



# CHUBB BUSINESS INCOME AND EXTRA EXPENSE

Provided by


*Innovator from Chubb* <sup>SM</sup>

Business Income/Extra Expense insurance is intended to offset the cost you would incur if a loss interrupted your normal business practices. Following a covered cause of loss, subject to the limit of insurance, Business Income/Extra Expense insurance is designed to pay your net profit (or loss), continuing expenses and extraordinary expenses until your operations are restored. Chubb Business Income/Extra Expense insurance helps you to handle emergencies and reestablish your business with a minimum impact on the income your business usually generates.

To estimate your business income and extra expense needs you will need to know how long it will take, following the worst possible loss to your property, to restore your business to where it would have been had no loss occurred. In addition, you should know how many insurance dollars will be required to achieve your normal net profit, to pay those expenses you must continue to pay, and to pay those extraordinary expenses -- (expenses over and above your normal expenses) -- necessary to restore your operations quickly.

Chubb and your agent or broker provide the Business Income and Extra Expense worksheet as a tool to help you choose the amount of protection your business needs. Since you are the only one who truly knows your business, you are the only one who can decide how much Business Income/Extra Expense insurance you need. The worksheet prompts you to consider the important factors that affect your Business Income limit of insurance. When you complete the Business Income and Extra Expense worksheet, your choice is an informed one.

## **\*\*Important instructions in using the Business Income/Extra Expense Worksheet\*\***

1. For maximum efficiency, open this worksheet from your browser window by selecting **File...Open**, browse 'all files' and select this worksheet.
  2. Type the information directly into the worksheet and perform all the calculations.
  3. To save this file, using the Adobe Toolbar, click on the picture of a diskette , which will perform the Save function.
4. When complete, print a copy using the Adobe Toolbar, sign the Statement of Values, and send back to your agent, either via fax, postal service, etc.

For additional information on Adobe Acrobat and a free downloadable Version 5.0, access their website.  
<http://www.adobe.com/products/acrobat/readstep.html>

# INNOVATOR BUSINESS INCOME WORKSHEET

## SOFTWARE & SERVICE COMPANIES

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<b>COMPANY NAME:</b>			
		<b>EXAMPLE</b>	<b>YOUR PROJECTION FOR YEAR</b>
<b>INCOME</b>		12/31/02	
NET REVENUES		\$ 1,000,000	\$
OTHER INCOME		\$ 200,000	\$
<b>TOTAL REVENUES AT RISK</b>		<b>\$ 1,200,000</b>	<b>\$</b>
FOLLOWING THE WORST CASE SCENARIO (ALL YOUR PROPERTY DESTROYED), HOW MANY DAYS WILL IT TAKE TO REPLACE YOUR PROPERTY (INCLUDING BUILDING) AND RESTORE YOUR REVENUE TO WHERE IT WOULD HAVE BEEN HAD NO LOSS OCCURRED?		120	
<b>PROBABLE LOSS OF INCOME</b>	1	<b>\$ 394,521</b>	<b>\$</b>
<b>EXTRA EXPENSE CALCULATION</b>			
<b>MONTHLY CONTINUING EXTRA EXPENSES</b>		<b>EXAMPLE</b>	<b>MONTHLY</b>
TEMPORARY LOCATION		\$ 10,000	\$
TEMPORARY EQUIPMENT		\$ 8,000	\$
INCREASE/DEPOSITS FOR UTILITIES		\$ 5,000	\$
ADDITIONAL OVERTIME		\$ 15,000	\$
ADDITIONAL STAFF		\$ 20,000	\$
EMERGENCY/HOT SITE FACILITIES		\$ 20,000	\$
INCREASED PROFESSIONAL FEES		\$ 10,000	\$
OTHER EXPENSES		\$ 0	\$
OTHER EXPENSES		\$ 0	\$
<b>SUBTOTAL CONTINUING EXTRA EXPENSES</b>		<b>\$ 88,000</b>	<b>\$</b>
TIMES NO OF MONTHS TO RECOVER		4	
<b>SUBTOTAL</b>	<b>X</b>	<b>\$ 352,000</b>	<b>\$</b>
<b>NON-MONTHLY (FLAT) EXTRA EXPENSES</b>			
SETUP/INSTALLATION OF TEMP FACILITY		\$ 30,000	\$
MOVE OUT OF TEMPORARY FACILITY		\$ 50,000	\$
<b>SUBTOTAL</b>	<b>Y</b>	<b>\$ 80,000</b>	<b>\$</b>
<b>TOTAL EXTRA EXPENSES (X+Y)</b>		<b>\$ 432,000</b>	<b>\$</b>
<b>COMBINED BUSINESS INCOME AND EXTRA EXPENSE (1+2)</b>		<b>\$ 826,521</b>	<b>\$</b>
<b>COMPLETED BY:</b>			<b>DATE:</b>

This is the date of your fiscal year end. If your fiscal year end occurs before the end of your policy period, use the next fiscal year end.

Use the accrual method of accounting to complete the worksheet. The accrual method allocates income and expenses to the period in which they are actually earned or incurred.

This would include revenue sources such as rent or commission income, but not investment income or asset sales.

These are all the extra operating costs you incur to recover your operations as quickly as possible. This is only the incremental monthly increase in rent or other expense over your current costs.

Other Expenses could include charges for emergency cold site facilities, advertising expenses or maintenance at temporary locations.

This is an estimate of your combined Business Income / Extra Expense exposure.

## BUSINESS INCOME/EXTRA EXPENSE AND CONTINGENCY PLANNING CONSIDERATIONS

### DO NOT OVERLOOK THE OBVIOUS:

Some say one out of two businesses don't make it back following a major loss. To avoid being the one that doesn't make it back, you must:

1. Have a business recovery plan. Formulating a business recovery plan ensures that following a loss you will make sound decisions, thus enabling you to remain in the marketplace while your property is being restored or enabling you to return to business faster.
2. Know how much it will cost to operate the plan.
3. Have adequate building and personal property insurance to purchase new buildings and personal property. This means 100% replacement cost of your existing property, or depreciated values (book values) or a lesser percentage of replacement values; and
4. Have adequate Business Income and Extra Expense insurance to cover you through a loss.
5. Recognize and admit that your property (building and personal property) may be totally destroyed when determining the number of days it will take to restore your revenue to where it would have been had no loss occurred.

### HOT SITES AND COLD SITES

#### Hot Site

Premises you have on a retainer basis that, for a fee, have EDP equipment capable of utilizing your duplicate EDP media, thus enabling you to perform your EDP operations while your property is being restored following a loss.

#### Cold Site

Premises you have on a retainer basis that, for a fee, will permit you to move your EDP property there following a loss to your property so that you may perform your EDP operations while your premises are being restored following a loss.

To achieve the most benefit from the use of hot sites and cold sites understand:

- The equipment at the hot site may not have the capacity to perform all of your EDP operations. Therefore, you must decide in advance of any loss which of your EDP operations are essential to the continuation of your business during property restoration;
- Your duplicate media, which should be stored off premises, must be current and should be tested on the hot site's equipment to ensure that EDP operations may be continued during property restoration; and
- Rental fees for a hot site are expensive; therefore, it is essential you replace your EDP equipment quickly and move it to a cold site for use while your premises are being restored.

Since, at a cold site, you are using your equipment (either new EDP equipment sent to the cold site or your undamaged EDP property, which you temporarily moved to the cold site); the fee is usually lower than the fee for the hot site where you use the site's equipment.

