

What is Contingent Business Interruption Insurance?

In the constantly changing landscape of business, disruptions are inevitable. Traditional Business Interruption Insurance protects your business from an insured loss that it directly suffers and that causes an interruption in operations. However, if disruptions occur in the operations of a key supplier, customer, or other business partner, traditional business interruption coverage will not respond.

Contingent Business Interruption (CBI) Insurance provides coverage for interruptions to your operations caused by unexpected events within your supply chain—specifically those that affect suppliers, customers, or other business partners. It safeguards your business against financial losses resulting from delays or interruptions experienced by third parties upon which your operations depend.

EXAMPLES OF POTENTIAL CONTINGENT BUSINESS INTERRUPTION CLAIMS

NATURAL DISASTERS

Disruptive natural events such as windstorms, tornadoes, floods, and fires can impact the operations of suppliers or customers, which may indirectly affect your own operations.

SUPPLY CHAIN DISRUPTIONS

Issues within the supply chain—such as manufacturing delays or transportation breakdowns—can interrupt your business activities.

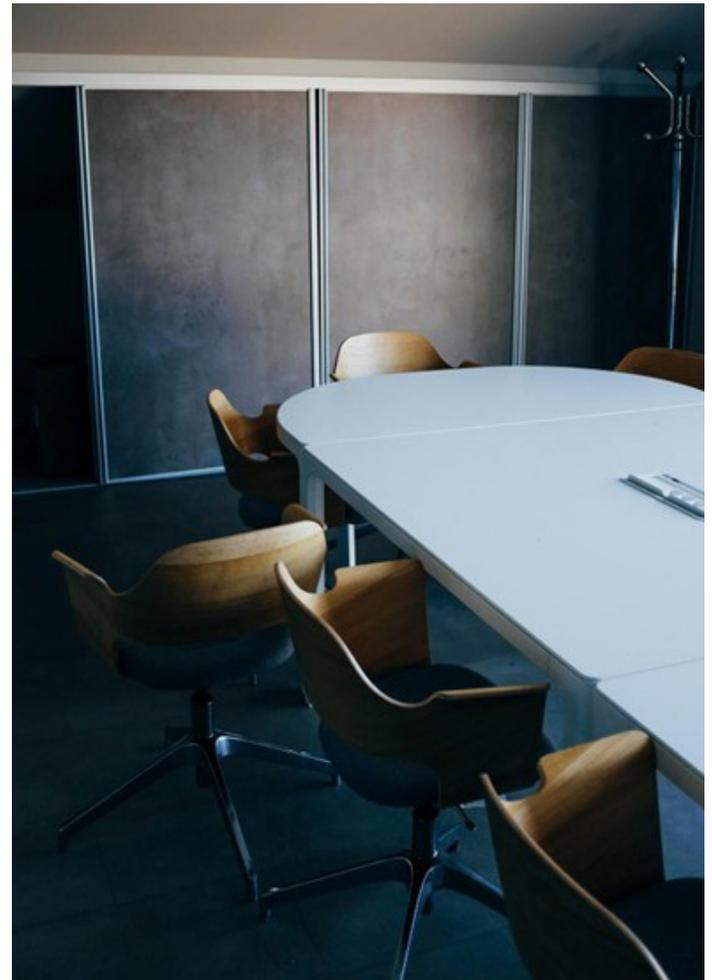
COVERAGE AND BENEFITS

Contingent Business Interruption Insurance protects businesses from unexpected events affecting suppliers or customers that disrupt operations. Losses covered under this type of insurance may include:

- lost profits
- extra expenses incurred due to the disruption
- costs incurred to minimize its effects

UNDERWRITING CONSIDERATIONS

Contingent business interruption coverage may apply to recipient properties or contributing properties. Insurers typically require similar underwriting information as they would for your own premises. This includes details



such as the location, age, claims history, construction, and occupancy of the thirdparty property. Underwriters will also assess the availability of alternative suppliers or outlets for your products when evaluating this coverage.

RECIPIENT PROPERTIES (CUSTOMERS):

A recipient property is not owned or operated by you but receives your product. For example, if your business manufactures aluminum wheel rims for a tire company and that company suffers a fire that forces them to shut down, the loss of your key customer may be covered under contingent business interruption insurance.

CONTRIBUTING PROPERTIES (SUPPLIERS):

A contributing property is not owned or operated by your business but provides essential parts or materials used in your production. For example, if you operate a bakery and your key chocolate supplier suffers property damage from a windstorm and can no longer deliver chocolate, your production—and therefore your income—may be impacted. Losses of this nature may be covered under contingent business interruption insurance.



UNDERSTANDING YOUR POLICY

It is important to have a thorough understanding of your policy, including its terms and conditions. Your Navacord insurance advisor can assist with a policy and coverage review, helping you understand important details such as:

- coverage limits
- waiting periods
- applicable exclusions
- adequacy of your coverage limits

CONCLUSION

Contingent Business Interruption Insurance provides a crucial safety net, offering financial protection when disruptions occur within the complex network of business relationships. We strongly encourage businesses of all sizes and industries to assess their vulnerabilities and consider this coverage as a complement to existing business interruption insurance.

If you have questions specific to your business, or would like additional information, please reach out to your Navacord Insurance Services Alberta Inc. Advisor.

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**LET US HELP YOU
MANAGE YOUR RISK**

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