



STOP

# Filing a Property Insurance Claim

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Lockton Companies is very sensitive to the dire circumstances that many of our clients face after a property loss. We are ready to do whatever we can to assist with the recovery process.

How you prepare your insurance claim for the adjustment process is the key to an equitable outcome. The damage to property may have been exposed to direct, indirect, insured, and or uninsured loss. Keep in mind that certain causes of loss may be covered under your policy where others may not. If you have questions regarding claim reporting, coverage, or what to do to address your loss, contact your Lockton Claims Consultant.

The most common insurance claim likely to be suffered, in addition to the physical damage to property, will be for the loss of business income. Business interruption and extra expense insurance are designed to help defray lost income and to potentially continue operating after a loss.

Lockton Claims Consultants are ready to assist your company in evaluating your claim. They will work with you and your adjuster to fully explain the steps to be taken. Until you can talk to and/or meet with the adjuster, continue to conduct your operations as normally as possible, making business decisions as if you had no insurance. When possible and practical, the focus should be on keeping the doors open and the business functioning.

The property claim process can be complicated. See the details of each step on page 2.

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The insurance carriers have highly trained general adjusters and executive general adjusters with significant experience in handling business interruption claims. They also employ accounting specialists to assist them in valuing claims. Lockton recommends that for any significant business interruption claims you should consider employing the services of a qualified forensic accountant. Forensic accountants specialize in handling business interruption claims. Lockton works with vendors who provide this service on behalf of our clients, and we would be happy to provide you with assistance in connecting with one of these vendors to discuss the possibility of retaining their services. In many cases, these services are covered by your insurance policy. If they are not covered, the services of the forensic accountant will be at an additional cost to you as the insured.

## First-Party Property Claim Loss Process



**There are a number of things a business owner can do that will help expedite the claims process, including:**

- ❖ Immediately inspect the loss to determine the extent of damage, taking steps to salvage damaged property, and prepare a list of the steps required to promptly resume operations on a full-time or even a part-time basis.
- ❖ Report the loss to your insurance carrier so that a claim adjuster may be assigned. All carriers on your program should be put on notice since loss could escalate and pierce excess layers of coverage, especially in cases of large, layered property programs. Keep in mind that some types of insurance coverage, such as those designed for environmental exposures, have specific time periods with which you must report your claim. With that in mind, any exposure to loss that you are aware of should be reported to your insurance carrier as soon as possible. If you need assistance in reporting the claim or reviewing your coverage, please notify your Lockton Claims Consultant.

**If you sustain a physical property damage loss:**

- ❖ Protect your property from further damage.
- ❖ If applicable, board up the premises and correct unsafe conditions.
- ❖ Separate damaged from undamaged property.
- ❖ Restore sprinklers, lights, power, alarms, etc.
- ❖ Provide security for property.
- ❖ Begin repairing critical equipment.
- ❖ Proceed with emergency measures to prevent continual or additional damage such as cleaning and drying.
- ❖ Obtain identification of all civil authorities involved, such as fire, police, health department, building inspector, EPA, or OSHA.

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- ❖ Record any communications received regarding an order to evacuate. How did the business get the word? A written order? A verbal order? Someone heard it on the radio? Save any written orders or flyers received to document the claim.
- ❖ Confirm that you had a loss and estimate the total value.
- ❖ Identify any contributing or potential secondary cause of loss; this is very important for recovery against negligent third parties if such a circumstance exists.
- ❖ Take photographs of all damage prior to the removal of any debris.

**Collect and retain the following documentation to support the property loss claim includes:**

- ❖ Invoices
- ❖ Purchase orders
- ❖ Repair quotations
- ❖ Repair costs (temporary and permanent)
- ❖ Time and material invoices and expenditures
- ❖ Labor time sheets/cards
- ❖ Cleanup costs



## If you sustain a business interruption loss:

You may be asked to provide a copy of the most recent operating statement or income tax return, along with what sales records are available to the adjuster for calculating the loss. Subject to policy terms, conditions, limitations, and exclusions, business interruption insurance is specifically written to replace the net income the business would have received had operations not been interrupted, or the actual loss sustained. This is usually based on the business's financial history, as well as other local and economic factors.

Close out the books as of the date of the loss and maintain an accurate separate record of the operating expenses that continue during this period. Remember that the insurance adjuster will probably want to verify these expenses as part of the claim process.

If the business interruption involves the loss of electrical power, document to the best of your knowledge when it went off and when it was restored. If any written information was received regarding the power interruption, be sure to save it as documentation for the claim.

## Additional information to collect and retain to support a business interruption claim:

- ❖ A record of extra expenses incurred to continue operations.
- ❖ Production records.
- ❖ Sales journals.
- ❖ Manufacturing cost statement.
- ❖ Payroll journals.
- ❖ Material usage reports.
- ❖ General ledger.
- ❖ Profit and loss statements.
- ❖ Inventory records, quantities, and values.
- ❖ Other data as the situation dictates.

## Proof of loss statements required by insurance companies can include:

- ❖ A statement about any other insurance that may apply.
- ❖ Confirmation of the total amount claimed.
- ❖ A summary or recap of the claimed loss by category.
- ❖ Supporting documentation such as invoices, purchase orders, and replacement costs.

## Coverage for a loss is dependent on:

- ❖ The covered perils or causes of loss.
- ❖ The excluded causes.
- ❖ The limits of coverage.
- ❖ The deductible amount.
- ❖ Policy limitations.
- ❖ The facts of each individual loss.

In making a determination of coverage and the amount of a claim payment, a Lockton claims consultant can provide critical assistance where needed. Claim preparation and presentation can greatly impact coverage and the amount recoverable under the insurance policy, as well as the time it takes to resolve the claim. In the event the insurance company makes decisions on your claim that you disagree with or do not understand, your Lockton Claims Consultant can review the situation and either better explain the reason for the decision or assist you in working with the insurance company to get them to reevaluate their position.

Communication that is well organized and detailed will be your greatest ally in achieving a fair and timely result. Please call your Lockton Claims Consultant or the Lockton Claims Department, telephone 816.960.9000, for assistance.



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