

Check List: who should have Business Interruption insurance?

There can be no fool proof checklist for who do and who do not require business interruption. But unless you have vast cash reserves and can afford to fund your own business recovery, remember 1 in 500 businesses (McGladrey & Pullen, 2007) will need the cover, you should strongly consider business interruption insurance if you tick any one of the following



Business Risks

1. Business owns commercial property?
2. Business is a manufacturer?
3. Business is a wholesaler?
4. Business is a retailer?
5. Business relies on key stock which is not able to be immediately replaced?
6. Business relies on items of plant and/or equipment which are not able to be immediately replaced?
7. Business relies on key supplier which is not able to be immediately replaced?
8. Business relies on key customer which is not able to be immediately replaced?
9. Business would continue to be liable for ongoing costs such as lease payments on building, vehicles, equipment, or the like even if the business was not able to trade?
10. Business is financed by debt?
11. Business would lose revenue if it were unable to operate from the existing building?
12. Business could keep operating after a loss but with significant increased costs?
13. It would be difficult to find alternative premises?
14. Staff are key to the business's future success?
15. Business does not have a business continuity plan?
16. Business is seasonal and cannot afford to lose one peak season?
17. Business relies on Utilities?
18. Business does not have sufficient cash reserves to finance a long term disruption?
19. Business would be liable for contractual fines and penalties if it were not able to supply or take delivery of stock?
20. Business is required to insure business interruption or loss of rent under a lease or other contract?

Personal Risks

21. My business is my sole or major source of income for me and/or my family?
22. My business is my major or sole investment?
23. My business is a major part of my superannuation?
24. My home is mortgaged to finance my business?
25. I would not be able to obtain finance to fund a business recovery plan in the event of a major disruption to my business?
26. My business provides/funds my car(s)?
27. I rely on my business to fund school / university fees?
28. My business is the reason I get up in the morning?
29. I would hate to have to start over from scratch with nothing?
30. I would hate to go back to working for a boss?

Three final comments you may wish to consider. Did you know that 30% of the claims paid out following September 11, was for business interruption losses. (American Bar Association, 2003). 1,170 people lost their job following the storms in Newcastle in 2007 due to the fact that their employers business failed to reopen due to not having business interruption insurance! (Rising Waters, 2008). A business has less than 1 chance in 10 of surviving without business interruption insurance. (Manning, 2004)

References:

McGladrey and Pullen (2007) American Bar Association (2003)
Rising Waters: An Assessment of the Economic and Social Impacts of the 2007 Pasha Storm, 2008.
Manning A., 2004, Strategic Management of Crises in Small to Medium Businesses, Doctoral Thesis, Victoria University, Melbourne.