



**SCHOOL INSURANCE NEWSLETTER**

*May 2020*

**Covid 19 Business Interruption Thoughts**

We had early inquiries about Business Interruption insurance and advised in a previous newsletter that in most cases, coverage will not apply because of lack of physical damage to an insured property. Thinking through the process, there probably will not be any loss. Unlike businesses, state payments and tax revenue will continue whether or not school continues. In fact, with reduced vehicle usage, gasoline and electricity, plus no insurance deductible costs, the bottom line may be increased. Self-funded Worker’s Compensation payments will also reduce. Community colleges, however, may face losses due to dormitory and food service cancellations and revenue if students are not able to enroll in the fall.

However, schools may sustain an Extra Expense loss due to the necessary extra costs incurred to temporarily continue in operation. Check your coverage to see if Extra Expense coverage is separate from the Business Interruption coverage. For an Excel Business Income worksheet, contact us.

**Premium Reduction or Return**

Automobile and Worker’s Compensation losses should reduce by about 15%. Some companies are offering premium reductions or returns for fully insured coverages. Cost plus programs will automatically see the reductions in the net costs.

**Business Interruption Calculations** Basically, the limit needed is the loss of revenue offset by non-continuing expenses.

<b>Lost Revenue</b>	<b>Non-Continuing Expenses</b>
State Funds	Contracted Services
Real Estate Taxes	Utilities
Tuition	Gasoline
Gate Receipts	Supplies
Building Use Fees and Rents	Repairs
	Operating Costs

**Extra Expense Calculations** Expenses only that are created because of the extra cost of keeping the District in operation.

Moving Costs	Overtime
Security	Legal
Custodial	Extra Cost of Expedited Orders
Rental	Public Service Announcements
Set up	Equipment & Machinery Leasing
Labor	Additional IT Expenses
Telephone & Data	Purchases of Materials & Supplies

In both cases, a time period determines the % of total amount of insurance needed.

**Contingent Business Interruption**

This should be a part of the Business Income coverage. It pays when an off-site vendor is unable to deliver needed product; e.g., electricity.