



Why do I need extended period of recovery?

Answer: Extended period of recovery (indemnity) is a policy coverage that will pay for lost Business Income for a stated amount of days beyond the restoration period and must be added to the business income insurance policy for an additional charge. The underwriter rates the coverage based upon how many days are requested. The intent of this protection is to allow the company to reach its projected sales level after operations have been resumed. Most policies include 30 additional days past the restoration period for no charge, but the majority of businesses need at least 90 to 180 days of protection to reach their expected sales level, or even 360 days if there is any seasonality to the business, especially if there is disagreement on when the operations were actually restored.

To illustrate, I was working with a clothing manufacturer in southern Georgia who told me he had a loss of income of \$3,000,000 due to a fire. But, then he lost an additional \$3,000,000 from the time he resumed operations until his sales were up to the expected level.

Some policies define the period of recovery as stopping when the property is repaired or operations are "resumed" and then that is the end of the claim. However businesses still have to build their production and market share and it takes time to get their sales volume to where it should be. In the case of the clothing manufacturer, he resumed operations when he started sewing, but it took him another 90 days to get his sales up to where they should be.

Get the Facts...

According to the article, Hindsight, in the December, 2008 Rims "Risk Management" magazine, 85% of U.S. insurance companies faced at least one new lawsuit, 67% faced six or more new suits, and 29% faced fifty or more new lawsuits in 2008, making the industry the top target for new litigation. 53% of U.S. insurers spent more than \$1 million and 23% spent more than \$5 million on legal expenses in 2008, making the industry the top legal spenders. 36% of insurers expect litigation to increase in 2009.

WE WELCOME YOUR INPUT!

Send us your comments, questions and jokes to be published in upcoming issues.

CONTACT US AT: info@bisimplified.com

[www.bisimplified.com]

The information provided herein is intended for general information purposes only and should not be construed as advice or opinions on any specific facts or circumstances. The content of this newsletter is made available on an "as is" basis, without warranty of any kind. BISimplified.com disclaims any legal liability to any person or organization from loss or damage caused by or resulting from any reliance placed on that content.

