Navigating a Major Loss: You Steer the Ship!

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Theresa Williams – Belfor Property Restoration
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March 9, 2018
Our Map

• Review large loss incident
  – Incident
  – Initial Response
  – Parties Involved
  – Process
  – Resolution
I could tolerate any insurance seminar. For days I could sit there and listen to them go on and on with a big smile on my face. They'd say, "How can you stand it?" I'd say, "'Cause I've been with Del Griffith. I can take ANYTHING." You know what they'd say? They'd say, "I know what you mean. The shower curtain ring guy. Woah."

– Neal Page, Planes, Tranes and Automobiles
Incident

- On Monday, March 12, 2018, following your return from an engaging, thought provoking MHEC Loss Control Workshop, you receive notice of an incident on your campus.
- On an unseasonably warm day of an unseasonably warm weekend, an early season heavy rainfall dumps 12 inches of rain on campus within a span of three hours.
- The inundation of rain overwhelms roof and storm drains throughout campus and causes water damage to several campus buildings, including classrooms, administrative offices, residence halls, and athletic facilities.
Scope Development

• There is sporadic water damage throughout your entire campus and 10 locations have been impacted.

• Water entered some office space in the main administration building, but your facilities staff was able to clean up and remediate the damage without the need for assistance from a third party contractor.

• There are three main locations of your concern which took the biggest hit from the heavy rains:
  – Residence Hall
  – Gymnasium
  – Science Lab Building

• Let’s take a deep, collective breath. It’s all going to be ok!
Notice of Loss

Faculty → Facilities → Risk Management → Crawford & Company
Reporting to Crawford & Company

- Send email notification to Crawford & Company/Dan Veldman
  - Brief description of incident
    - Date of Loss
    - Location of Loss
    - Cause of Loss
- Carbon Copy to Carla Ahrens (MHEC), Maureen Biehl (Marsh), and Brian McGrath (Marsh)
- Alternatively
  - Call Dan
  - Call Carla
  - Call Brian
  - Call Maureen
Crawford & Company

- We acknowledge receipt of the claim
  - Call/Email
- Generate a claim file and provide email with claim number
- Report exposure in excess of $1,000,000, net of member deductible to excess insurers, AIG (Lexington) and Zurich.
- Assign an adjuster and coordinate a loss visit
- Now what?
  - Mitigation of Damage
“IT TAKES 20 YEARS TO BUILD A REPUTATION AND FIVE MINUTES TO RUIN IT.

IF YOU THINK ABOUT THAT, YOU’LL DO THINGS DIFFERENTLY.”

WARREN BUFFET
Restoration

• Role of Mitigation Contractor
  – **RESPONSE** - Quickly assess the situation and develop a proper restoration plan.
  – **STABILIZATION** - Curtail further damage from water, mold, other contaminants and the elements by shoring up a building and protecting its contents.
  – **RECOVERY** - Maintain the original structure and recover important items and components.
  – **RESTORATION** - Repair damage, restore and replace equipment. The ultimate goal of restoration is to restore “business as usual,” getting you back to normal activities as soon as possible.
## PHASE 1
- Understand Priorities of Insured and Insurance/Management Team
- Establish Project Timeline To Satisfy Priorities
- Review and Implement Safety Measures
- Review and Implement Security Measures

## PHASE 2
- Perform Restoration and Reconstruction Tasks
- Meet With Insured For Daily Progress Updates and Address Changing Priorities
- Track All Activities To Meet Insured and Insurer Needs – By Type of Work, Location and Other Tracking or Allocation Defined By Insured and/or Insurer
- Maintain Documentation To Support All Changes/Activities
- Complete Change Order Form If Scope of Work Changes
- Ensure Customer Satisfaction With Service Quality As Tasks Are Completed

## PHASE 3
- Complete Project
- Inspect Project With Insured and Insurer
- Determine Any Punch List Items
- Complete Any Punch List Items
- Statement of Work Completed and Signed By Insured
- Submit Invoice(s) For Payment
Restoration

• Individuals On The Project
  • Project Manager
  • Restoration Supervisor
  • Restoration Technicians
  • General Laborers
  • Project Office Team
  • Safety Supervisors
  • Security (if required)
Restoration

• Early Goals
  • Priorities
  • Timeline
  • Agreements On Billing Arrangements
  • Agreed Rates
  • Equipment Caps
  • Labor
  • Materials

I notice in your disaster prevention plan the recovery objective time is ‘whenever’.
Water Mitigation

• Structural Drying and Dehumidification
• Moisture Measurement and Records
• Non-Invasive Leak Detection
• Mold Remediation
• Corrosion Control
• Disinfection and Decontamination – Destroying Bacteria and Fungi
• Odor Neutralization
• Conservation of Contents (furniture, documents, electronics, machinery and equipment)
Mitigation Process

- Equipment Used In Drying Process
  - Moisture Meters
  - Extraction
  - Air Movement
  - Dehumidification
- Drying Logs
- Equipment Counts
Equipment

MOISTURE METERS

AIR MOVERS

WATER EXTRACTION

DEHUMIDIFIERS
Engagement of Experts

• We will assemble our adjustment team to assist in establishment of scope of damage and review.
  – Building Consultant
  – Clerk of the Works
  – Electronics Expert
  – Accounting

• Professional Fees
Scope of Loss

• Complete joint walkthrough with parties involved, including designated school representatives, contractor(s), experts, and adjuster.

• Looking to reach an agreement on:
  – Extent of damage
  – Appropriate repair/replacement methodology

• Preliminary review of documentation to support claim
FACS TYPICAL CLAIM PREPARATION PROCESS

1. **Review Policy**
   - Obtain explanations for:
     - Limits
     - Payroll cover
     - Increased costs cover
     - Endorsements
     - Basis of settlement

2. **Initial Site Visit**
   - Discuss:
     - Bottlenecks
     - Process flows
     - Maintenance
     - Special circumstances
     - Market impact
     - Recovery measures
     - Potential issues
     - Plans

3. **Kick-Off Meeting**
   - Attendees may include:
     - Property claims advocate
     - Loss adjuster
     - Insurer’s experts
     - Risk manager/client contact(s)

4. **Request Initial Information**
   - Consider:
     - Unusual aspects
     - Loss adjuster concerns/requests
     - Precedents/prior claims
     - Basis of interim claims
     - Internal discussion and agreements

5. **Formulate Initial Estimate**
   - Data entry and analysis:
     - Reconcile data to explanations
     - Special circumstances
     - Avoided costs
     - Additional costs
     - Formulate initial claim model

6. **Analysis of Data**
   - Findings based on data analysis and interviews
   - Discuss reasonableness of results
   - Agree on final approach
   - Request additional info, if needed

7. **Present Initial Findings**
   - Arrange schedules
   - Organize supporting documentation
   - Link supporting documentation to schedules and findings
   - Get final approval/sign off from client on final numbers

8. **Prepare Formal Claim**
   - Consider/respond to adjusters comments
   - Calculate effect of adjuster views
   - Review issues, strengths, and weaknesses of our/loss
   - Adjusters methods and conclusions
   - Discuss with client and agree on best course of action

9. **Review With Loss Adjuster**
   - Adjuster Report to Insurer

10. **Negotiate Final Outcome**
   - Insured Paid

   Ongoing discussions with client, broker, and other key parties
Tracking Repairs, Replacement and Out-of-Pocket Costs

Capture All Costs:

– Open new general ledger account
– Maintain voucher system for larger costs: copy of PO’s, invoices, proof of payment
– Identify all internal labor for clean-up, debris removal, repairs, etc…. (names, rates, hours, description of work performed)
– Will end up providing more documentation than you ever expected necessary
Helpful Hints in Claims Documentation Process

- Assign individual(s) who will gather the information necessary to document the claim
- Provide accounting records you create in ordinary course of business
- Provide accounting records to adjuster’s claim team after due diligence on your end
- Track all documentation provided to claims team and when it was provided
- Invoices from vendors are not always received as soon as you would think
Sample Request for Information

Property Damage
1. General ledger account established to identify all claim related costs booked to the loss account
2. Supporting POs/work orders and invoices for all clean-up/restoration, demolition work, repairs, etc. for all building related costs booked to the loss account
3. Supporting POs/work orders and invoices for equipment and other contents repaired or replaced booked to the loss account

Internal Labor Costs
4. Hours and rates, by employee, for clean up and other claim related labor. Please also include a description of the work performed

Extra Expenses
5. Supporting POs/work orders and invoices for all extra expenses booked to the loss account
### Claim Summary Schedule Example

**CLAIM EXAMPLE UNIVERSITY**  
*Storm Damage - Anywhere, USA*  
*Date of Loss: March 12, 2018*

#### CLAIM SUMMARY

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Residence Hall
Residence Hall

- Six inches of water filled the entire first floor of University Hall, impacting common areas, residence life offices, and student rooms.
Residence Hall
Goals

• Confirm scope of mitigation
• Removal of building components
• Assessment and inventory of damaged furniture and personal property
• Damaged property of students/faculty
• Action plan for displacement of residents
• The entire gymnasium floor is covered with nearly one foot of water.
Gymnasium
Gymnasium

- The main student fitness center is covered with water and all weight training and cardiovascular equipment are impacted by the rain water.
Goals

• Confirm scope of damage to building components
• Coordinate repair/replacement with flooring contractor
• Inventory of damaged fitness equipment
• Review event cancellations/re-scheduling
Science Lab Building

• Water entered your lab building on the first floor, but did not make it far.
• The sealed concrete in the main hallway, an industrialized look, shed water and was able to be cleaned up by your facilities staff.
Science Lab Building

• Some water entered some of the first floor classrooms, but only trace amounts.
• The basement level hallway acoustical ceilings are compromised.
Science Lab Building

- There are student labs in the basement level, and water migrated from the first floor hallway into the basement level and impacted 6 labs.
Science Lab Building

- The lab equipment in the basement, including microscopes, instrumentation, and a freezer which stores specimen for an ongoing research grant were impacted by water, but the scope of damage is not apparent at this time.
Science Lab Building

- There is also a student computer lab with 24 workstations, outfitted with PCs and a large printer/scanner/copier which all took on water.
Goals

- Review building scope of damage
- Inventory of impacted equipment
- Review high value equipment with manufacturer/supplier
- Review impact on research
Monitoring Reconstruction Progress

• After the first week or weeks, many building scope of damage items will be resolved.
• We periodically monitor the progress of repairs.
Reconciliation/Claim Settlement

- Submission and review of invoices by claims team
- Agreements on final figures
- Settlement recommendations to insurers
- Proof of Loss
- Final Payment

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<th>Description</th>
<th>Value</th>
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<td>STATEMENT OF INJURY</td>
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</table>
Questions?

• Dan Veldman – Crawford Global Technical Services
  – Email: daniel_veldman@us.crawco.com
• Theresa Williams – Belfor Property Restoration
  – Email: theresa.williams@us.belfor.com
• John Kopfer – Marsh Risk Consulting
  – Email: John.R.Kopfer@marsh.com