

USE AND OCCUPANCY INSURANCE

WHEN fire visits a place of business engaged in the production or distribution of commodities, or engaged in selling "Service" (such as Hotels, Theatres, Laundries, and some Public Utilities), production and sales either diminish or stop entirely. Consequently business earnings either diminish or stop entirely. The straight fire insurance policy takes care of the necessary repairs and replacements as respects the damage to physical property, but it does not pay those standing expenses which must be met whether a business is operating or not. Nor does it provide for the net profits which would have been earned had the fire not interrupted. To insure a business against loss of earnings by reason of interruption by fire, Use and Occupancy insurance was designed. It can be maintained at a moderate premium cost.

In its essence, a Use and Occupancy insurance contract operates, during a period of business suspension, to provide the same net earnings that a business would have enjoyed had no interruption occurred. Specifically:

1. *It pays the net profit which a business would have earned.* This means that that portion of Net Profit which is prevented from being earned by a suspension of operations is paid under the insurance policy.
2. *It pays those business charges and expenses which continue during a period of business suspension.* This means that the salaries of officers and other valuable employees, wages of labor, interest on borrowed capital, taxes, and similar business costs which must necessarily continue during a suspension are paid under the insurance policy and not out of the business reserves which usually are needed for other purposes.
3. *It also pays any extraordinary expenses necessary to keep a business operating if possible after a fire,*

***How Use and
Occupancy
Insurance
Operates***