



Risk Management in a Changing World

Leveraging Risk as a Strategic Advantage

CFO and Controller's Roundtable

January 28th 2016

Business Income – It's about time

- Potential net profit (or loss) before the application of income taxes.
- Normal operating expenses, including payroll, that continue, in whole or in part, during the time the business operations are shut down or reduced due to a direct property loss.



Period of Restoration

Begins at a specific period of time (i.e. 24, 48, 72 hours) following the direct physical loss or damage to the insured structure.

Ends the earlier of:

- a.) the date the property should be repaired, rebuilt or replaced with reasonable speed and similar quality; or**
- b.) the date when operations are resumed at a new permanent location.**



Operational Capability

- ✓ **Manufacturing operation returns to pre-loss production and inventory levels (excluding the time necessary to produce the same amount of finished stock on hand prior to the loss)**
- ✓ **Non manufacturing entity can operate with the same level of inventory, equipment, and efficiency as before the loss.**



Sources of Income

- ✓ Business Income Including Rental Value
- ✓ Business Income Other than Rental Value
- ✓ Rental Value

Income statement

\$ billion	2012	2011	Change %
Revenue	731	710	3%
Operating expenses	(544)	(471)	15%
Adjusted EBITDA	187	239	(22)%
Impairment charges	(45)	(13)	246%
Depreciation & amortisation	(34)	(28)	21%
Royalty expense	(9)	(10)	(10)%
PBIT	99	188	(47)%
Net interest expense	(6)	(6)	0%
Income tax expense	(25)	(48)	48%
Net profit	68	134	(49)%
Effective tax rate	25%	26%	
Equity	682	640	
Capital employed	814	728	
Key ratios			
Adjusted EBITDA margin	26%	34%	
Adjusted EBITDA margin	9%	19%	
Adjusted EBITDA margin	8%	18%	
Adjusted EBITDA margin	10%	21%	

Coverage Triggers

- ✓ Suspension of Operations
- ✓ Specific Period of Restoration
- ✓ Direct Physical Loss
- ✓ Covered Cause of Loss
- ✓ Personal Property in the Open



Loss Determination

- ✓ **Net Income - Trend**
- ✓ **Net Income During the Period of Restoration**
- ✓ **Expenses Necessary to Resume Operations**
- ✓ **In Depth Financial Records Review**

Business Income Worksheet

The starting point in estimating your “Business Income” exposure

- ✓ Total Revenues
- ✓ Cost of Goods Sold
- ✓ Payroll (Incl., Excl., Limit)
- ✓ Time necessary to resume operational capability

Most Recent 12 Month Period Ending: (mm/dd/yyyy)	Income and Expenses	Estimated 12 Month Policy Period Beginning: (mm/dd/yyyy)
0/0/2000		0/0/2000
\$ -	A. Gross Sales	\$ -
\$ -	B. Less: Finished Stock Inventory (at selling price) at beginning of 12 month period	\$ -
\$ -	C. Add: Finished Stock Inventory (at selling price) at end of 12 month period	\$ -
\$ -	D. Equals: Gross Sales Value of Production	\$ -
\$ -	E. { Less: Prepaid Freight - Outgoing Less: Discounts, Returns & Allowances Less: Bad Debts & Collection Expenses	\$ -
\$ -		\$ -
\$ -		\$ -
\$ -	F. Equals: Net Sales Value of Production	\$ -
	Add: Other Earnings from your business operations (not royalties or investment income):	
\$ -	G. { <i>Commissions or Rents</i> <i>Cash Discounts Received</i> <i>Other</i>	\$ -
\$ -		\$ -
\$ -		\$ -
\$ -	H. EQUALS: TOTAL REVENUES	\$ -
	Click button to Go to Cost of Goods Sold worksheet to calculate	
\$ -	I. Less: Total Cost of Goods Sold	\$ -
\$ -	J. Less: Cost of services you purchase from outsiders to separately resell that DO NOT continue under contract. Costs that continue are NOT deducted.	\$ -
\$ -	K. Less: Power, heat and refrigeration expenses that do not continue under contract. Expenses that continue are NOT deducted.	\$ -
\$ -	L. Less: All "Ordinary Payroll" Expenses if they are to be excluded or limited. Payroll Limitation worksheet item PL2 Click to go to Payroll Limitation worksheet	\$ -
\$ -	M. Business Income Exposure for 12 Mos. (H-I-J-K-L)	\$ -

Factors Affecting the Period of Restoration

- 1) Claims Adjustment Process**
- 2) Restoration Planning**
- 3) Contract Bidding**
- 4) Building Permits**
- 5) Site Preparation**
- 6) Time Required to Rebuild**
- 7) Time Required to Restock**
- 8) Rehiring Employees**
- 9) Equipment Replacement**
- 10) Regulatory Compliance**

Business Income Options



- ✓ **Coinsurance**
- ✓ **Business Income Agreed Value**
- ✓ **Monthly Limit of Indemnity**
- ✓ **Maximum Period of Indemnity**

Dependent Properties

- ✓ **Suppliers – Contributing Locations**
- ✓ **Buyers – Recipient Locations**
- ✓ **Providers – Manufacturing Locations**
- ✓ **Drivers – Leader Locations**



Additional Resources

You can find resources on our website: www.trimountaincorp.com

Customer Portal: Presentation and supporting documents

Contact us at: chris@trimountaincorp.com

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