

COVID-19 BUSINESS INTERRUPTION CLAIM GUIDELINES

COVID-19 has created an unprecedented interruption in not only our daily lives, but also in the workflow of our organizations. As the situation continues to evolve, support and relief opportunities may emerge that could aid organizations with their expenses associated with COVID-19. It is unclear if this will happen, or if the support would come from the private or public sector, but in any case, there are a number of items organizations should consider implementing to best keep track of the interruption to their business during this time.

BEST PRACTICES REGARDING TRACKING:

Below is a list of best practices that we recommend during a normal business interruption claim. We have modified this list to apply to the current COVID-19 pandemic. In the event that support becomes available, it may require that you demonstrate your loss and expense. These items are relevant to both essential and non-essential businesses, as almost all organizations will continue to be impacted by this situation.

1. Maintain a log of business impacts on a daily basis, reflecting how operations are modified as a result of the event. Include any government mandates, restrictions, curfews, evacuations, etc. that apply. Your log does not need to be extremely long – it could be short notes, or even bullet points in a word document.
2. Begin tracking the status of all open customer orders, reservations, appointments, and/or planned events, as soon as COVID begins to have an impact on the operations of the business that affect the income of the organization.
3. Begin tracking all customer inquiries, and log all cancellations, rejected inquiries, or other situations which may indicate that an order has been, or may have been, lost due to the impact of COVID-19 (this does not include orders related to non-COVID-19 reasons).
4. Keep track of production planning information and how goals or plans have evolved since COVID-19 began impacting the business. This can be summarized briefly on a daily volume change basis and estimated to show change during the impact. If major production changes have been assumed, like introduction of a new product line to meet short term need, this should be recognized.
5. Retain all forecasts, including order information and changes in outlook prior to the impact of COVID-19. The idea behind this action is to demonstrate what was budgeted prior to the outbreak and what took place throughout the duration of the pandemic.
6. Keep a running list, preferably in a spreadsheet, outlining any and all additional expenses that have been incurred as a result of COVID-19, including new equipment, sanitization equipment, new personal protection equipment (PPE), etc.
7. It is critical to track labor expenses that are over and above normal operating expenses as a result of COVID-19. Employees who are laid off or furloughed should NOT be included. Information tracked should include name, dates, hours, hourly rate, and their activities.

DOCUMENTATION/DATA TO COMPILE (general list, additional Items could be required):

Should a significant interruption and claim ensue, the preliminary information needed for the claim will include (for each loss location):

- a. Monthly and daily operating data and sale information for the prior three years and to be maintained after production resumes or increases to full volume
- b. Profit and loss statements for the past three years
- c. Budgets for the current year and the prior three years
- d. Any benchmarking performance statistics available for your sector for the current year and two prior
- e. Monthly inventory levels during the current term and the last fiscal year
- f. Payroll summaries for each pay period in 2020
- g. Lease agreements with an emphasis on abatement language for rent
- h. Critical supplier and customer agreements with the identification of any “force majeure” language

The future remains unclear as to what support will be given to organizations during this time, or if at all. The M3 team remains committed to providing best practice guidance as we navigate this situation, and to working with you individually to handle the COVID-19 impact in the way that is best for your organization.