Cunnart Associates

Risk Matters

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In This Issue

Risk management is relevant to all organizations.

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5 Tips when Filing a Claim …

When submitting claims to your insurer pay attention to detail and persist (politely) until you get the coverage you paid for. Five key points include:

5. NOT lie when applying for insurance. Lies can lead to your claim being denied. The insurance industry still relies on the premise of 'utmost good faith' on the part of the applicant. Insurers have been recently reminded that this principle applies to them, also. (Whiten v. Pilot Insurance Co., SCC decision 2002)

4. Give notice of the claim to the insurer as soon as possible. Every policy stipulates when the insurer expects you to inform them of a loss. Do not jeopardize coverage by delaying notice. The insurer may use that oversight to claim you have prejudiced their ability to investigate and to deny your claim.

3. Treat your records of the loss like valuable corporate documents – because that is what they are. They are key to substantiating the loss and help you progress through the claims investigation and resolution process.

2. Keep the insurer informed of what is going on at your end. Especially if there are a lot of internal to investigating and determining how your firm needs to see the outcome of the claim (e.g. Does your executive or board need to decide if a building will be rebuilt? Or what plans your organization has to challenge an insurer's estimate of the replacement cost value of a building.)

Get in the last word. Respond to every letter from the insurer. If they want information, give it to them. Hold nothing back. If you believe there is coverage for the loss, insist that they show you – exactly – why they believe it is so. And don't give up until you have a second opinion that agrees.

You *CAN* reduce *Contract Risk*

Avoid problems, learn how to transfer risk via contracts. Become confident that you can create and manage contracts while maximizing performance and minimizing risk. Seminar resources include the contract guide for all attendees. Visit joy@cunnart.com or phone 519-451-7603.

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Read and understand your policy BEFORE the claim …

ACV /RC / Co-insurance - Yes it Matters!

A grave mistake insurance buyers can make is to assume that the only criteria worth considering is premium. Unfortunately buying insurance is not that easy!

As with every type of contract, be sure to read the find print. The last time you want to learn that your coverage is less than what you thought it was is when you have a big claim. Property claim adjusters usually don't get too involved in the fine print on low-value claims. But when the amount of money involved is large, details become all-important.

Ideally, you will get 100% of the cost to replace your damaged property. Replacement Cost coverage is readily available at a nominal premium if you only ask for it. Some policies are issued on an Actual Cash Value basis, especially if a low premium cost is a key criterion when the insurer is bidding on your insurance business. ACV allows the insurer to deduct depreciation from the replacement value of the property when deciding how much should be paid after a loss

Another thing to watch for is a co-insurance clause. Insurers typically give you notice of this clause with the following statement: "This policy contains a clause which may limit the amount payable." Co-insurance clauses make you, the buyer a "co-insurer" of your property.

For example, a 90% co-insurance clause means that you have promised the insurer that the amount of insurance you have purchased is at least 90% of the total value of the property. If your property is worth $100,000. you need to buy $90,000 coverage. If you only purchase $75,000. coverage the amount of your claim is reduced by the amount that you are under-insured. The amount the insurer will pay is determined by dividing the amount you should have bought, times the amount you did buy, times the amount of the loss. If you have a $65,000. loss, it is calculated as:$75,000 / $90,000 X $65,000 = $54,167.00.

For the small difference in premium between Replacement Cost, Actual Cash Value and to remove a co-insurance clause – it is always best to have Replacement Cost. This is not a good place to save money!