

Contingent Business Income Exposure

If someone were to ask you *'is your company part of a mutually beneficial or an exclusively beneficial relationship with another business entity'* would you know the answer? If not, ask yourself the following questions:

- ✓ Does your business rely upon suppliers who deliver materials or provide services for your business?
- ✓ Do you engage buyers or others to accept your products or services on your behalf?
- ✓ Do you contract with a manufacturer or assembler to provide the product designed by you?



If you answered “yes” to any of the questions above, then you are “dependent” on someone else in order for your business to operate. It is important to understand and identify if your company is in a “mutually beneficial” or even “exclusively beneficial” relationship with another business entity separate from yours.

Dependent Property/Contingent Time Element Loss Exposures

Organizations that depend on a single source supplier may be susceptible to an income or expense loss as a result of a fire or other catastrophe at the supplier's facility. The same is true for organizations which rely upon others to manufacture or handle their products or otherwise perform operations on their behalf.

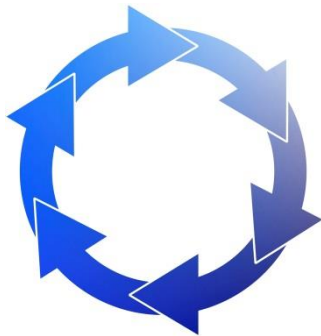
If there is direct physical loss of or damage to the other organization's property which would cause your company to lose income, you have a dependent property business income exposure or time element loss exposure. If the damage to the other organization's property would cause your company to incur extra costs, you have a dependent property extra expense exposure.

Dependent property business exposures may not only result in loss of income, but can also impact your ability to continue operating. What happens if a company on which you depend experiences a covered cause of loss, such as a fire, lightning strike or major windstorm, and as a result discontinues operating? Are there others readily available to perform operations on your behalf, without interruption to your business? If not, then your dependence on their goods and services may leave you financially vulnerable.

Business Income and the Life Science Industry

As a life science company, you may have unique business characteristics and needs, requiring more time to qualify a potential dependent business partner. At a minimum you should consider the following:

- Do your critical suppliers or vendors require regulatory licensing?
- Do you or your critical business partners have unique mechanical, environmental control, or machinery needs?
- Do you rely upon dependent locations to maintain critical business property, such as master cell lines, antibodies, scientific property, active pharmaceutical ingredients with extended replacement times, finished inventory, critical component parts or other property that could result in an extended interruption in business operations if lost or damaged?



Why is this important? If one of the entities on which your company depends experiences a loss and is unable to continue its operations, you may be exposing your company to a break in continued operations and a loss of income.

It is important to understand that business income coverage pays you, the policyholder, for your loss of income which resulted from a suspension of your business operations only when a covered cause of loss damages your own location(s) specifically scheduled on your insurance policy. It does not extend to businesses not owned or operated

by you on which your company depends.

Sometimes there are risk management alternatives to insurance, such as cultivating an alternate source of supply as a backup, or routinely using two suppliers as a safeguard. However, if these backups are not in place and you have identified a dependency on others in order for your business to operate, you may need to consider endorsing your insurance policy with dependent property business income coverage.

Berkley Life Sciences Business Income from Dependent Properties Coverage Offerings - Forms CP DS 83 02 and CP 83 00

As long as there is Business Income Coverage on your policy with us, policies underwritten through Berkley Life Sciences provide a separate coverage limit of \$25,000 for additional business income loss from dependent properties, and an additional \$250,000 limit under our basket additional protection options. Upon request and following underwriting review, increased limits are also available.

ISO currently has five business income and extra expense endorsements designed to protect the policyholder from indirect dependent properties loss exposure:

- Business Income from Dependent Properties – Broad Form (CP 15 08)
- Business Income from Dependent Properties – Limited Form (CP 15 09)
- Extra Expense from Dependent Properties (CP 15 34)
- Business Income from Dependent Properties – Limited International Coverage (CP 15 01)
- Extra Expense from Dependent Properties – Limited International Coverage (CP 15 02)

These coverage forms may be endorsed to a business income coverage form to protect the named insured for its loss of business income as a result of a direct damage loss at the scheduled dependent property. Coverage applies at only the locations the named insured does not own, operate, or manage. The dependent property's location must be entered on the endorsement schedule.

Please contact your insurance broker or underwriter to learn more about each form and to select the coverage best suited to your business operations. Protecting yourself from the risk of contingent business income exposure will minimize the risk to your operations inherent with dependence upon the fortunes of third party business partners.

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Alice Orrichio, *Vice President, Property & Casualty Business Specialist*

Alice Orrichio has over 25 years of property and casualty industry experience, including positions in underwriting and management of all standard lines of business. Prior to joining Berkley Life Sciences, Ms. Orrichio held positions at several insurance carriers including Clermont Specialty Managers, where she was responsible for home office underwriting, regulatory compliance and state filings as well as the management of the mid-western underwriting field operations. Ms. Orrichio also worked at Crum & Forster as an Umbrella Underwriting Manager.

Ms. Orrichio began her career at Chubb Group of Insurance Companies where she was extensively involved with the underwriting of international accounts with respect to their U. S. domestic business, and the training and development of overseas offices seeking to place that business. Ms. Orrichio received her Bachelors of Science degree in Sociology from Montclair State College.

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