

# PROTECTING YOURSELF AND YOUR ASSETS: KEY STRATEGIES TO MITIGATE LARGE LOSSES

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Increasing premiums, growing self-insured retentions (SIRs) and deductibles—this is the reality Canadian risk managers are forced to cope with and manage. Gone are the days of calling your insurance company and submitting a claim without hesitation whenever an incident takes place. In the event of an emergency, it is up to risk managers to control their risk exposure, keep expenses as low as possible and balance the investigation and administration of its resolution—a tall order during an already stressful time! >>>

The good news is, managing risk in an emergency situation is easier if you know the variables you need to prepare for in advance. To protect yourself and your assets from legal exposure in the event of an emergency, you must use your resources, plan ahead and document the incident properly.

## FIRST THINGS FIRST: USE YOUR RESOURCES.

The first and most important thing you should do is review your insurance policy with your insurer, broker or independent claims management representative. These professionals not only know your policy inside out, but also understand your risk thoroughly. They are an incredible resource that will tell you what is and what is not covered under your policy, and under what circumstance.

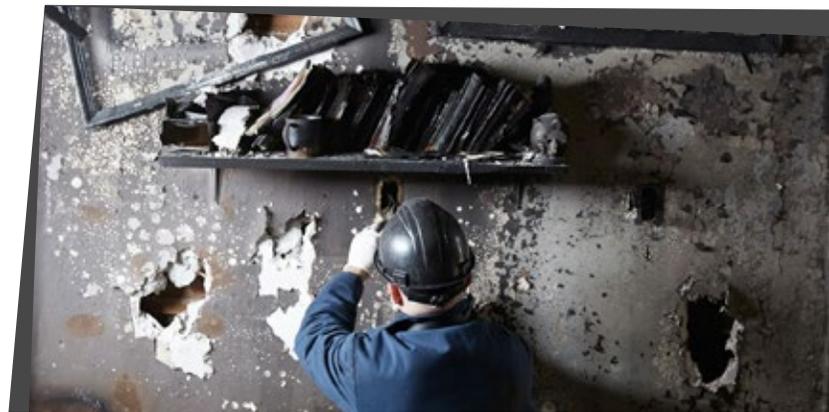
Your trusted insurance expert can explain key factors to consider when an incident takes place and what to do to ensure coverage. For example, if a sprinkler system fails in one of your facilities and water damage occurs, many insurance policies strictly exclude expenses related to mould. Being aware of this exclusion means you now know to test and verify that your facility is completely dry after a leak or flood occurs in order to save you the hefty cost of mould remediation. When you know your policy inside out, you know which measures to put in place.

Now is the time to set up a meeting with a trusted insurance expert in your network. They will provide you with the specifics of your policy, as well as tell you what documentation is required in the aftermath of an incident specific to your risk/organization. They may also be able to provide you with a list of vetted vendors (contractors, adjusters, forensic engineers, etc.) to develop relationships with, and can also help you determine which authorities (fire department, Ministry of the Environment, etc.) you need to add to the list.

Vendors and local authorities can help you control risk in times of emergency. They not only assist in preventing further

damage, but can get you up and running sooner rather than later. Reaching out to authorities to perform frequent inspections (e.g., your local fire department) makes them familiar with the layout of your building, which will save time and excessive damage in an emergency. This translates to lower claim expenses and less downtime.

You should also consider contracting a plumber to inspect possible exposures such as equipment, plumbing and aging infrastructure. Creating agreements with vendors pre-loss may also result in lower rates and fewer up front costs.



Reaching out to vendors proactively, such as forensic engineering firms, can help your loss prevention initiatives tremendously. These experts can identify potential hazards (environmental, electrical, mechanical, structural, chemical, etc.) and help you take the necessary steps to correct them before it is too late. After a loss occurs, their investigation will help you assess and control your legal exposure, as well as aid in recovering expenses if a third party is responsible for the cause of the loss. For example, if a forensic engineer's investigation determines a sprinkler system leak was due to faulty installation, the plumber who installed the fixture may be liable for the cost of the damages. This process is called subrogation, which is the act of recovering the cost of an incident from a third party deemed responsible for the loss.

Having an emergency network in place before an incident occurs can save you countless hours and thousands of dollars.

**BE PROACTIVE, NOT REACTIVE.**

## PLAN AHEAD. CREATE A SOLID PROTOCOL.

In order to reduce your exposure when an incident such as a fire or flood takes place, you should have a protocol pre-planned and ready to be deployed. Water damage is the leading cause of property loss in offices, apartments and other real estate buildings in Canada<sup>1</sup> —a staggering 56% of total claims.<sup>2</sup> And while only 10% of claims are due to fire, they are the most costly, representing 47% of incurred claim costs, with the average fire related claim being over \$200,000.<sup>3</sup>

### NO MATTER THE TYPE OF RISK, RISK MANAGERS SHOULD HAVE A SOLID PROTOCOL IN PLACE IN THE EVENT OF AN EMERGENCY.

To protect yourself and your assets, you must develop a strong internal protocol. Establish who should be contacted (key agencies, vendors, internal personnel etc.), when the protocol should be used and where it should be kept. Everyone should know the plan and the role they play in it.

## DOCUMENT AN INCIDENT PROPERLY.

Limiting access to the scene of an incident will help you achieve three significant objectives:

1. PREVENT FURTHER LOSS
2. PROTECT AGAINST LIABILITY
3. SECURE YOUR POTENTIAL FOR SUBROGATION

Often, the best way to find out exactly what caused an incident is to thoroughly document what took place. If you have not documented the incident sufficiently, you are exposing yourself to potential liability and legal issues.

One of the first steps in your emergency protocol should be to interview first responders. It is important to record people's

observations as soon as possible; find out what happened while it is still fresh in their minds. Experts also recommend that you assign security to guard the scene to ensure nothing is altered. If you need to clean up the scene immediately to prevent further damage, contact a forensic expert first to come to the site to document the incident. If they are not able to get to the scene within a few hours, document it yourself before it is altered by taking photos and video recordings of the general location. Work your way toward the location with the most damage.

If you do not protect the scene, you increase your liability exposure while decreasing your opportunities to subrogate and recover the cost of the incident. Many risk managers include forensic experts in their emergency network. Origin and Cause engineers and forensic experts are vital in determining the true cause of an event. However, if the scene is compromised, investigators cannot do their job, which means you are limiting your ability to control your legal exposure and decreasing your chances of potentially recovering the cost of the incident.

## ENHANCE YOUR LOSS PREVENTION STRATEGY

### DO NOT END A LOSS AT A LOSS.

In the past, emergency protocols have only involved calling the insurance company, but doing so today will cause already soaring premiums to jump even higher. Instead, take control of the situation and develop a solid emergency protocol for your organization to follow.

Speak to a trusted insurance professional in your network. Build an emergency network that is custom-built for your organization's needs. And be sure to communicate your protocol to your personnel.

Finally, do not end a loss at a loss. Address the issues that caused the incident in the first place. To learn more about subrogation and loss prevention, contact the experts at Origin and Cause today.

## SPECIAL MENTIONS

This article is an adaption of the presentation, “Protecting Yourself and Your Assets: Key Strategies to Mitigate Large Losses”, presented at the RIMS Canada Conference, 2015, in Quebec City by Mazen Habash of Origin and Cause, Eric Boulanger from Crawford and Company and Jerry Chaves from Bentall Kennedy.

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Mazen is the president of Origin and Cause and specializes in fire investigation, electrical and electronic failures, product liability and alarm system analysis. With over 28 years of experience in the industry, he has performed over 3,000 fire, product liability and alarm system investigations. Mazen is a licensed professional engineer and designated consulting engineer, and is qualified as an expert witness in civil and criminal courts in three provinces. He is also certified at two levels by the Canadian Alarm and Security Association as an alarm technician.



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#### REFERENCES:

<sup>1</sup> “A Cure for Water Damage”, Zurich Insurance Company Ltd. Canada, 2015.

<sup>2</sup> Crawford & Company (Canada) Analytics Data, January 1, 2014 – August 24, 2015.

<sup>3</sup> Crawford & Company (Canada) Analytics Data, January 1, 2014 – August 24, 2015.

