CONTINUITY HUB

Business Interruption Trigger & Clock Quick Card — Field Reference

Current version — Oct 31, 2026
Update history: https://continuityhub.org/business-interruption-insurance-complete-professional-guide/

THE MASTER RULE OF BUSINESS INCOME COVERAGE

The Financial Layer of Recovery: Property coverage repairs the building and equipment; business interruption (business income) replaces lost net profit and carries continuing normal operating expenses (rent, mortgage, standing utilities, debt service, kept payroll) while repairs occur. *It does not pay because business is bad; it pays because a specific covered peril physically damaged a specific insured place, and the money stops until that place is restored.*

1. The Physical-Trigger Test

CORE THRESHOLD

To engage coverage, all three baseline conditions must be met simultaneously:

1. **Direct Physical Loss or Damage:** Structural, tangible physical impairment occurred to property.
2. **Insured Premises:** Damage is at the specific address scheduled in the policy declarations.
3. **Covered Cause of Loss:** Caused by an insured peril (e.g. fire, lightning, windstorm, pipe burst under policy terms).

Premises-Tied Reality: Exposure is determined by the coupling between revenue and physical address (bakery, clinic, shop). Laptops work from home; ovens and dental chairs do not.

2. Covered Peril vs. Uncovered Event

GATEKEEPER

Covered Perils (Standard)	Uncovered / Non-Triggers
✓ Kitchen fire / building burn	✗ Falling demand / recession
✓ Windstorm / structural collapse	✗ Bad seasonal revenue slump
✓ Frozen burst pipes (policy terms)	✗ Supplier insolvency / bankruptcy
✓ Explosion / vehicular impact	✗ Pandemic / disease closure order
✓ Vandalism / civil commotion	✗ Pure cyber outage (no phys damage)

3. The Three Financial Components of a Claim

CLAIM COMPONENTS

A. Lost Net Income (Net Profit):
The net profit before taxes the business would have earned during the interruption period, established by baseline records (prior year same weeks adjusted for documented trend).

B. Continuing Normal Operating Expenses:
Fixed expenses that necessarily continue while closed: lease/mortgage, equipment loans, standing utility base rates, commercial insurance premiums, and retained payroll.

C. Extra Expense (No Waiting Period):
Reasonable and necessary costs incurred to minimize the shutdown: temporary rental kitchen/retail space, expedited equipment freight, overtime wages, moving inventory.

First-Hour Incurral: Insurers fund extra expense from hour 1 because spending $1 to shorten closure saves several dollars in lost income.

4. Common Coverage Extensions: Triggers & Boundaries

POLICY ENDORSEMENTS

Extension	Required Trigger	Honest Boundary / Limitation
Civil Authority	Government order prohibiting access due to direct physical damage to *nearby* property (e.g. fire next door).	Order alone without nearby damage is NOT covered. Limited duration (commonly 2–4 weeks); carries own waiting period.
Utility Services	Off-premises failure of power, water, steam, or telecommunications resulting from covered physical damage.	Requires specific endorsement. Check shape: covers utility *generating plant*, *transmission lines*, or both?
Contingent BI (Dependent Props)	Covered physical loss at premises of key supplier, key customer, or leader/magnet attraction.	Supplier loss must be from a cause covered by your policy. Scheduled locations vs blanket limits.
Cyber-Driven Shutdown	Ransomware, wiper, DDoS, cloud host systems outage without tangible physical destruction	Belongs to cyber policy business interruption, NOT property policy. Boundaries meet at physical damage

5. The Restoration Clock vs. The Payment Clock

TIMELINE DYNAMICS

The period of restoration is the contractual timeline governing the claim. It is governed by a **"reasonable speed and due diligence"** standard, not "whenever you feel ready."

Timeline Phase	What Happens Contractually	Operational Action
Hour 0: Event Occurrence	Physical loss occurs. Period of restoration clock officially begins. Extra expense coverage engages immediately.	Provide prompt notice to broker. Secure premises and initiate mitigation.
Hours 0 to 48/72: Waiting Period	**Time Deductible:** Business income loss during these opening hours is absorbed by business. No income payment.	Track extra expenses incurred from hour 1. Open documentation file.
Hour 48/72+: Payment Clock Opens	Indemnity payments begin accumulating for lost net profit + continuing expenses.	Request formal documentation list and proof of loss form from adjuster.
Restoration Window	Repairs progress with reasonable speed and due diligence (permits, contractors, equipment replacement).	Maintain written contractor logs and photo proof of repair progress.
Reopening / Restoration Tail	Clock stops when property should reasonably be restored. Does not extend until revenue feels normal without endorsement.	Request partial/advance payments; file final proof of loss reconciliation.

6. The Waiting Period (Time Deductible)

DEDUCTIBLE MECHANICS

- **Measured in Hours:** Commonly 48 or 72 hours in standard commercial policies.
- **Absorbs Short Losses:** A 3-day power or water shutdown under a 72-hour waiting period is technically an uninsured event.
- **Starts Payment, Not Clock:** Restoration starts at loss; payment clock starts when waiting period finishes.
- **Extra Expense Exception:** Extra expense has NO waiting period in most forms — payable from hour 1.
- **Premium Lever:** Higher waiting period lowers policy premium but requires higher cash reserves.

7. Settlement Arithmetic (The Formula)

CALCULATION RULE

```
Payout = [Would Have Earned] + [Continuing Expenses] – [Actually Earned] – [Waiting Period Hours] + [Extra Expense]
```

Subject to policy limits, co-insurance condition, and documentation proof.

Bakery Example (from Guide):
$30k/mo exposure ($12k profit + $18k fixed). 2-mo closure ($60,000 gross). Less 72h deductible (−$3,000), less stall sales (−$4,000), plus commissary rent (+$5,000) = **$58,000 Payout**.

8. The 6 Mandatory Documentation Sets & Avoidable Denial Traps

CLAIM SURVIVAL

The 6 Documentation Sets:

1. **Baseline Financials:** Prior 2–3 yrs P&L, tax returns, monthly sales trend.
2. **Closure Records:** Exact closure/reopen dates, partial sales logs.
3. **Continuing Costs:** Leases, loan schedules, payroll registers for kept staff.
4. **Extra Expense:** Invoices/receipts for temp space, expedite freight, overtime.
5. **Property Progress:** Contractor contracts, permits, inspection sign-offs.
6. **Dependency Proof:** Supplier/customer order history & stoppage paper.

Top 5 Denial Grounds & Defenses:

- **No Covered Trigger:** Ensure physical damage is documented by photos.
- **Waiting Period Absorption:** Tally extra expenses to offset time loss.
- **Late Notice:** Provide written notice within hours of incident.
- **Restoration Clock Run:** Maintain strict proof of contractor diligence.
- **Unsubstantiated Numbers:** Never estimate; build claim from general ledger.