

Business Interruption Insurance

Due to the COVID-19 pandemic, many small businesses had to unexpectedly close down, resulting in significant losses. If you are a business owner who went through this ordeal, you may naturally wonder if your insurance policy would cover for your losses. It depends on the type of cover you have chosen and whether the policy includes business interruption insurance.

In simple words, you need to read the terms and conditions of your policy carefully. First, check if your insurance would cover for business interruption. Then, see if the insurance includes diseases and government-ordered closures.

What is Business Interruption Insurance?

Business Interruption Insurance, or BI Insurance, is an insurance cover that protects your business in case you cannot operate normally due to any untimely incident. It basically protects the profits and cash flow of the business. The primary aim of a business interruption insurance is to make sure that your business enjoys the same position it would have had if the incident had not occurred.

When you take a BI Insurance, you are required to set a certain period of time called 'Maximum Indemnity Period'. It could be 12, 24 or 36 months – basically the time you think it would take for the business to recover.

Although Business Interruption Insurance is not a legal requirement, it is a wise option for businesses like shops, restaurants, hairdressers etc that can close suddenly in the event of an unexpected disaster.

Will any Business Interruption Insurance cover for COVID-19?

In one word, the answer is "No".

A standard business interruption insurance may not include pandemics. Most times, it only includes damage to property due to flood, storm etc. So please make sure to read the policy carefully.

Some policies may cover cases where access to property is restricted.

There are also policies that cover diseases but such policies may differ. For example, in some policies, only a specific list of diseases is covered. Since COVID-19 is a new disease, it is extremely unlikely for it to be mentioned in the list.

Other policies mention that they cover all "notifiable diseases". A notifiable disease is one which has to be reported to authorities. The government has classified COVID-

19 as a notifiable disease. So, if your policy covers notifiable diseases, you can claim for business interruption insurance.

How much cover should I take for Business Interruption Insurance?

As with any other type of insurance, it may not be possible to say exactly how much cover you must take. Before making a decision, you may want to consider the following:

- Make sure you are not under-insured. Record the value of your property correctly. If you don't, you may not get the cover you need.
- Since a business interruption insurance is basically a cover for your profits, think about how much profit you would be losing.
- Carefully consider how long it would take for your business to get back on its feet and then decide the indemnity period.

What is the cost of a Business Interruption Insurance?

The cost of a BI Insurance may vary depending on the size of the business, the extent of coverage, chance of risk, and the amount of deductibles.