

**ALINK**  
Captive Insurance Services



## Business Interruption

Is your business bullet proof? The great recession of 2008 was a reminder to business owners of the vulnerable state of our economy. Years have since passed, however the risks business owners always have had in the past, and continue to carry in the future serve as a reminder of the vulnerability of a business. Traditional third-party commercial insurance addresses some of these risks, however, there are risks still looming. These risks are high severity in nature, and low frequency risks which may interrupt a business. Savvy owners will set aside some profits for some potential losses, essentially self-insuring these risks, or leaving them un-insured.

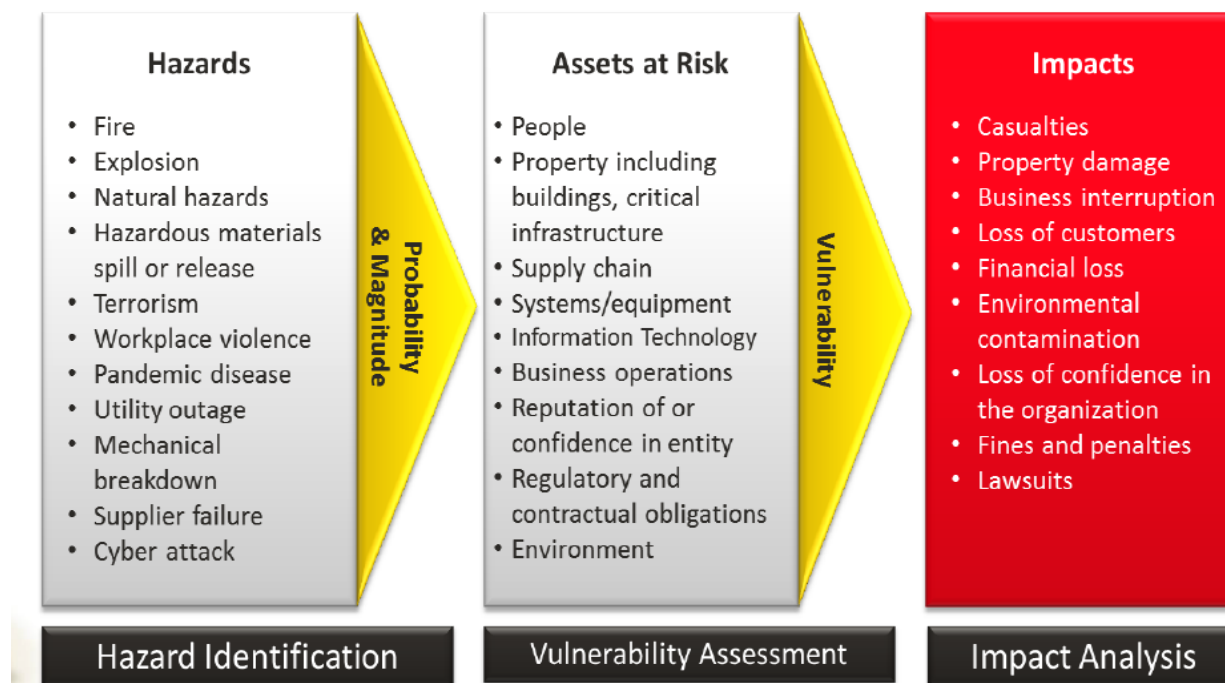
Here are some examples which may interrupt your business, which are **LOSS of INCOME RISKS**:

- A close friend of mine is supplied with essential medical devices from Germany. Without this key supplier, his business will suffer financially.
- Another manufacturer receives parts from South Korea. The real risk of war and fragile economic issues has created considerable loss of income risk as a number of factors would affect this business' supply of critical components, and ultimately, their bottom line. Loss of a key contract.
- Those involved in the ever-changing medical field including suppliers, contractors, and, of course physicians themselves, experience business enterprise risk in a long list of ways. Some examples would be loss of license, reputational risk, HIPAA violations, accounts receivable, and loss of a key employee, just to name a few.
- Many business owners have a partner or key employee. Losing this key contributor would impact a business significantly, not only on their performance but also the replacement cost as well.

Each of these areas of concerns and many more are the concerns business owners face on a daily basis. These risks are referred to as loss of income risks. As a business owner, you can and should insure these risks. By insuring these risks, you will, of course, reduce these risks, not through a Lloyds of London policy, but through your own insurance company.

Instead of making premium payments to another huge corporation, you will make premium payments to YOUR own insurance company. Your insurance company is structured properly according to IRS safe harbor and state insurance guidelines. As part of your regular and ordinary business expense, premiums up to \$2.3 million dollars are tax deductible per captive, per year.

The U.S. Government encourages small and mid-size businesses to prepare for these threats. (Chart from Ready.Gov as of March 2020 ([www.ready.gov/risk-assessment](http://www.ready.gov/risk-assessment))).



([www.ready.gov/risk-mitigation](http://www.ready.gov/risk-mitigation)) “Purchasing insurance is a way to reduce the financial impact of a business interruption, loss or damage to a facility or equipment. Insurance companies provide coverage for property damage, business interruption, workers’ compensation, general liability, automobile liability and many other losses. Insurers only pay when the peril (i.e., hazard) that caused the loss is insured by a policy. Losses caused by flood, earthquake, terrorism or pollution may not be covered by standard property insurance policies. Flood insurance coverage for a facility located within a flood zone may be purchased through the National Flood Insurance Program. Earthquake, terrorism and pollution coverage may be purchased separately or as an endorsement to an existing policy. Coverage for other hazards such as mold may be provided as part of the basic property insurance but the amount of loss payable under the policy may be limited.

Business interruption coverage is available to reimburse profits during the business shutdown and certain continuing expenses. Contingent business interruption coverage is available to reimburse losses caused by a supplier failure. Endorsements to standard policies can cover extra expenses such as the additional costs for expedited delivery of replacement machinery following an insured loss.”

Captive Insurance is the insurance to cover these **loss-of- income** risks, protect your business and create **Your Link to Security!**

Rich Ericson, President

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