



## Business Interruption Insurance

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Business interruption insurance can be as vital to your survival as a business as fire insurance. Most people would never consider opening a business without buying insurance to cover damage due to fire and windstorms. But too many small business owners fail to think about how they would manage if a fire or other disaster damaged their business premises so that they were temporarily unusable. Business interruption coverage is not sold separately. It is added to a property insurance policy or included in a package policy.

A business that has to close down completely while the premises are being repaired may lose out to competitors. A quick resumption of business after a disaster is essential.

Business interruption insurance compensates you for lost income if your company has to vacate the premises due to disaster-related damage that is covered under your property insurance policy, such as a fire. Business interruption insurance covers the revenue you would have earned, based on your financial records, had the disaster not occurred. The policy also covers operating expenses, like electricity, that continue even though business activities have come to a temporary halt.

Make sure the policy limits are sufficient to cover your company for more than a few days. After a major disaster, it can take more time than many people anticipate to get the business back on track. There is generally a 48-hour waiting period before business interruption coverage kicks in.

The price of the policy is related to the risk of a fire or other disaster damaging your premises. All other things being equal, the price would probably be higher for a restaurant than a real estate agency, for example, because of the greater risk of fire. Also, a real estate agency can more easily operate out of another location.

### **Extra Expense Insurance**

Extra expense insurance reimburses your company for a reasonable sum of money that it spends, over and above normal operating expenses, to avoid having to shut down during the restoration period. Usually, extra expenses will be paid if they help to decrease business interruption costs. In some instances, extra expense insurance alone may provide sufficient coverage, without the purchase of business interruption insurance.

*Source: Insurance Information Institute*



# Insuring the Life of a Key Employee

The loss of a key person can be a major blow to a small business if that person is the key contact for customers and suppliers and the management of the business.



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Loss of the key person may also make the running of the business less efficient and result in a loss of capital.

Losses caused by the death of a key employee are insurable. Such policies will compensate the business against significant losses that result from that person's death or disability. The amount and cost of insurance needed for a particular business depends on the situation and the age, health and role of the key employee.

Key employee life insurance pays a death benefit to the company when the key employee dies. The policy is normally owned by the company, which pays the premiums and is the beneficiary.

*Source: Insurance Information Institute*

# Data Theft

The stories of breached data security have become almost too familiar: An employee takes home a laptop against regulations. A hard drive is sent out for repair, but disappears. A disc with sensitive data is stolen from an office. For business owners and managers, the threat is real, and there is a need to protect against such violations of data security.

Big businesses are not the only targets of data theft. Doctor's offices, retail shops, contractors, salespeople and most other professions store personal information electronically. Sometimes, businesses that lose personal information are victims of sophisticated hacking schemes concocted by the most crafty computer cons. More often, data theft comes from the inside—a dishonest employee seeking wealth or a disgruntled employee seeking revenge. Regardless of culprit, victims, including employees, customers and others shoulder the risk of someone else's access to their information.

Information stolen from your business can result in significant costs, including the following:

- Expenses you incur to inform those who may be victims of the theft.
- Expenses you incur to replace the data and income lost during the recovery process.
- Victims will incur expenses to recover lost information and expect you to pay for it.
- Victims will likely no longer do business with you, resulting in lost income.
- Victims who suffer financial losses resulting from identity theft may sue you for their damages.
- Personnel may lose confidence in you and seek employment elsewhere.

Traditional insurance products—such as general liability, property, business income and crime insurance—

are designed to cover losses to tangible property. Since information is intangible, the insurance your business currently buys will not go far in covering this exposure.

Some insurance companies have created products to address data theft that occurs electronically, such as when someone uses a computer to steal electronic data. These policies may cover costs you incur to restore the data, including lost income. Others may cover liability, helping you cover costs incurred by others who are victimized by the theft of your data. Such policies are often called "Cyber Risk" or "Cyber Insurance" policies.

Data theft and the unpredictable methods by which it can happen are why there is no substitute for an effective data security plan.