



COVID-19: Preparing for and Mitigating Business Interruption and Extra Expense Claims.

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Please reach out to your Gallagher client representative to learn how we can assist you with this analysis and to provide guidance and support in the development of your claim.

Businesses in virtually every industry worldwide are experiencing losses as a result of COVID-19. Gallagher is helping clients understand their potential coverage through business interruption and extra expense insurance; however, many policies exclude coverage for exposures due to communicable diseases. For business interruption coverage to trigger, physical loss or damage must generally occur on the insured's premises. Business interruption extensions like contingent business income, ingress/egress, loss of attraction and even civil authority claims all require physical loss or damage by a covered peril. Further property policies may address denial of access, yet are subject to policy exclusions for pathogenic organisms, viruses, and disease- or illness-causing agents. This coverage is dependent not only on specifics of the policy, but also on how each organization has been impacted by and responds to the event.

There are also various Canadian programs (BCAP, CEBA, CECRA, CEWS) that may provide funding to businesses. Capturing the following information will also assist in understanding and documenting the impact of COVID-19 in anticipation of the availability of these programs.

This guide outlines areas you can assess in order to understand and document the impact of COVID-19 on your business, and to assist you in developing a strategy for capturing necessary data and documentation. Gallagher's Claim Advocacy team is available to assist you in this process.

1. DISCUSS POTENTIALLY AVAILABLE COVERAGE(S) WITH YOUR GALLAGHER ACCOUNT REPRESENTATIVE.

2. ASSESS AND DOCUMENT THE IMPACT OF COVID-19 ON YOUR OPERATIONS:

- a. Have you discontinued or reduced operations?
- b. If so, what was the cause of closures or reduced operations? For example:
 - Did you close operations due to government orders?
 - Were you adversely impacted by the closing of nearby businesses or attractions upon which you rely as a source of business?
 - Did you incur interruption to your operations as a result of COVID-19-related interruption to vendors in your supply chain?
 - Were your customers impacted by COVID-19, resulting in a reduction of orders to your business?
 - Did you cancel or postpone events such as conferences or trade shows?
- c. Did your operation or facility have an active COVID-19 virus on the premises that has required or requires cleaning and sanitizing?

Items to document: timeline of events, letters/emails regarding supply chain interruption from vendors, letters/emails from customers regarding cancellations, evidence of the active COVID-19 virus on premises, cleaning and sanitizing expenses incurred, documentation of government closure orders and pertinent dates.

3. WHAT IS THE IMPACT ON YOUR REVENUES?

- a. Begin tracking the impact of the COVID-19 event on revenues.
- b. What was your growth trend prior to COVID-19?
- c. Were there other factors in the marketplace that could have affected your loss, such as increased competition or non-COVID-19 supply chain shortages?
- d. Were there changes in your production or other facilities that would have impacted revenues?
- e. How many shifts did you operate before and after COVID-19?
- f. Were there changes in your hours of operations?
- g. Can existing inventory be used to fulfill customer orders and to what extent?
- h. Were key customers lost?
- i. Did customers cancel orders or key contracts due to COVID-19?
- j. Determine opportunities to mitigate loss of revenues and document those activities. This includes outsourcing of production and other avenues of support.
- k. Determine the potential for makeup of lost revenues after business returns to normal.

Items to document: Documentation to support your loss of production and revenue including correspondence regarding cancellations of orders, contracts, agreements and loss of customers. Maintain copies of budgets and forecasts prepared prior to COVID-19. Track customer returns, refunds and complaints. Maintain production records by product line and location, as well as detailed profit and loss statements.

4. HOW ARE YOU HANDLING LABOR AND PAYROLL?

- a. Did you reduce your workforce and/or lay off employees?
- b. Are you continuing to pay and/or provide benefits to employees who are not working?
- c. Did employees work overtime?
- d. Have you added additional full- or part-time employees?
- e. Are employees working from home?

Items to document: Track hours, payroll and benefits paid to employees who are not working as well as employees added to support your response to COVID-19. Also track all overtime hours and wages related to COVID-19-related activities.

5. WHAT EXTRA EXPENSES (ABOVE AND BEYOND NORMAL COSTS) ARE YOU INCURRING TO CONTINUE BUSINESS AS USUAL AND/OR TO REDUCE YOUR LOSSES? EXAMPLE MIGHT INCLUDE THE FOLLOWING:

- a. If employees are working from home, have you incurred additional costs such as laptops, servers, routers and other IT, telecommunications, allowances for meals, and other costs.
- b. Customer gifts or discounts to help offset inconveniences.
- c. Inventory and supplies that were spoiled or contaminated.
- d. Expenses incurred to continue business in a new or different manner, such as setting up delivery services, customer pick-up stations, internet and technology services.
- e. Other IT, internet and telecommunication costs incurred to maintain operations or reduce your losses.
- f. Operating costs incurred to reduce your losses, such as increased costs to outsource production, increased labor and expedited delivery costs.
- g. Costs for alternative temporary (or permanent) facilities and storage facilities.
- h. Costs to purchase new equipment or modify existing equipment, facilities, and/or operations to maintain production levels and revenues in order to reduce losses.
- i. Purchases from existing or new suppliers at a premium above your typical costs.
- j. Equipment purchased or leased to deal with the COVID-19 situation.
- k. Penalties or liquidated damages incurred.
- l. Increased interest costs.
- m. Additional marketing, advertising and sales expenses.
- n. Costs to relocate employees.
- o. Additional security costs.
- p. Costs to clean and decontaminate facilities, equipment, supplies and inventory.
- q. Supplies and protective gear to deal with COVID-19.
- r. Consulting costs.
- s. Other costs.

Items to document: Track all costs on a spreadsheet and/or in specific general ledger accounts. Retain all documentation including contracts, invoices, credit memos and correspondence.

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