

Be Prepared When Disaster Strikes: 10 Practical Tips On Your Property Cover



Agenda

1. Overview of cover
2. Internal decision making
3. Grant funding issues
4. Settlement options
5. Scopes of work
6. Going to tender
7. Exclusions
8. Extensions
9. Staff costs
10. Cash settlements

Overview of Property Cover



Overview of Property cover

General:

- Wording
- Declarations

Specific:

- Coverage schedule
- Asset schedule

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General:

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Specific:

- Coverage schedule
- Asset schedule



Wording

- All risk property coverage
- Property covered
- Property exclusions
- Peril exclusions
- Extensions
- Business interruption
- Loss adjustment and settlement
- General conditions
- Definitions

Declarations – modifies wording

Additional exclusions

- Vacant or Unoccupied Locations
- Unnamed Property

Special terms

- Trees
- Pavements and Roadways
- Flood

Coverage schedule

- Situation and/or premises
- Limit of liability
- Sublimits
- Deductibles

Asset schedule

- Lists property that is covered
- Declared values
- Importance of declaring property...

The coverage clause

Statewide Mutual Property Scheme covers against ...

- all risks
- of direct physical loss or damage to property
- except as hereinafter excluded,
- while located as described in this Protection Wording.

Property covered

This Protection Wording covers the following property, unless otherwise excluded elsewhere in this Protection Wording, at or within 300 metres of a **described location**, to the extent of the interest of the Member in such property.

- Real Property ...
- Personal Property ...



Business Interruption

Business interruption

The wording covers business interruption loss:

- *As a direct result of*
- *physical loss or damage*
- *of the type covered ...*
- *to property as described ...*
- *not otherwise excluded...*



Internal Decision Making

Internal decision making

- Clarify decision makers
- Who will decide to reinstate or cash settle?
- Who will approve scope?
- Who will sign building contract?
- Connect them with JLT / adjuster

Grant Funding



Grant funding, and allocating funds

- Maximising amount recoverable
- What's covered and what's not
- Getting assets / damage into right 'buckets'

Settlement Options



K. Valuation

Adjustment of the physical loss amount(s) under this Protection Wording will be as of the date of loss at the place of loss, and for no more than the interest of the Member.

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The lesser of:

- Repair
- Rebuild or replace at same site
- Rebuild, repair or replace at different site

Basis of settlement / Valuation provisions

- On electronic or mechanical equipment, cost to replace with something functionally equivalent
- On property scheduled for demolition, any increased cost of demolition directly resulting from covered loss

Basis of settlement / Valuation provisions

- On property not repaired, replaced or rebuilt within two years from the DOL, the **indemnity value**
- What is the indemnity value?

Scopes of Work



Scopes of work

- What is a scope of work?
- Quotes
- Upgrading
- Agree scope with JLT / adjuster



Requirements for Tendering

Requirements for tendering

Section 55 *Local Government Act 1993* (NSW)

Requirements for tendering

(1) A council must invite tenders before entering into [a broad range of contracts].

...

Section 55 *Local Government Act 1993* (NSW)

(3) This section does not apply to the following contracts—

(i) a contract where, because of extenuating circumstances, remoteness of locality or the unavailability of competitive or reliable tenderers, a council decides by resolution (which states the reasons for the decision) that a satisfactory result would not be achieved by inviting tenders, ...

(k) a contract made in a case of emergency, ...

(n) a contract involving an estimated expenditure or receipt of an amount of—

(i) less than \$250,000 or another amount as may be prescribed by the regulations, or ...

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Requirements for tendering, and contracting out

Consider:

- Requirements for tendering
- Who will approve scope / tender specs
- Who will sign contract
- Agree tender specs and scope with JLT / adjuster

Exclusions and Restrictions



Exclusion examples

- Wear and tear
- Settling, cracking, shrinking
- Personal property in the open air
- Insect, animal or vermin damage
- Delay
- Flood issues

Flood / Surface Water



Storm, Surface Water and Flood

Flood means **flood**; surface waters; rising waters; the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water; or the spray therefrom; all whether driven by wind or not; or sewer backup resulting from any of the forgoing; regardless of any other cause or event, whether natural or man-made, contributing concurrently or in any sequence of loss. ...

Storm, Surface Water and Flood

... Physical loss or damage from **flood** associated with a storm or weather disturbance whether or not identified by name by any meteorological authority, is considered to be **flood** within the terms of this Protection Wording. However, physical loss or damage by fire, explosion or sprinkler leakage resulting from **flood** is not considered to be loss by **flood** within the terms and conditions of this Protection Wording.

Storm, Surface Water and Flood

- Storm vs Flood
- Surface waters = Flood
- Flood sublimit or exclusion
- Flood deductible

A highly detailed LEGO MOC (My Own Creation) of a woman with long, flowing blonde hair made of yellow Technic bricks. She has a friendly expression with blue eyes and a red smile. She is wearing a blue dress made of blue Technic bricks. The background is a colorful, abstract structure made of various colored Technic bricks (blue, red, yellow, green) and small round Technic balls.

Extensions

Extensions / Additional Coverages

- Errors and omissions
- Expediting expenses
- Extra cost of reinstatement
- Debris removal
- Prevention of access

Removal of Debris



Debris removal

This Protection Wording covers:

- the reasonable and necessary costs
- to remove debris from a **location**
- that remains as the direct result of covered physical loss or damage. ...

Debris removal

- Building, contents and plant

What about:

- Trees?
- Earth / soil?
- Car parks?
- Roads?

A LEGO minifigure with brown hair, wearing a grey suit jacket, white shirt, and blue tie, stands in the center of an open doorway. The scene is dramatically lit with blue light on the left and red light on the right, creating a strong contrast. The background shows a hallway with a red wall and a yellow light fixture. The floor is dark and reflective, showing the colors of the lights. The text "Prevention of Access" is overlaid in white on a dark horizontal band across the middle of the image.

Prevention of Access

Prevention of access

This Protection Wording covers the BI ... loss incurred by the Member due to the necessary interruption of the Member' business when access to or from a **described location(s)** is physically prevented, either partially or totally, as a direct result of physical loss or damage of the type covered to property of the type covered whether or not at a **described location**.

Prevention of access

- Physical loss or damage of the type covered
- to property of the type covered
- physically prevents, either partially or totally
- access to or from a **described location(s)**.

Additional Increased Cost of Working

The recoverable AICOW loss is the reasonable and necessary additional increased cost of working incurred by the Member ... to:

- a) Temporarily continue as close to normal the conduct of the Member's business; and
- b) Temporarily use the property or facilities of the Member or others; ...

Additional Increased Cost of Working

... All less any value remaining at the end of the Period of Liability for property obtained in connection with the above.

A detailed LEGO construction scene. In the background, a multi-story building is under construction, with a large section of its roof or upper floor missing, revealing the internal structure. Several LEGO minifigures are positioned on different levels of the building. In the foreground, a group of seven minifigures, dressed as construction workers in various colored outfits (blue, green, red, yellow) and wearing hard hats (yellow, black, red, blue), stand on a pile of rubble and debris. The ground is covered with small stones, dirt, and scattered LEGO bricks. The overall scene depicts a busy construction site.

Staff Costs

Claims preparation costs

Covers the reasonably and necessary expenses incurred for employees ...

[f]or producing and certifying particulars or details to determine the amount of loss payable under this Protection Wording for which Statewide Mutual has accepted liability ...

What about reinstatement and repair costs?



Cash Settlements

Cash settlements

- Indemnity value
- Replacement value, via unplanned capital expenditure

Indemnity value cash settlements

Indemnity value means: the cost to repair or replace the property, on the date of the loss or damage, with material of like kind and quality, less proper deduction for obsolescence and physical depreciation.

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Replacement value cash settlement

Cash settlement for lesser of repair or replacement cost, excluding any Extra Cost of Reinstatement, if ... *proceeds of such loss settlement are expended on other capital expenditures related to the Member's operations within two years from the date of loss. ... [S]uch expenditure must be unplanned as of the date of loss and made at a **described location**...*

Replacement value cash settlement

Repair or replacement cost, excluding ECoR, if:

- Capital expenditure
- Unplanned as at DOL
- Within two years from DOL
- At a described location

Cash settlements

- Indemnity value
 - Less cash, no strings
- Replacement value
 - More cash, strings



Takeaways



Takeaways

1. Identify internal decision makers
2. Grant funding, and allocating funds
3. Decide on rebuilding or cash settling ASAP
4. Agree scopes of work with JLT / adjuster
5. Go to tender early, where required

Takeaways

6. Be aware of common exclusions
7. Be aware of useful extensions
8. Consider staff costs
9. Be mindful of how cash settlements work
10. Refer to JLT if in doubt

Questions?

