



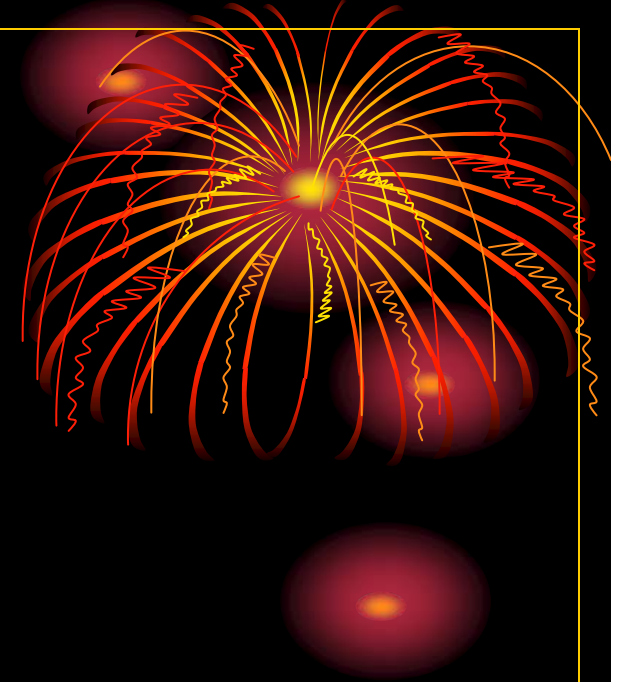
ADVANCED FIRE & ALLIED
PERILS INSURANCE
WORKSHOP

FIRE INSURANCE CLAIMS
& SALVAGE MANAGEMENT

WALE ONAOLAPO
March, 2005

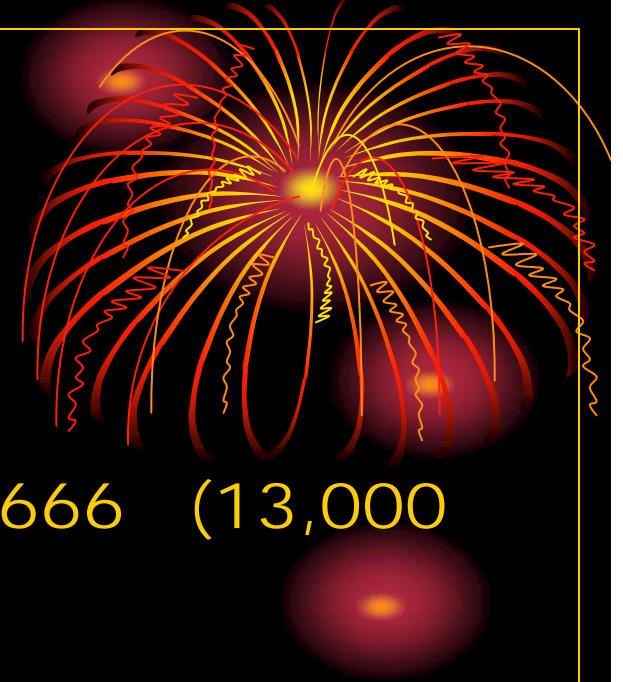
THE MESSAGE

1. INTRODUCTION
2. DEFINITIONS
3. WHAT IS THE CONTRACT?
4. ADMINISTERING THE CLAIMS
5. CLAIMS CONDITIONS
6. DEALING WITH SALVAGE
7. CASE STUDY [SIMPLIFIED EXAMPLES]
8. CONCLUSION

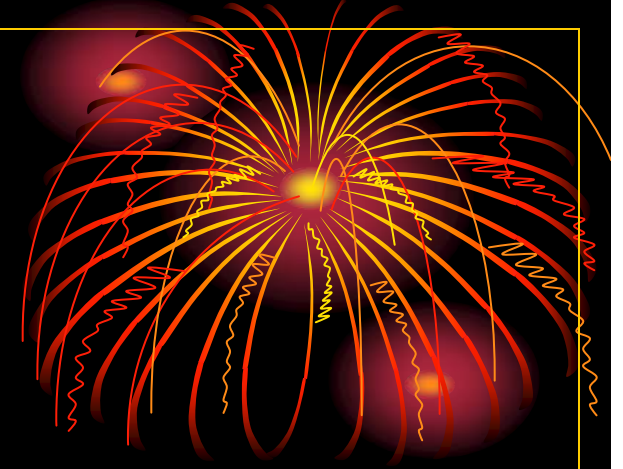


INTRODUCTION

- The irony of Fire!
- Great Fire in London in 1666 (13,000 Buildings!)
- Fire Waste: Absolute economic loss of wealth to the community
- Swiss Re Sigma Studies: Extreme weather and climatic events, including fire, cost insurers \$16.2 billion in 2003
- Fire losses cost Nigerian insurers =N=1.1 billion in 2003



DEFINITIONS



- Fire

The presence of a combustible substance with a temperature high enough to cause combustion (called the *ignition temperature*) and the presence of enough oxygen (usually provided by the air) or chlorine enabling rapid combustion to continue

Definitions... (contd.)



- Allied Perils

Those risks normally excluded from the standard fire policy, but which insurers are prepared to cover on certain conditions and at an additional premium

Definitions... (contd.)



- Salvage

Operations aimed at reducing the effect of damage caused by fire and fire fighting measures

- Management

Professional administration of business concerns, public undertakings, etc.

What Is The Contract?



- FIRE & ALLIED PERILS POLICY:
- Fire, Lightning, Explosion
- Explosion
- Aircraft & other aerial devices
- Riot, Strikers, Locked Out Workers
- Malicious Damage

...the contract (contd.)

- Earthquake or Volcanic Eruption
- Storm, Tempest & Flood
- Bush Fire
- Escape of Water from any Tank, Apparatus or Pipes
- Impact by any Road Vehicle or Animal



ADMINISTERING THE CLAIMS



Peril or Incident



Damage



Notification of Loss --- Policy requirement



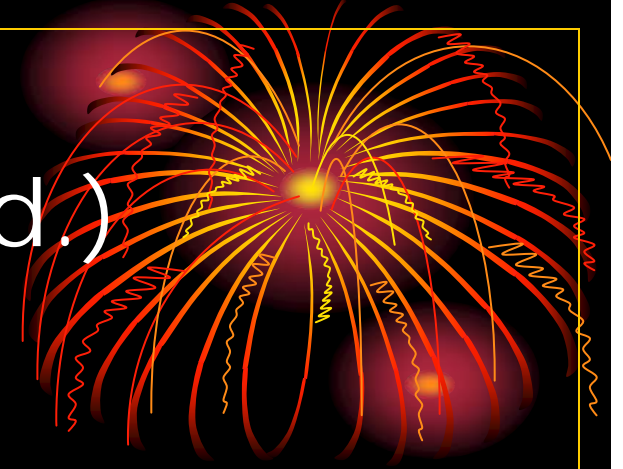
Contract in Force --- Premium Paid
Period of insurance starts ends
Date and time of event

Utmost Good Faith --- Disclosure - preliminary enquiries



Insurable Interest --- Disclosure - further enquiries
Owner/tenant/bailee etc.
Commercial contracts

Administering... (contd.)



Proximate Cause



Contract in force



Indemnity

--- Definition
Efficiency
Onus of proof

--- Disclosure - further enquiries
Underwriting criteria
Material facts
Construction
Warranties
Reasonable care

--- Fraud
Claim conditions
Details - onus of proof
Option - (1) Reinstate
(2) Money
Special Clauses

Administering... (contd.)

Settlement

--- Replace - discharge
Money - receipt



Contribution

--- Other insurance
Common law



Subrogation

--- Common law
Policy condition



CLAIMS CONDITIONS

- Action by the insured
- Forfeiture
- Reinstatement
- Rights of the company following a claim
- Average & Contribution
- Subrogation
- Arbitration



MANAGING SALVAGE



- Basic responsibility of Fire Department
- Underwriters must move in to the scene promptly and take control
- Loss adjusters should take inventory and deal with salvage and claims simultaneously
- Specialist salvage companies required

CASE STUDY (Simplified Examples)



- Atlantic Textile Mill (2002)

Amount Claimed : =N=746M

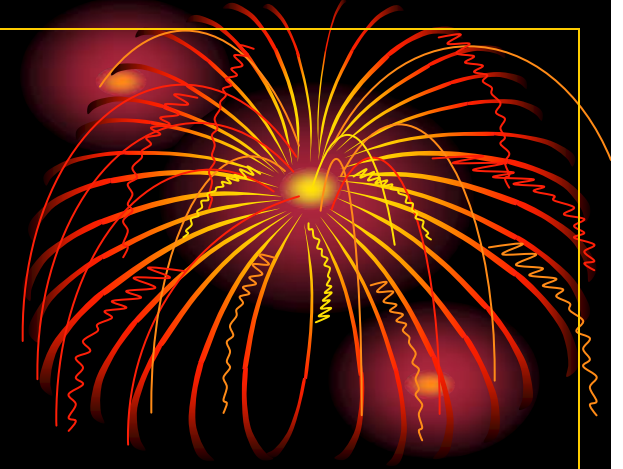
Amount Settled : =N=330M

- Emzor Pharmaceuticals (2004)

Amount Claimed : =N=786M

Amount Settled : =N=495M

Case Study... (Contd.)



- Yale Foods (2004)

Amount Claimed : =N=600M

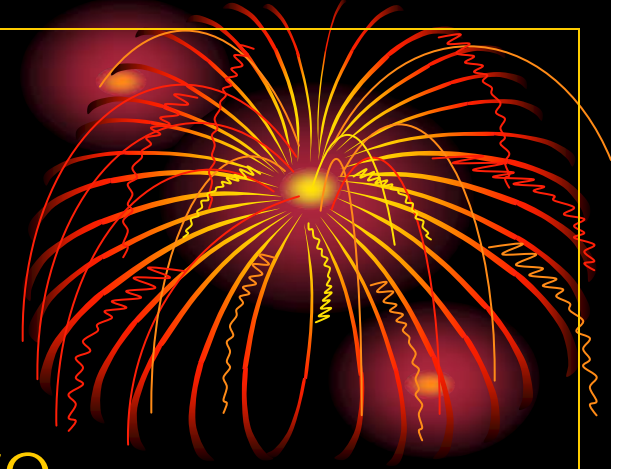
Amount Settled : =N=495M

- Aje Bawora (2004)

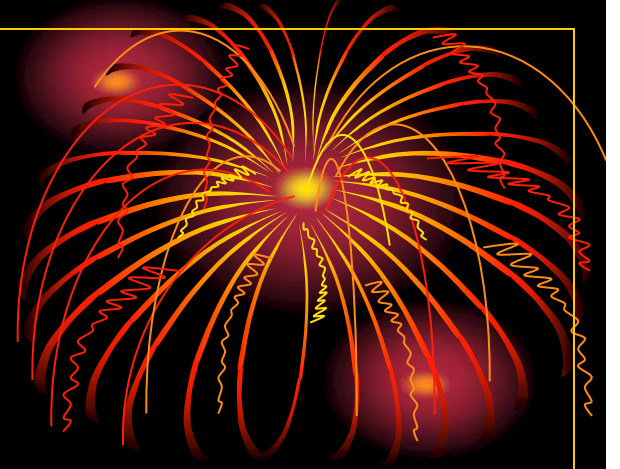
Estimated Claim : =N=500M

Amount Settled* : =N=126M*

CONCLUSION



- Prevention better than cure
- Pre-loss Survey should be accorded greater attention
- Focus on tidiness, overcrowding, management and moral hazard in evaluating risks
- Key consideration: Character and competence of loss adjusters



THANK YOU