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## **Property Loss Handling & Claims Preparation Guide**

- Duties of a client after a Loss
  1. Timely notice to the carrier(s)
  2. Cooperation
  3. Sit for an examination under oath
  4. Produce documents and evidence to support the claim
  5. Mitigate the damages
  6. Protect the property, i.e., restoration of fire protection
  7. Others – read the policy
  
- Develop a realistic action plan.
  
- Secure the adjuster's agreement on the plan.
  
- Establish internal and external communication protocols.
  
- If the client is going to act as the general contractor or project manager on any part of the restoration, agree on the fee (ex: overhead and supervision as a percentage of the project) before the project starts.
  
- Prepare a sequence of events
  1. Description of the loss
  2. Cause of the incident
  3. Events leading up to the incident
  4. Description of the impact of damages on the operation
  5. Description of the actions and the costs incurred to mitigate the loss



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- Address subrogation
- Address advanced or partial payment schedule
- Identify the experts and consultants the carrier plans to employ
  1. Salvor
  2. Forensic Accountants
  3. Building consultants
  4. Engineers
  5. Cause & Origin Investigator
  6. Attorney
- Determine if the client will require the services of experts and/or consultants
- Understand the coverage
  1. Deductibles
  2. Limits
  3. Sub-limits
  4. Occurrence Limit of Liability (Margin Clause)
  5. Time requirement, i.e., filing of the proof, legal action against the carrier, etc.
  6. Claim / loss adjustment expense covered?
  7. Identify issues and address them
  8. Other policies and how they interact
- Establish a special account to segregate all loss related charges
- Establish sub-accounts within the special account for the following:
- Cleanup of premises
  1. Removal of debris and damaged property
  2. In-house labor for cleanup
  3. Protection of property from further damage
  4. Protection of property in anticipation of a loss (hurricane preparation)



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5. Buildings and structures
  6. Machinery and equipment
  7. Furniture, fixtures and supplies
  8. Raw materials and supplies
  9. Work in process
  10. Property of customers and employees
  11. Extra expense in continuation of operations to reduce loss of sales
  12. Details on lost sales
  13. Finished goods manufactured by insured
  14. Merchandise not manufactured by insured but help for sale
- Maintain detailed/itemized records
  - Other expenses
    1. Expediting expenses, i.e., overtime, premium shipping costs
    2. Temporary equipment and facilities to minimize loss of sales
    3. Outside purchase of products for resale
    4. Rental of equipment
    5. Premium labor
    6. Excess fuel consumption
    7. Substitute materials
    8. Efficiency variances
  - Time Element Data – some examples of the detailed information that may be required:
    1. Daily production by product or daily sales by specific services reported
    2. Monthly production reports
    3. Monthly sales reports
    4. Monthly actual cost reports
    5. Monthly departmental expense reports
    6. Monthly inventory reports
    7. Monthly outside purchase reports
    8. Monthly profit and loss statement



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- Time Element Claim may consist of the following:
  1. Business interruption
  2. Extra expense
  3. Expediting expense
- The forensic accountant hired by the carrier will represent the interest of the carrier. It may be necessary for the client to employ an accounting firm to represent their interest. Is there Loss Adjusting Expense coverage in the policy?
- Physical damage claim – general documentation
  1. Vendor charges – purchase orders, invoices and their backup, contracts, engineering reports, and accounting reports
  2. In-house labor – work order summaries, payroll registers and summaries, time sheets and time cards, payment rates and fringe benefit schedules
  3. Store materials – work orders, original invoices, replacement invoices
- Building, machinery, and equipment – Scope of damage and repairs should be agreed upon with the adjuster early in the process
  1. Repairs performed by vendors - secure a copy of the contract or agreement, along with detailed and itemized invoices showing labor, materials, profit and overhead
  2. Repairs performed in-house - secure labor recaps, time sheets, benefits and overhead

General Comments:

- Secure agreement on the scope and pricing. Several of the carriers utilize pricing models that do not line up with the local market.
- Review the definition of the “Period of Restoration” and determine if there is a “Waiting Period” for a Time Element claim.



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- Occurrence Limit of Liability (Margin Clause) may lead to a policy limit issues if values on the Statement of Values are not adequate. Identify any issues early in the process.
- Flood loss – review the policy to see if or how the policy interacts with the National Flood Policy. Carefully review the deductible wording, as on occasion the two relate even when the client does not have National Flood coverage.
- Several potential coverage triggers may be involved in one claim, i.e., Civil Authority, Ingress/Egress, Service Interruption, etc. In this situation, analysis the various scenarios and determine the best course of action for the client in terms of deductibles, sub-limits, etc.