

What You Need to Know About Business Income Insurance

It is vital that business owners have adequate business income insurance in the event of a natural disaster.

Los Angeles, CA, March 22, 2012 --

If you are a business owner, imagine the challenges your company would face if a natural disaster such as a hurricane or tornado struck your facility. The buildings where you conduct business could sustain serious damage, rendering them unusable. If this were the case would your business be able to survive? Could you afford to miss months of revenue while your facility was rebuilt? If you do not have adequate business insurance coverage, the impact of such an event could be devastating to your business. Your property insurance may cover the cost of your building, but what about your lost profits? One aspect of company insurance coverage that is often overlooked is business income (BI) insurance. Business income insurance is sometimes referred to as "business interruption insurance." Essentially it protects your company's income stream, and may include options such as ordinary payroll coverage and coverage for extra expenses like relocation. In many policies, BI insurance covers "actual loss of business income sustained during the period of restoration." Generally this time frame starts when the physical damage occurs, and lasts until the time the property should be repaired or rebuilt. In many policies this period is 30 days, but an endorsement may extend the period to 360 days. During this time the BI insurance usually pays for ongoing expenses and anticipated net profits.

Steps Business Owners Should Take As a business owner, you should make sure you have adequate BI insurance coverage based on your past profits and future income projections. It is also wise to keep detailed records of income and profits from prior years, and store a copy of these records at an offsite location in the event the main facility sustains serious damage. Most importantly, you should review your insurance policies and make sure they have adequate protection for both physical damage and lost income in the event of a natural disaster. Specifically, make sure you understand how your policy defines business income coverage, what events trigger it, and how much coverage is provided over what length of time. When attempting to collect on BI insurance policies, you may want to seek the advice of an experienced insurance claims attorney who can help ensure you receive the maximum amount of compensation available.

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