BUSINESS INCOME
WORKSHEET

DATE (MM/DD/YYYY)

NAME (First Named Insured) AND MAILING ADDRESS		AGENCY
		POLICY NUMBER:
PROPOSED EFF DATE	PROPOSED EXP DATE	CODE:
		CONTACT NAME:

SEE PAGE 2 FOR INSTRUCTIONS. USE ANNUAL VALUES UNLESS OTHERWISE INDICATED.

STEP 1: INCOME		ACTUAL VALUES FOR 12 MONTHS	ESTIMATED VALUE FOR 12 MONTHS
		ENDING ____________	ENDING ____________
A.	GROSS SALES	$	$
B.	DISCOUNTS, RETURNS, BAD DEBTS, PREPAID FREIGHT	$	$
C.	NET SALES (A – B)	$ 0.00	$ 0.00
D.	COST OF GOODS SOLD (SEE INSTRUCTIONS)	$	$
E.	ANNUAL GROSS EARNINGS (C – D)	$ 0.00	$ 0.00

STEP 2: EXPENSES

F. FORECASTING OF OPERATING AND ADMINISTRATIVE EXPENSES:

ANNUAL TOTAL	EXPENSE ITEM	CONTINUIING	NON-CONTINUING
$		$	$
$		$	$
$		$	$
$		$	$
$		$	$
$		$	$
$		$	$
$		$	$
$		$	$
$		$	$
$ 0.00	TOTAL:	F1 $ 0.00	F2 $ 0.00

G. ANNUAL GROSS EARNINGS LESS NON-CONTINUING EXPENSES (E-F2) $ 0.00

STEP 3: LIMIT OF INSURANCE		
H.	ESTIMATED PERIOD OF SHUTDOWN	____________ MONTHS
I.	PERIOD SHUTDOWN DIVIDED BY 12 (H ÷ 12)	0.00 %
J.	ESTIMATED MAXIMUM INCOME LOSS (G x I)	$ 0.00
K.	EXTRA EXPENSE, START-UP COSTS, MARGIN FOR ERROR	$
L.	LIMIT NEEDED FOR MAXIMUM LOSS EXPOSURE (J ÷ K)	$ 0

CAUTION: IF YOU ARE REQUESTING A COINSURANCE FORM, YOUR LIMIT OF ISURANCE MUST EQUAL OR EXCEED THE PRODUCT OF THE COINSURANCE PERCENTAGE (50% MINIMUM) MULTIPLIED BY ITEM E.

Loss Exposure and Limit
If you suffer a loss of business income due to an interruption of your business operations, your financial loss is determined by examining the profit or loss you would have incurred while your operations are suspended. This worksheet is designed to help you determine the amount of business income insurance to meet your needs should a loss occur. The approach used is different than your policy coverage which is worded to define the method used to calculate policy benefits In the event of loss. All of the financial information can be taken from your income statement. The information covered in this worksheet is pertinent whether you choose a coinsurance or no-coinsurance coverage form.

The worksheet is divided into two columns: Actual Values and Estimated Values. Actual Values should come from your most recent income statement. Expenses should reflect Estimated Values unless your amount of insurance is based solely on Actual Values. Estimated Values will be needed for a no-coinsurance (agreed value) coverage form. Estimated Values should reflect your forecast of income and expenses for the coming policy year. Since a business interruption could occur near the end of the policy period, you may want to base your estimate on a forecast of income and expenses for up to 24 months from the beginning of your policy year.

Step I: Income
Actual Values for Items A and B can be taken directly from your Income Statement. Item D may require restatement to delete any administrative and operating expenses if your accounting method includes some of these items in cost of goods sold (see definition below). The Estimated Values column should include your forecast of income and adjustments to income for the upcoming policy year.

Step II: Expenses
Business Income coverage pays for the actual loss of business income that would have been earned during the period of restoration, and continuing, normal operating expenses incurred, including payroll. (The period of restoration is the reasonable time required to repair or replace lost or damaged property and resume your operations following a covered loss.) Step II is designed to help you identify those operating expenses and evaluate how much of the expense will continue during the restoration period. Operating expenses include such items as: Rental expenses (vehicles, building, and equipment), interest payments, taxes, advertising, postage, utilities, telephone, insurance and payroll, including unemployment compensation insurance. You should consider the extent to which each expense item could be reduced or eliminated during an extended shutdown. Partial or short term shutdowns (less than six months) do not normally reduce operating expenses. This is especially true for labor costs. Compare the expense of hiring end training workers with payroll savings.

Step III: Limit of Insurance
In the event of a loss, how long would your business is shut down? How soon could you repair or replace your facilities, replace stock and get the business going again? How much of your annual income would have been earned and what expenses would have been incurred during the period of restoration? If sales and expenses are steady over a twelve month period, then annual income plus expenses divided by the number of months of shutdown will tell you what you need to know. If you have a seasonal business, you need to think about how much of your Income would be affected if you were shut down during your peak production or selling season.

You will also need to estimate start-up costs, extra expenses you might incur and a "margin for error" amount.

Line L is the sum of your Gross Earnings and Continuing Expenses during the period of restoration plus an amount for start-up costs and extra expenses. This should be your best estimate of what you could lose in the event of a covered loss. You may decide that this is the most appropriate limit of insurance.

If you choose a coinsurance coverage form, you need to determine if your selected limit will meet the coinsurance requirements In order to avoid a coinsurance penalty. Your limit should meet or exceed the product of the number in Line E. Annual Gross Earnings, multiplied by your selected coinsurance percentage (not less than 50%). For example, if your estimated annual gross earnings from Line E are $1,000,000 and you want 70% coinsurance percentage, your limit must be at least $700,000 to avoid a coinsurance penalty. A note of caution: a limit of insurance selected only to satisfy the coinsurance clause may not be adequate to cover the actual loss of business income you sustain during the period of restoration. You should be sure to discuss this with your agent.

Definitions

Business Income: Net Income (Net profit or Loss before income taxes) Plus continuing operating expenses.

Extra Expense: Necessary expenses you incur during the period of restoration that you would not have incurred if there had been no loss. Note: Business Income with Extra Expense Coverage and Business Income without Extra Expense contain differences in what is paid under the extra expense category. Generally, typical expense items Include overtime or rental of premises or equipment.

Cost of Goods Sold: For a manufacturing business, this means starting inventory (Including stock in process) at the beginning of the year plus the cost of raw stock consumed: factory supplies consumed, merchandise sold, and other supplies consumed minus inventory at the end of the year. For a non-manufacturing business, this means starting inventory at the beginning of the year (at cost) plus purchase; minus inventory (at cost) at the end of the year. Note: Cost of Goods Sold does not include administrative and operating expenses.

Net Income: Net Profit or Loss before income taxes.

Operating Expenses: These include, but are not limited to: rental expense, interest, taxes, advertising, postage, telephone, professional fees, insurance, heat, light and power, payroll including wages, salary, compensation insurance, vacation and sick pay, social security tax, and group insurance contributions. Note: "Ordinary" payroll is to be included unless you want to have it excluded from coverage.

Ordinary Payroll: Payroll expense for all employees except officers, executives, department managers, and employees under contract. Ordinary payroll expense includes payroll, employee benefits if directly related to payroll, FICA payments, union dues and Workers' Compensation insurance premiums.

Coinsurance: You may elect to partially self insure some of your business income risk through the use of a coinsurance clause. As is the case with insurance for physical damage to property, you should carry a limit of insurance adequate to meet the value of a potential loss. In order not to incur a coinsurance penalty, the Limit of Insurance must be: The coinsurance percentage multiplied by the sum of: Net Income (Net profit or Loss before income taxes) and all operating expenses, including payroll expenses, that would have been earned by your operations (had no loss occurred) for the 12 months following the inception, or last anniversary date, of the policy. This should be the same as your estimate for item E multiplied by the coinsurance percentage. Coinsurance percentages range from a maximum of 125% to a minimum of 50%.