


# NICE Network News

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## Snowed over with claims!

Do you need help with high value  
equipment & electronics losses?



fires  
roof leaks  
pipe breaks  
power disturbances

Evaluating claims for a variety of high value equipment and electronics can be an overwhelming and formidable challenge. However, by using a prudent claims evaluation process, these losses can be adjusted promptly and fairly based on the apparent scope of damage and as per terms of the insurance policy.

## Claim evaluations take into consideration the following:

*Emergency protection measures should be immediately undertaken to minimize damage from the loss exposure.*

*The descriptive inventory of the damaged equipment must be detailed enough to establish pertinent market values.*

*Market values of damaged equipment should be researched to verify current used market values and comparable new replacement costs.*

*The apparent cause and scope of damage and repair/replacement options should be objectively evaluated and verified without a conflict of interest in the claim adjustment.*

*The salvage potential for damaged equipment should be evaluated considering the current market value and apparent scope of damage.*

High value equipment and electronics are often more durable than believed. However, claims involving this type of equipment require prompt attention and a proactive evaluation. Implementing emergency protection measures and documenting an accurate descriptive inventory of the equipment reported as damaged is essential. Insureds and vendors should be promptly advised that damaged equipment should not be thrown away until the insurance company has the opportunity to verify the inventory of the damaged equipment, the market values, cause and scope of damage, and potential salvage value.

## EMERGENCY PROTECTION & ASSESSING RESTORATION OPTIONS

Insureds and vendors may need to be advised on appropriate emergency protection measures until informed decisions can be made regarding the cleaning, repair, or replacement of equipment. The first step is segregating damaged equipment inventory from undamaged.

For water exposure, disconnecting electrical power to equipment and having exterior panels opened or removed while using fans and dehumidifiers to dry the equipment and control humidity is an inexpensive way to prevent equipment from deteriorating further. Mechanical parts, metal surfaces and electronic circuit boards may need spraying with non-conductive, moisture displacement and rust preventive lubricant and/or electronics cleaning solvents.

Corrosive properties of the water and/or soot contamination can be assessed and if practical and cost effective, the equipment can be cleaned using high pressure air, anti-static vacuums, aqueous based cleaning solutions, electronics cleaning solvents, and convection drying.

Factors such as equipment's susceptibility to damage, critical application, apparent loss exposure to exterior surfaces and internal component parts, estimated cleaning costs, new and used replacement options, potential downtime and lead times may need to be considered when deciding whether equipment can be cleaned, repaired or replaced.

## INVENTORY OF DAMAGED EQUIPMENT

A detailed, descriptive inventory is an essential aspect of any claim including high value electronics. Technical assistance may be necessary to verify a detailed configuration of the equipment inventory so that appropriate market values can be researched and verified.

Review of pertinent inventory information with assistance from the insured, vendors, and contract technicians can help document the inventory and configuration of the equipment involved in the loss. Allowing a claim to proceed without verifying an accurate inventory of the equipment involved in the loss can cause claims to spiral out of control and become more argumentative, particularly if equipment is discarded without verification.

## MARKET VALUATION OF DAMAGED EQUIPMENT

Once an accurate inventory of the damaged equipment is documented, market values can be researched and verified including: original costs, current used market values, comparable new replacement costs, and potential salvage value. There are many factors which can affect equipment market values including:

**New or Used Equipment:** Technological changes have a tremendous effect on market values. It is not uncommon for the market value of computer, telephone, medical or other high value electronic equipment to depreciate thirty to fifty percent per year and comparable new replacement costs may also decline rapidly.

**Price Discounts:** Depending on market conditions and whether the insured is an enduser or a re-seller, price discounts can have a substantial effect on repair and/or replacement costs. Exchange prices/credit for damaged equipment may also be available.

**Options and Upgrades:** What is the standard configuration of the equipment? Have any upgrades or options been added? Is software, training, installation, and maintenance costs included in original costs or presented claim values?

**Specialization:** Does the equipment have a highly specialized application and limited repair/replacement options? Or, are replacement parts and repair services readily available from other vendors that specialize in the equipment's sales and service.

Market values for equipment can be rather volatile and change dramatically over a brief period so proper research of equipment is often necessary to establish accurate values.

## EVALUATION OF CAUSE OF LOSS & SCOPE OF DAMAGE

Due to the potential complexity of high value equipment and electronics claims, the apparent cause of loss and scope of damage and operational status of critical components may need to be evaluated by qualified technicians. The cleaning, repair and replacement options should then be clearly and objectively presented to the concerned parties. Too often, vendors or sales reps misrepresent the apparent scope of damage and availability of parts and repair options.

Repair and replacement costs should be detailed by parts (manufacturer, model number, price) and labor (date, technician, hours, hourly rate, and specific work activities) to evaluate whether reported costs appear reasonable and cost effective. Actual repair or replacement costs should be documented with copies of invoices and technician work orders and the reported scope of damage may still need to be verified. Historical service maintenance records may also be reviewed to assess any prior operational problems with the equipment.

Many replacement cost policies state that the insured is entitled to the lesser of the cost to repair or the cost to replace with equipment of comparable performance and value.

For older equipment, insureds may want to apply an estimate of loss and damage (based on repair costs or used replacement options) to the purchase of newer technology equipment. Even if equipment has already been replaced, reasonable repair or replacement options can still be professionally evaluated. Claim adjusters can reserve their judgment and decisions until the pertinent facts and options are clearly presented and utilize the information to achieve a reasonable claim settlement.

## SALVAGE RECOVERY

Having taken the appropriate steps for emergency protection, inventory verification, appraisal of current market values, and evaluation of apparent scope of damage, an informed decision can be made on how to proceed with the damaged equipment. In situations where it is not practical or cost effective for damaged equipment to be cleaned and/or repaired, it is important to maximize the salvage value while minimizing the recovery expenses.

Typically, equipment salvage should be sold as soon as possible. New and used equipment prices can drop significantly when newer technology and replacement models become available. Specialized equipment buyers can be contacted to maximize market exposure and the insured or vendors involved may also have an interest in the salvage and be willing to offer a salvage/exchange credit for the damaged equipment.

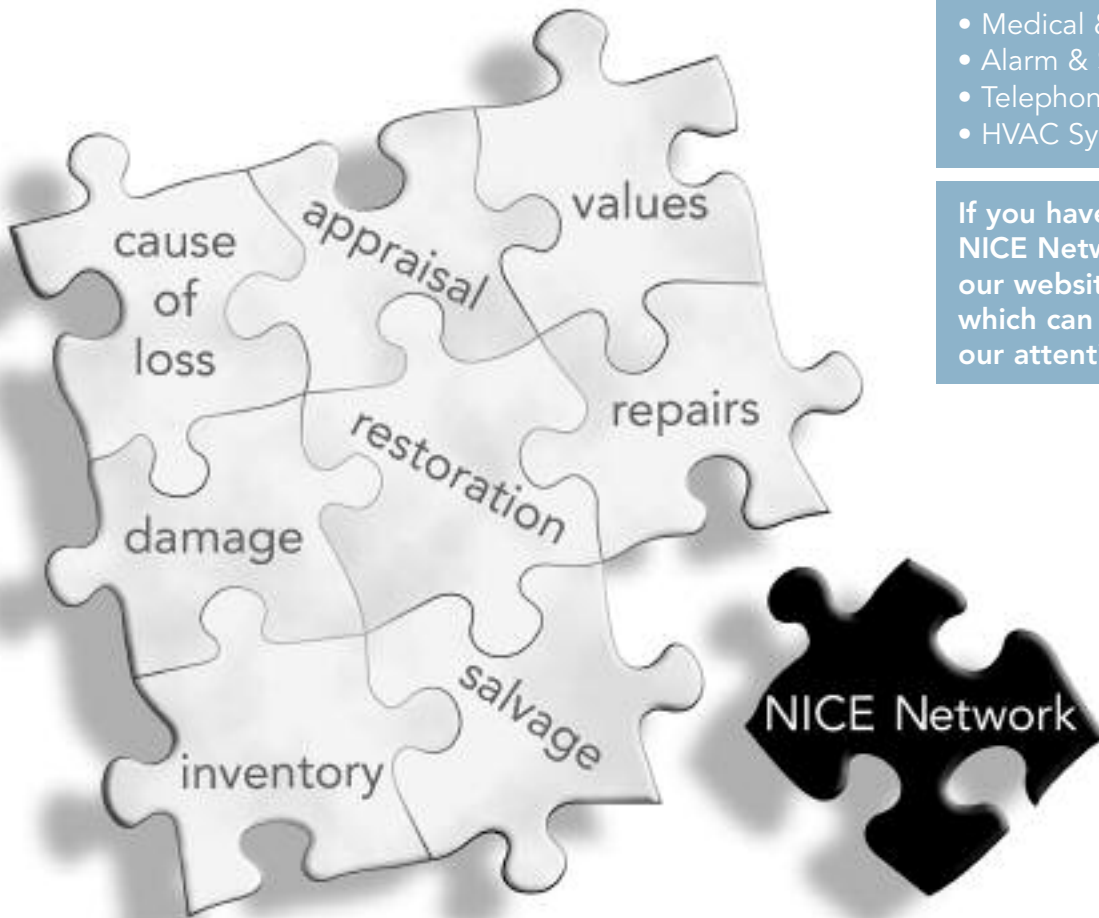
If equipment is being sold as salvage, more often a higher net recovery can be attained by selling the equipment "as is" but with an informative damage assessment. However, cleaning and repairing damaged equipment being sold as salvage may not necessarily increase the insurance company's net recovery.

Equipment buyers typically prefer to complete repairs at their own expense which is typically less than the insurance company's cost to repair. Shipping and handling costs for equipment salvage should be kept to a minimum.

## Specialists for Evaluating High Value Equipment Losses

- Computers & Networking Equipment
- Industrial Production Equipment
- Data Media Losses & Recovery
- Copiers & Office Equipment
- Audio & Video Equipment
- Medical & Lab Equipment
- Alarm & Security Systems
- Telephone Systems
- HVAC Systems

If you have a claim that you want NICE Network to review, please visit our website for an assignment form which can be sent online or faxed to our attention.



## About NICE Network

Since 1989, NICE Network has been helping the insurance and transit industries verify high value equipment and electronics claims. NICE Network's nationwide service offers an experienced staff with access to a comprehensive technical library, qualified technicians, depot repair centers, restoration services, and specialized equipment buyers and resellers. Our proven evaluation process provides claim adjusters vital assistance for a proactive and professional evaluation.

Over the past five years, NICE Network has worked for over 1,000 claim adjusters with over 100 insurance and transit companies. NICE Network has no conflict of interest in the claim assessment and our service continues to earn customer trust and an industry reputation of integrity and professionalism.

Based on our customer closed file surveys, NICE Network's service "exceeded" customers' expectations for prompt response, proactive claim evaluation, good verbal and written communications, and practical and cost effective service.

NICE Network's goal is to continue providing the most practical and cost effective service for evaluating high value equipment and electronics claims and we appreciate the opportunity to be of service.