



## Case Study – Commercial HVAC Claim

**Claim:** The Insured reported that lightning damage had occurred to two 20-ton rooftop condensers for their split heating, ventilation, and air-conditioning (HVAC) systems during a storm. The Insured submitted a claim for either \$43,899.06 or \$27,435.00 based on estimates from two service providers, to replace the compressors of the HVAC systems (two compressors in each condenser unit), plus \$2,767.68 in initial evaluation and emergency repairs work.

**Challenge:** Was the damage to the Insured’s HVAC systems due to lightning? Could repair versus replacement be more cost-effective? Which of the two service provider quotes, if either, was an appropriate claim cost?

**Solution:** We were assigned by the insurance carrier to conduct a desk review, remote damage assessment, causation investigation, and Like Kind and Quality (LKQ) analysis of the proposed charges in order to provide a Replacement Cost Value (RCV) recommendation for the claim. Telephone interviews of the Insured and both service providers were conducted, photographs obtained, and LKQ costing (wholesale and retail) of the required repair direct replacement components were procured from an independent HVAC system distributor. Weather and news media databases were evaluated for the date of loss indicating that significant wind and thunderstorms occurred in the area resulting in numerous power outages. A lightning strike analysis was conducted, with the determination that strikes did occur within one mile of the Insured property. However, all nearby lightning strikes occurred hours after the Insured reported experiencing a power outage. The power outage and electrical surge from downed transmission lines was confirmed by the local electrical utility.

**Findings & Value:** With the finding of the cause of loss being a power surge, the responsibility for the claim shifted from our carrier client to Equipment Breakdown Coverage reinsurance. Our remote damage assessment revealed that repair of the systems via compressor, electrical component, and refrigerant replacement (after line-set flushing) was the appropriate mitigation method. However, our LKQ costing analysis also assisted the reinsurance carrier through the finding of highly inflated pricing for the replacement compressors, refrigerant (R-22, which is often significantly inflated in pricing), and an elevated scope of work proposed by the HVAC service provider. Our recommended RCV for the claim was \$17,132.38 or \$13,070.30 (43%) lower than the minimum total proposed and invoiced claim amount.