

Employee Owned



Est. 1864

Service Interruption and Business Income ... Are You Covered?

When it comes to explaining the need for various types of coverage to a client, we are often stuck using hypothetical scenarios. Recent developments in North Carolina's Outer Banks provide a real-time example of a sometimes confusing coverage, business income.

On July 27, PCL Construction drove a steel casing through an underground cable that supplies power to parts of North Carolina's Outer Banks. As a result, vacationers left and residents were without power for about a week. This loss of power could not have come at a worse time for the businesses in this area. Based on last year's tourism numbers, Hatteras Island businesses could have easily lost \$2 million for each day of the outage, according to Dare County officials. Some businesses may be able to withstand the loss of revenues for this time, while other businesses face the real possibility of closing the doors for good unless they have insurance coverage for the lost revenue.

What is Business Income Coverage?

A common coverage found under property insurance is business income. Business income coverage will pay the insured for its actual loss of business income sustained due to the necessary suspension of operations during the period of restoration. In order to trigger this coverage, a few things must occur. First, the business must suffer a suspension of operations. Second, that suspension must result from direct physical loss or damage to property at or within 100 feet of the listed premises. Last, the loss or damage must result from a covered cause of loss. If any of the preceding triggers are not met, coverage does not apply. In the case of the Outer Bank's power outage, the second trigger has not been met since the damage to the underground utility occurred in the middle of the inlet.

As is often the case for uncovered losses, an endorsement is available to add coverage back for business interruption suffered from the loss of utilities. Coverage can be purchased to cover the loss of water, wastewater removal, communications and power utilities. Another option to the endorsement is coverage for overhead transmission lines for power and communications.

If you have questions about your business income coverage, a [Scott Risk Advisor](#) can help you evaluate the risks to your business and suggest coverage that is appropriate.

Written by Chad Duke

Chad is a Risk Advisor in Scott's Nashville office. He joined Scott in 2009 as a Risk Advisor in Scott's Raleigh, North Carolina location and recently moved to Tennessee to assist in the growth of the Nashville branch.

Call Chad at **919-900-0878** if you have any questions or need any additional assistance.