

Time in Your Hands



With new Time Element Select™, you choose the coverage that provides the best recovery when it matters most

No one can predict the future, but when it comes to picking business interruption coverage, insurance companies often ask their clients to do just that—to choose between the gross earnings (production-based) and the gross profit (sales-based) forms *before* a loss, when they have no way of knowing which will better serve their needs should that loss occur.

To give clients more options and provide greater flexibility, FM Global has introduced Time Element Select™, a new coverage option that lets clients choose their optimal business interruption coverage *after* a loss occurs, rather than at policy inception. The new enhancement, available this year, allows clients to select—at any time up until a claims settlement—the type of coverage on which the loss adjustment will be based, depending on which one benefits them most.

“As a mutual company, we’re always looking for ways to improve products and services, including coverage, for the benefit of policyholders,” said Bernie Stadelman, sales and client service specialist. “Time Element Select is a direct result of our ability to help clients understand, measure and manage risk. Our business model has produced the largest financially stable capacity in the marketplace. That, together with our continued efforts to meet the needs of our client-owners, has led to this important coverage enhancement.”

Most insurance companies ask clients to select one of two business interruption (or time element) coverage choices—production-based or sales-based—at policy inception. “Both provide for similar recovery in many cases, but there can be significant differences,” explained Gary Love, vice president, underwriting. “For instance, while both pay for lost profit and continuing expenses, they differ in the way they handle continuing loss of sales and the application of the period of liability.”

Time Element Select™ allows clients to choose *after* a loss the type of coverage that benefits them most.

“As our clients’ businesses have become more complex, grown internationally and become more disparate among business units, it has become evident they will benefit from having access to both types of coverage, regardless of facility location,” Stadelman added. “Depending on the specifics of the loss, the affected product or service, and the client’s market conditions, this could make a significant, positive difference in actual loss payment. »

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“And because there can be so many variables associated with actual events at the time of loss,” he continued, “it becomes increasingly difficult for a client to predict, before that loss occurs, which type of business interruption coverage will produce the larger payout.”

Time Element Select eliminates much of this complexity by allowing the client, with the help of our claims adjuster, to make that decision after the loss—up to the time of settlement—when both the facts relative to operations and the impact to sales are known.

In addition, FM Global typically arranges for claims representatives to meet with clients—particularly those new to FM Global—to explain this and other key aspects of their policies. Said Stadelman, “Our clients have consistently told us how much they appreciate this service, as it gives them a better understanding of how their policies will respond to a loss.” [1]



FM Global’s Time Element Select™ coverage is currently being offered to most new and existing clients. To find out more information, contact your client service team or visit www.fmglobal.com.

» The Choice Is Yours

Which form of business interruption coverage best suits your situation?

Production-based

- Often referred to as the “gross earnings” form
- Based on sales lost due to lost production or downtime at a client’s operations during the entire period up to the point at which full, pre-loss production/operations capability is restored
- No preset limit to the period of liability

Production-based business interruption coverage typically provides for the actual loss sustained of gross earnings the insured would have achieved had the insured physical damage not occurred. Coverage is based on the length of time necessary to repair or replace the damaged or destroyed property with the exercise of due diligence and dispatch.

Often advantageous in: Loss scenarios involving extended production/operations downtime.

The bottom line: With production-based coverage, there’s an unlimited period of liability; that is, time element coverage continues until production/operations are restored to pre-loss levels. Once restored, however, there is only limited ongoing coverage for continued loss of sales through our extended period of liability coverage.

Sales-based

- Often referred to as the “gross profit” form
- Based on lost sales
- Pays for the period up to the point at which pre-loss sales levels are restored
- Subject to a specific time limit, which is typically a 12-month period of liability

Sales-based business interruption coverage typically provides for the actual loss sustained of gross profit the insured would have earned had the insured physical damage not occurred.

Often advantageous in: Loss scenarios involving limited production loss, but with protracted loss of sales.

The bottom line: Here, the time element coverage lasts until sales lost as a direct result of physical loss or damage are restored to the pre-loss level—even if this period is beyond the time it takes to repair or replace the damaged property. There is, however, a fixed maximum time limit on the period of indemnity.