



## Why should I not exclude Ordinary Payroll?

**Answer:** The *Ordinary Payroll insurance policy exclusion* is a provision in business income insurance that **excludes** coverage for continuing the wages of rank and file employees once a disaster has occurred. Business interruption insurance reimburses an employer for continuing payroll expenses that occur when a business must be shut down as a result of a direct insurable loss, such as a fire. However, in order to save on their premium, an employer may not want payroll coverage for “ordinary” workers because they think the workers could easily be replaced. In this case, the exclusion would be applied, and coverage would be limited to only officers and key employees thereby reducing the insurance cost.

Unfortunately, business owners do this as a knee jerk reaction without understanding that this is not just direct labor, but rather **everyone below the department manager level**. Once this is explained, they realize they need most of these peoples’ help, especially if they are trying to recover from a disaster. Then when they are ready to resume operations, they want their trained employees ready to work, otherwise they must hire new employees and train them which is extremely time consuming. Also, in most cases, if employees are laid off after a disaster, the owner’s unemployment tax rate may increase and that is for three years. A real life example of how important it is to carefully consider the consequences of this coverage: Several companies in New Orleans laid off their employees after Hurricane Katrina. Six months later when the businesses were ready to reopen their doors, they could not find any employees that would work for them and the businesses closed. The moral: Thorough preparation is key to protecting your business.

Each month we will feature a frequently asked questions section, “**Be Informed**”, where we will answer a question sent to us by one of our readers. We will also include a bit of humor to lighten things up in our “**Be Funny!**” section.

**We welcome your questions and input!** Send us your questions, jokes, comments, anything on your mind to: [info@bisimplified.com](mailto:info@bisimplified.com).

**WE WELCOME YOUR QUESTIONS & INPUT**  
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Send us your questions and/or jokes to be published in upcoming issues.

