



PROPERTY CLAIM PREPARATION



From a general perspective on the adjustment process, we offer the following:

You should expect that the adjuster will provide direction with regard to the needed components of claim preparation. In fact, in very large losses, it is quite common for the adjuster to introduce an accountant to assist in claim preparation and to work with your designee in the early stages of the loss.

The responsibility and the associated costs of actually preparing the claim belong to you. For this process to occur as efficiently as possible, ongoing communication with the adjuster is encouraged, starting from the date the loss is initially reported. This will help the claim preparation process become the natural conclusion to a series of communications instead of a dreaded task.

Your adjuster can provide numerous helpful tips in the early stages of the loss such as assigning designated account numbers for labor and materials associated with key activities or purchases, or providing spreadsheet shells for presenting summaries of costs. It is also important to identify your labor hours and fringe-benefit rates incurred, with a brief description of the types of activities involved. The adjuster may ask to review the actual time cards which should be retained. In addition, overtime needs to be identified indicating the reason for the overtime.

Other property damage-related documentation should be retained and gathered, including invoices, purchase orders, repair quotations, time, and material contracts and expenditures, supply vouchers or requisitions, and inventory records with prices.

Time element losses may include extra expense or the business interruption value associated with lost production or services. Any production loss must result in lost sales that cannot be received or mitigated. These lost sales must be documented. The policy requires the customer to use all available resources to mitigate insured losses. These additional costs must also be documented and segregated from normal operating costs.

TIPS FROM OUR EXPERIENCE

- We recognize many of our customers may be unfamiliar with which specific endorsements or which portion of the policy may respond to a claimed cost.
- The adjuster will work with you to maximize your recovery within the terms and conditions of the entire policy.
- We also caution our customers not to become emotionally attached to a claim.
- A claim should not be booked as a "receivable" until it has been settled with the adjuster



PROPERTY CLAIMS PROCEDURES

Our customers often use a claim letter in lieu of a submitting a formal proof of loss. Either is acceptable, because the information needed is the same, regardless of the form in which it is conveyed.

The claim consists of a package of information and is accompanied by a letter stating and documenting the amount claimed. While the specific documentation and components will vary according to the loss, we provide the following outline as a guide for items to include in the claim as supporting documentation:

1. A letter, on "corporate" letterhead, signed and sworn to by an authorized customer representative stating the date, time and location of the loss and advising of the amount claimed for:
 - property damage
 - business interruption
 - containing a statement identifying any other insurance that may apply
 - identifying if any mortgagees or loss payees have an interest in the damaged property
 - containing a summary or recap of the claim

Property Damage:

- real property
 - buildings
 - fixed equipment
 - building services (power, lighting, heating, air conditioning, plumbing, etc.)
 - improvements and betterments
- machinery and equipment
- stock and supplies
- tools
- demolition and debris removal cost

Business Interruption:

- indemnity period
- lost production or services which resulted in lost business
- business interruption values per unit of production or service
- extra expenses incurred to reduce the loss

2. Supporting Documentation:

Property Damage:

- invoices
- purchase orders
- repair quotations
- time and material contracts and expenditures
- labor time sheets/cards
- supply vouchers or requisitions
- inventory records with prices

Business Interruption:

- reconstruction schedules
- past experience of the business
- production and sales schedules or forecasts for the indemnity period
- actual experience of the business during the indemnity period

- net sales values of involved products (or services)
- variable costs to make and sell the involved products
- maintenance work done in conjunction with reconstruction
- production or sales "make-up"
- use of inventory or alternate facilities to reduce the loss

Extra Expense Incurred:

- to reduce the indemnity period
- to make up or reduce the lost production or sales
 - standard sales and actual sales after the construction period on a "Sales type B.I. form" 2



DETERMINING PROPERTY POLICY LIABILITY

CHAIN RULES

To give you additional insight into the mechanics of coverage determination, the following is a tool the adjuster uses in evaluating coverage under the policy. All of the components, or "links," must exist in order for coverage to apply.

PROPERTY DAMAGE "CHAIN RULE"

In the event of:

1. a discrete event of physical loss or damage
2. to insured property
3. from a risk of loss
4. where no exclusion applies
5. the policy covers the defined loss

BUSINESS INTERRUPTION "CHAIN RULE"

In the event of:

1. a discrete event of physical loss or damage
2. to described property
3. from a risk of loss
4. where no exclusion applies
5. that causes an interruption of business operations the policy covers
6. the defined loss sustained
7. for the defined period

FINAL COMMENTS We hope these materials are useful in managing your risks. Your adjuster is a valuable resource that we encourage you use in developing and understanding your insurance program. We especially encourage you to attend a policy workshop, or request that your claims manager review your policy with you. In the event a loss happens, proactive efforts on your part will go a long way in providing a partnership approach to loss handling. Because loss costs represent the most volatile and potentially devastating components in your organization's cost of risk, our effective mutual cooperation, both before and after a loss, is critical.

Customize the following checklists to fit your specific needs.



PROPERTY CLAIM PREPARATION



REPORTING AND HANDLING PROPERTY LOSSES

RISK MANAGER'S CHECKLIST

- ☐ Report the loss to the appropriate claims office
- ☐ Report available information on:

TYPE OF LOSS (WHAT HAPPENED?)

DATE AND TIME OF LOSS

LOCATION WHERE LOSS HAPPENED, INCLUDING STREET ADDRESS

LOCAL CONTACT FOR THE CLAIMS ADJUSTER

NAME

TITLE

PHONE

PROPERTY INVOLVED

BUILDINGS

EQUIPMENT

STOCK AND SUPPLIES

OTHER

Check with the affected facility to see if:

- ☐ Steps have been taken to prevent additional damage
- ☐ Salvage effort has been started
- ☐ Protection has been restored
- ☐ Steps have been taken to expedite return to production
- ☐ Claim accounting controls have been started to capture loss expenses
- ☐ Evidence has been protected for a cause and origin investigation



PROPERTY CLAIM PREPARATION



REPORTING AND HANDLING PROPERTY LOSSES

OPERATING MANAGER'S CHECKLIST

- ☐ Report the loss to the appropriate claims office
- ☐ Report available information on:
 - ☐ RESTORE TO SERVICE ANY PROTECTION THAT HAS BEEN IMPAIRED.
 - ☐ REPORT LOSS PROMPTLY TO:
 - ☐ RISK MANAGER AT (PHONE) _____
 - ☐ CLAIMS ADJUSTER AT (PHONE) _____
 - ☐ REPORT AVAILABLE INFORMATION ON: _____
 - ☐ TYPE OF LOSS (WHAT HAPPENED?) _____
 - ☐ DATE AND TIME OF LOSS _____
 - ☐ LOCATION WHERE LOSS HAPPENED, INCLUDING STREET ADDRESS _____

☐ FACILITY CONTACT FOR THE CLAIMS ADJUSTER

NAME _____

TITLE _____

PHONE _____

☐ PROPERTY INVOLVED _____

BUILDINGS _____

EQUIPMENT _____

STOCK AND SUPPLIES _____

OTHER _____



PROPERTY CLAIM PREPARATION



OPERATING MANAGER'S CHECKLIST

☐ **Check to see if:**

- ☐ property has been protected from additional damage
- ☐ temporary building enclosures are needed
- ☐ there are any broken gas, water, power, steam lines
- ☐ salvage of equipment and stock and supplies has started
- ☐ covers are needed for equipment and stock
- ☐ wiping, drying, or oiling is needed
- ☐ freezing weather is expected that could cause additional problems
- ☐ area of loss origin is protected to preserve evidence

☐ **Check further to see if:**

- ☐ production (operation) has been restored as needed
 - ☐ repairs have been expedited to critical equipment
 - ☐ other facilities or equipment can be used
 - ☐ production can be recovered through overtime or use of other companies
- ☐ **Start claim accounting procedures so that accurate costs and records will be available when presenting the claim:**
- ☐ **Determine the number of labor hours and costs for:**
- ☐ clean up
 - ☐ building repairs
 - ☐ equipment repairs
 - ☐ work on stock and supplies