

## BOE Policies Document Overview

**Objective:** This template has been developed to document critical activities and information related to your business in the event of the incapacitation of your executive leader or owner. This toolkit provides a guide for managing banking, record keeping and maintaining secure signing authority during a leadership absence.

A Business Operating Expense Policy (BOE) can cover fixed monthly expenses in the event the principal of the business—and primary income source—is incapacitated. An example is a dentist or attorney in a single practitioner practice.

The purpose of a BOE policy is to keep the business operating during the period when the principal is incapacitated. In order to file a claim, documentation of the covered expenses needs to be presented to the policy issuer. Without those, the claim will be held up, potentially jeopardizing the business for lack of funds to cover operating expenses—the exact opposite of why the BOE policy was acquired.

However, a BOE policy does not provide direction on the information and documents required to process a claim. We are here to help you prepare, by providing guidance on what is necessary to have ready and organized prior to filing a claim. The time to gather this information is before activating the policy. When an event occurs that incapacitates the principal of the business there is enough stress. No need to add to it by trying to determine what is needed, where the information resides, have the necessary authorizations been completed, and how to file a claim.

The monthly benefit provided by the BOE policy is based on actual documented expenses, not estimates or approximations. That is why it is essential to have supporting evidence available.

While specific requirements vary by state, policy issuer, and the policy itself, the list provided identifies the most commonly requested information regardless of state or issuer.

Please remember that having the information from these documents is important but so is being able to provide the documents themselves if

requested. Please check with your policy issuer if bank statements or copies of the documents are sufficient, or if originals are required.

Either way, put the documents in a secure place. Access to this place should be on a need basis and be limited to the principal of the business and the designated person who will fill in for the principal in the event the principal is incapacitated. These are important documents and need to be protected.

The person who is the designee should be well-known to the principal and well trusted. Remember that person is being given access to private business information and the authority to sign checks and even sell the business.

Here is a list of the usually needed documentation. Remember to ascertain from your insurance carrier if copies are acceptable or if originals are required:

- Monthly lease/rent/mortgage payment or bills. Make sure these are up to date.
- Utility bills – these can vary by month or season so have examples for the different seasons.
- Phone bills – while these can vary it is usually not by a significant amount so any one should be sufficient. Include office phones, fax lines and mobile numbers used for business.
- Office maintenance services, such as janitorial and laundry.
- Monthly accounting and legal retainers and payments. If these vary during the year have proper documentation and average for a month.
- Professional and/or trade association dues and subscriptions – keeping up memberships is important for the continuation of the business.
- Business vehicle(s) monthly lease/payment; your policy may also cover annualized monthly maintenance and insurance.
- Employee payroll and benefits—do not include the principal(s) of the business. Suggest line item by employee to prove it is employees only.
- Contract workers monthly fees; for example, in a dental practice the hygienists are often not full-time employees but are essential to the functioning of the business.
- Salary for the principal(s)'s replacement as long as not a family member – keeping the business running is important to its on-going survival. The cost of a temporary dentist, doctor, attorney or other professional may be covered.
- Equipment depreciation and lease payments—include professional equipment such as dental or medical equipment, computers, office furniture.

- Certain insurance premiums—ask the BOE policy insurance carrier what is covered and gather the necessary documentation. Suggested items are vehicles, office equipment, IT equipment, liability, and malpractice.
- Monthly portion of annualized taxes—include federal, state and local taxes. Remember to include sales tax if applicable in your area.
- Student loan payments—for a recent graduate, these can be significant.
- Monthly annualized advertising and marketing payments.
- Other fixed overhead expenses normally incurred, including anything not listed above.

Documents you need to create and store in advance of activating your BOE Insurance policy:

- Document(s) for signing authority in your absence/during your disability. These include necessary authority to the bank for someone to sign checks or authorize electronic payments. It may be prudent to include a maximum amount per payment and a maximum amount per month.
- Business Continuity Plan – who will fill each role in the office. No matter what people may think they understand, putting it in writing removes confusion and argument.
- Business Communication Plan – how will clients or patients be notified? Will the media be notified? Will professional associations, licensing authorities or regulators need to be notified, and how? Drafting the communications in advance and leaving only the dates to be entered at the time of event simplifies things.
- Business Brand and Reputation Management Plan – how will your brand and reputation be protected? Remember rumors happen. They may be innocent, or intentionally started by competitors. Getting your own message out is important. Be honest, explain the situation and expected return to service date. Provide updates on a regular basis.
- Authority to sell the business if necessary – while this is a last resort action, it may become necessary if the principal is permanently injured, or worse, and not able to return to the practice. The authorized seller should consider this action carefully to be sure the principal will not be able to return but not waiting so long that the business loses significant value, which is determined by the active client or patient list.

In many cases, bank statements can verify your actual monthly payments. Receipt copies and accounting reports are very important as corroborating evidence.

Some of your payments are the same every month. Others occur quarterly, semi-annually, or annually. These must be divided by 3, 6, or 12 respectively, for an accurate monthly proportion for possible reimbursement by your BOE policy.

A spreadsheet is provided for your use to begin to accumulate the necessary numbers. Keep in mind your BOE policy probably has a monthly maximum. Know in advance what fixed overhead expenses are covered and what is not. The spreadsheet is a suggestion for your use and should be tailored for your policy and for your state's regulations.

Last year's tax returns are a good source of information that is verifiable and an easy way to determine the dollar amounts to use for each category. Remember to adjust for possible annual changes in fixed costs.