An Overview of
BUSINESS INTERRUPTION INSURANCE

Today, few business owners would consider leaving their buildings and contents uninsured. However, many may have inadequate insurance coverage or lack coverage on the real purpose of their businesses—*the earnings.*

Business interruption insurance is designed to do for the business what the business cannot do for itself in the event of a loss. It pays for the lost net profits of the business plus any continuing expenses that occur during "down time" caused by a covered peril.

TYPES OF BUSINESS INTERRUPTION INSURANCE

Which type of business interruption insurance is best suited to your business needs? Most manufacturing firms require **gross earnings coverage**. When the value of a firm's future gross earnings is properly estimated, any non-continuing expenses may be deducted to arrive at the company's net profit, plus any continuing expenses, had there been no interruption. This continued profit stream can also compensate key employees who might otherwise be lured away during an enforced shutdown.

Many commercial enterprises are unable to afford a prolonged shutdown and must continue operations even though property has been damaged, especially if a shutdown might result in a permanent loss of business. For example, banks, restaurants, and supermarkets typically require arrangements for continued operation if a permanent location is damaged or destroyed. Under these circumstances, extra expense coverage would be more appropriate to help pay expenses that exceed the normal expenses needed to keep the insured in business. Overtime wages for employees, extra travel, and the costs of working with substitute or makeshift facilities may be covered.

Due to the nature of some businesses, both gross earnings and extra expense coverage may be necessary to protect against risk. A complete analysis of the specific needs of your business can help you obtain the business interruption coverage you may need *before* you need it.

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