

GREEN & GOLD

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Arizona's Restaurant & Bar Insurance Specialists

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Understanding Business Income & Extra Expense Insurance

What Many Insurance Brokers Don't Explain Could Really Hurt YOU

By Taylor B. Usher, CIC
Hill & Usher Insurance. Bonds. Benefits

Wise restaurant and bar operators protect themselves and other stakeholders in the establishment by insuring buildings, contents and other property with limits sufficient to rebuild or replace damaged property. But **what happens while property is being replaced and the business is closed?** Property damage can often be extensive, even total. Such loss can certainly shut down or greatly reduce business operations for a time. Would it be just a few weeks or would it be several months or more? How are lost profits and other ongoing expenses replaced during a shutdown? Such questions highlight the importance of Business Income and Extra Expense for restaurants.

Computers can be damaged or a complete loss. Paper and other records can be totally destroyed. Building rehabilitation and, in a worst-case scenario, full reconstruction take time — sometimes half a year or more, even if the original premises did not take that long to build. Don't forget to factor in the time to even get all the plans and permits ready.

How long would it take you to get your

operation back up and running even under the best of circumstances and with plenty of funds set aside to cover all unforeseen expenses? Such unexpected interruption can cut deep into cash flow and savings.

Natural disasters (all too common) and **terrorist events** have proven to severely interrupt business income and personal earnings of millions of people. Sad as it is to even recall, there were thousands of restaurants and bars at and near ground zero in New York on that fateful day.

And in New Orleans when **Hurricane Katrina** hit, just think about all the various eating and drinking establishments that literally went under. Think of the people who owned the enterprises. Think of those who had to make the tough economic decisions to shutdown to never reopen again, anywhere. Did they all have **flood** insurance? Well, did they all have all-important **Business Income Insurance?**

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Many additional eateries, pubs, bars, nightclubs faced surprise **income interruptions** during the California **wildfires**. These things (flood, fires, attacks, etc.) happen, and highly intelligent businesses make sure of their coverage adequacy and limits by consulting qualified insurance brokers and risk managers.

You can be sure that the largest and best run chains carry Business Income. Of course they can help spread their losses across other locations not directly hit by a disaster, large or small -- all the more reason for the smaller chains and single-location establishments to have full coverage.

And as we've seen, it doesn't matter which state you're in, disasters strike and accidents happen. Those smart enough to prepare by obtaining solid insurance coverage are able to budget their expenses and to position their business or businesses to ride out a period of little or no income to cover salaries and all other continuing expenses. They are able to continue paying bills, taking care of their families and supporting their valuable and highly skilled and trained employees.

Because Business Income and Extra Expense can be designed under a number of formats, **bar and restaurant owners should take great care when selecting limits**, choosing coinsurance percentages, including/ excluding payroll of non-management employees, and maximum periods during which coverage applies.

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How Long Will You Be Closed After A Loss?

*By Lyle Horiuchi
Hill & Usher*

Rebuilding or repairing a building damaged by fire can be complicated by unforeseen delays, often beyond your control. If you buy twelve months worth of Business Income & Extra Expense coverage, you are often adequately protected; but this can be relatively expensive, which causes many restaurant and bar owners to choose three, four or six month time limitations on their Business Income coverage.

Consider some common delays in building reconstruction after a significant loss:

1. Time consuming **investigations** led by the Fire Marshall, Police Insurance Company, Landlord, and Contractors.
2. **Removal of debris** from affected site.
3. Containment of surviving structure.
4. Preparation of **architectural drawings**.
5. **Permit** approval through the city.
6. Contractor **bids**, collecting other estimates from subcontractors.
7. Defective or **inferior re-construction work** either not complying with city codes or unsatisfactory to the building owner.
8. Non-contractor suppliers of equipment and other furnishings.
9. Significant **shortages** of qualified subcontractors, labor, or materials after a major event.

Policies with an "Actual Loss Sustained" (ALS) provision mitigate the potential affect rebuilding delays will have on your wallet. Many restaurants can buy ALS coverage. Insurance carriers often don't offer ALS to bars or taverns. If you need assistance with Business Income limits, please call us at 602-667-1848.

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