Business Income Insurance

If a business is forced to close temporarily due to direct physical loss or damage from a covered cause of loss, Business Income Insurance can be beneficial.

Also known as Business Interruption Insurance, Business Income Insurance will reimburse a business' lost revenue or operating expenses if shut down due to a covered cause of loss. For events such as fire, wind, hail, vandalism or damage — that may cause losses that interrupts normal business — this coverage offers added protection beyond Commercial Property Insurance, and can help to cover expenses like these:

1 Taxes

2 Payroll

3 Utilities

4 Lost profits

5 Advertising

6 Mortgages or rent

7 Extra expenses

Real World Examples

A bookstore was closed for 6 months due to a fire. During that time the business would normally have made $10,000 a month. For this risk, fire is a covered cause of loss so their Business Income coverage pays the insured $10,000 a month, considered $60,000 in *lost profits* during the repair period.

A gift shop owner needs to pay for *utilities* for the next two months while their business is being repaired. However, they can't open the operation until after the repairs are finished. Business income insurance can step in and help pay for the cost of their utility bills.

A salon owner owes *advertising* payments to the company that built their new advertising campaign. However, the salon recently had to close to repair damages. Business income insurance can help cover these advertising costs until the salon is able to reopen and make a profit again. Advertising costs may also arise if the salon must move locations after enduring a covered loss.

While waiting 6 months for their rebuild to finish, a candy maker rents a trailer and sells some product out of the parking lot. The trailer rental is an *extra expense* and would be reimbursed so long as extra expense coverage is purchased.

A first-floor flower shop is closed and can't pay the $1000 a month rent. If the insured purchased Business Income *rental value*, it would pay the rent until the flower shop was back up and running or the limit is reached.

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Calculating Business Income

Calculating business income for insurance needs starts with reporting gross receipts or sales. This includes all items and services sold within a business.

For example, if an insured sells computer equipment, every item sold would be included in this starting calculation. If the business makes or buys goods to sell and maintain inventory, deduct the cost of goods sold from the revenues. Do this when computing gross profit for the business.

Keep in mind that any income received relating to the business is considered business income. That said, the business's sales will constitute most of the business's income.

The equation for business income is:

business income = revenue – expenses

To start the calculation, follow these three easy steps:

1 Calculate total revenue

2 Subtract business's expenses and operating costs from the total revenue. This calculates the business's earnings before tax.

3 Deduct taxes from this amount to find the business's net income. The net income will be the business income.

The Connector's Offering

When crafting coverage within The Connector, agents can elect to further customize their insureds Property policy with Business Income.

While Business Income coverage cannot be written as stand-alone, nor do we offer actual loss sustained at this time, we are continually expanding our capacity and offerings. Looking for something specific? Connect with our friendly support team: support@rsgconnector.com.

The Connector is a first-of-its kind digital platform that dramatically simplifies small commercial E&S risk marketing and service.

The coverage process is streamlined, top-rated market access is multiplied, and robust third party tools are harnessed – empowering retail agents & brokers to do their best work without sacrificing due diligence, time or profitability.

Visit rsgconnector.com for more information and to request your free access.

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