



**Chubb Group of
Insurance Companies**

*Business Income, Extra Expense and
Research and Development Income Worksheet
For Ongoing-Business with/without R&D Activities*

CHUBB

This worksheet will help you determine the correct amount of Business Income and/or R & D Income protection your business requires.

Instructions to Complete the Worksheet:

1. If you:

- do not have a separate Research & Development operation, complete Parts A, B and C.
- have a separate Research & Development operation in addition to your normal business operations, complete Parts A through D.

2. When completing Part A:

- Calculate on accrual basis (not a cash basis);
- Figure on a 12 month fiscal year;
- Example: For current fiscal year 2002, provide year-end figures for 1/01 through 12/01;
- Use your profit/loss statement to obtain figures;
- Base projections (e.g., fiscal year 2002; 1/02 through 12/02) on profit/loss and business conditions. Be as realistic as possible for each entry using your budget/business plan for the fiscal year your insurance is to apply;
- Be sure to complete all applicable sections;
- Ordinary payroll will be covered unless you exclude or limit to 90 or 180 days;
- Your union contract may permit you to suspend ordinary payroll after a loss. However, you may be obligated to continue employee benefits. If so, do not exclude employee benefits and document worksheet accordingly if you exclude (or limit) ordinary payroll.
- Ordinary payroll includes your payroll for all your employees except:
 - officers;
 - executives;
 - department managers;
 - employees under contract; and
 - employees you specify in the policy declarations or on a separate sheet attached to this worksheet, either by job classification or employee name.
- Ordinary payroll comprises:
 - salaries;
 - benefits;
 - FICA (social security/governmental pension);
 - union dues you pay; and
 - workers compensation premium you pay for the ordinary payroll.

3. Be sure to complete the Extra Expense Worksheet (Parts B & C) in addition to Part A so that you will purchase the proper Combined Business Income/Extra Expense Limit of Insurance.

4. The beginning and ending inventories in all calculations should be based on the same valuation method.

Business Income/Extra Expense Worksheet

PART A - BUSINESS INCOME

Note: Disregard lines 2 and 3 if you do not manufacture finished stock.

Line	REVENUE/INCOME	Year-end figures for / /	Projected figures for / /
1.	Gross sales (<i>net of city and state sales taxes</i>)	\$	\$
2.	<i>Ignore lines 2 and 3 if you do not manufacture.</i> Finished Stock Inventories (meaning stock you have manufactured) • Sales value at beginning of year	-	-
3.	• Sales value at end of year	+	+
4.	Add your other income: • Commission or rents	+	+
5.	• Cash discounts you received from vendors, etc.	+	+
6.	• If you purchase Research and Development Income Insurance, complete part D and include the net amount from line 3 of part D	+	+
7.	• All other income (<i>i.e., licensing fees, royalties, etc.</i>)	+	+
8.	Minus Deductions for • Returns and Allowances	-	-
9.	• Discounts granted to customers	-	-
10.	• Prepaid outgoing freight	-	-
11.	• Bad debts	-	-
12.	• Collection expenses	-	-
13.	100% Revenue/Income (sum of lines 1 - 12)	=	=
	EXPENSES/DEDUCTIONS		
14.	Purchases including incoming transportation costs: • Raw stock or merchandise	\$	\$
15.	• Factory or operational supplies consumed	+	+
16.	Services purchased from outsiders, not under contract (<i>e.g., subcontract costs/work in progress services/ production services</i>)	+	+
17.	Non-contracted power, heat and refrigeration expenses may be deducted only if you are a manufacturer and your policy excludes these expenses from the coverage	+	+
18.	Inventories (<i>for manufacturing, include raw stock and stock in process of manufacture but not finished stock; for non-manufacturing, include inventories</i>): • Beginning-of-year inventory	+	+
19.	• End-of-year inventory	-	-
20.	Total Expenses/Deductions (sum of lines 14 - 19)	=	=
21.	100% Business Income , including ordinary payroll, for 12 month fiscal year (subtract line 20 from line 13)	\$	\$
	<ul style="list-style-type: none"> • The limit of insurance you require may be less than, equal to or more than the 100% Business Income amount. • If ordinary payroll is to be excluded or limited to 90 or 180 days, complete the next section, otherwise go to Parts B & C. 		

Part A - Business Income, continued

	100% of Ordinary Payroll (includes benefits, social security and union dues you pay plus workers' compensation premium for the ordinary payroll).	Year-end figures for / /	Projected figures for / /
22.	Ordinary payroll	\$	\$
23.	Benefits you pay for ordinary payroll	+	+
24.	FICA you pay for ordinary payroll	+	+
25.	Union dues you pay for ordinary payroll	+	+
26.	Workers Compensation Premium for ordinary payroll	+	+
27.	Total (sum of lines 22-26)	\$	\$
28.	100% Business Income excluding ordinary payroll (subtract line 27 from line 21)	\$	\$
29.	Purchase the Limit of Insurance you require, either less than, equal to or more than the 100% BI excluding ordinary payroll on line 28	\$	\$
30.	If ordinary payroll is to be covered for only 90 or 180 days, what is your largest 90 or 180 day payroll (include all components of the payroll)	\$	\$
31.	Business Income limit of insurance with only 90 or 180 days of ordinary payroll coverage (sum of lines 29 and 30)	\$	\$
	Note: Whichever Business Income limit you select, consider adding an additional amount to cover Extra Expenses (See Part B)		

*Finished Stock Finished stock means goods you have manufactured which are in their completed state and ready for sale. Finished stock does not include goods you have manufactured which are in their completed state and ready for sale on the premises of any retail outlet insured by Business Income Insurance.

Note: If your finished stock inventory is on a cost basis, convert to selling price; eg: total sales (\$1,500,000) divided by total costs (\$1,000,000) equals a factor of 1.5. Multiply cost inventory by 1.5 to determine the selling price inventory.

Name of Insured: _____

Individual completing this worksheet: _____ Title: _____

Signature: _____ Date: _____

Agent: _____

EXTRA EXPENSE WORKSHEET

Part B - Extra Expense

1. This worksheet is designed to help you determine the extra monthly costs necessary to continue operations as your business recovers after a physical loss.
2. Be sure to include extra expense you will incur in your research and development operations.
3. Typically the start-up (1st month) and close down (last month) will have larger extra expenses than the intervening months following a loss.

	1st month	Intervening Months	Last Month
Rent:			
• Temporary location	\$	\$	\$
• Temporary fixtures, machinery and equipment	+	+	+
Moving and hauling	+	+	+
Installation of operations at temporary location	+	+	+
Light, heat and power at temporary location	+	+	+
Maintenance at temporary location	+	+	+
Insurance at temporary location	+	+	+
Employee expenses			
• Transportation	+	+	+
• Payroll incidentals	+	+	+
• Overtime	+	+	+
• Nightwork	+	+	+
• Travel allowances	+	+	+
• Incentives	+	+	+
• Additional staff	+	+	+
Advertising	+	+	+
Telephone and communications (installation and maintenance at temporary location)	+	+	+
Engineering and administrative costs	+	+	+
Operating Expenses:			
Emergency facilities	+	+	+
Transporting supplies and materials to temporary location	+	+	+
Net cost of services purchased	+	+	+
Net amount paid to others for processing and manufacturing	+	+	+
Net cost of property and equipment purchased for temporary site. (Note: Please consider the "sale" or "salvage" value of property and equipment after restoration)	+	+	+
Additional freight and shipping costs due to temporary location	+	+	+
Miscellaneous Expenses:			
Automobile rentals	+	+	+
Bonuses paid	+	+	+
Additional utility excess demand charges	+	+	+
Other	+	+	+
	+	+	+
	+	+	+
Total Extra Expense	\$	\$	\$
To complete calculation, carry totals (A), (B) and (C) to next section	TOTALS		
	(A)	(B)	(C)

Extra Expense, continued

Determining Total Extra Expense Dollar Requirements

Base your calculations on the longest foreseeable recovery period, in order to ensure adequate coverage.

Line		
1.	Total Extra Expense per month for each intervening month following loss. (Carry over (B) from prior section.)	\$
2.	Number of months required to recover from total destruction of property, excluding first and last months, if Extra Expense dollars are spent. (BE CONSERVATIVE)	x
3.	Total Extra Expense for all months except first and last months. (LINE 2 x LINE 1)	\$
4.	Total Extra Expense for first month following loss. (Carry over (A) from prior section.)	\$
5.	Total Extra Expense for last month following loss. (Carry over (C) from prior section.)	\$
6.	Estimated total Extra Expense dollars for the full recovery period. (SUM OF LINES 3, 4 & 5)	\$

Part C. Combined Business Income And Extra Expense

To determine the affect of Extra Expense dollars on Business Income Coverage, complete the calculation below. Base estimates on total destruction of property.

7.	Projected 12 month Business income from Business Income Worksheet (Part A, Line 21. If ordinary payroll is to be excluded or limited, Line 28 or 31.)	\$
8.	Estimated 12-month Business Income amount you think you will require to insure the worst possible loss. <i>(May differ from line 7 above)</i> . This is based on your analysis of operations and represents the amount you think you will require for 12 months based on the worst possible loss. BE CONSERVATIVE. For example, review expenses on your P&L statement not eligible for entry under, Part A, Expenses/Deductions. Determine if any may be reduced and, if so, by how much. Subtract the sum of your reductions from line 7 to arrive at the BI amount you think you will require for 12 months following a total loss to your property, but before the implementation of any business recovery plan. (Extra expense dollars pays for the implementation of a business recovery plan.)	\$
9.	Estimate of the total number of months from date of physical loss until operations/sales are back to normal if Extra Expense dollars were not spent and you did not conduct any business during restoration. <i>Be conservative.</i>	
10.	Estimate of Business Income dollars required for loss duration. (Multiply line 8 by the number of months in line 9. Convert the number of months to a percentage of one year. For example, if line 9 is 15 month, then multiply line 8 by 125%; or if line 9 is 10 months multiply line 8 by 83.3%). (CAUTION: MODIFY IF SEASONAL BUSINESS)	\$
11.	Estimated percentage by which the business income loss (line 10) can be reduced by spending extra expense dollars (line 6) thereby mitigating loss and staying in the market place to some degree. BE VERY CONSERVATIVE. This is in addition to the number of months spending extra expense dollars will reduce the timeframe to restore your business.	%
12.	Estimate of the amount the Business Income loss reduction due to spending Extra Expense dollars. (Multiply 10 by line 11).	\$
13.	Estimate of the remaining Business Income loss. (Subtract line 12 from line 10).	\$
14.	Total Extra Expense dollars for full recovery period. (line 6, Part B).	\$
15.	Estimate of the limit of insurance for combined Business Income and Extra Expense for the worst possible physical loss and duration of loss you can foresee. (Sum of lines 13 and 14).	\$

PART D - LOSS OF RESEARCH AND DEVELOPMENT INCOME

(Not to be used when Business income is requested for other than R&D operations)

List of grants, endowments and other financial contributions. We suggest that you review this list with your financial consultant at least quarterly so that any necessary modifications in your insurance may be made.

<u>Description (Include donor and purpose of donation)</u>	<u>Term</u>	<u>Amount of Contribution</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

1.	What grants, endowments and other financial contributions will be available to you during the coming year to further your research and development operations (do not include commercial financing transactions, including, but not limited to public offerings of stocks, bonds or other securities; loans or lines of credit). Please list and describe each contribution individually in the space provided above, or on a separate sheet(s) of paper. Please include the amount of the contribution.	\$ _____
	MINUS	
2.	Total R & D expenses that would not continue to be incurred; eg: deduct any expenses involved in your R&D operations that you think you will not have to continue to pay during restoration, such as, but not limited to: <ul style="list-style-type: none"> • Payroll expenses; • Cost of supplies and materials including incoming transportation costs; • Services purchased from outsiders who are not under contract; and • Any other R&D expense you are confident you will not be obligated to pay. 	\$ _____
3.	100% Loss of Research and Development Income. (Subtract line 2 from line 1). (See line 6, Part A, Business Income Worksheet.)	\$ _____



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