



# RISK MANAGEMENT 201

## BEST PRACTICES IN PROPERTY CLAIMS MANAGEMENT

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RISK  
MANAGEMENT  
series

# BEST PRACTICES IN PROPERTY CLAIMS MANAGEMENT

## INTRODUCTIONS



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# BEST PRACTICES IN PROPERTY CLAIMS MANAGEMENT

## AGENDA

- Pre-loss planning.
- Review of coverages.
- Loss process.
- Questions and answers.

# PRE-LOSS PLANNING



# PRE-LOSS PLANNING

## BEFORE A LOSS OCCURS

### Develop a recovery plan:

- Gather data.
- Preserve vital records.
- Inventory equipment.
- Consider a property valuation.
- Anticipate potential areas of impact and recovery.
- Consider potential “claim team” members.

# PRE-LOSS PLANNING

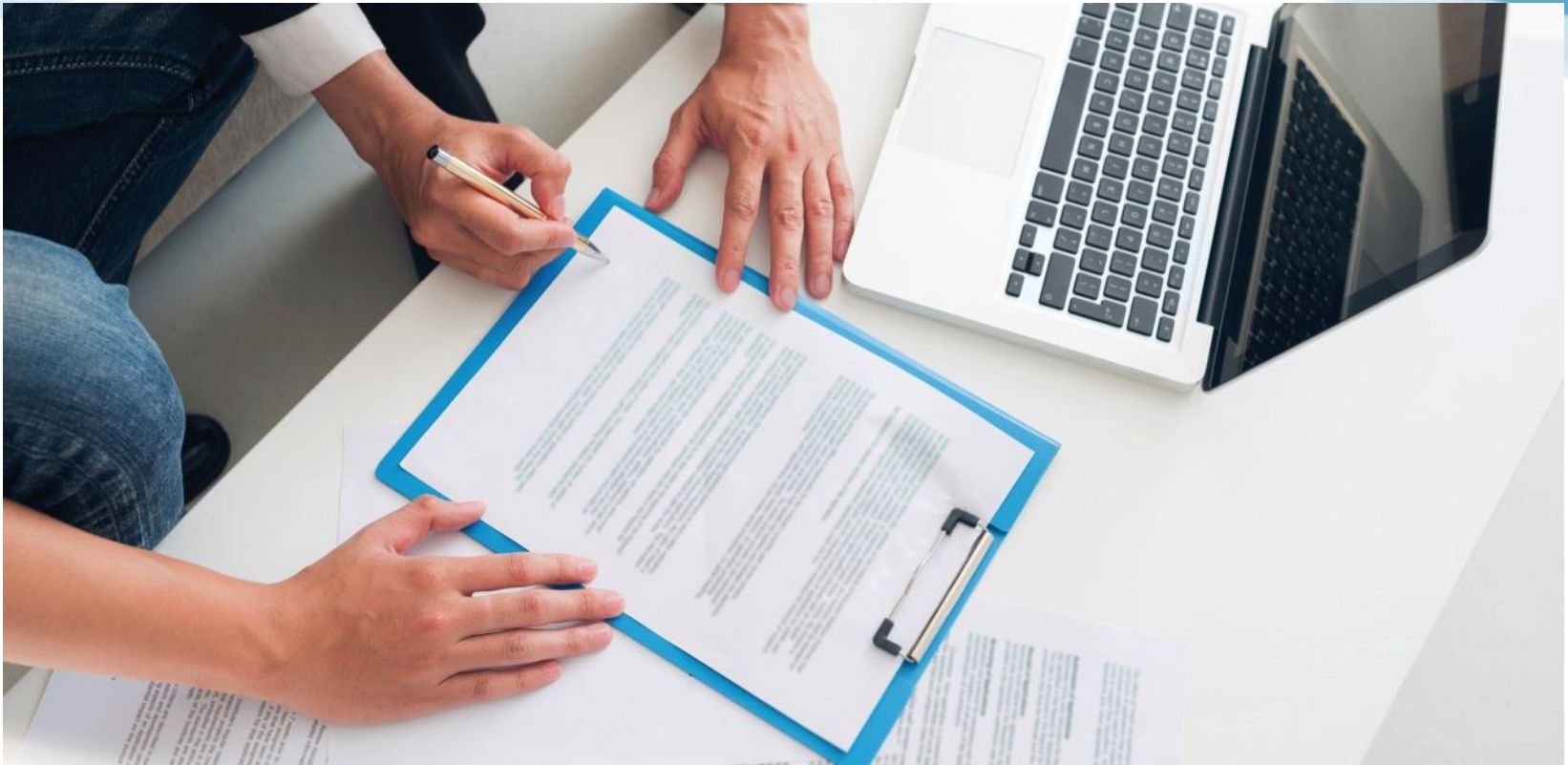
## BEFORE A LOSS OCCURS

### Understand what your policy covers:

- Limits and sub-limits.
- Deductibles and waiting periods.
- Loss adjustment expenses.
- Excluded property.
- Excluded causes of loss.
- Environmental concerns.
- Mold, pollution, asbestos.



# REVIEW OF COVERAGES



# REVIEW OF COVERAGES

## TYPES OF RECOVERABLE DAMAGES

### Property

- Real property.
- Business personal property:
  - Inventory/stock.
  - Personal property of others.
  - Improvements/betterments.
  - Machinery/equipment.
  - Furnishings/fixtures.

### Time Element

- Business interruption.
- Extra expense.





# REVIEW OF COVERAGES

## BUSINESS INTERRUPTION AND EXTRA EXPENSE INSURANCE

### Intent and Scope of Coverage

- Same financial position.
- Reimburses for “actual loss sustained.”
- Gross earnings/gross profits.
- Interplay:
  - Additional costs incurred in reducing business interruption loss will be claimed under extra expense/expense to reduce.



# REVIEW OF COVERAGES

## TIME ELEMENT COVERAGES

- Named vs. unnamed.
- Direct and indirect.
- Applicability of other time element coverages.

### Contingent Time Element



- Civil authority.
- Ingress / egress.

### Denial of Access



- Distance restriction.
- Waiting period.
- Overhead transmission / distribution lines.

### Service Interruption



# REVIEW OF COVERAGES

## TIME ELEMENT ISSUES

- Indemnity period concerns:
  - Period of indemnity vs. period of restoration.
  - Extended period of indemnity.
  - Delayed access by authorities.
  - Availability of repair firms/materials.
  - Lead time of materials and equipment.
  - Opting not to repair/replace.



# LOSS PROCESS



# LOSS PROCESS

## LOSS RECOVERY AND ADJUSTMENT PROCESS

### HANDLING THE LOSS PROCESS: INITIAL STEPS

Effective loss  
recovery plan

Obligation to  
mitigate loss

Notification  
procedures

Protect  
property  
from further  
damage

Create/activate  
claim team

Immediate  
damage  
assessment



# LOSS PROCESS

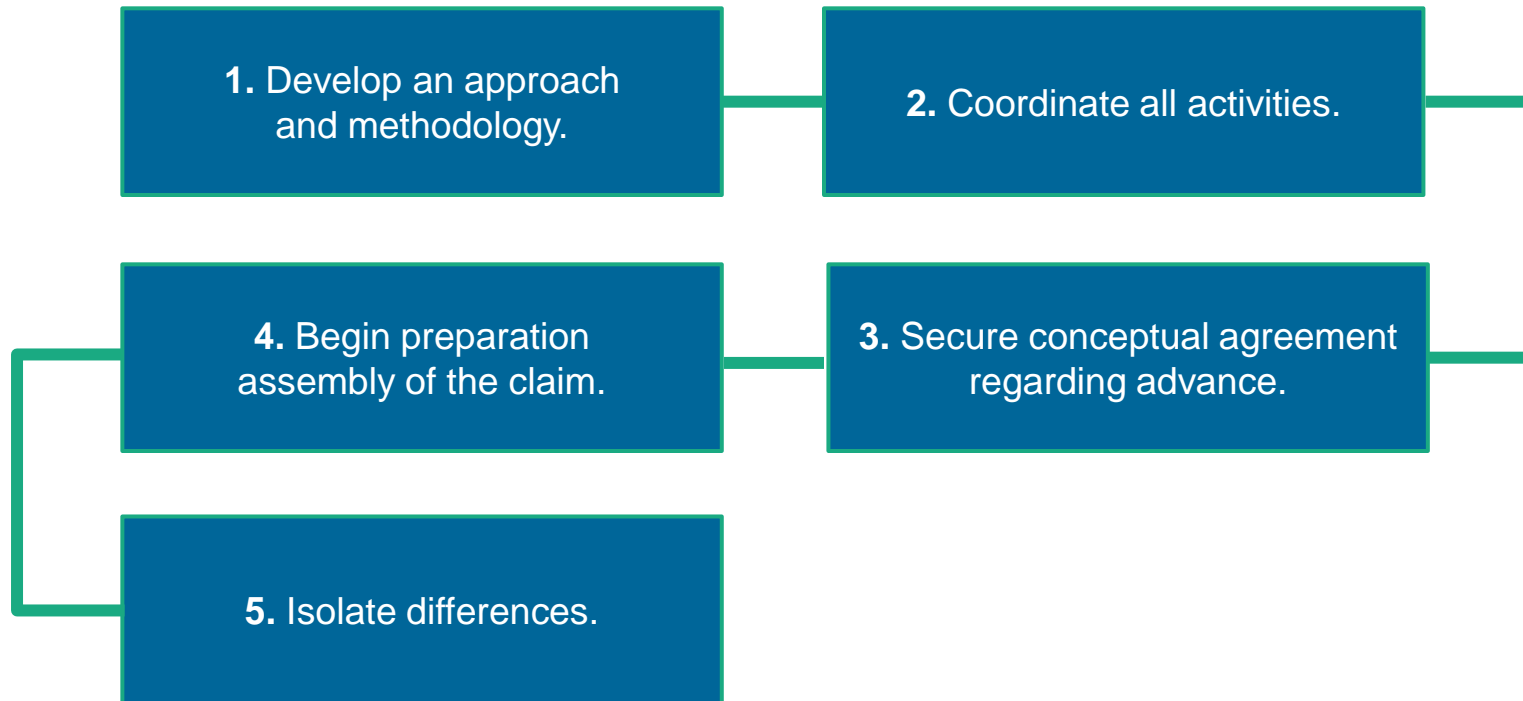
## TRACKING COSTS

- Set up special work orders, job numbers, and other accounting procedures to identify and capture all claims costs.
- Examples of claim cost categories include:
  - Protection and preservation.
  - Temporary repairs and replacement.
  - Permanent repairs and replacement.
  - Extraordinary and expediting expenses.
- Separate overtime pay.
- Determine whether forensic accounting assistance is needed.

# LOSS PROCESS

## CLAIMS

### Loss Roadmap



# LOSS PROCESS

## QUANTIFYING DAMAGES

### Property

#### Business personal property:

- Replacement costs.
- Improvements.
- Machinery/equipment.
- Furnishings/fixtures.

#### Building:

- Repairs.
- Invoices.
- Appraisals.

#### Inventory:

- Last physical inventory + purchases – sales.
- Replacement cost vs selling price.

# LOSS PROCESS

## TRACKING RECOVERY AND THE ADJUSTMENT PROCESS

### HANDLING THE LOSS PROCESS: AFTER A LOSS

Establish method  
of communication

Determine frequency  
of communication

Identify all parties  
to be included in  
communication

Discuss coverage  
issues early

# LOSS PROCESS

## TRACKING RECOVERY AND THE ADJUSTMENT PROCESS

- Settlement and resolution:
  - Coverage determination.
  - Payment process.
  - Loss payees/mortgagees.
  - Denials.





# BEST PRACTICES IN PROPERTY CLAIMS MANAGEMENT

## QUESTIONS AND ANSWERS

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For a copy of today's presentation, please email [questions@marsh.com](mailto:questions@marsh.com)

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