



Butwin Insurance Group

Founded 1925

Understanding Business Interruption

Business Interruption Insurance is designed to guarantee your net profits, pay certain salaries and provide “extra expense” money to help you get back in business as soon as possible. In the end you should be in the same bottom line financial position as though the loss had never occurred.

Business Income (BI) insures the net profit and “continuing expenses” you would have incurred if there had not been a covered loss. BI amount is determined by completing a BI Worksheet.

Extra Expense (EE) provides money for those extra expenses, over and above your normal operating expenses, you incur in an attempt to reduce the BI loss and/or return to business as soon as possible. The importance of this limit is usually greatly underestimated. Often an insured can spend extra sums to get back in business much faster than would be otherwise possible.

Continuing Expenses are normal operating expenses including “executive payroll”, leases, taxes, insurance premiums and loans that continue during the “period of restoration” and “extended period of indemnity”.

Period of Restoration is the period of time it would normally take to restore the property to its previous condition.

Extended Period of Indemnity: The day you re-open ends the “period of restoration” however sales will most likely not immediately be what they were prior to the loss. The policy may provide for an “extended period of indemnity” which insures the difference between what the business is doing following restoration of property and what it would have done had no loss occurred.

“Business Interruption Insurance is designed to guarantee your net profits and pay the extra expenses necessary to get back in business as soon as possible. In the end you should be in the same bottom line financial position as though the loss had never occurred.”

Executive Payroll covers officers, executives, department managers, employees under contract, and any additional person or persons the insured wants to decree as executive payroll either by job classification or by individual’s names.

Ordinary Payroll is often optional and covers everyone not included in Executive Payroll. While this coverage adds to the premium we recommend that most clients have this coverage for staffing stability during the “period of restoration”.

Waiting Period: A waiting period is an amount of time, represented by normal business hours, which must elapse before the insurance company will start calculating the BI loss. The BI coverage starts after the waiting period is exhausted. This is Business Interruption’s version of a deductible.

Contingent Business Interruption: This provides “business interruption” coverage if a loss at an important supplier or customer caused you to suffer a loss of income? This is one of the most overlooked covers.

Business Income Including Extra Expense Combined Limits: If the combined BI/EE form is purchased, values for BI and EE should be established and combined. Too many times only the BI value is calculated. At the time of loss, the combined BI/EE limit of insurance may be used entirely for BI; entirely for EE; or any combination of BI/EE.

“2 A.M. is a lousy time to find out you chose the wrong insurance broker”