



Natural Catastrophes:
Preparing for Business
Interruption and Extra
Expense Claims



Gallagher

Insurance | Risk Management | Consulting



Please reach out to your Gallagher client representative to learn how we can assist you with this analysis, and provide guidance and support in the development of your claim.

Gallagher helps our clients understand their potential coverage through business interruption and extra expense insurance. This coverage is dependent not only on specifics of the policy, but also the circumstances surrounding the specific loss event and impact on the business and its operations.

This guide outlines areas you can assess in order to understand and begin documenting the impact of a business interruption loss on your business. Gallagher's claim advocacy team is available to assist you in this process.

1. DISCUSS POTENTIALLY AVAILABLE COVERAGE(S) WITH YOUR GALLAGHER ACCOUNT REPRESENTATIVE.

2. DETERMINE IF THE LOSS EVENT IS A COVERED CAUSE OF LOSS THAT TRIGGERS BUSINESS INTERRUPTION COVERAGE IN YOUR POLICY. EXAMPLES, SUBJECT TO THE SPECIFIC COVERAGE IN YOUR POLICY, MAY INCLUDE:

- | | |
|---|--------------------------|
| a. Physical loss or damage from fire, explosion, hurricane or windstorm, flooding, tornado, vandalism, and other perils | c. Service interruption |
| b. Contingent business interruption (resulting from losses at suppliers and/or customers) | d. Civil authority |
| | e. Ingress-egress |
| | f. Supply chain |
| | g. Loss of an attraction |
| | h. Other |

In order to trigger many of these coverages, physical loss or damage by a covered peril must occur at either the insured premises or another location as defined by the policy.

3. ASSESS AND DOCUMENT THE IMPACT OF THE LOSS EVENT ON YOUR OPERATIONS.

- a. Have you discontinued or reduced operations?
- b. If so, what was the cause of closure(s) or reduced operations? For example:
 - Did physical loss or damage occur to your premises, contents and/or equipment?
 - Did you incur losses as a result of interruption of utilities?
 - Did you close or limit operations due to government orders?
 - Was access to your premises prevented by a disaster?
 - Were you adversely impacted by the closing of nearby businesses, malls or attractions upon which you rely as a source of business?
 - Did you incur interruption to your operations as a result of interruption to vendors in your supply chain? If so, what was the cause of that interruption for your suppliers?
 - Were customers impacted by a loss event resulting in a reduction of orders to your business? If so, what was the cause of that interruption for your customers?



Items to document:

- Timeline and description of events, including detail regarding physical loss or damage that occurred to your premises, contents and/or equipment
- Date-stamped digital photographs of damages to your premises, contents and/or equipment
- Timeline of physical repairs and restoration
- Detail regarding service interruption, including start and end dates
- Documentation from utility companies regarding service interruption
- Letters/emails regarding supply chain interruption from vendors
- Letters/emails from customers regarding cancellations
- Information documenting the closure of an attraction property
- Documentation regarding government closure orders and pertinent dates
- Information pertaining to ingress-egress issues

4. WHAT IS THE IMPACT OF THE LOSS EVENT ON YOUR REVENUES?

- a. What are the sources of your losses of revenue, and how can you best track and calculate those losses?
- b. What was your growth trend prior to the loss event and projections for growth following the loss event?
- c. Were there other factors in the marketplace that could have affected your loss, unrelated to the loss event, such as increased competition or supply chain shortages?
- d. Were there changes in your production that would have impacted revenues?

- e. How many shifts did you operate before and after the loss event?
- f. Were you scheduled to be closed for routine maintenance and, if so, for how long?
- g. Were there changes in your hours of operation?
- h. Can existing inventory be used to fulfill customer orders and, if so, to what extent?
- i. Did customers cancel orders or contracts due to the loss event?
- j. Were key customers lost?
- k. Are there opportunities to mitigate the loss of revenues? This might, for example, include outsourcing of production, procuring inventory or product from other sources, and other avenues of support.
- l. Is there a potential to recapture lost revenues after business returns to normal?

Items to document:

- Documentation to support your loss of production and/or sales revenue, including correspondence regarding cancellations of orders, contracts, agreements and loss of customers
- Budgets and forecasts prepared prior to the loss event
- Sales information for at least two years prior to the date of loss
- Detail monthly profit and loss statements for at least two years prior to the date of loss
- Documentation regarding customer returns, refunds and complaints
- Historic and post-loss production and/or sales records by product line and location

5. HOW ARE YOU HANDLING LABOR AND PAYROLL?

- Did you reduce your workforce and/or lay off employees?
- Are you continuing to pay and/or provide benefits to employees who are not working?
- Did employees work overtime?
- Have you added additional full- or part-time employees?

Items to document:

- Payroll information subsequent to and for one year prior to the loss event
- Hours, payroll and benefits paid to employees who are not working as well as employees added to support your response to the loss event
- Detail regarding all overtime hours and wages related to the loss event, including extra shifts added to mitigate losses

6. WHAT COSTS WERE SAVED AS A RESULT OF DISCONTINUED OR REDUCED OPERATIONS?

- What variable costs, such as cost of goods sold and supplies, were saved?
- Were reductions realized in any other operating costs such as utilities, repairs and maintenance, lease costs, etc.?

Items to document:

- Annual detail profit and loss statements for the two fiscal or calendar years prior to the date of loss.

7. WHAT EXTRA EXPENSES (ABOVE AND BEYOND NORMAL COSTS) ARE YOU INCURRING TO CONTINUE BUSINESS AS USUAL AND/OR TO REDUCE YOUR LOSSES? EXAMPLES MIGHT INCLUDE:

- Leasing or purchase of a temporary location, facilities or equipment to continue operations
- Operating costs incurred to reduce your losses, such as increased costs to outsource production, increased labor and expedited delivery costs
- Other increased costs of production
- Costs for temporary storage facilities
- Costs to purchase new equipment or to modify existing equipment, facilities and/or operations to maintain production levels and revenues in order to reduce losses
- Purchases from existing or new suppliers at a premium above your typical costs



- If employees are working off-site, additional costs incurred, such as laptops, servers, routers and other IT expenses; telecommunications; allowances for meals; and other costs
- Other IT, internet and telecommunication costs incurred to maintain operations or reduce your losses
- Customer gifts or discounts to help offset inconveniences
- Expenses incurred to continue business in a new or different manner, such as setting up new channels of service, delivery, online sales and other new modes of service
- Penalties or liquidated damages incurred
- Increased interest costs
- Additional marketing, advertising and sales expenses
- Costs to relocate employees
- Additional security costs
- Costs to clean and decontaminate facilities, equipment, supplies and inventory
- Supplies and protective gear to deal with contamination
- Consulting costs
- Other costs

Items to document:

- Track all costs on a spreadsheet and/or in specific general ledger accounts. The accounts should be specific to each impacted location and/or loss if multiple losses have occurred.
- Retain all documentation, including contracts, purchase orders, invoices, credit memos, receiving reports and correspondence.

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