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Assessing Losses Caused by Vandalism

INS 003

This case was written by **D. G. Prasad**, under the direction of **H.K. Singhal**, ICFAI Center for Management Research (ICMR). It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.



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ASSESSING LOSSES CAUSED BY VANDALISM

"The rents for houses in the city area are too high," said Ramesh Chatterji to his friend Vinod Mehra. To avoid paying high rent, Chatterji had taken a house almost on the outskirts of the city.

"How is the rent for the house in which you are presently residing?" asked his friend Mehra.

"There is hardly any difference from what is charged in the city area. Even though it is little less than the rent charged in the city, it is compensated by the amount of money spent on commuting," said Chatterji.

Chatterji was working as a senior financial analyst at Badla Finance Consultancy, situated in Navi Mumbai. The company was flying high on its recent achievements. The organization had recently helped a leading private commercial bank recover from a financial disaster. The bank was able to recover by implementing the suggestions given by the team at Badla Finance Consultancy. Chatterji was a part of the team involved in developing a solution for the bank. Due to his valuable contribution to the team, he was recently promoted as senior financial analyst.

"Considering the rent I am to pay, I feel that it is high time I built a house of my own," said Chatterji. "I will obviously agree with you as you are a financial consultant and would be sure to know what is best for you," said Mehra.

A few months after this conversation, Chatterji began constructing his house. Though he faced a lot of hardship in the process, he was happy with the outcome.

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On an auspicious day, he arranged the *Gruhapravesam* ceremony and invited all his near and dear ones for the function. The function went well. At the end of the function, Mehra called Chatterji aside and asked him whether he had insured the house. "I realize that this is not the right time to discuss insurance, but I feel that you should insure your house against possible losses," said Mehra.

"Yes, you are right, Vinod," replied Chatterji. "The same thought had occurred to me some time back. But, to tell you the truth, I could not spare the time to go and talk to the insurance people and get my house insured," continued Chatterji.

"But better late than never," said Mehra.

Chatterji agreed and said he would get his house insured soon. After a few days, Chatterji got his house insured against losses. He was happy that he was now able to save on rent. His good days were, however, short-lived. One day, disaster struck and his house was completely destroyed in communal riots. The Gujarat riots were at their peak at that time. The disturbance had spread to the neighboring states too and Maharashtra, being one of them, was affected by it. On that fateful day, the miscreants broke open the doors and looted the property and damaged the house. Fortunately, on that particular day Chatterji and his entire family had gone out of station.

The next day, when they returned home, they were shocked to see the destruction caused to the house. Chatterji asked his neighbors about the cause of the damage. They explained what had happened during his absence. Immediately, he got in touch with the insurance office as well as his friend Mehra. Both Mehra and the claims adjuster arrived at Chatterji's place at the same time. The claims adjuster went round the house assessing the damage. Chatterji was in a bad mood and didn't feel like talking to anyone.

"This is the time when your active participation is required in helping the claims adjuster in evaluating your property," consoled Mehra.

"How did it happen?" asked the claims adjuster. "Some miscreants broke in and damaged the property and they later damaged the house as well," said Chatterji.

Mehra intervened and informed the claims adjuster that Chatterji had already intimated the police and they had registered the case. He also said that the police were unable to stop the destruction because a large number of people had broken into the house. So they had simply become silent spectators.

"What is the estimated damage that has been caused?" Mehra asked the claims adjuster.

"The loss to the house itself will amount to around rupees two lakh," replied the claims adjuster.

"But that is too little," shouted Chatterji. "I have spent nearly twenty five thousand rupees for the entrance door alone."

"It is made of teak wood," added Mehra.

"I am not bothered about the amount you have spent on the door," replied the claims adjuster. He continued, "I am more bothered about the cost of the property at the time of loss."

"This is sheer injustice by you to the customer," replied Mehra.

QUESTIONS FOR DISCUSSION:

1. What is vandalism? What problems does an insurer face when attempting to verify the cause of loss in cases involving vandalism?
2. How does a claims adjuster determine the amount of loss caused to the insured property?