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Bushfires and business interruption



Some insurers have already started to pay claims to bushfire-affected businesses on the NSW South Coast, as their business interruption insurance policy provides for weekly payments.

Having this support has been important for affected firms to stay in business. It allows them to maintain their cash flow and pay regular outgoings such as rent and wages.

Under a business interruption policy, business that suffer an insurable event can claim for loss of income. Policyholders in the best position have been those that have been able to quickly provide their financial information to support their claim.

Christopher Connolly, underwriting manager with underwriting agency Interruption Underwriting Agencies (IUA), explains. "The fires happened on New Year's Eve. The first business day was Thursday 2 January.

We started to pay claims the following Friday 10 January, which was within 7 business days" he says.

"Most of the businesses affected by the fires were small, family-run operations"

Affected businesses such as restaurants, shops and other local stores have been able to claim under a prevention of access clause in their policy.

The clause is triggered because the authorities issued directives that closed the roads. This meant the annual influx of tourists the South Coast receives could not reach the businesses in the towns affected by the road closures.

Some roads remained closed at time of writing.

The fires and subsequent road closures hit these businesses especially hard given how reliant they are on tourist trade during the summer holiday period. It's a time when most of them make the bulk of their revenue.

Additionally, most of the businesses affected by the fires were small, family-run operations. "These people rely on the cash flow from their business to support their livelihoods. So they need a policy that responds quickly," Connolly says.

It's a timely warning to all policyholders to check their insurance and assess the level of cover they have under their business interruption policy. It's especially important to see if the policy includes provision for weekly payments.

This can make all the difference after a major disaster such as the Black Summer bushfires to ensure businesses are able to continue to trade and maintain their obligations while they get back on their feet.

Important note – this information is provided to assist you in understanding some of the terms, implications and common considerations in business interruption insurance. It is not complete, so please discuss full details with your Steadfast insurance broker.

Important note

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