

# Business interruption insurance

Safeguarding your business continuity is key – also during different kinds of exceptional situations. You should take precautions to prepare for the worst and consider what will happen if, for example, one of your production machines breaks down or there is a fire at your business premises. Sometimes, business operations cannot be continued by means of temporary solutions, and business will be completely or partially halted.

Business interruption insurance is designed

to help companies overcome their rent and loan obligations and other fixed costs they need to pay even though business has been halted.

In this product brochure, we tell you more about the business interruption insurance products that LocalTapiola offers.

As a LocalTapiola customer, you will always get access to the RiskiHelppi service, an online risk management programme you can also consult for instructions about how to prepare for interruption risks.

## The business interruption insurance products in LocalTapiola's product range

Extended business interruption insurance	Breakdown business interruption insurance
Disability business interruption insurance (a separate product brochure)	Epidemic insurance
Rental return interruption insurance	Contingent business interruption insurance
Market garden business interruption insurance	Special business interruption insurances

### What is insured by business interruption insurance?

Business interruption insurance insures against the loss of profit that your company might incur following a business interruption or disruption event. Cover also includes costs of the measures that have reduced the profit loss, including costs of subcontracted work and costs of moving to temporary business premises.

Instead of estimated gross profit, you may insure only against extra costs incurred from maintaining business operations while the property damage is being repaired. You might want to insure just against extra costs when your business operations are not actually interrupted or they cannot be halted for the duration of the property damage. Activities of this kind include real estate agencies and accountancy offices, which can continue operating even in the event that their business premises are rendered out of use.



Estimated gross profit is a key figure obtained by subtracting from turnover the costs of materials and services recognised in the accounts.

Extra costs are actual costs arising from maintaining your business operations by means of temporary solutions, including those incurred from expediting repairs or moving to temporary business premises.

### Help is available already during business interruption loss

In order to shorten the interruption period, LocalTapiola will assist the policyholder to deal with demanding business interruption incidents. In prolonged business interruption loss cases, LocalTapiola will also work to pay an advance indemnity already during the interruption period, although the actual amount of business

interruption loss can be calculated only after the incident causing the interruption has been remedied and the business operations have been restarted.

### **Level of the sum insured**

The estimated gross profit budgeted for your company's upcoming period of insurance will be recorded as the sum insured. The recorded sum insured will be equal to one year's estimated gross profit, even where the liability period is under a year long. This will ensure that, in the event of a claim, the sum insured will also be sufficient for any seasonal business activities.

Personnel costs may be omitted from the sum insured if they do not need to be paid while business is interrupted. Alternatively, you may also insure only a portion of your personnel costs. This is referred to as limited estimated gross profit and separately insured personnel costs.

When insuring against extra costs, you will select a sum insured amount that is estimated to be enough to cover the costs arising during the interruption period from temporary solutions, including from temporary installations, moving to temporary business premises or subcontracting your own work.

#### **Example**

The estimated gross profit calculated on the basis of your company's budget for the current year is 1.5 million euros. Your company is about to open a new branch, with expectations of a major growth in business. The estimated gross profit calculated on the basis of the budget for the following period would be 2.5 million euros, which will be recorded as the sum insured when taking out your new insurance policy.

### **For how long will indemnity be paid?**

Losses will be indemnified for the duration of the liability period selected for your policy. We recommend a liability period of 12 months, which means that you will be indemnified for loss for up to 12 months from the day on which the loss occurs.

When selecting the liability period, you should assess how long it would take to remedy a property damage incident and how long after that it would take to get business operations up and running normally. It is a known fact that, when there is a fire in a building, it will take a long time to repair the damage caused, but it might also take several months to obtain spare parts for a broken production machine and to

book fitters to install them. The liability period should also take into account the time needed to adjust the production machine to produce the desired output.

### **Deductible**

When insuring estimated gross profit, your policy deductible will be a selected number of days and a selected minimum amount in euros. For example, if your deductible is three days and at least €4,000, this means that you are not covered for business interruption losses that are shorter than three days. In incidents lasting longer than that, when calculating the amount of indemnity, we will deduct from the business interruption loss incurred a euro amount that is equivalent to a three-day business interruption loss, at least €4,000.

When insuring against extra costs, your policy deductible will be a percentage of the costs incurred, at least a selected euro sum.

### **Against what type of losses can I take out a business interruption insurance policy?**

#### **Extended business interruption insurance**

An extended business interruption insurance policy will cover business interruption loss resulting from property damage that is covered under the fire, natural event, leakage or property crime insurance laid down in the property insurance policy wording (ES1).

You will also be covered for business interruption loss when a building is damaged and this would be covered by a LocalTapiola property insurance policy if the building were insured with LocalTapiola.

You may choose your insurance policy to cover only business interruption losses caused by fire incidents. That kind of insurance is called Fire business interruption insurance.

Example	Indemnity
<p>A shopping centre is closed due to a fire for six months:</p> <p>1. A shoe shop is forced to interrupt its business operations even though the shoe shop itself has not suffered any damage.</p> <p>The shoe dealer rents alternative business premises for the duration of the interruption.</p> <p>In her insurance policy, estimated gross profit is the subject matter insured.</p>	<p>The policy covers the profit lost over the interruption period. Costs incurred from the move are covered up to the sum by which the temporary solutions have reduced the amount of the profit lost.</p>
<p>2. An estate agent rents work spaces for his employees from a serviced office building.</p> <p>In his insurance policy, extra costs is the subject matter insured against.</p>	<p>The policy covers the costs of using the serviced office building.</p>

### Breakdown business interruption

A breakdown business interruption insurance policy will cover business interruption loss that results from breakdown of an insured machine and is covered by the breakdown insurance laid down in the LocalTapiola property insurance policy wording (ES1). A breakdown business interruption insurance policy can be taken out to insure an individual machine or your company's all machines. The most important thing is to insure the machines that, if broken, play an essential role in your company's business continuity and financial performance.

**Restrictions and exclusions:** A breakdown business interruption insurance policy will not cover loss if, after the machine's breakdown-claim age reduction, there remains nothing to indemnify for the property damage or if the machine breaks during its installation or test use.

### Epidemic insurance

Epidemic insurance is an insurance designed for the food and restaurant industries and other companies handling food. It will cover loss if salmonella or another infectious disease is detected in any food handled by the company or at the company's business premises, owing to which a health authority orders the business operations to be interrupted until the premises

have been cleaned and disinfected and the contaminated products disposed of. Your insurance policy will cover not only business interruption loss that is incurred during cleaning, but also any current assets ordered for disposal and the costs of cleaning and disinfecting the premises.

For an epidemic business interruption insurance policy, you will select a sum insured amount, in euros, that is estimated to be enough to cover the cleaning costs, the value of current assets ordered for disposal and the estimated gross profit lost over the liability period of the policy. Usually, a liability period of four months will be enough for an epidemic policy.

An epidemic policy will not cover loss:

- if the policy has been in force for less than 31 days before an authority's issued order (this restriction will not apply when the policy has been in force before that with another insurer and, during the period of insurance, authorities have not imposed any restrictions of business);
- if the epidemic has the same cause as any claim covered less than one year ago;
- to the insured's clients;
- which results from a product that violates the import regulations.

Example	Indemnity
<p>Customers of your restaurant become ill due to salmonella found in eggs. A health protection authority orders an intensified cleaning of the restaurant and that the raw materials kept at the premises be disposed of.</p>	<p>Your policy will cover the profit lost during the cleaning work, the foods ordered for disposal and the disinfection costs.</p>
<p>An authority issues a general request to boil drinking water on the territory of your municipality.</p>	<p>Your policy will not cover any loss this causes to the restaurant, because the problem does not originate in the policyholder's own premises.</p>

**Interruption of rental income** A rental return interruption insurance policy will protect the results of the rental operations the policyholder carries on against property damage that affects a building, dwelling or unit that has been rented to a third party. The rental income lost and the costs paid to reduce the business interruption loss will be recoverable when the property damage that has occurred consists of a fire, natural event, leakage, criminal or breakdown incident that is covered by the LocalTapiola property insurance policy wording (ES1).

**Contingent business interruption** A contingent business interruption insurance policy will cover business interruption loss to the policyholder resulting from a fire which affects a company that has a contractual relationship with the policyholder.

A fire suffered by another company can result in business interruption loss, for example, to the product manufacturer when a supplier of raw materials needed for the product is unable to supply raw materials, or to a shop that is concentrated on selling the products of only a single manufacturer.

**Market garden business interruption** A market garden business interruption insurance policy will cover interruption in consequence of property damage similarly to an Extended business interruption insurance policy. In addition to this, you are also covered for business interruption loss resulting from damage caused to plants by:

- gas released suddenly and unexpectedly from a heater or another device;
- cold or heat that is due to any interruption or disruption of the electricity distribution, or of operation of the alarm system, of a greenhouse. However, there will be no cover if the disruption of electricity distribution occurs in a national or a local electricity distribution network or electricity utility.

A market garden business interruption insurance policy will not cover loss resulting from plant diseases or the activity of plant pests or if the interruption period is prolonged because of these.

### **Special business interruption insurances**

LocalTapiola also delivers business interruption insurances tailored to a broad range of individual cases, including business interruption insurance against sickness of the lead performer of a public event or against a particularly important transport being delayed. For further information about these insurances, please contact our business interruption insurance specialists.

## **Common restrictions and exclusions for business interruption insurances**

Under extended and breakdown business interruption insurance policies, there will be no cover for business interruption loss if the property damage causing the business interruption loss is not covered under LocalTapiola property insurance.

There is no cover for loss resulting from a communicable disease or from any measures taken to contain and control a communicable disease. However, an epidemic insurance policy will cover loss caused by a communicable disease detected at the insured's own business premises, including if salmonella or norovirus is detected at the premises and, due to this, authorities order the activities to be interrupted until there has been thorough cleaning and disinfection.

There will be no cover in the event that proper accounts have not been kept for the insured business operations as required by the Accounting Act.

## **How is the amount of indemnity calculated?**

The loss of profit indemnified by a business interruption insurance policy will be based on an estimate of what the profit would have been in the absence of the claim incident. The assessment will draw on the company's actual accounts for previous financial periods, and on budgeted calculations and valid information, for example, about the works ordered and services booked. When calculating the final amount of indemnity, account will also be taken of any costs that did not need to be paid during the business interruption loss, including saved cleaning and transportation costs. Sometimes a company manages to reduce the amount of business interruption loss, for example, by increasing its production at another place of business during a business interruption loss. This will also be taken into account when calculating the indemnity.

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.

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](http://www.lahitapiola.fi).

