



# Business Interruption Insurance

Product guide, valid as of 1 October 2023

Business Interruption Insurance protects your company's profits and solvency when your operations are disrupted or interrupted as a result of property damage. With correctly scaled Business Interruption Insurance based on your company's needs, you can protect your company's solvency even during an interruption.

## Commercial Property Insurance

In If's Property Insurance, the company's property risks are divided into easy-to-understand categories. In the Policy Document, you can easily see the insured property, the territorial limits and level of cover and deductible you have selected for each insured asset.

Property is categorised as follows:

- Residential buildings
- Non-residential buildings
- Movable property of the company, such as inventories, machinery and equipment
- **Business interruption insurance**
- Construction and installation work, tools and surrounding property
- Commercial forest and plot forest
- Production animals, horses and dogs

## Types of business interruption insurance

Business interruption insurance is not a direct form of property insurance, but it is linked to property insurance in that it secures the continuation of operations in the event of property damage covered by If's insurance. When property insurance compensates for the loss of the property, business interruption insurance covers lost profits.

Business interruption insurance is most commonly used to insure against lost profits. Typically, business interruption insurance is issued on the basis of turnover, but in certain cases it must be issued based on euros. In some industries, insurance can be issued on the basis of turnover. The insurance can also be supplemented with additional contingency cover. Contingency cover is necessary when the policyholder's customer's ability to receive or a subcontractor's or supplier's ability to deliver products is prevented due to property damage covered by the insurance and the policyholder suffers loss of profits as a result.

Occasionally, it is difficult to estimate the profits of operations, or there is no profit at all. In such cases, the insured interest in business interruption insurance may be additional costs arising from the production of the same activity or service following the loss event in alternative premises or from a subcontractor. Rental income from apartments or business premises can also be insured with a solution denominated in euros called rental income interruption insurance.

Occasionally, delayed completion of a project delays the start of business operations. If the cause of the delay is property damage covered by the insurance, project-specific delay interruption insurance helps cover the losses.

INSURED INTERESTS IN BUSINESS INTERRUPTION INSURANCE	For for-profit businesses	For non-profit activities	For landlords, whether companies or individuals
<p><b>Insurance against loss of profits</b> compensates for lost profits based on the most recent full financial year, as well as additional costs arising from commercially justified measures aimed at limiting business interruption losses. Interruption losses are covered if they result from property damage covered by the insurance, such as fire. Insurance against loss of profits automatically also includes <b>general contingency cover</b>, which offers protection in the event of a fire on the premises of a supplier, customer or subcontractor in a direct business relationship in the Nordic countries when such an event causes business interruption to the policyholder. The maximum compensation in general contingency cover is 50,000 euros.</p>	√		
<p><b>Machinery breakdown interruption insurance</b> offers protection against business interruptions caused by internal breakdowns of machinery. Machinery breakdown interruption insurance is suitable for companies in which a significant part of the turnover is generated by a specific machine or piece of equipment. In order for the insurance to be granted, the machine in question must be individually insured. Breakdown insurance can be issued when the extensive level of coverage of business interruption insurance is chosen. It is not necessary to insure all machinery against business interruption losses. Another option is to insure only the most essential machines for the company.</p>	√		
<p><b>Delay interruption insurance</b> protects against the risk of an interruption in a project if the planned commissioning date of an insured investment project is delayed due to property damage covered by insurance.</p>	√		
<p>When <b>additional costs</b> are insured, business interruption insurance covers the additional costs for non-profit activities that cannot be interrupted, such as district heating production or a municipal daycare centre. Additional cost cover of business interruption insurance can also be used to cover business interruption losses caused to for-profit business activities if it is possible to quickly and flexibly transfer the business to other premises or rent a replacement to machinery essential for the business in such a way that prevents the company from losing profits. Additional cost cover can be used when the business interruption loss has been caused by property damage that is covered by insurance.</p>	(√)	√	
<p><b>Rental income interruption insurance</b> covers lost rental income from residential, commercial or industrial properties when the payment of rent is interrupted as a result of property damage covered by insurance.</p>	√		√
<p><b>Specific contingent cover</b> is used to protect against business interruption losses when the policyholder is dependent on the continuation of another company's activities. If the general contingent cover that is automatically included in business interruption insurance is not sufficient, individual dependency risks can be insured with specific contingent insurance. Specific contingent cover can be used to insure against business interruption if the party on which the policyholder is dependent is located outside the Nordic countries, the sum insured of the contingent risk in the Nordic countries exceeds €500,000, or the scope of insurance coverage in the place of contingent insurance also covers losses other than fire.</p>	√		
<p>Insurance against interruption due to a cancelled event covers business interruption losses that result from the cancellation of events such as concerts, conferences, film productions and theatre performances as a result of property damage covered by insurance.</p>	√		

LEVELS OF COVERAGE OF BUSINESS INTERRUPTION INSURANCE	Extensive	Basic	Limited
Fire, soot and smoke damage	✓	✓	✓
Building electricity system and machinery breakdown	✓	✓	
Water damage to the building caused by leakage and breakdown of HPVAC technology	✓	✓	
Natural phenomena include storm wind, hail, flooding of waterways and exceptionally heavy rain	✓	✓	
Criminal damage includes burglary, robbery and vandalism	✓	✓	
Other insured events	✓		
<b>OPTIONAL EXTRAS</b>			
Epidemic Interruption	✓	✓	✓
Inability to access the place of insurance due to an order issued by the authorities	✓	✓	✓
Dependence on public services	✓	✓	
Machinery breakdown interruption insurance in the event of internal breakdown of a machine or equipment	✓		

## Select a suitable level of coverage

Select a suitable level of coverage for your business needs. The limited level of Business Interruption Insurance provides cover against fire damage. In addition to fire damage, the basic level also covers damage caused by natural phenomena, crime and water damage from pipe leaks. In addition to the above, the extensive level also compensates for other loss events, such as external breakdowns. The extensive level can be further expanded with breakdown protection, which also protects against interruption losses caused by internal breakdowns.

Businesses whose operations involve food products can supplement the insurance cover with epidemic interruption insurance, which, in addition to lost profits, covers cleaning and disinfection costs of premises as well as disposal and replacement costs of contaminated material.

Insurance against prevented access provides cover in situations where business operations are interrupted by order of the police or rescue authorities, such as due to a fire or bomb threat in the neighbourhood.

## Territorial Limits

The insurance is valid at the locations in Finland listed by the customer company to the insurance company, provided that the business insurance amount reported by the policyholder covers the operations of the declared locations. Contingency cover is valid against fire at the premises of the companies on which the policyholder's activities are directly dependent.

## What is compensated and how?

Business interruption insurance covers loss of profits caused by sudden and unforeseeable property damage to the policyholder's business assets that is covered by the selected level of coverage in accordance with the insurance terms and conditions. The loss event must be verifiable: what, how, where and when it has occurred, what caused the loss or damage.

The turnover and profits of the financial years preceding the damage as well as the current year's budget are used to estimate the loss of profits. The amount of compensation may also be affected by changes in the policyholder's cost structure or market situation.

When taking out business interruption insurance, it must be considered how long the damage may cause loss of profits and what is the necessary liability period of the insurance. The liability period refers to the maximum period of time for which business interruption insurance covers the loss of profits.

In addition to actual business interruption loss, those additional costs arising from financially justified measures for limiting the loss are covered.

The rules for evaluating and compensating for losses and damage are listed in chapter 10 of the terms and conditions.

Read more:  
[if.fi/en/  
commercial](https://if.fi/en/commercial)

## Age deductions

In loss or damage as a result of breakage, the age deduction applied to the amount of compensation based on the age of the insured property is generally 5% per year and at most 50%. The age deduction will not apply during the three calendar years following the first year of use. The deduction is calculated by multiplying the deduction percentage by the number of calendar years following the aforementioned twenty calendar years. Contrary to the above, an annual deduction of 15% based on the age of the insured property, but no more than 50%, is applied to property that ages faster. In such a case, the age deduction will not apply to the calendar year following the first year of use.

In the case of breakage damage, age deductions are calculated based on the age of the original appliance.

The age deduction for business interruption insurance compensation is the same as the age deduction for the damaged property that caused the interruption loss in accordance with If's property insurance terms.

## A deductible is applied to the compensation

When compensation is paid from both property insurance and business interruption insurance following a loss event, the deductible is applied to both policies. Unlike property insurance, the deductible in business interruption insurance is typically based on time instead of an amount in euros.

A liability period is always determined for damages covered by business interruption insurance. The liability period is the longest continuous period of time for which the insurance covers the loss or damage. In the case of compensation for business interruption damage, the number of days defined as the qualifying period is deducted from the liability period. During the qualifying period, the customer is liable for loss of profits. In practice, the liability period begins after a property damage has occurred. If, at the end of the liability period, the damage still causes loss of profits, the policyholder is responsible for the loss.

For breakage caused by a programming error, or faulty or inappropriate computer software or incorrect data input, the deductible is 15 percent of the amount of loss, yet at least the deductible stated in the policy document.

If a special deductible is deducted from the amount of property damage that has caused business interruption loss, a corresponding special deductible is deducted from the amount of the business interruption loss, yet at least the deductible stated in the policy document. Detailed information on special deductibles can be found in section 7 of the terms and conditions of property insurance.

The amount of the deductible may be adjusted by our company due to general cost developments by notifying the policyholder.

## Exclusions

Business Interruption Insurance does not cover business interruptions that are not the result of property damage covered by If's property insurance terms and conditions. The modification, loss, or blocking of access to data is not considered property damage, and any resulting loss or damage is not covered under business interruption insurance.

In exceptional situations, business interruption insurance can be granted separately without property insurance when the customer does not need property insurance (for example, a hairdresser renting a chair at a salon). Even in such cases, the business interruption is covered only if caused by a covered loss event to property and the owner of the property has insured their property.

Business interruption insurance is not valid if the property used for business purposes has been removed from the place of insurance, unless this absence is temporary as defined in the insurance terms and conditions. Business interruption insurance is also not valid in property damage caused by repairs, alterations or extensions carried out in the place of insurance, unless otherwise agreed on the validity. Delays in transport, delivery, installation or similar, and business interruption losses caused by a breach of contract are not covered by business interruption insurance. In addition, business interruption insurance is not valid in open-field production.

Section 2.1 of the General Terms and Conditions also contains certain general restrictions which, among other things, completely exclude damage caused by certain causes from coverage.

## Take care – safety regulations

Business interruption insurance does not have its separate safety regulations, but the safety regulations for property insurance also apply to business interruption insurance. If safety precautions are ignored, the compensation due may be reduced or refused. The safety regulations for property insurance can be found in chapter 8 of the property insurance terms and conditions.

### General safety regulations

- Laws, decrees and regulations issued by the authorities must be followed
- Instructions for storing, handling, operating and servicing machinery and equipment must be followed
- Fire, flammable liquids and gases, explosives and other hazardous substances must be handled with care so that there is no danger of loss.
- In the event or under immediate threat of a loss or damage, the policyholder or other party entitled to compensation shall immediately take protective and rescue measures, as well as otherwise prevent or limit the event as far as possible.

## Insurance is a contract

Insurance is based on an insurance contract. The policyholder must provide accurate and complete information when entering into the contract. The contract determines the scope of coverage and the amount of the deductible, both of which form the basis of the compensations payable when the damage occurs. The main content of the insurance contract is stated in the Policy Document.

## Insurance premium and its payment

Depending on the Insured Interest, the insurance premium is based on, among other things

- the policyholder's line of business, location of the office, insurance and claims history
- the properties and the purpose of use of the Insured Interest
- the scope of cover and the amount of deductible.

The insurance remains valid if the insurance premium is paid no later than the date due. If the insurance premium has not been paid, If will terminate the insurance, effective at the earliest 14 days from the date of dispatch of the notice of termination.

## Changes to and expiry of the insurance contract

The insurance is valid for one agreed insurance period at a time and is automatically renewed for the next period unless changed or agreed for a fixed term. During the period of validity of the insurance, the policyholder must immediately report any changes or errors in the information concerning the policyholder or insured interests to our company.

The insurance company may amend the insurance terms and conditions and adjust premiums at the turn of the insurance period as provided in the terms and conditions. We notify you of any amendments in advance.

Your insurance can expire:

- at a previously agreed date
- if you notify our company of termination in writing
- upon the insurance company's decision during the insurance period if the insurance premium has not been paid
- upon the insurance company's decision in other circumstances specified in the insurance terms and conditions and legislation

### DAMAGE EXAMPLE

A fire breaks out in a company's production facilities, causing significant damage to both the building and production machinery. As a result of property damage, the company's production is interrupted and business operations are disrupted.

As the business interruption loss is caused by property damage covered under the terms and conditions of If's property insurance, the loss is covered by business interruption insurance. A replacement production facility and leased machines are quickly found for the company, allowing production to resume quickly. As a result, there was almost no loss of profits, although production costs increased. In this case, business interruption insurance reimburses the increased production costs instead of lost profits. The compensation is paid for at most the selected liability period, which is typically 12 months. If production is restored to the original premises before the end of the liability period, the payment of compensation ends early. A deductible is applied to the compensation, which in business interruption insurance is typically a waiting period rather than a monetary sum. The waiting period for the company in question is 2 days, which means that no compensation is paid for lost profits for two days following the damage.

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### DAMAGE EXAMPLE

A commercial building suffers water damage from a leaky pipe, causing a part of the building to be restricted from use. Tenants in the restricted area must move out of the rental premises, which also suspends the rental income of the building owner.

The leak is covered under the terms and conditions of If's property insurance, so the insurance covers the loss of rental income. Rental income interruption insurance reimburses lost rental income during the selected liability period. A deductible, which is typically equivalent to one month's rent, is deducted from the compensation.

#### DAMAGE EXAMPLE

A fire breaks out in a company's production facilities, causing significant damage to both the building and production machinery. As a result of property damage, the company's production is interrupted and business operations are disrupted.

As the business interruption loss is caused by property damage covered under the terms and conditions of If's property insurance, the loss is covered by business interruption insurance. The company specialises in manufacturing certain types of components, and it is not possible to directly transfer production to replacement facilities. As a result, the company begins to lose profits from the moment the damage occurs. The insurance reimburses the company for lost profits for at most the liability period, minus the waiting period. To determine the actual amount of lost profits, the company provides If with the necessary statements from previous financial years, lost orders and other necessary documents. Production can only resume once the property damage in the production facility has been repaired. The company has anticipated this and, as a precaution, selected 24 months as the liability period.

#### DAMAGE EXAMPLE

The company has a machine that generates a significant part of the company's turnover. The machine abruptly shuts down one day and fails to turn back on. The machine has been serviced in accordance with the maintenance plan and necessary replacement parts. It is found that the machine has broken down internally and no external factor, such as the machine tipping over, caused the breakdown.

The machine is insured with individual, extensive property and breakdown interruption insurance. Property insurance covers the costs of repairing the machine, while breakdown interruption insurance covers lost profits from the period of non-use. Deductibles and an age deduction based on the age of the machine are applied to the compensation. The maximum age deduction is 50%.



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