

Manager/Supervisor Risk Management

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A twice weekly e-mail training for YCPARMIA members

TOPIC: PROPERTY – THE ADJUSTMENT PROCESS

The insurance contract/policy basically controls the adjustment process in property claims.

The first step in the process is to identify the involved property. The adjuster then documents the available coverage, and confirms that the damaged or lost property and the cause of the loss fall under the terms of the insurance policy. After that, the remainder of the process is basically establishing the amount of the loss. It is the member entity/insured's responsibility to provide the needed documentation of damages to conclude the claim – they have the burden of proof.

For damage to real property (usually a building) the process is to give the adjuster access to the damage so that a scope of loss can be prepared. It is usually necessary to have a knowledgeable employee with the adjuster so that agreement can be reached on what was damaged or destroyed. A reputable estimate based on the agreed scope determines the cost of repair. This valuation of damages normally falls outside the entity's formal bid process; the insurance carrier never authorizes repairs.

Damage, destruction, or theft of personal property, usually contents, puts an extra burden on the insured member. They have to provide documentation of the property, including the type, manufacturer, model, age, and any other particulars that will allow the adjuster to determine value. Probably the most common way of doing this is to prepare an inventory list of the damaged or missing property. The adjuster then uses this information to determine depreciated values (the actual cash value or ACV), and will make payment, less any applicable deductibles, to the insured. When the property is actually replaced a second payment will be made representing the difference between the ACV and cost of replacing the damaged or lost property with new property of like kind and value.

Delays in the adjustment process are usually caused by the member employee's delay in gathering the needed documentation to complete the adjustment process. A second aggravating factor is the delayed reporting of a claim. In addition to making it more difficult to agree on the scope of loss or inventory, the delay can result in additional loss or damage that will not be covered. The insured member has a duty to mitigate the damage by taking steps to protect the property from further harm; the early involvement of the carrier's adjuster goes a long way to avoid these types of disputes. Additionally, coverage for temporary replacement costs or additional business costs can be lost due to unreasonable delay by the insured member.

After coverage is confirmed, the scope of loss/inventory agreed upon along with the estimates to repair or replace the property, the process is completed by the insured member submitting a formal notarized written claim, a Proof of Loss, upon which settlement of the claim is made. If additional damage is later discovered a supplemental claim can be made.

Next topic: Safety/Loss Prevention