



The Corolla Group, LLC

Contingent Business Interruption

What is contingent business interruption; how does one value this exposure; how do one identify it; can it be insured?

These questions and many more are asked by many business people today. What follows are some answers to this exposure in your everyday business.

First, “*Contingent Business Interruption*” is define by businessdictionary.com as Indemnity cover bought to compensate for the losses incurred due to interruption or stoppage of a key suppliers' business. Another definition by Clifford Chance LLP is; economic loss suffered by an insured resulting from physical damage to the property of a supplier or customer.

Second, how is a “*Contingent Business Interruption*” identified is easier to identified then it is to define. If you are a manufacture, how many suppliers do you have for the major components used in the manufacture or assembly of your product? Each of your suppliers of the major components is your exposure. If any of these suppliers suffer a loss in their respective plants and cannot ship your component, your own manufacturing, or assembly will come to a halt. This stoppage in manufacturing or assembling will result in an income loss for the company.

Third, how does one value this exposure: Now it gets even easier as all you have to do is look at the profit that you earn from the product affected.

Fourth, is the exposure insurable? Most definitely, the answer is yes.

This is a simplistic explanation of “*Contingent Business Interruption*”, however, you need to start strategizing with your management team and discussing this important topic. . There is plenty of information on the Internet and from your Risk Manager or insurance broker. Of course, you can speak with us directly via e-mail or phone.

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