

Property and Business Interruption Claim Preparation Guidelines

GENERAL »

1. As soon as possible following the loss, assemble a recovery/claim team to determine the recovery plan of action for repairs and operations. This should include representatives from risk management, facility management, engineering/maintenance, operations, insurance company adjusters, and claim preparation consultants.
2. Determine roles of each in the recovery process and establish communication protocols (as described below).
3. Decisions regarding recovery, such as temporary/permanent replacement of building and/or equipment, performing planned maintenance during downtime, capital projects, changes to facility, etc. need to be made as soon as possible at this time. Delays or costs associated with work outside of the insurance coverage will not be paid for by insurance.
4. Hold weekly (or however often is necessary) meetings to discuss the recovery and claim process, flow of information, etc. Obtain insurer's agreement on each step of the recovery plan.

PROPERTY DAMAGE »

1. Appoint a person serving as the primary point of contact regarding the property damage claim, who can serve as a liaison between the various facility people and insurance claim personnel regarding temporary and permanent repair operations, information and documentation requests.
2. Establish a general ledger loss receivable account for charging all direct expenses related to loss activities, including materials, supplies, vendors, contractors and other items. If necessary, also establish sub-accounts if certain sub-limits apply or the situation requires that certain types of expenses be segregated from others (i.e. landscaping, debris removal, mold remediation, etc).
3. For cleanup or repairs expenses incurred, charges to the loss account from any operating department needs to be fully explained and supported by an invoice, P.O. or receipt with adequate descriptions for the charges. Journal entries to the loss account from various departments will not be sufficient without an adequate audit trail. 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.

CONTACTS »

Brad Murlick
312.583.6817
Chicago

Stan Johnson
404.602.5036
Atlanta

Kevin O'Toole
214.712.1537
Dallas

Mike Skweres
312.583.6835
Chicago

Mark O'Rear
713.646.5045
Houston

www.navigant.com



4. Following the loss, it is very important to track the labor expenses associated with loss cleanup, debris removal, inventory/damage assessment, etc. This should be identified by name, dates, hours, rates, description of activities and whether the person is hourly/salaried. Employees who are simply idle should NOT be included in this listing.
5. Do NOT segregate any LABOR expenses from the income statement and place into the loss receivable account. Leave all LABOR expenses in the operating accounts. It is acceptable to establish separate sub-accounts so that they can be segregated (not removed) from normal operating wage expenses. It is also acceptable to simply maintain a separate manual tracking of loss related labor expenses. However these costs should remain as part of the payroll expense category in any departmental operating statement.
6. If possible, take some detailed video and/or pictures of all of the property, inside and out prior to the loss. Following the loss, do the same.
7. If there is inventory damage (work in process, finished goods, etc), preserve the following:
 - » Perpetual inventories as of the date of loss
 - » Post loss quantity counts
 - » Cost (material, labor, VOH and FOH) and/or selling price of lost items
 - » Preserve any damaged items - do not destroy or discard until insurer has reviewed and approved disposal. Otherwise, take plenty of pictures of damaged inventory.
8. For business personal property (furniture, fixture and equipment) damaged, prepare detailed listings (jointly with insurer representatives) of all items, including description, location, asset tracking numbers, condition (destroyed, damaged, needs cleaning, etc), estimated replacement cost, and other relevant information as soon as possible following event. Take pictures of the items and if possible, segregate into separate physical location for evaluation by the insurer's representatives
9. Maintain a file containing 3 copies of all documentation supporting expenses, including purchase orders, contracts, receipts, invoices and other documentation.

BUSINESS INTERRUPTION »

1. Begin tracking the status of all open orders, reservations and/or planned events, including changes to production schedules, expected start/completion dates etc.
2. Track any additional outsourcing of production or other operations to outside vendors or alternate locations, including product specifications, quantities, start/delivery dates, substitutions, etc.
3. Begin tracking all customer inquiries and log all cancellations, rejected inquiries or other situations which may indicate that an order has been or may have been lost.
4. Retain all production planning documentation and information as of the date of the loss, including all details as to products, volumes, dates, etc. This should include recent changes to business operations or volume changes and any future anticipated developments.
5. Retain all forecasts, outlooks, pace reports, demand or backlog forecasts prior to the loss.
6. Should a significant shutdown and claim occur, the preliminary information needed for the claim will be:
 - a. Historical and post-loss production, sales and other operating data (monthly and daily).
 - b. Profit and loss statements or plant manufacturing cost statements.
 - c. Monthly inventory levels (historical and post loss).
7. Appoint a person serving as the primary point of contact regarding the business interruption claim, who can serve as a liaison between the various operations people and insurance claim personnel regarding information and documentation requests. No information regarding anticipated production or sales levels or operations recovery plans should be released to anyone except through this appointed liaison person.

The above is provided by the Insurance Claims Consulting group of Navigant Consulting Inc. (NCI). NCI specializes in the preparation, presentation and settlement assistance for business interruption and property damage claims on behalf of corporate policyholders. For more information, please contact one of the members of our practice leadership.

DISPUTES & INVESTIGATIONS • ECONOMICS • FINANCIAL ADVISORY • MANAGEMENT CONSULTING

© 2012 Navigant Consulting, Inc. All rights reserved. Navigant Consulting is not a certified public accounting firm and does not provide audit, attest, or public accounting services. See www.navigant.com/licensing for a complete listing of private investigator licenses.

