

Proudly presents...

Are You Ready to Rumble?

Knowing post-loss
success factors



Moderator and speakers

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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**

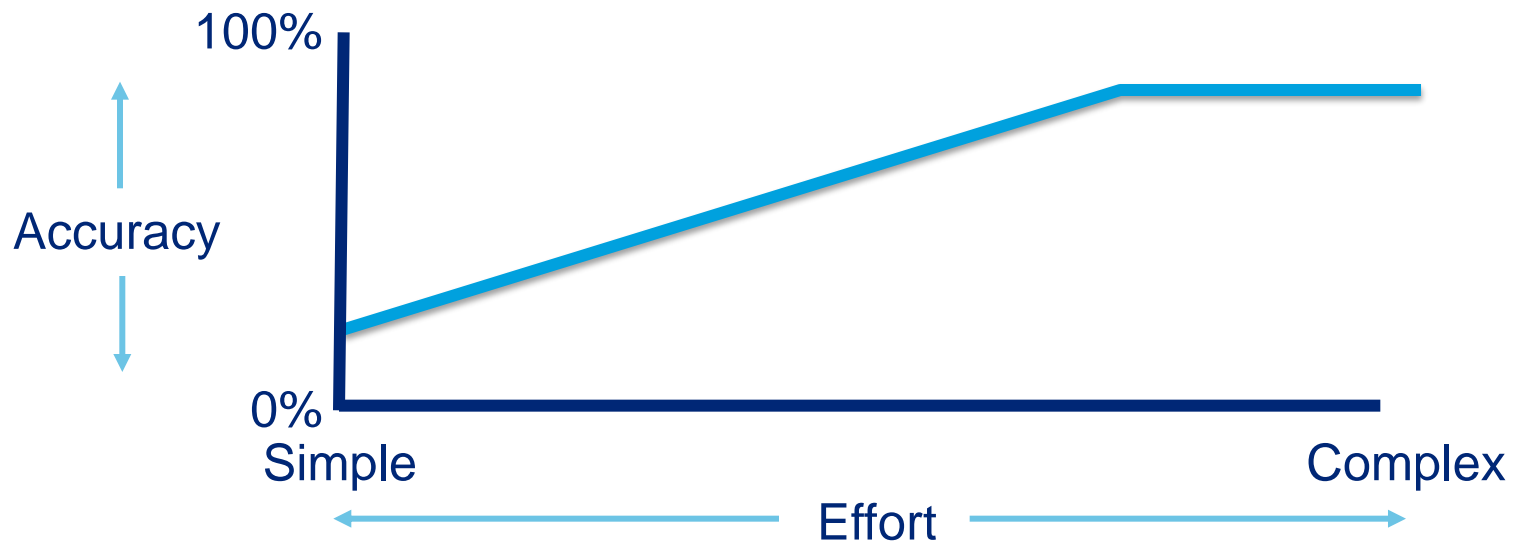
Correctly estimate insurance coverage exposure

Business Interruption

The Real Answer:

There is no easy answer.

The More Effort, The More Accurate



Correctly estimate insurance coverage exposure

Business Interruption

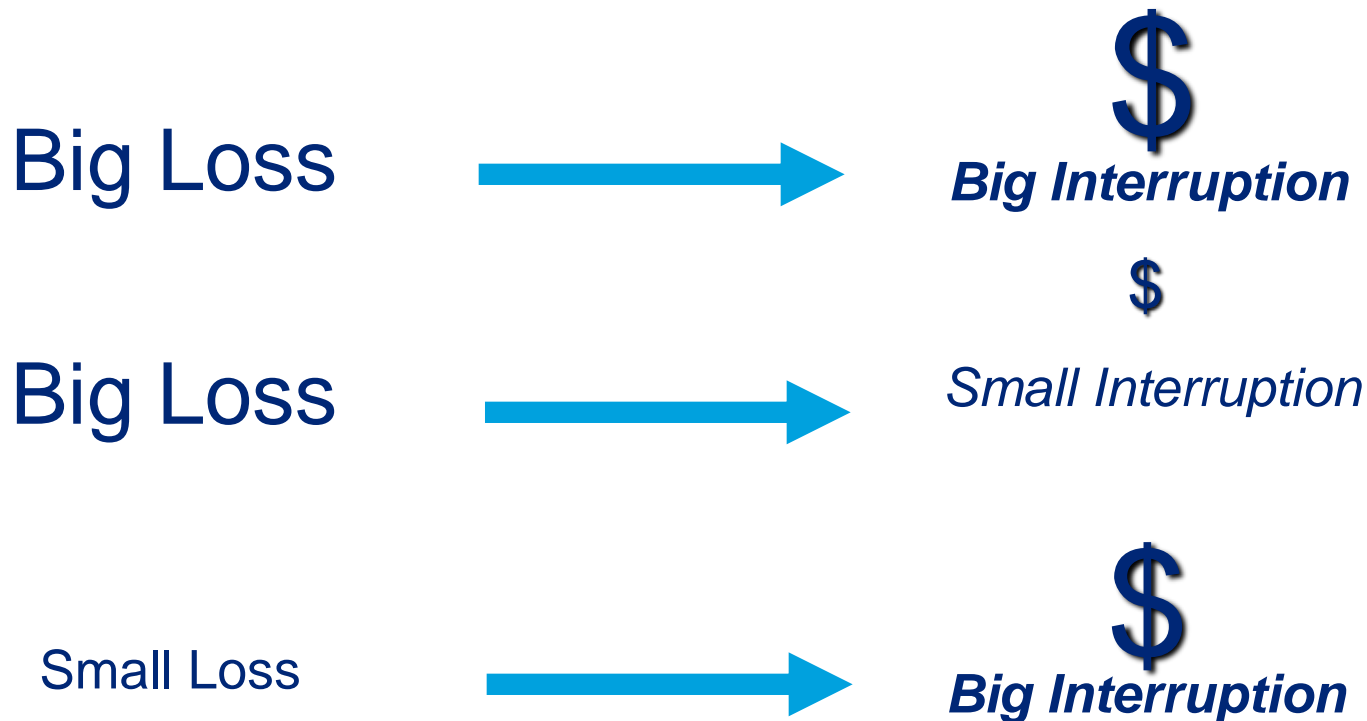
Business operations drive exposure!!!

- 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

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