



**BUSINESS INCOME & EXTRA EXPENSE WORKSHEET  
NON-MANUFACTURERS**

Insured's Name: \_\_\_\_\_  
 Describe Business Operations: \_\_\_\_\_  
 Location(s) Covered: \_\_\_\_\_  
 Agent / Broker: \_\_\_\_\_

**PLEASE REFER TO THE NOTES AT THE BOTTOM OF EACH PAGE AS YOU COMPLETE THE WORKSHEET**

The basic purpose of this worksheet is to help you estimate your needed amount of insurance in the event of a major loss. Completion of this worksheet should be a collaboration between you and your accountant. Using your Profit & Loss Statement, your accountant should be able to complete the worksheet with actuals for the most recent 12 month period. You will need to tell him or her your anticipated level of business activity for the upcoming 12 months of the policy period and the effect on the various income and expense numbers. e.g. Increases in the following: Gross Sales by 10%; Cost of Goods Sold by 6%; Payroll by 4 %. This worksheet must be completed on an accrual basis. Separate worksheets will need to be completed if separate limits of insurance apply per location, division or profit center. Indicate the inventory valuation method you use. All inventory calculations should be based on the same valuation method.

Check only one:    \_\_\_ FIFO    \_\_\_ LIFO    \_\_\_ Average Cost    \_\_\_ Other (please specify): \_\_\_\_\_

| Most Recent 12 Month Period Ending: _____ | Income and Expenses   | Estimated 12 Month Policy Period Beginning: _____ |
|---|---|---|
| \$  | A. Gross Sales See Note (A)   | \$  |
| - \$                                      | B. DEDUCT:<br>Prepaid Freight – Outgoing  | - \$  |
| - \$                                      | Discounts, Returns & Allowances   | - \$  |
| - \$                                      | Bad Debts & Collection Expenses   | - \$  |
| = \$                                      | C. EQUALS: Net Sales  | = \$  |
| + \$                                      | D. ADD: Other Earnings from your business operations (not royalties or investment income): See Note (D)   | + \$  |
| + \$                                      | Commissions or Rents  | + \$  |
| + \$                                      | Cash Discounts Received   | + \$  |
|   | Other _____   | + \$  |
| = \$                                      | E. EQUALS: TOTAL REVENUES   | = \$  |
| - \$                                      | F. DEDUCT: Total Cost of Goods Sold. This is NOT the GAAP figure. Calculate using worksheet below.  | - \$  |
| - \$                                      | G. DEDUCT: Cost of services you purchase from outsiders to separately resell (e.g. service contracts), that do NOT continue under contract. Costs that continue are NOT deducted. | - \$  |
| - \$                                      | H. Are you Excluding OR Limiting "Ordinary Payroll" Expenses?<br>If YES, DEDUCT: All "Ordinary Payroll" Expenses See Note (H)<br>If NO, leave blank.                              | - \$  |
| = \$                                      | I. BUSINESS INCOME EXPOSURE FOR 12 MONTHS   | = \$  |

**COST OF GOODS SOLD WORKSHEET**

This is NOT the GAAP figure. Do NOT include labor or overhead.

|      |   |      |
|------|---|------|
| \$   | Beginning inventory.  | \$   |
| + \$ | ADD: Net Cost of merchandise sold and tangible supplies purchased during the year (including transportation charges). | + \$ |
| - \$ | DEDUCT: Ending inventory.   | - \$ |
| = \$ | <b>TOTAL COST OF GOODS SOLD - put in Line F. above</b>  | = \$ |

- (A): Gross Sales: Consider new or potential contracts, mergers and acquisitions, business trends etc. Do NOT include separately stated taxes or royalties.  
 (D): Add income from other incidental operations to Line D. If not incidental (i.e. more than 10% of total income), complete separate applicable worksheet for that portion of income and add the "Business Income Exposure for 12 Months" Line from that worksheet to Line I. of this worksheet.  
 (H): 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 limit Ordinary Payroll ( i.e. **other than** officers, executives, department managers 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?

|   |      |
|---|------|
| I. <b>Business Income Exposure for Estimated 12 Month Policy Period</b> (carry over from previous page)   | \$   |
| J. <b>Period of Restoration: See Note (J)</b><br>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.<br>e.g. 6 months = .5; 9 months = .75; 12 months = 1.00; 18 months = 1.50; 2 years = 2.00.<br>Estimated # of Months = _____ which equates to a factor of _____ <b>Factor J</b><br>MULTIPLY Line I. by <b>Factor J</b> .   | = \$ |
| K. Do you have <b>Seasonal Variations</b> in your operations? <b>See Note (K)</b><br>If <b>NO</b> : Then LEAVE this line BLANK.<br>If <b>YES</b> : If the Period of Restoration is less than 12 months...<br>What is the largest percentage of earnings that could be lost? _____ (decimal)<br>Divide this decimal by <b>Factor J</b> from Line J. above: _____ + _____ = _____ <b>Factor K</b><br>MULTIPLY Line J. by <b>Factor K</b> .<br>If the Period of Restoration is greater than 12 months <b>See Note (K)</b> below. | = \$ |
| L. If " <b>Ordinary Payroll</b> " is limited to _____ 90 days or _____ 180 days, ADD BACK largest payroll amount associated with the number of days checked above (consider seasonal peaks in your payroll).  | + \$ |
| M. <b>Minimum Amount of Business Income Insurance needed for your estimated Period of Restoration</b> (Sum Line J + L or Sum Line K + L.)   | = \$ |
| N. <b>Extended Business Income</b> : Indicate number of months you anticipate reduced income after resuming normal operations _____ months <b>See Note (N)</b><br>ADD amount of estimated reduced income for the number of months indicated above.  | + \$ |
| O. Are <b>Extra Expenses</b> to be insured AND included in your Business Income Limit of Insurance?<br>If <b>YES</b> , ADD Extra Expenses incurred to avoid or minimize suspension of business and continue operations. (Calculate using <b>Worksheet on page 3</b> ). If <b>NO</b> , leave blank.  | + \$ |
| <b>P. YOUR ESTIMATED AMOUNT OF NEEDED BUSINESS INCOME &amp; EXTRA EXPENSE INSURANCE</b><br>Do <u>not</u> reduce this amount by the Coinsurance Percentage you select below. <b>See Note (P)</b>   | = \$ |

**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 ON PAGE 4, 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. One possible method to determine a coinsurance percentage is to divide Line M. by the sum of Lines I. and L. e.g.: Line M = \$7,500,000, Line I + L = \$10,000,000. \$7,500,000 ÷ \$10,000,000 = 75%.

Your valid options for Coinsurance percentages are shown below. When selecting the most appropriate option 'round down'. Circle one:

If Agreed Value applies:      50%    60%    70%    80%    90%    100%    125%

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

**DO NOT REDUCE LINE P. ABOVE BY THE COINSURANCE PERCENTAGE.**

|  |                       |
|--|-----------------------|
| <b>AGREED VALUE COVERAGE OPTION APPLIES - Signature is Required</b>  |                       |
| 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 _____ %. (Minimum is 50%). |                       |
| Insured's Signature: _____   | Official Title: _____ |
| Date: _____  |                       |

- (J): **Period of Restoration** - Assume the worst possible situation, such as a devastating fire or explosion and the sprinkler system is impaired, OR a catastrophe peril such as a tornado or hurricane occurs and severely damages your property. Your ability to resume normal operations may be impaired by one or more of the following:
1. Delays in obtaining Architectural & Engineering Plans, Zoning Variances, Building Permits, or approvals from Certification Boards.
  2. Climactic conditions that would prohibit or postpone repairs or rebuilding.
  3. Contractors or others you would depend upon to help you out are loaded with work and have no excess capacity.
  4. You have unique, specialized, customized or imported machinery or equipment.
  5. Time to install, set-up or customize and test repaired or replacement machinery and equipment.
- (K): **Seasonal Variations** - e.g. If 70% of your business is done from January - June the factor to be applied would be: .70 + .50 (for a 6 mo. period of restoration) = 1.40. If the Period of Restoration is between 12 and 24 months, calculate the second 12 month's income and apply the factor to the second 12 months income, then add this result to the full first year's income (Line I.)
- (N): After you are back in business, how long will it take to get your business back to pre-loss income levels? Consideration should be given to difficulty in regaining your customer base, replacing lost or cancelled contracts etc.
- (P): A revised worksheet should be completed and submitted to us if your actuals begin to exceed your original estimated amount of needed insurance.

**EXTRA EXPENSE WORKSHEET**  
*(Expenses in Addition to Normal Expenses to Continue Business)*

If Extra Expense is going to be *insured under a separate limit*, complete this Extra Expense worksheet but do NOT make any entry under Line O. in the Business Income Worksheet.

| <b>ADDITIONAL EXPENSES AT TEMPORARY PREMISES</b>                             | <b>1st Month</b> | <b>2nd Month</b> | <b>3rd Month</b> | <b>Additional Months</b> | <b>TOTAL</b> |
|--|------------------|------------------|------------------|--------------------------|--------------|
| Expense of Moving Equipment to and from Former Premises                      | \$               | \$               | \$               | \$                       | \$           |
| Insurance Expense  | \$               | \$               | \$               | \$                       | \$           |
| Labor, Altering and Equipping  | \$               | \$               | \$               | \$                       | \$           |
| Light, Power, Heat   | \$               | \$               | \$               | \$                       | \$           |
| Rent   | \$               | \$               | \$               | \$                       | \$           |
| <b>OTHER ADDITIONAL EXPENSES</b>   |                  |                  |                  |                          |              |
| Transportation Costs   | \$               | \$               | \$               | \$                       | \$           |
| Advertising / Postage Expense  | \$               | \$               | \$               | \$                       | \$           |
| Bonus for Quick Services   | \$               | \$               | \$               | \$                       | \$           |
| Greater Cost by Others Compared to Your Own to Perform Your Usual Activities | \$               | \$               | \$               | \$                       | \$           |
| Janitorial and Security  | \$               | \$               | \$               | \$                       | \$           |
| Legal and Other Professional Fees  | \$               | \$               | \$               | \$                       | \$           |
| Overtime Labor of Employees or Additional Staff or Temporary Labor           | \$               | \$               | \$               | \$                       | \$           |
| Purchases of Goods and Materials   | \$               | \$               | \$               | \$                       | \$           |
| Rent or Leasing of Machinery and Equipment                                   | \$               | \$               | \$               | \$                       | \$           |
| Telephone / Data Lines   |                  |                  |                  |                          |              |
| Travel Expenses  | \$               | \$               | \$               | \$                       | \$           |
| Other _____<br>_____   | \$               | \$               | \$               | \$                       | \$           |
| <b>TOTAL EXTRA EXPENSES TO BE INSURED</b>                                    | \$               | \$               | \$               | \$                       | \$           |

**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, comparable to the sum of Line I. and Line L.. of this Business Income Worksheet. 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 = 01/01/20xx to 01/01/20xy      Date of Loss = 08/01/20xx  
                  Policy Limit = \$3,000,000                              Coinsurance = 50%  
                  Loss = \$1,000,000

|   |   |                                      |
|---|---|--------------------------------------|
| Actual Business Income from<br>01/01/20xx to 07/31/20xx                                     | = | \$5,000,000                          |
| Projected Business Income from 08/01/20xx to<br>01/01/20xy                                  | = | + \$3,000,000                        |
| <b>More Current Annual Amount<br/>of Needed Insurance</b>                                   | = | <b>\$8,000,000</b>                   |
| \$8,000,000 x 50% coinsurance   | = | \$4,000,000                          |
| Policy Limit of \$3,000,000 < \$4,000,000 required,<br>Therefore, \$3,000,000 ÷ \$4,000,000 | = | .75 factor                           |
| .75 x \$1,000,000 loss  | = | \$750,000 payable                    |
| <b>Coinsurance Penalty</b>  | = | <b>\$250,000 of loss not payable</b> |

**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 worksheet must be submitted if you (1) change the limit of insurance mid-term, or (2) at the end of each 12 month policy period. 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.

1. **Dependent Properties** - If any of the below types of properties you depend on 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?
  - a. Key supplier(s) could not produce goods or services you depend on. \_\_\_ YES    \_\_\_ NO
  - b. Key customer(s) could not receive your goods or services. \_\_\_ YES    \_\_\_ NO
  - c. Properties which attract customers, e.g. stadiums, anchor stores. \_\_\_ YES    \_\_\_ NO
2. **Ordinance or Law** - Would complying with ordinances or laws delay your repair or rebuilding? \_\_\_ YES    \_\_\_ NO
3. **Contract Penalties** - Do you have any contracts with customers which contain penalty clauses if you cannot supply them with goods or services? \_\_\_ YES    \_\_\_ NO
4. **Loss to Personal Property Away From Your Premises** - Would you lose significant income or incur significant extra expenses if your business personal property or property of others was lost or damaged while away from your premises? \_\_\_ YES    \_\_\_ NO
5. **Leasehold Interest** – If you are a tenant, do you have a favorable long term lease compared to current market rental rates? \_\_\_ YES    \_\_\_ NO