

Managing a Complex Property Damage and Business Interruption Claim

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November 14, 2013



Managing a Complex Claim



Agenda

- ❑ Pre-Loss Preparation
- ❑ Best Practices to Handle a Claim
- ❑ Business Interruption Values
- ❑ Business Interruption Claims
- ❑ Important Extensions of Coverage
- ❑ Key Strategies to Get the Deal Done



Team of Professionals

It is important you help Insured establish a team of professionals before a loss.

Risk Manager

Operations Management

Financial Management

Named Adjuster



Insurance Broker

Forensic Accountant

Coverage Counsel

Engineer/Contractor

Insured's Team of Professionals



Best Practices To Help Insureds Manage a Loss

- Request on site visit by adjuster ASAP and then assume responsibility of measuring your own claim with your contractors, engineers, etc.
- Help form a “Claim Preparation Strategy” with insured before adjuster’s professional form theirs
- Initiate discussions with adjuster for an interim cash advance and guide insured to what support is required
- Discuss with adjuster to give insured authority to spend to mitigate loss and incur extra expenses without an item by item approval
- Pull out insurance policy and review it in detail with Insured



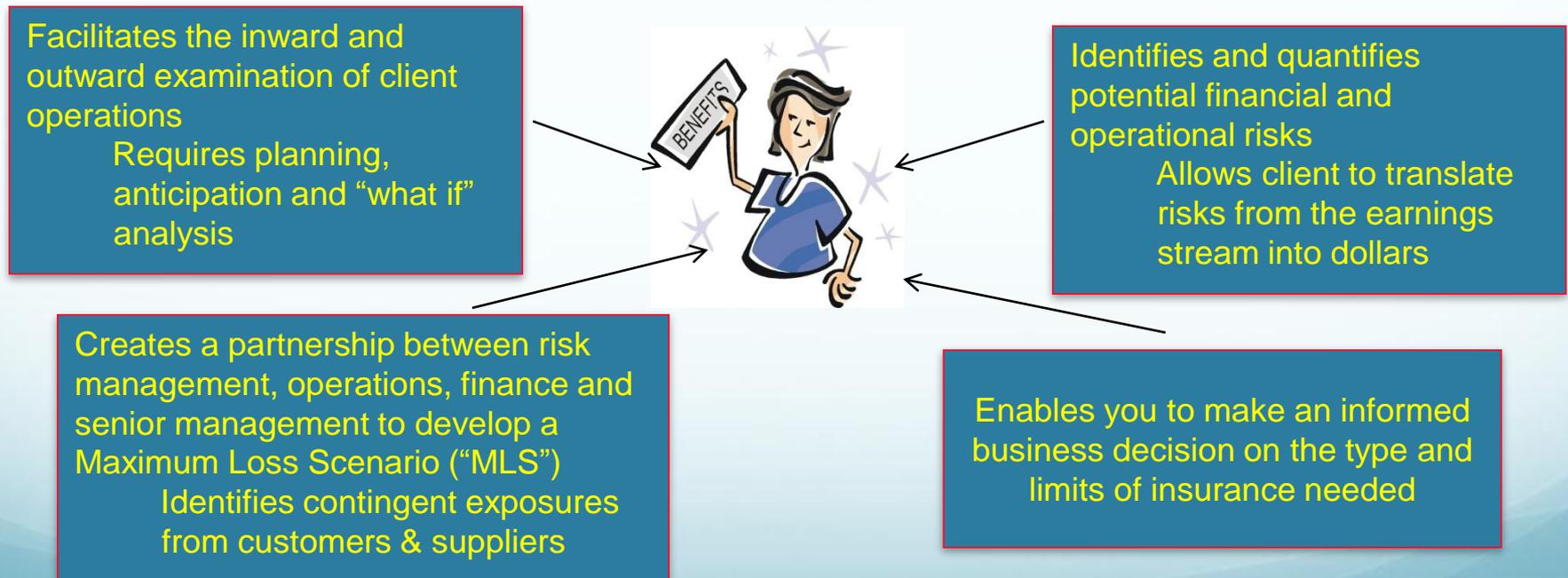
Common Concerns About BI and Reporting BI Values

- Do Business Interruption (BI) Values accurately reflect the exposure?
- Are BI limits adequate?
- Certain revenue streams may not be at risk from physical disruption. If not, should we adjust our plans?
- Should we report BI values for data centers, call centers ? Corporate HQ? Distribution centers? If so, how much?
- If we have percentage deductibles, do we know to what value that percentage will be applied in the event of a loss?



What Is The Importance Accurate Business Interruption Values?

- Why an assessment of pre-loss business interruption values are a valuable benefit:
 - Insurance companies often require business interruption worksheets prior to renewal



The BI “Chain Rule”

In the event of:

Physical Damage **to** Property of the type insured under the property policy **by** a peril insured under that policy **which** directly results in a necessary interruption of the insured’s operations.



The policy will cover:

The losses defined in the policy **which are** suffered by the insured party or parties, **and which are incurred** during the period of indemnity defined in the policy.

Subjective Interpretations of the Rule Book During the Game

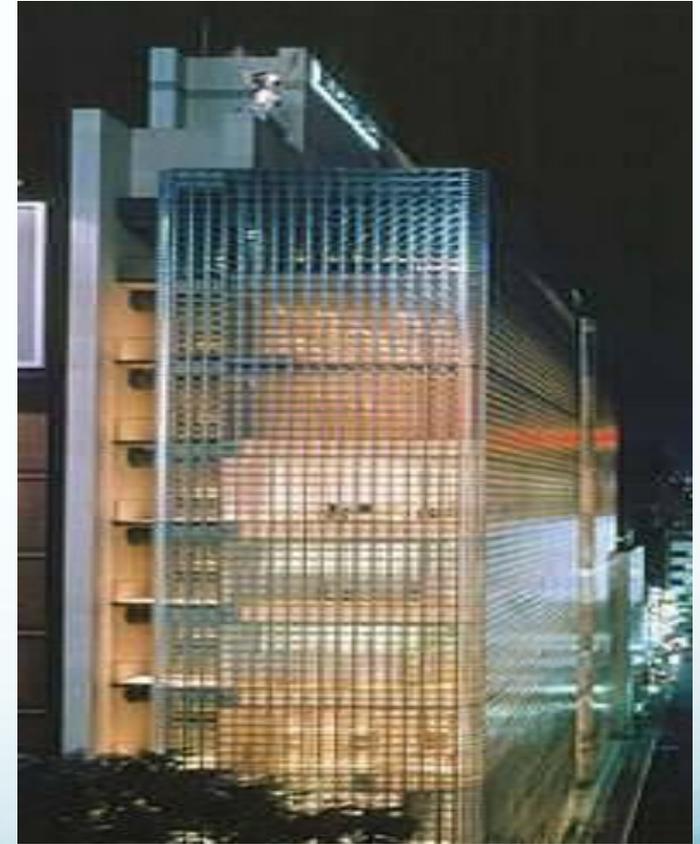
An Insured's' future revenues and profits are inherently unpredictable. The earnings of the business before the date of damage and the probable earnings thereafter, had no loss occurred, must be considered

- ❑ Attributing business interruption income loss to direct physical damage
- ❑ Ordinary course of business forecasts
- ❑ Trending historical results, budgets, etc. (“But For” the loss)
- ❑ Period of indemnity performance and necessity of continuing expense
- ❑ Market/economic conditions
- ❑ Comparables
- ❑ “Make-up” sales and other offsets



Key Strategies to Get the Deal Done!

- ❑ Do not lose sight of the fact that an insurance claim is a cooperative and adversarial process at the same time
- ❑ Segregate factual issues from judgement issues
- ❑ Take initiative – the team prepares the claim not the insurer and be prepared to support the position
- ❑ Consider viewpoint of insurer – “Devil’s Advocate” while at the same time understand the strengths & weaknesses of the claim (have reasonable expectations)
- ❑ Prevent adversarial situations throughout the process; resolve differences item by item; agree to disagree and move on; resist time pressures
- ❑ Be cautious of allowing the insured to sign a general release as a condition of settlement. Insured is entitled to collect the loss payment by filing an agreed proof of loss



What Worked – Claims Settlement Process

During the resolution-claim settlement process, it is important to:

Set appropriate expectations

Understanding the options

- **Compromise**
- **Appraisal**
- **Litigation**

Understand unique facts and circumstances surrounding the claim and the policy



Questions?

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