

COVID-19 Claim Guide

Business Interruption & Extra Expense, PART I:

In these unprecedented times, clients are asking, “what should we do to document the impact of coronavirus on our business?” Our advice at this stage is simply to document and track your losses including out-of-pocket expenses and payroll costs. Of all the years of preparing claims from catastrophic perils, this situation will require perhaps the most flexibility and creativity in loss presentation.

We are all are facing uncharted territory and though loss recovery is uncertain at this point, your loss is very real. As the U.S. aims to limit the spread of the virus, life and business is slowly grinding to a halt – and with it much of the economy. This may perhaps become the most significant business interruption event in history. Business interruption, also referred to as lost profits, is affecting some industries harder than others, and the remedy to these losses are as uncertain as the pandemic itself. Loss recovery may be available or disputed through first party commercial insurance policies or some form of legislative relief. While affected organizations look for answers, we advise you to act now to document and track all of your losses.

The Partners at RWH Myers have assembled the following guide to help you understand the impact to your operations and begin to document your losses.

Preliminary Questions & Document Request

1. Did COVID-19 cause a decrease in revenues?
2. Did your business shutdown or reduce operations due to a COVID-19 case?
3. Did your operations close due to a government order? If yes, when did your operations shutdown or reduce hours? What government order caused the shutdown or reduction in business?

4. Were you able to operate normally or were operations limited due to workforce availability? What are you prevented from doing?
5. Was your supply chain impacted by COVID-19? Were your suppliers impacted by the pandemic? Did this impact your revenues or increase your operating costs?
6. Were your customers impacted by the pandemic? Did you lose revenue due to a lack of customers? Were customer sales orders lost during the pandemic impact period?
7. Did you incur any extra operating costs?
8. Did you operate any temporary or alternative locations?
9. Did you pay internal labor wages for idle employees, or non-productive employees or did employees perform in an inefficient manner?
10. Did you pay labor wages to prevent contamination or to prevent other COVID-19 related damages? Did you pay employees for pandemic response assistance, sanitation tasks, or other preventive measures?
11. Can lost revenues due to the pandemic be made-up by using another facility or other means? If so, briefly identify the excess costs (higher than normal) that will be incurred to mitigate the disruption.
12. Can lost customer sale(s) due to the pandemic be made-up without displacing other customers or sales?
13. Were additional extra expenses incurred? If so, describe the additional expenses.

Preliminary Document Tracking

No unusual steps are required to account for business interruption loss elements with one important exception. Most records will be available when/if needed later, but certain “live” documents, such as forecasts, will dynamically change to reflect the impact of the loss. **Capture pre-loss forecast versions before they change.**

Since the insurer’s auditors will later apply great scrutiny to business interruption loss elements, loss location management should be aware of the normal accounting books and records that will later be reviewed in detail by the insurance company.

1. Maintain a copy of all government/executive/other authoritative orders impacting your business causing either a direct shutdown, reduction in business, increase in operating costs, costs inefficiency, impact to supplier or customer, etc.
2. Prepare and maintain a timeline of impact to your business including the following by date:

- a. Operational impact including key milestones and percent of capacity or revenue at each stage of recovery.
 - b. Impact to supplier(s) including supplier name, location, dates of impact
 - c. Impact to customer(s) including customer name, location and dates of impact
 - d. Cause of impactTrack and document key operating statistics, both historical and actual during the loss period, which will vary by industry including the following:
3. Track and document key operating statistics, both historical and actual during the loss period, which will vary by industry including the following:
- a. Sales price or rate data
 - b. Production and capacity statistics
 - c. Raw material usage and costs
 - d. Number of customers, orders and backlog
 - e. Number of hours worked, procedures performed, events, etc.
 - f. Prepare and maintain a log of all business impacts with supporting documents, such as correspondence, contracts, and other records.
 - i) Cancelled or delayed customer/sales orders
 - ii) Cancelled or delayed events
 - iii) Cancelled or delayed projects such as R&D projects, capital improvement projects, etc.
 - iv) Cancelled contracts
 - v) Customer complaints
 - vi) Customer returns/refunds
 - vii) Gift cards, customer discounts or other customer goodwill given
 - viii) Penalties/liquidated damages
 - ix) Loss of key employees or customers
4. Maintain a log timeline of impact to employees and work force showing the date and the impact such as, furlough, overtime, non-productive time, preventive measures, inefficient work, preventative measures, de-contamination tasks, etc.

5. Prepare a listing of any inventory losses for any spoiled or contaminated food or other items applicable to the pandemic. The listing should include item description, quantity, date purchased, date discarded, purchase cost and photos of all items discarded.
6. Gather and maintain financial records as follows:
 - a. Actual monthly detailed profit and loss statements for January 2017 through the present time and for all months impacted by the loss.
 - b. Budgeted detailed monthly profit and loss statements by business unit for the period of January 2017 to present.
 - c. List of normal operating hours indicating normal days per week worked, hours per day, months per year for the period of 2017 through the present and the impacted loss period. List of normal scheduled maintenance downtime and holidays for the same periods.
 - d. Actual daily revenues by revenue stream/category/business unit for January through March for 2019 and 2020.
 - e. Budgeted monthly revenues by revenue stream/category/business unit, prepared prior to the pandemic for the period of January 2017 through present.
 - f. Historical customer backlog for the period of January 2017 through present.
 - g. Copies of all contracts impacted for customers or suppliers including all contract amendments.
 - h. Copies of any leases for equipment, machinery or facilities used for the pandemic response or preventive measures.
 - i. Payroll summary by pay period by department for each department/business unit for the period of January 2019 through the present. Payroll data should include a breakdown by salary and hourly employees and include regular hours, overtime hours, regular dollars, overtime dollars, etc.
 - j. Monthly utility invoices (electricity, water, steam, specialties gases, water, sewer, natural gas, etc.). for each location affected for the period of January 2019 through the present. Copies of utility contracts including purchase power agreements.
 - k. Accounting fiscal calendar for 2017 through 2020.
7. All operational expenses incurred due to the COVID-19 situation should be charged to a separate general ledger account. Gather and maintain all documents to support the costs charged to this loss account including purchase orders, contracts, statements of work, quotes/ estimates, vendor invoices, employee expenses, vouchers and receipts for spending. Maintain a copy of the monthly general ledger listing of all costs charged to the loss account. A sample of the types of costs that may be incurred include the following:
 - a. Preventative costs

- b. Cleaning and Sanitation Costs
- c. Protective equipment and/or supplies
- d. Temporary labor
- e. Overtime labor
- f. Spoilage costs
- g. Expedited delivery
- h. Advertising
- i. Alternative facilities and operating costs
- j. Contract penalties
- k. Demurrage
- l. Purchase of raw materials
- m. Purchased finished goods
- n. Relocation costs
- o. Security
- p. Temporary storage
- q. Third party supply costs
- r. Transportation expenses

We are available to answer questions and to support you through this process. If you would like to schedule a call with one of our partners to discuss the impact to your business, please feel free to contact us by emailing Jeff Esper, our National Director of Marketing & Business Development, at JeffEsper@rwhMyers.com or any of our team members directly.