



# **BUSINESS OWNER'S GUIDE** TO GETTING THE MOST FOR YOUR PROPERTY INSURANCE CLAIM

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 GLOBE MIDWEST  
ADJUSTERS INTERNATIONAL

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**Disclaimer:** Property insurance policies vary from insurance company to insurance company and property insurance laws vary in each state. This information is not intended to constitute legal or public adjusting advice and should not be relied upon without the appropriate legal or public adjusting partner reviewing your particular case.



# INTRODUCTION

**W**hen a catastrophic loss forces you to close your doors, the process of getting your business back up and running can be overwhelming. It's especially tough when you must manage everything on your own.

You will also work with your insurance company's claims adjuster or other claim representative. While most adjusters have the expertise to ease your concerns and make your claim experience easier, their primary responsibility is to the insurance companies that pay them. Instead of making things easier, an adjuster's ongoing efforts may become an obstacle to your recovery from the loss.

**When an adjuster inspects your damage and investigates your claim, his or her focus is often on a narrow range of outcomes:**

- ✓ Documenting covered damages and final repair costs.
- ✓ Determining cause and origin.
- ✓ Ruling out arson, intentional acts, and other coverage issues.



# Your Property Claim is Crucial to Keeping Your Business Afloat

When your business suffers damage, there are many financial issues to consider. If you are a sole proprietor operating a small business, even a short-term closing can affect your personal financial situation. Shutting your doors temporarily can create a hardship for employees who rely on your business as their only source of income. For your suppliers and businesses that rely on the goods you supply, your downtime could cause additional complications.

With so much at stake, it's important to take a proactive approach. Before a major loss occurs, it's wise to develop a basic knowledge of your Business Owners Policy (BOP) or commercial coverage and become familiar with building restoration issues and insurance claim procedures. Although catastrophic losses are seldom predictable, it's important to understand the potential and be prepared to take action.

# First Steps to Limit Your Damages



It's not necessary to memorize your entire insurance policy, but you should have a basic understanding of your coverages and the steps you must take to preserve your rights and understand coverage for your property.

Commercial insurance contracts outline the duties your insurance company deems important. These are explained in the section titled, "Duties In The Event of Loss or Damage." The list of critical responsibilities includes filing a claim, mitigating your damages, and preserving your property.

## Mitigating Your Damages

The "Neglect" exclusion eliminates coverage for damage caused by your failure to "... use all reasonable means to save and preserve property from further damage ...". It's a no-excuses exclusion, as your policy pays the expense of accomplishing these tasks. Your insurance company may deny coverage for those items you fail to protect.

Before you begin your protection efforts, it's important to make certain your building is safe to enter.



Check with your utility companies and the fire department to make certain your property is free from electrical, fire, and other hazards. If your interior is water-soaked, be cautious with fans, heaters, and other electrical devices.

**Here are a few additional recommendations for mitigating your damages:**

- ✓ Immediately hire a reputable contractor to tarp any holes in your roof or perform temporary emergency repairs to prevent rain from entering. Be sure contract is limited to emergency work only.
- ✓ Dry out floors, walls, machinery, and water-soaked business personal property.
- ✓ Separate damaged from undamaged items to prevent further damage.
- ✓ Mitigation can be very expensive. Limit mitigation to only work that is absolutely needed until you get an agreement from your insurance company that they will pay.

## **Filing Your Claim**

If your claim involves a loss that should be reported to the police, that should be your first action. Otherwise, your number-one priority is giving your insurance company “prompt notice” of the loss and a description of the property and damage. Your initial report may be to your agent, your insurance company’s local office, or a toll-free claim reporting number. It may contain only the basics, but your policy requires you to notify your insurance company “as soon as possible.”

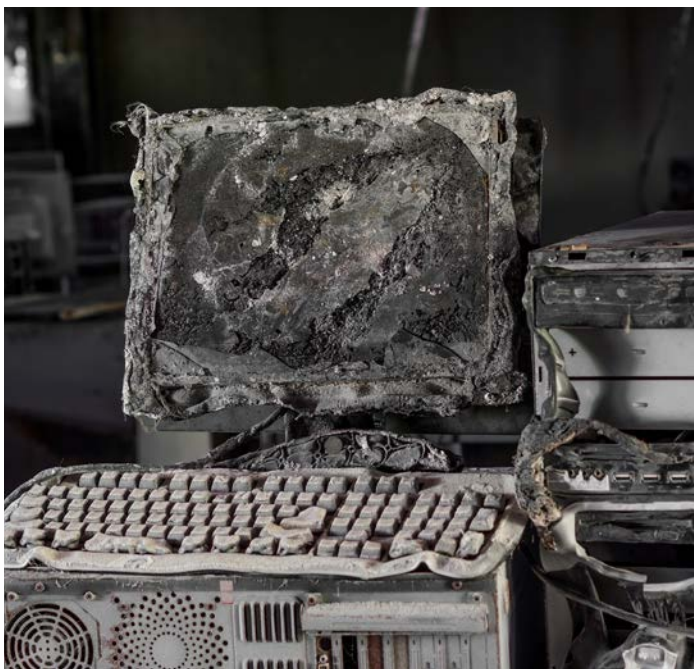
## Preserving Your Property



### Undamaged Property

Protecting undamaged property could mean moving your computers, phone system, furnishings, and other business personal property to an alternate location or storage until it's safe to bring them back. Failure to take the appropriate measures may expose your undamaged property to contamination by damaged items.

As a damaged building is vulnerable to trespass, vandalism, and other illegal activities, property left in place can remain at risk. Relocation may be your most prudent option. These costs should be covered by your insurance.



### Damaged Property

If your first impulse for handling destroyed property is to rent a dumpster, fill it up, and send it to the local dump, your actions could lay the groundwork for a coverage battle with your insurance company. When you expect them to pay for damaged and destroyed business personal property, your insurance company reserves the right to inspect it and dispose of the salvage.



## What Your Insurance Covers

Interpreting the language in your insurance contracts can be challenging for a non-insurance professional. It's important to have a basic understanding of key policy provisions or have access to an insurance professional who can explain the terms and phrases you don't understand. Your agent may not be your best source of knowledge and unbiased opinion.





## Commercial Building Coverage

The declarations page in your insurance policy provides a snapshot of all the coverages you purchased. It outlines your policy period, policy limits, named insured, property descriptions and locations, lien holders and mortgagees, deductibles, optional coverages, and endorsements. It also shows whether you have coverage for your business premises, your business personal property, or both.

“Additional Coverages” and “Coverage Extensions” in your policy provide coverage for claim-related expenses, such as Debris Removal and Fire Department Service Charges.

Your policy has a variety of provisions that add coverage, take it away, and then add it back again. It is important to read every provision very carefully to understand what is, and what is not, covered by your insurance policy.

When you elect to pay an additional premium, your policy also can provide optional coverages for outdoor signs, fences, pools and other structures, which otherwise may be excluded from coverage.

# Business Interruption Coverage Overview

You can better understand your business interruption coverage by reviewing key definitions and concepts. Here are a few things to consider:

- ✓ Key exclusions and time limitations define and limit your coverage.
- ✓ Instead of a dollar deductible, business interruption “deductibles” are often time-based, such as the 72-hour waiting period before coverage applies.
- ✓ To avoid claim disputes, document every related expense and keep every receipt.
- ✓ Remember, your property claims adjuster’s final business interruption figures are based on the “...length of time it would have taken to resume ‘operations’ as quickly as possible.” If the adjuster believes you didn’t resume business quickly enough, it could mean a reduced claim payment.
- ✓ Consider temporarily locating your business to another site. This will enable you to keep your employees working, retain your customers, and maintain a flow of income. The added expenses are usually covered by your policy, and your actions will show that you made a good faith effort to reduce your losses by keeping your business running.
- ✓ Unless your policy is endorsed to cover a longer business interruption period, coverage is usually limited to either the time it takes to resume normal operations or 12 - months, whichever is shorter.
- ✓ Even after you reopen, and your business interruption coverage is cut off, your business may not be generating the revenue it did prior to the loss. Some policies have “Extended Period of Indemnity” coverage which pays for the reduction in your income after you reopen. This is usually for a very limited period of time that will be specified in your policy.



# Avoid Common Claim Mistakes & Delays



When you are trying to get your business back up and running, it's easy to become frustrated with the claim process. Sometimes it's best to step back and proceed with caution. The sense of being overwhelmed can lead to common mistakes and delays.

## Failure to Protect Your Property

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No matter how busy you are, you must arrange for temporary repairs — or risk having parts of your claim denied. For example, if your restaurant equipment is ruined because rain entered a hole in the roof that was caused by a fire, your claim for damages may be denied due to your failure to protect your property by having the roof tarped in a timely fashion.

## Failure to Submit a Timely Proof of Loss

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Even if you can't submit a perfectly executed Proof of Loss, you must still get it in on time. It can be a form or a single typed page, as long as it contains the information outlined in, "Your Duties In the Event of a Loss," and is supported by documentation. Failure to file a timely Proof of Loss can cause unnecessary claim payment delays and may even result in a denial of your claim.

## Settling Because You are Tired of the Process

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Never accept a quick, cheap settlement because the claim process has worn you down. If necessary, postpone negotiations until you are in a better frame of mind and you are ready to fight for a fair settlement.

## Accepting a Claim Denial

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If your property insurance claims adjuster tells you that you have coverage issues, ask for a detailed coverage opinion letter. The adjuster might be using coverage as a talking point. When coverage issues are truly a concern, insurance companies decline coverage outright. Never except a denied claim as final. Always get a second opinion from a professional.



## Actual Cash Value Negotiation Tips

When your building or business personal property is subject to depreciation, it's important to negotiate a fair offer. Adjusters rely on computer programs and property life-expectancy tables to establish depreciation factors. They may show the math and explain the calculations (Replacement cost - depreciation = Actual Cash Value), but that doesn't mean the amount offered is fair. No matter how an adjuster makes a case for depreciation or ACV, it's still just an opinion. It's up to you to develop enough information to establish a reasonable value for your property.

Here are a few arguments to consider.

- ✓ If your property is rarely used, depreciation shouldn't be typical.
- ✓ When property is well cared for, it's worth more. If you retain maintenance records on certain pieces of equipment or the building, these can support a lower depreciation and a higher ACV payment,
- ✓ Your property values are higher when you can establish a higher market value via research, want ads, trade websites, expert opinions, even eBay.
- ✓ Photos show your property's excellent condition.

# Hidden Damage

When a covered loss causes hidden damages that may be overlooked, it can cause more damage, increase your damages down the road, and trigger a dispute with your insurance carrier. As it's your duty to protect and preserve your property, it's in your best interests to hire a professional to detect and resolve hidden damages as soon as possible.

## Lead & Asbestos

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These hidden substances can remain undetected until a catastrophic loss uncovers them. Lead can be found in pipes and aging paint. Asbestos may be located within walls, and in attics and crawl spaces. Both can cause serious injuries and may require specialized abatement procedures before other building repairs can begin.

## Smoke & Soot

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During a fire, smoke and soot travel throughout your business premises. They leave behind an acrid odor and a dark residue. When they soil furnishings, carpeting, flooring and walls, it's easy to recognize the need for immediate cleaning and treatment. If smoke and soot enter vents, ducts, interior walls and crawl spaces, or they settle into the inner-workings of machinery or equipment, they might be overlooked. An environmental professional can inspect areas of concern and determine if soot and smoke-damaged property can

be salvaged or must be pitched. They rely on a variety of techniques to clean away smoke and soot, and neutralize odor.

## Mold

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Mold grows in dark conditions, thrives when moisture is available, and can be difficult to detect. If left unabated, it continues to grow, destroying fabric, wood, drywall, and other organic materials. Certain types of mold can cause serious illnesses. Your insurance may provide some coverage for mold, but there is usually a low coverage limit.

## Electrical Wiring & Insulation

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When damage is extensive, it's easy to miss problems that are hidden within your walls. Damage in one location of your building can affect the wiring in other areas of the building as well as inside of computers and other business machinery and equipment. Insulation can be damaged by a fire department's efforts to extinguish your fire.



## Professional Help Options

You need to know what's going on with your commercial property claim, but you also need to work toward restoring your business operations. When your time and energy are being stretched to the limit by an extensive to-do list, you should consider hiring a professional to assist you in managing your claim.

## Public Insurance Adjuster

Licensed public adjusters are insurance claims professionals who are trained in insurance coverage, building damage, personal property damage, restoration issues, and all other facets of commercial property insurance claims. They perform many of the same tasks as an insurance company's claims adjuster, but everything a public adjuster does is on behalf of the policyholder, to protect his or her interests in a property damage insurance claim.



### Public insurance adjusters work to:

- Review your policy to identify all available coverage as well as potential concerns
- Work directly with your insurance company so you can get your business back up and running
- Identify damages to the building and prepare a detailed repair estimate
- Inventory and value damaged property
- Assist in recovering your business interruption expenses
- Provide valuable guidance for meeting all policy requirements when making a claim
- Ensure you meet claim deadlines
- Assist you in completing a timely Sworn Statement in Proof of Loss
- Work to resolve any coverage issues
- Negotiate the maximum settlement possible under the terms of your insurance policy

### Make an Informed Choice

It's important to have enough information to make the right claim choice for your business. The more proactive you are about commercial property losses and related insurance coverages, the better informed you will be if your business is sidelined by a catastrophic loss.



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