



# BUSINESS INTERRUPTION INSURANCE

If you are a business owner, you no doubt rely on a steady income from your operations, so how would you cope if your business was suddenly unable to operate? Many businesses would find it a considerable struggle – indeed around 43% of businesses that experience a disaster never re-open due to the income lost.

The bills do not stop arriving after the fire brigade leaves after a fire, or when a storm passes, or flood waters subside. How long can your business survive without revenue to pay your on-going expenses? If you have Business Interruption insurance, the financial risk and associated stress is taken away from the business, its owners, managers and employees as it has been transferred to an insurer.

**What so many business owners do not appreciate until a loss occurs (by which time it is often too late) is just how much they have invested. For most business owners it is their:**

- ▶ sole source of income – often for more than one person or several family members;
- ▶ major financial investment – many forgo their current lifestyle building an asset for the future;
- ▶ mortgage over their home - often with a personal guarantee;
- ▶ superannuation or a major part of it; and
- ▶ the purpose for getting out of bed in the morning – their role in the community.

Every year **1 in 500** businesses will experience a severe disaster



*McGladrey and Pullen*

**43%** of businesses that experience disasters never re-open and **29%** close within 2 years



*McGladrey and Pullen*

A business has a **less than 1 chance in 10** of surviving without business interruption insurance



*Manning, 2004*



## Who is it for?

Business Interruption insurance can provide broad financial protection for a range of small to medium-sized business types and occupations including (but not limited to):

- ▶ Health food shops
- ▶ Pet shops
- ▶ Fruit and vegetable shops
- ▶ Electrical retailers
- ▶ Travel agents
- ▶ Hairdressers and Beauticians
- ▶ Restaurants and cafes
- ▶ Motor mechanics
- ▶ Clothing retailers
- ▶ Handbag stores
- ▶ Florists
- ▶ Manufacturers.



## What does this cover?

Business Interruption insurance is designed to put the Insured back in the same position, as near as money will allow, to that which they would have enjoyed but for the loss.

### Most business interruption insurance typically covers:

- ▶ **Profits:** Based on previous monthly performance, a policy will generally provide reimbursement for profits that would have been earned had the event not occurred.
- ▶ **Fixed costs:** These can include operating expenses and other incurred costs of doing business.
- ▶ **Temporary location:** Some policies cover the costs involved with moving to and operating from a temporary business location.
- ▶ **Commission and training cost:** Machinery may need to be replaced and staff trained how to use the new machinery.
- ▶ **Extra expenses:** Reimbursement for reasonable expenses (beyond the fixed costs) so the business can continue operating.
- ▶ **Business that attracts customers:** Damage to property of a major tenant, if your business is located within a multi-tenanted retail shopping complex and the damage results in a reduced pedestrian count in the shopping complex.
- ▶ **Employee wages:** Coverage of wages while shutting down, helping the business owner make payroll.
- ▶ **Taxes:** Businesses are still required to pay taxes, even when disaster hits. Tax coverage will ensure a business can pay taxes on time and avoid penalties.
- ▶ **Loan payments:** Coverage of loan payments even though the business is not generating income.



## What usually isn't covered?

- ▶ Declared Pandemic, COVID-19, Avian Influenza or as declared under the Biosecurity Act 2015
- ▶ You cease to be in business or are declared bankrupt or placed into administration
- ▶ We recommend that you read the insurer's PDS to obtain full details of coverage.

*This material contains general information only and may not suit your particular circumstances. The precise coverage afforded is subject to the statements and information in the relevant Product Disclosure Statement (PDS) and the terms and conditions of the insurance Policy when issued. Before deciding to acquire any insurance product, you should obtain and consider the relevant PDS or Policy wording available by contacting our office.*

## FOR MORE INFORMATION CONTACT US TODAY

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