



BUSINESS INTERRUPTION PROTECTION WORKSHEET

For the “business” of Churches, Charities and Ministries

Important Insurance Protection for Continued Operations and Revenue Sustainability in an Insured Claim

EXAMPLES:

- Large fire in a church sanctuary, offices, Sunday School classrooms
- Camp season cancelled due to tornado damage to buildings and grounds
- School suspended due to bomb threat or by order of public health authority

After a tragedy or major claim of any magnitude, your organization and leaders address the immediate concerns including protecting people and property from harm and responding to medical, health and safety concerns. The next step is to turn to your insurance policies for help and the restoration of your facilities.

If you have a Property Insurance policy, it will repair or replace your building and contents. However this “direct loss” coverage for bricks and mortar often represents only a portion of your claim! It is also important to understand that your organization may also suffer “indirect loss” as the result of an insured claim, such as loss of revenue or additional expenses to continue to operate your programs, ministries and events.

Business Interruption is a “time element” coverage, meaning that it provides important indemnity for the reimbursement of expenses for months or even years following an actual fire, flood, windstorm or other large claim, and is typically covered through specific endorsements attached to your Property policy.

Under your Church, Charity, Camp or School Protection Plus insurance policy, if you have Property coverage you will also have the following automatic business interruption insurance coverages:

- a) Non-Profit Loss of Revenue (including Rental Income) is covered up to a maximum of \$500,000 for up to 12 months of Indemnity, due to insured loss or damage at an insured building location; and,
- b) Additional Expenses are covered in your additional Property Extension Limit of \$1,000,000 for owned insured buildings,

or \$500,000 if you rent insured locations. This feature also includes Service Interruption in the event that an interruption of your direct supplier’s utilities, telecommunications or satellite services to you from off premises, affects your organization’s operations on-premises. It also covers the additional cost to repair or rebuild your building due to the enforcement of local municipal building by-laws; plus many other claim related coverages.

NOTE: Higher Limits of Coverage and/or longer periods of Indemnity are available upon request. *(continued on back cover)*

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Non-Profit Revenue and Additional Expense Worksheet

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How to Calculate Business Interruption Coverage

Simplified Non-Profit Revenue and Additional Expense Worksheet

Name of Insured Organization: _____ Policy Number CPP: _____

PART ONE - Loss of Revenue as the result of an insured claim

Actual Past 12 Months **Projected _____ Months***
*Number of Months based on projected rebuilding time for (minimum 12 months)

A – Net Revenue (Surplus of Revenue over Expenses)

Note: Refer to your most recent annual financial statements. If prior year indicates deficit, please indicate zero for Actual amount.

\$ _____ **A** \$ _____

B – Fixed Charges and Other Continuing Expenses:

Note: All fixed charges and continuing expenses indicated in the Projected column should not include any Additional Expenses due to an insured claim.

1. Interest on Loans, Mortgages, etc.	\$ _____	\$ _____
2. Taxes (federal, provincial, municipal)	\$ _____	\$ _____
3. Rentals, leases, minimum contract charges	\$ _____	\$ _____
4. Advertising and Promotion	\$ _____	\$ _____
5. Total Salaries and Wages of Ministers, Staff, Faculty and other Employees whose services are required during suspension of operations	\$ _____	\$ _____
6. Other Salaries and Wages not required but payable under contract guarantee	\$ _____	\$ _____
7. Other guaranteed employment expenses	\$ _____	\$ _____
8. Insurance Premiums / Pension Premiums	\$ _____	\$ _____
9. Utilities, if applicable during suspension	\$ _____	\$ _____
10. Postage, courier, telephone, internet	\$ _____	\$ _____
11. Professional Services (legal, accounting, etc.)	\$ _____	\$ _____
12. Memberships, subscriptions, etc.	\$ _____	\$ _____
13. Building Maintenance and Repairs	\$ _____	\$ _____
14. Depreciation of Buildings & Fixed Equipment	\$ _____	\$ _____
15. Vehicle Expenses (Lease, maintenance, fuel, etc.)	\$ _____	\$ _____
16. Travel Expenses / Short Term Missions Expenses	\$ _____	\$ _____
17. Donations to Other Charities, Qualified Donees and Sponsored Missionaries	\$ _____	\$ _____
18. Honorariums / Fundraisers / Special Events	\$ _____	\$ _____
19. Copyright licenses for music, web content, etc.	\$ _____	\$ _____
20. Computer / IT (not related to claim)	\$ _____	\$ _____
21. Other:	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

Projected Expenses During Suspension of Operations Due to Claim **B** \$ _____

A \$ _____ + **B** \$ _____ = **C** \$ _____ **Total Loss of Revenue Coverage Requirement**

PART ONE- Loss of Revenue...continued

Ordinary Payroll Expenses *OPTIONAL*

1. Ordinary Payroll i.e. Salaries and Wages of Employees whose services are not required during suspension of operations for the Projected ____ Months for rebuilding, including full-time, casual, part-time or seasonal employees \$ _____

2. Other guaranteed employment expenses related to 1. above \$ _____

Total Annual Ordinary Payroll Expenses **D** \$ _____

D \$ _____ (as above) + **C** \$ _____ (from previous page) =

E \$ _____ **Total Loss of Revenue Coverage Requirement including Ordinary Payroll**

**PART TWO - Additional Expenses
required to continue usual operations**

First Month - F	Each Subsequent Month - G	Description of Additional Expenses
\$	\$	Rental of offsite building location or locations:
\$	\$	• church services
\$	\$	• mid-week programs
\$	\$	• offices / administration
\$	\$	• school / day care / day camp
\$	\$	• other: _____
\$	\$	Rental of temporary building(s) or structures onsite
\$	\$	Rental of temporary fixtures and equipment
\$	\$	Moving, hauling and storage of salvaged contents
\$	\$	Installations, computer and telephone hookup, etc.
\$	\$	Changes to printed stationery and website
\$	\$	Utility costs at temporary location(s) if applicable
\$	\$	Overtime/bonus to employees for clean-up and set-up
\$	\$	Other: _____
\$	\$	_____
\$	\$	_____
Total F \$ _____	\$ _____ x _____ (estimated # of months to repair/rebuild) = Total G \$ _____	

F \$ _____ (as above) + **G** \$ _____ (as above) = **H** \$ _____ **Additional Expenses Coverage Requirement**

Authorized Individual on behalf of Insured Organization:

NAME AND TITLE

SIGNATURE

DATE

Note: Restoration or rebuilding may exceed 12 months. The standard policy provision for Non-Profit Loss of Revenue and Additional Expenses coverage is based on 12 months indemnity. Please contact our office if you expect that your particular building(s) and building site may require a longer restoration period in order to have your Business Interruption coverage extended to 18 or 24 months indemnity, at additional premium.



So how do we calculate how much Business Interruption Coverage we need?

To avoid underinsurance in a major claim, it is important to establish an Contingency Plan to continue operations due to the loss of your facilities for weeks, months and even in excess of a year, depending on how quickly your building could be repaired or rebuilt, which is often dependent on the time taken for such things as a Fire Marshall to establish cause of fire, structural engineers to determine if building is repairable, demolition, debris removal, site work preparation, tendering process and the actual construction period. It is not uncommon in a major fire, windstorm, flood or environment damage claim for a large building to take 12 to 24 months to repair or rebuild. Therefore your Contingency Plan needs to take into account Additional Expenses to continue to operate relating to the following:

- Rental of alternate location(s) for church services, Sunday school, offices and mid-week programs
- Rental of onsite portable buildings, especially for camps, schools, etc.
- Changes to content and locations of operation in your printed materials and on your website
- Telephone and computer hook-ups at temporary locations
- Rental of storage facilities for salvaged contents and equipment
- Plus many more potential expenses, depending on your size, location or unique programs

It is not uncommon for a large insurance claim to result in Additional Expenses in the hundreds of thousands of dollars for several months and sometime up to 24-month period. A recent church fire claim payout included \$2,200,000 to repair the building and almost \$700,000 in Additional Expenses!

Your calculation of how much Business Interruption coverage your organization requires should also take into account the potential Loss of Revenue (including such things as tithes, offerings, rental income, tuitions, camper fees,

etc.) that you may sustain if you are not able to use facilities that are damaged or destroyed in a claim. Possible examples include programs or ministries that you simply cannot operate at other locations, or in the short-term, including forfeiting or returning registration fees, tuition, etc.; loss of tithes and offerings because of a drop-off in attendance and giving because members, attendees or guests may not continue to attend, either temporarily or permanently. An important consideration for most churches and charities is the ability to sustain sufficient revenue to pay the payroll expenses for your essential employees, including ministers, administration, teachers, support staff, etc. You can also include optional coverage for non-essential staff during a suspension of operations, known as Ordinary Payroll.

If your organization's annual income exceeds \$500,000, you should consider increasing the Non-Profit Loss of Revenue coverage included in your policy to an amount that reflects at least 12 months of operations. You should also consider an extended Indemnity period from the standard 12-month period, to as long as 18 or 24 months, if your particular building and site requires a longer period to repair or rebuild.

Forensic audits conducted as part of any Business Interruption claim take into account the projected Loss of Revenue, year over year, and also takes into account fluctuations in revenue throughout the year. For example, an organization with revenue trending higher year over year, would be eligible for a higher claim settlement for future lost revenue versus prior year end. Also a claim that may cause loss of income during a peak revenue period (e.g. charitable giving in the last quarter of the year / Christmas) would tend to have a higher indemnity based on prior year's financials substantiating the peak revenue period.

Although every organization's coverage requirements will vary, for your convenience we have provided a Simplified Non-Profit Revenue and Additional Expenses Worksheet in order to assist you in establishing adequate Coverage amounts and Indemnity periods for your potential Loss of Revenue and Additional Expenses, in the event of a major claim affecting your insured buildings and premises (*see over*).