



Business Income Insurance: An essential part of every business plan

TRAVELERS COMMERCIAL PROPERTY

Disasters happen. Businesses temporarily close. Revenue streams dry up. But expenses continue... and often rise significantly.

A Business Income worksheet prompts the review of business continuity strategies and recovery plans. Business Income insurance is an essential part of a company's blueprint for survival.

Disaster survival coverage

Following a major loss, there are lots of things that a business can do without... revenue isn't one of them.

Most businesses underestimate the amount of time it takes to return to normal operations. Consider the following:

- Cause and origins investigations and debris removal can span 1-2 months
- Securing permits can take 2-3 months (even longer in urban settings due to density and local authority)
- Reconstruction can take 7-12 months (longer for complex operations)
- Replacement of machinery and equipment can take 2-18 months (testing can add another 2 months)
- The EPA and other regulatory agencies can create further delays

“Each year disasters such as floods, hurricanes, tornadoes and wildfires force thousands of businesses to close. But even more common events, such as building fires, cause the same result. Our research shows that at least 25 percent of those businesses that close following events such as these do not reopen.”

Institute for Business & Home Safety

Indispensable protection

Rounding out a client's property insurance program with business income coverage reduces their exposure to unforeseen loss while enhancing your professional image. A customer-completed Travelers Business Income worksheet can also help to reduce your agent's E&O exposure.

- Coverage for ordinary payroll assists in the retention of valued employees during the period of restoration
- For most businesses, revenue streams are not constant throughout the year; the BI worksheet identifies seasonal variation of revenue
- Most businesses rely on others to either supply, sell or draw customers; the BI worksheet guides the insured through identifying their dependent business income sources
- Most businesses underestimate the additional costs associated with a loss; the extra expense section of the worksheet identifies expenses that may be insured

Business income and extra expense worksheets

Business Income coverage increases a business' ability to survive a substantial loss. Travelers Business Income worksheets serve as a reality check for the period of restoration.

Business income benchmarks

Determining the appropriate amount of business income coverage for a business is unique to its individual needs and exposures. Fortunately, operational similarities within homogeneous industry segments have allowed for the creation of reliable “benchmarks” that can serve as a starting point for these determinations.

These benchmarks are expressed as percentages of the business’ total annual revenue and represent the amount of BI coverage that a business within that industry would typically need to fund a 12-month BI Value. These benchmarks include 100 percent payroll and benefits expense. Adjustments to the benchmarks may be necessary based on the amount of ordinary payroll inclusion or exclusion.

These benchmarks are only a guide; there is no substitute for a completed BI worksheet.

Manufacturing

Operations	Benchmark percent
Advanced technology	58%
Clothing	50%
Electrical equipment	61%
Food	44%
Furniture and related products	47%
Machinery	49%
Metals	47%
Mineral products	48%
Motor vehicle and parts	37%
Paper	45%
Plastic and rubber goods	40%
Printers	56%
Soft drink and ice mfg.	71%
Textiles	44%
Wineries and distilleries	59%
Wood	38%
All other manufacturing	40% – 55%

Non-manufacturing

Operations	Benchmark percent
Architects and engineers	82%
Arts, entertainment, recreation and casinos	80%
Automobile dealers	20%
Building materials and garden supply	44%
Building services contractors	35%
Educational institutions	60%
Furniture and home furnishing	58%
Health and personal care stores	42%
Hospitals and health care	85%
Hotels	50%
Publishing	76%
Retail goods	42%
Restaurants	60%
Sporting goods, hobby, book and music	54%
All other non-manufacturing	30% – 35%

Note:

- The benchmarks represent a percent of total revenue for the insured operations
- Benchmarks include 100% payroll and benefits expense based on IRS corporate statistical income data
- Adjustments to the benchmarks may be necessary based on the amount of ordinary payroll inclusion or exclusion

Talk to your agent about Insurance-to-value and Business Income worksheets. Your Travelers account executive will be happy to help.



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The Travelers Indemnity Company and its property casualty affiliates. One Tower Square, Hartford, CT 06183

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