



Business Income and Extra Expense Calculator

Navigate throughout this workbook calculator tool by clicking on desired button below. Each module you enter has a button to bring you back to this main Menu screen or to the main Business Income Worksheet.

(In addition you can navigate within the workbook using the workbook tabs at the bottom of the screen.

General Introduction to Travelers Business Insurance/Extra Expense Coverage

General Instructions for using this workbook calculator

Business Income/Extra Expense Calculator

Main Business Income Worksheet

Payroll Limitation SubWorksheet

Extra Expense SubWorksheet

Coinsurance & Agreed Value SubWorksheet

Notes SubWorksheet



WELCOME TO THE TRAVELERS BUSINESS INCOME WORKSHEET FOR RENTAL PROPERTY.

BUSINESS INCOME INSURANCE: AN ESSENTIAL PART OF EVERY BUSINESS PLAN...Because the majority of businesses that shut their doors following a severe property loss never reopen them.

Disasters happen. Businesses temporarily close. Revenue streams dry up. But expenses continue and often rise significantly. A Business Income worksheet prompts the review of business continuity strategies and recovery plans. Business Income insurance is an essential part of your business' blueprint for survival. It is an essential business planning tool and indispensable disaster survival coverage

INDISPENSABLE DISASTER SURVIVAL COVERAGE

Following a major loss, there are lots of things that a business can do without – revenue isn't one of them. Most businesses underestimate the amount of time it takes to return to normal business operations. Consider the following:

- Cause and origins investigations and debris removal can span 1-2 months or more.
- Securing permits can take 2-3 months; even longer in urban settings due to density and local authority.
- Reconstruction can take 7-12 months (or years for complex operations)
- Replacement of machinery and equipment can take 2-18 months; troubleshooting and testing can take another 2 months
- The EPA and other regulatory agencies can create further delays

TRAVELERS BUSINESS INCOME & EXTRA EXPENSE WORKSHEETS

Business Income coverage increases a business' ability to survive a substantial loss. Travelers Business Income worksheet serves as a reality check for the Period of Restoration. Agreed Value coverage can only be triggered by a completed, signed and accepted BI worksheet.

- Coverage for Ordinary Payroll assists in the retention of valued employees during the Period of Restoration.
- For most businesses, revenue streams are not constant throughout the year; the BI worksheet identifies Seasonal Variation of revenue. Bad things often happen at inopportune times.
- Most businesses rely on others to either supply, sell or draw customers; the BI worksheet guides the insured through identifying their Dependent Business Income sources.
- Most businesses underestimate the additional costs associated with a loss; the Extra Expense section of the worksheet identifies expenses that may be insured.

HEIGHTENED SERVICE/REDUCED EXPOSURE

Rounding out your Property insurance program with Business Income coverage reduces your exposure to unforeseen loss while providing a critical part of your businesses continuity and disaster-planning program. Talk to your Travelers Agent to learn more about Business Income Insurance.

The Travelers Indemnity Company and its property casualty affiliates
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BUSINESS INCOME EXTRA EXPENSE WORKSHEET RENTAL PROPERTY



Insured Name: _____

Brief Description of Operations: _____

Location(s) included in this Projection: _____

Number of Locations: _____

Purpose:
This worksheet is a tool to help you estimate the amount of Business Income insurance you will need to cover your Business Income exposure in the event of a major covered loss. If the coverage you are purchasing includes Extra Expense, this worksheet also helps you estimate the additional amount of insurance needed to cover your Extra Expense exposure in the event of a covered loss.

Which numbers to use:
The Business Income Worksheet requires you to provide figures for the most recent twelve month period of your business, and your estimate of the figures for the next twelve month period that commences with the effective date or anniversary date of your Business Income insurance. You will need to adjust your estimates for reasonably predictable changes from the preceding time period. Some items to consider may include: a new union wage agreement, the planned launch of a new product line, a change in the cost of items purchased for resale or a change in the amount of rent.

Please note that if, during the policy year, you experience unexpected changes in income and/or expenses, you should recalculate the worksheet and submit these new figures, along with a request for any needed increase in your amount of business income insurance, to us. If you do not, and you experience a loss, you might not have enough insurance to cover your loss or your loss payment might be subject to a coinsurance penalty (as described below).

Coinsurance:
The Business Income insurance you are purchasing is subject to a coinsurance condition **if the Agreed Value Coverage Option is not in effect at the time of the loss**, so it is important that you understand how it works. A coinsurance condition requires you to carry a minimum amount of insurance, (your Business Income Limit.). This minimum amount is an agreed-upon percentage of your business income exposure (the sum of your net income and all operating expenses) for the 12 months following the effective date or last anniversary date of your insurance policy. If, at the time of loss, the amount of your Business Income limit is less than this amount, the amount we pay for the loss will be reduced. Subject to your amount of insurance, the most we will pay will be the proportion of your covered loss determined by dividing the Business Income Limit by the minimum amount of insurance you were required to carry.
Please note that when you complete this worksheet, you are estimating future amounts. Following a covered loss, we will perform a similar calculation but will have the benefit of the passage of time. We will use figures that are the actual results of your business operations from the effective date or last anniversary date of your Business Income insurance to the date of the loss. It is important to keep your figures up to date with unanticipated changes in your income and expenses during the policy year or you could be subject to the coinsurance penalty described above.

Yellow shaded cells are for user entry throughout the worksheets.	Other colored cells indicate calculations are performed.
	Other colored cells indicate calculations are performed.



Business Income: Rental Property



Most Recent 12 Month Period Ending: (mm/ dd/ yyyy)	<u>Income and Expenses</u>	Estimated 12 Month Policy Period Beginning: (mm/ dd/ yyyy)
1/ 0/ 2000		1/ 0/ 2000
\$ -	A. Gross Rents	\$ -
\$ -	B. <ul style="list-style-type: none"> Add: Rental Value of the portion of the building you occupy Add: Tenant charges which become yours in the event of a loss Add: Miscellaneous income from tenant occupancy Add: Other earnings from your business operations: Describe 	\$ -
\$ -		\$ -
\$ -		\$ -
\$ -		\$ -
\$ -	C. EQUALS: TOTAL REVENUES	\$ -
\$ -	D. Less: Total Cost of Merchandise and Supplies Consumed	\$ -
\$ -	E. Less: All "Ordinary Payroll" Expenses if they are to be excluded or limited. Payroll Limitation worksheet item PL2	\$ -
\$ -	F. Business Income Exposure for 12 Mos. (C-D-E)	\$ -

G. Period of Restoration (POR): Adjust for maximum time to rebuild, repair or replace property damaged by serious loss at an existing location or to move to a new permanent location and resume your normal operations. Select the number of months from 6 to 48.

12 ▼

\$ -	H. You may limit coverage for " Ordinary Payroll ". Use the Payroll Worksheet to limit or exclude "Ordinary Payroll". If you are not limiting "Ordinary Payroll", Box H should remain at \$0.	\$ -
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I. Minimum Amount of Business Income Insurance needed for your estimated Period of Restoration. Based on F. modified by G. and H.

\$ -

J1. Extended Business Income: Select number of months you anticipate reduced income after resuming normal operations

0 ▼

J2. Additional amount of estimated reduced income for the full period of months indicated in J1. above.

\$ -

K. Are **Extra Expenses** to be insured **AND** included in your Business Income Limit of Insurance? If **YES**, make sure Extra Expense worksheet is completed; if **NO**, leave \$0.

\$ -

L. YOUR ESTIMATED AMOUNT OF NEEDED BUSINESS INCOME & EXTRA EXPENSE (I + J + K)	\$ -
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In the event of a catastrophic loss the business may not be operating at all or at full capacity. Will you continue to pay your "Ordinary Payroll" while the business is closed? **If you plan to continue to pay all of your workers**, and you want this included in your insurance coverage, then you do not want to limit "Ordinary Payroll". **Do not fill in the Payroll Worksheet below.**

By not filling in the worksheet below, you have chosen to insure for all payroll.

Ordinary payroll expenses include payroll, employee benefits if directly related to payroll, FICA and Medicare Payments, union dues, and Workers Compensation premiums. Some points to consider in deciding whether to exclude or include "Ordinary Payroll" (i.e. other than officers, executives, dept. mgrs and employees under contract): Would you lay off all your other employees in the event of a short interruption? Could you get them back when you re-open for business or would they have gone elsewhere? Do you have skilled or specialized labor?

"ORDINARY" PAYROLL LIMITATION WORKSHEET

Use this payroll worksheet **ONLY IF** you are limiting "Ordinary Payroll"

Most Recent 12 Month Period
Ending:
1/0/2000

\$	-
\$	-
\$	-
\$	-
\$	-
\$	-

- PW1. Enter: 100% of all salaries and wages
- PW2. Add: All employment taxes
- PW3. Add: Workers Compensation Premiums
- PW4. Add: Fringe benefits (see comment)
- PW5. Add: Other _____
- PW6. **EQUALS: TOTAL PAYROLL EXPOSURE**

Estimated 12 Month Policy
Period Beginning:
1/0/2000

\$	-
\$	-
\$	-
\$	-
\$	-
\$	-

You may limit "Ordinary Payroll", but not payroll for executives, officers, managers, contractual employees and employees necessary to the survival of the business after a catastrophic loss.

Payroll limitation portion of the Payroll Worksheet

Do you choose to limit "Ordinary Payroll"?

Yes No

The program assumes the limitation in the prospective policy period pertains to the prior period as well.

- PL1. Necessary payroll
- PL2. "Ordinary Payroll" (PW1 - PL1)

\$	-
\$	-

- PL3. If you limit "Ordinary Payroll", then you are choosing to have insurance coverage for these people for only 180 days, 90 days, or no coverage. Select the appropriate period of days.

0 Days = all "Ordinary Payroll" is excluded ▼

- PL4. You will have this % of "Ordinary Payroll"

0%

- PL5. This is your total exposure for "Ordinary Payroll" including taxes and benefits.

\$	-
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- PL6. **This is the amount of payroll you selected to not cover under this policy.**

\$	-
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- PL7. **This is the amount of payroll you selected to cover under this policy. It will go into Box H of the Business Income worksheet and increases the Business Income Exposure, Box L.**

\$	-
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Extra Expense Worksheet



Extra Expenses	1st Month	2nd Month	3rd Month	Additional Months	TOTAL
Additional Expenses at Temporary Premises					\$ -
Bonus for Quick Services					\$ -
Janitorial and Security					\$ -
Legal and Other Professional Fees					\$ -
Overtime Labor of Employees or Additional Staff or Temporary Labor					\$ -
Other					\$ -
TOTAL EXTRA EXPENSES TO BE INSURED	\$ -	\$ -	\$ -	\$ -	\$ -





COINSURANCE: Coinsurance is a REQUIRED policy condition for Business Income Insurance. Agreed Value is an optional coverage that suspends, but does NOT eliminate the Coinsurance provision. SEE NOTES TO BETTER UNDERSTAND COINSURANCE AND AGREED VALUE.

Consult your agent or broker to help you determine an appropriate Coinsurance percentage to be stated on your policy.

Your valid options for Coinsurance percentages are shown below. When selecting the most appropriate option 'round down'. Enter your selected percentage in the appropriate box below :

If Agreed Value does NOT apply:	25%	30%	40%	50%	60%	70%	80%	90%	100%	125%	
											100%

DO NOT REDUCE BOX M. ABOVE BY THE COINSURANCE PERCENTAGE.

USE THIS BOX ONLY IF											AGREED VALUE COVERAGE OPTION APPLIES - Signature is Required												
If Agreed Value applies:											50%	60%	70%	80%	90%	100%	125%	N/A					
I certify that this is a true and correct report of values as required under this policy for the periods indicated and that the Agreed Value for the period of coverage is																							
											\$	-	The coinsurance percentage to be used is										
											N/A		Minimum is 50%										
<i>Insured's Signature:</i> _____											<i>Official Title:</i> _____												
<i>Date:</i> _____																							





NOTES

COINSURANCE - INSURANCE TO VALUE REQUIREMENT

In the event of loss during the policy period, we will determine the actual business income exposure from policy year inception to the date of loss. To this actual amount we will add an appropriately projected amount of income exposure for the remainder of the 12 month policy period. (In effect, the insurer will calculate Box F of this worksheet, (if ordinary payroll is limited, that will be adjusted for), but will have the benefit of some actual figures as well as seeing during the POR which expenses continue and which ones do not continue). This more current annual amount will be multiplied by the Coinsurance percentage you selected for your policy. If the policy limit you carry is less than this more current required amount of insurance, your loss payment will be reduced.

Example: Policy Period = 01/01/20__ to 01/01/20__ Date of Loss = 08/01/20__
 Policy Limit = \$3,000,000 Coinsurance = 50%
 Loss = \$1,000,000

Actual Business Income from
 01/01/20__ to 07/31/20__ = \$ 5,000,000

Projected Business income from 08/01/20__ to
 01/01/20__ = + \$ 3,000,000

**More Current Annual Amount
 of Needed Insurance = \$ 8,000,000**

\$8,000,000 x 50% coinsurance = \$ 4,000,000

Policy Limit of \$3,000,000 < \$4,000,000 required
 Therefore, \$3,000,000 / \$4,000,000 = .75 factor

.75 x \$1,000,000 loss = \$750,000 payable

Coinsurance Penalty = \$250,000 of loss not payable

AGREED VALUE

This provision suspends the Coinsurance provision, but does not eliminate it. In order for Agreed Value to be in effect, a signed business income worksheet must be submitted to and accepted by us prior to a loss.

A new Agreed Value worksheet must be submitted (1) no later than two weeks prior to the end of each twelve-month policy period, or (2) if you change the limit of Business Income insurance mid-term. Failure to submit a signed current worksheet will automatically reinstate the Coinsurance provision for the period going forward.

OTHER COVERAGE OPTIONS

These exposures are Not Covered under standard industry Business Income Coverage forms. Consult with your agent or broker if you answer "YES" to any of the following.

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| | respond YES or NO |
| 1 <u>Ordinance or Law</u> - Would complying with building ordinances or laws delay your repair or rebuilding? | NO |
| 2 <u>Leasehold Interest</u> - If you are a tenant, do you have a favorable long term lease compared to current market rental rates? | NO |
| 3 <u>Dependent Properties</u> - If properties you depend on to attract customers/tenants (e.g. stadiums, anchor stores) suffered loss or damage from a covered cause of loss, would you incur a loss of income or extra expense as a result of their loss? | NO |

Business income exposure means Net income before income taxes plus all operating expenses.

