

# Lessons from Preparing and Reviewing Large Business Interruption Claims

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# Agenda

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- Introduction
- Example Claim
- Policy Issues
- Accounting Issues
- Other Observations
- Lessons Learned

# Introduction

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- What does business interruption insurance cover?
- What does Profits form cover?
- What does Gross Earnings form cover?

# Example Claim

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# Policy Issues

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- Indemnity Period
  - Return to normal?



# Policy Issues Quiz 1

- When did the business return to normal?
  - April 1, 2010
  - April 20, 2010
  - September 30, 2010



# Policy Issues

- Lost gross profit
  - Expected Gross Profit less Actual Gross Profit



# Policy Issues

- Expected Sales
  - Mature/Stable business
  - Expanding business (see Quiz 2)
  - Effect of non-insured events



# Policy Issues – Quiz 2

- What would the production volume have been if the explosion had not occurred?
  - Production prior to September 1, 2009
  - Budgeted production from December 16, 2009
  - Actual production from April 1, 2010
  - Other?

# Policy Issues

- Extra expenses



# Policy Issues – Quiz 3

- What extra expenses have we incurred in our example?

# Policy Issues – Quiz 3

- What extra expenses have we incurred in our example?
  - Excess cost to purchase chemicals compared to the sales value of production
  - Extra freight costs
  - Product testing costs

# Accounting Issues

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- Depreciation – is it a saved expense
- Foreign Exchange – what exchange rate should be used?



# Other Observations

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- Interim Payments
- Insurer's exposure to commodity prices
- Property and Business Interruption Insurance underwritten by different underwriters



# Lessons Learned

- Consider the type of business interruption policy which meets your needs and the needs of the policyholder:
  - Profits form
  - Daily amount
  - Standing Charges
- Use a forensic accountant in large business interruption claims.

# Our Services to Insurers

As expert accountants we assist insurers in:

- The preparation, analysis, review and negotiation of insurance claims in a timely manner.

# Questions ?