

Business Interruption Claim? Avoid a Settlement Nightmare

By Anthony R. Calascibetta, CPA, CTP



Business interruption can take many forms ranging from the most obvious physical catastrophes like fire or flood to theft of intellectual property. When it happens to you, your insurance company is naturally one of your first calls. For the most efficient result, however, your calls should not stop there.

One of your first phone calls should be to your accountant. Your adjuster will often hire an accounting firm, especially with a complex claim, and you should as well. Some policies even cover the cost for you to engage an independent accounting firm.

Your expectation, and your insurers' goal, is an expedient, trouble-free claims settlement. For that to happen, you will need to submit a thoroughly documented claim submission that is easily understood. What does that look like? It is an independent report that establishes an audit trail with clear references to the supporting documentation. This document is critical as it is the basis for subsequent negotiation and settlement.

The more complex the claim, the greater the need to employ an accountant that specializes in insurance claims (i.e., forensic accountants). These professionals operate in a unique environment for which there is no better training than experience. A seasoned loss professional is conversant in concepts that are inherent in insurance policies rather than GAAP. Various alternate scenarios and hypothetical results also need to be considered. What would the company have earned had the event resulting in loss not happened?

Steps to a smooth claim submission:

1. Hire your own independent accounting firm. The insurer's goal is the same as yours – to settle your claim fairly and in a timely fashion. Having your own accountant involved from the start will help expedite the process.
2. Develop and maintain an open dialogue with the adjuster. Many areas of the policy are subject to various interpretation (or misinterpretation). The faster misunderstandings are cleared up, the sooner the resolution.
3. Identify a key contact. Leading the claim process on your behalf should be someone in your company with enough authority to muster the necessary resources to accomplish whatever needs to be done. All communication within the company and with the adjuster should be funneled through this team leader.
4. Assemble a claim team. Your team, led by your key contact and accountant, should include representation from all departments, such as accounting, risk management, operations, marketing and legal.
5. Create a timetable and coordinate efforts to avoid delays
6. Maintain a log of information requested and sent.
7. Gather documentation. Typical documentation needed includes:
 - a. Profit and loss statements
 - b. Inventory reports

- c. Cost accounting reports
- d. Invoices and purchase orders
- e. Historical sales and production records
- f. Forecasts and budgets

From manufacturers to retail merchants to professional service firms– any company can experience an event that results in a significant slowdown or cessation of productivity. Business interruption policies are specifically designed to protect your business under these circumstances. If you find yourself in this position, having the right professionals by your side will go a long way towards realizing the maximum benefit under your policy as well as helping make the claims settlement process as pain-free as possible.

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