materials or services to your business/customer, customers who are no longer able to accept your products or services, and companies that are no longer able to refer new customers to your business.

EXTENDED BUSINESS INTERRUPTION COVERAGE

Once your business is operating, your business income may not have returned to its normal level, this coverage can provide loss income benefits for a specific timeframe beyond the typical initial 30 days.

CIVIL AUTHORITY COVERAGE

Adds coverage if another business' property is physically damaged and the damage to that property caused a civil authority (local, state, or federal government) to prohibit access to the property, and this prohibited access also prevents access to your business. The physical damage to the other business' property must be caused by an event covered under the Business Interruption policy for your business.

EXTRA EXPENSE COVERAGE

Covers the extra expenses your business may incur while getting back up and running. This can include paying rent on a building you have to temporarily move your business to while your building is being repaired, providing funds to lease equipment or to purchase furniture or computers, and paying overtime to employees or hiring more employees.

SERVICE INTERRUPTION COVERAGE

Coverage for loss of income if your business operations are suspended because of direct physical damage to the utility company's equipment that provides utility services to your business. The physical damage must be caused by an event covered under the Business Interruption policy for your business.

ELECTRONIC VANDALISM COVERAGE

Coverage provides protection for your business' income in case of electronic/cyber-attacks. For example, if your business website is hacked and it prevents you from fully operating your business, this coverage can help cover any income your business would have received.



RECORDS ARE IMPORTANT!

In order to receive the most benefit from your Business Interruption Coverage, it is best to maintain accurate financial records. Accurate records of your business' prior years' income and profits will help to determine the amount of

coverage you need and the amount of benefits to be paid. Accurate income and profit records, utility records, photographs, receipts or records documenting any extra expenses you have incurred can help ensure you will receive an accurate amount of benefits to help sustain your business during the period of time the normal amount of income is not received.

Business Interruption Coverage:

- Protects against the temporary closure of your business when productivity is interrupted, including the time it will take to repair or replace your damaged property.
- May require your business to be closed for a specific number of days before the insurance company will begin providing benefits.
- Typically calculates income benefits on a net income basis: your documented business income before taxes.
- Does not provide coverage for damage to your physical business property, only coverage for the income your business does not receive, due to damage to your business property.
- Includes a specific number of days that the policy will help pay for loss income and operating expenses while your business is being restored back to the condition it was prior to the damage.

FOR MORE INFORMATION OR ASSISTANCE

For assistance with any questions or concerns regarding your Business Interruption Coverage options, you may contact:

Florida Department of Financial Services
Division of Consumer Services
Toll-free Insurance Consumer Helpline
1-877-MY-FL-CFO (693-5236)



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