

# GUIDE TO MAKING AN INSURANCE CLAIM

## A flood at your business premises

From a flash flood, burst river or burst water main

If you've experienced a flood at your business premises, you face a long process before you can get your business and your life back to normal. Here is a guide to what you can expect to happen, in what order, and the options you face.

Steps To Take	Your Options
<p><b>Step 1. Safety is paramount.</b> It is your responsibility to mitigate any damage, prevent theft, and ensure your premises are safe for people to enter. Once the water has subsided, there are two key steps you must take:</p> <ul style="list-style-type: none"> <li>• Firstly, has the water compromised the electrical safety of your premises? You must employ a qualified electrician to carry out all the necessary safety checks before anyone enters.</li> <li>• Secondly, has the water compromised the structure of your premises? You need to bring in a qualified (chartered) surveyor* to check.</li> </ul>	<p>As it's your legal responsibility to do this, and if there's immediate danger, you need to act immediately. You can therefore go ahead and instruct electricians and contractors to make your building safe as necessary as long as the costs are appropriate. If there is no immediate danger, you can wait for the insurance company to do it.</p>
<p><b>Step 2. Create a communications plan.</b> This should include:</p> <ul style="list-style-type: none"> <li>• Communicating with staff, giving them the details they need know about the incident and what they will be required to do in the short term.</li> <li>• Communicating with customers: probably a holding statement until you have firmer plans for restoring your business.</li> <li>• Communicating with any other interested parties, such as suppliers and the local community.</li> </ul>	
<p><b>Step 3. Notify the landlord.</b> If you do not own the property, you need to notify the landlord immediately. It will be vital from this point to co-ordinate all the steps you take with the landlord's own insurance process.</p>	
<p><b>Step 4. Decide if you want to use a loss assessor.</b> A loss assessor works on your behalf, handling the entire claim process including buildings, contents and business interruption. The sooner you decide to engage one, the more of the burden they can take away, enabling you to focus on running your business at this difficult time.</p> <p>A loss assessor can make a considerable difference, particularly with your business interruption claim, and this difference will usually more than offset their professional fees. Getting acceptance of liability with a business claim can take weeks or months; the skill and experience of a loss assessor can shorten this period dramatically, enabling funds to be released by the insurer to keep your business running.</p> <p>But remember: while the insurer deliberates, you are still required to mitigate your losses (for example by trading in a reduced capacity, sub-contracting orders) and to deal with all health and safety matters.</p>	<p>Consider carefully the advantages of using a loss assessor and the potential pitfalls if you don't. If you are using a loss assessor and you are not the freeholder, it will be extremely beneficial if your landlord appoints the same loss assessor.</p>

**Step 5. Notify the insurance company.** You must inform them immediately. Many will have a special emergency number which will be open 24 hours every day throughout the year.

***All the steps above should be completed immediately following the flood.***

**Step 6. Appointment of emergency contractors.** These will now be appointed to carry out any immediate emergency works. This may include:

- Salvaging and safely storing any contents, stock, fixtures, fittings or equipment which are not too badly damaged.
- Stripping out all damaged materials, such as carpets, curtains and stock.
- Removing plaster to a height of one metre above the waterline (or in some cases higher if the flood water is deeper), as well as floorboards and skirting boards.
- Sanitising the property: the floodwater (called 'black' water) will inevitably have been contaminated, potentially creating a severe health hazard.
- Installing drying equipment.
- Treating timbers to safeguard against rot.
- Checking for the presence of asbestos.
- Ensuring electrical safety.

Remember: if there are any queries over your claim, your insurers may not agree to pay for this work until this is settled. This may take weeks or months. In the meantime, it is your responsibility to ensure the safety of both your employees and the public.

You are entitled to appoint the contractors you want provided they are suitably qualified and their costs are reasonable. You do not have to use your insurer's contractors.

**Step 7. Meet with the loss adjuster.** The insurance company will immediately appoint a loss adjuster: they work on behalf of the insurer and will handle all the investigations and negotiations. An initial fact-finding meeting will take place immediately, probably at your business premises. The loss adjuster will assess the damage as well as asking you pertinent and searching questions about your loss including your company's financial status at the time of the loss, policy conditions and disclosures, your claims history, and the level of cover (i.e. whether you adequately insured or under-insured).

**Step 8. Loss adjuster's initial report.** Following the initial meeting, the loss adjuster will submit a detailed report to the insurance company, enabling their underwriters to decide whether or not to accept your claim. This report will include:

- The circumstances surrounding the flood.
- A recommendation on whether the claim should be accepted - in other words, whether the insurer should accept liability and pay your claim.
- A reserve figure based on what the loss adjuster believes the total value of the claim will be.
- A view on whether the insurance cover is sufficient to cover the loss. If it is not, you face penalties for under-insurance.

It may take several months to reach this stage in the process.

<p><b>Step 9. Mitigate your loss.</b> It is your responsibility to mitigate your loss and to do everything you can to resume trading as quickly as possible. You cannot wait until the insurance company has accepted the claim and released funds before you do anything. And 'impecuniosity' (lack of funds to cover your costs) will not be considered a valid excuse by your insurers - you are expected to find the funds to support your business at this stage. Additional losses that arise from delays in re-establishing the business will not be covered by the policy. So, while investigations into liability proceed, the onus is on you to do whatever is necessary to ensure the survival and prompt re-establishment of your business: if you don't and your business fails in the interim, you are unlikely to receive an insurance settlement to cover your full losses.</p>	
<p><b>Step 10. Look for alternative premises or ways of working.</b> You must continue to do everything you can to keep trading.</p>	<p>You have a number of different options to keep your business trading. These include:</p> <ul style="list-style-type: none"> <li>• Moving your operations into temporary premises while the re-instatement work takes place.</li> <li>• Sub-contracting existing orders to another company to maintain turnover and protect customer relationships.</li> <li>• Moving activities into areas of your business located elsewhere, if applicable.</li> </ul>
<p><b>Step 11. Interim claim.</b> You or your loss assessor will now submit an interim claim for material damage and business interruption. This should include:</p> <ul style="list-style-type: none"> <li>• Funds needed to resume or continue trading (for example to replace damaged equipment or pay for alternative premises).</li> <li>• Calculation for your loss of gross profit, which will generate funding to enable you to deal with ongoing costs such as staff wages.</li> <li>• Urgent interim funding for increased costs of working, such as temporary premises and sub-contracting costs.</li> </ul>	
<p><b>Step 12. Decision on liability and sufficiency of cover.</b> This should now be made and will then enable your insurance claim to proceed.</p>	
<p><b>Step 13. Meet with the loss adjuster.</b> Now that liability has been agreed, a meeting will take place to agree how the claim can move forward. This should include a detailed plan outlining how you can continue to trade and safeguard the survival of your business.</p>	
<p><b>Step 14. Appointment of qualified* (chartered) surveyor.</b> He or she will assess the damage to your premises and put together a detailed scope of works and specification for the re-instatement works to your premises. If you are the leaseholder rather than the freeholder, your landlord will handle this aspect of the claim, but you need to be kept abreast of developments, so you can co-ordinate the scheduling of the building repairs to fit in with the installation of your replacement fixtures and fittings.</p>	<p>We would recommend you do not use a surveyor appointed by the insurance company or their loss adjuster. You need to ensure they are truly independent and will work in your best interests**</p>

<p><b>Step 15. Preparation of the claims.</b> These should include, where applicable:</p> <ul style="list-style-type: none"> <li>• building re-instatement plus surveyors' fees.</li> <li>• machinery, plant and trade contents.</li> <li>• fixtures and fittings.</li> <li>• stock.</li> <li>• business interruption.</li> </ul>	
<p><b>Step 16. Ongoing meetings with the loss adjuster.</b> These will continue at each stage of the claim. There will be regular meetings, either on site or at the loss adjuster's offices, and they will cover the entire claim including all the items mentioned in step 16. The loss adjuster will appoint a business interruption expert to monitor the actions you are taking to mitigate your losses. He or she will also scrutinise your claim as it progresses.</p>	
<p><b>Step 17. Surveyor's work.</b> You or your loss assessor will need to meet regularly with the surveyor and the loss adjuster to agree and monitor works to your premises.</p>	
<p><b>Step 18. Agreement of some aspects of the claim.</b> It is possible that some parts of the claim, such as stock, fixtures and fittings, plant and trade contents, will be agreed at this stage to enable you to replace these items quickly. Many others, including business interruption and the buildings claim, will continue. You need to keep managing the business interruption claim carefully in order to mitigate your losses.</p>	
<p><b>Step 19. Tender process.</b> The surveyor will now put the re-building works out to tender. Tenders will then be submitted by contractors bidding for the re-building work: these will be analysed by the surveyor.</p>	<p>If the contractor you would prefer to carry out the work has not submitted the lowest-priced tender, your options are as follows:</p> <ul style="list-style-type: none"> <li>• your contractor can reduce their quote</li> <li>• you can fund the difference</li> <li>• you can agree a combination of the two.</li> </ul>
<p><b>Step 20. Pre-contract meeting.</b> The surveyor will meet with the contractors on site to agree the final scope of works, programming working practices, etc.</p>	
<p><b>Step 21. Building works.</b> These now progress until completion.</p>	
<p><b>Step 22. Claim.</b> Apart from the business interruption element, most other heads of claim - for example, stock, fixtures, fittings, plant and equipment - should be agreed by now and all payments made. Depending on the severity of the damage, the buildings claim may be nearing completion.</p>	
<p><b>Step 23. Communications prior to re-opening.</b> As the end of your claims process draws near, you should start to think about how you communicate to all interested parties that you will soon be back fully operational. You may even want to plan additional advertising or a re-launch event.</p>	<p>You may want to plan activity such as a press campaign, additional advertising, local leaflets or a re-launch event.</p>

<b>Step 24. Move back in.</b> You should now be able to move back in to your re-instated premises.	
<b>Step 25. Business interruption claim.</b> This remains ongoing until the end of the indemnity period or until the company is back up to the level of trading it would have reached if the escape of water had not happened.	

We hope that your business can return to normal as soon as possible.

*\*Not all "surveyors" are qualified. You need to ensure that you use a firm of Chartered Surveyors, who are regulated by the Royal Institute of Chartered Surveyors. This will guarantee their credentials and give you the re-assurance that they are fully trained and qualified.*

*\*\* Appointing independent chartered surveyors for substantial building works is critical for a policyholder. If you decide not to use the services of a loss assessor such as Morgan Clark, we can still introduce you to an experienced chartered surveyor.*