

Disability business interruption insurance

Your company's staff are your most important asset. When an employee is prevented from doing their job, your company may suffer financial losses, which might end up being considerable.

If business operations are interrupted or disrupted, disability business interruption insurance will help your company cope with fixed costs and any extra costs needed to keep business running.

This insurance comes in two scopes: a cover against business interruption losses arising from accidents, or a Premium cover that also applies to business interruption losses that result from illness.

What is insured by disability business interruption insurance?

A disability business interruption insurance policy will insure against either your company's lost estimated gross profit or extra costs incurred from keeping business running while an employee is unfit to work.



Estimated gross profit is the value obtained by subtracting from the company's turnover the costs of materials and services.

Keeping business going is a must

Some business activities are by their nature such that they cannot be interrupted even in case an employee is incapacitated for work. For example, an accountancy office needs to prepare the accounts on time and a nursing home must be able to take care of its elderly residents. Similarly, machine contractors often need to perform agreed contracts on time to avoid penalties for delayed delivery.

To prepare for these and other situations, you should have a disability business interruption insurance policy insuring against extra costs that you might need to pay to keep business up and running while an employee is unfit to work. Examples of the above costs include your own staff's overtime costs, costs of hiring a substitute and costs for subcontracting the invalid person's work.

What if my business operations are interrupted?

Insure your estimated gross profit when there is a risk that business operations might be halted completely or partially for the duration of the work incapacity of your company's key person. This might happen when the person has competences which make it practically impossible to find a substitute, or if your business to a large degree relies on the input of an individual person or persons.

For instance, technical design can be specialised to a degree where you will not find any similar substitute talent. Likewise, in medicine, there are many highly qualified specialists, but the field also depends on individuals, as clients may want to consult or be operated on by a specific doctor, having already started a treatment relationship with that doctor. The business of hairdressers and massage therapists who have built a steady base of clientele over the years also depends on the input of individual professionals.

When estimated gross profit is the subject matter insured, you will also be covered for costs arising from measures that have reduced your loss of profit. These measures may include, for example, subcontracting some of the work or having work done as overtime work, and they will be covered up to the amount by which the measure has reduced profit loss.

Scope of cover

Accident business interruption insurance will cover business interruption loss when the work incapacity is a result of an accident or accidental death. 'Accident' means any sudden event caused by an external factor and resulting in a bodily injury to the insured. Accidents also include drowning, heatstroke, and poisoning by a substance ingested by mistake, as well as strain injuries resulting from a movement or exertion that are not principally caused by the affected person's illness, disease or physical defect.

Premium disability business interruption insurance will also cover business interruption loss when the work incapacity is due to an illness or death from an illness.

Whose work input is worth insuring?

You may take out a disability business interruption insurance policy to insure the work input of one or several people. Everyone whose work input you want to insure will be recorded in the policy schedule (= designated person), and a dedicated sum insured and liability period will be marked for every designated person. For some companies, it may be sensible to insure just one key person, while others might find it appropriate to insure all employees.

In respect of each person, cover will apply until the end of the period of insurance during which he or she turns 68.

In addition, for your policy, you will also select the geographical region of cover, which means that when work incapacity starts or death occurs within this region, the resulting business interruption loss will be covered by the policy. We recommend that you always select the cover to apply worldwide.

Take the following factors into account when considering which employee's work input to insure:

1. How critical the person's work input is, considering the overall context? For example, will other people's work also halt for the duration of the absence, or will some critical project stop?

2. What will happen to business operations if the employee is incapacitated for work for several months? Will there be a halt, for example, in calculating and negotiating new contracts, or will you need to cancel contracts for work performances that have already been agreed?
3. Will it be easy to hire a substitute for the job, or can other employees work overtime to perform the absentee's work?

Is this insurance also appropriate for self-employed persons?

This insurance is also appropriate for you if you are self-employed. While benefits obtained from a workers' compensation insurance policy or the Social Insurance Institution of Finland (Kela) protect the entrepreneur's own finances, indemnity received from a business interruption insurance policy will safeguard your company financially so that, after the work incapacity, you as self-employed will have the opportunity to continue trading. In that case, you do not for example need to cancel your business premises lease for the duration of the interruption.

Examples	Insured: estimated gross profit
<p>Your company has one designer who prepares the designs for storage systems conforming to a client's wishes. On the basis of these designs, your company orders the parts, and fitters install them.</p> <p>Due to the designer's work incapacity, you are unable to tender for new sites, and your fitters cannot start work on new assemblies.</p>	<p>Your insurance will indemnify you for the profit lost over the interruption period.</p> <p>If you managed to reduce the profit loss by ordering the design work from another company, your insurance would also cover some of the costs arising from ordering the design work.</p>
<p>You are a dentist and, due to your work incapacity, booked appointments need to be cancelled and rescheduled.</p> <p>Your dental company nevertheless needs to pay its fixed costs, including the dental assistant's salary and the operatory rent.</p>	<p>Your insurance will indemnify you for the profit lost over the interruption period. Through this indemnity, you will be able to take care of the dental assistant's salary, the rent and other fixed costs.</p>
Examples	Insured: estimated gross profit
<p>Because a machine contractor's works contract imposes a penalty for delayed delivery, the contractor subcontracts work from another contractor while he himself is unfit for work.</p>	<p>The contractor's insurance will compensate the extra costs incurred from subcontracting the work. As extra costs is the subject matter insured, lost estimated gross profit will not be compensated if, for example, some of the work is not done at all.</p>
<p>A care home for the elderly needs to have available the prescribed amount of nursing staff.</p> <p>For the duration of a worker's long-term work incapacity, a substitute has to be hired. Before the substitute starts working, other workers work overtime to complete the incapacitated worker's shifts.</p>	<p>The substitute's salary costs and staff's overtime costs will be covered by the care home's insurance policy.</p>

How to select the sum insured?

You will select a sum insured independently for every person whom you want to designate for your insurance policy. For everyone independently, you may also select whether to insure against lost estimated gross profit or extra costs, and may determine the length of the uninterrupted time period over which indemnity will be paid. This represents the liability period of your policy.

However, when selecting the sum insured, take the following factors into account for every person:

1. What level of additional costs will it incur monthly if you subcontract the incapacitated person's work?
2. How much would a substitute's salary cost and the related employer contributions be if you find someone who you can hire to substitute the incapacitated person? Under the applicable collective bargaining agreement, for how long during the work incapacity are you required to pay remuneration?
3. Following the person's work incapacity, how large a share of your budgeted turnover / estimated gross profit would be lost during the liability period if you are unable to hire a substitute and will not find a subcontractor?

How to select the liability period?

Liability period means the length of time over which the insurer will cover business interruption loss. For example, if the selected liability period

is six months, your policy will cover business interruption loss over an uninterrupted period of six months from the work incapacity start date.

If the same cause results in more than one period of work incapacity, the liability period will also in that case be calculated from the first day of work incapacity, lasting uninterruptedly from that date for the duration of the liability period. In respect of work incapacity resulting from the same cause, you will be covered against business interruption loss over only one liability period.

The safest choice is to select a liability period of 12 months. In situations where it is easy to find a substitute whom to hire to replace an employee, you may select a shorter liability period for your policy.

When selecting the liability period, consider at the least the following issues:

1. How quickly would you find a substitute to replace the invalid person, or would it be possible to hire a substitute at all?
2. For how long will your company pay remuneration to the employee during his or her work incapacity? In other words, in case a suitable substitute is found, for how long will your company incur salary costs from two persons?
3. If you need to reduce business operations for the duration of the interruption, can you also bring down your fixed costs, for example by cancelling the tenancy of your business premises?

Examples	Insured: estimated gross profit
An employee hurts their knee while on vacation and is unable to return to work after the vacation. The liability period is six months.	The indemnity period will start from the first working day following the vacation, continuing uninterruptedly for the next six months.
An employee hurts their shoulder, but can work normally until the shoulder is operated on. The liability period is six months.	The indemnity period will start from the first day of work incapacity that results from the surgery, continuing uninterruptedly for the next six months.
Following a knee injury, your employee is unable to work for two months after the accident, returning to work after that until admitted to surgery eight months after being injured. The liability period is six months.	The indemnity period will start from the first day of work incapacity, continuing uninterruptedly for the next six months. Because the employee is admitted to surgery eight months after the first day of work incapacity, the business interruption loss resulting from the surgery will not be covered by your insurance policy.

Deductible

Every business interruption loss claim has a claim-specific deductible. When estimated gross profit is the subject matter insured, your policy deductible will be based on the number of days, but in any case it will be at least a certain euro amount. If a business interruption loss lasts less than the selected number of days, there will be no cover. If the business interruption loss lasts longer than that, we will deduct from the amount

of indemnity such amount of the profit lost as reflects the number of deductible days, at least the euro deductible amount. In accident business interruption insurance policies, the policy waiting period is usually seven days, and in a Premium policy this is 14 days.

When extra costs is the subject matter insured, your policy deductible will be a percentage share of the costs, usually 10% and at least €2,000.

Examples	Insured: estimated gross profit
Business interruption loss lasts 90 days, and estimated gross profit is the subject matter insured. The profit lost over the interruption period is €90,000, or €1,000 per day.	The stated deductible is 14 days, at least €2,000 → a deductible of €14,000 applies.
Business interruption loss lasts 90 days, and extra costs is the subject matter insured. The substitute's salary costs and the staff's overtime costs for this period total €7,000.	The deductible is 10% of the amount of loss, at least €2,000 → a deductible of €2,000 applies.

Cover restrictions and exclusions

The following sets out the most common cover restrictions and exclusions. To read more about them, please see the policy wording. For a Premium policy, restrictions and exclusions may also be introduced on the basis of the health declaration.

Common cover restrictions and exclusions for accident business interruption insurance and premium disability business interruption insurance

There will be no cover in the event that your company has not kept proper accounts for its business operations as required by the Accounting Act.

There will be no cover in the event that the accident causing work incapacity has occurred in the course of professional sport, motorsport, aviation sports, mixed martial arts, rugby or American or Australian football.

There will be no cover in the event that the work incapacity or death has been caused from:

- pregnancy, abortion or childbirth;
- symptoms which, on the basis of examination findings, cannot be considered justified;
- the consumption of intoxicating or addictive substances; any addiction to such substances; or the treatment of addiction;
- injury caused through gross negligence or an intentional act; suicide or attempted suicide; or participation in criminal activity;
- any war, armed conflict or nuclear reaction.

There is no cover for medical and treatment expenses, or for contractual penalties and other damages that your company is contractually or legally liable to pay, for example, in respect of a delayed or cancelled delivery.

Accident business interruption insurance will not provide cover if the accident or death has been caused from:

- a non-accidental illness, disease, injury, defect or degeneration, not even if it were asymptomatic before the accident;
- Achilles tendon rupture, hernia of the intervertebral disk, abdominal hernia and inguinal hernia, unless the injury has been caused in consequence of an accident wherein even healthy tissue would be damaged.

There is also no cover for loss that results from any psychic consequences of an accident.

How is the amount of indemnity calculated?

When assessing the level of estimated gross profit that your company loses due to a work incapacity incident, we will take into account the actual turnover in the 12 months preceding the work incapacity, as well as the changed market situations and developments in the policyholder's business operations. This calculation will draw on the company's actual accounts, budgeted calculations and information, for example, about the works ordered and services booked.

The costs of measures taken to reduce profit loss and maintain business operations will be

indemnified on the basis of receipts confirming the actual costs.

During a business interruption loss, a company may sometimes have expenses not incurred during the interruption or reduction of business operations. These will be taken into account when calculating the amount of indemnity, as will any compensation paid to the company from other sources, including daily allowance benefits that Kela may pay to the company's account.

In indemnity amount calculations, there are two exceptions to how the indemnity period will be calculated:

- Indemnity will be paid only for three months if the business operations are not continued after the business interruption loss; and
- Accident business interruption insurance will pay indemnity only for a period of six weeks if the work incapacity results from a muscle or tendon strain injury.

The premium and the health declaration

Your premium will be affected not only by the company's business details, sum insured and deductible, but also by the designated person's job and age. Furthermore, the premium is also tied to the person's age, and will increase with age.

This insurance product is not designed to cover business interruption losses resulting from any known illnesses or symptoms. That is why, when taking out a Premium disability business interruption insurance policy, we will ask the persons whom you want to designate for your policy to complete a health declaration. On the basis of this declaration, we may introduce individual exclusions into the policy. This is to avoid unpleasant surprises which we might encounter if we learned about illnesses or symptoms only when examining a claim. The health declaration will have no impact on your premium.

Insurance is granted by the following mutual insurance companies in LocalTapiola Group (business ID):

LähiTapiola **Etelä** (0139557-7) | LähiTapiola **Etelä-Pohjanmaa** (0178281-7) | LokalTapiola **Sydkusten** -
LähiTapiola **Etelärannikko** (0135987-5) | LähiTapiola **Itä** (2246442-0) | LähiTapiola **Kaakkois-Suomi**
(0225907-5) | LähiTapiola **Kainuu-Koillismaa** (0210339-6) | LähiTapiola **Keski-Suomi** (0208463-1) |
LähiTapiola **Lappi** (0277001-7) | LähiTapiola **Loimi-Häme** (0134859-4) | LähiTapiola **Länsi-Suomi** (0134099-8) |
LähiTapiola **Pirkanmaa** (0205843-3) | LokalTapiola **Österbotten** - LähiTapiola **Pohjanmaa** (0180953-0) |
LähiTapiola **Pohjoinen** (2235550-7) | LähiTapiola **Pääkaupunkiseutu** (2647339-1) | LähiTapiola **Savo**
(1759597-9) | LähiTapiola **Savo-Karjala** (0218612-8) | LähiTapiola **Uusimaa** (0224469-0) |
LähiTapiola **Varsinais-Suomi** (0204067-1) | LähiTapiola **Vellamo** (0282283-3) |
LocalTapiola General Mutual Insurance Company (0211034-2)

The companies' contact details are available at www.lahitapiola.fi.

