
Business Interruption insurance exists to address these exposures associated with the down time that is created when a direct property loss occurs. Most property policies will have covered perils that trigger coverage for both the Real & Business Personal Property as well as the Business Interruption sections of the policy at the same time.

It is critical to consider the exposures that exist in this area. Your insurance broker can work with you to select from a wide array of options to round out this portion of your Property policy. In the process of doing this, a great approach is to work off of your Profit & Loss statement. Some general considerations will include addressing the following:

- Out of each expense line, what portion of that expense would continue after a loss? You will want to consider partial and total loss scenarios.
- Pay particular attention to plans regarding your payroll. This is one of the largest categories of expenses that you have. Consider all the expenses associated with this including taxes, benefits, Workers Compensation, etc. ... You may choose to continue to employ all your staff for a short period of time (partial loss), but only a percentage of your staff (key employees) if there was a major loss.
- Contemplate the period of time that it will take to get your doors opened again. In most incidences, this will be more than a year. Don't forget that you will have to adjust the loss, determine the cause, remove the debris, select a contractor and an architect, draw plans, get permits, etc. ... all before reconstruction begins.
- Consider deductibles, coinsurance, and other variables that will affect how much of the risk you will maintain versus transfer.
- Identify additional expenses that did not exist in the absence of the loss (increased security, marketing expenses, legal fees, etc. ...)
- Assess the period of time that it will take to rebuild your census to the level it was immediately preceding the loss. Your "loss of income" (from an insurance perspective) will continue even after you open your door until this point.

Ultimately, you will determine a limit of insurance that you choose to purchase. You will want to pay close attention to the relationship of the limit you choose relative to the exposure in the event of a "worst case scenario" loss. Your insurance broker can help you assess the ramifications of under-insuring.

When placed correctly, the individuals standing around after the loss shaking their heads at least will not have to worry about the financial impact of the loss. The objective of this insurance is to make them whole as if the loss had not occurred.

In closing, it is critical to understand that insurance only addresses a sub-set of the financial losses that could result from physical loss. For example, you only have Business Interruption coverage for the scenarios that you planned for. The peril that caused the loss must be a "covered peril" on the policy in order to trigger coverage (i.e., if the peril of "flood" is excluded by the policy, no coverage will exist for the Building, Business Personal Property or the Business Interruption).

Many times, the business interruption loss can be larger than the direct physical loss. It is important to understand the risks you face and how the insurance coverage that you have addresses (or fails to address) these risks.

Insurance is available to cover many aspects of the Business Interruption exposure. Prudent Risk Management procedures require that you think through this exposure. Proper planning and execution will minimize the possibility of financial demise following an unexpected loss.

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