

Insurance and Dealing with a Catastrophic Loss

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Disaster Recovery Plan

A disaster recovery plan is usually in written form and specifies procedures an organization is to follow in the event of a disaster. It is a “comprehensive statement of consistent actions to be taken before, during, and after a disaster.

Depending on what type of organization you have will determine on what type of disaster plan you need in place. Example, condominium association versus a property management company.

What is a disaster??









53 Van Dyke Ave $\frac{3}{4}$
Hoover Rd $1\frac{3}{4}$
97 Groesbeck Hwy $3\frac{1}{2}$

What else is a disaster??







Which can lead to this....











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Checklist of Information Prior to a Disaster Occurring

1. Have all contact numbers stored in a place where they easily accessible. These numbers should include:
 1. Property Manager
 2. Board Members
 3. Personal Insurance Carrier
 4. Association Insurance Carrier
 5. Restoration Contractor

Checklist (continued)

2. Know where personal and important documents are kept. Co – owners are recommended to have a fireproof safe for storage of these items comes highly recommended.
3. Provide Co – owners with lists of contact information in the event that something occurs at their unit.
4. Keep reminding co – owners that they need homeowners insurance. Remind them to evaluate their policies annually to make sure that their insurance policy is properly coordinated with the association's master policy. ***You can't change your insurance coverage when the fire truck pulls up.***
5. Property Managers – make sure all important documents are duplicated and stored at an alternate location (if still using paper) or files are backed up DAILY if done digitally.

What to know prior to a claim happening

- What do the insurance section of the bylaws state?
 - Most bylaws follow the Michigan Condominium Act and require the Association to insure the Unit back to the original specification
 - *“The Association shall carry fire and extended coverage, vandalism and malicious mischief and liability insurance, and workmen's compensation insurance , if applicable, pertinent to the ownership, use and maintenance of the Commons Elements of the Condominium Project...”*
 - *“Such coverage shall also include interior walls within any Unit and the pipes, wires, conduits, and ducts contained therein and shall further include all fixtures, equipment and trim which were furnished with the Unit as standard items in accord with the plans and specifications thereof as are on file with the local unit of the government in which this Project is located (or such replacements thereof as do not exceed the cost of such standard items).*

What to know prior to a claim happening

But.....

The association could have made amendments to the bylaws making the co – owner responsible to insure the unit from the walls in.

Or

The association could have a provision in the documents that make the co – owners responsible for damage up to the association's deductible.

Moral to the story....MAKE SURE THE ASSOCIATION AND THE CO - OWNER CLEARLY UNDERSTAND THEIR INSURANCE RESPONSIBILITIES

What about the Co-Owner?

- Article IV – Insurance
 - *“Each co-owner MAY obtain insurance coverage at his own expense upon his unit. It shall be each co-owner’s responsibility to obtain insurance coverage for his personal property located within his unit or elsewhere on the Condominium and for his personal liability for occurrences within his unit or upon Limited Common Elements appurtenant to his unit, and also for obtaining such coverages”.*
 - *What does this mean??*

Co – Owner Obligations

- Co – Owners insurance responsibilities
 - Personal Property
 - Additional fixtures, equipment and trim (improvements and betterments)
 - General liability for limited common elements
 - Additional living expenses
 - This policy is commonly referred to as an HO – 6 policy

Claim Happens

- Water (65 – 70 % of all claims that occur are water related)
 - Discovering a water claim can happen many different ways.
 - Best thing you can hope for with water claims is that you get to it sooner rather than later.
 - TURN OFF THE WATER AND MAKE SURE HEAT IS ON IN THE UNIT.
 - After drying is complete, have a repair estimate prepared
 - Does a claim have to be filed?
 - What is the association's deductible?

Claim Process - Water

- Claim is turned into agent as soon as possible
- Manager / Association contacts a restoration contractor to remediate the damage immediately and prepare a repair estimate
- Agent turns claim into the carrier
- Carrier assigns an adjuster. Adjuster is normally in touch with the manager / association within 48 hours of the claim being submitted to the carrier
- Adjuster then schedules an onsite inspection of the damage and then puts together a report to the insurance carrier for consideration of coverage

Claim Process - Water

- Murphy's Law
 - More damage is found after the restoration process starts.
 - A supplemental claim is submitted to the carrier for damage that was not able to be detected initially by the contractor or adjuster
 - This can add extra time to the resolution process

Common Insurance Exclusions

- MOLD
- Flood (August 2014)
- Seepage of water over time
 - Dishwasher
 - Refrigerator with ice makers
 - Leaks in Basements
 - Other maintenance issues

Claim Happens

- FIRE
 - Fire department usually gets the first call. Next calls will go to the manager / association.
 - Depending on the city / township the fire department will call a restoration company to do to the board up and secure the property.



Claim Process - FIRE

- Far more involved than a water damage claim
- Each insurance carrier will order a Cause & Origin report. This report will try to pinpoint the cause of a claim and if subrogation is possible because of faulty work that was completed by a contractor.
 - During the cause and origin report the fire scene can not be disturbed
 - During this time is when adjusters are putting their reports together
 - Depending on the number of carriers involved this could take upwards of a couple months

Claim Process - FIRE

- After the scene has been released
 - Association and co – owners adjusters meet to determine who is going to pay for what
 - Hopefully the co – owners have adequate insurance for improvements and betterments and personal property

Claim Process - FIRE

- What can slow this process up?
 - Insurance carriers coming up with an agreed price
 - Obtaining the Original Specifications or getting the necessary documentation (permits and the like) to begin the rebuild process
 - Building ordinances that come up during the rebuild process that require a supplemental claim

Claim Process

- The most important thing to keep in mind during a claim to make sure that everyone is doing their job in a timely and realistic manner. Open communication between all parties is paramount.
- When a claim occurs ask all parties involved on what a realistic time frame is for the work to be completed.
 - A water damage claim could be a couple of days to a couple of months, depending on the severity of the claim
 - A fire damage claim could be a couple of months to a year plus

Thank you for your time!

