

# COVID-19 Risk Alert: Property and Time-Element Claims

## Best Practices for Documenting a Property and Time-Element Claim

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The COVID-19 pandemic has created unprecedented challenges for individuals and entities across levels and business size. With few exceptions, enterprises across industries are experiencing significant and sustained operational disruptions, revenue loss and financial strain. Affected organizations should review their insurance coverages, assess the potential for reimbursement through FEMA, and the impact of recent legislation, such as the CARES Act, and develop a comprehensive strategy to quantify losses, prepare and submit claims or apply for reimbursement.

**Below are several suggested best practices to leverage existing systems to help track and gather relevant claim information.**

### **Prepare a Daily Timeline of Impact and Changes to Operational Activities**

For any claim, be prepared to tell the story behind the numbers. Document the effect of COVID-19 on operations and/or facilities, resulting changes to operational processes and any relevant authoritative orders (i.e., executive, governmental, other) that are impacting business activities. This information should be tracked daily or weekly as conditions warrant.

### **Cost Tracking Code**

At the onset of any incident that may result in a claim, set up a cost tracking code and/or general ledger account to capture incident-related expenses. Communicate this code to all personnel tracking costs and make sure they use it from the beginning through the duration of the event. It's far easier to track these costs as they occur; it often is a significantly more challenging exercise to go back afterward and try to reconstruct this information.

### **Gather Financial Information for Evaluation of Business Impact**

#### *Direct Expenses*

Identify and capture any expenses directly related to COVID-19 contamination at physical locations (i.e., Building, M&E, FF&E). These may include (but are not limited to) testing, cleaning, decontamination, disinfection, and removal of contaminated goods or assets. If exposure to the virus occurred at one of your facilities, appropriate documentation must be provided. This includes verifying that the employee was present at the contaminated locations and documenting confirmation the individual had the virus. Key cards systems or log-in sheets are generally adequate support to validate the employee's attendance; however, be aware that the documentation of support for, or treatment of, an employee or other individual testing positive for COVID-19 should adhere to HIPAA guidelines.

#### *Internal Labor*

Identify and capture internal labor utilized to assist in cleaning, restoration, and mitigation efforts performed at the impacted location(s). Include employee names, hours, rates (including variable fringes), and a description of the work performed on a daily basis.

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To learn how Aon can empower results for your organization, contact:

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### *Extra Expense / Expenses to Avert Business Interruption*

Identify incremental and/or abnormal costs for the development of a methodology to capture the marginal impact. Examples of operating inefficiencies may be incremental (above normal) overtime labor, freight and/or consumption rates (i.e., PPE). These operating expenses should flow through normal accounting systems and be reflected in the financial statements.

### *Business Interruption*

To document the financial impact due to the inability to operate or use the affected property, the following minimum information should be gathered for review and analysis:

- Key business metrics (which will vary by industry but can include 2 years of historical budgeted and actual profit and loss statements, budgeted and actual production, occupancy statistics, rent rolls, and procedures). Any documents pertaining to rolling forecasts generated through the normal course of business that change over time should be saved prior to being over-written.
- Identify any customer or vendor impacts on your supply chain. Document the impact and identify incremental costs, loss of margin, or revenue.
- Track event-related impacts on business activity and gather information, such as:
  - Copies of canceled contracts or orders;
  - Lost opportunities, refunds, abatement and customer complaints (supported by written correspondence); and
  - Incremental discounting or other special promotions to mitigate the loss.

If you require any additional guidance on how to document expenses/losses related to COVID-19, Aon's Claim Preparation Team is available to provide your business with details of these guidelines.

### **Aon's CPAV: Proven Methodology Backed by Unparalleled Technical Expertise**

Aon's Claim Preparation, Advocacy and Valuation (CPAV) practice is expansive and geographically diverse, consisting of an industry-leading team of property claims specialists. CPAV helps guide global businesses to seek comprehensive expedited recovery of complex losses, across the globe.

With technical knowledge that includes loss adjusters, forensic accountants, engineers, project managers, and investigators, Aon's CPAV practice manages property and business interruption claims using proven and proprietary methodologies fashioned from 40 years of industry experience. Our work touches virtually every industry, across geographic locales, and all forms of first-party insurance. That's why over the years, we've helped clients recover more than \$20 billion in loss proceeds.

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