

COMMERCIAL PROPERTY DAMAGE:

An Insurance Claims Primer



GLOBE MIDWEST
ADJUSTERS INTERNATIONAL

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How to Use This Primer



Suffering commercial property damage throws you into a crisis that most people can't comprehend. Once your immediate concerns are resolved — your people are safe, and your property is secure — a new crisis starts: managing your commercial insurance claim.

The process to file a property damage claim is included in your commercial insurance policy. Your insurance company will want to guide you through the process, and you may be tempted to let them. It is not an easy process. A point made clearest in your policy, though, is that the burden to prove both the extent and value of your loss is on you, the policyholder. Insufficient proof provided by you means less for your settlement.

The pages that follow will give you an overview of what to expect during the commercial insurance claim process, and insights to help you make some of the most critical decisions that lie ahead. If you find you need more help than this primer can give, please don't hesitate to call us. We advocate exclusively for you.



Your Contractual Obligations Begin Immediately After a Loss

Know your policy

The clock starts ticking on the contractual obligations in your commercial insurance policy the minute you become aware you've had a loss. It is critically important that you read and understand your policy and the obligations you must meet. While this task can make a mature adult want to run and hide under the covers, it is absolutely necessary. The language in your policy is all that matters in your claim.

Your actions, or lack of action, in the immediate hours and days that follow your loss could easily dictate how your entire claim will play out.

If you do not have a complete copy of your commercial insurance policy, request one from your insurance carrier immediately. Make your request in writing, include the date, and keep a copy of this correspondence.



Protect your right to file a claim

Every commercial policy is written specifically for the type of property and the risk exposures it will cover. No two policies are alike. All policies, however, share three requirements that must be met to protect your right to file a claim. These are found in your policy under **“Duties in the Event of a Loss.”**

Failure to meet your duties — these and others — can result in costly delays, and even denial of your claim:

- ✓ Mitigate against additional damage (i.e., tarp holes in your roof) and cover broken windows and doors to keep rain, animals, etc. from entering and causing more damage. *NOTE: if a failure to mitigate results in additional property damage, that damage will not be covered by your policy. Coverage is usually available to reimburse the cost for this, so hiring a mitigation contractor is recommended.*
- ✓ Secure your property against trespass, vandalism and theft.
- ✓ Provide your insurance carrier with prompt notification of your loss.



Allow your insurance carrier to conduct a thorough investigation of your damages

Your insurance company retains the right to investigate all claims. They will have grounds to deny your claim if a full investigation is not possible.

Aside from meeting your mitigation requirement, leave your damaged property unchanged until your insurance carrier informs you they have completed their investigation.

Decide How Best to Proceed With Your Claim



Once you've met the initial obligations required by your policy, it's time to decide how you want to proceed with filing your claim. You have choices, and there are important things to consider with each option.

Should you follow your insurance company's lead?

Your commercial insurance policy makes clear that it is your responsibility to prove the full extent of your loss. At the same time, your insurance company will make it very easy for you to let them determine the value of your loss.

Be prepared: the settlement offer you'll receive by following your insurance company's lead is likely to be low. Complaining about how low the offer is won't change anything. Proving the value of your damages and negotiating for what your settlement offer should be is the **ONLY** way to have a substantive impact on the value of your commercial insurance claim.



Should you manage your own claim process?

You have a business to run, a life to live, and other obligations that don't stop when your property is damaged. Managing a commercial property insurance claim on top of everything else will be daunting. You will need to acquire expertise quickly in many areas, especially:

- ✓ Policy language, interpretation and application
- ✓ Documentation
- ✓ Construction and restoration materials, methods and costs
- ✓ Site and contractor management
- ✓ Actual and replacement cost valuations
- ✓ Forensic accounting
- ✓ Claim management
- ✓ Negotiation

If you're confident you have the time and skills needed to prepare your claim, the following pages will help you plan for the challenges that lie ahead.



Keep a claim journal

Filing a commercial insurance claim takes time and attention, and there is much that can go wrong. Be sure to keep meticulous records of all your claim-related activities. Should a dispute arise, you'll have documentation, which is far superior to memory when evidence is needed.

Keep records of all:

- ✓ **Phone calls.** Note the date and time, details of the conversation and with whom, the results, and any promised or needed follow-up; document every call, even if you don't speak to anyone, or if you leave a voicemail.
- ✓ **Letters and emails.** Most insurers save every email they receive, so always think carefully about what you are communicating. Keep a copy of all written and electronic communications regarding your claim. Make sure everything is dated.
- ✓ **Face-to-face conversations.** Write summaries of all in-person conversations; include the date, time, location, and names/titles of everyone involved in each conversation. When possible, follow both telephone and face-to-face conversations with an email of your summary to all involved.
- ✓ **Estimates.** Keep copies of all damage estimates and bids you'll collect for materials and repair work. Be sure all work promised is included in the estimate.
- ✓ **Expenses.** Save every receipt for every expense related to your loss.

Document your damages

Before entering any property that is damaged, contact your local fire department and utility companies to make sure it is safe to enter. Fire and water damage, in particular, can make a site toxic. Know what you'll be walking into. Wear appropriate protective clothing, and always use extreme caution when you're on a damaged site.

Do not allow anyone to move or remove anything from your site until you thoroughly document your damages.



Take photographs, many and from all different angles, of your damaged building(s), equipment, and other property. If you are without electricity, be sure you bring a light source, so you can see clearly what is in each picture. Good photographs of your damages can make the difference between whether or not it's covered.



Write detailed descriptions about how the loss occurred and the resulting damage. Be thorough and specific about everything that was damaged.



Make a video of the damage. Walk through and pan the camera slowly, recording all the damage. Again, use artificial lighting if necessary.



Determine and declare whether your property is damaged or destroyed. List and describe items individually. Pair these descriptions with the appropriate photographs.

NEVER discard any of your damaged property — even if you know it is totally destroyed — until you've thoroughly documented the damage AND your insurance company clears you to do so. It is impossible to claim for damages to your property if you cannot prove the existence and condition of all the property in your commercial insurance claim.



Verify your coverage and limits

The best way to prove that a commercial insurance policy provides coverage for a particular loss is to point at the words in your policy that promise coverage. You'll need to be diligent when examining your policy to uncover the different coverages, i.e. "buckets of money" that you can use per the terms of your insurance policy.

In addition to coverages for your building(s), equipment, and business personal property, scour each section of your policy to identify all additional and endorsed coverages you may be able to use, such as:

- ✓ Debris Removal
- ✓ Temporary Storage
- ✓ Relocation Expenses
- ✓ Business Interruption
- ✓ Additional Incurred Expenses
- ✓ Valuable Papers
- ✓ Many more

If you're told the type of loss, or the property that was damaged, is excluded from your policy, double check the policy language to see if the exclusion matches your circumstances exactly. Because insurance policies are unilateral contracts — meaning only one party had a say in its writing — ambiguities favor the policyholder.

Determine, too, if your policy includes coverage for Replacement Cost Value (RCV) or Actual Cash Value (ACV). Be aware that RCV policies pay you the ACV first. After you replace your damaged property, you have to amend your claim with a reimbursement request for the difference. Save every receipt.



The types of coverages and policy limits on a properly written commercial insurance policy should provide you enough money to return your damaged property to pre-loss condition.

Policyholders who are underinsured can be subject to:



Co-insurance penalties, which apply if the policy limit is less than 80 percent (sometimes 90 percent) of the replacement cost.



Ordinance and Law expenses, which apply if a damaged building will require additional construction to bring it into compliance with current building standards and codes.



Calendar all the timelines and deadlines pertinent to your claim

As you work your way through your insurance policy to verify the different coverages and limits that apply to your loss, you will find time frames for different parts of the claim process. Some are time sensitive, while others have firm deadlines. Calendar what needs to happen by when, so you can plan accordingly. Missing required deadlines puts your claim in jeopardy.



Select your own vendors and contractors

Your insurance company's claims adjuster will recommend you use their in-network vendors and contractors for your repairs/restoration/reconstruction. You are not required to use them. Rather, solicit bids from several contractors you trust, and then select who you want to do your repairs based on who you believe will deliver the best work, value, timeliness and warranty.

Before signing any contracts, make sure the details for the work proposed are all included in writing, and that the work to be done will restore your property to pre-loss condition at a fair value in the current market.

Come to an agreement with your insurance company on the scope of your loss and the cost of your repairs before any work begins on your site. Plan to manage the process once work does begin. Remember Murphy's Law: Anything that can go wrong will go wrong.

Substantiate your valuations

Claiming for an appropriate settlement amount requires proving the details about both the extent and value of your loss. The most common ways to substantiate the amount you will claim for your damages include providing:

- ✓ Written estimates and bids from qualified professionals
- ✓ Receipts, credit card statements, or other verification of purchase for property that was damaged
- ✓ Vendor websites, catalogs, etc. that show the selling prices of similar property

Sometimes these common methods are not available, and you have to dig deeper. Diligence in identifying and substantiating the value of everything that was damaged is the only way to include everything in your claim.

Negotiate a full and fair settlement

Your policy likely says your insurance company will calculate and present to you the value of your loss. The information you aren't told is that this initial offer typically will be quite low, as it merely opens the settlement negotiations. Then it's on you to prove why it should be more.

All the information discussed above is in preparation for this point. Depending on the scale of your damages, it could take a long time to get here. Negotiating your settlement surely can be that very grueling last mile, where you have to bring together and prove:

- ✓ Which of your coverages apply and the limits of those coverages
- ✓ Whether your property was damaged or destroyed, or a mix of both
- ✓ What your building(s), equipment, and other property were worth when the loss occurred
- ✓ How much it will cost to repair or replace your damaged property with materials, workmanship, equipment, and other items of like kind and quality

Some commercial insurance policies require claimants to submit a Proof of Loss statement within a given time period following a loss, usually 30 or 60 days. Be aware, a Proof of Loss statement is a sworn statement, made under penalty of perjury. Policyholders are advised to complete these with care, so as not to be accused of misrepresentation, fraud or worse.

Almost certainly, if a policyholder disputes their insurance company's settlement offer, the company will request a sworn Proof of Loss statement. The abundant proof collected while getting a claim to this point supports the summary statements made on the Proof of Loss.

Sample Sworn Proof of Loss Statement

POLICY NUMBER _____

Sworn Statement

COMPANY CLAIM NUMBER _____

POLICY AMT. AT TIME OF LOSS _____

IN

AGENT _____

\$ _____
DATE ISSUED _____

PROOF OF LOSS

AGENCY AT _____

DATE EXPIRES _____

To the [INSURANCE COMPANY NAME] _____

of [CITY STATE] _____

At time of loss, by the above indicated policy of insurance you insured-

_____ against loss by _____ to the property described according to the terms and conditions of said policy and of all forms, endorsements, transfers and assignments attached thereto.

TIME AND ORIGIN A _____ loss occurred about the hour of _____ o'clock AM/PM., on the _____ day of _____, 20__ .
The cause and origin of the said loss were: _____

OCCUPANCY The building described, or containing the property described, was occupied at the time of the loss as follows, and for no other purpose whatever: _____

TITLE AND CHANGES At the time of the loss, the interest of your insured in the property described therein was _____ INTEREST
_____. No other person or persons had any interest therein or encumbrance thereon, except: _____
Since the said policy was issued, there has been no assignment thereof, or change of interest, use, occupancy, possession, location or exposure of the property described, except _____

TOTAL THE TOTAL AMOUNT OF INSURANCE upon the property described by this policy was, at the time of the loss, \$ _____, as more particularly specified in the apportionment attached, besides which there was no policy or other contract of insurance, written or oral, valid or invalid.

VALUE THE ACTUAL CASH VALUE of said property at the time of the loss was \$ _____

LOSS THE WHOLE LOSS AND DAMAGE was \$ _____

AMT. CLAIMED THE AMOUNT CLAIMED under the above numbered policy number is \$ _____

STATEMENTS OF INSURED The said loss did not originate by any act, design or procurement on the part of your insured, or this affiant; nothing has done by or with the privity or consent of your insured or this affiant, to violate the conditions of the policy, or render it void; no articles are mentioned herein or in annexed schedules but such as were destroyed or damaged at the time of said loss; no property saved has in any manner been concealed, and no attempt to deceive the said company, as to the extent of said loss, has in any manner been made. Any other information that may be required will be furnished and considered a part of this proof.

The furnishing of this blank or the preparation of proofs by a representative of the above insurance company is not a waiver of any of its rights.

State Of _____ Insured: _____

County Of _____ Insured: _____

Subscribed and sworn to before me this _____ day of _____,

Personally Known to Me _____

I.D. _____ Notary: _____

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO INJURE, DEFRAUD OR DECEIVE ANY INSURANCE COMPANY FILES A STATEMENT OF CLAIM CONTAINING ANY FALSE, INCOMPLETE OR MISLEADING INFORMATION IS GUILTY OF A FELONY OF THE THIRD DEGREE.

Consult with a trusted commercial claims expert

The challenge of getting everything your commercial insurance policy promises cannot be overstated. That's why it's important to consult with a licensed public insurance adjuster anytime you suffer significant property damage.

A public adjuster is a property insurance claims expert who works as your exclusive advocate throughout the commercial claims process, acting on your behalf to:

- ✓ Document, quantify and detail your damages in a format your insurance company will respond to and accept.
- ✓ Analyze your policy to verify coverage and develop a strategy for maximizing your financial recovery.
- ✓ Communicate with your insurance company, and make sure each step of your claim process is completed on time and in 100 percent compliance with the requirements in your policy.
- ✓ Educate, advise and communicate openly with you, so you can make informed decisions.
- ✓ Calculate and recoup Business Interruption losses, Additional Expenses Incurred, and other recoverable costs.
- ✓ Negotiate directly with your insurance company.
- ✓ Free you to focus on your other obligations.



**Find out How a
Public Adjuster Can Help
Settle Your Commercial
Property Claim**

[**LEARN MORE**](#)



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