

## Business Interruption – Example of Claims

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### 1. Fire Damage to Premises

- Scenario: A fire breaks out in a retail store, damaging the building and inventory. The store is forced to close for repairs.
- Claim: The business owner files a claim for loss of income, covering the sales they would have made during the closure period, as well as any extra expenses incurred in relocating temporarily.

### 2. Flooding

- Scenario: A restaurant experiences flooding due to heavy rainfall, damaging the kitchen equipment, dining area, and inventory.
- Claim: The restaurant files a claim to cover the loss of income while the business is closed for repairs and cleaning, along with the cost of replacing damaged equipment and inventory.

### 3. Natural Disasters (Earthquake, Tornado, etc.)

- Scenario: A manufacturing plant is severely damaged after an earthquake, causing long-term production halts.
- Claim: The company claims business interruption insurance to cover lost revenue from orders that couldn't be fulfilled, as well as the costs of temporary facilities or renting equipment.

### 4. Supply Chain Disruption

- Scenario: A manufacturer relies on a specific supplier for critical parts. Due to a disruption (e.g., a supplier's factory is destroyed in a fire), they can't obtain these parts and are forced to halt production.
- Claim: The manufacturer files a claim for the lost profits due to the delay in production and the cost of seeking alternative suppliers or materials.

### 5. Equipment Breakdown

- Scenario: A printing company experiences a breakdown of its primary printing press. Repair or replacement takes time, during which the business cannot produce any print orders.
- Claim: The company claims business interruption insurance for the loss of income during the downtime and for the additional expenses incurred in renting temporary equipment.

### 6. Cyberattack or Data Breach

- Scenario: An online retailer experiences a cyberattack that takes down its website for several days, preventing any sales from occurring.

- Claim: The retailer claims for the lost revenue due to the website being down and the costs associated with restoring the system and improving cybersecurity.

## 7. Construction Delays

- Scenario: A hotel is under construction and has planned to open for the summer season, but delays caused by a contractor's strike or supply issues push back the opening.
- Claim: The hotel claims for the lost profits from the delayed opening and any additional costs related to delayed marketing and staff training.

## 8. Power Outage

- Scenario: A business is located in an area that experiences a prolonged power outage due to a storm, causing the company to be unable to operate for several days.
- Claim: The business files a claim for the lost income during the outage period, including the additional costs of renting generators or relocating temporarily to resume operations.

## 9. Vandalism or Theft

- Scenario: A boutique shop is burglarized, and the inventory is stolen. Additionally, the store's windows and doors are broken, and the business cannot open for a few weeks.
- Claim: The shop files a business interruption claim for the lost revenue from the time it is unable to open, as well as costs to repair the damages and restock the inventory.

**Most policies only compensate for revenue losses due to physical damage, such as actual explosions or property damage. 'Non-Damage Denial of Access' coverage can be secured separately to cover loss of revenue from non-physical disruptions such as the authorities closing off an area.**

**Please see below post from our director for a scenario on Non-Damage Denial of Access:**

[https://www.linkedin.com/posts/alexandermargolin\\_bomb-scare-forces-hundreds-to-flee-birmingham-activity-7257795491789254658-38-B?utm\\_source=share&utm\\_medium=member\\_desktop&rcm=ACoAApOgIUjBI7d86nF8ZMxk6DQ82fZrVEb3uLs](https://www.linkedin.com/posts/alexandermargolin_bomb-scare-forces-hundreds-to-flee-birmingham-activity-7257795491789254658-38-B?utm_source=share&utm_medium=member_desktop&rcm=ACoAApOgIUjBI7d86nF8ZMxk6DQ82fZrVEb3uLs)

## Underinsurance of Business Interruption Scenarios

### Scenario 1:

A hairdresser was carrying more stock than they had told their insurer they had. The figure they had provided was used to calculate the insurance cover. So when the business suffered a theft of more than £1,900 worth of stock, the owner found that the claim was covered but was based on an 'average clause' – i.e., it was paid based on the percentage of cover that was taken out rather than what the cover should have been. This left the owner underinsured by £900 and needing to find that money elsewhere.

### Scenario 2:

A manufacturer had a fire at their premises and lost everything. When they took out their insurance, they had decided that they could recover from any major event within 12 months and, therefore, had only taken out business interruption insurance to cover them for loss of income for that period. Unfortunately, although the repairs themselves were covered by property insurance, the extent of the damage and the specialist nature of their business meant that planning permission, repairs, the build time for machinery and time to regain lost custom would take three to four years. This was obviously significantly longer than they had first thought when calculating how long they would need business interruption insurance for and, consequently, they were seriously underinsured.

\*This content was sourced and adapted from Towergate. Thank you to our insurance partner for providing these helpful examples and insights, which we've tailored for our website.

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