

Presented by Robin
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CedarBrew

Brewery Claims Stories (Lessons to Learn)

CedarBrew Crew



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CLAIMS- PUTTING COVERAGE UNDER THE MICROSCOPE

What are common client expectations?

What are the Realities of the procedure?

Understand Coverage Terms/Conditions/Timing/
Responsibilities in the Insurance CONTRACT

1- It's all about the YEAST

- Several Contamination Claims
 - One Scenario- Beer was overoxidized, yeast contaminated
 - Several Months before claim payout- \$5,000
 - What is the coverage?
 - Contamination/Spoilage - definition
 - Fungi/Bacteria Exclusion
 - SUBLIMITED
- What is the Process for Spoilage/Contamination?
 - DATA DATA DATA
 - Lab Analysis by carrier before payout
 - Terms and Conditions apply

1- Take Aways

- Be prepared for claims to take time to resolve
- Makes sure to document damage, take pictures, save inventory
- Involve your broker to ensure communication flows with carrier in a timely fashion
- Understand what your limits/max amounts are from the insurance carrier for various causes of loss

2- Claim Appeal

- Another Yeast Contamination
 - 2nd claim for the client. First was covered, second denied. Why?
 - Cause of Loss? Glycol Chiller Malfunction
 - Adjuster emailing directly with client
 - We stepped in and argued for coverage- appeal
 - Claim PAID!! \$\$

2- Take Aways

- Report property claims to your agent, and discuss coverage applicability
- An initial “NO” should be refuted when necessary.
- The insurance company is not always right- often use independent adjusters who do not understand nuances of the brewery form
- Equipment Breakdown- involves different insurance companies

ADJUSTERS

- Sometimes independent Adjusters are used
- May have basic knowledge of the insurance contract, but may not review applicable forms that change the coverage
- Agent and Underwriter may have supplemental coverage emails (documented) to address points of coverage

3 Dependent Relationships

- Contract Brewer had a longtime friendship with Brewer
- Canned Beer started exploding in stores.
- Host Brewer may have been negligent -tank was not properly cleaned- foreign contaminant
- NO Contract between the two
- OUTCOME- HOME Brewing Co Insurance Co paid for negligence, split in half
- WORSE OUTCOME- Friendship RUINED

3- Take Aways

- Contractual Relationships- if you depend on services, supplies, use of facilities, etc. Identify responsibilities, resolutions, indemnifications, and risk financing
- Get Everything in Writing- Ensure all parties insurance carriers are aware of the activities
- As Contract Brewer- ensure all locations you use are listed on your policy
- Contracts are essential for Risk Transfer when your product/ services can be affected by the negligence of a third party
- Certificates of Insurance to prove risk is financed
- Even if you are friends! Business/Money makes things WEIRD

4 Loss of Income

- Machine became uncalibrated, equipment breakdown claim
- Time to get machine part, installed, tested, and running
- Loss of Income as a result of 2 weeks downtime. Start of holidays
- One year in business, last 2 months started to show an increased trend in revenue
- Online Sales a factor
- Claim submitted, covered by carrier, however could not show HISTORICAL DATA to prove income
- Did not have accounting system able to show daily sales to reflect trend of increased revenue

4- Take Aways

- Loss of Income RELIES ON HISTORICAL DATA
- Understand NET Income vs Gross Income (factoring out Costs of Good Sold, Non-Operating Expenses)
- Keep strict accounting records able to allocate sales, if possible daily basis.

5 Employment Liability Oh My!!!

- Company's employee was let go, filed an EEOC investigation
- Company responded, EEOC dismissed
- 1 year later, former employee filed private suit
- Insurance Carrier Denied the claim, linking it to EEOC filed 1 year prior, never reported
 - Special Policy for Employment Related Claims
 - One of the Highest Frequency
 - Claims Made, special provisions to report in timely manner

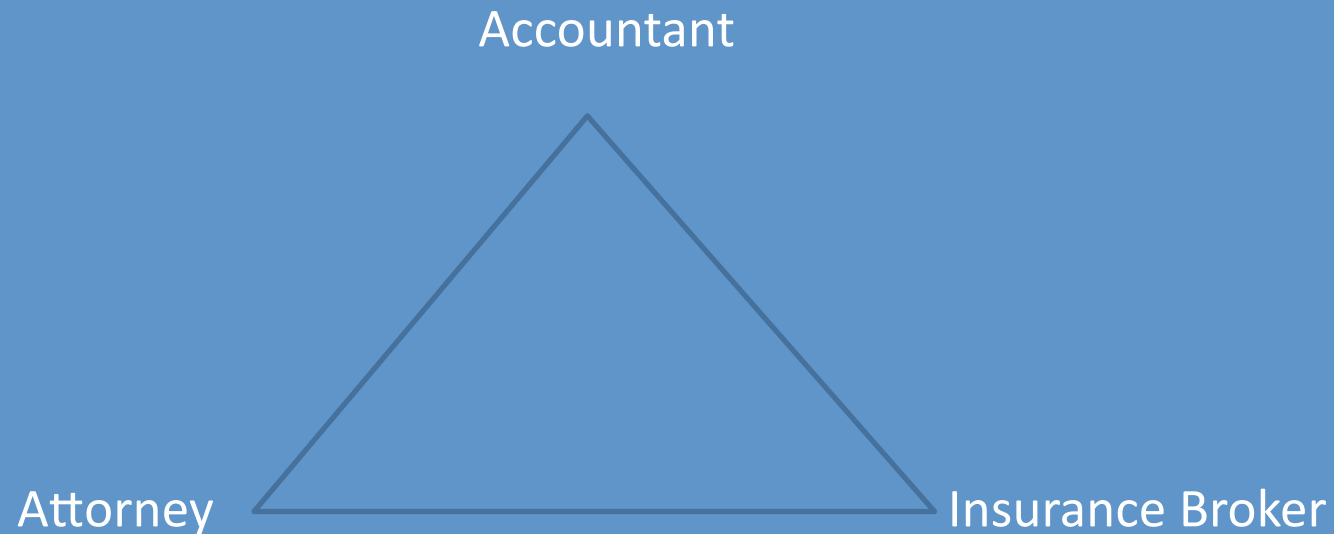
5- Take Aways

- NO matter how many employees you have, Employment Practices Liability is a KEY part of a comprehensive insurance program
- Understand the reporting provisions- it is not the same as general liability.
- REPORT TIMELY – even if you are unsure if the incident would be covered. Call your agent!
- Employment Handbook and documentation!
- Work with Trusted Advisors for robust program
- While we're at it- what about Directors & Officers??

Insurance is not “set it and forget it”

- Catastrophic Exposures
- Indemnification- still leaves “scars”
- Think of Risks and make empowered choices to address them
- Renewal Time is a great time to evaluate coverage needs
- Have a Disaster Recovery Plan, scenarios to recover from loss
- Risk Financing
- Risk Transfer Agreements
- Trusted Advisors

The Trusted Advisor Triangle



Early Communication!!

Rely on your broker as a *Trusted Advisor*



"I had a career in theatre, and television but I quit because I couldn't suppress my passion for insurance sales."

- Insurance is exciting!
- We help breweries navigate their risks and make thoughtful decisions
- Support the Brewery from conception to operation and beyond

Culture of Risk Management

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**Mother Goose
Insurance Co.**



**“The old woman who lives in a shoe is covered for fire, theft and liability
...but not athlete’s foot.”**

- Be aware of your risks and make empowered decisions to manage them
- Insurance should not be the only solution to risk
- Your broker can be your guide and a valuable resource. Use them!!

Key Steps of Risk Management

- IDENTIFY

- What Can Go Wrong? * Speculative- what could go right?

ANALYZE

- How will this risk impact business? How likely is it to occur?
- Is our culture risk adverse? Or are we risk takers?

CONTROL

- Risks that are too impactful and/or prevalent to ignore
- What do we do to prevent them? Mitigate the damage if they occur?

TRANSFER

- What Risks can be transferred through contractual arrangements and/or insurance?

FINANCE

- How do we pay for the cost of risk ? Insurance Premiums. Deductibles. Risk Management Protocols, costs of claims uninsured—these are the total cost of risk



Control Methods

- Avoidance
- Separation
- Prevention- reduce likelihood of incidents/accidents
- Reduction- minimize effect of risk when/if it occurs
- Duplication- backup plan/data
- Diversification
- Transfer- contractual risk transfer
 - INSURANCE IS DESIGNED FOR THE CATASTROPHIC

Basic Tenants of Risk Management

01

Don't retain more than you can afford to lose

02

Consider the Likelihood of events and their potential impact

03

Don't treat insurance as a substitute for risk control

04

Use at least one risk control technique and one risk financing technique for each identified exposure

*Courtesy of National Alliance, CRM
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Questions?

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