



Complex Insurance Claims – Understand and Work the Process

BY MICHAEL LOGIUDICE

With hurricane season underway, it is smart planning to understand how managing a complex insurance claim can get you back in business quickly. When you and your insurance company are on the same page and know what to expect from one another, missteps are avoided and payments can be made more quickly. In this article I will describe the anatomy of a typical complex insurance claim. By understanding what usually happens you can plan your activities to be ready for the requests, have systems set up to provide the information and be ready to work with your insurance company as a valued partner.

There are four phases to a complex insurance claim:

1. Immediate Need (Critical)
2. Information Gathering – Measuring Loss (Honeymoon)
3. Analysis of Loss – Insurance Company's Position (Hardening)
4. Settlement

Knowing what happens during each phase will make it easier for you to obtain a fair and accurate settlement. Even with this understanding, it is still wise to obtain professional help and guidance to keep from making mistakes during the process.

Immediate Need (Critical)

In the critical phase an infusion of cash is essential to keep your business running. Your main priorities are usually cleaning up, shoring up and assessing the damage. The insurance company will dispatch an adjuster to your loss site and use the adjuster to communicate to you any potential aspects of the loss it feels are not covered by your insurance policy. If there are no coverage issues, the adjuster will be empowered to make an immediate initial partial payment of the loss incurred to date. The adjuster will also be charged with reporting to the insurance company an estimate of the total loss. It is important to provide the adjuster with accurate factual information during this phase. Knowing when you will be back in business is usually a guess during this phase; it's best to stick to the facts at this point. Don't guess and don't provide estimates unless you are certain you can meet them.

Information Gathering – Explaining Your Business (Honeymoon)

If the infusion of money from your insurance company is

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successful in keeping your business alive, you can enter an era of good feelings toward the insurer. I often refer to this as the honeymoon phase. During this time you may believe that there will be no serious issues and the claim will be settled easily, and this might be true. The insurance company will ask for information about your business and begin a detailed examination of your loss. You will be providing significant amounts of data to the insurance company. You will be explaining your business and your assessment of your loss, and the insurance company may be making additional partial payments to you. The insurance company is using the information and time to analyze and measure your loss from its viewpoint. You may not get any feedback from the insurance company during this phase. Their silence is not the same as agreeing with all the information you provided.

Analysis of Loss – Insurance Company’s Position (Hardening)

A hardening phase begins once the insurance company first shares with you its measurement of your loss. At this point the honeymoon is over. Now you know how much or how little the insurance company is willing to pay you for your loss. If the insurance company’s measurement of the value of your loss meets your expectations, the claim will proceed smoothly to the settlement phase. Sometimes the opposite is true. The insurance company’s measurement may be so low that you feel it did not understand your business or does not believe your explanation of your loss. At this stage, getting the insurance company to increase its measurement of the value of your loss is difficult. The experts hired by the insurance company have already provided estimates of your loss and are invested in proving the accuracy of their opinions. The insurance company’s position has hardened. It takes facts, a skilled negotiator and very hard work to get the insurance company to increase the value of its measurement during this phase.

The hardening phase ends when there is no further movement on either party’s part. The insurance company stands pat with its number, and you stand pat at your number.

Settlement Phase

If your number and the insurance company’s number are within striking distance of one another, settlement discussions mark the beginning of the settlement phase. If there is a wide difference between the two numbers, there are several courses of action possible. Additional experts may be hired to revalue the loss or uncover new facts, which may lead to additional settlement talks.



If settlement talks are not possible, attorneys can be hired to litigate. During the course of litigation various settlement talks can continue. If alternate dispute resolution procedures are proposed, it is important to keep in mind that insurance companies hire arbitrators many times throughout the year to settle insurance claims, and you may hire an arbitrator once or twice in a career to settle an insurance claim.

Final Thoughts

It is not uncommon for a complex insurance claim to take nine to 12 months to work its way from the date of loss to the date of final settlement. It is important to keep three things in mind. First, spend money for expenditures you believe to be covered by your insurance policy as if you are spending your own out-of-pocket money. The insurance company can ask for justification for everything you spend if it is not clear how it is related to your loss. Second, have and keep realistic expectations as to what the insurance company can do and provide. Finally, although your livelihood is on the line, find a strategy that lets you take a rational, objective view of what is happening between you and your insurance company. Try as much as possible to keep emotions out of the relationship.

Partnering with your insurance company is the best way to achieve a successful outcome to a complex claim. Although an insurance company makes more money when it settles a claim for less money, it still has an interest in providing good service and having happy customers. If you emphasize those things that unite you as opposed to those that divide you, finding ways to settle the differences becomes easier.



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