Business Interruption

Do I Need It?
Business Interruption is a complex cover and is one often left out of insurance portfolios, particularly by new ventures.

It is an important cover for new ventures as it can potentially save your business in the event of a major claim, such as a fire or flood.

What Does it Cover?
There are two main types of Business Interruption cover as follows:

Gross Profit Basis
At its most basic level, this cover will provide cover for any loss of gross profit due to your business being unable to trade due to an insured loss.

The sum insured for this cover is based on your company's estimated gross profit for the next year.

Uninsured Working Expenses is basically any cost which will reduce or be eliminated if the business is no longer operational and can include:

- Purchase of Raw Materials
- Utility Bills
- Transportation Costs
- Debtors
- Packaging

It is important to note that accountant's gross profit is different to insurance gross profit and using the accountant's gross profit can lead to the application of Average (reducing any claim settlement in proportion to the underinsurance).

Your gross profit amount should include your full wageroll as you will still be legally liable to pay the wages of your employees even if your business cannot trade.

Increased Cost of Working
This cover might be more suitable if your business can, theoretically, trade from anywhere. Increased Cost of Working cover will provide a pot of funds to pay any costs associated with getting your business back up and running, such as finding new premises, sourcing new equipment or obtaining new stock.

The sum insured is chosen by you, typically in increments from £10,000.

Increased Cost of Working cover has what insurers call, an Economic Limit. This means that they will not release the funds unless you can demonstrate that by paying out this money your business will either save money or make money. There is a cover called Additional Increased Cost of Working which does not carry this condition.

For either of the above cover, you will also need to choose an Indemnity Period. An indemnity period is the length of time that a claim will be paid for and so this should be set at the amount of time you think it will take to get your business fully operational again.

Most businesses have a 12 month indemnity period however, this is not the period that we would recommend. Purely for the reason that a major loss will often take longer than 12 months to recover from. We would recommend going for a 24 month indemnity period as a minimum. If you do go for a longer indemnity period, you will need to take this into account in your sum insured and also account for any growth that you expect the business to undergo in that period.

When considering your Indemnity Period, you should take into account the following:

- How long it will take to rebuild the premises, including debris removal, architects, planning permission as well as the actual works
- If any of your machinery or stock has a long lead time
- How long it will take to win your customer base back if you can't trade long-term
- Are you able to re-set up anywhere or will you need to wait for available premises in a particular area

How Do I Get A Quote?
Business Interruption, in both forms, is generally available as part of a package or combined insurance. Just let your insurer know your gross profit sum insured and indemnity period and they will be able to quote to include this for you.

Routen Chaplin, Britannic House, 5 Tamworth Road, Long Eaton, Nottingham NG10 1JE

Telephone: 0115 973 4437 | Email: insurance@routenchaplin.co.uk | www.routenchaplin.co.uk