



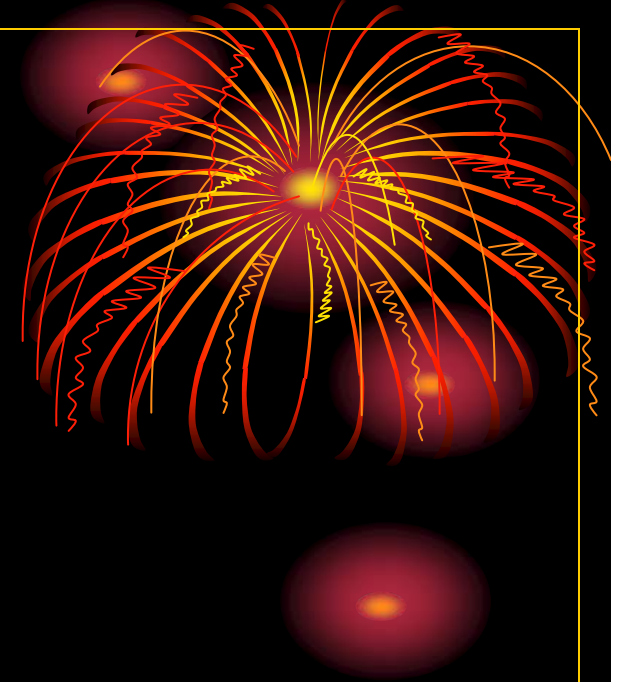
ADVANCED FIRE & ALLIED  
PERILS INSURANCE  
WORKSHOP

FIRE INSURANCE CLAIMS  
& SALVAGE MANAGEMENT

WALE ONAOLAPO  
March, 2005

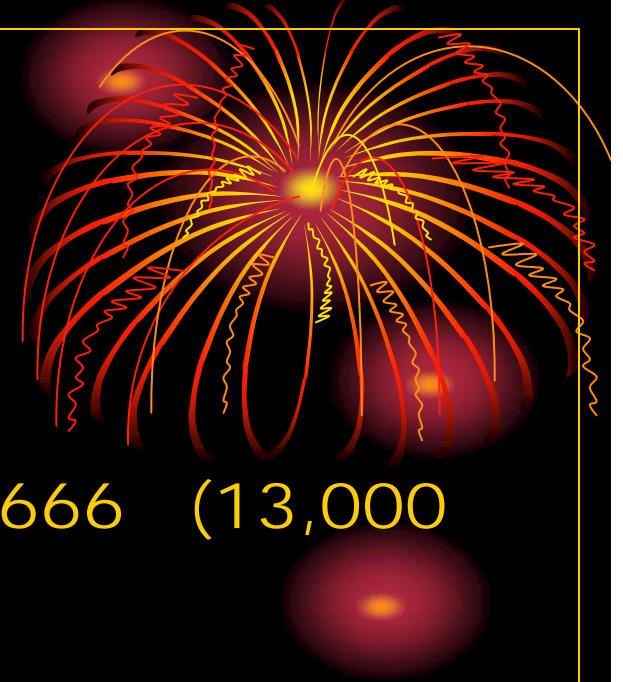
# THE MESSAGE

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

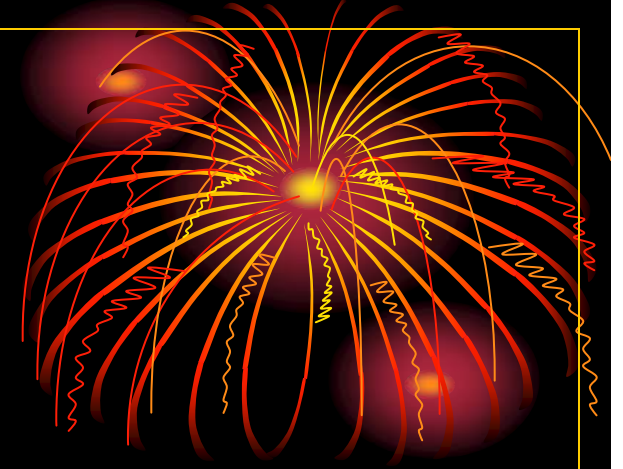


# INTRODUCTION

- 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



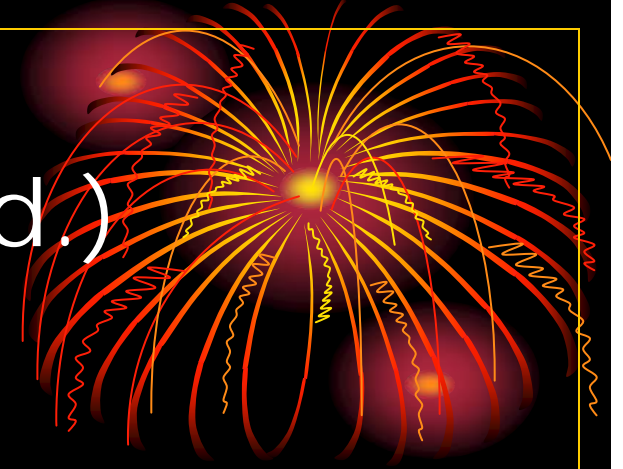
Contract in Force --- Premium Paid  
Period of insurance starts ends  
Date and time of event

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

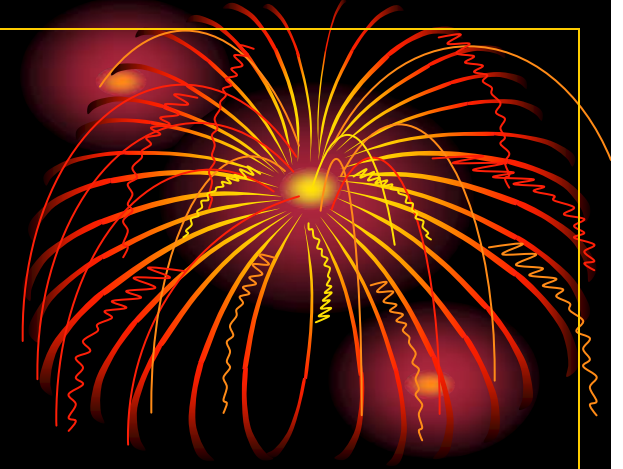
Amount Settled : =N=330M

- 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

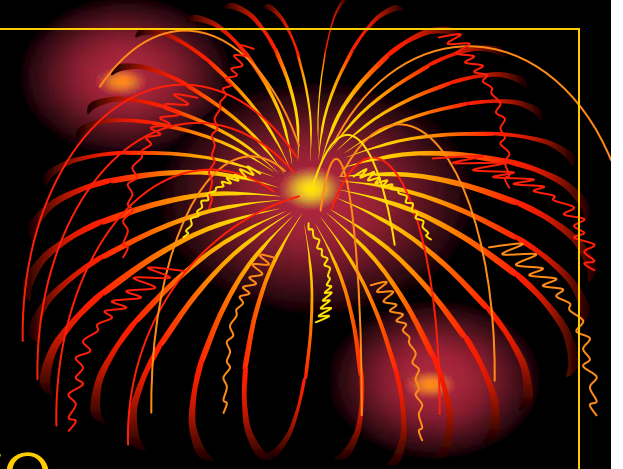
- Aje Bawora (2004)

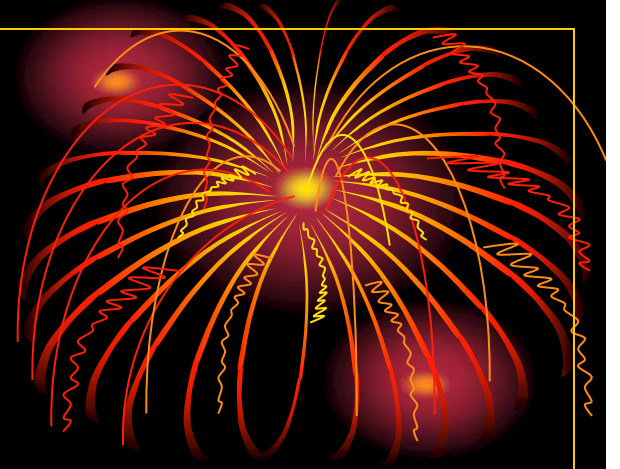
Estimated Claim : =N=500M

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