

Business Interruption Training Series

Webinar – Module 1

What is Business Interruption Insurance?
An Introduction

19 April 2017

Introduction

- ❖ Welcome
- ❖ The Steadfast / MSM Webinar Series
- ❖ The Presenters
- ❖ Reference Material – Steadfast Website
- ❖ The Webinar Tools

- ❖ **The claim is the ultimate test of the cover**

Business Insurance

Assets

Clients/Customers

Property Insurance

- Policy Provisions
- Basis of Settlement
- Policy Trigger
- Exclusions
- Endorsements

Business Interruption Insurance

- Gross Profit
 - a) Reduction in Turnover
 - i. Rate of Gross Profit
 - b) Increase in Cost of Working
 - i. Sole Purpose
 - ii. Economic Limit
- Annual Revenue
- Weekly Revenue
- Payroll
- Additional Increase in Cost of Working
 - To Resume Normal Business
- Claim Preparation Cover



Welcome – The 2017 Business Interruption Training Series

Agenda

- ❖ What is Business Interruption insurance?
- ❖ Why should my clients insure for Business Interruption insurance?
- ❖ Where do I start?
- ❖ Business Pack – Coverage options available

Presenters



James Belfrage

MSM Loss Management



Vincent McGuire

MSM Loss Management

Webinar Tools

Accessing the Steadfast Website

- ❖ www.steadfast.com.au
- ❖ Login under the Broker tab
- ❖ Access to Broker Tools and Helplines

Steadfast Technical Helpline

1300 76 67 67

- ❖ Steadfast provides all Steadfast brokers with a free Technical Helpline Service
- ❖ MSM operates the Helpline and provides advice on:
 - Commercial and Business Packs as well as ISR
 - Sums Insured or Declared Values
 - Claims
 - Non-legal technical help across all commercial files

❖ Call 1300 76 67 67





WHAT IS BUSINESS INTERRUPTION INSURANCE?

What is Business Interruption Insurance?

- **Business Interruption Insurance** is Insurance covering the loss of revenue or income suffered by a business and the increased or extra costs incurred when the assets of a business that are insured are damaged by a peril or event of the type insured.



WHY INSURE FOR BUSINESS INTERRUPTION?

Why Insure for Business Interruption?

**Asset insurance
alone is
inadequate**

**Financial Loss
can greatly
exceed
the value of
asset losses**

**Large Financial
Losses can arise
from low value
material damage
items**

**Cashflow is the
lifeblood of a
company**

Why Insure for Business Interruption?

Below are some statistics in relation to the outcomes for businesses that had a BI claim but did not have insurance



Why Insure for Business Interruption?

- ❖ Property insurance covers the assets of the business
 - Buildings, plant, equipment, furniture, stock etc
- ❖ Property insurance alone is not adequate
- ❖ Business Interruption insurance protects the revenue and the cash flow of the business
- ❖ Without adequate Business Interruption insurance most businesses do not survive a major interruption
- ❖ Protect the interest of stakeholders.

Why Insure for Business Interruption?

Protect the interest of stakeholders

- ❖ **Owners and Investors:** Continues to provide a return, income stream and/or dividend
- ❖ **Customers:** Keep the customer base, mitigation measures to keep them, and measures to regain any who may have been lost

Why Insure for Business Interruption?

Protect the interest of stakeholders

- ❖ **Lenders and Financiers:** Provides a funding source to continue to meet debt, interest, lease and loan repayments, avoid having to find alternative funding or worse, bankruptcy or receivership
- ❖ **Employees:** Provides a funding source to continue to pay and retain key employees, fund salary related entitlements

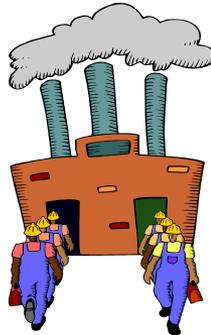
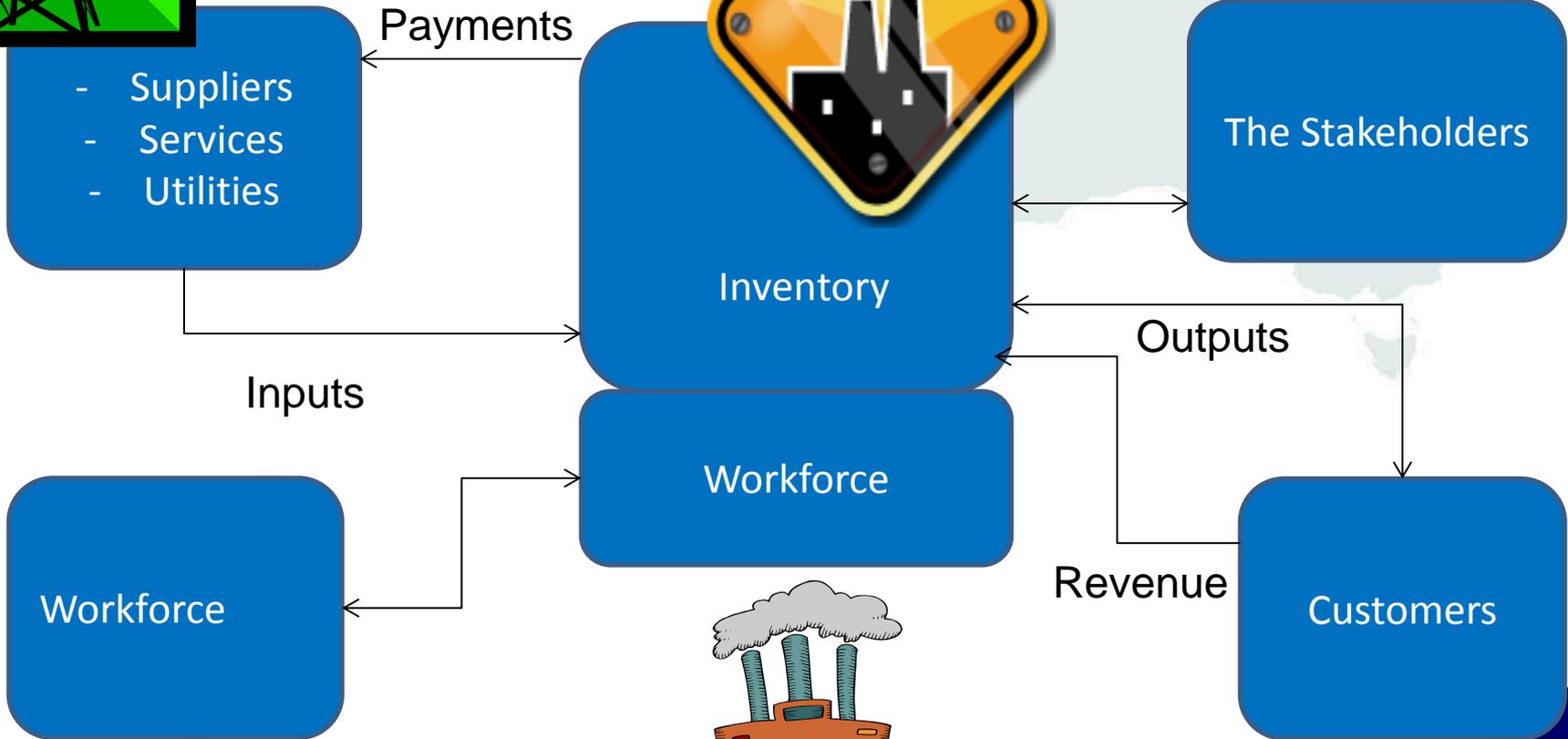
What does Business Interruption Insurance Cover?

- ❖ Loss of Gross Profit resulting from
 - A Reduction in Turnover
 - Increased Costs of Working (ICW) to avoid Reduction in Turnover
- ❖ Annual Revenue
- ❖ Weekly Revenue
- ❖ Additional Increased Costs of Working (AICW) to avoid Reduction in Turnover and/or resume normal business operations
- ❖ Professional Fees (Claim Preparation costs)



WHERE DO I START?

What is a Business?



Where do I start ?

Understand the Client

- ❖ Background & Structure
- ❖ Occupation / Industry
- ❖ Processes Involved
- ❖ Key assets
- ❖ Contractual relationships

Where do I start? What to ask?

Determining your strategy and approach for establishing the right cover is key – Be prepared!

What business are you Insuring?

What do they do?
How do they do it?

What event/s could impact their business?

How would The business recover from a significant loss?

How does the business report their financials and what does it mean for insurance?

Has the business changed in recent times – are they expecting further change to occur?

Where do I start ?

Select a Policy and Tailor the Cover

- ❖ Business / Commercial Packs
- ❖ Industrial Special Risk (ISR)
- ❖ Please note that cover varies significantly between policies and it is important to understand the product your client is purchasing

We note that we will be referring to the Steadfast Business Pack throughout the remainder of this webinar

Where do I start ?

Select a Policy and Tailor the Cover

- ❖ Which basis of cover
 - Gross Profit
 - Annual Revenue
 - Weekly Revenue

Sums Insured – Gross Profit

Gross Profit – Definition – Business Pack

”

“Gross Profit is the amount by which the sum of the Turnover and the amount of the Closing Stock shall exceed the sum of the amount of the Opening Stock and the amount of the Uninsured Working Expenses.”

Understand the Client

Examples of Coverage Options

- ❖ **Manufacturer, Wholesaler or Retailer of Goods – Gross Profit**
 - ❖ **Motel Operator – Gross Profit**
-
- ❖ **Professional Practitioner or consumer services provider – Annual Revenue**
-
- ❖ **Small Business – Weekly Revenue**
-
- ❖ **Property Owner – Loss of Rent**

Sums Insured – Annual Revenue

Annual Revenue – Definition – Business Pack



“the Revenue earned during the 12 months immediately before the date of the Damage

to which such adjustments will be made as may be necessary to provide for the trend of Your Business and for variations in or other circumstances affecting Your Business

either before or after the Damage or which would have affected Your Business had the Damage not occurred....”

Annual Revenue – Sums Insured – Business Pack

- ❖ An annual amount stated on the Policy Schedule
- ❖ Based on the most recent results for the business plus growth trend

Understand the Client

Examples of Coverage Options

- ❖ **Manufacturer, Wholesaler or Retailer of Goods – Gross Profit**
 - ❖ **Motel Operator – Gross Profit**
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- ❖ **Professional Practitioner or consumer services provider – Annual Revenue**
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- ❖ **Small Business – Weekly Revenue**
-
- ❖ **Property Owner – Loss of Rent**

Sums Insured – Weekly Revenue

Weekly Revenue – Definition – Business Pack

”

“the amount received by You each week the Business is in operation for foods sold, services rendered or rental received less the purchase price of stock.”

Weekly Revenue – Sums Insured – Business Pack

- ❖ A weekly amount stated on the Policy Schedule
- ❖ Based on the most recent results for the business plus growth trend

Understand the Client

Examples of Coverage Options

- ❖ **Manufacturer, Wholesaler or Retailer of Goods – Gross Profit**
 - ❖ **Motel Operator – Gross Profit**
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- ❖ **Property Owner – Loss of Rent**

Where do I start? Example Business Pack Policy Schedule

Type of Policy	Business - General
Insured:	
Situation:	
Occupation: Restaurant & Café	
Period of Insurance:	
<u>Business Property Cover Section</u>	
Buildings	\$ -
Contents	\$ 750,000
<u>Business Interruption Cover Section</u>	
Part A - Annual Revenue Basis	\$ -
Part B - Weekly Revenue Basis	\$ -
Part C - Insurable Gross Profit Basis	\$ 1,950,000
Part C - Gross Rentals	\$ -
Additional Increased Cost of Working	\$ 25,000
Accounts Receivable	\$ -
Claims Preparation Costs	\$ As Per Wording
Period of Indemnity: 12 Months	

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THANK YOU FOR ATTENDING