

b (INFORMED!)

[about Electronic Business Income Worksheets]

Frequently asked questions about BI Simplified's Electronic Business Income Worksheets.

How do I get started?

It's simple! Select a BI worksheet from the list that is specific to your business and fill in the blanks. Pop-ups answer your questions and keep you on track. Push a button, and the calculations are done for you, including extra expenses. The summary page breaks it all down for you. Just sign, date, and submit.

Do I have to complete every line?

No, only fill in the rows that are appropriate for the business.

What if I get a negative number?

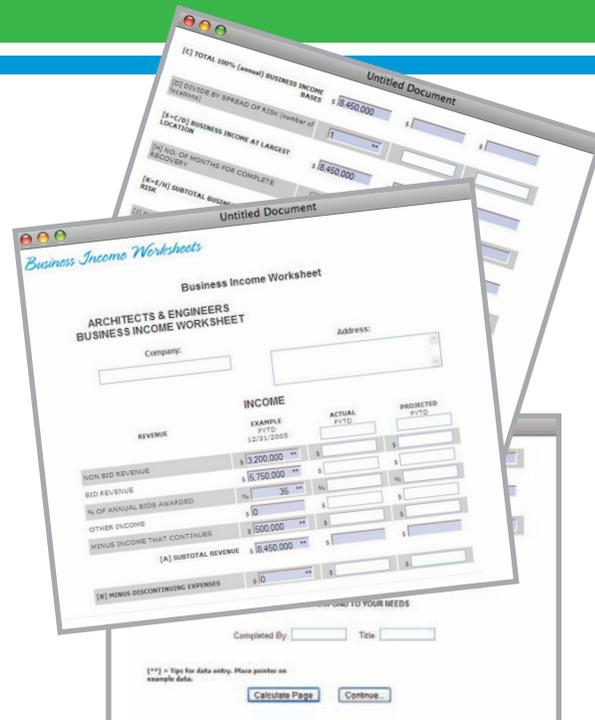
You did not include all your income and/or subtracted too much of your expenses. Follow the instructions exactly.

How do I choose my period of restoration?

Use your contingency plan to determine this. If there is no plan, try to estimate how long it will take to recover operations and market share, as well as how long your customers will wait for you to bring your product or service to market.

Why do I subtract interest income?

This is not income from operations. The insurance contract states this in its definition of business income.



May I subtract depreciation?

No. This is usually a continuing expense. There has been a lot of discussion over the last century about this and the insurance industry has made not deducting depreciation standard practice.

What are discontinuing expenses?

These are the operating expenses that discontinue when the business is shut down. For example, materials and supplies, but also sometimes will include utilities, subcontract costs, maintenance, cafeteria, etc.

What are extra expenses?

These are the expenses incurred in addition to normal operating expenses. For example, the rent at the old location was \$100/sq. ft., but in the temporary recovery location it increased to \$125/sq ft., then the additional \$25 of rent is the extra expense. It would also include paying overtime not usually paid, increased transportation costs, etc.

What is inventory at sales price?

This is for manufacturer's finished stock only and represents the sales price less discounts and allowances. This is not Business Income coverage; it is property coverage.

What if I am operating at a loss?

Make sure the coverage limit pays for continuing expenses, and then subtract the loss from the continuing expenses. For example, \$10,000 of continuing expenses with a \$2,000 loss equals an \$8,000 BI limit.

What if I have no income?

Buy an insurance policy specifically for this business, such as non-profit, R&D, start up, coming out of bankruptcy, etc.

It is imperative to make sure the policy will respond properly, and the calculation is for whatever the continuing expenses would be.

What if I am a R&D company?

Make sure the policy is written to pay lost or deferred milestone payments and continuing expenses, including payroll. The standard business income policy will not respond because since there is no operating income, there is no loss of income.

How does a municipality calculate exposure?

Determine the revenue generating services that would be discontinued and for how long. These organizations need a great deal of contingent business income coverage for major employers and consumers of services in the municipality.



Are mortgage payments part of continuing expenses? I read somewhere only the interest portion is a covered expense.

All financial obligations are a continuing expense. A mortgage is a financial contract obligating the mortgagee to pay a monthly amount to the mortgagor (with the property being used as collateral for the loan). The whole amount is due or the property can be foreclosed upon and lost. This is a normal business expense paid out of income and should be part of the Business Income calculation.

Why doesn't my agent do this for me?

It is not their job and they have not been trained to do this. The business owner is the one who has to make the business decisions regarding recovery strategy and plans.

For quick, accurate worksheet completion, ask your insurance agent to set up an account on BISimplified.com and offer our BI worksheets and other great advantages to you as a value-added service.