

TURNING INTO

TRAGEDY TRIUMPH

When all parties work together in the claims process, an insured's misfortune can have a happy ending

By Phil Zinkewicz

We've all heard horror stories regarding the property and casualty insurance industry's claims-paying processes. Possibly the worst example is the case of the Twin Towers at New York's World Trade Center, a nightmare that went on for years after September 11, 2001.

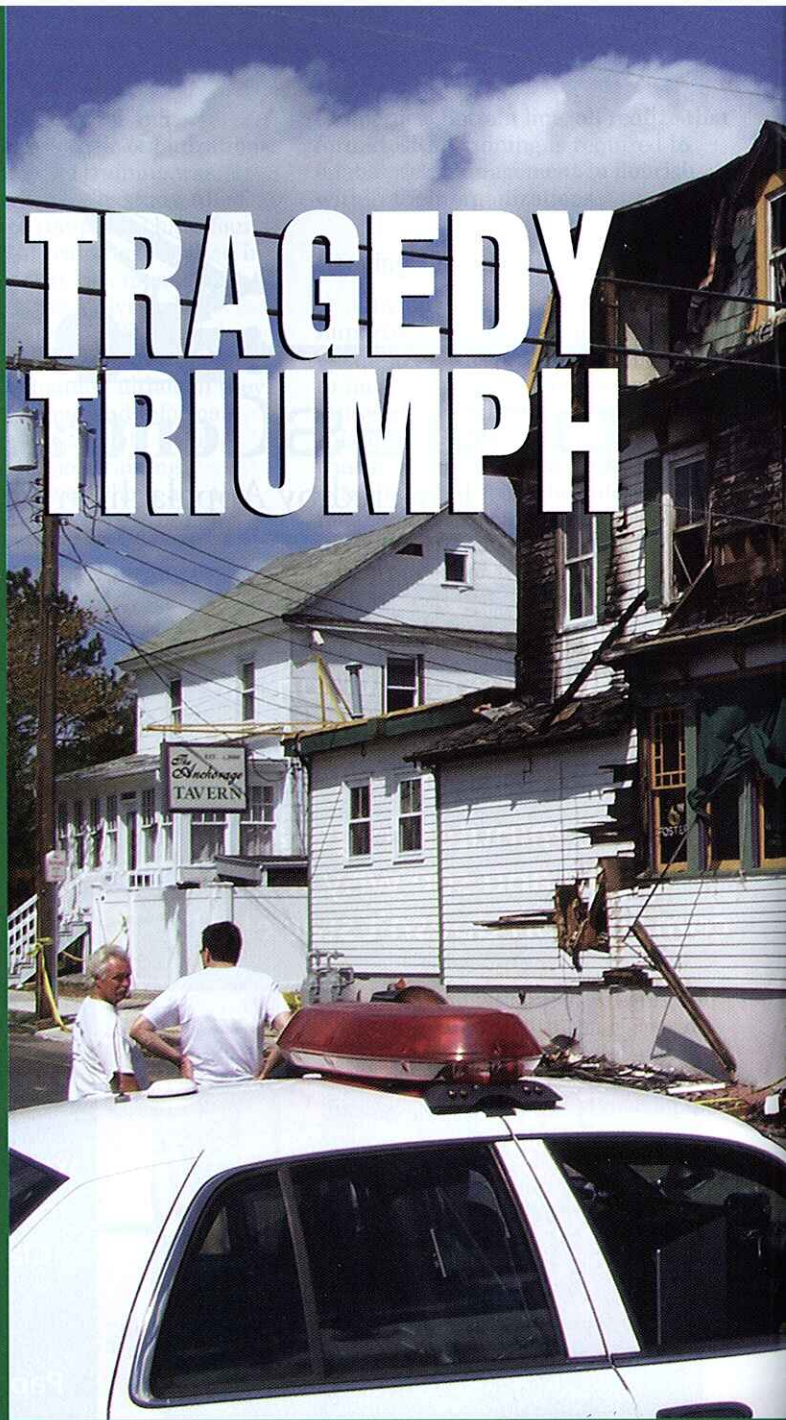
Only recently (early 2007) was an insurance settlement reached. To be fair to the industry, insurers on the risk—and there were many—never tried to get out of paying the claim. The dispute was over the amount of the claim, with a great divide between what the owner expected and what insurers saw as their responsibility to pay. Confusion over initial contract wording clouded the issue in the courts. Nevertheless, bad press for the industry resulted.

Then, of course, there are the claims still outstanding as the result of Hurricane Katrina in 2005. Here again, it has been disputes in the courts over “windwater” that have held up claims payments.

Even aside from unusual situations such as the World Trade Center and Katrina, most commercial insurance buyers probably do have negative feelings about the industry's claims-paying response time. After all, a claim that takes too long to be paid can make the difference between the reopening of a commercial establishment and its eventual demise.

When things go right

But when the system works the way it should and when all the parties involved—the property owner, the retail agent, the managing general agent and the insurer—are “on the same page,” it can be something exciting to behold.



Such a situation was set off last year when a landmark restaurant in southern New Jersey caught fire on a pre-dawn September morning, ironically September 11. A four-alarm fire did major damage to the Anchorage Tavern, an historic building in Somers Point whose beginnings can be traced back to the nineteenth century. More than 60 firefighters from several New Jersey locations were immediately dispatched to contain the damage.

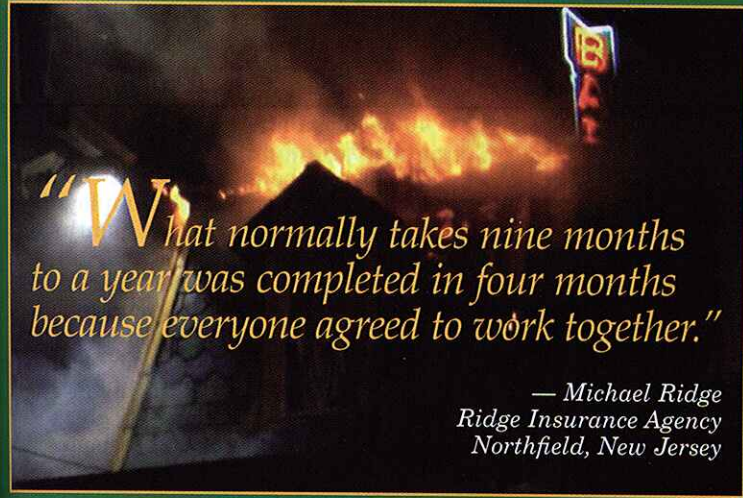
Almost as immediately, two men who were responsible for the Anchorage's insurance coverage were on the move. They were the retail agent, Michael Ridge from the Northfield, New Jersey, Ridge Insurance Agency, and Richard Munce, vice president and regional manager for Jimcor Agencies, the managing general agent on the account. “We've all heard about The Perfect Storm,” says Ridge. “Well, we like to call this story The Perfect Claim.”

Ridge had just gotten married on the previous Saturday, but when he received a telephone call from a neighbor who had heard



Photos courtesy of Jimmor

Because of cooperation by the insured, retail agent, MGA, underwriters and others, restoration work on the fire-damaged historic Anchorage Tavern in Somers Point, New Jersey, began immediately and progressed quickly.



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— Michael Ridge
Ridge Insurance Agency
Northfield, New Jersey

a radio alert about the fire on the following Monday, he immediately rushed to the scene.

"Somers Point, where the Anchorage is located, is an old seafaring town," Ridge notes. About seven miles south of Atlantic City, "the town is known for its old-style architecture and quaint surroundings. The Anchorage, with its own historic background, fits right in. The owners of the restaurant, Don and Michelle Mahoney, had been my insureds since they bought the place in 2001. Don is a world-class chef, and the place has become known for its food as well as its libations. In addition, Don and his wife are known as pillars of the community. The facility is manned 24 hours a day. The restaurant stays open until 2:00 a.m.; then the cleaners come in and are there until the owners return the next morning."

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Around 5:00 a.m. on September 11, 2006, one of the cleaning staff smelled smoke coming from a bathroom. When the alarm was sounded and it became known that the Anchorage was in danger, firefighters came from all over the surrounding area. That was enough to contain the damage, Ridge reports.

Ridge says that, after coming upon the fire scene, he immediately called Munce at Jimcor, the MGA that worked directly with the underwriters at Lloyd's of London who insured the restaurant.

Getting the ball rolling

"I had already heard about the fire on the radio and had started the ball rolling," says Munce. "I called our adjusting firm, Van Guard Adjusting, and they were on the spot by 9:00 a.m., headed up by Bob Gilliam. By the time Bob got to the scene, there were already some public adjusters present as well as construction companies, all of whom had heard about the fire and wanted to take advantage of any opportunities that might be there."

Says Ridge: "I stayed with the owner all day and assured him that the carrier and the adjuster would work quickly to satisfy his needs. Don Mahoney had been our insured for six years, so he trusted us. Bob called London, and Lloyd's immediately set up a \$1 million reserve fund. In four or five hours, the fire was out and the cleaning process started. By this time, everything that was needed to set up the claims processing was in motion."

On Day Two (Tuesday), Mahoney signed with All-Risk Insurance Restoration; and by Wednesday, the damaged portion of the restaurant was being torn out to begin the restoration. "This point can take weeks to reach," says Ridge, "but because everyone was working together, it took only days."

It was then that a particularly difficult problem arose. In the course of tearing down the damaged portions of the building, it was discovered that the foundation needed to be replaced. "After all, it is a 140-year-old building," says Ridge. "City engineers came in and decided that either the foundation had to be replaced or the building would be condemned. Moreover, foundation replacement was not covered under Don's policy.

"Another owner might have just taken the money and run," Ridge continues. "But here's where Don's dedication came through. He decided to pay for the new foundation out of his own pocket. The job took almost a month, working seven days a week, from 7:00 a.m. to 7:00 p.m. The carrier agreed to pay for the insured's loss of income. There was no haggling. As a result, Don reopened the Anchorage in February 2007. What normally takes nine months to a year was completed in four months because everyone agreed to work together."

Munce says one reason the claim was handled with such speed and alacrity is that everyone listened to one another. "It all started with the client. Don has a reputation of being a first-class gentleman as well as a professional. Out of his staff of 40 people, all but one have returned to the restaurant. Don paid his employees the difference between what they received on unemployment during the reconstruction months and their original salaries.

"When the fire started, Mike and I moved as quickly as we could to bring in the adjuster and the restoration people and to inform our carrier that this was an insured of the highest quality," Munce continues. "The carrier listened to us and responded accordingly. This scenario shows what can happen when insurance claims are handled with efficiency." ■

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