

By Erin Mitchell



asset + protection

When café owners think about insurance, most plan to insure their physical assets (building and equipment) from loss caused by fire, lightning, storm, malicious damage or even theft. What café and many other business owners fail to consider is the significant financial loss, or even ruin, a business can suffer following damage to their buildings or equipment.

With all the time, effort and money that you as a café owner invest in your business, it is sensible to protect the investment which is your livelihood. Unless you have surplus funds to cover your ongoing business commitments (outgoings) through a period of reduced or ceased turnover, you should seriously consider setting up a Business Continuity Plan for your business. The Business Interruption section of your insurance policy is one method of protecting against possible financial ruin following a loss such as fire. A Business Interruption policy is designed to put a business back into the same financial position it would have been in prior to a loss occurring. A claim under the Business Interruption policy is triggered by a property damage claim following an insured event such as fire, storm damage and theft. Some insurance policies may also provide extended cover including business interruption resulting from a breakdown of insured machinery and disruption to external sources a business depends on such as public utilities, customers' and suppliers' premises, prevention of access and closure by a public authority.

Severe losses such as fires, lightning, storm damage and flooding occur almost every day. Statistics indicate 43% of businesses that experience a disaster never reopen and 29% close within two years (www.bicalculator.com) – and the number increases to as high as 90% for businesses who do not have a Business Interruption policy. It is important for café owners to insure business interruption and to confirm that the level of cover is sufficient.

Who should insure Business Interruption? There is no checklist available to answer this question, but you should strongly consider Business Interruption insur-

ance as part of your Business Continuity Plan if you answer "yes" to any of the following:

- My business is a retailer
- My business relies on key equipment which may not be able to be immediately replaced
- My business is financed by debt
- My business would lose income if I was unable to operate from my current premises
- My wage / family's income would cease if my business was unable to trade

There are several different methods of insuring business interruption under the many business packages available, including Insurable Gross Profit, Gross Revenue and Weekly Income. In addition to insuring the business revenue or profits, you can also elect coverage of professional claim preparation fees and nominate an amount. The additional increased costs of working are another business interruption cover that is highly recommended. This section can be insured with or without insuring the business revenue or profits and is designed to cover the additional expenditure resulting from an interruption such as staff overtime costs, advertising and rental fees for an alternative premise.

While business interruption is not the only answer for a Business Continuity Plan, it is an important starting place. Café owners need to minimise the risk of damage in advance, as those businesses that plan in advance generally tend to recover quickly.

As business policies vary significantly across insurers, it is essential to check with a qualified insurance advisor that your current covers meets your needs.

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