

# BUSINESS INTERRUPTION INSURANCE *EXPLAINED*

## Managing risk is an essential part of operations for every business.

As a business owner, you insure your tangible physical assets (ie: buildings, inventory, equipment, etc.) to ensure you have coverage to repair or replace these assets if the unexpected happens. But what happens if **due to that physical loss**, your business can't continue as usual during what could be a prolonged restoration phase? How do you continue meeting your fixed costs (ie: taxes, debts, utilities) and retain your key personnel if your income is diminished? Where will the money come from for additional out of pocket costs like rental of a temporary location and its associated costs, rental of equipment or tools and replacement of inventory?

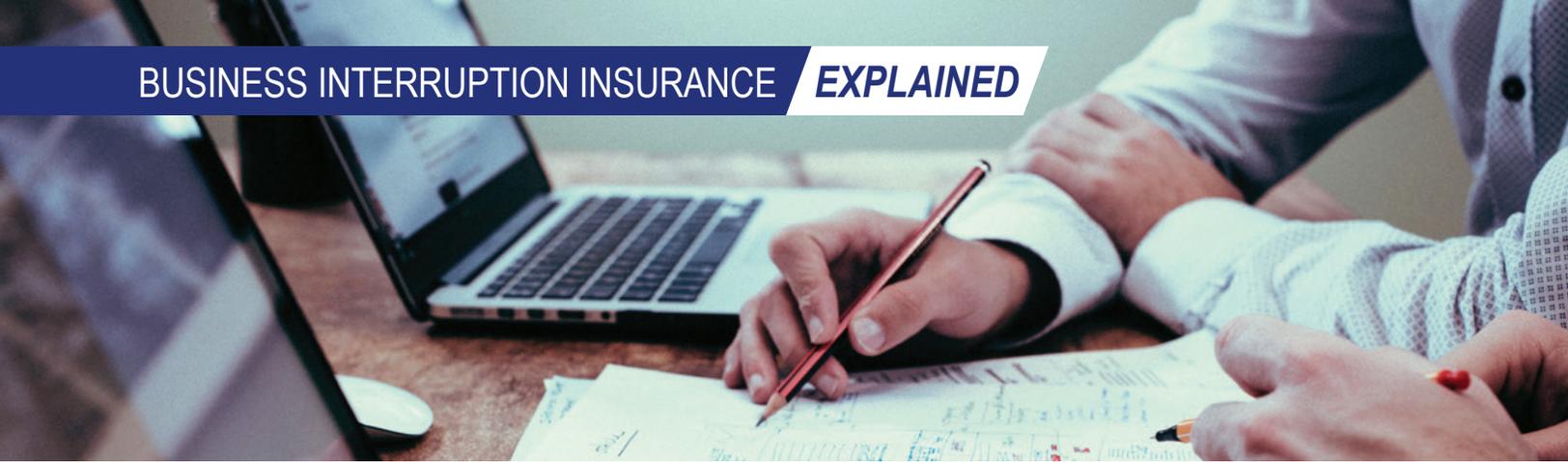
Let's take a look at the various business interruption coverages available *when you have suffered a direct physical loss or damage to insured property as a result of an insured peril*. These can replace income, continue payments and help with additional expenses during a stressful time.

### LOSS OF INCOME COVERAGES

COVERAGE	DEFINITION	WHAT'S COVERED	LIMITS
GROSS RENTAL INCOME	Provides coverage for loss of rental income when an insured property loss results in reduced gross rents.	The gross rents lost plus additional expenses incurred to avoid reduction in gross rents (only if less than loss avoided).	Maximum 12 months past loss occurrence.
LOSS OF INCOME OR EARNINGS (NO CO-INSURANCE)	Provides coverage for loss of business income less expenses that don't continue <b>until your property is restored.*</b> No co-insurance means you can insure less than 100% of your income. While insuring less can save you premium, the imposed limits may not be adequate to help restore your business to its previous financial position.	Reduction in revenue and increased costs less any expenses saved. Key labour covered. Extra expenses covered to the extent that they reduce lost revenue.	<b>25% of DEC page limit only within any 30 day period. Once damaged property is restored, no further funds paid out</b> even if revenue is not where it would have been had the loss not occurred. Maximum 12 months past loss occurrence.
FARM EARNINGS	Specific to farm risks, provides loss of earnings (no co-insurance) coverage for business interruption caused directly by insured perils damaging or destroying insured buildings or livestock.	Reduction in revenue and increased costs less any expenses saved. Key labour covered. Extra expense limit of \$2,000.	<b>25% of DEC page limit only within any 30 day period. Once damaged property is restored, no further funds paid out</b> even if revenue is not where it would have been had the loss not occurred. Maximum 12 months past loss occurrence.
EXTENDED LOSS OF INCOME	Extends loss of income coverage as follows: provides coverage for loss of income <b>until the business returns to its normal, pre-interruption level.*</b> Hence, sometimes referred to as profit insurance.	Extends loss of income coverage as follows: increased costs to accommodate bylaws; up to \$10,000 for ordinary payroll expense for employee retention to resume business at same quality.	Lesser of DEC page limit and actual loss sustained until the business is producing the same income level it would have had there been no loss. Maximum 12 months past loss occurrence date.

\*Applies only when the insured business is interrupted as a result of damage to insured property caused by an insured peril.

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Additional expenses incurred as a result of an insured loss are included in all the loss of income coverages – *not to exceed the loss of income that would have been suffered had the additional expense not been incurred.* This coverage is also available independently of the loss of income coverages should you *not* require loss of income coverage. For example, you could incur moving and setup expenses to temporarily move your operations to another location. Or you may have to outsource some work in order to meet a contractual deadline.

COVERAGE	DEFINITION	WHAT'S COVERED	WHAT'S NOT COVERED	LIMIT
EXTRA EXPENSE	Insured property loss results in increased cost of operation (extra expenses – beyond the ordinary business operation expenses) – to re-establish business.	Temporary rental of commercial building & related expenses; equipment rental for specialized or difficult to obtain equipment.	Loss of Income; extra expenses due to bylaws.	Maximum 12 months past loss occurrence.
LOSS OF USE – FARM MACHINERY	Provides rental coverage for insured equipment damaged due to insured peril.	Equipment rental (only of same or comparable machinery regardless of whether it is available) within 24 hours of loss.	Equipment rental of different size, power, usefulness or purpose.	

Your agent can provide further details on these coverages, wordings and worksheets to assist you in determining the amount of coverage your business needs. If you already have Loss of Income coverage, any of the following could trigger a need to review your coverage:

- ✓ Acquisition of new equipment increases production capability and therefore projected revenue.
- ✓ Signing of new contracts increases projected revenue.
- ✓ Acquisition of highly specialized equipment that would be difficult to replace in a catastrophic loss.
- ✓ Incurrence of debt that could make surviving a catastrophic loss difficult to impossible.

**Contact your agent to customize a plan of insurance that meets the specific needs of your business. This coverage could be for your farm, commercial business and/or rental properties.**

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