Claim preparation MANUAL

After a major loss occurs, the primary focus of management is to restore normal operations as soon as possible. However, a major loss triggers a series of business transactions that will have to be documented. Key among them is your insurance claim…

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☑ INTRODUCTION

This manual was prepared to assist you with the documenting and managing your claim and facilitating the settlement process. It was developed by Aon Global Risk Consulting's Property Consulting team as a guide for understanding the fundamentals of preparing a claim and a review of the fundamentals of property and business interruption insurance.

☑ STEPS TO TAKE IMMEDIATELY FOLLOWING A LOSS

- Report the claim to Aon Risk Services and your insurance company.
- Restore fire protection.
- Take immediate action to minimize the loss.
- Protect undamaged property from loss.
- Implement means of capturing all expenses.
- Consult contractors for an initial estimate of the scope and cost of repairs.
- Define plans as to reopening the location and under what conditions.
- Identify temporary measures needed to resume operations and the associated extraordinary expenses that are incurred.
- Take photographs of the damage.
- Appoint one person to represent your company with the adjuster.
- Set up clear lines of communication with the adjuster and ensure that all personnel understand the functions of the adjuster, experts, brokers, etc.

SEGREGATE CHARGES

Assign one special work order code to the loss to which all costs can be charged. Specific items should be grouped into one of the following categories with as many sub accounts as needed:

- Cleanup
- Debris Removal
- Protection and Preservation of Property
- Buildings and Structures
- Machinery and Equipment
- Furniture, Fixtures and Supplies
- Property of Customers and Employees
- Excess Operating Costs:
  - to mitigate earnings losses
  - to operate as normally as possible

PROVIDE GOOD DESCRIPTIONS

Descriptions of work performed, services purchased or materials consumed help the insurance adjuster visualize and evaluate the claim. Two types of descriptions are needed: general descriptions of work orders or cost centers used to gather claimable costs, and specific descriptions of individual costs being claimed. Work order descriptions contained in authorization materials or periodic summaries are usually adequate. Descriptions of in-house labor charges may have to be prepared separately by supervisors or department heads. If so, a system should be developed early to provide the necessary detail. Descriptions of contractor charges and supplier invoices can usually be obtained from purchasing documentation.

REAL PROPERTY – BUILDING/STRUCTURES

GATHER SUPPORTING DOCUMENTATION

The claim presentation should include worksheet summaries and 100% documentation and support for all claimed items. To do so, it is necessary to gather and segregate source documents **at the time they are processed** to eliminate duplication of effort.

Two copies of all supporting documents should be made and placed in separate files. One copy will be for your permanent records; the other is for later submission to the insurance adjuster. Supporting documents should include:

VENDOR CHARGES

- Purchase requisitions
- Purchase orders
- Invoices and backup
- Contracts
- Work product, e.g., engineering reports
- Payment vouchers

IN-HOUSE LABOR

- Work order listings
- Payroll registers
- Time sheets or timecards (optional)
- Fringe benefit rate determination

STORES/MATERIALS/SUPPLIES

- Work order listings
- Replacement invoice support (optional)

The first step following any loss is to be sure that the area is safe for any personnel to enter. Though a brief visual inspection may determine major issues, it is sometimes necessary to obtain engineering inspections/ evaluations if there is any question of the extent of damage and the potential impact.

STRUCTURAL DAMAGE – CONSIDERATIONS

- Potential for structural collapse
- Necessity of shoring
- Potential for falling debris
- Integrity of electrical, gas and other utility lines
- Need for security to prevent entry by unauthorized persons

MINIMIZATION OF LOSS

- Emergency work required to prevent further damage from occurring (i.e. temporary boarding up of openings in roof, walls, windows)
- Need for emergency heat, pumps to eliminate water, or dehumidification
- Removal of components that are obviously totally destroyed but hamper loss recovery (carpets, etc.)
- Mold – many policies no longer cover mold damage. As such, it is imperative for you to remove moisture as soon as possible to prevent mold before it occurs.
- Check the integrity of safety and security systems, particularly if it is possible to reopen the building for operations even in a damaged condition, before energizing any equipment, motors, or machines. Inspect such equipment carefully and complete any drying out or maintenance that may be required to prevent damage.
- Replace all filters in HVAC equipment to prevent soot dispersion or mold/ fungus contamination of other areas

INVENTORY/STOCK DAMAGE – MERCANTILE AND MANUFACTURING

DAMAGE ASSESSMENT

The degree of damage must be determined for each building component. This may require the assistance of contractors and vendors/repairers of various building components such as elevators, heating, air conditioning, escalators, electrical switch gear and control systems. Be aware that though an item may be restored to function after the general inspection, remedial work may still be required to prevent future problems. Electrical contacts and connections may be subject to corrosion if they have been wet, and lubrication may be required for all such equipment. Soot or other contaminants may cause corrosion of contacts and switch gear. Qualified personnel should determine what components will need further assessment.

It is most important to work closely with the insurance adjuster if possible. Agreement and commitment on the extent of testing and evaluation that may be necessary will greatly assist in the prompt resolution of the claim at a later date. All activities in this regard should be well documented.

Loss or damage to inventory may require special attention. In addition to preventing further loss, insurance policies generally require the separation of damaged and undamaged property. This may be more easily done as a part of the damage assessment process. The type of inventory and damage will determine the best course of action.

Most inventories can be segregated into different lots depending on the degree of damage. In general, the separation is based on stock that is:

- Undamaged (not always required by insurer)
- Reusable after minimal cleanup or repackaging
- Reusable after repair
- Not marketable through normal retail channels but salable in the secondary or salvage market
- Without value, and will be discarded

Any actual physical inventory is best completed as a joint effort with the insurer and any salvor who may be involved for you or the insurer. A joint inventory eliminates most questions of accuracy and degree of damage of the various lots. The valuation may be based on various factors, but is typically done with a sampling of invoices when a large number of items are involved. Agreement must be reached on the value of salvageable property based on the degree of damage, and who is going to actually sell or dispose of the items.

An “out of sight” loss refers to a loss that does not allow detailed item inspection because it involves total loss items, and there is no physical evidence to substantiate the loss amount. That inventory may involve making a book inventory valuation. The insurer will frequently engage an accountant to audit the value determined on all inventory items. The valuation provision of the policy will determine the data required. Most valuation will be either replacement cost or selling price.

PERSONAL PROPERTY – EQUIPMENT/FIXTURES

Manufacturers will need to address three separate inventories. The Raw Materials, Work-in-Process, and Finished Goods inventories will need to be individually segregated by degree of damage. The Work-in-Process inventory will be more difficult as the value changes based on the stage of production of the item(s). That determination will normally require evaluation by accountants. It is important that the insurance adjuster and any accountant auditing for the insurer to be fully advised of all aspects of the production process to be sure that all costs are properly included.

The Property Claim Preparation Outline provides further information and guidance on the documentation of inventory loss and value.

The loss minimization and damage assessment of personal property is in many respects very similar to that of real property. In many cases, furnishings consisting of fabric and wood materials can be saved if promptly and properly treated. The determining factor is generally the extent and type of damage. The proper removal of debris/soot/smoke is important, as is the drying-out process of wet furnishings. However, some items require special treatment.

ELECTRONIC/ELECTRICAL EQUIPMENT

This equipment is prone to damage by contaminants of any type. No such equipment should be energized if there is any evidence of contaminants. Foreign matter on switches and contacts can be corrosive and lead to future problems if not properly remedied. This applies not only to computer equipment, but telephone systems, medical equipment, testing equipment and similar items.

DATA

Data media should not be used if there is indication of contamination. To do so may destroy not only the data, but the equipment. Vendors are available who can salvage media and recover data under many circumstances.

VALUABLE RECORDS

Paper documents, particularly if no duplicates or other sources exist, can frequently be cleaned and dried if properly handled. Specialists are available who can save such documents.

Frequently it is desirable to upgrade property in the course of repair or replacement. For example, a personal computer with a 386 processor and a 120 megabyte hard drive might be replaced with a computer having a 486 processor and 360 megabyte hard drive. The insurance company would make payment based on the replacement cost of the destroyed computer, not the upgraded model. It is important that documentation be available to verify the difference in cost, particularly for the unit most comparable to the original equipment. It might be impossible to obtain a model comparable to the original. In that situation, the adjuster will base payment on the cost of the current model most comparable in function.

The final claim presentation should include a complete listing of all damaged equipment with documentation of required repairs. Items not repairable should be documented as to type, model and the value of replacement equipment. In some cases, it may be necessary to produce records documenting the age and type of equipment. In the event the equipment is totally destroyed so that it cannot be inventoried, documentation of the existence of the equipment may also be required.

GENERAL INFORMATION NEEDED

Narrative of what happened by anyone having first-hand knowledge about the loss: eyewitness, operator, vendor, manager of engineering or maintenance.

Official Reports by: fire, police or any civil authority.

If any authority notifies you that you must “upgrade” or now conform to any code or ordinance: obtain a letter from the governing body or enforcement agency stating the law, ordinance, code requirement that will be enforced.

If any machinery or part of machinery failed or, if any outside contractor was working at or near the origin at the loss and may have caused or contributed to the loss, obtain: identification of the equipment manufacturer, contractors, subcontractors, etc. Any warranties, guarantees, contracts or written evidence of your relationship with these parties.

Provide photos, video tape or any other record you may have made during or after the loss.

Required documentation when you use your own labor force to clean up, repair or replace:

- Employee time cards
- Describe briefly on the time card what the employee was doing
- State the individual employee’s base rate
- Add to the base rate **Variable** wage fringes/benefits

Note: *The fringes you are allowed to claim are those which vary with hours worked or wages paid. Typically these are FICA, Workers Compensation, State Unemployment Insurance, Federal Unemployment Insurance.*

The fringes can include medical, dental, savings, pension, vacation, uniforms, etc., but only if these costs truly vary with hours worked or wages paid.

The format familiar to insurers is: (example only)

Employee	Job Classification	Base Rate	Hours	Total
Jones	Welder	10.50	2	$21.00
Smith	Maintenance	9.75	1	$9.75
Edwards	Helper	6.50	1/2	$3.25
			TOTAL	$34.00

FICA	7.65%		
W/C	2.03%		
SUI	.03%		
FUI	.02%		
Savings	2.10%		
	11.83%	=	$4.02
	x $34.00		$38.02

If salaried personnel are **required** to clean up, make repairs or supervise **and** are paid something in excess of their normal salary or given a bonus, you are entitled to recover the extra that you pay them – use the same formats as was used for hourly wage earners.

REQUIRED TO DOCUMENT LOSS TO BUILDING

- Original and as-built plans, specifications, blueprints, etc., if available.
- General Contractor's scope and pricing of repair cost.

Note: The proposal must show detail including, how much roofing, how much painting, a detailed schedule of electrical and plumbing, sprinklers, how much carpentry, how many yards of concrete, how much siding, how much glazing, etc.

Estimates, quotes and proposals submitted in lump sum slow the auditing and adjustment process. The more detail, the quicker the audit and quicker your recovery.

Instruct your employees or contractor to do this at the outset as it will speed the adjusting process. Insurers will make interim payments, however, most insurers will make payments only when funds have been spent. Keep accurate and detailed records of ongoing expenditures.

REQUIRED TO DOCUMENT LOSS TO PRODUCTION MACHINERY AND EQUIPMENT

- If repairs can be made, it is suggested that at least two reputable quotes be obtained.
- Instruct those quoting to set down in detail the scope of work to be done and itemize the labor and materials.
- If you choose to have maintenance done that is not a part of the loss, instruct the vendor to quote this separately and do not include in your claim.
- If the items must be replaced, it is advised that you secure at least two reputable quotes.
- If the damaged or destroyed items are not currently made, you will be paid based on items of similar function, quality and performance.
- Original plans, designs and specifications should be made available.
- If ordinance, code or law requires you to make specific changes before you can repair or replace, this code information should be secured as soon as possible.
- If the item is a total loss but you would like to retain the damaged item – determine what you would pay the insurer for it, in the damaged condition.
- If you elect to discontinue a process, line, etc. – let the adjuster know as soon as you have reached that decision.
- Asset ledgers will state the item's acquisitions cost, age, accrued depreciation and major overall and maintenance – make these available to the adjuster, if requested.

REQUIRED TO DOCUMENT LOSS TO CONTENTS, FURNITURE AND FIXTURES

- An inventory of all items involved.
- State whether each item can be cleaned, repaired or has to be replaced.
- Instruct vendor to provide replacement quote based on similar style, quality and function.

Note: *You may elect to replace the item with something completely different. The loss will be paid based on similar style, quality and function of the original.*

The format familiar to insurers is: (example only)

Item	Age	Acquisition Cost	Book Value	Replacement Cost	Repair Clean
Desk S/N	4	650	150	775.00	
Chair S/N	1	150	25	190.00	
P.C.	1	3,500	1,800		900.00
VCR	2	425	100		90.00
			TOTALS	**965.00**	**990.00**

REQUIRED TO DOCUMENT LOSS FOR WORK-IN-PROCESS

- An inventory of what was in process and what was damaged at the time of the loss.
- Can some of the process production be reconditioned? If so, calculate the loss using in-house labor or obtain estimates or quotes from outside sources.
- Can the damaged work-in-process be sold in the salvage market? How much can you get for it?
- If the work-in-process is a total loss, what was the value of raw material, labor and overhead at the point of destruction? Be detailed. Explain each item of overhead claimed. If your accounting system makes it difficult to determine the exact stage of production for WIP, you may want to convince the adjuster or their accountant to agree to that all WIP is 50% complete.

REQUIRED TO DOCUMENT LOSS FOR FINISHED GOODS/MERCANTILE INVENTORY

- Itemized inventory of the items loss or damaged.
- Can the items be sold in the salvage market? If they can, how much can you get for the salvage?
- If the goods can be reconditioned and you use your own personnel, calculate the labor costs.
- Consider your products liability exposure if an insurer turns the damaged goods over to a salvor for sale in a secondary market.
- If the basis of valuation is replacement cost, demonstrate your cost to replace the item.
- If the basis of valuation is selling price, demonstrate value by most recent invoices and be advised the insurer will deduct non-incurred selling, transportation, and administrative cost, such as sales commission, delivery costs, bad debts, etc.

From your most recent income statement, show selling expenses as a percentage of net sales.

☑ BUSINESS INTERRUPTION

PURPOSE

" The policy is designed to do for the insured in the event of business interruption … just what the business itself would have done if no interruption had occurred – no more."

– *National Union v. Anderson-Prichard Oil Corp (1944)*

" The purpose of business interruption insurance is to pay the policyholder in case of a covered loss, subject to the limitations stated in the form, what the business would have earned had no loss occurred."

– *Adjustment of Property Losses, 4th Edition (1977)*

THE COVERAGE CHAIN

The policy insures against:

- Loss resulting **directly from necessary interruption** of business
- Caused by **damage** to or destruction of real or personal property, except finished stock, by the perils insured against during the term of the policy
- On premises occupied by the insured and situated as described in the policy
- In addition to business interruption arising from damage to your premises, your policy may extend coverage for business interruption due to lack of utility services or closure by civil authority.

SEQUENCE OF EVENTS

A sequence of events leading up to the loss and following the loss should be prepared as soon as practical. The events sequence should include:

- Description of the incident
- Cause of incident (if known)
- Events leading up to incident (with dates and times)
- Description of impact on the property and operations
- Description of what will be done to minimize the loss

HISTORICAL DATA – MANUFACTURING

It is necessary to accumulate operating data to calculate the business interruption loss and to prepare for audit of the claim. You should be prepared to address the following:

- What is the production capacity of the plant, line or machine that was damaged?
- At what percentage were you operating at the time of the loss?
- At what rate did you expect to produce during the "loss period"?
- "Loss Period" is the period from when the damage prevents the asset from producing until that asset is up and running at the same rate and quality as it was just prior to the loss.
- How many shifts per day do you operate?
- How many shifts per day, week or month do you dedicate to maintenance?
- Will all product lines be affected, or just some?
- Will you be able to supply customers from inventory during the loss period?
- Are you able to access other production facilities in your system to produce for you while you are down?
- If you have other facilities produce for you, are their costs higher or lower than yours?
- How much production was/will be lost during the down time?
- How much production can be made up with overtime and how long will it take you to make it up?
- If you have to draw down on inventory to meet orders, how long will it take you to replenish inventories to the quantities you enjoyed before the loss?
- At what point does depletion of your inventories become critical?

After you have answered the above, you can begin quantifying the loss. To do so, you will have to provide the following information:

- Production records, inventory records, cost summary data records and sales/income statements for 3-6-12 months prior to the loss. The cost summary data sheets should show in the minutest detail the elements of the variable and fixed costs.
- Detail breakdown of your hourly payroll fringes and the percentage of fringe to hourly payroll?
- Was there any express freight/transport to get product to customers in excess of normal?
- Did you have to rent any assets while your damaged assets were being repaired or replaced?
- Indicate the peaks and valleys of your production and sales year.
- If you cannot transfer production from the site of loss to another site, explain why.
- Do you have any agreements with your employees, their bargaining agencies or outside vendors that compel you to pay employees though no work is available?
- Did you have plant turnaround schedule during the period that now falls within the loss period? Can that turnaround be rescheduled? Will you reschedule?

LOSS CALCULATIONS – MANUFACTURING

Most business interruption loss calculations take the form of projections of what would have occurred had no loss happened. Projections are generally based on actual operations prior to a loss and expected operations had no loss occurred. For example, a simple projection of lost production might take the form of:

Production 3 months prior to loss	1,250,320 widgets
Operating days	90 days
Projected production per day	13,740 widgets
Days interrupted	10 days
Lost production	137,400 widgets

Similar base period type calculations will be necessary to determine net sales values of the lost production, variable (saved) manufacturing costs, and production makeup.

Each factor in a calculation needs to be documented. Additional historical data needs to be supplied to allow insurance company representatives to test the reasonableness of the various calculations. While documenting your production loss is the first step, your insurer will ultimately need to be convinced that you lost sales. They will look at historical production, inventory levels, and sales.

HISTORICAL DATA – MERCANTILE/SERVICES

It is necessary to accumulate operating and other data to document the business interruption loss and to prepare for the audit of the claim. Data, in the form of reports, may include:

- Prior income/sales records
- Prior income statement
- Trend reports and projections
- External factors impacting operations

The time period to be used may vary depending upon many factors. Those factors may include the type of operations impacted, the historical stability of those operations, external impacts no readily ascertainable from historical data alone, and the period of interruption in question. Determinations are best made with proper accounting methods. Aon Global Risk Consultants will work with your accounting staff, or outside accountants, in determining the appropriate basis to be used to insure proper measurement of loss.

LOSS CALCULATIONS – MERCANTILE/SERVICES

Most business interruption loss calculations take the form of projections of what would have occurred had no loss happened. Projections are generally based on actual operations prior to a loss.

Each factor in a calculation needs to be documented. Additional historical data may need to be supplied to allow insurance company representatives to test the reasonableness of the various calculations.

The projection of lost sales/revenues may be addressed by various methods. The time of year, type of product/service, period of interruption, economic conditions, competition and various other factors must be considered. Typically, historical data will form the basis and that data is then trended to project the sales that would have been made had no loss occurred. For an earnings claim, the presentation might ultimately result in the following form with detailed support:

Lost Sales/Revenue	$100,000
Less: Cost of Sales	- 55,000
Gross Earnings	45,000
Less: Unincurred Operating Expenses	- 20,000
Earnings Loss	$25,000

EXPENSE TO REDUCE LOSS AND EXTRA EXPENSE

Excess operating costs that are incurred as a direct result of physical damage to insured property may be recoverable in the claim. These costs generally fit one of two categories: 1) Costs to mitigate or reduce an earnings loss; and 2) Costs to operate as normally as possible while the business is being restored without minimizing loss. These are extra, or extraordinary expenses. Documentation of costs and purpose is required. Good documentary support is essential for these items.

Examples of excess operating costs are as follows:

- Expediting expenses on repair projects
- Temporary facility use to minimize loss
- The excess cost of services/products obtained from competitors in order to serve your customers
- Equipment rental
- Security service during repairs
- Expenses incurred to operate using other resources to meet requirement of customer contracts
- Extra Labor
- Overtime

CONCLUSION

The final claim presentation represents the culmination of many hours of hard work, strategy and negotiation. Differences of opinion between you and the adjuster may occur, and all claims are not covered. The role of Aon Global Risk Consulting's Property Consulting Team is to facilitate the adjustment process and ensure that you receive every benefit afforded by your insurance program.

Over the years, we have worked for many of the world's major companies and have assisted on some of the largest and most complex claims in the industry. We pride ourselves on the first class property claim consultation service that we delivery to our clients, whenever and wherever required.

ABOUT AON GLOBAL RISK CONSULTING - PROPERTY CLAIMS CONSULTING

Aon Global Risk Consulting's Property Claims Consulting team provides an unmatched global continuum of pre- and post-loss property solutions that approach a client's property risk holistically and with a long-term view toward measurable results.

Our best-in-class property risk control and asset protection goes beyond hazard and risk identification, and includes keen awareness of changing codes and regulations, innovative risk mitigation strategies, property and business interruption valuations, fire protection engineering and access to a best-in-class property data management solution. When disaster strikes, such as earthquakes, explosions, hurricanes, fire or floods, Aon's Rapid Response team helps clients mitigate the loss and get back to business. We also prepare and present complex property damage and business interruption claims on clients' behalf to maximize and expedite claims payments.

GLOSSARY*

ACCOUNTS RECEIVABLE – a policy provision insuring against the loss resulting from destruction of business records by an insured peril resulting in the inability to collect the debts; also covers the extra cost of collection fees incurred.

ACTUAL CASH VALUE – the depreciated value of an item; frequently, but not always, synonymous with market value; the agreed price between a seller and purchaser when neither is under obligation to buy or sell.

ACTUAL LOSS SUSTAINED – the demonstrable loss of income based upon what the business income would have been if no insured loss had occurred.

ALL RISKS INSURANCE – the broadest form of property insurance covering against all perils except for those perils specifically excluded; sometimes referred to as an "open peril" policy.

BOILER AND MACHINERY INSURANCE – a special form of coverage for losses resulting from malfunction, mechanical or electrical failure of boilers and other equipment.

BRANDS AND LABELS – a policy provision, or endorsement, that allows an insured to remove the labels or other identifying marks from damaged personal property before the insurer can dispose of the salvaged product. The cost of the physical brand and label removal may be specified as to whether it is done at expense of insurer or insured.

BUSINESS INCOME COVERAGE – a business interruption policy form that measures recoverable loss based on the loss of net income (or net profit) plus the expenses that would continue during the period of interruption.

CIVIL AUTHORITY CLAUSE – a standard provision in most business interruption policies that provides coverage in the event the insured is prevented from conducting normal business operations by civil order.

CONTROL OF DAMAGED MERCHANDISE – provision used to extend the brands and label coverage to allow the insured to be sole judge as to the salvageability of damaged product.

CONTINGENT BUSINESS INTERRUPTION – policy form covering the loss of earnings/income in the event of damage to the property of a supplier or receiver of materials/services that prevents the insured from conducting normal operations (the supplier/receiver cannot be owned or a subsidiary of the insured party)

EXPEDITING EXPENSE – a property coverage for the additional cost incurred to repair or replace damaged property more rapidly, such as express delivery of equipment, overtime labor, etc.

EXTENDED PERIOD OF INDEMNITY – policy endorsement providing coverage for a specified period of time after the normal period of interruption ceases and covering for an additional period until business operations are restored to normal; sometimes referred to as "market share" coverage.

EXTRA EXPENSE (SOMETIMES REFERRED TO AS ADDITIONAL EXPENSE) – policy form that covers any extra expense necessary to continue operations; distinguished from expense to reduce loss as there is no requirement that any other loss must be reduced. Some businesses may require this coverage in lieu of or as a supplement to business interruption coverage.

GROSS EARNINGS FORM – a business interruption policy form that provides for the measurement of recoverable loss based on the loss of gross earnings, less any operating expenses that would not be incurred during the period of interruption.

INTERDEPENDENT BUSINESS INTERRUPTION – policy form similar to the Contingent Business Interruption, but covers only suppliers or receivers who are owned, or are subsidiaries, of the insured.

LAW AND ORDINANCE INCREASED COST OF CONSTRUCTION – property endorsement that extends standard replacement cost valuation provision to cover the additional cost of complying with current building and construction codes regulating the repair of damaged property. Without such coverage, those costs are generally excluded.

ORDINARY PAYROLL – provision in most business interruption policies that provides coverage for payroll of "rank and file" employees during a period of interruption unless an exclusionary endorsement is attached. Other policies may exclude ordinary payroll unless it is added by endorsement. It is very common to have such coverage with a limit on the period of time the ordinary payroll costs will be recoverable, typically 90 days from loss date.

PERIOD OF INTERRUPTION (ALSO REFERRED TO AS PERIOD OF SUSPENSION, INDEMNITY OR RESTORATION) – the length of time coverage will be provided under a business interruption policy; the time required to repair or replace the damaged property with "due diligence and dispatch" or "reasonable speed." (This definition applicable only in USA.)

PROOF OF LOSS – a sworn statement provided to an insurer stating the date, time, place and cause of loss, as well as the ownership interests in the property, the value of insured property, the amount of loss, and the amount claimed.

REPLACEMENT COST – valuation provision contained in most property policies that is based on the repair or replacement of property with new property of like kind and quality, with no deduction for depreciation.

SELLING PRICE ENDORSEMENT – a clause or endorsement amending the property valuation provisions on stock or inventory to the "normal retail selling price." Use of this clause can also provide compensation for a short term business interruption loss without involving business interruption coverage.

SERVICE INTERRUPTION (ALSO REFERRED TO AS OFF PREMISES POWER FAILURE) – a coverage designed to insure against loss or damage, or business interruption, resulting from a loss of power or other services that is caused by loss or damage to property of the service provider.

SPECIFIED PERIL POLICY – also known as Named Peril Policy – insurance is provided only for the specific perils/causes listed in the policy.

SUBROGATION – the right of an insurer following payment of loss, to recover those payments from any party responsible for the loss; Subrogate: to stand in the shoes of another.

** These are general definitions. The specific definitions or provisions in the policy will vary. The specific policy should consulted for definitions of all terms used.*

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