

Business Interruption Insurance

Business Interruption Insurance (“BII”) is a form of commercial insurance coverage that provides limited but useful protection when a business is unable to continue normal operations or occupy its premises due to the occurrence of certain events that are outside the business’ control. [See [Business Interruption Insurance](#), American Insurance Association, which provides the basis for much of this article.]

BII is triggered in one of three ways:

1. Physical damage to premises causing the business to suspend operations.
2. Damage to another property which prevents customers or employees from accessing the business premises (if such damage is due to a loss covered under the company’s policy).
3. Government shut down of an area due to property damage that prevents customers or employees from accessing the business premises (if such damage is due to a peril covered under the company’s policy).

A waiting period generally applies before the insured can recover under the policy; and coverage is limited, usually lasts no longer than 12 months, and ends as soon as the business is running again.

Customarily, BII provides coverage for (a) lost net income; (b) temporary relocation expenses; and (c) ongoing expenses such as payroll so employees won’t have to be laid off.

BII has become an increasingly important protective policy for businesses, especially following such tragedies as Hurricane Sandy and similar natural disasters which occur each year. But, it’s still necessary for the business to actually prove the covered losses. As such, providing your insurance carrier with all necessary information and paperwork in a timely fashion is crucial to moving the process forward.

Also, under BII policies, the insured business is required to resume operations as quickly as possible and to take reasonable steps to mitigate its damages and prevent future loss.

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