



# Business Interruption for charities

If your insurance provider has done a good job of assessing and advising on the needs of your charity, chances are they've mentioned Business Interruption (BI) cover.

While your office, its contents, together with the charity's activities, may be adequately covered in themselves BI offers an extra layer of protection to the charity's finances for very specific purposes.

## ***What is BI Cover?***

Business Interruption cover supports your organisation by protecting against loss of revenue following material damage to your premises – whether you own them or not. It also provides a reserve fund for some additional costs which you may incur.

## ***How does it work in practice?***

The first thing to say is that each charity's requirements will be different so it's important to seek professional advice at the outset. However, for the purposes of this first example let's assume your charity is a Foodbank...

### ***EXAMPLE 1 – a foodbank***

Imagine you suffer a fire or flood at your premises that results in damage to your building, some shelving and an amount of the food stock. The repair or replacement of those should be covered within your existing insurance provision under the relevant sections. However, what won't be covered is the period of downtime during which you can't operate.

You'd probably need to find a temporary alternative location from which to distribute, as soon as possible, with or without an increase in rent and you'd want to publicise the relocation so beneficiaries and donors knew where to come. Could the charity's limited funds bear all these costs? If not, or anyway,

arranging BI cover before the event would certainly protect charity funds from these relocation costs, the rental difference and the publicity costs.

As a foodbank you should also consider the replacement value of stock even though it is predominantly made up of donated goods. There would still be a cost to replace the stock in order to fulfil pledged parcels. That's not included under the BI cover but should be a consideration as part of your wider insurance portfolio.

### **EXAMPLE 2 – a city centre church**

This example is a real-life situation that occurred for a church in Dorset and it could just as easily arise for a community centre, village hall or other premises used to generate income or subjected to property damage.

Now, on the face of it, you wouldn't expect a church to have a Business Interruption exposure but on looking closely at their circumstances we agreed that cover was appropriate.

They have a new building which took 3 years to build and it's theirs for a peppercorn rent. So, if there was a major event at the premises, it could perceivably take another 3 years to get back up and running.

We chatted BI through when we reviewed their cover but they initially decided against it.

However, having gone away and looked at their income and potential rental costs they quickly came back to us and showed us the figures, requesting that we add BI in.

At an estimated cost of £100,000 pa to rent an alternative space to house their large church, offices and meetings plus £80,000 pa in lost hire revenue from conferencing, they'd worked out that a 3-year loss could be in the region of £540,000.

### **Other BI considerations**

BI cover doesn't stop there. If you're employing people alongside any volunteers, during a period of enforced closure you might not have any revenue coming in but you would have continuing wage costs to enable you to retain your staff.

Smaller charities (including foodbanks) may need to divert personnel away from fundraising/collecting activities to focus on reinstatement and that's where there could be a potential claim for loss of revenue or increased acquisition costs as an indirect result of the damage.

If all or part of your funding comes as a result of fulfilling a local authority tender or any other paid-for services you'd be wise to assess how a period of inactivity would affect the contract – both now and at renewal. BI cover could mean the difference between success or failure and give awarders the confidence to choose you over another provider who doesn't have the contingency in place.

To talk about any aspect of insurance for your charity, community group, voluntary organisation, church or faith group please call UK Charity Insurance on **01424 205063** or [provide brief contact details online](#).

To be the first to receive information like this in the future, plus occasional offers from UK Charity Insurance, please [subscribe to our updates](#) - we promise not to overdo it and you can unsubscribe again at any time.

**UKCharityINSURANCE**  
*Understanding the needs of today's charities*

A trading style of Chris Knott Insurance who is authorised and regulated by the Financial Conduct Authority  
01424 205063 | [experts@ukcharityinsurance.co.uk](mailto:experts@ukcharityinsurance.co.uk) | [www.ukcharityinsurance.co.uk](http://www.ukcharityinsurance.co.uk)  
5th Floor, Cavendish House, Breeds Place, Hastings, East Sussex, TN34 3AA