

Insurance





INSURANCE WORKSHOP SUMMARY

DURATION: 4hrs

This workshop will aid organizations to verify that insurance coverage is sufficient to protect the organization, the buildings, and the residents in the event of a catastrophe or an interruption in business activities, and will help establish procedures to facilitate the receipt of insurance benefits.

Recommended Staff: Operations Staff or CFO

Insufficient coverage for physical damage or for liability claims resulting from an emergency event could exhaust your organization's cash reserves and cripple both business and housing operations.

EXERCISE 1: Background Information (Duration: 60 min)

Gather insurance policies and other critical data.

EXERCISE 2: Policy Review (Duration: 60 min)

Review your insurance policies with your agent.

EXERCISE 3: Policy Adjustments (Duration: 60 min)

Assess adequacy of current coverage and modify accordingly.

EXERCISE 4: Claims Facilitation (Duration: 90 min)

Establish procedures to facilitate the receipt of insurance benefits in the event of a claim.

Items Needed

Included with this training

- Exercises 1, 2, 3, & 4
- Construction Budget Form
- Insurance Coverage Chart
- Premium vs. Deductibles Worksheet

Organization to provide

- Paperwork for all current insurance policies
- Cash reserves balance sheet
- Contact information for insurance agent



EXERCISE 1

BACKGROUND INFORMATION

DURATION: 60min

FREQUENCY: Annually

Checklist

- Collect paperwork documenting your organization's current insurance policy(ies)
- Assemble a list of your organization's assets that should be covered by insurance
- Review your assets/cash reserve and identify cash reserves that would be available for deductibles and/or uninsured losses

Tips

When assembling a list of your organization's assets that should be covered by insurance, be sure to include:

- Addresses and unit counts for all buildings
- Additional physical assets (e.g.: automobiles and business property such as computers, office equipment and furniture) that should be covered by insurance



EXERCISE 2

POLICY REVIEW

DURATION: 60min

FREQUENCY: Annually

Checklist

- Schedule a policy “workshop” with your agent, where he or she will review the following:
 - Coverages
 - Conditions
 - Limitations
 - Exclusions

- Request that the agent avoid insurance jargon and explain each area in layman’s language, providing real-world examples of the impact of policy exclusions and limitations

Tips

Consider the following list of sample questions while meeting with the agent.

- Will my property be valued at Actual Cash Value or 100% Replacement Cost? There is a big difference!
- Are any of my property coverages subject to a co-insurance penalty if my values are understated?
- Does my policy cover the cost of required upgrades to code (law and ordinance coverage)?
- Do I pay deductibles on a “per-asset” basis, or “per-policy” basis?
- What does my policy require that I do in an event of a potential claim?
- What type of documentation does my insurance company require?
- Am I fully covered for loss of income (loss of rents) and extra expense in the event of a business interruption due to a loss? If so, for how long is such coverage provided? Is coverage provided for loss of rents or extra expense incurred due to both on and off premises interruptions?
- To what extent am I covered due to actions of a governmental or civil authority that requires evacuation or limits access to the property?
- How will instituting an emergency and disaster recovery management plan or upgrading infrastructure to mitigate impacts affect my rates or my ability to obtain the required coverages?
- Is there a separate environmental and hazardous material coverage in addition to other coverages?
- What other kinds of insurance do I need?



EXERCISE 3

POLICY ADJUSTMENTS

DURATION: 60min

FREQUENCY: Annually

Checklist

- Using the information obtained in exercises 1 and 2, compare assets and cash reserves with the breadth and depth of your current insurance policy(ies).
- Compare deductibles vs. premiums - higher deductibles will significantly lower premiums if your organization has adequate cash reserves.
- Maintain existing coverage or select new coverage based on the results of this exercise.

Tips

Use the attached “Premiums vs. Deductible Worksheet” as an aid in selecting an appropriate deductible level.

- If you elect to pay lower premiums and higher deductibles, establish appropriate protections / floors on cash reserves.
- If your deductibles are assessed on a “per-asset” basis, review cash reserves each time a new asset is added to your portfolio.

Suggestions for controlling insurance costs:

- Ask your agent or broker for currently-valued loss experience from your insurance carriers for the past five years. Check this annually, as you may find claims that are in excess of what you think they should have been or claims that are charged to your policy that belong to another insured.
- Review losses with your Operations Staff and determine what actions might be taken to improve your property’s risk profile and loss experience. Establish standards of performance, accountabilities and metrics to assure improvement.
- Where permitted, establish tenant insurance responsibilities (i.e.: renter’s insurance) to eliminate potential gaps in coverage between your organization’s insurance policy and losses that might be incurred or caused by a tenant. As permitted by law, require tenants to provide insurance certificates as proof of coverage.



EXERCISE 4

CLAIMS FACILITATION

DURATION: 60min

FREQUENCY: Annually

Checklist

- Make a list of information and documents that will be required by your insurance company in the event of a claim. Keep a copy of this on an electronic file that can be accessed remotely and on hard copies at the homes of key disaster recovery team members
- Set a safe location to store required documents
- Make physical and electronic copies of required documents
- Designate staff responsible for contacting your insurance company in the event of an emergency or other claim
- Add the contact information for your insurance agent's or broker's claim departments to your organization's emergency contact list

Tips

Establish a separate bank account where all costs related to losses will be recorded in the event of a substantial claim (The *Construction Budget Form* will aid in identifying appropriate categories)

Keep up-to-date photographs and other records of your facilities and assets



EXERCISE 4 - CONTINUED

CLAIMS FACILITATION

Additional Tips

In the event of an emergency event or other potential claim, your organization may consider the following procedures:

- In the event of an emergency, contact your insurance agent or broker immediately. Thoroughly document and photograph any damage BEFORE beginning clean up and remediation activities.
- Do not fall prey to “insurance paralysis”. You have a duty to protect the property. Document your actions--common sense should generally be the rule, but sharing your Disaster Recovery and Emergency Management Plan with your insurer before a loss will help avoid missteps.
- Using the attached *Construction Budget Form*, create an initial estimate of damage within the first 24 hours. This will establish a benchmark for tracking changes and revising cost estimates as more information is obtained.
- Request that your insurer’s claims personnel meet with you or your designated staff on the site within the first 24-48 hours. Based upon the initial meeting, engage in discussions with respect to an advance payment and a process for obtaining subsequent payments.
- Set up a meeting with the insurer’s claims adjuster and forensic accountants to discuss the business interruption (loss of income) and to agree upon what will be required to document the loss.
- At the end of any meeting, send an email or letter to all attendees, documenting what has been agreed to and what actions are required by whom and by when. This is particularly important with respect to the documentation that is to be provided by the insured to the insurance company or their representatives.

Temporary Facilities Costs

- Determine how much it would cost per week to set up a temporary facility from which to operate. Factor the impact of that cost on your organization’s operating reserves when making decisions about coverage, premiums, and deductibles.