What is business income insurance, and why do you need it?



Sometimes called business interruption insurance, business income insurance protects your company from loss of critical income flow during a full or partial shutdown resulting from a covered property loss, such as a fire, theft, or severe weather event. It also helps cover extra expenses that might be incurred during the shutdown.

To get a better idea of how business income insurance works, read the story of how Charlie's Cheesecakes — a fictional bakery — used business income coverage to get back on its feet after a fire.

Flaming Cheesecake: A business income insurance story.

Business at Charlie's Cheesecakes was booming. Cheesecakes were flying off the shelves and Charlie's ovens were at maximum capacity … until one day, an electrical issue caused one of the ovens to catch fire. Though the fire was contained before it destroyed the whole bakery, fire and smoke damage required Charlie's Cheesecakes to shut down for a full month.

Local cheesecake lovers were heartbroken. Luckily, however, Charlie had business income insurance, which helped the business in multiple ways:

- Charlie's insurance reimbursed him for income lost from the day of the shutdown through the day of reopening, known as the **restoration period** in insurance language.

- Charlie rented oven space at another larger bakery nearby so he could continue to fill some orders and keep his biggest cheesecake fans happy. The rental costs fell under the category of **extra expenses**, which were covered by his insurance. Extra expenses are any reasonable expenses incurred to keep business going during the restoration period.
- Charlie's **fixed costs** — operating expenses that a business must continue to pay during the restoration period — were also covered.
- Even though Charlie didn't need his full staff during this time, he was able to cover his **ordinary payroll**, thanks to his business income insurance. That way, he didn't lose any of his talented employees to competing bakeries.

So even though it was a tough month, business income insurance helped Charlie keep his customers, his employees, his income, and his peace of mind.

More coverage, more peace of mind.

These coverages could also have been available if Charlie needed them:

- **Taxes** – If Charlie had to pay taxes during the restoration period, his coverage could have paid them, allowing him to avoid late penalties.
- **Loan payments** – Business income insurance can help a business avoid delinquency or defaulting on required loan payments when it is not able to generate income due to a loss.
- **Civil authority ingress/egress** – If Charlie's bakery had been subject to a government-mandated restriction of access or closure (for instance, if the road where his bakery is located was closed for repairs due to a water main break), his income loss would have been covered.

Ask your agent if these coverages are included in your business income insurance.

Do you have business income insurance?

Patriot Insurance Company includes business income insurance as part of our businessowner policy. It can also be added as an option to our commercial package policy. Whether you're a contractor, retail store owner, distributor, or cheesecake maker, business income coverage can give you greater confidence and peace of mind as you do business each day. Find a local, independent agent near you and get started today.