



CASE STUDY



IOTA Engineering, a leading developer and manufacturer of fluorescent emergency lighting, AC/DC power conversion products, and DC inverter ballasts, lost its 20,000 square-foot manufacturing facility in Tucson to a mid-summer fire.

"... Because of our lack of knowledge in handling a claim of this nature, we felt it imperative to employ the assistance of professionals in the field of processing a claim. Adjusters International had the best interest of IOTA in mind, capturing items that we, as novices in a destruction of this magnitude, would never have thought could be made a part of the claim. They were able to assist us with knowing in which category particular losses should be placed to gain the most advantage in recovering as much as possible of what was destroyed. Adjusters International demonstrated professionalism in every aspect of our dealings, treating us with courtesy and understanding, which at a time of loss such as this, was greatly appreciated. We are grateful for the manner in which you came in and took over the claim for losses, leaving the management and employees of IOTA to focus on continuing our business efforts with as little business interruption as possible."

*Stephen W. Shell, President & Chairman
IOTA Engineering, LLC*



Issues:

- How could the large, out-of-sight inventory be recreated?
- How would the machinery that was built in-house be rebuilt? How and by whom would the machinery be priced?
- With the company desperately needing office space to continue sales, could the reconstruction expense of a replacement sales facility be covered under the business income portion of their coverage, allowing the complete building insurance coverage to be allocated to reconstruction of the manufacturing facility?
- Could temporary quarters be leased instead of purchased? Could they be paid for as an extra or expediting expense and subsequently have the lease payments applied to the purchase of the building?



Photo courtesy of *The Arizona Herald*

Strategies For Resolution:

IOTA, under the guidance of Adjusters International's team, helped to prepare the out-of-sight inventory of stock, tools and equipment. In concert with Adjusters International's inventory specialists and forensic accountants, a recreation of the entire out-of-sight business personal property was completed and properly priced.



The "team" got together and agreed that any option that would need to be exercised "outside the period of indemnity" would be inapplicable vis-à-vis the claim. As such, a lease was entered into for a temporary facility that allowed for the lease payments to be applied to the purchase price when and if the option to purchase was exercised. Since the option date was after all settlements and releases were concluded, all the lease payments could be applied to the purchase of the building, thereby saving IOTA many thousands of dollars.

There was a large amount of machinery that was unique to IOTA and built in place over the years by millwrights and IOTA employees to accommodate IOTA's needs. With the help of Adjusters International's team and outside machinery and equipment consultants, replacement values including design, construction, etc., were prepared and negotiated.



A presentation was made to the insurance company that the cost to lease temporary office space, along with vehicle rentals and other extraordinary charges during the period of restoration, would be greater than the cost to permanently construct new sales offices adjacent to an existing facility. The new offices were built and a good portion paid for under the extra expense portion of the business interruption policy.

Conclusion:

With the guidance of Adjusters International's team, meetings of the team's players on a regular basis, and Adjusters International's knowledge and experience, IOTA was able to take full advantage of policies of insurance that were in place at the time of the fire. Many strategies were talked about and considered with only the best ones—and those that would withstand the insurance company's tests and scrutiny—ever seeing the light of day. IOTA was fully compensated for its losses and most importantly, as the result of each person doing what he or she does best, was not only able to survive a disaster but to prevail as a result.

