



Incidents versus Claims

Not Understanding the Difference can COST YOU

Ignoring potential claims, whether you have liability in the loss or not, is costly. As a contractor, you may be called out to perform repair work on sprinkler systems. So when is a repair job a claim? Moreover, what are your duties in identifying and reporting claims?

Incident or insurance claim: It is not a simple question and there is not a simple answer. Every service call, where your organization has a history with the fire protection system, has the potential of being a claim. Obviously, not all service calls turn into claims. A few questions to ask include:

- Did our company install, modify, service, or inspect this system prior to the loss?
- Was there water damage? Other obvious damage?
- Is the building owner/GC unwilling to discuss the issue with you?

When in doubt, contact your local insurance agent to discuss the incident and next steps.

GET ORGANIZED

Every organization should have standard procedures in place for determining incidents, or 'occurrences' that might result in a claim and forwarding the appropriate information on to your insurance agent or carrier.

Claims can be filed as 'For Notice Only'. Talk to the claims handler about how these types of claims are handled.

Your responsibilities do not stop at reporting the claim. Stay involved with the claim by sharing information with the claims handler, discussing status of open claims and the handler's plan of action in claim resolution.

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INSURANCE GUIDELINES

Your general liability insurance policy defines when to file a claim, but this document is not often read in detail or is soon forgotten. The following is standard ISO wording from a general liability policy (CG00112 04).

2. Duties In The Event Of Occurrence, Offense, Claim Or Suit

- a. You must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:
 - (1) How, when and where the "occurrence" or offense took place;
 - (2) The names and addresses of any injured persons and witnesses; and
 - (3) The nature and location of any injury or damage arising out of the "occurrence" or offense.
- b. If a claim is made or "suit" is brought against any insured, you must:
 - (1) Immediately record the specifics of the claim or "suit" and the date received; and
 - (2) Notify us as soon as practicable.You must see to it that we receive written notice of the claim or "suit" as soon as practicable.
- c. You and any other involved insured must:
 - (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";
 - (2) Authorize us to obtain records and other information;
 - (3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit"; and
 - (4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.
- d. No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

BENEFITS OF PROMPT REPORTING

Prompt reporting of claims has numerous benefits to you, including:

- Allows for immediate investigation of a claim, before changes are made to the system or evidence is mishandled or lost
- Gives better protection of your interests
- Typically results in faster resolution of claims
- Reduces the average cost of claims
- Minimizes the chance that the claimant will hire an attorney

WHAT YOU DON'T KNOW CAN HURT YOU

If you start negotiating claims, or make payments on losses, without the permission of the insurance provider, you are acting outside the insurance policy and any subsequent claim can be denied (see 2d of the ISO wording noted above). Let the claim professional work on your behalf, rather than try to manage the loss yourself.

CONCLUSION

Ignoring potential claims, whether you have liability in the loss or not, is costly. Be involved in the claim process by prompt reporting, sharing all information with your insurance claims handler, and collaborating with your insurance claims handler. This will bring about the best result possible.

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