



# *A basic introduction to documentation to support a Business Interruption Claim*

By Malcolm Hyde Bsc (Hons) Dip (Fr) FCII FCILA FUEDI-ELAE

November 2020

The purpose of this paper concerning Business Interruption is to consider the information that is required to compute the amount payable to the Policyholder under the terms of the Policy.

It is most important to ensure the Policyholder customer understand the purpose of the documentation. Often the best approach is to explain what you are seeking to achieve and ask the Policyholder what documentation they will have to assist with this. Failure to do this may result in the Loss Adjuster requesting documents that the Policyholder does not have. This may lead to a polarised position and, as with all matters, an understanding, collaborative approach is often best.

Therefore the documents referred to in this paper are examples of what may well support the Policyholder's claim. If they are not available a Loss Adjuster may revert to the objective and asking how the Policyholder customer can assist.

Whilst the information required will vary from claim to claim there are a number of documents and sources of information that will be common to the majority of claims. This paper will specify sources of information, however this list should not be seen as exhaustive or exclusive.

## Notice of Copyright

This document and any information contained therein remains the confidential and copyright property of the CILA. Without infringement neither the whole, nor any extract, may be disclosed, loaned, copied or used for manufacturing, the provision of services or any other purpose whatsoever without the express permission and written consent of the CILA. No liability is accepted for any loss or damages from any cause whatsoever arising out of the use of this document or its contents.

COPYRIGHT © CILA 2020





**1. Audited or certified Financial Accounts, including Trading Profit & Loss accounts, management accounts for the previous two years**

Note that audited or certified accounts should be obtained. These accounts in most cases are required to comply with various legal requirements. Due to this fact they should be available and representative of the Insured's true trading position.

The Turnover, Gross Profit and Rate of Gross Profit will all be determined from these accounts.

**2. Daily, Weekly or Monthly takings for twelve months prior to the loss**

These figures are used to calculate the Standard Turnover - The Turnover during the twelve months immediately before the date of the incident, which corresponds with the Indemnity Period. The choice of the figures, i.e. daily, weekly or monthly will be dependent upon the nature of the business and the extent of interruption.

**3. Daily, Weekly or Monthly takings for Indemnity Period**

The Indemnity Period is the period beginning with the occurrence of the damage and ending when the results of the business cease to be affected by the occurrence, subject to the Maximum Indemnity Period. The Loss Adjuster must be aware that the Indemnity Period ends once the business ceases to be affected by the occurrence either negatively or positively.

**4. Details of any Increase in Cost of Working**

The Insured must provide adequate evidence of Increase in Cost of Working and details of the Turnover produced as a result of this additional expenditure.

**5. Records of any takings from alternative premises during the Indemnity Period**

As these takings reduce the amount payable, the Loss Adjuster requires these figures to accurately compute the sum payable.





Loss Adjusters will understand that the nature of the information required to compute the sum payable is likely to be sensitive to the Insured business. The Claims Condition requires that the Policyholders provide the information, at their own expense.

The Policy may well include a promise by Insurers to pay reasonable charges payable by the Insured to their professional accountants for producing such particulars or details or any other proofs, information or evidence as required by the Insurer under the Claims Condition and/or a Claim Preparation Clause. (Subject to the maximum liability of the Insurer.)

## 6. Details of any savings made

During the period of interruption the business will most likely make savings. For example if the business is closed there could be a saving for light and heat. The Loss Adjuster should obtain the detail of savings as these are deducted from the eventual settlement figure.

The settlement of a Business Interruption Claim is far from an exact science and this paper provides a brief introduction to the nature of the information that may be required. An important element of any Business Interruption claim is that proactivity is of utmost importance to the business and to the Insurer. This paper will give inexperienced Loss Adjusters a brief overview and the input of more senior colleagues will be of utmost importance.

This publication has been made available by the Chartered Institute of Loss Adjusters (CIL A) solely for the use and convenience of the reader. The content, views and representations made in this publication are the sole product and responsibility of the writer/s who has produced it. By making this publication available the CIL A does not offer any endorsement or recommendation of the views and opinions expressed therein. For a full explanation of the terms and conditions upon which the CIL A provides this publication please see our full disclaimer which available on the Institute website.

