

Business interruption insurance at a glance

What is business interruption insurance?

If your business suffered an unexpected disruption, such as a fire, flood or storm, or a major supplier closes because of one of these events, how long would it take to get it up and running again? And how much would you lose along the way?

Business interruption insurance can help make sure your business keeps running smoothly after an unexpected event, by covering the turnover that is lost – so you can recover and rebuild.

Who should consider it?

For most business owners, there are ongoing expenses that you need to pay even if you're not generating any revenue – like staff wages, supplier invoices, rent or loan repayments.

Business interruption insurance can get you through a temporary crisis by protecting your cashflow – so you can pay these expenses and help ensure the future of your business.

"Every business is vulnerable to events like fire, flood or burglary. But while most businesses have insurance to cover their buildings, equipment and stock, many don't protect their greatest asset of all – their ability to generate revenue."

Interruption Underwriting Agencies

Did you know?

12 months

Is considered a standard indemnity period, but for many businesses it may not be long enough.

(Interruption Underwriting Agencies, 2021)

policy trigger

The policy trigger for a business interruption claim is typically that a physical loss or damage needs to have occurred that leads to the business interruption.

(Interruption Underwriting Agencies, 2020)

25%

25% of small businesses say they would have to shut down if they experienced a business disruption such as a major fire or storm.

(CGU Small Business Survey)

What can it cover?

Business interruption insurance can cover the loss of any sales you would have made while your business is out of action – plus any extra costs you incur to stay open. Depending upon the policy, business interruption insurance can cover:

Type of cover	Potential benefits
Revenue/income	Income that would have been earned during the period the business cannot operate.
Fixed costs	Operating expenses and other costs still being incurred by the property (based on historical costs).
Temporary relocation	The extra expenses for moving to, and operating from, a temporary location.
Extra expenses	Reimbursement for reasonable expenses (beyond the fixed costs) that allow the business to continue operating while the property is being repaired.
Civil authority ingress/egress	Government-mandated closure of business premises that directly causes loss of revenue such as street closures.

What usually isn't covered?

Exclusions, the excess you need to pay and limits of liability can vary greatly depending on your insurer. In most cases, in order to claim under a business interruption policy, the loss has to arise from damage to property (buildings, stock and contents) which was insured and the damage to property has to be claimable under that policy although there are some limited situations in which cover is provided even though there is no damage to insured property.

Business interruption insurance is subject to the same exclusions as those in the policy covering buildings, stock and contents.

Case Study

Linda is the owner of a small office supplies business – with eight staff on the payroll and numerous suppliers.

Late one night, the restaurant next door catches fire and it spreads to her business premises – destroying the property along with the stock and IT systems. She's unable to open the shop for weeks while the building is being repaired. Because the business isn't operating, she's not making any money – meanwhile the bills are piling up.

But with business interruption insurance, Linda banks an insurance payment – maintaining her cash flow at pre- interruption level. Linda can continue paying her staff their regular wages, so they keep their jobs, and rents a temporary location so the store can keep running.

Contact us today

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