



Preparing and documenting a Business Interruption claim

The purpose of business interruption insurance is to indemnify the policyholder in case of a covered loss for the income that would have been earned had no loss occurred, subject to limitations in the coverage forms. Coverage is written on an “actual loss sustained” basis and is often factored in net income plus continuing expenses format. When calculating a business interruption claim, it is important to consider as many factors as possible to reduce potential areas of dispute.

The following factors and documentation should be considered/gathered to document and build a claim submission to present to your insurer:

- **Background of the loss:**
 - Build a timeline: A summary of the key events / dates leading up to and following the loss. Key events should include a description of the incident, narrative of events and key decisions made and when, general overview of the impact and changes to operations, and what is or will be done to minimize and address the loss. Gather all actual Government/Executive /Other Authoritative Orders impacting operations.

- **Track the impact.** Document all income losses and expenses to mitigate additional losses. Information to consider will vary by industry, but some common information to gather or document would include:
 - Status of open orders, reservations and/or planned events, including changes to production schedules
 - Begin to track customer inquiries and log cancellations, rejected inquiries and other information to confirm an order has been or may have been lost
 - Set up an internal cost code that tracks or identifies any costs related to the claim/loss
 - Historical Sales Data and actual business experiences trends of operations before, during and after the indemnity period
 - Identify if leases/contracts allow for rental abatement, etc. under current/specific circumstances
 - Retain all production schedules and planning documentation, including forecasts, demand or backlog forecasts prior to the loss
 - Track additional outsourcing of production to other operations to outside vendors or alternative locations
 - Evaluate potential for production/sales “make up” thru delayed sales, use of inventory, etc.
 - If operations have ceased, track the impact on variable and fixed costs. What continues/discontinues?

- **Typical documentation insurers request** to substantiate a BI claim (varies by industry).
 - Historical sales data
 - Actual experience during the indemnity period
 - Sales journals and forecasts before, during and after the indemnity period
 - Industry trends
 - Production Schedules along with inventory reports and manufacturing cost statements, etc.
 - Extra expenses to reduce the loss or indemnity period
 - Profit and loss statements
 - Purchase and payroll journals

- General Ledger, Tax Returns
 - Leases and other contracts
 - Other potential outlets to potentially make up or reduce sales losses
- **Appoint a person** serving as the primary point of contact regarding the business interruption claim, who can serve as a liaison between the various operations and claims personnel regarding information and documentation. A protocol should be developed and adhered to with the insurance team that information will only be requested from and provided thru that “appointed individual”. This reduces confusion and delays in the adjustment process.

Most claims are distinct in one way or another. Factors and decisions in the wake of a loss may be unique to an industry or a specific company. Additionally, insurance policies are not all the same. While the premise of coverage may be common, individual policies contain specific limitations, enhancements, etc. that need to be taken into consideration. The one common factor with all insurance policies is the requirement of the insured to “mitigate their loss”, when possible.

It is always beneficial to submit a breakdown of your business interruption claim to your insurer(s), as opposed to providing the insurer(s) financial documents and waiting for them to develop their own measurement, which can often be absent critical input/insight. Once the latter is done, it is very difficult to move insurers and their accountants from their initial calculation.

Helpful Resources

For additional resources, tools, information, and links, please visit our **Coronavirus (COVID-19)** page:

www.usi.com/public-health-emergencies