



## Property Management Essentials:

### *Disaster Recovery – Part 2: Subrogation*

This report will explain an insurance term call Subrogation. In its most common usage Subrogation refers to circumstances in which an insurance company tries to recoup expenses for a claim it paid out when another party should have been responsible for paying at least a portion of that claim. So when an insurance claim is paid, the parties involved (including the owner, tenant, fire department, etc) are looking for who is at fault in order to collect financial damages.

This process can be very expensive. Claims can be as small as a few thousand dollars for mold damage and upwards of several hundred thousand dollars for major damage like a fire. So it's important that the insurance company investigate who was responsible and how did the damage occur.

#### Key Topics

- *What is Subrogation*
- *Who is responsible?*
- *Waiver of Subrogation*



Subrogation refers to an insurance company seeking *reimbursement* from the person or entity legally responsible for an accident after the insurer has paid out money on behalf of its insured. This could include any money paid out for property damage, deductible amounts, diminished value, pain and suffering, loss of consortium, etc. The definition of subrogation is the substitution of one person or group by another in respect of a debt or insurance claim, accompanied by the transfer of any associated rights and duties.

#### **Waiver of Subrogation**

Some contractual agreements might require the insured to waive their right of subrogation (and therefore the insurance company's rights) against the other party in the event of a claim. A waiver of subrogation prevents the insured's insurance company from pursuing damages from a specified party. If an insured is ever asked to sign a waiver of it is a good idea to consult an attorney before waiving any rights or limiting the amount of damages that can recovered.

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