

ADJUSTER INSIGHTS

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EXCERPT: EXTRA EXPENSE LOSSES AND CLAIM HANDLING ISSUES

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The Origins of Extra Expense

With commercial claims, a great deal of focus is often given to damages resulting from the interruption of a business' operations. With many claims, after all of the property damage has been paid, this coverage, Business Income Coverage (Formerly Business Interruption) will take the backseat to its sometime companion -- Extra Expense. The presence of Extra Expense coverage along with proactive adjustment can significantly minimize or even prevent more costly income losses.

Extra Expense coverage is designed to protect the businesses that, if shut down, will not only lose continuity of operations, but more importantly, will likely lose long-time customers to competitors. Numerous studies have

shown that perhaps 60% to 90% of businesses that sustain a major loss go out of business within two years.

One commentator has observed that Extra Expense coverage is the opposite of Business Interruption coverage. Under Business Interruption, the policy reimburses for lost ordinary income when a business is shut down for a period of time. Extra Expense, on the other hand, is designed to make sure that a business continues in operation.

Extra Expense Policy Language

Many commercial policies follow or adopt the ISO form for Business Income and Extra Expense Coverage. A word to the wise: never adjust from memory, always check the form! Although there are variations between policies from one company to the next, the basic, standard Extra Expense policy covers

costs:

* That result from damage to or destruction of real or personal property on the insured premises, during the policy term, and caused by one or more of the perils insured against in the Building or Personal Property coverage form.

Where there is no damage to property, there is generally no coverage under an Extra Expense policy. In one example, the insured's inability to get to his place of business due to a snowstorm was not sufficient to establish a suspension of business due to physical damage or destruction.

* That are necessary expenses in excess of normal operating expenses.

In reviewing the application of the Extra Expense coverage for certain items of damage, in general, the policies do not define the term, "necessary." Therefore, under general

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ADJUSTER'S TOOLBOX

You know its coming: You have a loss where a vehicle hits a brick wall necessitating repair. While the wall is easily repaired, there is a clear difference in appearance between the new brick and the old. The discussions over appearance allowance begins!

Consider staining the masonry to match. With a color match process, stains are sprayed on and penetrate into the brick, not like paint, which only cover over the brick. And spray stain allows the texture and character of the masonry to show through, restoring the finish to a desired, consistent appearance.

For more information, see Color Match Masonry at www.brickstain.com

EXTRA EXPENSE LOSSES AND CLAIM HANDLING ISSUES (CONTINUED)

“A NECESSARY EXPENSE, THEREFORE, IS ONE THAT IS ESSENTIAL. THE DISTRICT COURT ERRED IN FINDING THIS TERM AMBIGUOUS.”

rules of contract construction, courts will apply the plain, ordinary, meaning of the word.

One court turned to the dictionary for the meaning. Finding the term, “necessary” meant: [a]bsolutely essential . . . [n]eeded to achieve a certain result or effect; requisite. A necessary expense is one that is essential.

Necessary expenses may include: expedited repair

expense if those expenses will reduce the amount of business interruption; overtime expenses or premium substitute payroll labor; operational expenses in excess of normal; expenses incurred at a temporary location; temporary material costs; moving expenses; installation of rental or temporary equipment; rental of temporary equipment.

Extra Expense must be in excess of normal operating expenses:

* Incurred during a “period of restoration.” Another of the requirements for payment under an Extra Expense policy is that the expense be incurred during a “period of restoration” as defined by the policy (as set by the adjuster!). The adjuster should beware of expenses incurred post-Period of Restoration.

* Designed to avoid or minimize the “suspension” (slowdown or cessation) of business including allowing a business to continue operations either at the

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AN ALLIANCE WITH IMACC

Property Loss Consulting Inc. and Independent Mitigation and Cleaning Conservation Network (IMACC) recently entered into a National Alliance agreement which will utilize the services that each organization offers.

As part of the alliance, IMACC has appointed Property Loss Consulting, Inc. as the exclusive provider of independent adjuster services for the network. IMACC will provide superior independent cleaning and mitigation companies an unparalleled marketing presence that will exceed that of any company in the country. Insurers will gain a revolutionary method to reduce indemnity and adjustment costs while strengthening consumer relations

and service. IMACC will provide its customers with tools, training and technology that does not exist anywhere is in the marketplace.

Property Loss Consulting, Inc. will be utilizing a fully integrated set of Web-based communication and computing tools. They are designed to provide insurers with immediate and comprehensive loss documentation that promotes accurate and cost-effective claim solutions. The technology will take the mystery and guesswork, as well as the waiting out of the loss documentation and

adjusting process. Claims that have been desk-adjusted in the past will now be done with more accuracy, while at the same time, raising the bar on the size of loss that can be desk-adjusted.

For additional information regarding these services, please contact our office at 800-918-3498.



COMMENTS OR QUESTIONS ABOUT THIS OR ANY ARTICLE IN

ADJUSTER INSIGHTS

PLEASE SEND

YOUR INQUIRIES TO:

claims@propertylossconsulting.com

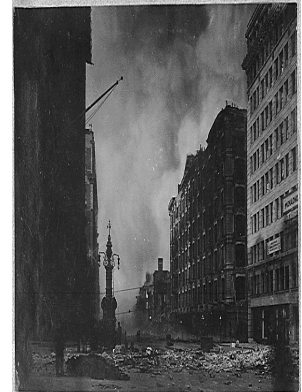
Excerpt : **THE STORY OF THE SAN FRANCISCO FIRE AS VIEWED FROM AN ADJUSTER'S STANDPOINT**

“There was one actor in the drama who stood out more prominently than all the rest and occupied the center of the stage from the beginning, and that was the “Eastern Adjuster.” He was constantly in the lime-light and received daily consideration, either at the hands of the editor, the critic or the cartoonist.

One kind hearted citizen suggested that the insurance atmosphere might be cleared considerably if some of those gentlemen from the East were taken out and hanged. A coach filled with sightseers in the Yosemite Valley and it was immediately concluded that any one with such

colossal nerve could be none other than an Eastern Adjuster who had stolen away from the field of his usual activities for a brief vacation.”

The full paper, as presented to The National Association of Fire Insurance Agents, Indianapolis, October 17, 1906 can be viewed at our website: propertylossconsulting.com



ACTUAL LOSS EXTRA EXPENSE – QUESTION SUBMITTED!

SCENERIO :

The insured operates a large commercial dairy. The insured also has a fleet of tanker trucks (licensed for road use) to distribute the dairy product. When a fire destroyed one of the on-premises dairy barns in a covered loss, five tanker trucks were also destroyed.

The insured has Building and Business Income coverage

under standard ISO wording. The tanker trucks are clearly excluded from coverage and are, in fact separately insured. The claim for payment of the trucks is estimated to take 30 days. However, without the immediate use of these trucks, product could not be shipped to market which would increase the business income loss. The insured incurred \$22,000 to rent replacement vehicles until the

destroyed trucks could be replaced.

Question Submitted:

Why or why would you not cover the cost to rent replacement trucks?

Email your response to:

claims@propertylossconsulting.com

PROPERTY LOSS CONSULTING, INC.

Property Loss Consulting, Inc. was founded by former insurance company Claims Executives and General Adjusters to provide the level of service and cost management demanded in today's competitive market. We offer the expertise of a company General Adjuster Program as an independent loss adjustment company.

Our experience with leading national insurance companies ensures we understand the pressures insurers live with daily: We have been there! We have worked in both the field and home office and understand the Cost vs. Quality dynamic of today's market. To learn more about our company please visit us at propertylossconsulting.com

and we can be reached at 800-918-3498.

Update — Mid Atlantic Region Office has relocated:

**326 North Charles Street
Suite 300
Baltimore, MD 21201**



Property Loss Consulting, Inc.'s New Mid Atlantic Region office



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REDEFINING SUPERIOR
CLAIM MANAGEMENT

EXTRA EXPENSE LOSSES AND CLAIM HANDLING ISSUES (CONTINUED)

insured location or at an alternate facility.

* Incurred in order to reduce the business income loss that otherwise would have been incurred.

Adjustment Tip!
Remember, "We will deduct from the total of such expenses: The salvage value

that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed." Good negotiating tool.

What "Expenses" Do Not Fall Under Extra Expense Coverage?

Adjustment Tip!
It is always a good idea for the adjuster to advise the insured, in writing, at the beginning of the adjustment that all planned extra expenses should be pre-approved by the adjuster before they are incurred. It is in both the insured's best interest and that of the company that any

disagreements over coverage for an expense item are discussed before that expense is incurred.

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The full article can be viewed at our website:

propertylossconsulting.com