

Part 3 in our 10 part series discusses Business Income insurance and how to use it to correctly protect your loss of income after insured disasters.

Business Income, sometimes referred to as business interruption insurance is often overlooked when the restaurant owner sets up his or her [restaurant insurance program](#). This is because with most businessowners policies, this coverage is now included automatically. This is of course a great convenience for those who might overlook this protection in the first place. But this automatic protection does not remove the need for you to take the time to understand this coverage and make sure that it will respond in the way you expect after a large loss.

Before this coverage was simplified and added into the [businessowners policy coverage](#), it was sold separately under the name business interruption coverage. If you still have a package policy as opposed to the businessowners form, then you will probably need to add this coverage by endorsement. Either way, there are several different elements to this protection and you should understand each clearly.

Before I tackle the different elements of business income protection, it is important to note that business income coverage is a consequential loss form. That means, the losses that you incur which are to be covered by this part of your insurance policy have to be the consequence of an insured peril in the first place. For instance, if a fire burns your building down, then the fire loss is covered by the businessowners policy and so therefore, the business income coverage will apply. If, on the other hand, you have a flood loss to your restaurant, then that type of loss is not covered by the businessowners policy so you will not have protection for your lost income.

To understand these elements of this protection, I will focus on the most common form of policy, the businessowners policy. Bear in mind that these are generalities and you should discuss your specific form with your agent if you have difficulty understanding it. First of all, business income is usually defined as net profit or loss before income taxes that would have been earned or incurred if no physical loss or damage had occurred. So, we are talking about lost profits here. But what else should be considered? Well, the form usually also includes normal continuing operating expenses. These are expenses that will continue on even when you are shut down and out of business. They might include rent, electricity, water etcetera and most importantly payroll. If you can't pay your employees while you are shut down, you might lose them. Often though, the coverage for payroll can be limited in both time and scope. Many common forms only include payroll for 60 days past the date of the physical loss that triggered the business income coverage. In addition, most forms exclude payroll for owners, executives,

department managers and employees under contract. Also, you should check your policy form carefully to see if any of the following are included or excluded in the definition of payroll: employee benefits, fica payments you pay, union dues you pay, and workers compensation premiums you pay.

One additional element of this protection deals with extra expense. Extra expenses are those that you must bear in order to get your restaurant back in business more quickly. You may have to expedite shipments or rent another location to get in business while your old one is repaired. You should put together a firm and clear disaster plan for what you would do if your restaurant is destroyed by fire and then be sure that your business income protection will respond in a way that works well for your plan.

I think that the business income section of your policy is a place that points out just how important it is for you to deal with an agent and company that specializes in insuring restaurants. There is too much to lose here and you can't fix it very easily after the big loss has occurred. Take the time to make sure you have hired the professionals that you need to make sure you don't lose your livelihood in an accident that is compounded by poor disaster and [risk management planning](#).

At Clinard Insurance Group in Winston Salem, NC, we want all insurance consumers become better informed buyers. Insuring and helping restaurants all across North Carolina and South Carolina is our specialty. We even have ways to help you gain and keep more customers. For one example of that type of program, visit our [partners page](#). We also know that not all restaurants are the same. That's why we have created 5 different restaurant insurance programs so that you can choose a program more tailored to your needs. We have a [fine dining insurance program](#)

, a [casual dining restaurant insurance program](#)

, a [fast food insurance program](#)

, a [bar and grill and tavern insurance program](#)

and a [special insurance program for caterers](#)

. If you need help or advice for your NC restaurant or your SC restaurant, please call us, toll free, at 877-687-7557 or visit us on the web at www.TheRestaurantInsuranceStore.com

. Don't trust your livelihood to an agent that doesn't specialize in restaurants. There is just no need to take that risk.

