

## Business Interruption Insurance

### How to prepare the proof of loss.



Are you able to quantify the impact of a loss on your revenues? Whether your business is retail, distribution, manufacturing, or industrial, GPL can help. Although 80 to 90 percent of business interruption claims are for short periods, i.e. two to six months, you have to be ready to answer accounting questions from specialists assigned to your file by the insurer.

When preparing the proof of loss, you must prove that there was a reduction in your customer base, that orders or contracts were lost or cancelled and that this is a direct consequence of the event. You must also convince the insurer that you are not able to resume production at another one of your facilities. Aside from the loss of revenues, the insurer will look at production stability – in the case of a manufacturing risk – i.e. an upward or downward trend.

#### Helpful Hints

- After a major loss, it is wise to engage the services of specialised accounting firm to assist you in preparing your proof of loss.
- Fees charged by the accounting firm are usually reimbursed according to the limit provided in your policy; you should allow for a sufficient amount;
- To facilitate the financial audit process, you should allow for a separate expenditure item in order to recognize distinctly the expenses related to the loss.
- For small businesses, did you know that some insurers offer coverage for the actual loss sustained? This is a wise choice since there is no coinsurance clause applicable in case of a loss.

Here are a few key issues to consider in business interruption:

- Are you exposed to interdependency situations between manufacturing or assembly plants?
- Would an interruption in public services outside your premises (such as electricity, heating, water, gas) affect your business?
- Contingent business interruption: should your suppliers be unable to provide parts or your clients be unable to purchase your products, this may have serious consequences on your business.
- Any company that suffers a loss or has a negative performance must nonetheless fill out the declaration form and forecast expenses that will remain after a loss, in order for the insurer to reimburse.
- It is a mistake to choose or cut certain expenditure items when filing out the “profits” form. For example, in the event of a loss, publicity expenses should not be reduced. Would you really want to be forgotten?
- Given the state of today’s economy and decreasing labour force, some businesses choose to insure ordinary salaries for a period of 90 days. Whether it is specialised labour in the manufacturing sector, in a remote area, in retailing, or a key salesman, upon resuming business activities, will these workers be required or even available for you?

**To contact us:**  
Eric Bujold, CIP  
ebujold@gplassurance.com  
☎ 514-788-4410

[www.gplassurance.com](http://www.gplassurance.com)

*Tailor-made solutions | Personalized service*

**GPL**  
**assurance**

Trustworthy professional services ▪ An unmatched expertise of the insurance market ▪ Advice on minimizing and managing your risks  
▪ Advocacy of your interests during the claims process ▪ Solutions to complex problems

This bulletin is produced for your information only and constitutes neither an opinion on the stated coverage nor legal advice.