



Business Interruption Claim Checklist

We provide a checklist that can be tailored depending on the magnitude of your business interruption claim. We note that the checklist simply provides an outline framework to the preparation of a claim and should only be relied upon as a guide. However we hope that it will lead to an accelerated insurance claim process if an insured event occurs.

1. [Is the event covered and does your estimated loss exceed the policy deductible?](#)
2. [Do you have professional fee coverage to prepare your business interruption claim?](#)
3. [Who will be on your loss management team?](#)
4. [Can you mitigate your losses?](#)
5. [What is the structure of the initial meeting with the insurance adjuster?](#)
6. [How will you develop your claim?](#)
7. [Do you need to submit an interim claim?](#)
8. [When should the final claim be submitted?](#)
9. [How should the final claim amount be negotiated?](#)

Coverage

- 1) Read and reread your policy to determine whether your insurance covers the event.
- 2) Was your insurance in force at the time of the event?
- 3) Develop a high level estimate of the expected duration of the downtime for repair. Consider whether any potential business interruption claim will exceed the policy deductibles and/or business interruption waiting periods, if any, associated with the coverage applicable to the incident. If there is limited information, err on the side of caution, and notify your insurance company of the incident.
- 4) Discuss any coverage issues with your insurance broker.

Professional Fee Coverage

1) Are professional fees included? - give consideration to employing a loss consultant. An expert accountant is normally used by a company to develop and prepare the claim for the following reasons:

- The time constraints of internal company staff.
- The lack of internal expertise in claim development and preparation.



- The claim preparation costs are often covered in the policy.
- The adjuster will normally use an expert accountant to review the claim.

The expert accountant should be experienced in claim preparation, have a recognized accounting qualification, knowledge of the industry and preferably be chosen before an incident occurs.

Create a Loss Management Team

1) Include both internal and external expertise. A manufacturing company may require:

- the risk manager or equivalent;
- an internal finance contact to assist the expert accountant in the collection of the financial information required to complete the claim;
- an internal operations contact to estimate the effect of the event on the production;
- the company's insurance broker;
- an external engineer to identify the cause of failure; and
- an external expert accountant to prepare the business interruption claim.

2) An onsite team leader must be chosen. That choice will depend on the issues involved in the claim. For example, in a claim involving complicated production problems, the operations contact may be chosen as the onsite team leader.

3) An adjuster must be chosen. If the adjuster is not detailed in the policy then the risk manager, broker and insurer will have to agree on their choice. Canvass your contemporaries in similar industries for their recommendations.

Mitigate Your Losses

Under the terms of most insurance policies and for the long term health of the business, companies should attempt to mitigate their losses during any business interruption. For example, companies may attempt to source their products from third parties or rent machinery to replace damaged machinery. Companies may expedite the delivery of replacement equipment to reduce the downtime. Most insurance policies insure these expenses to the extent that the aggregate of such expenses does not exceed the amount by which the loss is reduced.

Another example of mitigation may be to perform maintenance of undamaged machinery which was scheduled for a future shutdown. In this way, the future shutdown may be avoided hence reducing the losses suffered by the company.

If repairs are not carried out with due diligence and dispatch, the indemnity period of the business interruption losses may be reduced by the insurer.



Initial Meeting

- 1) The initial meeting between the adjuster and your loss management team should take place as soon as possible after the incident and should focus on building trust.
- 2) The agenda of a typical initial meeting might include the following:
 - A tour of the damaged area;
 - The establishment of communication protocols between the adjuster and your company (see below);
 - An initial list of the information required by the adjuster;
 - Establish a timetable for deliverables once they are identified in order to keep the entire team working towards the same goal of resolving the claim;
 - A review of the plan for the repair and recovery; and,
 - A discussion of how your company is mitigating their losses during the business interruption period.
- 3) Define communication protocol. To achieve a consistent message and to avoid the release of information before issues are resolved, one individual must be the conduit for all communication with the adjuster and your company's management. This communication should be two-way, with you updating the adjuster as to what your company is doing and the adjuster informing you of what the insurer is doing.
- 4) Coordinate regular meetings with the claim team to discuss the claim progress and to discuss and resolve concerns and unanticipated problems.

Claim Development

The business interruption claim will involve identifying an accurate yardstick to measure the lost profits. Depending on the policy wording, the lost profits may be based on lost production or lost sales. The following financial information may be required to determine the lost profits:

- 1) Actual results during the loss period
 - Internal monthly management accounts
 - Sales invoices / Production volumes
- 2) Forecast results during the loss period
 - Last sales forecast / production plan prepared prior to incident
 - Outstanding orders at date of incident
 - Financial statements completed immediately prior to incident
 - Sales / Production during 12 months prior to incident



Other costs which may need tracking in a separate general ledger account are:

- 3) Additional purchases; and
- 4) Other extra costs (e.g. freight).

Submission of Interim Claim

In a claim involving a repair lasting more than three months, an interim claim may be submitted. As evidence of the claim, you are required to file a formal written proof of loss.

Submission of Final Claim

In a perfect world, a final claim should only be submitted when all the information is available. However if 95% of the information is available, then a review of the time required to obtain the remaining 5% and closing the claim within the time limits set at the initial meeting should be considered. Normally, final proof of loss forms provided by the insurer may be submitted for final payments.

Settlement Negotiation

The business interruption claim should be negotiated in person. Your company's negotiation team may include your onsite team leader, your expert accountant, your broker and risk manager. In the event of disagreement, the matter may be determined by appraisal.

The loss is normally payable within 60 days after completion of the proof of loss unless the policy provides for a shorter time period. You should ensure a timely collection of payment from your insurers.

Contact Kieran at (416) 230-0584 or Glenn at (416) 230-8840 for more information.