

INTRODUCTION TO CLAIMS

Business Income claims are the most contentious and tedious of all insurance claims primarily because of unrealistic expectations from the policyholder and a lack of education by the insurance industry. **Business Interruption Consultants, Inc.** has handled a large number of claims from community-wide disasters to individual incidents. There are always the same issues: The policyholder believes they should get the policy limits and the adjuster reduces the claimed amount by policy language. If only the insured and their representative would complete a **business interruption appraisal** upfront, then these problems would be reduced and the insured would be better protected.

Since most business owners do not know how to calculate their business income loss or present it to the insurance company, the standard procedure is for the insurance company's adjuster to hire a forensic accountant to do the calculations for the insured. However, to protect your interests, hire your own specialist. **Coverage to pay the expert's fees is often included in your insurance policy.** Your advocate (not a general CPA) will facilitate the claim and include all loss amounts to make sure you are paid the full amount you are due. When the adjuster's forensic accountant calls to make an appointment to prepare the claim say, "No thanks, I have my own expert putting our claim together." This way your advocate

will calculate, prepare, and present your claim to the adjuster for discussion. The business owner retains control and is still responsible for settling the claim and accepting the insurance company's offer with the advice of the advocate. You will be certain your claim includes everything you lost plus all the extra costs. Remember, it is the insured's responsibility to tell the insurance company what they lost and how much they expect to be paid. This should not be a whimsical or unsubstantiated number, but a well-documented, calculated amount.

In order to facilitate the process, you might want to follow our suggested procedure. Keep in mind that it is your responsibility to do your homework and stay in control of the claim.

First, read and understand your insurance policy so you know how it will respond. **Be proactive!** Have a tested contingency plan and implement it as soon as possible after the disaster. **DO NOT WAIT FOR THE ADJUSTER.** Immediately start the clean-up process, make repairs, and take remedial action to restore operations, but take pictures and keep receipts. If you always use a certain contractor or carpenter, etc., hire them for your repairs and submit your bills. A less expensive repair person might not be the best one for you and always insist on quality materials.

For help with your Business Interruption claim,
CONTACT BUSINESS INTERRUPTION CONSULTANTS, INC.
at info@bisimplified.com for your no obligation consultation.

As soon after the disaster as possible, take lots and lots of PICTURES of the damaged and undamaged property, including the entrance and exit to your facility as well as neighboring buildings. Implement the employee call tree and "800" call-in number.

Keep a claim journal ([see Claim Journal on BISimplified.com](https://www.bisimplified.com)) of what happened, what you did, and when. Also use a special general ledger account to track how much you spent so you will have the information available at a later time when questions arise. Do not rely on memory. Update and expand your journal entries at the disaster debriefing with the managers. Do not give the journal to the adjuster. This record is for your information and serves only as a reference tool.

Access your cash and at the same time, set up a special general ledger account and run all expenses through that account during your recovery period so your expenses will be easily calculated after you have recovered. Make sure receipts and petty cash requests list the date, amount, and the reason for the expenditure. You must show who, what, why, and where the money was spent.

Also, depending on the insurance policy coverage, keep in mind that the claim's period of recovery may continue after the facilities are repaired or rebuilt if you are still

operating in a recovery mode. For example, you might be working from three locations or your Information Technology people are still deployed. The claim is not resolved until you are in your permanent facility and operating at the expected level of quantity and quality.

When you talk to the adjuster, ask them for a partial payment and keep asking for advances throughout the claim settlement process. Some policies include partial payments on Business Income claims. Know your rights and obligations under the policy. If any of your expenses are not covered by

insurance, at least you are recovering your operations and not wasting time and money. Hesitation and confusion costs organizations a lot of money.

To keep surprises to a minimum, let the underwriter/

claim department know about your contingency plan. Send the underwriter a copy of your plan and ask they review it. Then, if they have any questions, they can ask them up front and will not be surprised by your actions. Keep in mind, your insurance company adjuster is not your adversary. Most adjusters will approach the claim in a professional and helpful fashion. Remember, the key to a successful recovery is to be prepared, know what to do, and know how to calculate the financial impact of a disaster on the business.



In April: RESOLUTION OF SIX COMMON AREAS OF DISPUTE