

HELP! Step-by-Step Claim Instructions

First, refer to your **Claim Journal** (See October, 2010, *Be Prepared!* newsletter, page 4) as you compile your documentation and complete your calculations. Identify and document any lost new business, existing key accounts, or special agreements you made to keep from losing vendors or customers, such as free shipping, expedited shipping (air versus truck), or discounts given to retain customers, etc.

MINIMUM REQUIRED DOCUMENTATION FOR BUSINESS INTERRUPTION CALCULATION

1. 2 years of tax reports.
2. 2 years of detailed, monthly Profit and Loss (P&L) statements for the same period.
3. 2 years of monthly payroll records.
4. 2 years of monthly sales journals from 12 months prior to the loss to current or when sales reached projected levels.
5. Monthly balance sheet for the same period.
6. To document Extra Costs Incurred, copy all receipts and compile a report categorizing costs into property purchases, service charges, rents, staff costs, subcontracted costs, etc.

CALCULATING LOST SALES

Begin by establishing the trend (growth or decline) of business so that you are able to project what your sales would have been during the recovery period.

1. Compare at least two years of monthly sales to determine the trending percentage.
2. Apply this percentage to the previous year's months corresponding to the recovery period. For example, if your recovery period is the fourth quarter, '09, apply the trend percentage to the fourth quarter, '08. This gives you what your sales should have been.
3. Take a realistic look at your budgeted or projected sales to verify that your numbers are accurate. Have you included projections for seasonality, new business, etc.?
4. Now compare the actual sales for these recovery months to the projected sales. The difference will be the sales you lost during the recovery period.

CALCULATING DISCONTINUING EXPENSES

Discontinuing expenses are all the monies you do not have to spend if you are shutdown:

i.e. materials, supplies, maintenance, rental equipment, etc.

Payroll may or may not be a discontinuing expense or may be a partial expense. Is payroll covered on your policy? If so, do not subtract payroll from sales.

1. Compare two years of monthly cost of sales expenses to establish what percentage of sales these expenses represent. For example, cost of goods sold is 50% of sales, so subtract 50% of lost sales as discontinuing expenses. On the other hand, if you are a service or municipal organization, you do not have cost of sales to subtract. Be careful not to subtract payroll from this calculation if you are including payroll in your claim.
2. Check other historical expenses to determine if any of those discontinued. If so, calculate what percentage of sales they were and subtract those discontinuing expenses from projected lost sales.

CALCULATING BUSINESS INCOME AMOUNT

1. Add the lost sales amount for each month in the recovery period.
2. Subtract the monthly discontinuing expenses.
3. The difference is the lost business income for your claim.
4. Usually, this is where the deductible is applied. For daily value deductible, determine the daily value of lost income and then subtract the deductible amount, such as three days, from the total lost income. If the deductible is a dollar amount, subtract that value from the first month's lost income, etc.

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CALCULATING EXTRA EXPENSES

Extra expenses are all the monies you spent to recover from the disaster that are not “usual” to your business. This would include such expenses as overtime, expedited shipping, increased subcontractor costs, etc. They are also the increased expenses over expected expenses during your recovery period.

1. Calculate increased costs by listing the actual monthly sales during the recovery period.
2. Apply the expected expense ratios to these sales to calculate what your expenses should have been.
3. List your actual monthly expenses during the recovery period.
4. The difference is your extra operating expenses.

This calculation should include all extra expenses you incurred if shown on your profit and loss statement. Keep in mind that you will have to provide the adjuster with a list of “unusual” or additional expenses that you incurred during the recovery period (refer to your Claim Journal).



You could follow our detailed instructions above, or subscribe to **BISimplified.com** and use our electronic claim worksheets. It's so easy—supply the numbers, click, and WE do all the calculations for you!

If you missed opening September's *Be Prepared!* e-newsletter, go back and check out the included non-electronic samples of two interactive claim worksheets! The **BI Claim Worksheet** trends sales growth, calculates lost income, discontinuing expenses, extra expenses and provides a summary of the total claim amount. The **BI Claim Worksheet** maintains a running total dollar amount and record of the specific repairs made to the property. Both worksheets are electronic and simplified—pop-up text boxes provide explanations that keep you on track, eliminate guesswork and arguments, and save you weeks of claim settlement time and fees.

“Though no one can go back and make a brand new start, anyone can start from now and make a brand new ending.” —Anonymous

Be *pre* (PREPARED!)

- Nearly 770,000 Americans live near a volcano. Heavy ash falling after an eruption can cause serious lung irritation, corneal abrasions, and shortness of breath, especially for people with asthma. The Center for Disease Control and Prevention suggests that people living in volcanic regions keep N-95 respirators and eye protection on hand for themselves and their families.
- Batteries can last up to ten times longer in light-emitting diode (LED) flashlights. LED flashlights are 70% more efficient than incandescent models, and unlike bulbs, LEDs have no fragile parts so they can better withstand shock. That makes them a smarter choice for an emergency kit.
- More than 67% of respondents in an ASPCA survey said they would refuse to evacuate without their pets. The Pets Evacuation and Transportation Standards Act of 2006 passed after Hurricane Katrina, requires authorities to include pets in evacuation plans.



Most Red Cross shelters won't take pets, but will help people make arrangements with local animal shelters. The Humane Society of the United States suggests packing a disaster kit for pets that includes ID, immunization records, food, medicine, and photos.