Most restaurant owners purchase a business owners or commercial package policy to protect their restaurant from many of the property and liability risks that they face. One component of these policies is usually some form of business interruption insurance to protect against lost profits if there is a covered loss to the property owned by the restaurant. It is fairly easy to describe what this coverage is and why you need it. But it is rare that a restaurant owner spends any time at all understanding just how he or she will collect for this kind of loss.

The business interruption claims process includes terms like, forensic accounting, analytics, due diligence and statistics. These issues come into play largely because of the differences in details associated with internally prepared financial information and the analysis that is needed to determine lost profits. Having a rudimentary understanding of the claims process should help a restaurant owner better manage expectations in the beginning of a business interruption claims process.

Any business interruption claim involves a strong dose of due diligence. This due diligence takes aim at calculating the impact of a loss on cash flow and profits with a perspective beyond just the empirical accounting data. The forensic accountant involved in the claim must develop a clear understanding of the market environment for the restaurant, understanding the components that drive restaurant sales as well as profits.

The standard that most business interruption claims examiners are working toward in any claim of this nature is an answer to the following question. What are the expected earnings, had no loss occurred, minus actual earnings during the time period of the recovery for the restaurant? This question can be even more difficult to answer for restaurants in their first year of operations that don't have a previous year month to month comparison to help. If there is a peak season element to the restaurant's business, then this calculation gets even more difficult.

Here are just a few of the questions a claims adjuster might be asking about your restaurant after a severe loss has shut you down or limited your ability to do business with your customers. How are operations planned and scheduled at your restaurant? To what extent do your customers dictate the planning and scheduling of your operations? Are budgets available? If so, how are they used in planning future operations? How accurate have past budgets been to actual results? What does the marketplace for your restaurant look like? What is your present competition? What is your future competition? Is there a peak season component to your restaurant's gross sales?

During the information collection process, the adjuster will probably need to see all of your income statements and balance sheets for the past three to five years, along with any budgets for those time periods as well. And while this data will present a good picture, the adjuster will still have to verify the causality of the property loss to the lost income. If your restaurant is located in a place where the highway is about to be closed for the next few years for a bridge building project, perhaps just relying on last year's gross revenue numbers will not yield a good estimate for the coming year.

Business Interruption claims are by nature very complex and slow moving. As a restaurant owner it is best for you to purchase this insurance protection with your eyes wide open. The claims process will be slow and frustrating and if you take a simplistic approach to guessing what you are due from the insurance company, then you may be disappointed with any and all final settlement offers. If you would like more help understanding your business interruption coverage, or if you need any help with your restaurant insurance policies, please call us, toll free at 877-687-7557 or visit us on the web at www.TheRestaurantInsuranceStore.com .