



NEWSALERT

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Broker Services Contact Information

CALL OUR CUSTOMER SERVICE HOTLINE 877.528.7878

Audits, Billing, Claims, Policy Information, Etc.



CONTACT US



AmCom Insurance Services, Inc.
1655 Grant Street, Suite 700
Concord, CA 94520

Reception Desk: 925-288-6780
Main Fax: 925-244-0234

Submissions (NB & Renewal):
newbusiness@amcomins.com
Endorsement Requests:
endorsements@amcomins.com
Loss Run request:
Available for download from
AmCom Online Portal

*If you would like to learn more about
any of our services, please contact us or
visit: www.amcomins.com*

Service

- New Claim Reporting
- Ordering Loss History
- Submissions (NB & Renewal)
- Endorsement Requests

caclaims@amtrustgroup.com
lossruns@amtrustgroup.com
newbusiness@amtrustgroup.com
endorsements@amtrustgroup.com

Audit

- Audit Questions
- Audit Disputes
- Audit Status Updates

audits@amtrustgroup.com
disputes@amtrustgroup.com
auditstatus@amtrustgroup.com

Billing

- Billing Questions (Agency bill)
- Billing Questions (Direct bill)

amtrustcommissions@amtrustgroup.com
amtrustAR@amtrustgroup.com

Commercial Buildings

Do You Need Full Replacement Coverage?

THE OWNERS of a new company found a building on the market for an affordable price, so they bought it. Built in the 1940s to manufacture aircraft for the war effort, the metal structure had a large open space.

The company buying this space was in the software development business and the building was much larger than it needed, but the price made it seem like a sensible move.

But, the owners got a surprise from their agent about property coverage. Insurance companies base limits of insurance on the cost of replacing a building exactly as it was before the loss. The cost of reconstructing this old building was much higher than both its purchase price and that of other suitable properties.

The company did not need that much insurance, and paying the higher premium for it would have been wasteful, so the owners asked the agent for alternatives. What if, they asked, we don't rebuild our building as it was?

After a fire or some other catastrophe, the owners may decide not to rebuild or replace with a similar structure for a number of reasons.

As was the case with the software company, the current building's design may be impractical. The company bought the building because of a good price, not because of its large open space. A software developer ordinarily does not need that much space; if it were to rebuild, it would almost certainly choose a smaller building with a different layout.

Also, very old buildings often include materials that are no longer commonly used, such as plaster and lathe. Reconstruction with these materials is expensive and often unnecessary for the continued operation of the business.

A company may decide to consolidate operations of two locations into one. The second location may have the capacity to absorb the first one's operations, and management may feel that it will gain efficiencies by consolidating.

Depending on the building's age, it may not meet current building codes. The local government may require any new

buildings to meet expensive new codes.

Actual cash value

The standard business property insurance policy states that the insurance company will pay "actual cash value" – the cost of replacing the property minus an amount for depreciation.

But it offers the option of valuing a loss at replacement cost without deduction for depreciation.

A business that chooses this option will need to purchase the amount of insurance equal to the cost of replacing the building "as is."

The company will pay the difference between the actual cash value and the replacement cost only if the property owner actually rebuilds or replaces the property, and then only if he does so as soon as reasonably possible after the loss.

The policy also provides a small amount of additional insurance (typically the lesser of 5% of the insurance on the building or \$10,000) to cover the increased cost of construction resulting from changes in building codes.

Your options

If you feel that your business does not need an exact replacement of its current buildings, you can ask us about adding a "functional building valuation" endorsement to your policies.

It establishes a limit of insurance somewhere between actual cash value and full replacement cost and allows the property owner to replace the building with one that fulfills the same function as the old one at a lesser cost.

Our discussion with you should also include increased "ordinance or law" coverage to provide additional insurance for increased costs from new building codes. With the right attention to detail, a business can get the property insurance it needs without having to waste money on unnecessary coverage. ❖





Commercial Auto

Prompt Claims Filing Reduces Costs, Avoids Litigation

WHILE A DRIVING employee may be flustered after an accident and may not be thinking of reporting the incident immediately, for the policyholder, the clock starts ticking the moment the accident has occurred.

To ensure that the claim is dealt with in a timely manner and to prevent a number of unforeseen consequences, the sooner after an accident that you report a claim, the better.

The reason it's so important is that there is often a third party involved. If there is a gap between when the accident occurs and AmCom Insurance Services getting involved in the claim, the chances the third party may take legal action increase.

This is especially true in commercial auto accidents, since some people may be more likely to take legal action in the belief that a business has deeper pockets than an individual. And with a third party that is out of the business's control, there are more uncertainties.

Here are a few reasons why dawdling on filing your commercial auto claim can be detrimental to you:

Better chance the third party takes legal action – The longer it takes AmCom to contact the third party and/or their insurer, the more likely they will secure the services of a lawyer. Prompt response puts the other party more at ease and makes them confident the claim will be handled in a timely manner that makes them whole again.

Claims costs can increase – As time ticks on filing the claim, costs (for your firm and the third party) are likely to rise, including:

- Repair costs
- Car rental costs
- Down time for the vehicle
- Storage costs, and more.

More time spent dealing with tasks following the accident – If you delay in filing the claim, you will have to take on some of the administrative work that the claims adjuster would normally handle. Claims adjusters have at their disposal resources you may not have access to, such as specialist repair and recovery services.

Reduced chances of a good result – Claims adjusters are trained in assessing your liability after an accident, and are also trained in detecting fraud by the other party. The more that time passes after the accident, the harder it will be for the claims adjuster to detect any fraudulent activity on the part of the third party.

Reputation and brand vulnerability – These days, many people take their grievances to social media. If a member of the public feels slighted by your firm or that your company mistreated them in some way, they may vent about you on Facebook or Twitter or other social media platforms.

If, however, you file that claim quickly and the claims adjuster reaches out to them, the chances that the other party feels victimized will greatly diminish. Also, claims adjusters are adept at working with third parties and know how to relieve their stress about the accident.

Getting claims reported on time

As you can see from the above, it's imperative that AmCom Insurance Services knows about the accident as soon as possible so we can assign a claims adjuster to step in.

Never assume a claim will "just go away."

Steps You Can Take Now

- Assess your internal reporting procedures for auto incidents. A lengthy internal chain of command slows down reporting to us.
- Regardless of who is at fault, report it to AmCom immediately.
- Discourage your employees from trying to resolve the claim directly with the third party or their insurance company.
- Include incident reporting as part of your fleet safety program. Make sure employees know to report accidents.

The bottom line is you can trust AmCom's claims department to handle the claim expediently and professionally. Leaving it in the claims adjuster's hands will ensure the claim is investigated and that all claims are paid fairly. ❖



Property Protection

Vacant Buildings Pose Risks, Insurance Challenges

THE AVERAGE vacancy rate for offices nationwide in the second quarter of 2018 was 12.2%, while 12.1% of retail spaces and 7.8% of industrial spaces were vacant, according to the website *Statista.com*.

Unfortunately, when buildings stand vacant they become susceptible to a variety of problems.

There are roughly 31,000 fires in vacant buildings annually, resulting in dozens of deaths, hundreds of firefighter injuries, and an average \$642 million in property damage.

Problems Can Quickly Mount

- With no security on the premises, the building becomes a target for vandals. Vacant buildings frequently wind up with broken windows and graffiti-covered walls.
- Fixtures and materials inside the building, such as copper piping, may attract thieves.
- Vacant buildings can become convenient hang-outs for young people or shelters for the homeless; they also can become centers of criminal activity, such as drug-dealing.
- Trespassers smoking on the premises, decayed wiring, arson, and production of illegal drugs like methamphetamines may cause fires in vacant buildings. In addition, automatic sprinkler systems may be shut off, allowing fires to spread, and lack of security prevents early detection.
- Toxic substances remaining on the premises may leak and contaminate soil and groundwater.



Safeguard Your Building

- Visit the property at least weekly, or hire a property management company to do so.
- Clear the exterior of scrap wood, paper, cardboard and brush.
- Remove any toxic substances that could contaminate the area or harm police or firefighters.
- Maintain sidewalks and parking areas in good condition, and clear them of snow and ice.
- Erect obstacles to keep vehicles and pedestrians out of parking areas.
- Hire security to watch the building at night. Turn on exterior lighting.
- Maintain heat or drain the plumbing system to keep pipes from bursting, but keep at least a minimum temperature in areas protected by automatic sprinkler systems.
- Maintain electricity supply to emergency lighting and exit signs.
- Shut off utilities, except where necessary to power desired lighting and alarm systems.
- Maintain fire detection systems and link them to a central station monitoring service.

Insurance implications

Buildings that are more than 70% vacant for more than 60 days also lose some important insurance coverage.

If the building is largely vacant, the standard commercial property insurance policy reduces loss payments by 15% for most causes of loss and does not cover others at all, including vandalism, water damage, glass breakage, and theft.

For an additional premium, the building owner may be able to purchase vacancy permit coverage, which reinstates some or all of this coverage for a specific period of time. An alternative – vacancy changes coverage – can reduce the minimum occupancy that the building must have before the insurance company will consider it vacant from the standard 31%.

We can work with you to get the coverage you need.

A vacant building is never a good situation, but with the proper precautions, the owner can maintain its value and keep it secure until new tenants move in. ❖