Any restaurant owner who has taken the time to carefully evaluate the risks that he or she faces after a major catastrophic loss will know that loss of income, extra expenses and the risk of ongoing expenses with no incoming revenue are a huge liability. Very few restaurant owners fully understand how their business income protection really works and even fewer have studied the coverage forms in detail to know if they have the proper amount of coverage. For restaurant owners, business income protection, while often considered a side dish, is really a vegetable that you need on your insurance plate to keep your restaurant healthy after a loss.

The bad news is that for restaurants that are using the commercial package policy, business income protection is an add-on and might be overlooked. Worse, even if you do add this protection, without attention to the coinsurance requirements in the policy form, you may find yourself with insurance protection that will only partially respond and may leave you holding the bag on much of your loss of income after a large fire or other catastrophe. So what are the options for restaurant owners with package policies that have business income coverage that is subject to coinsurance requirements? There are three shortcuts that you might want to consider.

**Maximum Period of Indemnity** – This option gives you the opportunity to trade in your coinsurance requirements for a limited coverage period, usually limited to 120 days. This saves you the uncertainty of having to calculate estimated annual expenses and revenues in line with coinsurance requirements. The down side of this option is that all coverage will cease after the 120 day time frame and that may not be a realistic amount of time for you to get your damaged restaurant repaired and back in business.

**Monthly Limit of Indemnity** – This option essentially allows the restaurant owner to avoid making annual calculations of cash flow and income and expenses in favor of choosing a monthly amount of insurance that will prove sufficient. Usually you will have three monthly limits, one third, one fourth or one sixth of the total amount chosen. You still need to come up with a full annualized amount against which your fraction will be multiplied to generate your monthly coverage limit. But this option will allow you to waive the dreaded coinsurance clause that can cause so much pain after a loss if you turn out to be underinsured. Be wary though, if your monthly revenues and cash flows vary widely, then this option is probably not a good idea for your restaurant.

**Agreed Value** – This approach is a bit trickier and in the end may not actually solve the coinsurance problem. This form will require you to complete an approved worksheet, providing all the needed accounting information to make a proper calculation of the coverage estimated to be needed. Then you will need to agree to carry at least the amount of coverage indicated by the worksheet, multiplied by the coinsurance percentage chosen. If you do all of this, then the coinsurance penalty can be waived.

Restaurant owners have a significant fire risk that could result in a total loss. With this risk hanging over your head, careful consideration of your business income coverage is critical to your long term survival. Many restaurants have business income coverage included in their businessowners policy form. This is a good thing in that it helps keep this protection from being overlooked. It is also a bad thing as it allows too many restaurant owners to gloss over this protection and not study it in detail to make sure that they are buying what they need in the event of a catastrophe.

Clinard Insurance Group insures hundreds of different restaurants all across North Carolina, South Carolina, Georgia and Tennessee. If you would like help with your restaurant insurance, please feel free to call us, toll free, at 877-687-7557.