



Why do I need Business Income insurance?

Answer: Without it, you would be forced to get a loan or use your savings account to fund your ongoing operations while you had no income. Without sales, how would you pay your rent, utilities, etc.?

Are all insurance policies the same?

Answer: No. Each insurance company creates its own contract which has been approved in the states where it is doing business. There are a lot of common elements, but each policy has its own coverages, exclusions, and definitions.

How would you calculate the BI for a property that will take multiple years to rebuild?

Answer: The simple answer is to buy multiple years of Business Income if the underwriter will let you. However, there are two issues: Will the market wait that long for the facilities to be rebuilt? Probably, if it is habitational as in an apartment complex, probably not, if it is a sales or service organization. The longer the rebuild time, the fewer the amounts of continuing expenses will be incurred. So there is a decreasing Business Income exposure as the years go by. The best business response is to have a Contingency Plan that reduces the recovery time so this will not become an issue.

Get the Facts... Risk Management magazine, Risk Reporter states:

- 80% of companies that suffer an extended disaster are out of business within 5 years (University of Minnesota).
- 50% of companies that suffer a disaster without a Contingency Plan go out of business within two years (IBM Business Recovery Services).
- 29% of companies that suffer a major disaster will close within two years; 43% never reopen (Datapro).

WE WELCOME YOUR INPUT!

Send us your comments, questions and jokes to be published in upcoming issues.

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