



CORPORATE INSURANCE E-NEWS

Business Interruption Insurance

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What To Check In Your Business Interruption Policy?

BUSINESS INSURANCE REVIEW



Do you know...

Business Interruption (B.I.) insurance is intended to do for a business what it cannot do for itself after an insured loss. This won't happen if your policy isn't the best one for you or if it hasn't been set up correctly. Here are some points you should look at. The most obvious one is to make sure you carry the best form of B.I. insurance for your particular needs. If you have a Profits policy, you have the broadest available; it fits all businesses. Should you carry a Gross Earnings policy, you should review your choice; it may need to be changed.

Are you the tenant of your premises? If so, you should have a Profits policy. Are you certain your sales will return to normal as soon as the building and your contents are restored? If not, then Profits should be your choice. Do you know if your building is subject to By-laws that will increase the time for repairs or rebuilding or prohibit you from re-opening at your present location? A Profits policy covers this automatically; a Gross Earnings form must be specially endorsed.

If you have a Gross Earnings policy, how long do you estimate it would take to reopen after a total loss? With a Profits policy, how much further time would you need for your sales to recover as if no loss had occurred? The Indemnity Period in your policy must correspond to or exceed these timeframes.

Once you have determined the Indemnity Period, you can calculate the amount of insurance you need. But first, be sure to understand the meaning of the definitions in your policy. Any loss you sustain will be adjusted in accordance with them. We recommend strongly that you use a proper worksheet to make your calculation. As well as helping you arrive at a proper figure, it will remind you of the basic of coverage. A Gross Earnings form allows no expense items to be deducted, except the option to restrict coverage for Ordinary Payroll. The Profits specifications require you to make further decisions. You may choose which Standing Charges (or Overhead Items) to insure. First, you need to identify Standing Charges as opposed to Variable Expenses. A review of each expense item on your latest annual Profit and Loss

statement will highlight most of them. Nevertheless, some expenses will be partially fixed and partially variable. We advise you to treat these as Standing Charges and to insure all Standing Charges. For every Standing Charge you fail to insure, you will have to bear a portion of any loss you sustain. Either form of B.I. coverage requires you to choose whether or not to insure your Ordinary Payroll. Whatever you decide, check the policy has been drawn up to meet your wishes. In the case of a Profits policy, check that the sum insured on Ordinary Payroll meets the 80% Co-insurance requirement. Either B.I. form is also subject to Co-insurance. In the case of a Profits policy, it's 100%; for Gross Earnings it's either 80% or 50%. Obviously it's very important you check this.

If a loss occurs the day before your policy expires, the interruption to your business will occur during the following days and months. You must therefore project your figures for each year of the Indemnity Period beyond the expiry date (e.g. if the Indemnity Period is 24 months, you should insure for your earnings projected for the second and third years from the policy effective date).

A B.I. loss generally involves a lot of time and negotiation to settle at a time when you will be pre-occupied trying to get the business back on its feet as quickly as you can. Either policy form can be extended to cover the fees of professionals whose services you retain to help you establish the amount of a claim that has been accepted by your insurer. Check that you have this feature and that the amount of insurance is sufficient. Ask your auditor to give you an estimate on which to base your coverage.

Make certain your policy contains a Premium Adjustment Clause and that you understand it. It allows you to be liberal in your estimate of the amount of insurance to carry. If your Financial Statement shows subsequently that the figure exceeded your actual Profits or Gross Earnings, the excess premium you paid will be refunded, up to the limit stated.

If you are a manufacturer insuring Gross Earnings, remember that loss arising from damage to finished stock is not covered. For this, you must insure finished stock for its selling price rather than its actual cash value. This is not necessary if you carry a Profits policy.

Doing all the above will take time but we assure you that it will have been time well spent if you have a Business Interruption loss. Please call us if you have any questions about the details.

To Learn More about Business Interruption Insurance

DAN LAWRIE INSURANCE BROKERS LTD.

(905) 525-7259 or 1-800-661-1518

Protecting And Preserving Your Business

Have you done all you can to Protect and Preserve your Business?

Your business has taken time, effort and talent to build... have you done all you can to protect and preserve it? What about the strength of your organization- you and your key employees? Your combined energy, enthusiasm and experience are vital to the continued growth of your company.

Unfortunately, many business owners do not include in their plans the human capital required to maintain their business. If you or a key employee suffered a serious illness, became disabled or died, what would happen? Without proper protection, it would be

devastating to your business! Consider the following three "Protection Rules".

Protection Rule #1 - Life Insurance

What would happen if you or a key employee died prematurely? Life Insurance owned by the business on key employees is an important part of a business continuity plan. It can provide tax free money to help fund the business when it is most needed to assure customers and creditors that the business will continue, assist in hiring, training and compensating a new key employee and assist the key employee's dependents.

Protection Rule #2 - Critical Illness Insurance

How would your business be affected if you or a key employee became critically ill? A critical illness insurance policy can provide funds to compensate the business for the temporary loss of the key employee, assist the key employee with the treatment required to return to work as soon as possible and provide the employee with income replacement.

Protection Rule #3 - Disability Insurance

Most key employees are not adequately protected by the disability coverage provided through a group policy. A top up disability plan will insure that the employee receives the full benefit deserving of a key employee.

Let us show you effective and affordable financial planning solutions that can preserve the future value of your business and the income it provides for you, your family and your employees. Call Dan Lawrie Insurance Brokers today for the protection you deserve.

[Contact us today for more information and complete details on this innovative insurance solution!](#)

[Dan Lawrie Insurance Acknowledges one of our Clients Milestone Anniversary](#)



We wish to thank our Corporate clients that have been insured with us over the years. We recently acknowledged one of our clients milestones, Synapse Marketing - 10 years, with an engraved plaque, along with a gift honouring our mutual relationship. Presentation made by Lee Vardy (left) and Dan Lawrie (right) to Jim Moriarty of Synapse Marketing.

Call us Today!

**See how we can help you better protect
everything you have worked so hard to achieve!**

(905) 525-7259 / 1-800-661-1518

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