

BUSINESS INCOME (INTERRUPTION) COVERAGE

Four things MUST occur to trigger coverage in a policy . . .

- Direct, physical damage to property (not necessarily “insured” property);
- At the described premises (the address noted on the policy declarations or location schedule);
- From a Covered Cause of Loss (it must be from a peril insured against under the policy); and
- Resulting in a necessary suspension of operations (where a “suspension” can be a slow down)

If even one of the above items doesn’t occur, then the policy will not respond.

A “Covered Cause of Loss” means the perils insured against under the policy . . . there are three different “Cause of Loss” forms for property insurance (applying to both direct damage and business income): Special, Broad and Basic . . . there are two different paradigms when looking at these forms – Special vs Broad or Basic . . .

- Broad or Basic forms are “named perils” forms – which means, the only perils covered are those listed or “named” on the form
- Special form covers “all risks of physical loss” *except* those named or listed

If coverage is triggered, the policy pays “net income plus continuing operating expenses” . . . where “net income” means “net profit or loss.”