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[ the business interruption e-source ]

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## INTRODUCING: PREPARED!

Business Interruption Consultants, Inc., a company dedicated to simplifying the business interruption process through personal services and its website, [www.BISimplified.com](http://www.BISimplified.com), is announcing the launch of its cutting edge e-newsletter, "Be Prepared!"

The focus is to change the "business as usual" perspective on commercial property insurance and present a new outlook by incorporating informative articles that will keep you updated on current insurance issues and "Prepared!" for whatever may come your way. "Our goal is to reach out and share our knowledge with the business community as well as to provide information that is current and valuable about the ever-changing commercial insurance market," said Robert Swift, principal. This is an exciting opportunity for both the business owner and the insurance industry.

## LOST SALES VS. DEFERRED SALES

The starting point for a business income claim is the amount of lost sales. This is one of several contentious areas because it must be determined if the sales were actually lost, or just deferred until the following months. For example, a company claims \$3 million in lost business income, but the insurance adjuster says \$1 million was not lost because it was made up in the three months following the recovery period. Therefore they will only pay the \$2 million in actual lost income.

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# BCP: GO GREEN!

When writing a Business Continuity Plan, think green. With information appearing daily reminding us of the effects of global warming, biodiversity loss, and chemical pollution, it is apparent that all companies, regardless of size, need to consider ways to be environmentally responsible. A BCP is an opportunity document and incorporating this idea into the process is visionary: Good for the earth and the bottom line.

To begin, the Steering Committee assigns a Green Team who will conduct an energy audit of the current situation. Include one person from each division of the company who is familiar with the day-to-day operations. Once a thorough understanding has been reached, it will be necessary to research options and contact “green” architects/builders for cost estimates and construction timetables that reflect several disaster scenarios from a partial to a complete rebuild of the facilities. Discuss your ideas with your insurance agent to determine what the policy will cover. Remember, if energy upgrades are not covered, there are energy credits being offered by the government and the fiscal year operating savings will help defray some of the expense, especially for big ticket options utilizing solar, geothermal, or wind.

Remember, including sustainability in your Business Continuity Plan is smart and can have far-reaching business effects, from positive brand recognition to a better place to work, and best of all, a reduction of the negative impact on the environment. **Go green and be “Prepared!”**.

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A **SIMPLIFIED** explanation of deferred sales would be: In order to determine whether sales were lost or deferred, you need the post recovery period monthly profit and loss statements. You would look at the monthly sales for approximately three to six months after the business recovers their operations, depending upon the length of the interruption. If the sales for the months following the recovery are less than the monthly sales prior to the disaster, you probably have lost, not deferred sales.

For example, a donut shop sells three dozen donuts a month. They are closed for one month and claim a loss of sales. When they reopen, they sell their normal three dozen donuts. They did not make up their lost sales, so there is no reduction from their claimed loss of income. However, if they sold six dozen donuts without a good reason, then they probably made up their sales from the interruption period and the excess would be deducted from their claimed loss of income.

If the post loss sales are greater than expected, you need to determine if there were new contracts or new customers that accounted for the increase. If so, these would be new sales, not made up sales. Conversely, if there were documented order cancellations or customer departures, they would be lost sales regardless of the future month’s activity. On the other hand, if customers simply waited for the recovery, and then continued ordering their products including back ordering goods from the recovery period, these would be made up sales and would be subtracted from the claimed lost sales. Therefore, it is imperative that the claim submission address the possibility of sales being made up in the months following the recovery period and should include well-documented actual loss of income.





Two businessmen met in Las Vegas. The second one said to the first, "Hey Frank! What brings you to Las Vegas?" Frank replied, "Oh, my factory burned down and the insurance company paid me three million dollars. What are you doing here, Bill?" Bill grinned saying, "Well, a windstorm came up and blew my plant down and the insurance company gave me seven million dollars." After a pause, Frank shuffled his feet and asked Bill, "How do you start a windstorm?"

[ Send us your insurance jokes for a chance to be in our next newsletter at [info@bisimplified.com](mailto:info@bisimplified.com) ]

## CPCU Annual Meeting in Denver

Visit us at Booth #305

August 29th thru September 1st

Be sure to stop at Booth #305 to say hello and enter our drawing. We look forward to seeing you soon and congratulations to all the new designees!

Discover the interactive website that makes YOU the BI EXPERT! [WWW.BISIMPLIFIED.COM](http://WWW.BISIMPLIFIED.COM)

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IT'S THAT SIMPLE.**

## DENVER: OUR BACKYARD!

When we heard the CPCU convention would be in Denver this year, we jumped at the chance to attend. After all, the "Mile High City" is only an hour and a half south! This is our third exhibition, and what a great opportunity to renew old acquaintances and introduce our website, [bisimplified.com](http://bisimplified.com) to new attendees. As if the convention were not exciting enough, Denver also offers many fun things to see and do. Here is a list of some of our favorites that you might want to research:

- Denver Museum of Nature and Science
- Denver Zoo
- Colorado History Museum
- Denver Art Museum
- Denver Botanic Gardens
- Downtown Aquarium
- State Capitol
- United States Mint
- The Colorado Sightseer
- Platte Valley Trolley





## 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**  
**CONTACT US AT: [info@bisimplified.com](mailto:info@bisimplified.com)**

Send us your questions and/or jokes to be published in upcoming issues.

