



Weather Events – April 2015

Property and Business Interruption Insurance Claim Guidelines

Aon Risk Accounting's role is to assist in the preparation of Material Damage and Business Interruption insurance claims. The scope of our assignment is to act as your claim preparer and loss mitigation advisor throughout the term of the engagement.

NOTE: THE FOLLOWING NOTES ARE PROVIDED FOR GENERAL INFORMATION REGARDING INSURANCE CLAIM PROCEDURES.

INITIAL PROCEDURES

Broad Safety Measures

The first issue to be addressed is safety. Here are a number of suggested safety measures that should be considered for implementation depending on the circumstances:-

- a) Inspect the flooded buildings for structural damage and stability prior to entry.
- b) Inspect and test all electrical distribution equipment and system components.
- c) Attend to the removal of standing water and dehumidify areas impacted.
- d) Ensure fire protection systems are in service. Return any impaired fire protection systems, including alarm notification systems, to service.
- e) Review ability to make premises secure.
- f) Inspect for spilled flammable liquid, contaminants etc. Clean up where required.
- g) Remove debris.
- h) Be wary of contamination to premises and water supply as a result of exposure to untreated waste.

Establish a claim committee:

- a) Appoint a **claim manager** / leader – Requires authority to manage the team and make critical decisions throughout the claim resolution process.
- b) Appoint a **finance** representative – Assist with [1] financial assessment of impact of loss, [2] evaluation of options to mitigate and recover from loss, [3] oversee cash requirements, manage distribution of documents, [4] play an active role in claim negotiation, resolution and [5] capture full impact of loss.
- c) Appoint an **operational** representative – Is the company still operating in a partial capacity? Can other locations (third parties) be geared up to mitigate the interruption? What inefficiencies are likely to result from the damage? What is the best deployment of impacted employees? How can the financial impact be minimised? Will the Insured repair



/ replace like for like or take the opportunity to upgrade? Understand how the business would have operated but for the loss.

- d) Appoint a **marketing** representative – Concentrate on maintaining customer confidence and relationships. Assist with developing claim projections, qualitative data to help understand sales projections that would have occurred if loss had not happened.

GENERAL INSURANCE OBLIGATION / OVERVIEW

The Insured has an obligation to mitigate the loss (i.e. to take steps to reduce the impact of the loss by taking reasonable steps) for both Material ('Property') Damage and Business Interruption. Investigate appropriateness of temporary premises, hire of plant and equipment, additional labour etc.

In regard to incurring costs (increased costs, additional costs, repair and replacement of plant and equipment etc) it is preferable to present these costs to the loss adjuster prior to incurring the costs if possible, there will be circumstances where the insured may need to incur costs to mitigate the loss, in these circumstances you should use as a guide the following, "would I have incurred these costs if I was a prudent uninsured?"

Please contact Aon Risk Accounting to discuss any mitigation strategies and any associated costs before any decisions are finalised.

Your Business Interruption policy may provide cover for gross profit, additional increased cost of working, claims preparation fees and other relevant endorsements. We can provide advice in relation to policy coverage once we review your policy in detail.

1. Fundamental Questions:

- a. What is the impact of the event?
- b. How long will the business be impacted?
- c. In what ways can the interruption be mitigated?
- d. Were any third parties impacted to whom we may have a liability?
- e. What will be the impact upon our brand and reputation?
- f. What will be the impact upon our market position?
- g. How will you manage the loss whilst still managing the business?

OPERATIONAL	INSURANCE CLAIM
Secure Property and Evaluate Loss	Notify Loss
Restore (Partial) Operations Where Possible	Initial Loss Estimate (Reserve)
Evaluate Possible Mitigation Plans	Capture / Trace Loss Information
Implement Mitigation Plans	Analyse Financial Impact of Interruption
Determine Rebuild / Repair / Reinstatement Plan	Submit Progress Claims
Complete Rebuild / Repair / Reinstatement	Respond to Insurers Review/Adjustment
Resume Normal Business Operations	Present Final Claim
	Respond to Insurers Review/Adjustment



2. In respect to damaged plant and equipment:
 - a. Do not remove any damaged plant and equipment until viewed in situ by loss adjuster, unless necessary (i.e. due to safety, to reduce further damage, to recover). Temporary storage can be utilised if necessary.
 - b. Fully document (videotape or "still" photograph) the damaged plant and equipment.
 - c. Conduct a reconciliation of plant and equipment to ascertain damaged assets i.e. reconcile to fixed asset register.
 - d. Retain suppliers of damaged assets to assess the extent of the damage (repair v reinstatement) and to obtain a quotation for the recommended response. Consider what steps can be taken immediately to either stabilise or temporarily repair assets. Advice should be provided in writing.
 - e. Consider renting plant and equipment to temporarily restore / boost capacity whilst assessment of assets is in process.
 - f. Be aware of the basis of settlement to ensure that identified replacement equipment is in accordance with the following: "Reinstatement value is the cost necessary to replace, repair or rebuild the Property Insured to a condition substantially the same as but not better or more extensive than its condition when new".

PREPARATION OF THE INSURANCE CLAIM

Set up claim file and record all relevant claim information. Provide the following to claim preparers as and when available:

1. General
 - a. Details regarding extent of damage and impact of damage to the operation.
 - b. Details of expected closure dates, including any incremental restoration.
 - c. Details of the impact of the interruption upon the business (capture phone conversations, emails, correspondence).
 - d. Any and all other documentation available surrounding the circumstances of the loss and the ensuing events that have occurred to date.
 - e. An organisational chart.

2. Accounting Records

It is essential that all relevant costs associated with the claim are captured.

- a. Create a separate insurance claim code within general ledger.
- b. Capture all costs relating to the incident e.g. labour, invoices etc.
- c. Maintain separate hardcopy insurance files with all invoice & quotation support. A transparent audit trail is paramount. For all expenses, it should be clear who, how



and why each cost was incurred. All staff with Corporate Cards or authority to incur costs on behalf of the organisation should be briefed on the guidelines regarding the capture of relevant costs.

- d. Detailed monthly P&L's for the previous 2 financial years.
- e. Detailed YTD monthly P&L's.
- f. Most recent forecast prior to loss for impacted store.
- g. Daily / weekly (if available) turnover for last 3 months for impacted site.

3. Plant and Equipment

- a. Copy of fixed asset register at the date of loss, including itemising those assets effected.
- b. Purchase invoices supporting the original cost of all damaged plant and equipment.
- c. Bids, quotes or estimates showing the current replacement cost for each item of damaged machinery and equipment.
- d. Supporting assessor reports.
- e. Documentation of all leased equipment, and or acquisitions after lease expirations, if applicable.

4. Stock

- a) Details of all stock damaged or destroyed, including quantities and cost.
- b) Details of the last physical inventory taken at the damaged location and the accuracy of the count to the ledgers.
- c) Understand the replacement cost of the stock, and are there are any limitations to reordering a greater volume of stock e.g delivery lead times, seasonal stock.

5. Additional Costs

- a. Record of all increased and/or additional costs incurred as a result of the damage, including copies of all supporting documentation.
- b. Consider the cost implications of protecting customer turnover; are the measures economic?
- c. Set up claim file – copy all increased / additional costs related to damage.
- d. Set up an additional nominal code to record all costs incurred with damage.