

What is a Flexible First Loss Limit in Business Interruption Insurance?

For science and technology businesses, an interruption to your operations may have a significant impact upon you not just now but way into the future. Whether you run a pharmaceutical or medical technology company, a software development business, or an advanced manufacturing operation, even a short disruption can delay research, breach contracts, or put current or future funding at risk.

That's where Business Interruption (BI) insurance plays a vital role. As a consequence, UK science and technology companies are increasingly choosing a Flexible First Loss limit to insure that risk in a more appropriate and cost-effective way.

Understanding Business Interruption Cover

Business Interruption insurance is designed to protect your company's loss of income and increased costs following an insured event, such as a fire, flood, or other physical damage that disrupts your operations.

Traditionally, BI cover has required businesses to insure their full annual gross profit over a defined indemnity period. For high-growth or investor-backed science and technology companies, this can be difficult to calculate accurately and expensive to insure.

What Is a Flexible First Loss Limit?

A Flexible First Loss limit is an alternative way of setting your BI sum insured.

Rather than insuring your full potential loss, you select a maximum loss amount that you believe is realistic given:

- The likely duration of a disruption
- Your contingency and disaster recovery plans
- The stage and scale of your business
- Committed expenditure
- Cash reserves, investor support, or group backing

In effect, it insures the most you expect to lose from a single interruption, not the theoretical maximum.

The "flexible" element means the policy is designed to respond sensibly as your business evolves. In addition it helps reduce the risk of underinsurance while keeping premiums under control.

Why It Makes Sense for Science & Technology Companies

Flexible First Loss BI limits are particularly effective for science and technology businesses because they:

- Reflect variable and fast-changing revenue profiles
- Align better with early-stage or scaling business models
- Keeps insurance costs manageable within tight capital restrictions
- Reduce the administrative burden of complex BI calculations
- Provide meaningful protection during critical R&D and pre-commercial activity

For many UK science and technology companies, it is a more practical and commercially realistic approach to Business Interruption risk.

Summary

A Flexible First Loss limit allows you to structure Business Interruption insurance around realistic exposure, rather than worst-case theory. When properly assessed and supported by strong risk management, it can offer robust protection, improved certainty, and better value without over-insuring your business.

We'd love to talk to you about reviewing whether your BI cover is still fit for purpose as your business grows and evolves.

For more information please contact:

Mark Philmore
ACII, Chartered Insurance Broker
mp@mflinsurance.com

Client Director
0113 323 1042 | 0161 236 2532

www.mflinsurance.com