

Coronavirus Advisory

Preparing for and Handling a
Property Loss



Table of Contents

INTRODUCTION	2
PREPARATION STEPS	3
REALIZING THE LOSS	4
SUPPORTING THE LOSS	5
ELEMENTS OF THE CLAIM	7
APPENDIX I – CLAIMS SUBMISSION FORM	10
APPENDIX II – RECORDING WORKPLACE EXPOSURES TO COVID-19 (OSHA)	11
APPENDIX III – PROPERTY MITIGATION PROCEDURES	12
APPENDIX IV – BUSINESS INTERRUPTION CHECKLIST	13

INTRODUCTION

Preparing for and handling a property loss

The purpose of this manual is to assist insured in managing the property insurance claim process.

An outbreak such as COVID-19 is very rare and most every business will be impacted in many different ways. We want to help our clients be prepared for managing the claims process. Since handling a loss is not your normal business function, it can cause many questions and problems. Remember that the initial response after a loss is crucial. During that time, management will have to make decisions that can dramatically affect operations. Some of these decisions can and will be made before the loss in an effort to reduce the impact.

An important question will arise during an event of this magnitude, which is whether your company should file a claim. It is always McGriff's recommendation that any claim or potential claim be filed with the carrier as soon as possible for consideration.

We will cover basic steps for you to follow when a loss occurs, along with other loss-handling procedures and concepts. This material also can be reviewed for guidance during your return to normal operations. The appendix contains various checklists and submission forms to help organize your activities.

Since the loss adjustment process can be very complicated, you should not consider this a stand-alone or single-source document. You will need to consult with management, your insurers/adjusters, and McGriff as additional resources.

Role of the Risk Manager

The term risk manager is used throughout the manual to mean the person within your company responsible for the overall coordination of the insurance claim. In most corporations there will be a risk manager, but it may also be someone with a different title, or whoever is assigned as the insurance buyer.

The risk manager's role is to oversee internal preparations of the claim and to be a liaison with the insurance company. It is more efficient for the risk manager not to actually prepare the claim but to have access and authority to assign the tasks, and then focus on:

- Guiding the internal data gathering
- Sharing this data with the insurers claim representatives

Role of Adjusters

After a loss is reported, an adjuster will be appointed as your primary contact with the insurance company. Remember, the adjusters represent the insurer, so their primary obligation is to the insurer. Adjusters will do what they can to assist you but it is not their obligation to prepare your claim.

Coronavirus Advisory

Preparing for and Handling a
Property Loss



Primary adjuster duties are to investigate, negotiate, and settle your loss. They will inspect damage and gather facts about the value of the loss. With sufficient information, a coverage determination will be made.

Adjusters have access to a wealth of background knowledge from previous losses to help you plan your actions. They also use the services of accountants, engineers, salvors, and other experts as consultants.

Role of McGriff

McGriff's claim consultant's role will be to assist you in reporting, coordinating, and negotiating the loss and to act as your advocate. Our claims staff have considerable experience with all types and sizes of losses along with access to national vendor relationships. We can advise you on many aspects of your loss: clean-up operations, temporary protections, preparing the claims and, in particular negotiating with insurer representatives. McGriff will act as your advocate directly with insurers in any difference of opinion or interpretation issue.

PREPARATION STEPS

A loss has occurred: Your building or supplier/vendor has been infected, you are unable to access your building, your suppliers are unable to access their building or have been infected, and operations have ceased or been limited. Dealing with such a crisis is difficult, but preparation will avoid much of the frustration and speed the claims process. Here are certain things to do.

Predetermine the Data Gathering Medium

Who will be responsible for gathering the data necessary to prepare the claim? They will probably be from several departments including productions, sales, accounting, and payroll. Do those individuals know their responsibilities and how quickly they must begin the process? Identifying these people ahead of time and giving them brief training on what record keeping will be required will make it easier to document, substantiate, and collect.

Understand what your policies cover

Insurance policies have a way of surprising you after the loss. Review them carefully, particularly the insuring clauses, deductible or self-insured retentions, and the exclusions. This should be done in conjunction with your McGriff claims account team. Look at the policy critically, the way an adjuster would. Take time to clarify and address any conditions set forth by the policy. McGriff is here to assist with making sure you understand your coverages and how it applies to your specific claim.

Make certain vital records will not be destroyed

Some documents are stored on-site and may not be duplicated elsewhere. Problems will result if you have to recreate evidence of what existed before the loss without an appraisal, inventory, or ledger. If you now store valuable documents on the premises, they should be in a protected area.

However, the best procedure is to make sure you can access these documents at an off-site location.

Examples include:

- Photographs
- Property records
- Inventory records
- Financial records

Appoint Key Contacts

A serious loss necessitates a series of important decisions on such matters as extra expenses, expediting remediation, or resuming operations.

Upper management must make some of these decisions; others will be made at the plant, productions, planning, or sales levels. To function effectively during a crisis, be sure to designate who will be responsible for coordinating and communicating with the adjuster so that they can filter the information and distribute to appropriate parties.

Your list of key contacts should include the insurance company claim office, your designated McGriff claims consultant and/or other appropriate members of the McGriff account team. Home and cellular phone numbers are a must due to the limited accessibility of office locations.

REALIZING THE LOSS

Initiate Notification Procedures

Notify your insurer and McGriff as soon as possible by telephone or email. Though your policy may have language that presents issues on whether your loss is a covered claim or not, one thing is definite, a claim that is not filed will not be covered.

A letter form may be completed by McGriff and included in your claims submission to the carrier. Reference the [Appendix I – Claims Submission Form](#) to review a sample format that could be used in filing the claim.

Securing The Property

Your insurance policy will require action to preserve your property from further damage. Your personnel must take immediate measure to minimize the exposure. If necessary, call professional vendors for assistance that are experienced in working with insurance carriers. When possible, clear temporary measures and permanent repairs with the adjuster before proceeding. Otherwise, here is a general rule to help you make decisions: When in doubt, act as you would if you had no insurance at all and document your actions to support these decisions.

For safety reasons or issued mandates you may be required to vacate your building for an extended period of time. Many policies will have conditions addressing vacant properties that could present roadblocks for coverage. Some policies will quantify the amount of days which deem the building vacant. Therefore, make sure to secure the property as best as possible and document actions taken to do so. If accessible, appoint someone to make frequent visits monitoring the property. Here

are some recommendations for addressing securing the property:

- Fire Protection (Monitored Alarm, Sprinklers)
- Security Measures (Cameras, Doors, Lock, Alarms, Lights, Barriers)
- Environment Concerns (No active leaks, HVAC remains functioning)

See attached [Appendix III – Property Mitigation Procedures](#) for an additional resource on safeguarding your property during this event if you have to vacate the premises.

Immediate Actions

You should begin discussions on any requirements for testing infected persons or areas in relation to your business operations to confirm the presence of the virus at your premise or your suppliers. Suppliers may not be able to fulfill contractual duties based on local authority mandated restrictions and closures.

Essential actions would be:

- Create a log of visitors to your property and trace back any encounters that may have been carriers of the virus.
- See [Appendix II – Recording Workplace Exposures to COVID-19- OSHA](#) for appropriate measures after workplace exposure.
- Retain receipts/invoices of any additional costs that have been incurred to perform mitigation measures.
- Launch procedures to identify the impact on your business activities and watch for impacts such as lost revenue, supply chain disruption, and cancelled contracts.

SUPPORTING THE LOSS

Track Claim Costs

As mentioned earlier, you will need to identify individuals responsible for gathering the data needed to prepare a claim. It is important that you gather and track the data they provide in the first few days and beyond. The longer businesses wait to collect this information, the more difficult it is to keep track of what costs should be assigned to the claim.

Make sure all steps have been documented that you have taken in the claims and restoration process. Set up special work orders, job numbers, and other accounting procedures which will enable you to identify and capture all costs associated with actions taken during the crisis.

Examples of claim cost categories are:

- Protection and preservation
- Temporary purchases
- Alternate work solutions
- Overtime pay to help production
- Internal and External media/communication campaigns
- Extraordinary and expediting expenses

Make Temporary Repairs

If temporary repairs/purchases are required to save, preserve, and protect the property, you must make them immediately. You may want to have an expert involved.

Resume Operations

Consider whether it is practical to set up temporary work solutions or seek alternative supply resources while the crisis is still in effect. If your operations include manufacturing, you may be able to extend production to another location or maintain sales out of inventory or by shipping from other facilities. Business interruption policies require you to make use of finished goods inventory to reduce loss of sales, but you may be entitled to recover the necessary extra expense to replace the inventory after you get back into production.

Your claim may include overtime labor, rental special equipment, purchase of resources for alternate work environment, and other expenses to maintain or restore operations as quickly as possible.

Inspections

It will be important that you or whoever will be in charge of loss negotiations, personally inspect the property when it is safely accessible. At that time, you can make notes and other general impressions which will be vital to you later in the claims process.

By performing these inspections with local management you also can set up three other very important aids: Communications, Control, and Coordination.

COMMUNICATIONS

Establish a smooth flow of information from your office to the insurance company. Appoint one person to oversee the preparation and submission process – from setting up specific work orders or similar accounting mechanisms right through the final preparation of claim figures. This approach will allow for a cleaner submission to the insurance company rather than each department trying to send information without guidance from a central source.

In addition, communication may be appropriate to company senior leadership, all other company personnel, and affected clients. It would be suggested that legal counsel be consulted before making any formal statements. If necessary, designate an appropriate management team member or Public Relations firms to speak on behalf of the company. Make sure to remind employees of the media policy and to refer all inquiries to the designated individual or firm.

CONTROL

As soon as possible, advise your accounting department to set up special work order accounts to accumulate all related expenses in regards to the crisis response.

See that your supervisors are notified so they can gather all clean-up, expenses, and keep track of working hours that may be affiliated with the event.

Also arrange for purchase orders, invoices, and checks to reflect the special account numbers, then to be copied and set aside to substantiate your claim. We recommend clearing all formal claim information through your insurance staff as local people may not be aware of many administrative and overhead items that could count in the claim.

COORDINATION

Preparing and presenting a large claim is a complicated process. People from many departments must work together to produce a result acceptable to your organization and the insurer.

Remember, the risk manager need not be an expert in all technical aspects, but their function is to coordinate the gathering and sharing of information to ensure it is presented properly and as requested to the insurer. McGriff is ready to help and to be a part of this process.

ELEMENTS OF A CLAIM

A claim is generally divided into several sections, and different types of records may be necessary to document each element. The basic components include but are not limited to the following:

Building

If the building sustained damage as a result of the crisis, which may be related to clean up and restoration effects.

Business Personal Property

If there was equipment, fixtures, or inventory that was damaged or had to be decommissioned of the result, this could be submitted as part of your claim. Even if the items are not replaced or replaced, you are still entitled to the actual cash value of the items.

Inventory figures should be relatively simple to develop based on the last physical inventory plus purchases less sales. The adjuster may want to examine these records. The valuation method will follow your policy provisions, but be alert to possible problems in treating freight, purchasing and selling expense, bad debts, shrinkage, returns and allowances, commissions, and discounts as all will affect your final assessment.

Business Interruption

One of the biggest concerns during the COVID-19 event will be the business interruption. Most business interruption policies are written on an actual loss sustained basis – coverage a loss of sales from operations stopping, due to physical loss or damage to covered property by a covered peril. The policy is intended to provide recovery for the lost business you are not able to make up. The policy would require an attempt to make up lost production or sales by:

- Resuming partial operation
- Finding alternative working solutions during the event
- Using raw stock, stock in process, or finished stock

Refer to the [Appendix IV - Business Interruption Checklist](#) for responses to frequently asked questions and specific documents that the insurance carrier may request you to produce to determine their valuation.

Extra Expense

Some policies contain extra expense coverage. These are costs incurred to reduce the loss of earnings and continue operations.

Rental Value

Rental value insurance covers three areas at an actual loss sustained basis:

- Gross rental income from tenant occupancy
- Charges which were the tenants' legal obligation
- Rental value of the property occupied by the insured

Period of Interruption

As with all time element coverage, the first step will be establishing the period of interruption. Note that most policies only provide coverage until the property is restored. Additional time required to get operations to the same level before the event may be purchased as an extended period of indemnity coverage.

Providing Information

Please refer to the attached appendix that will provide a detailed list of specific documentation that may be required by the insurance company to support your business interruption claim.

Exclusions

In the broadest sense, all property insurance policies are either named perils or all-risk contracts.

In a named peril policy, you are only covered for the specified perils listed. Even then, there may be limiting clauses in the definitions and exclusions. Within a named peril policy, the burden of proof lies on the insured to prove you have sustained a named peril. An "all risk" policy, covers all perils unless they are specifically excluded. The burden of proof in an all risk policy lies on the insurer to outline policy language that excludes your loss. There are also endorsements added to a policy that may provide or take away certain coverages.

Coronavirus Advisory

Preparing for and Handling a
Property Loss



Although most losses can be easily resolved, some create adjustment disputes and you will have to aggressively press for the most favorable coverage interpretation. Your McGriff team is here to support and advocate coverage disputes on your behalf.

Summary

From past experience, we would expect the following two items could produce problems adjusting business interruption:

- Failure to communicate with the adjuster on planned procedures and proposed extra expense
- Unorganized and lack of sufficient documentation

If you are not completely familiar with all aspects of your operations, be sure to have the appropriate people available to provide support to any adjuster questions. If your facts are incomplete and you do not create a level of competence, you will reduce the credibility of your claim.

Appendix I – CLAIMS SUBMISSION FORM

Below is a sample format of a letter that McGriff may complete and include in the claim submission.

McGriff COVID-19 FNOL / Loss Form / Memorandum

To Whom It May Concern:

Please be advised that your insured, [NAMED INSURED] ([specific client if necessary] “[SPECIFIC CLIENT]”) hereby submits its claim for insurance pursuant to the above-referenced [POLICY COVERAGE FORM]. Specifically, [CLIENT] seeks insurance for [CLAIMED DAMAGES UNDER THE POLICY] in connection with [EVENT(S) TRIGGERING CLAIM] in response to the novel coronavirus disease COVID-19.

Brief Narrative of Loss

- Who is insured / specific client
- When background events and loss occurred
- What background events occurred prior to COVID
- How loss occurred
- Why client impacted
- What is extent of client’s known claim (use definitions from policy? i.e., “loss” for CPPs)
- What coverage(s) implicated
 - List specific coverage parts or broad reference to entire policy (and BI/EE) for carrier to consider entire policy?
 - Why coverage exists?

Client Efforts

- Compile / preserve documentation
- Estimate of loss (if available/possible)

Immediate requests/demands to carrier (i.e., crisis response, advanced payment?)

Please contact the following individuals at your soonest convenience with claim acknowledgment, claim reference number and assigned claim adjuster’s contact information including full name, telephone number and email address:

- [CLIENT CONTACT (including full name, email and phone number)]
- [MCGRIFF CLAIMS ADVOCATE/CONSULTANT (including full name, email and phone number)]

This letter is without prejudice to [CLIENT]’s claims, rights and remedies under the policy, all of which are hereby expressly reserved. We look forward to working with [CARRIER] to protect [CLIENT] under the terms and conditions of the policy in these uncertain and trying times.

¹[CLIENT] expressly reserves its right to invoke any and all other coverages under the policy as it continues its internal investigation.

Appendix II – RECORDING WORKPLACE EXPOSURES TO COVID-19 (OSHA)

The Occupational Safety and Health Administration (OSHA) has released recordkeeping guidelines for employee exposures to COVID-19. OSHA recordkeeping requirements at [29 CFR Part 1904](#) mandate covered employers record certain work-related injuries and illnesses on their OSHA 300 log.

COVID-19 can be a recordable illness if a worker is infected as a result of performing their work-related duties. However, employers are only responsible for recording cases of COVID-19 if all of the following are met:

1. The case is a confirmed case of COVID-19 (see [CDC information](#) on persons under investigation and presumptive positive and laboratory-confirmed cases of COVID-19)
2. The case is work-related, as defined by [29 CFR 1904.5](#)
3. The case involves one or more of the general recording criteria set forth in [29 CFR 1904.7](#) (e.g. medical treatment beyond first-aid, days away from work).

Please contact your McGriff representative if you have any questions.

Appendix III – PROPERTY MITIGATION PROCEDURES

The COVID-19 pandemic has forced government and businesses to take unprecedented steps to prevent uncontrolled spread of the virus. Quarantines as well as mandated and voluntary closure of businesses may result in buildings becoming vulnerable to perils such as theft, vandalism, water and fire damage. Should your business decide to shut down operations for an extended period of time, consider implementing the following best practices to minimize the potential of building damage, absent physical presence at your business:

Protecting Property During Mandated and Voluntary Closure

- Visit the property frequently and inspect the exterior and interior checking for damage and signs of attempted intrusion. Make sure all points of entry are locked.
- If the property is protected by a security camera system, make sure signs are posted conspicuously notifying the public of the existence of the camera system.
- Keep the fire protection system active and maintained:
 - Check sprinkler flow switches to ensure they are operational
 - Lock valves in the open position
 - Keep current on alarms and other component testing
 - Keep heat and smoke detection systems active
 - Test churn the fire pump weekly
- Keep third-party monitoring of your fire and security alarms current.
- Consider cutting off domestic water supply to limit any leaks which may lead catastrophic loss. (Do not turn off sprinkler water supply).
- Properly secure and store chemical and hazardous materials in approved flammable liquid cabinets or other approved locations.
- Unplug electrical equipment.
- Notify authorities that the building is being temporarily vacated so they can monitor for criminal or suspicious behavior.
- Install timers on lighting and maintain landscaping to give the appearance of the building being “occupied”.
- Be cautious using social media to communicate your business plans. Announcing an extended closure of operation may be an invitation to thieves or vandals.
- Secure Computer Rooms and ensure offsite back up files are up to date.
- Clean surfaces and remove food products.

Appendix IV – BUSINESS INTERRUPTION CHECKLIST

Given the current environment with the outbreak of the COVID-19 Pandemic, now is the time to evaluate how prepared we are for interruptions to our businesses. It is yet to be seen if interruptions due to the pandemic will be covered in any business interruption policies. That said, the pandemic is a great example of how fast things can change and why the best time to prepare is now. Based on our prior experiences with property damage and business interruption claims, there are many things our clients can do right now to make sure they are prepared for potential business income claims. The accounting firm of Moore Colson provided the following examples of steps to take to prepare to file a claim:

Record Keeping

Many businesses believe they have sufficient record keeping, when in fact, they do not. Make sure copies of tax returns for prior years and financial data for the current year is accessible. In addition, make sure source documents supporting your historical and current financial statements are readily available. Knowing where and how to access historical financial support documents can be extremely important in preparing a claim, as many of the records necessary to support the claim may be outside of tax returns and financial statements. As an example, bank statements, employee time keeping records, vendor invoices, and other types of internal or third party records are often necessary in preparing a well-supported business interruption claim. Be mindful of ANY expenses incurred as a result of this pandemic – Some “extra expenses”, outside of actual income lost may be covered under the terms of the policy.

Action by Civil Authority

A number of us will be impacted by actions associated with a forced shutdown of operations by Civil Authority (i.e. Federal/State/County/City). Document any information regarding a mandated closure and keep records of any communication referencing orders by Civil Authority.

Act Quickly

When should I notify my insurance company that I plan to file a claim?

When an event occurs, act quickly, and document everything you can. Time is of the essence, and it is important for you to contact your insurance company or McGriff as soon as practicably possible when you believe a claim has first occurred. Carefully review your policy’s notification requirements so you understand and fulfill your claim reporting obligations. Laws vary among the different jurisdictions, but many courts have determined that failing to notify your insurance company in a timely manner can and will result in the outright denial of coverage for your claim.

What information will I need to file a claim?

You will need your general policy information and a background of the events leading up to and consisting of the event in order to report your claim. Most of the policy information is located and contained within your policy on a page known as the Declarations page. The Declarations page contains information such as the named insured, address, policy number, and effective policy period. The insurance company will also need general background information related to the event to understand what it consists of, how it occurred, and when it happened in order to complete its claim investigation. For further information refer to the below list of examples of information that may be needed for your claim.

Appendix IV – BUSINESS INTERRUPTION CHECKLIST (continued)

Items that may be needed to support a Business Income Claim to a carrier:

- Historical financial statements or banking statements
- Tax returns
- Business credit card statements
- Budgets and forecasts
- Business plans
- Sales records
- Production records
- Payroll records and timesheets
- Any contracts or leases
- Any outside vendor estimates, purchase orders, invoices or canceled checks
- Any research completed relating to the loss of income

Sample checklist of client considerations for a Business Income Loss:

- Historical financial performance pre-virus
- Probable future financial performance if the virus had not occurred
- Returns or refunds due to virus
- Changes in supply/demand as a result of the virus
- Seasonal swings (did virus affect peak season?)
- Lost vs. delayed sales due to virus
- Lost customers due to virus
- Lost opportunities due to virus
- Post-virus inefficiencies
- Temporary expenses related to virus
- Miscellaneous sales
- Cost of continuing services related to virus
- Mitigation/clean up expenses related to virus
- Employee retention expenses related to virus

For more information – please visit our [Coronavirus Resource Center](#).