



Advice for Business Interruption Documentation Due to Government Directive or Actual Exposure

As you look to document losses for tax, loan, contractual or insurance purposes, be mindful of all increased costs incurred during this emergency period including labor, shipping, finance charges, more stringent loan terms, performance penalties, material substitutions and increased materials costs, as well as the loss of income. It is more efficient and cost-effective to quantify ongoing losses now rather than years in the future.

- Set up a new/separate general ledger account to track all related expenses. Record them all and maintain the receipts, change orders, directives, invoices, etc.
- Document the date of the order for closure, directives, shelter in place, etc.
- Obtain copies of the order, if available, or get from local news sources.
- Note the date an emergency order was issued in your area, how your company responded and any losses or increased costs you incurred as a result.
- Describe the impact closure has on normal operations.
- Describe Company's response to closure, including any preventative measures taken and the costs associated.

It goes without saying, however, that you should continue to work diligently to mitigate losses, if/when possible.

All clients should establish a distinct account number for recording all expenses that are unique to COVID-19 or incrementally higher than normal operating expenses; any costs for additional equipment or services to shelter in place; etc. Track these costs in a general ledger (GL) account and if coverage is granted, the account can be audited for inclusion in the claim.

General claim support documents needed:

REAL ESTATE CLIENTS:

- Monthly profit & loss statements and other financial statements (3-6 months prior).
- Occupancy records prior (projections and actuals).
- Listing of lease agreements (force majeure clauses).
- Document/date/track any/all cancellations and be specific as to why.

RESTAURANTS:

- Monthly financial statements (three months, unless seasonality in which case representative of similar time frame during the prior year).
- Weekly or biweekly payroll reports.
- Daily or weekly revenue reports by category – food, beverage, etc.
- Inventories (prior to closure/spoilage inventory).

HEALTHCARE:

- Monthly financial statements.
- Weekly or biweekly payroll reports.
- Daily or weekly patient statistics – inpatient, outpatient, etc.
- Historical patient revenue by category/current patient categories by revenue type.

HOME HEALTH:

- Monthly financial statement.
- Weekly or biweekly payroll reports.
- Prior months/weeks schedules for home health providers.
- Patient revenue by category.

MANUFACTURING:

- Monthly financial statements with detail of operating expenses (Six months prior).
- Weekly or biweekly payroll reports.
- Daily or weekly production reports by product line.
- Weekly or monthly inventory reports by quantity and cost; include backlog reports.
- Detailed documents on supply chain for suppliers and customers that are impacting business.

HOSPITALITY:

- Monthly financial statements.
- Weekly or biweekly payroll reports.
- Daily or weekly occupancy and revenue reports.
- Daily or weekly revenue reports by category – food, beverage, etc.
- Detailed documents on all cancellations; be specific – avoid COVID-19 blanket statements.

RETAIL:

- Monthly financial statements.
- Weekly or biweekly payroll reports.
- Daily or weekly revenue reports.
- Weekly or monthly inventory reports by quantity and cost.

PROFESSIONAL SERVICES:

- Quarterly/Monthly financial statements.
- Contract/Workstream schedules prior to event.
- Contracts for services provided.
- Cancellations/Lost sales with detailed descriptions.

Business impacts are more of an artful measure based on facts on the business prior to and following the loss event. Insurers have traditionally stated they will pay for actual losses your business incurs during a period when physical loss or damage of the type insured results. COVID-19 has unprecedented client impacts and closures; no one can economically predict what the impacts will be once business operations are restored. However, the insurance companies will audit, post-event and propose increases in revenue, if realized, will be credits against the time element and business Interruption claim.

Your Lockton account team members will advocate and support you throughout this event. We will continue to work closely with your teams to help you manage this unique time in our lives. Please reach out with any questions.