

Covered overhead expenses

A business owner has many business expenses; however, not all of them may be covered by an OE policy. The amount of benefit issued is based on the owner's share of the usual and customary monthly business overhead expenses the owner is responsible for in the operation of the business/practice. OE coverage is based on percent ownership in the business.

The expenses must be deductible for federal income tax purposes. Covered overhead expenses include, but are not limited to:

Expense	Coverage	Explanation
Accountant or Accounting Services	Covered	If a recurrent and ongoing expense. See "Professional Fees" for further guidance
Advertising	Covered	If an ongoing, contracted expense
Answering Service/Beeper	Generally Covered	Since usually on a fixed monthly basis
Car Insurance	Sometimes Covered	To the extent vehicle is used for business purposes and is necessary for continuation of the business, this item is covered on a pro-rata basis. Personal use is not covered.
Car Loan	Sometimes Covered	To the extent vehicle is used for business purposes, this item is covered on a pro-rata basis. Interest expense is only covered if vehicle is necessary for continuation of the business.
Car Rental	Sometimes Covered	Expense is only covered if vehicle is necessary for continuation of the business.
Conventions	Not Covered	
Cost of Goods Sold, Merchandise or Products	Not Covered	
Credit Bureau Collection	Generally Not Covered	Because if the insured is disabled, there should not be any current services being performed to warrant any current collection activities. This expense would normally only relate to income earned prior to disability (1-2 years from date of service).
Depreciation	Not Covered	
EKG Service	Not Covered	Expense is usually passed on to the patient.
Electricity	Covered	
Employee Benefits	Sometimes Covered	Medical, Life, LTD, etc., on eligible employees only. Not covered - Benefits for the client or members of the same profession.
Entertainment	Not Covered	
Equipment Loans	Covered	
Heat	Covered	
Insurance Premiums (Malpractice, Liability, Property)	Covered	If premiums are not waived during disability.
Janitorial/Maintenance/Security Services	Covered	
Lab Fees	Not Covered	Expenses are usually passed on to the patient.
Laundry	Covered	
Leased Equipment	Covered	If necessary for continuation of the business.
Legal Fees	Sometimes Covered	Need to know purpose of the fee. Not covered - If nonrecurring.
Liability Insurance	Covered	

Expense	Coverage	Explanation
Life and Medical Insurance	Sometimes Covered	On eligible employees only
Loan to Buy a Business	Not Covered*	This is a capital asset that is appreciating in value. Where business acquisition loans include equipment and other depreciable assets which are generally covered expenses, give the breakdown as to the percentage of the loan payment that applies. * May be considered under the Business Loan Protection rider.
Loan to Purchase Business-Related Equipment and Real Estate	Covered	Interest and principal are covered expenses. Covered assets - examples: medical/dental equipment, office furniture and equipment, building (to the extent owned and occupied by the firm.) Not covered assets - insured's personal vehicle, airplane, investment real estate.
Malpractice Insurance	Covered	
Medical Supplies/X-Ray Supplies	Not Covered	
Mortgage/Rent	Covered	Both rent and mortgage interest and principal are covered; however, generally not together. If the business owns and occupies the building, then only mortgage interest and principal is covered (cannot rent from itself). If there are two locations which are occupied by the business, it is possible to have both rent and mortgage interest (owns one building and rents the other).
Moving Expenses	Not Covered	
OE Premium	Not Covered	
Office supplies	Covered	Examples: paper, writing utensils, etc. Not covered - Supplies directly related to the insured's work.
Parking Fees	Not Covered	
Past Due Bills	Not Covered	Bills for expenses that were incurred prior to disability are not covered. The OE policy is to reimburse expenses incurred while disabled, not to help liquidate prior obligations.
Payroll Taxes	Covered	Use 10% of payroll expense as a reasonable rule of thumb for payroll tax expense. This covers: FICA Expense—7.65%; Federal Unemployment—.8%; and State Unemployment—1.6%.
Personal Taxes	Not Covered	
Professional Dues and Memberships	Covered	Generally covered since continued membership in professional organizations is necessary to maintain an insured's professional level of knowledge. Not covered - Dues and membership to private clubs, country clubs, etc.
Professional Fees	Sometimes Covered	Covered - Fees to professional organizations. Legal and accounting fees subject to comments noted for specific expense account. Not covered - Services performed by individual organizations of same or similar profession, or supporting professions.
Real Estate Taxes	Covered	Only if building is owned by the business, houses the business, and is not a real estate investment of the business.

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Rent/Mortgage	Covered	Both rent and mortgage interest and principal are covered; however, generally not together. If business owns and occupies the building, then only mortgage interest and principal is covered (cannot rent from itself). If there are two locations which are occupied by the business, it is possible to have both rent and mortgage interest (owns one building and rents the other).
Rental Equipment	Covered	If necessary for continuation of the business.
Repairs	Sometimes Covered	Equipment repairs would be covered.
Replacement Expense*	Covered	The compensation to employ a replacement must be reasonable in relation to the duties performed and should not exceed a maximum of 50% of the client's earned income. Example: Owner's monthly income \$10,000/mo. x 50% = \$5,000/mo. replacement expense. * Description and calculation may vary for HH702 policies.
Salaries	Sometimes Covered	Generally, salaries and benefits for administrative non-income producing employees are covered. <u>Not covered salary expenses include:</u> salaries, wages, fees, drawing accounts, advances, bonuses and other remuneration, including benefits for: • Client, • Person sharing business expenses with Client, • Member of the Client's profession, • Individual hired to perform the Client's duties during disability* may be covered under Replacement Expense as noted above, • Person responsible for the generation of income in the business, and • Member of the Client's immediate family who was not a full-time paid employee of the business for at least 60 days before disability began. *This includes any person capable of performing the same duties as the client. For example, a legal assistant is not considered to be in the same profession as an attorney. Note, however, that a legal assistant may be included as "any person responsible for the generation of income in the business."
School Loans	Not Covered	This is a personal obligation, not a business expense.
Subscriptions	Sometimes Covered	The maintenance and renewal of professional materials are covered (i.e. subscriptions for medical, legal or accounting journals and research texts).
Travel	Not Covered	
Utilities	Covered	
Water	Covered	
Workers' Compensation Insurance	Covered	For eligible employees only.