



8 Tips for Navigating Business Interruption Insurance Post-Hurricane

Dennis Tizzard offers guide to prepare for BI claims related to Harvey, Irma and Nate

Numerous businesses throughout Texas, Florida and Mississippi have recently suffered interruptions of their operations because of Hurricanes Harvey, Irma and Nate. The good news is that many businesses' property insurance policies include business interruption coverage to cover lost business income and at least some of the extra expenses associated with restoring business operations.

The following are key steps businesses should take to ensure they take full advantage of the insurance they purchased to protect them from catastrophic losses. The terms of business interruption coverage vary greatly, so this checklist is intended as an initial guide to assist in the efficient preparation of business interruption claims.

1. Review all potentially applicable insurance policies and assess the potential for coverage.

An important first step is to collect and analyze your policies to assess the scope of coverage available. The most common policies providing coverage will be first-party property policies, including commercial property, marine property and event cancellation policies.

2. Provide prompt notice of the loss to all insurance companies.

Failure to give notice to the insurance company within time limits specified in the policy can invalidate a claim.

3. Once it is safe to do so, visit the damaged property and record the extent of damage.

Photographs and video are crucial.

4. Begin loss mitigation and recovery.

Standard insurance policies generally require the insured to mitigate losses. Businesses should ensure they take reasonable steps to protect from further damage. Items to consider are:

1. conducting sales or services at alternative facilities;
2. use rental facilities, rental equipment, overtime, additional work shifts, etc. to resume or maintain operations; and
3. ensure inventory on hand is sufficient to meet customer orders during the loss period.

5. Form a claim team.

Because of the complexity of business interruption coverage and the coverage issues often raised from catastrophic event claims, it is essential to form a team involving company employees and outside experts, including outside counsel, independent adjusters and forensic accountants.

6. Gather and maintain financial records and legal documents related to the business interruption.

Primary documents include:

1. annual and monthly financial statements for the past three to five years
2. annual income tax returns
3. business forecasts and budgets
4. inventory records
5. cost accounting records
6. payroll records
7. lease and rental agreement
8. business contracts



7. Collect and maintain records of costs incurred to avoid or reduce the loss.

Key documents to include are:

1. overtime records related to maintaining production at pre-loss levels
2. price premiums and extra shipping charges to expedite delivery of machinery or inventory
3. relocation costs
4. costs incurred in the purchase of generator or replacement power
5. costs of notifying customers of relocation or to maintain customer relationships during downtime

8. Calculate the business interruption loss.

Calculate the loss under the terms of your insurance policy coverage. Business interruption (loss of business income) coverage generally does not cover lost revenues but does cover lost profits. Lost profits generally are defined as the amount of lost revenues less the expenses that would have been incurred to produce the lost revenues.

Dennis Tizzard serves as partner in charge of Ericksen Krentel's Consulting Services Section, where he assists businesses and their legal counsel in forensic accounting and determining business valuations, especially as it relates to catastrophic events. Under Dennis' leadership, Ericksen Krentel was instrumental in helping hundreds of clients recover millions of dollars from business interruptions and damages caused by Hurricane Katrina and the BP oil spill. Dennis provides litigation support services, business economic loss analysis services, business valuation services and small business consulting services. He also frequently serves as an expert witness to deliver forensic accounting and fraud analysis for a variety of industries from insurance to maritime.

Dennis can be reached at 504-486-7275 or dtizzard@ericksenkrentel.com.