



# BUSINESS INCOME CLAIM CHECKLIST

The most important part of the Business Income loss adjustment is **knowing what questions to ask**.

This checklist includes questions you can use to discover everything about an insured's business procedures and practices.

## Understanding the Insureds Business Points to Consider

## Related Follow up Questions



**Does the insured have a disaster plan or a business plan?**

- A) Much of the thinking that such a plan would entail is involved in evaluating and measuring the business income and extra expense exposure and thereby assists in selecting the limit.
- B) How is the insured going to fund the plan?
- C) Alternate production/service capacities (newspaper printing, process bank transactions, replacement of finished stock)?



**Review a schedule of assets, including buildings, machinery, tools, furniture, and stock of merchandise. The schedule of depreciable assets is not your value to insure. The intention is to identify exposures. Items may have been expensed over the years and not appear on the schedule.**

- A) Are there critical pieces of equipment that, if damaged or destroyed, would take a long time to replace? The loss of an inexpensive item of equipment could, if not readily replaceable, cause an extensive interruption of business.
- B) Customized or one-of-a-kind? How long to reproduce?
- C) For a manufacturer, ask for a flow chart of the production process. Try to identify if there is a bottleneck in the production process. Is there a use of outside processors?
- D) Bottleneck in the production process? (flowchart)
- E) Do materials used during manufacture require a lengthy aging, curing, or preconditioning period?



**Is the insured dependent on a key supplier or customer? This can relate to time estimates from product replacement and signal the need for contingent business interruption coverage. If alternate sources of the necessary material are not available, the insured may need protection against possible loss.**

- A) Is the supplier susceptible to strike? Customized or one-of-a-kind? How long to reproduce?
- B) Do they carry an inventory of needed items, or is it a special order? Is there a contractual commitment with the supplier (time, price, quantity) and will they expedite at a higher price?
- C) With foreign manufacture, consider how currency exchange rates can significantly affect values and time to replace.



**Is the rate of revenue or operating expenses static, changing, or cyclical?**

- A) If the business is experiencing rapid growth, the business income value should be reviewed quarterly or semi-annually.
- B) Consider Agreed Value, peak season, reporting form.



**Ask what gives their business a competitive advantage?**

- A) Equipment, location, personnel, service, etc.?



**Construction considerations: weather, catastrophic loss?**

- A) Ordinance or law exposures? Local, state, or federal.



**Has the insured changed their business during the past year, or does the insured have any plans to change their business operations?**

- A) Will the anticipated expansion use all excess manufacturing/equipment capacity?
- B) Is a different or additional location needed or planned?
- C) Are there any new competitors or a decrease in competitors? How will they react if the insured suffers a significant loss?



**In the event of a loss, what would happen to payroll?**

- A) Are there any employees who would be difficult to replace?
- B) Is there a union or employment contract that requires certain levels of pay and benefits continuation?



**Has the insured entered a lease that contains any rent abatement provisions, cancellation, rent continuation provisions, etc.?**



**How would the insured's business be affected by an off-premises power failure? Are there other utility services on which the business is dependent?**



**Does the insured have contracts that require performance regardless of cost? Contracts of employment, licenses, advertising commitments, etc.**



**What types and dollar amounts of extra expenses would the insured incur following a loss in attempting to continue operations and service customers/clients?**