

Proudly presents...

## Are You Ready to Rumble?



Knowing post-loss  
success factors

# Moderator and speakers

## Moderator

### Catherine Dowdall

Director, Risk and Claims Management  
Canada Post Corporation

[Catherine.dowdall@canadapost.com](mailto:Catherine.dowdall@canadapost.com)

## Speakers

### Craig Burkart, CA, IFA, CIP

National Leader, Business Insurance  
Consulting

Deloitte & Touche LLP

[cburkart@deloitte.ca](mailto:cburkart@deloitte.ca)

### Gerald Kim, CA, CBV, CIP

Senior Manager, Business Insurance  
Consulting

Deloitte & Touche LLP

[gkim@deloitte.ca](mailto:gkim@deloitte.ca)

# Topics

1. Pre-loss - correctly estimate your insurance coverage exposure

---
2. Post-loss – best practices

---
3. Presenting your claim – best practices

---
4. Negotiating your claim

---

# Pre-loss - correctly estimate your insurance coverage exposure

## Section I

# Correctly estimate insurance coverage exposure

## Property damage

- ACV
- Replacement cost
  - How old?
  - Construction costs escalating
  - Comparable asset cost



# Correctly estimate insurance coverage exposure

## Business Interruption

### Lessons learned

- Good, bad and ugly insurance policies
- Grossly under-insured and significantly over-insured losses
- Confusing process
- Policy wording and setting limits have nearly equal importance, but not equal priority

# Correctly estimate insurance coverage exposure

## Business Interruption

### General principles

- Accurately evaluate your Business Interruption Exposure, including exposure to Contingent Business Interruption situations
- Work with a reputable insurance broker
- Prepare a business continuity plan

# Correctly estimate insurance coverage exposure

## Business Interruption

### THE

### “What Is My Business Interruption Exposure?”

### QUIZ

What Is the business interruption exposure of the following entity?

- Manufacturers consumer products
- Has four manufacturing facilities
- \$100 Million in annual sales
- \$10 Million in annual net profits
- \$20 Million in annual fixed costs



# Correctly estimate insurance coverage exposure

## Business Interruption

**THE**

**“What Is My Business Interruption Exposure?”**

**QUIZ**

**A. \$0**

# Correctly estimate insurance coverage exposure

## Business Interruption

### THE

“What Is My Business Interruption Exposure?”

QUIZ

**B. \$12,000,000,000,  
000,000,000 . . . (\$12  
Gazillion)**

# Correctly estimate insurance coverage exposure

## Business Interruption

### THE

“What Is My Business Interruption Exposure?”

QUIZ

**C. Somewhere in between  
\$0 and \$12 Gazillion**

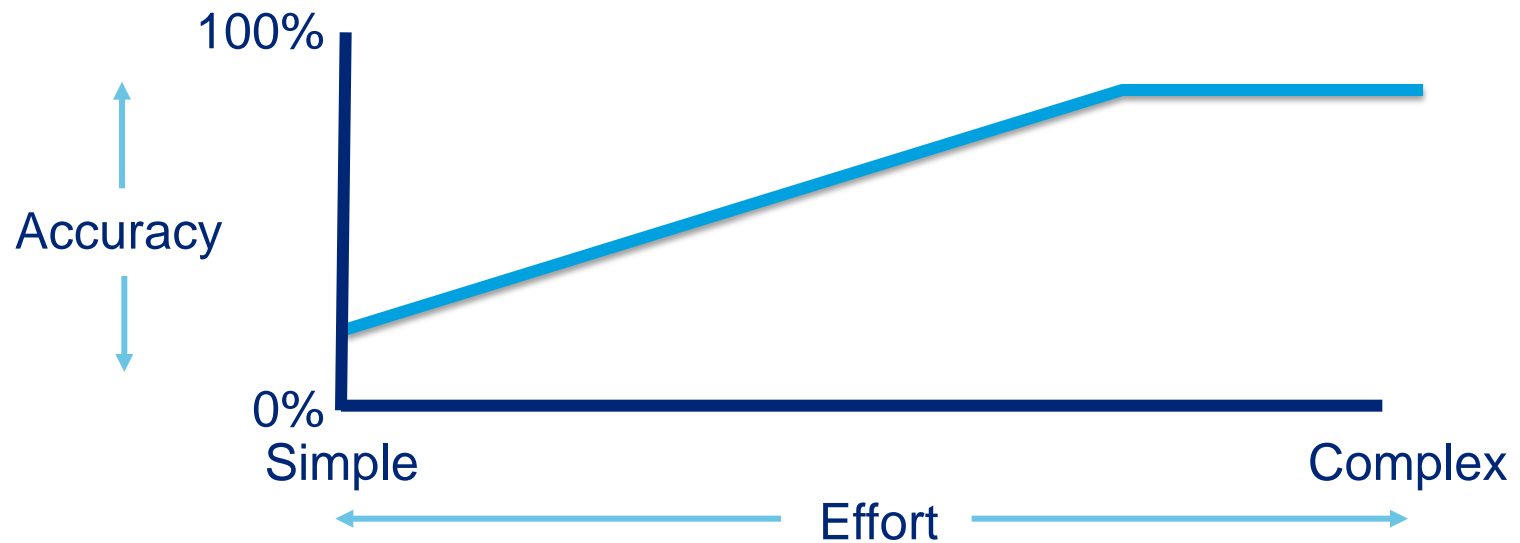
# Correctly estimate insurance coverage exposure

## Business Interruption

### The Real Answer:

There is no easy answer.

The More Effort, The More Accurate



# Correctly estimate insurance coverage exposure

## Business Interruption

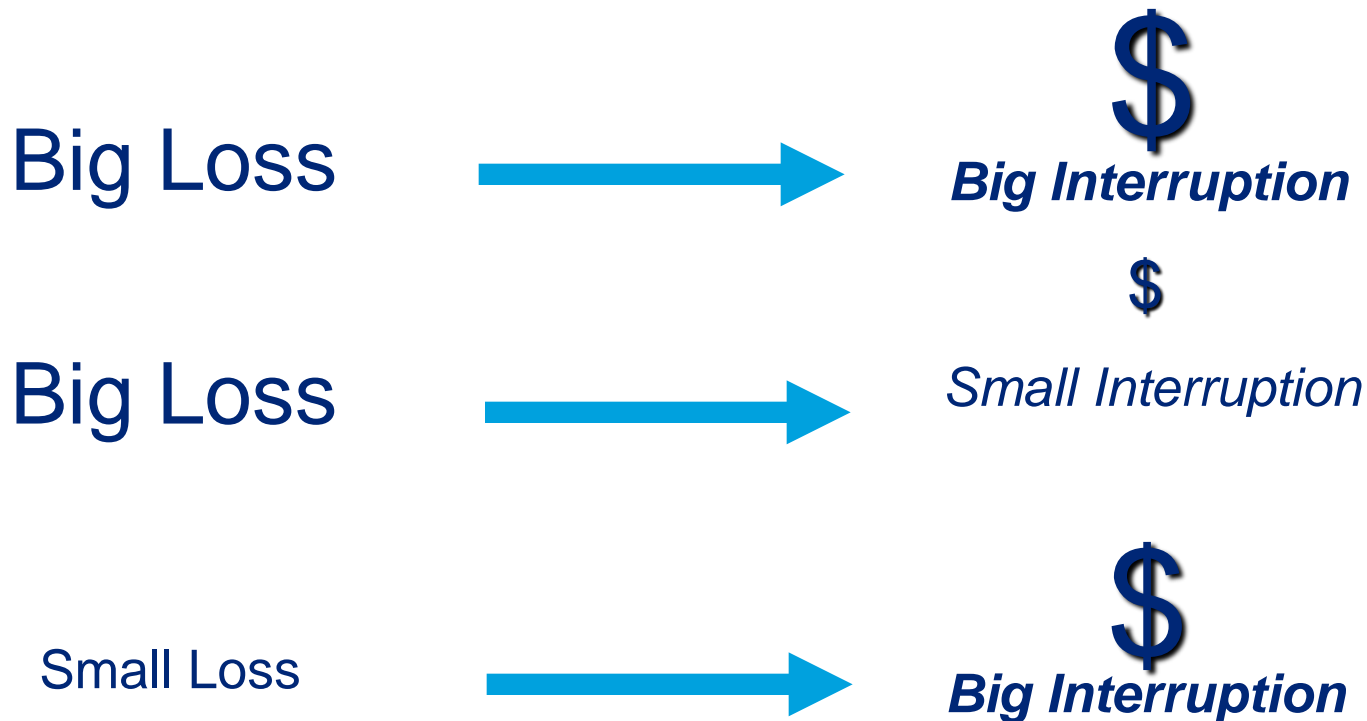
Business operations drive exposure!!!

- How much sales would likely be lost?
- What was the non-continuing costs and how much are they?
- How much “fixed costs” would be non-continuing?

# Correctly estimate insurance coverage exposure

## Business Interruption

You cannot use a cookie cutter to evaluate your exposure



Need a Maximum Probable Loss Study

# Post loss – best practices

## Section II

# Post loss – best practices

1. Put the right team together

---
2. Establish a loss information system

---
3. Communicate

---
4. Lead, don't follow

---



# 1. Put the right team together

## Form an insurance recovery task force

- Risk Manager
- Rebuild engineer
- Production / Operations manager
- Facilities manager
- Sales / Marketing manager
- Coordinate with internal accounting – “Gatekeeper”
- Public Relations
- Personnel from other facilities
- Claims Consultants
- Adjuster



## 2. Establish a loss information system

Put the beans in the right pot



- Set up appropriate new accounts for disaster related expenses
- Set up a work order as if repairs were a normal project
- Keep track of internal labour tasks and hours related to the loss
- Establish filing and documentation procedures
- Track all mitigation and non-rebuild
- Set up data room

## 2. Establish a loss information system

### Documentation example

Suppose you have an invoice for a purchase of a new printer

- Bad description: “Fire related”
- Good description: “This printer was purchased to replace the copy room printer destroyed in the fire”

### 3. Communicate

#### Develop preliminary loss estimates

- Actively participate in the reserve setting process
  - Insurer needs to set reserves
  - Management wants to know exposure
- Evaluate impact on various business functions and or business initiatives
- Managing expectations is key
  - Insurers hate to be surprised by a higher number later
  - Management hates to be surprised by a lower number later
    - Estimate a reasonable range and include TBD items

### 3. Communicate

#### Communicate with the adjuster

- Get buy in on big decisions
- Adjusters don't like surprises



#### Communicate with Appropriate Internal Management

- Explain the claim process and timing
- Manage claim settlement expectations
  - Business interruption is not “black and white”
  - Be cautious if booking receivables for business interruption

#### All document requests go through your professional accountants

- Let your managers focus on recovering from the loss

### 3. Communicate

Do not wait until the end

- Submit monthly or quarterly claims

Request regular advances



## 4. Lead - Don't Follow

### The Mistake

**The Insured Puts Too Much “Faith” in the Process and Loses Control of the Claim**



**“The trouble with this company is nobody wants to accept responsibility for anything. But don’t tell anyone I said that!”**

## 4. Lead - Don't Follow

### The Solution

- **Establish Milestones and Deadlines and “Stick to Them”**
- **Make Sure People are Held Accountable**
- **Identify “Drag” Stages and Get Back “On Track”**
- **Apply “Time is Money” Philosophy**





# Best practices — presenting your claim

## Section III

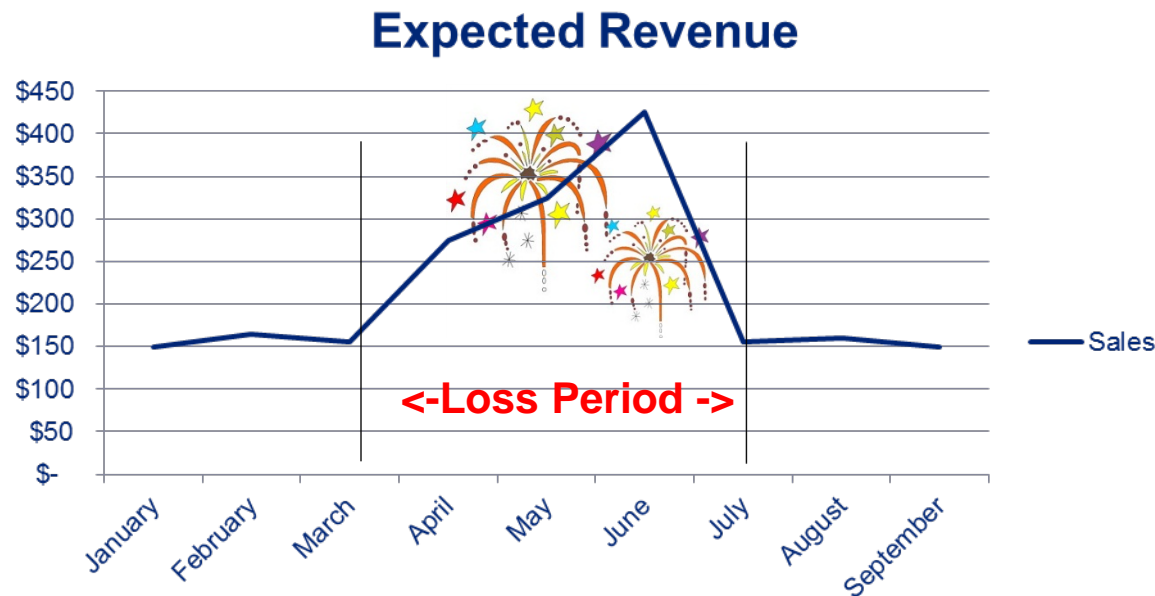
# Best practices — presenting your claim

- Believe in your claim
- Present your logic
- Present documentation
- Meet in person

# Best practices — presenting your claim

## What stops the settlement process?

- Exaggerated claims
- Withholding information
- Unrealistic expectations (by either side)



# Best practices — presenting your claim

- Believe in your claim
- Go for 100% recovery on a defensible claim - -
- Not for 50% on an inflated claim



# Best practices — presenting your claim

## Present logic

- Logic always wins
- Lay out the facts
- Affidavits

# Best practices — presenting your claim

## Present documentation

- The insurer will not just take your word for it:
  - Invoices
  - Purchase orders
  - Internal work orders
  - Time sheets and activity logs
  - Financial records and budgets

# Best practices — presenting your claim

## Meet in person

- Complex claims need to be explained
- The insurer needs to see that you believe in your claim
- Present your logic
- Present your documentation

# Best practices — presenting your claim

## Rebuttal analyses - bridging the gap

- If the insurer finds flaws in the claim, concede on those items
- If you disagree with the insurer, work with your accountants to prepare a detailed reconciliation analysis
  - Support your rebuttal with facts and logic



# Best practices — presenting your claim

Three column approach

Claim report prepared by Insured

	<u>Projected</u>	<u>Actual</u>	<u>Difference</u>
Sales	\$ 25,000,000	\$ 15,000,000	\$ 10,000,000
Cost of Sales	16,000,000	11,000,000	(5,000,000)
Gross Profit	\$ 9,000,000	\$ 4,000,000	\$ 5,000,000
Operating Expenses	5,500,000	4,700,000	(800,000)
Earnings	\$ 3,500,000	\$ (700,000)	\$ 4,200,000
Extra Expenses	-	2,500,000	2,500,000
Loss	\$ 3,500,000	\$ (3,200,000)	\$ 6,700,000

# Best practices — presenting your claim

## Advice for a claim resolution

- Mitigate your exposure with advance planning
- Set up appropriate accounting procedures after a loss
- Hire professionals to assist in calculating your claim
- Present a realistic, well documented and logical claim

# Best practices — negotiating your claim

## Section IV

# 1. Negotiation is an Art

## The Mistake

- **The Insured is Not Happy With the Insurer's Settlement Offer**
- **The Insured Does Not Know How to Respond**



**"To be a successful negotiator, you'll need courage, cunning, and stamina. If that doesn't work, try rock, paper, scissors."**

# 1. Negotiation is an Art

## The Solution

- **Include appropriate people in the conversation**
  - Operations personnel can quickly respond to insurers questions
  - Ensure they are familiar with the process, context
- **Take the time to present/explain your claim**
  - Logic always wins
  - Lay out the facts
- **Pick your battles**
  - Concede where necessary

Enjoy the rest of the  
2012 RIMS Canada Conference!