

BUSINESS INTERRUPTION LOSSES

MINIMISING YOUR LOSS AND MAXIMISING YOUR CLAIM SETTLEMENT

With a forensic approach from insurers, complex policy wordings and lengthy indemnity periods, developing strategies to mitigate and measure the full extent of a business interruption loss can be challenging and time consuming. Our step-by-step guide shows you the key issues to consider and highlights potential hurdles along the way.

To understand how Echelon can help guide you through this minefield, please call Candy Holland on **+44 (0)20 7558 3230** or email candyholland@echeloncl.com



INCIDENT

- DAMAGE TO INSURED PROPERTY
- DAMAGE TO THIRD PARTY PROPERTY
- NON PHYSICAL DAMAGE



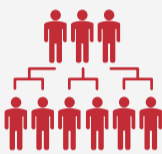
POLICY REVIEW

- Material Damage Proviso
- Conditions Precedent
- Warranties
- Extensions to Cover
- Sublimits
- Concurrency of Events (Wide Area Damage)
- Waiting Periods



INITIAL ACTIONS

- Admission of Liability
- Interim Payments
- Draft Loss Model
- Loss Mitigation Strategy
- Claims Management Strategy



BACKGROUND

- Operational
- Sales & Marketing
- Competitive Position
- Financial Data
- Nature & Extent of Damage
- Interruption Features
- Product Life Cycle



DATA CAPTURE

- Customer Impacts
- Cancelled Orders
- Lost Contracts
- New Business Conversion Rates
- Market Data
- Operational Performance
 - Additional Costs
 - Efficiency
 - VC Savings
- Financial Information
 - Budgets / Forecast (Pre & Post Loss)
 - Management Accounting Data
 - Audited Accounts
 - Production & Inventory Data



LOSS MODEL

- Design Based on Interruption Features & Business Impacts
- Turnover or Volume Based Comparison
- Rate of Gross Profit Margin per Unit of Output
- Savings



PROOF OF LOSS

- Damage to Property by an Insured Peril
- Lower Tier Losses not Usually Insured
- Impact from Nat Cat Events Localised Supply Chain



MATTERS FOR CONSIDERATION

- Supply Capacity (Sole / Single / Multiple)
- Speed of Response
- Corporate Influence Relationships
- Flexibility of Cover
- Commercial Drive vs Policy Response
- Residual Value
- Continued Benefit



CHALLENGES

- Supplier Co-operation Required to Evidence Covered Cause of Loss
- Lack or Unwillingness to Co-operate
- NDA's
- Strength of Relationship
- Influence in Mitigation
- Alternative Sources of Supply
- Licensing Issues
- Redesign Products
- Own R&D Products
- Lead Time to Change



MITIGATION

- Accelerate Reinstatement
- Create Temporary Facilities
- Access Group Capacity
- Sub Contract



BARRIERS

- Planning Issues
- Regulatory
- Third Party Involvement
 - Landlord
 - Supplier
 - Customer
- Economics
 - MIP
 - AICW
 - Deductible Period
- Customer Requirements
 - Audit Approval



ISSUES

- Infrastructure Damage
- Localised Supply Chain Impacted
- Employees Displaced
- Public Utility Failures
- Evacuation Notices
- Denial of Access
- Transport Links Disrupted



POLICY CONSIDERATIONS

- Nat Cat Sublimit
- Adequacy of CBI Cover
 - Values
 - MIP
- Concurrent Causes of Loss
- Wide Area Damage
 - Reinstatement Period
 - Turnover Recovery Period
- Policy Language
- Master / Local
 - Adjustment Process
 - Repatriation of Funds
 - Exchange Rate Issues



SUPPLY CHAIN

- Named Supplier
- Unnamed Supplier
- Supplier of Supplier
- Customer of Supplier



NEGOTIATION STRATEGY

- Evaluate the strengths & weaknesses of your position
- Analyse the key arguments
- Be prepared to compromise when & where appropriate
- Keep the end game in mind
- Drive the process at your pace
- Evidencing & supporting the loss is vital to optimising your recovery



SETTLEMENT

- Engage with the key decision makers and manage expectations
- Agree loss mitigation strategies & costs up front with insurers
- Model the financial impacts of the business interruption loss
- Regularly share your loss model with insurers
- Narrow the areas of difference
- Empower the settlement team to close out the claim within a pre agreed target range