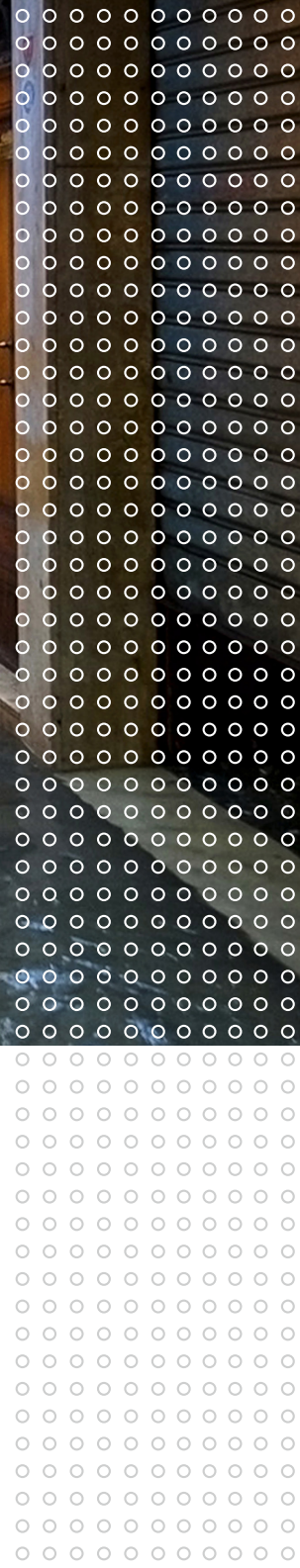




**HUB**



Broker Insight Report:

## **How Insurance Oversights Can Lead to Devastating Claims Denials**

# **BUSINESS INTERRUPTION COVERAGE**

# BUSINESS INTERRUPTION COVERAGE

It can all change in a flash.  
Plan ahead for potential business disruption.

A car crash involves multiple employees. A tornado touches down at a key facility. One of your executives is kidnapped. Any of these scenarios could quickly lead to a significant business disruption. Some organizations — the ones that have redundant internal resources, ready access to capital, and operations spread across multiple locations — can continue to function despite unplanned events. Most others can't.

## COMMON CAUSES OF BUSINESS DISRUPTION

**Business disruptions can result from a variety of events.**

**Here are the most common:**

- Fire and explosion
- Storm
- Machinery breakdown
- Faulty design/material/manufacturing
- Strike/riot/vandalism
- Key personnel loss
- Flood
- Structure collapse
- Human error/operating error
- Power interruption

Almost

**40%**

of businesses that close following a disaster never open again, according to the Federal Emergency Management Agency (FEMA).

## How Long Could You Last Before a Business Disruption Became Permanent?

Any disruption of your business — no matter what its cause, size or duration — directly impacts all aspects of your operations, and most importantly your company's bottom line.

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Larger organizations have staff in house that can manage through a major, catastrophic event. Middle market companies often don't have the bandwidth or the finances to weather such a crisis. Most don't have the experience to deal with a significant business interruption event. That's where HUB comes in. — **Senior Vice President**

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## **A Key Addition to Your Management Liability Solution**

Business Interruption coverage is an essential enhancement to the other policies outlined in this report. A Business Interruption policy intersects with other policies in the following ways:

### **D&O, PROFESSIONAL LIABILITY AND EPL POLICIES**

When your company or its senior leadership experiences a critical event, business can stall. If this disruption is blamed on a senior leader of the company, a D&O or Professional Liability claim could result. If it does, an associated Business Interruption enhancement could be crucial.

### **CYBER RISK**

When software or hardware required for business operation is inaccessible due to a cyber breach, outage or ransomware event, operations could come to a halt, leading to a financial loss and triggering the Network Business Interruption coverage under a Cyber Risk liability policy.

### **CONTINGENT BUSINESS INTERRUPTION**

When there is a supply chain interruption, it could prevent you from producing your products or delivering your services. In that case, a Contingent Business Interruption policy — coverage that complements traditional Business Interruption insurance — may be necessary.

**A broker who evaluates your company's operations appropriately will ensure the right coverage fit in all categories, helping to eliminate any potential coverage gaps.**

## You've Experienced a Critical Event. What Do You Do Now?

In the event of a critical business disruption, what will you do? Typically, the first step is for your senior executive or risk manager to call your insurance broker.



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On the initial call, we explain what is likely to happen in the short term, and what actions the company should take. Then, we plan next steps, and create tools to facilitate those steps. For example, is the media likely to be interested? If so, we'll want to create a media statement that demonstrates concern and leadership. The employees will want to know what's going on, so we'll craft an announcement for them.

Ultimately, we try to contain the situation as quickly as possible, to avoid unnecessary litigation. If you can manage through a critical event in an appropriate and fair way, showing the right amount of care and concern for those involved, that can help reduce potential additional fallout.

— Senior Vice President

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## Keep It Going

You can't prepare for every critical event, but a well-conceived business continuity plan (BCP) can help you recover as quickly as possible. In addition, an organization with a robust BCP will be considered a better insurance risk, and will see a significant reduction in its premiums.

### Top Four BCP Considerations

**There are a number of key factors to consider during business continuity planning. Here are the top four:**

#### 1. LOCATION, LOCATION, LOCATION

Where will you move operations and personnel during a significant event?

#### 2. TASK REALLOCATION

If specific divisions of the company are unable to fulfill their function, who will take over?

#### 3. PERSONNEL

Where will employees go during a critical event? Can they work remotely? In which instances will they be expected to remain onsite?

#### 4. LACK OF DATA

If you can't access the network or other corporate data sources, how will work get done?

## Protect what matters most.

Learn how business interruption protects your business income when faced with disaster.

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Advocacy | Tailored Insurance Solutions | Peace of Mind

