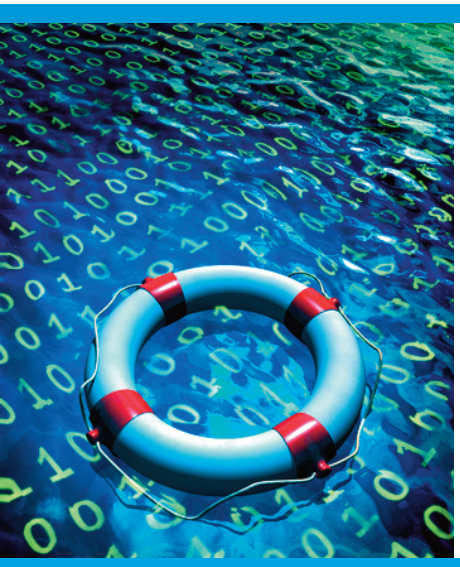

bi(PREPARED!)

[the business interruption e-source]

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BUSINESS INTERRUPTION CONSULTANTS, INC.

END THE CONFUSION ABOUT BI

Business interruption insurance, also known as business income insurance, is a type of property insurance. A business whose property has sustained a direct physical loss such as fire damage or a damaged roof due to a tree falling on it in a windstorm and has to close down completely while the premises are being repaired may lose out to competitors. A quick resumption of business after a disaster is essential. That is why business interruption insurance is so important. There are typically three types of business interruption insurance. A business can purchase any one or combination of these.

- **Business Income Coverage:** Compensates for lost income if a company has to vacate its premises due to disaster-related damage that is covered under the property insurance policy. Business income insurance covers the profits the company would have earned, based on financial records, had the disaster not occurred. The policy also covers operating expenses, such as electricity, that continue even though business activities have come to a temporary halt.
- **Extra Income Coverage:** Reimburses the company for a reasonable sum of money that it spends, over and above normal operating expenses, to avoid having to shut down during the restoration period.
- **Contingent Business Interruption Insurance:** Protects a business owner's earnings following physical loss or damage to the property of the insured's suppliers or customers, as opposed to its own property.

This article is credited to *The Insurance Handbook*, page 10, Insurance Information Institute.

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