



# In The Event of a Loss

*A Guide for Preparing Your Property  
Damage and Business Interruption Claim*



# Overview

- Develop a claim team to determine the recovery plan of action for repairs and restoring operations.

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- Establish the roles of each individual in the recovery process and the communication protocols. Hold weekly (or however often if necessary) meetings to discuss the recovery and claim process, flow of information, etc. Obtain insurer's agreement on each step of the recovery plan.

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- Course of action to achieve recovery, this includes making temporary/permanent replacement of building and/or contents, performing planned maintenance, capital project, changes to building, etc. need to be made as soon as possible. Delays or costs associated with work outside of the insurance coverage will not be paid for by insurance.

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- Document the Loss (including pictures/video of damages). If practical, provide pre-loss photos of property, inventory, etc.

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- Understanding the scope of the claim:
  - Property (at lesser of replacement or repair cost, or Actual Cash Value if not replaced)
  - Inventory (at sales value)
  - Equipment (at lesser of replacement or repair cost, or Actual Cash Value if not replaced)
  - Building
  - FFE (Furniture, Fixtures, and Equipment)
  - Personal Property of Others
  - Business Interruption
  - Extra Expense

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- Advance Payments/Partial Payments/Final Payments

# Property Damage

## COST CONTROL

- Create a job project code for charging all direct out-of-pocket expenses related to loss activities, including materials, supplies, vendors, contractors and other items. If necessary, create sub-accounts to group similar expenses into different categories:
  - Cleanup (e.g., broken glass, water accumulation, mud)
  - Debris Removal (e.g., strewn tree branches, residuals from flood waters)
  - Protection and Preservation of Property (e.g., cover openings, windows, roof)
  - Furniture, Fixtures and Supplies (e.g., desks, tables, chairs, office supplies, etc.)
  - Property of Customers and Employees (e.g., personal effects on site and in employee lockers)
- Project code costs need to be fully explained with a line item description, and supported by an invoice, P.O., or receipt with adequate descriptions for the charges. Direct all vendors and contractors to be thorough and complete in the descriptions of work performed, including specific areas worked, descriptions of parts and services provided, and dates work was performed.
- Internal Labor—Track any non-exempt or incremental exempt Internal Labor expenses associated with loss cleanup, debris removal, inventory/damage assessment, etc. This should be identified by name, dates, hours, rates, benefit rate/percentage (i.e., FICA, SUTA, Variable 401k) description of activities and whether the person is hourly/salaried.



## BUILDING—MITIGATION AND REPAIRS/REBUILD

- Complete any necessary temporary repairs to protect the affected property
- Notify restoration/remediation contractors if needed
- Restore sprinkler system if affected and obtain outside security to protect any exposed property
- Secure scope of damage from plant operations
- Secure a copy of building lease if its leased property
- Is adjuster’s building/engineer consultant in agreement with scope?
- Identify any long lead time for building materials
- Prepare total estimated cost of rebuild (secure estimates from multiple vendor if possible)—Request advance based on known costs
- Prepare timeline for rebuild
- Document modifications to original buildings, if any
- Document modifications due to building code changes or other regulatory requirements, if any

## MACHINERY AND EQUIPMENT LOSS

(i.e., production lines, HVAC, forklifts, etc.)

- Complete any necessary temporary repairs to protect the affected equipment
- Secure a listing of equipment impacted by loss
- Notify the OEM or an Equipment Consultant to assist in evaluating the condition of the damaged equipment

- Prepare a listing damaged equipment between “destroyed” (to be replaced) and “damaged” (repairable)
- Get an agreement from adjuster regarding each piece of equipment status (destroyed or only damaged)
- Identify any affected critical equipment to operations and lead time for replacing
- Determine the salvage potential for equipment not repairable and agree with the adjuster on the protocol to obtaining salvage bids and funds
- Identify “leased equipment ” and be prepared to provide a copy of the lease to the adjuster—what are the vendor requirements for insurance
- Secure a fixed asset ledger
- Estimate equipment loss based on replacement costs (for advance purposes; potentially get replacement estimate quotes from a vendor if possible)
- If equipment won’t be replaced, determine true useful life (not necessarily book useful life or accelerated depreciation basis)
- Prepare timeline for replacement or repair
- How does the loss of equipment impact the business interruption loss?

## INVENTORY LOSS

- Identify all areas of inventory loss and segregate damaged from non-damaged
- Where possible, preserve any damaged items—do not destroy or discard until insurer has reviewed and approved the disposal. Take pictures of the damaged inventory
- Be prepared to document and demonstrate the type of physical damage that has occurred
- Complete and secure a post-loss physical inventory
- Obtain copies of the previous two physical inventories
- Secure the perpetual inventory records since the last physical inventory
- Secure the perpetual inventory as of the date of loss
- Secure any regulatory body reports or other documentation verifying destruction of damaged goods
- Identify any opportunities for salvage and agree up front with the adjuster on how this will be handled

## BUSINESS PERSONAL PROPERTY

- Furniture, Fixtures and Equipment (i.e., office desk, cubicles, computers, copiers, etc. )
- Identify damaged vs. non-damaged
- Provide asset inventory
- Records/Business Paper Files (restoration options)
- Miscellaneous Office Supplies
- Computer Data/Back Up

## PERSONAL PROPERTY OF OTHERS

- Secure listing of property impacted by the loss
- Segregate listing of damaged property between “destroyed” (to be replaced) and “damaged” (repairable)
- Get an agreement from adjuster regarding each piece of property’s status (destroyed or only damaged)

## SUBROGATION

- Secure the evidence
- Complete a cause and origin investigation
  - Fire Reports
  - Police Reports
  - Other Experts
- Identify any potential third parties’ responsibility
- Place third parties on notice
- Establish protocol for testing and evaluating any identified source for cause



## *Business Interruption*

- Prepare a sequence of events leading up to the loss and following the loss as soon as practical. The events sequence should include:
  - Description of the loss (chronology of events, pictures, etc.)
  - Any relevant events leading up to the incident (with dates and times)
  - Description of impact on the property and operations, both physical and financial impacts
  - Description of what will be done to minimize the loss
  - Estimate of the time necessary to make repairs and resume normal operations
- Most business interruption loss calculations attempt to project what would have happened had no loss occurred. Projections are often based on historical operations (e.g., same time last year with adjustment for current growth or contraction trend).
  - Each factor in a calculation needs to be documented.
  - Historical monthly income statements for the prior 2 years
  - Weekly production reports by product for the prior year
  - Weekly gross margin report by customer for the prior year
- Factors common to business interruption losses include:
  - Interruption Period—the length of time to repair or replace damaged or destroyed property, exercising due diligence
  - Earnings/Income Losses—the earnings or income which would have been achieved during the interruption period had no loss occurred
- Earnings/Income Mitigation—actual earnings or income achieved through use of other property, locations, rescheduling, etc. despite the interruption

- Business Interruption—Other

- Determine best approach for measuring sales revenue losses and prepare monthly updates to claim estimate
- Determine if additional BI losses stem from areas other than direct damage to insured property (e.g., customer/vendor damage/interruption, loss-of-market share due to physical damage to insured, etc.).
  - If so, set-up procedures for documenting these losses (e.g., evaluation of losses by customer.

#### EXTRA EXPENSE/EXPENSES TO AVERT

- Extra Expense—Identify All Areas of Loss
  - Temporary facilities/rented equipment
  - Temporary power, telecommunication, etc.
  - Increased labor costs/inefficiencies
  - Purchasing from the open market
  - Prepare a preliminary estimate
  - Estimated cost per item/area
  - Excess fuel usage and transportation costs (e.g., product trucked-in from other locations, additional freight costs)

#### KEEP DETAILED DESCRIPTIONS

- Descriptions of work performed, services purchased or materials consumed help the insurance adjuster visualize and evaluate the claim.
  - Two types of descriptions are needed—general descriptions of work orders or cost centers used to gather claimable costs and specific descriptions of individual costs being claimed. Work order descriptions contained in authorization materials or periodic summaries are usually adequate.
  - Descriptions of in-house labor charges may have to be prepared separately by supervisors or department heads. If so, a system should be developed early to provide the necessary detail. Descriptions of contractor charges and supplier invoices can usually be obtained from purchasing documentation.
- Gather Supporting Documentation
  - Claim presentations should include worksheet summaries and 100% documentation and support for all claimed items. To do so, it is necessary to gather and segregate source documents at the time they are processed in order to eliminate duplication of effort. Two copies of all supporting documents should be made and placed in a separate file.
  - One copy will be for the facility's permanent records; the other for later submission to the insurance adjuster. It is suggested that you number each item for reference purposes, as that will make it much easier for you and the adjuster to identify items if questions arise.



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