

Navigating a Major Loss: You Steer the Ship!

Dan Veldman – Crawford Global Technical Services
Theresa Williams – Belfor Property Restoration
John Kopfer – Marsh Risk Consulting

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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





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

\$100M Layer	 60% x of \$1.0M	 ZURICH 40% x of \$1.0M
\$1.0M Captive	\$1.0M Captive Layer	
Member Deductible	\$25,000 - \$1,000,000	



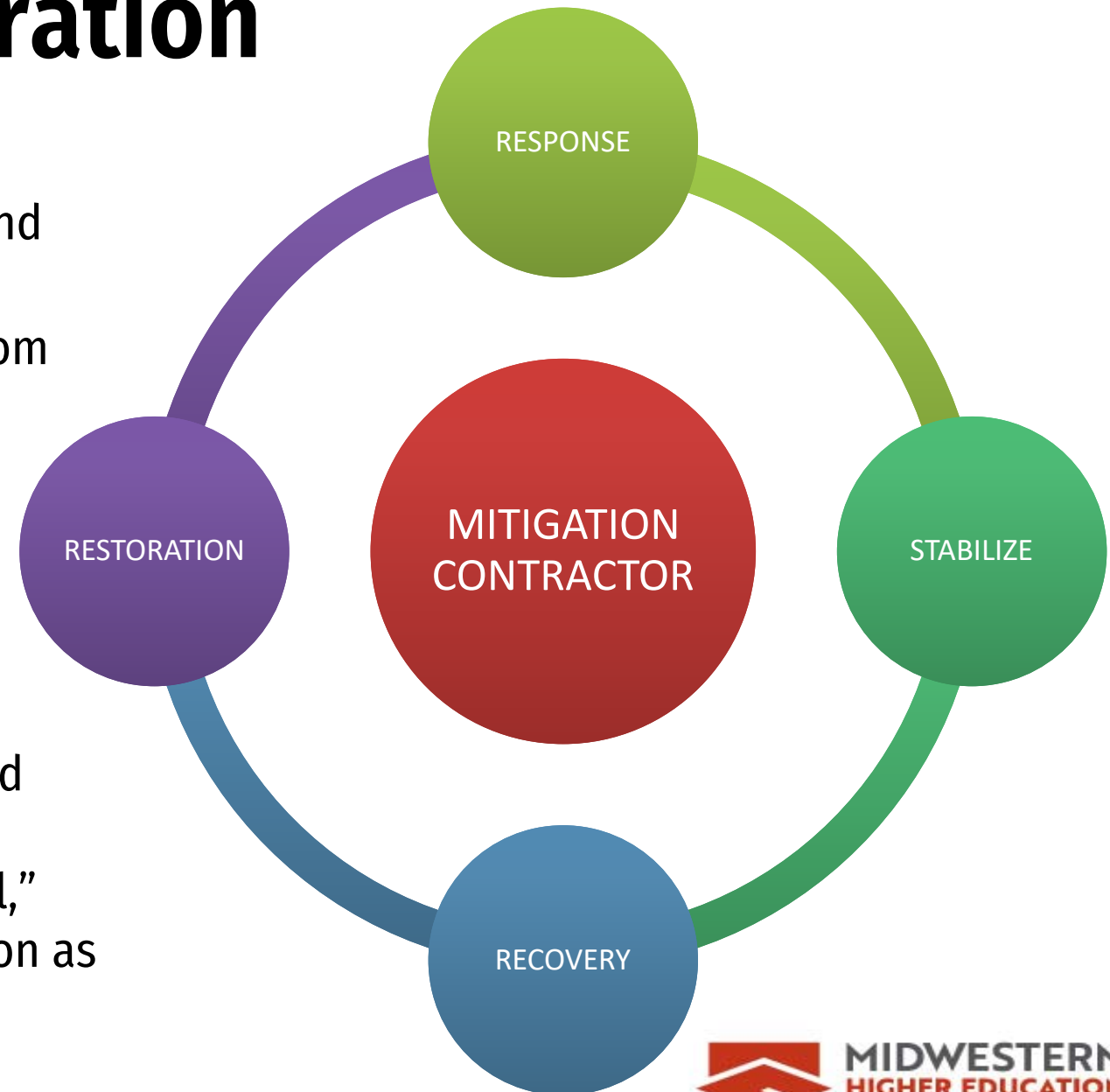
“IT TAKES 20 YEARS TO BUILD A REPUTATION
AND FIVE MINUTES TO RUIN IT.

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.



TYPICAL PROJECT SEQUENCE

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)



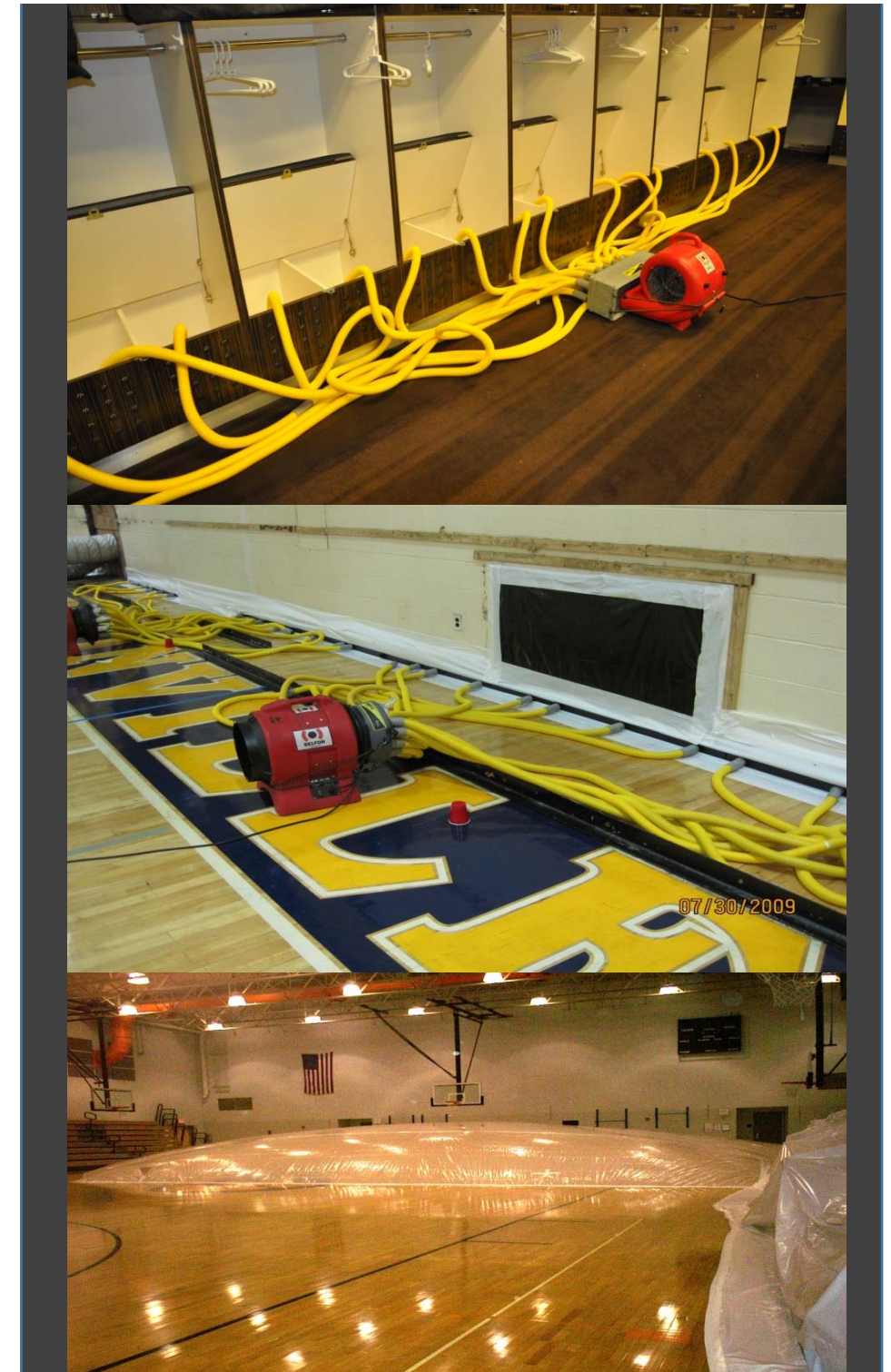
Restoration

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



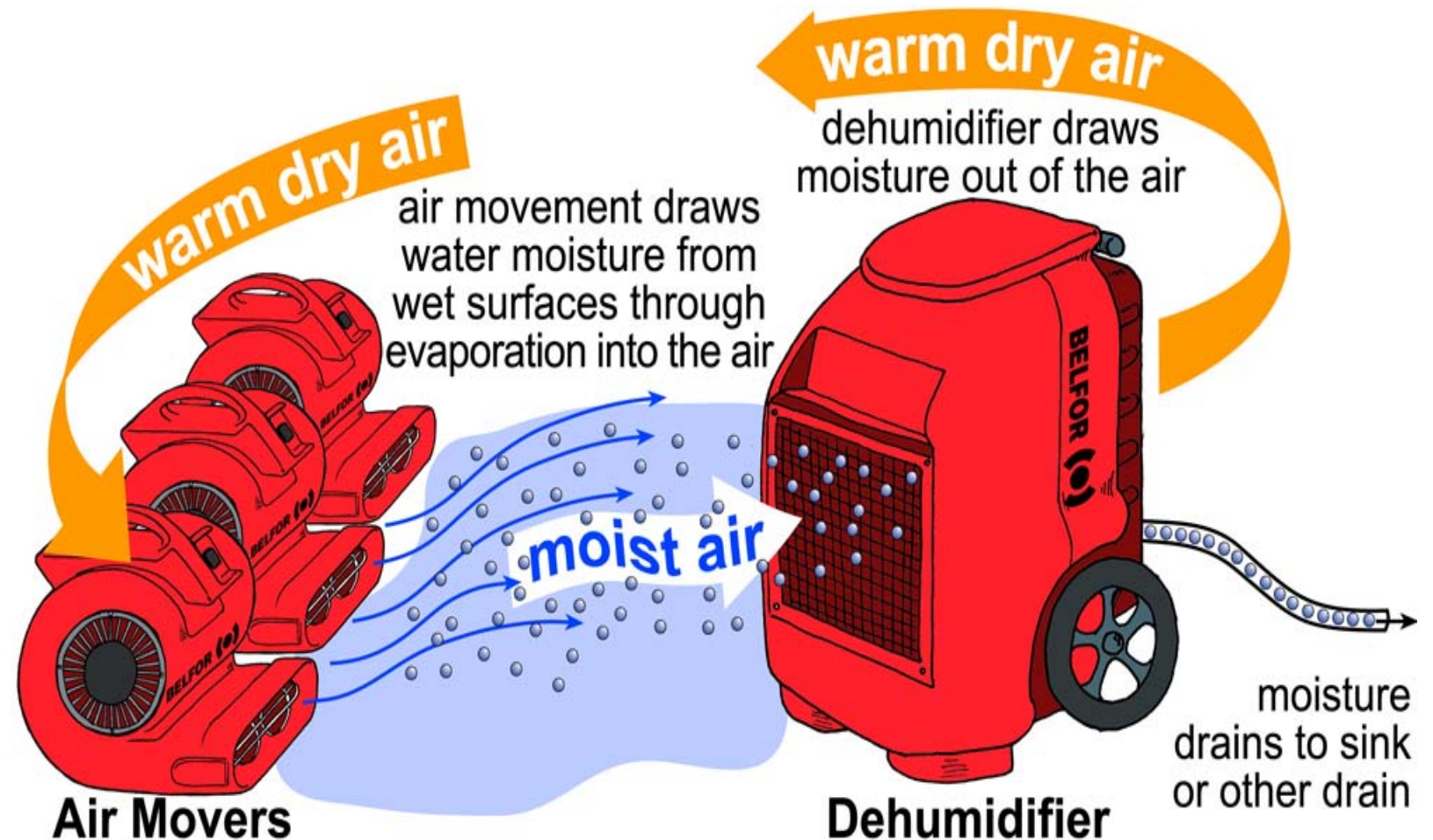
Water Mitigation

- 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



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

- Detailed monthly profit and loss statements
- Chart of accounts
- Accounting calendars
- Sales statistics, forecasts, etc.
- All purchase orders, invoices, proof of payment for any PD and EE items

5

Formulate Initial Estimate

Consider:

- Unusual aspects
- Loss adjuster concerns/requests
- Precedents/prior claims
- Basis of interim claim
- Internal discussion and agreements

Ongoing discussions with client, broker, and other key parties

6

Analysis of Data

Data entry and analysis:

- Reconcile data to explanations
- Special circumstances
- Avoided costs
- Additional costs
- Formulate initial claim model

7

Present Initial Findings

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

8

Prepare Formal Claim

- Arrange schedules
- Organize supporting documentation
- Link supporting documentation to schedules and findings
- Get final approval/sign off from client on final numbers

9

Review With Loss Adjuster

- 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

10

Negotiate Final Outcome

11

Adjuster Report to Insurer

12

Insured Paid

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

	Residence		Science Lab									Total
	Hall	Gymnasium		Bldg 4	Bldg 5	Bldg 6	Bldg 7	Bldg 8	Bldg 9	Bldg 10	Other	Claim
Reference Schedule	Res-1	Gym-1	Sci-1	Bldg-4	Bldg-5	Bldg-6	Bldg-7	Bldg-8	Bldg-9	Bldg-10		
Property Damage												
Building	\$1,750,000	\$1,250,000	\$100,000	\$50,000	\$25,000	\$15,000	\$75,000	\$35,000	\$10,000	\$20,000	-	\$3,330,000
Equipment	75,000	50,000	675,000	10,000	-	-	5,000	-	-	-	-	815,000
Debris Removal / Clean Up	200,000	150,000	75,000	-	-	-	-	1,500	-	-	-	426,500
Internal Labor - PD Related	100,000	50,000	25,000	2,500	1,000	750	4,000	2,000	500	1,500	-	187,250
Other Repairs/Replacements	20,000	7,500	2,000	-	-	-	-	-	-	-	-	29,500
Subtotal	<u>2,145,000</u>	<u>1,507,500</u>	<u>877,000</u>	<u>62,500</u>	<u>26,000</u>	<u>15,750</u>	<u>84,000</u>	<u>38,500</u>	<u>10,500</u>	<u>21,500</u>	<u>0</u>	<u>4,788,250</u>
Extra Expense												
Generator Expense	20,000	-	2,500	-	-	-	-	-	-	-	-	22,500
Equipment Rental	15,000	5,000	-	-	-	-	-	-	-	-	-	20,000
Other Extra Expense	4,000	7,500	1,000	-	-	-	-	-	-	-	-	12,500
Subtotal	<u>39,000</u>	<u>12,500</u>	<u>3,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,000</u>
Claim Preparation												
Professional Services											125,000	125,000
TOTAL CLAIM	<u>\$2,434,000</u>	<u>\$1,770,000</u>	<u>\$880,500</u>	<u>\$62,500</u>	<u>\$26,000</u>	<u>\$15,750</u>	<u>\$84,000</u>	<u>\$38,500</u>	<u>\$10,500</u>	<u>\$21,500</u>	<u>\$125,000</u>	<u>\$4,968,250</u>

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



Gymnasium



- 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.



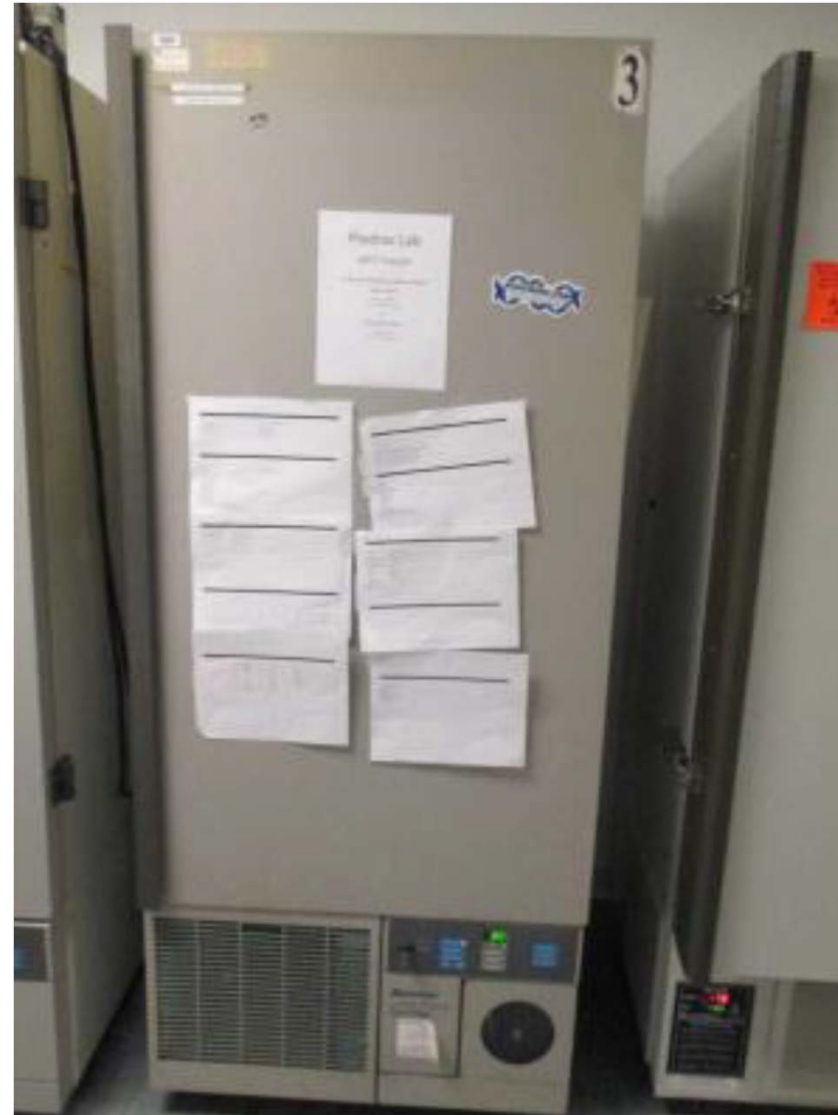
Science Lab Building

- 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

12345 POLICY NO. \$100,000,000 AMOUNT OF POLICY AT TIME OF LOSS July 1, 2017 DATE ISSUED July 1, 2018 DATE EXPIRES

SWORN STATEMENT IN PROOF OF LOSS

7654321 CLAIM NO. Marsh, Inc. NAME OF AGENCY Chicago, IL AGENCY CITY, STATE

At time of loss, by the above indicated policy of insurance you insured:
NAME OF INSURED PROPERTY
Multiple Campus Locations at 123 Main St, Anytown USA
LOCATION OF PROPERTY
Against loss by Water damage to the property described according to the terms and conditions of said and of all Forms, endorsements, and assignments attached thereto.

TIME AND ORIGIN A Property loss occurred about the hour of 6:00 on March 12, 2018, the cause and origin of the said loss Water damage due to heavy rains

OCCUPANCY The building described, or containing the property described, was occupied at the time of the loss as follows, and for no other purpose whatever: Multiple campus buildings

TITLE AND INTEREST At the time of the loss, the interest of your insured in the property described therein was Owner No other person or persons had any interest therein or encumbrance thereon, except: None

CHANGES Since the said policy was issued, there has been no assignment thereof, or change of interest, use, occupancy, possession, location or exposure of the property described, except: None

TOTAL INSURANCE The TOTAL AMOUNT OF INSURANCE, upon the property described by this policy at the time of the loss was \$100,000,000 besides which there was no policy or other contract of insurance, written or oral, valid or invalid.

VALUE The Total Loss and Damage of property at the time of the loss: \$ 5,025,000

DEDUCTIBLE The Deductible under the above numbered policy is: \$ 25,000

PREVIOUS ADVANCES The amount previously advanced against the claim is: \$ 2,000,000

AMOUNT CLAIMED The Net Loss Payable under the above numbered policy is: \$ 3,000,000

STATEMENTS OF INSURED The said loss did not originate by any act, design or procurement on the part of your insured, or this affiant; nothing has been done by or with the privity or consent of your insured or this affiant, to violate the conditions of the policy, or render it void; no articles are mentioned herein or in annexed schedules but such as were destroyed or damaged at the time of said loss; property saved has in any manner been concealed, and no attempt to deceive the said company, as to the extent of said loss, has in any manner been made. Any other information that may be required will be furnished and considered a part of this proof.

The furnishing of this blank or the preparation of proofs by a representative of the above insurance company is not a waiver of any rights.

STATE OF: BY: COUNTY OF: TITLE: SUBSCRIBED AND SWORN BEFORE ME THIS DAY OF POL (Rev. 9/11) Notary Public

VALUE	The Total Loss and Damage of property at the time of the loss:	\$ 5,025,000
DEDUCTIBLE	The Deductible under the above numbered policy is:	\$ 25,000
PREVIOUS ADVANCES	The amount previously advanced against the claim is:	\$ 2,000,000
AMOUNT CLAIMED	The Net Loss Payable under the above numbered policy is:	\$ 3,000,000
STATEMENTS OF	The said loss did not originate by any act, design or procurement on the part of your insured, or this affiant; nothing	

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