



# Business Interruption

If your insurance provider has done a good job of assessing and advising on the needs of your business, chances are they've mentioned Business Interruption (BI) cover.

While your office, its contents, together with the firm's activities, may be adequately covered in themselves BI offers an extra layer of protection to your finances for very specific purposes.

## ***What is BI Cover?***

Business Interruption cover supports your organisation by protecting against loss of revenue following material damage to your premises – whether you own them or not. It also provides a reserve fund for some additional costs which you may incur.

## ***How does it work in practice?***

The first thing to say is that each business's requirements will be different so it's important to seek professional advice at the outset. However, for the purposes of this example let's assume you're involved in manufacturing...

### ***EXAMPLE – a manufacturing firm***

Imagine you suffer a fire or flood at your premises that results in damage to your building, some machinery and an amount of stock. The repair or replacement of those should be covered within your existing insurance provision under the relevant sections. However, what won't be covered is the period of downtime during which you can't operate.

You'd probably need to find a temporary alternative location from which to manufacture, as soon as possible, with or without an increase in rent and you'd want to publicise the relocation to customers

and suppliers. You could lose new orders and struggle to fulfil existing contracts for a while. Would the business's funds be able to bear all these costs and losses?

BI would reimburse you for your lost revenue during this time. It would also cover the cost of renting alternative premises and notifying customers - even contracting orders out temporarily to a third party if you needed to.

Smaller businesses may need to divert personnel away from income-generating activities to focus on reinstatement and that's where there could also be a potential claim for loss of revenue as an indirect result of the damage.

### ***Not just for major catastrophes...***

Of course the benefits are easy to see on the cases where the potential losses are huge but BI also covers smaller-scale incidents - perhaps a gas leak in a neighbouring property results in a denial of access to your premises for a day as surrounding properties are evacuated for safety reasons. How else will an organisation recoup the income lost even during this short period of time?

### ***Other BI considerations***

BI cover doesn't stop there. During a prolonged period of enforced closure, staff members may be tempted to leave in search of work. You might not have any revenue coming in but you would want to continue paying staff wages to enable you to retain key people. BI cover steps in to help here too.

If all or part of your revenue comes as a result of fulfilling a contract or tender or any other paid-for services you'd be wise to assess how a period of inactivity would affect the contract - both now and at renewal. BI cover could mean the difference between success or failure and give awarders the confidence to choose you over another provider who doesn't have such a contingency in place.

To talk about any aspect of insurance for your business please call Chris Knott Insurance on **01424 205009** or provide [brief contact details online](#).

**CHRIS KNOTT INSURANCE**

*The right choice for savings, service & support*

Chris Knott Insurance is authorised and regulated by the Financial Conduct Authority  
01424 205009 | [commercial@chrisknott.co.uk](mailto:commercial@chrisknott.co.uk) | [www.chrisknott.co.uk](http://www.chrisknott.co.uk)  
5th Floor, Cavendish House, Breeds Place, Hastings, East Sussex, TN34 3AA