



# Basically Business Interruption

Sue Taylor ACII, Chartered Insurance Broker, Adv.Dip CILA

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# THE BASIC BUSINESS INTERRUPTION BOOK

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*Damian Glynn with  
Sue Taylor and Steven Nock*

# Is it covered?

Detailed in  
Operative/Insuring Clause

Key requirements

- Damage (normally)
- To property owned or used by insured
- At the premises
- For the purpose of the business
- Indemnity confirmed for property damage – the interruption loss must flow from the damage

# Damage - Different Definitions

Different wordings – different definitions

Have to read the actual wording

Different territories – different interpretations

Can be defined as Damage or loss

Damage doesn't have to be permanent –  
smoke damage can be cleaned

Loss is normally more permanent

# BI flows from Damage

- Just damage is not sufficient
- Loss must flow from the damage
- Can have damage but loss flows from something else
  - Premises damaged by fire
  - As bypass opens
  - Could have been reduction in revenue anyway
- Concurrent causes of Damage/loss
  - Establish dominant cause – is it covered?

# Wide Area Damage

Orient Express Hotels v Generali (2010)

Technically the court applied the principle that cover predicated on Damage at the Premises

Reality is insured suffers but the cover nullified because everyone else is suffering too

COVID-19

# Owned or Used By

- Owned and wider definitions include used
  - Owned is a very restrictive form
  - Lease conditions can change insuring responsibilities
  - Used by– does not have to be in use at time of loss
  - Might never have been used

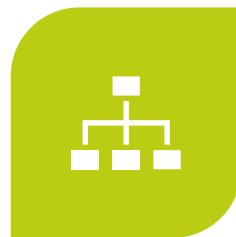
# The Insured



INSURED – LEGAL  
ENTITY SHOULD BE  
CORRECTLY PRESENTED



INDIVIDUAL,  
PARTNERSHIP, LIMITED  
COMPANY



ARE THE SCOPE OF THE  
ENTITIES FAIRLY  
PRESENTED?



IS THE STRUCTURE  
CURRENT IN THE  
SCHEDULE



IS IT RELEVANT?



# At the Premises



Premises – frequently not defined or might just be an address.



Does BI flow from Damage to property within the entire site or just the premises?



Creates a question over what is included within premises

Car parks, outbuildings etc  
Stock outside but within the curtilage?  
Concessions within department stores?

# For the Purpose of the Business



**Business operations and activities  
accurately described**



**Property owner and letting or  
subletting**

Activity of tenant – fire work manufacturer  
changes profile

Rental income over-looked – not covered

# Material Damage Proviso



Damage has to have occurred that is insured



Paid under a MD policy (can be within deductible)



MD and BI losses do not have to be proportionate



Once proviso met BI operative clause will respond



Has to be satisfied once only and not for each element of loss

# TEST TIME!

A	B	C	D
For the purpose of the business	Damage (normally)	To property owned or used by insured	Insured has to be on the premises at the time
Damage (normally)	The Insured has to be a legal entity of either a limited company or a Partnership but not an individual	For the purpose of the business	For the purpose of the business
Insured has to be on the premises at the time	Insured has to be on the premises at the time	Damage (normally)	Premises have to be of a standard construction
Premises have to be of a standard construction	For the purpose of the business	At the premises	The Insured has to be a legal entity of either a limited company or a Partnership but not an individual
Indemnity confirmed for property damage – the interruption loss must flow	Premises have to be of a standard construction	Indemnity confirmed for property damage – the interruption loss must flow	Damage (normally)

# Extensions



**Not always related  
to damage at the  
premises**



**Denial of Access**

Damage  
Non-damage



**Loss of Attraction**



**Failure of Utilities**

Generating station  
Terminal ends



## Suppliers/Customers

- Specified
- Unspecified
- Direct
- Tier 2

## Notifiable Disease

- Notifiable
- Specified

Extensions

## Specialist BI covers

### Engineering

- Sudden and unforeseen damage
- Machinery Breakdown
- Loss of utilities

### Cyber

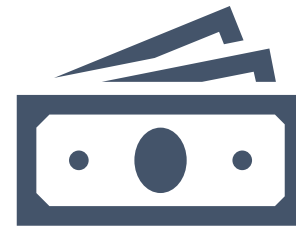
### Advanced Loss of Profits/DSU

### Event cancellation

# Not all consequences are covered



**Change of name from Consequential Loss to Business Interruption insurance**



**Examples of losses not covered as standard are:**

Contractual fines and penalties

Wasted costs

PD underinsurance

Increased costs as a result of delays e.g. risk improvements or future loss avoidance

Loss of reputation



# Is it covered under:

- a) a standard wording; or
- b) extensions or specialist covers

- Increased costs of working proportionate to reduction in turnover
- Fines and penalties
- Advanced loss of profits
- Loss of reputation
- Denial of access
- Loss of attraction
- Trends of the business
- Departmental fluctuations
- Additional costs of working not proportionate to reduction in turnover

## a) a standard wording

Increased costs of working proportionate to reduction in turnover

Departmental fluctuations

Trends of the business

## b) extensions or specialist covers

Advanced loss of profits

Fines and penalties

Denial of access

Loss of reputation

Loss of attraction

Additional costs of working not proportionate to reduction in turnover





Thank you for attending!  
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