



# ABCs of Your Business Insurance Coverage

An Information Resource by Virani Law  
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# WHAT YOU NEED TO KNOW

There are many key areas of insurance coverage.  
For business owners we find the most important to be:

- A BUSINESS INTERRUPTION INSURANCE**
- B BUSINESS CONTENTS**
- C BUSINESS EQUIPMENT**
- D BUSINESS INVENTORY**

“After we lost my uncle in a house fire, my family was overwhelmed with the insurance claim process. As a lawyer, I was able to understand their policy and negotiate a fair settlement. That’s what we do at Virani Law, we help families across Canada receive fair insurance claim settlements.”

- Fy Virani, J.D.

# BUSINESS INTERRUPTION INSURANCE

Business Interruption Insurance aims to protect your business's finances when a fire, flood or other loss disrupts normal operations. It provides coverage for business income lost as a direct result of an insured event.

## LIKELY COVERED

- Business Income (net income before taxes) for the period of restoration
- Operating expenses (such as utilities) that must be paid despite the business being closed for repairs OR expenses of operating a temporary location

## EXAMPLE

Clothing Company A's storefront was completely destroyed by wildfire in Northern, BC. The business will not be able to operate until the store is rebuilt. Company A's ongoing business expenses will be covered while the building is rebuilt as would the income they would have earned.

## LIKELY NOT COVERED

- Income and operating expenses incurred after completion of repairs
- After tax income
- Personal expenses
- Mortgage payments for the business

## EXAMPLE

Sandwich Store B has decided to stay closed through to the end of August, but their building has been rebuilt and ready to use since July. Any lost income and operating costs incurred after the building was complete would likely not be covered.

## WHAT ARE LIMITED INDEMNITY AND EXTENDED INDEMNITY?

Business interruption insurance provides coverage for a business owner during the period of restoration. Limited indemnity coverage likely ceases once the period of restoration is complete. Extended indemnity policies may provide a longer period of coverage.

# BUSINESS CONTENTS

There are three types of items found on a property. Business contents are neither sold for profit (inventory) nor are they are machine or appliance used to create the inventory (equipment).

## LIKELY COVERED

- Office furniture (desk, chairs etc.)
- Office/administrative electronics (laptops, smartphones, photo copiers etc.)

## EXAMPLE

Restaurant C was flooded in the Southern Ontario spring season. The interior items were destroyed. The tables, chairs, and cash registers are likely covered.

## LIKELY NOT COVERED

- Machinery and tools
- Appliances
- Goods that the business sells

## EXAMPLE

Landscaping Company D in British Columbia suffered a fire. Their building and everything in it were destroyed. The excavating equipment and the plants in their nursery would not be considered business contents.

## HOW CAN I TELL THE DIFFERENCE BETWEEN SUPPLIES AND EQUIPMENT?

It is helpful to consider how the items are intended to be used. Equipment is used to create and transform your saleable products (i.e. a pizza oven) whereas business contents are essential to the basic operation of the business (i.e. tables, chairs and cash registers).

# EQUIPMENT

Equipment is a long-term, fixed asset used by the business to produce, manufacture, ship or provide saleable goods.

## LIKELY COVERED

- Vessels and containers
- Machinery and tools
- Restaurant kitchen appliances

## EXAMPLE

Saw Mill E was involved in major flood in Toronto, Ontario. Everything onsite was destroyed. The milling machinery, forklifts and shipping containers will all likely fall under equipment coverage.

## LIKELY NOT COVERED

- Supplies
- Inventory
- General administrative equipment (reception items and lunchroom fridge)

## EXAMPLE

Hardware Store F was damaged in a brushfire in Fort McMurray, Alberta. The entire building was destroyed. The retail goods and cash registers likely would not be considered equipment.

## WHAT IF I LEASE MY EQUIPMENT?

You should consult the terms of your equipment lease to find out what your responsibilities are in regards to insurance. If it was the owner's responsibility to insure the item, then the owner may have to initiate the claim for these items.

# EQUIPMENT

Inventory is the merchandise your business sells at the retail or wholesale level. This will be constantly changing depending on your business's production schedule.

## LIKELY COVERED

- Goods sold to customers/clients of your business
- Goods sold to other businesses on the supply chain

## EXAMPLE

Souvenir Shop G was flooded in Vancouver, BC. All the items that the store sold, such as clothing, magnets, cards, snacks etc. are considered inventory and will be covered by inventory insurance.

## LIKELY NOT COVERED

- Machinery and equipment that produces the goods you sell
- Supplies

## EXAMPLE

Bakery H has been largely destroyed by a fire in Halifax, Nova Scotia. The ovens used to produce the cakes that the bakery sells would not be considered inventory.

## THE ROLE OF SALES TAX

Keep in mind, if you have not incurred sales tax on an item, you likely cannot include it when calculating the replacement cost for that item.