

Business Income Coverage

Business Income is the net profit or loss that would have been earned or incurred if the suspension of the business had not occurred, plus any normal operating expenses that must continue during the suspension of the business. Business Income insurance pays the actual loss of business income sustained by the insured because of a necessary suspension of the insured's operation during the period of restoration following a loss. The suspension must result from direct physical loss or damage to real or personal property. Coverage is provided against the same causes of loss covered under the insured's property policy. Under certain conditions, the policy also provides an extension of coverage for newly acquired property.

The insured's operations are the business activities of the insured, which occur at the location listed in the policy. The period of restoration is the period beginning on the date of the direct loss, and ending when the damaged or destroyed property could have been restored.

The business income and extra expense form provides the following additional coverages:

Extra Expenses

Extra Expenses are any expenses over and above those that would have been incurred during normal operation of the business. Some of the covered extra expenses are; expenses incurred to avoid or minimize the suspension of operations, expense to repair or replace property, and expense paid for overtime work to speed up the restoration of the business.

Civil Authority

Civil Authority is when access to an insured's premises is denied by civil authority as the direct result of damage or destruction of a neighboring or adjacent property belonging to others. If the damage or destruction is caused by a cause of loss covered by the insured's policy, this coverage would apply. The insured's premises would be covered for the loss of income during the period of suspension, up to a maximum of two weeks.

Alterations/New Buildings

Alterations/New Buildings provides coverage for loss of income resulting from a delay in beginning operations. The delay must be the result of damage to new buildings or structures, either completed or under construction. Damage to additions or alterations to existing buildings are also covered. The damage must be the result of a covered cause of loss.

Extended Business Income

This coverage provides the time needed for the insured's former customers to return once the business suspension is over by providing coverage for loss of income until sales return to normal, or up to a maximum of thirty days.

Optional Coverages

Maximum Period of Indemnity

Maximum Period of Indemnity is a restriction of the period of restoration provided under the policy. If this option is selected the insured's loss payment is limited to the lesser of (1) the amount of loss sustained during the 120 days immediately following the loss or (2) the policy limit. The coinsurance requirement does not apply if this option is chosen.

Monthly Limit of Indemnity

Monthly Limit of Indemnity is an option that allows the insured to recover a percentage of the actual policy limit during each thirty day period of interrupted operations. If a loss occurs, payment would be made for the lesser of the actual amount of the loss, or the maximum amount allowed to recover with this option. Under this option, the coinsurance requirement does not apply.

Extended Period of Indemnity

Extended Period of Indemnity is an option that extends the "extended business income coverage" over the standard thirty-day period. The insured can extend the coverage to 60 days, or up to a maximum of 360 days. The selected time would depend on the time the insured estimates it would take for revenues to return to normal after a suspension of the business.

Agreed Value

Agreed Value is an option that requires the insured to complete a business income report/worksheet showing the actual financial data for the previous twelve months, and estimated financial data for the next twelve months. An agreed value is determined from the financial data submitted. If a loss occurs, the insured's policy limit must be equal to the agreed value amount, if losses are to be paid in full. When this option is in force, the coinsurance clause does not apply.