

Econo Lodge Faces Devastating Water Damage Following Burst Pipe



Econo Lodge, a popular hotel in Auburn, Michigan, experienced extensive water damage throughout 16 occupied suites after a pipe burst, leading to significant disruptions and repairs. The insurance company's initial appraisal failed to account for the full extent of damage, resulting in a significantly underestimated compensation offer for the hotel's restoration and business interruption.

The waterline failure on the second floor resulted in flooding that affected walls, ceilings, and other structural components. The damage necessitated extensive tear-out and drying efforts, including saturated insulation and multiple layers of drywall, highlighting the complexity of the restoration process.

ISSUES

1. Initially the insured was skeptical of the necessity and cost-effectiveness of bringing in an independent expert to assess the damages, hesitant to consider alternative perspectives and sought reassurance that their insurance company's evaluation would be sufficient.
2. In an effort to mitigate the water damage, the insurance company initially only performed flood cuts to remove affected materials. The insurance company's direction was to attempt drying the bathroom walls from both sides without removing them. However, it was later discovered that the blown-in cellulose insulation in the bathrooms was completely saturated, making it impossible to effectively dry the area.
3. The insurance company overlooked the water affected hallway walls and walls in connected units. Their evaluation, based on surface-level moisture readings, failed to consider the presence of additional layers such as OSB (Oriented Strand Board).
4. The initial business interruption offer was set at \$10,000 for the nine-month period of the hotel's closure. This offer was based on historical data and projections, which the insurance company believed justified the compensation amount. Their evaluation focused on past performance and future expectations, but did not adequately account for the full extent of the disruptions and financial losses suffered by the insured.



SOLUTIONS

Globe Midwest/Adjusters International recognized the potential for overlooked issues and hired a secondary contractor to provide an unbiased evaluation of the damage. Their assessment identified areas that were missed ensuring a comprehensive assessment of the damage.

Globe Midwest/Adjusters International engaged an environmental engineering firm who conducted mold and asbestos testing, identifying potential health hazards and accurately assessed the extent of damage.

To gain a better understanding of moisture levels and saturation behind the walls, the secondary contractor performed core sampling. This involved drilling holes in the hallway walls, revealing significant water accumulation overlooked during the initial assessment.

Due to a dispute over the claim's value, we initiated the appraisal process. Independent appraisers representing both parties assessed the damages and determined a fair settlement amount. This step ensured a comprehensive evaluation and full scope of restoration required.

Globe Midwest/Adjusters International successfully challenged the insurance company's initial assessment of the business interruption claim. We emphasized the extensive damage, including the affected hotel units and the necessity to shut down the hallways due to fire code regulations. Through the appraisal process, we advocated for a fair evaluation by presenting compelling evidence and demonstrating the substantial disruption to the client's business operations. Our diligent analysis and negotiation resulted in a favorable resolution for our client.

OUTCOME

The insurance claim process resulted in a favorable resolution for Econo Lodge, providing them with the necessary financial resources to facilitate the hotel's restoration and recovery. Through Globe Midwest/Adjusters International's thorough assessment, independent evaluations, and effective advocacy, the insured achieved a fair settlement — more than three times the insurance company's initial offer — far exceeding their expectations and ensuring the complete restoration of the Econo Lodge.