



Brett Gundlock, Canwest News Service

Linda Voytovech, owner of Her's Fine Lingerie, found out the hard way that her policy didn't include business interruption insurance after a fire ripped destroyed her building in Toronto. Experts say business owners need to read the fine print when picking their policies to make sure such coverage is tailored to their needs.

# Small business interrupted

Industry experts tout tailored insurance policies as a way to avoid missing a beat

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CANWEST NEWS SERVICE

It was a nightmare business owners don't want to think about — a three-alarm fire, a destroyed building and months of waiting to reopen.

For Linda Voytovech, owner of the Her's Fine Lingerie retail store in Toronto, the nightmare got even worse when she discovered her policy didn't include business interruption insurance.

"I guess I didn't read the small print at the time," she says. "It turned out we weren't covered."

The only saving grace for Voytovech and her husband Boris was they owned the fully paid-for building, so were able to wait out the time it took to reopen.

An added setback, however, was that business interruption insurance would have covered lost revenues from the tenant who lived in the upstairs apartment.

The other businesses affected by the fire weren't so lucky.

The event happened more than 15 years ago when business interruption insurance was common but not standard.

"Business interruption insurance is one of the most common policies a small business would have today," says Doug Bruce, director of research for the Canadian Federation of Independent Business.

"Statistics show 80 per cent of the small-

to-medium-sized business population has some form of business interruption coverage."

Adds Lucas Kusiak, a registered insurance broker with the Neziol Group in Oakville, Ont.: "I can't think of a single business policy that I've seen that doesn't include it in some form or another."

While business interruption insurance may automatically be included in business policies, owners still need to take a thorough look at their coverage options, says Harry Binks, president of Binks Insurance in Ottawa.

"Make sure the coverage suits your business," he says.

"You need to examine whether you are properly set up, that your coverage is adequate and in the right form, and that all extensions are properly addressed."

The two basic forms of business interruption insurance are earnings and profits. The earnings form covers a business from the time of the loss until it re-opens.

"The trouble is that coverage stops the minute you open for business," says Binks.

"For many, ongoing expenses such as taxes and loan obligations don't stop when you're closed."

The profits form is designed to cover a business until it returns to its previous level of profitability. Typically, terms are 12 months, but can be extended to 24 months.

Assessing your profits-coverage needs does take a bit of legwork, says Binks.

"It's not as simple as saying, 'my gross profit is \$1 million, so let's get that coverage for that.' You have to work with an accountant to look at trends and walk through the implications of an interruption," he says.

"You also need to look at what an interruption in a major supplier's business could do to your profit potential."

"Examine the weak points within our own operation, your suppliers and your customers."

Additional coverage options can include extra expense and professional fees. The former covers extra costs that may be incurred if you have to carry on business at

another location (i.e. telephone, advertising, rentals).

Professional fees coverage encompasses

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**HARRY BINKS,**  
PRESIDENT OF  
BINKS INSURANCE

expenses and fees incurred in the assessment of your business interruption loss (i.e. counselling or legal fees).

As with all things insurance-related, the extent of coverage you need can vary dramatically from one business to another.

Binks points out that a professional firm — a law office, for example — could easily re-establish operations in a temporary space within days.

A local retailer in a small town might be able to relocate to another space on the same street within a few weeks rather than waiting for a building to be repaired.

The key is to ask a lot of questions and provide as much detailed information as you can when talking to your broker, says Kusiak.

"A lot of business startups are premium-driven so won't ask for too many details when getting quotes. You have to know what you need so you can compare apples to apples."

Voytovech would be the first to tell you that taking the time to do your homework and find the right broker is critical.

"Now we know that you have to be careful when you sign — and not to sign too quickly. Study the policy."

"Ask around for other people's opinions. And make sure you have a broker that goes over everything with you to make sure you're covered."

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