

Coverage Insights

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Duties in the Event of a Commercial Property Loss

Most people understand that insurance companies have a duty to reimburse insureds for commercial property damage not excluded by their policies. What's lesser known is that if a loss does occur, insureds also have duties they owe to their insurance company. Many commercial property insurance policies include language detailing steps that must be taken following a loss. Failure to fulfill these responsibilities can potentially lead to a claim being denied, a delay in claim payments, nonrenewal or even cancellation of the policy.

This article discusses typical duties required of insureds by commercial property policies and the steps to ensure claims are handled efficiently and damages are fully reimbursed up to the policy limits.

Common Duties

Each commercial property policy will tailor the duties of the insureds to the specific circumstances of their coverage. However, here are common responsibilities most policies require in the event of a loss:

- Notify the police if laws may have been broken.
- Notify the insurer as soon as possible, detailing how, when and where the loss or damage occurred. Include a description of the property involved.
- Take all reasonable steps to protect the property from further damage. Keep a record of the expenses required to do this, including hours and wages.
- Provide the insurer with an inventory of the damaged and undamaged property if requested, including quantities, costs, values and the amount of loss claimed.
- Set aside the damaged property, keeping it in the best possible condition for examination.
- Allow the insurer to inspect the property and any related records.
- Allow the insurer to take samples of damaged or undamaged property for inspection, testing or analysis.
- Cooperate fully with any claim investigations, which may include being questioned under oath.

Minimizing Loss

After the loss event has occurred and everyone is safe and a claim has been reported to the insurer, the organization's focus should shift to minimizing the loss and protecting the property from future exposures. To aid in this process, the adjuster or other claims professionals should be contacted for suggestions, if possible. They can often make recommendations based on first-hand knowledge of similar situations.

Protecting undamaged property and minimizing loss frequently involves the following:

- Checking, drying out, repairing and reactivating safety and protection systems
- Boarding up or using tarps to cover openings in the roof, walls or windows
- Setting up emergency heat, dehumidification or water extraction equipment
- Removing damaged components that hamper loss recovery. For example, removing debris to get a better view of structural damage
- Inspecting, drying out and, if necessary, repairing all equipment, motors and machines before starting them again
- Contacting suppliers to cancel any scheduled deliveries, particularly if the loss makes on-site storage impossible
- Arranging for specialists to inspect and service electronic equipment, such as computers, telephone systems or medical devices
- Having specialists salvage paper documents and electronic media and data
- Removing soot, smoke and water from furnishings and other contents

Other Steps

Dealing with the policy requirements for filing a property claim is only one element of responding to a loss. Other suggested actions include the following:

- **Stay safe.** The property may still be hazardous after staff and first responders have left the scene. Because adjusters and other insurance professionals will need to access the property, take reasonable steps to make it as safe as possible. This might include roping off unsafe areas and removing broken window glass and other debris.
- **Document with photos and videos.** Photos and videos will help the claims adjuster better understand the scope of the damage. Images can also refresh one's memory throughout the claims process. Make sure to take wide-angle and close-up shots, and add verbal or written notes when necessary. If security camera footage exists, keep it in a safe spot and back it up, if possible.
- **Stay organized.** It can be difficult to keep track of all the various costs assigned to the claim. Appointing one person to oversee the entire claim process will help keep things organized. The accounting department should create special work orders, job numbers and other accounting procedures to separate loss-related expenses from normal operating expenses. Keep all documentation related to the claim in a single file, which can be as simple as a binder or a spreadsheet.
- **Stay calm.** The urgency to reopen quickly may cause insureds to rush the claims process, which can be lengthy. While this urgency is understandable, rushing can lead to mistakes that cause larger financial losses down the road. It's important to stay calm and take the time to

The suggestions made here are necessarily broad and general. For more detailed recommendations tailored to your specific operations, contact us today.

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