



The Nasty “Business Interruption” Insurance Fight

A reminder to know what your insurance covers – and doesn’t cover

Restaurants, hotels, gyms and other businesses that were forced to close due to COVID-19 are now battling their insurance companies over their business interruption insurance and have asked the federal government to step in.

In one corner are businesses who argue that since they paid their premiums for business interruption services, now is the exact time that their claims should be paid. In the other corner are the insurance companies who argue that business interruption policies were never designed – or priced – to pay for such events.

And each group has hired powerful lobbyists to convince the federal government to be head referee.

Business Insurance in General

Business insurance may be considered accident or disability insurance for a business, since it helps to maintain a regular flow of earnings after the business has been completely or partially shut down by disasters, including fires, tornados, and theft. Business interruption insurance is designed to pay for the lost net profits of the business plus any continuing expenses occurring during “down time” caused by a peril covered by the policy.

There are many different forms of business interruption insurance, and the price can vary greatly based on the level of risk and the potential cost of

getting the business up and running again after a disaster strikes. While business interruption insurance is sometimes included in business owner policies, the type and amount of coverage provided by a standard policy may be insufficient for the needs of many companies.

In theory, we all understand the importance of insurance to protect us financially. But many of us pay for insurance every year without knowing exactly what it covers and what it does not. Given the COVID-19 fight between businesses and insurance companies currently taking place, let’s take a closer look at common property and casualty insurance to find out whether you have enough protection. Keep in mind that this is more of a general discussion of things to look for – everyone’s policy is different.

Homeowner’s Insurance

Homeowner’s insurance covers many damages, including theft, wind or fire perils and more. It adds liability insurance to the standard hazard policy to cover any injuries to people on your property. Your homeowner’s insurance kicks in, for example, if your dog bites the next-door neighbor kid.

But many potential disasters aren’t covered, such as flood and earthquake damage. Look at the exclusions category of your homeowner’s insurance to see what your existing policy doesn’t pay for. If you’re at risk for these scenarios, additional insurance policies are

available (and may even be required from lenders if you're taking out a mortgage).

In the case of the destruction of your home, many policies cover your loss up to an initial estimate, but some policies provide guaranteed replacement, which covers the complete repair or rebuilding costs.

Also, check your deductibles – the amount you must pay out of pocket before your benefits kick in. If you have the cash flow to handle the initial costs should anything happen, you may want to opt for a higher deductible to lower your premium. Claiming small losses on your homeowner's insurance can increase your rate, and the insurer can cancel your policy in some circumstances.

Renter's Insurance

Renter's insurance protects against the loss or destruction of your possessions. If you are a renter, you want to make sure you have it, because your landlord's insurance doesn't cover you.

Renter's insurance is often very affordable, and many landlords require it before accepting a lease. Similar to homeowner's, renter's insurance also provides your personal liability coverage. If someone visiting you is injured in your home, the insurance company pays.

Car Insurance

Car insurance, in most states, is a requirement (not so in New Hampshire and Virginia). Basic policies include liability coverage for the injury and property claims of another party when you're at fault in an accident. Some states also mandate personal injury protection. This pays for your own medical expenses in an automobile accident, regardless of who was at fault.

There is extra coverage such as collision, comprehensive and uninsured motorist. Collision insurance covers your repairs costs if you hit something and damage your car. Comprehensive covers losses not resulting from automobile accidents, such as fire, storms, theft, and vandalism.

Uninsured motorist coverage protects you in a hit-and-run. For just a bit more, you can also purchase an underinsured provision, which kicks in when a

driver injures you or damages your property but does not have adequate coverage for the full amount.

Valuables Insurance

If you have homeowner's insurance or renter's insurance, you have some protection for precious valuables like jewelry, art or collectibles. However, the liability limits are often low.

If you have special valuables that are worth more than the policy limit, look into raising it or purchase a separate rider for each item.

Umbrella Insurance

You know that you should protect your home, your car and your valuables. But there's something that many overlook – your net worth. Your savings, home and future earnings could be at risk if a bad car accident quickly exceeds your liability limit in your standard policy.

Umbrella insurance protects your net worth by covering the difference in all your policies. It pays for property damage, bodily injury claims and legal costs. Typically, such policies start at \$1 million in coverage for around a year. If you can't afford to rebuild your nest egg, you want to protect it with umbrella insurance.

With this overview in hand, talk with your financial advisor to better decide what coverage is right for you and your family.