

# VÉZINA FLASH

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## BUSINESS INTERRUPTION INSURANCE - PROTECTING THE INTANGIBLE

Property insurance exclusively covers direct damage to insured property resulting from perils insured under the policy. But your business patrimony does not only include tangible property! It is precisely for this reason that there is a need for specific insurance to cover financial loss resulting from direct damage. This essential product is known as “Business interruption” insurance.

The basic principle of insurance is to put the insured back in the same financial position that he was in prior to the loss. The intention is to cover the actual loss rather than a hypothetical one. Moreover, the insured must “prove” the loss.

For an indemnity to be paid by the insurer following a covered loss, you must establish that you have incurred:

- ◆ An interruption of your business’ activities (ex. Your production has slowed down or has been completely shut down); and
- ◆ A reduction of your earnings; and/or
- ◆ An increase in your fixed costs causing additional expenses; and/or
- ◆ A loss of earnings from your rental revenues; and/or
- ◆ Other losses or expenses as defined in your policy wording.

This type of coverage is intended to indemnify the insured for his business interruption loss for the period commencing at the date of the event (or a later date as defined in the policy) until the restart of operations (Gross earnings policy) or until the moment when the company reaches the earnings it would have

had if the loss had not occurred (Gross earnings – broad form policy). The coverage is also limited to the specific indemnity period that was selected by the insured at the inception of the policy, such as 12 months, 18 months or some other such period.

There are numerous types of insurance and forms available. Depending upon the form that was selected, they may cover such things as net earnings before tax, fixed costs, salaries, as well as certain additional expenses that you may incur as the result of a loss covered by your contract.

You can also obtain insurance for a loss which causes damage to your suppliers or customers and which results in a business interruption loss for your company! Your losses resulting from a power interruption caused by an external power provider can also be insured!

Even if you already have additional expense or business interruption coverage, it is important, even essential, to review your needs and other available coverage options with your account executive prior to your policy renewal. This will allow you to choose the best insurance solution for your specific business and its evolving needs.

For more information concerning this specific product or for any other questions you may have relating to your insurance or risk management requirements, we encourage you to contact your account executive at Vézina, whose knowledge enables them to offer you unsurpassed guidance for the choice of coverage that best meets your company’s situation thereby protecting what counts most to you — the future of your company!

**To consult “Back issues”, please go to our web site [www.vezinainc.com](http://www.vezinainc.com)**



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