



COVID-19 BUSINESS INTERRUPTION LOSS



WHAT TO CONSIDER FOR BUSINESS INTERRUPTION LOSS DOCUMENTATION RESULTING FROM AND/OR RELATED TO IMPACT FROM COVID-19

The impact of COVID-19 on American businesses has increased dramatically over the last two weeks as state and local governments order mandatory shut-downs and 'shelter in place' orders, further complicating operations for businesses already impacted by COVID-19. The insurance industry's response to these issues, specifically insurance carriers, will likely remain fluid in the foreseeable future; due to this we recommend businesses take the following steps below to position for the most favorable outcome possible if and when a claim is filed.

TIMELINE OF POTENTIAL LOSS AND TYPE OF LOSS

Prepare and maintain a timeline of impact to the business, including impact on revenue, various percentages at capacity, impact to specific customers (including dates, amounts, etc.).

Keep track of dates of project slowdowns or complete shutdowns.

Obtain civil authority orders, local or otherwise, of shut down – get copies of signed orders.

Log and track all impacts to employees and workforce – lay off, RIFs, working remotely.

Track critical operating statistics, including production and capacity statistics, sales price and rate data and materials cost increases.

Provide payroll allocations with a separate code regarding paying people without work.

If possible, find any known individuals that may have been inside the property that contracted COVID-19 (adds strength to physical damage claim).

Keep track of cancellations (day passes/ongoing memberships).

LOSS OF BUSINESS INCOME/LOSS OF RENTS

In addition to keeping track of cancellations (above on the list), including: canceled or delayed customer/sales orders, delayed events, customer complaints, returns, penalties that the client's business might have incurred, loss of key employees, operating hour impacts.

Determine if feeder or dependent properties (supplier, customers, attraction properties, that may have had a COVID-19 illness) impacted loss of income.

Gather and track financial records, including tracking revenues year-over-year to show the impact of business losses and copies of all contracts for affected customers, including:

- » Copies of income tax returns for the two years immediately preceding the date of impact
- » Profit and loss statements for two years immediately preceding the date of loss
- » Copies of leases for building and/or equipment
- » Daily sales for the months of the preceding year which corresponds with the period of impact

Continue to book all depreciation.

Continue to book corporate office allocations/charges to individual locations to include as continuing expenses.

For Hotel/Motels, keep detailed occupancy records for the two years preceding the loss showing daily, weekly or monthly room/nights rented.

Extra Expense – Extra Expense means reasonable and necessary expenses to avoid or minimize the suspension of business and to continue operations at the described premises, costs to minimize the suspension of business if you cannot continue operations and expenses to repair or replace property.

Copies of all expenses and backup for all costs incurred to respond or deal with issues related to pandemic (e.g., renting extra space, storage, cleaning costs, increased utility costs, etc.). Advisable to charge all operational expenses incurred due to COVID-19 situation to a separate general ledger account. Document all costs related to the same, including: temporary labor, overtime, spoilage, advertising, protective equipment, IT equipment for remote work contract penalties, other purchases, security, legal fees, transport expenses.



COVID-19 has given rise to global concerns about the impact on business operations. In the coming weeks, as your attention shifts to assessing the effect on your business, you will undoubtedly turn to your insurance coverage and prepare to submit an insurance claim. We want you to know that IMA has proactively assembled a team of specialists to address your questions about your coverage and assist you with the claims process. We are confronting uncharted territory but there remain many unknowns, including how the insurance market will respond to the unprecedented number of business loss claims that are anticipated. The available information continues to evolve and our team is actively monitoring government orders and legislation, claims determinations by insurance companies and decisions issued by courts. While it is the insurance company that will ultimately respond to your claim and will decide whether you have coverage, IMA is here to assist in any way that we can.

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