

Settled.™ The Loss Recovery People. 877-994-6404

We have been there and now we hope we might help your area with the property insurance loss assessment. There really is a boat load of policy language, and intricate details to know before getting involved, besides the policy language, there is licensing for assisting with the claim adjustment.

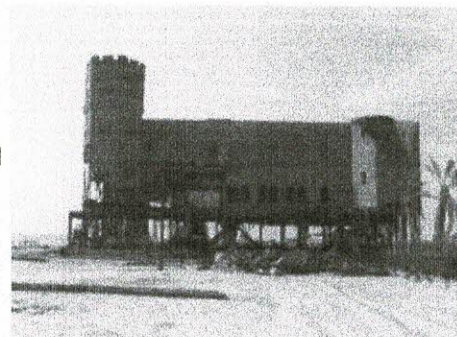
Case Study I

Large Hurricane Loss

We wish to protect the names of the insured parties. The events are factual. This loss made the cover of the New York Times seven weeks after the storm. On August 25th, 2005 Hurricane Katrina struck the Mississippi Gulf Coast with a vengeance. Title surge 28 feet, Cat 4 winds. The following is a loss scenario seldom experienced in the U.S. The case study depicts an uncommon project management scenario and the hardships endured by all parties to bring the claim to conclusion and stage the massive reconstruction project. Had it not been for the project team's commitment and leadership this business very likely would not have survived. The Gartner Group consultants, surveyed disaster victims and reported that 42% do not recover from disaster if they do not receive Business Interruption payments within 60 days. Those who took 90 days often did not recover. This is an account of the loss and the actual systems put in place to manage the outcome.



Initiate: Our team remained poised ready to move into the disaster area when the call came in. We had worked with clients in the area previously managing large fire disaster claims. Hurricane Catastrophe claims are wide spread and more difficult: water, food, access to the area, housing, all are challenged in the area of direct impact.



Plan On September 1st we were allowed into the area. We met the General Adjuster and management and we proceeded with a basic review of the policy limits, coverage, and then we walked the properties. The risks included a hotel, with 258 rooms, dining facilities, casino, and ball room. The executive administrative offices were in the Fort, complete with dining facilities and boutique shops. One block from the Fort was the warehouse, and freezers; which housed the food for the restaurant facilities. The coverage was written on a special all risks commercial form. There were multiple carriers, primary, excess, and NFIP. The properties were endorsed for commercial flood 5 m, and business interruption net loss. The primary carrier would

respond excess \$10mm, and then the excess carrier.

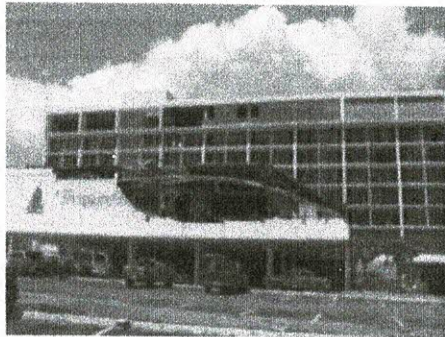
Phase I

Execute: We walked each of the buildings, first the exterior, we started at the roof and worked our way down. We inspected generally each exterior wall, the foundation, taking pictures and making notes of damage scope, and areas which needed further inspection: elevator shafts and cars, mechanical doors, etc, and then we began the interior inspections from the top again room by room; we noted the room number flow and the occupancy type for each room. We noted problems with boilers, laundry equipment, specialty building items. As we walked the buildings it was apparent that wind, tornado, flood, and vehicle impact damage had occurred in various areas of each of the buildings. Most of which was covered damage, but what percentage, how much of it to apportion to each peril wind, flood, and tornado. Concurrent causation as it is called. An engineer might be of some use, so we requested an engineering firm from the California area to assist with the distribution of wind to water apportionment. So, here is how the coverage was applied.

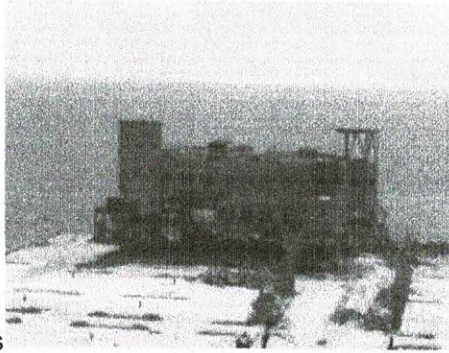
Budget: There were seven buildings, total limit of liability primary and excess \$31million of which \$5 million was commercial flood coverage. NFIP limits of liability 2.5 million 5 buildings \$ 500,000 per building. Five of the seven buildings had National

Flood Insurance coverage. Two buildings should have had NFIP flood coverage, but did not, so each of those buildings was assessed a \$500,000 deductible (according to the *guiding principle of insurance) applied to the loss when applying commercial flood coverage to that claim. The policy was written on a blanket coverage form for fire, but wind was on a valuation basis meaning each building had a stated value. In order to apportion the true amount of the wind carrier's liability and prepare for loss settlement preparations we had to first work the five National Flood Insurance claims and then apply the commercial flood coverage to the buildings

which were affected, in part, because the flood is primary insurance. I assigned one estimating crew to work the nine story hotel claim from the roof down, another crew to work the four hotel building wings, and another crew to work ground up flood claims.



The leading team went on to review engineering analysis on the Fort and work that loss using Marshal Swift and Exactimate estimating platforms, (RS Means provides unit cost data for red iron and other commercial and industrial costs) The Fort's ground floor appeared a total loss. The building was insured for \$3,500,000 but it had damage from wind 20% and flood 80% it had no flood coverage, so a \$ 500,000 deductible would apply and a \$500.00 wind deductible would also be applicable. (Incidentally this was a reconstructive total loss) So, the loss was adjusted as \$600,000 wind and \$ 2.9 million flood with a \$ 500,000 NFIP deductible. The lead team performed a Marshall Swift appraisal to determine the replacement cost and the undisputed replacement cost amount \$ 3,500,000 was accurate. The contents within the building were valued at \$1,800,000 the majority of the contents were on the first three floors. The contents of these floors were ripped out of the building by flood surge. Since the roof was leaking and water entered the building 20 % of loss was apportioned to wind damage and 80% allotted toward flood damage (determined by forensic engineers). The limit for the \$ 5 million commercial flood coverage was nearly exhausted at this point 2.4 million and 1.8 million at 80% = 3.2 million approximately. The remaining commercial flood coverage was used to cover the flood in the hotel excess NFIP flood limits which were \$ 500,000.



Interesting enough the unit pricing in the Biloxi area were being raised 4% per month on specialty commercial large loss unit pricing due to lack of housing, labor shortages, transportation, material shortages, and due in part to multiple storms hitting at the same time. There are so many factors to deal with on a large loss, in a catastrophe area, again, lack of housing for workers, phone, food, water, etc. Carrier adjusters work from other cities. Information must be constantly presented, or they will get derailed on other business.

The Business Interruption claim the insured asserted took into consideration the following aspects: the hotel had 258 rent bearing rooms, there were

vendors, hair care, boutique, buffet vendors, anything a small city had this complex provided. Obviously the limits of the Business Interruption claim would be exhausted since the reconstruction period would be two years. The writer has discussed

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several of the problems and challenges faced on a loss of this magnitude. Mitigation was one of the biggest issues on this claim, the roofing, glass windows, and corrosion of boilers, pipes and hard surfaces being open to the Gulf Coast waters and dampness for months with no power or air-conditioning created daily changes in the scope. Knowledge is key in preparing for large loss scenarios,

- a). Building and maintaining a large loss team (see building a large loss team) knowledge of changes in coverage and coverage application, mitigation methods and techniques
 - b). Carrier claims philosophy
 - c). Methods of estimating commercial construction
 - d). Stages and Phases of project management
 - e). Advanced reconstruction systems methodology and nomenclature, building codes, and the like.
- Experience and evolution of knowledge are key to producing extraordinary results in large loss adjusting and reconstruction.

Close:

The loss was paid in full by the primary carrier, excess lines carrier, and the NFIP (National flood Insurance program) . **The NFIP wrote coverage on this risk, they insured five buildings, when it came time to pay they challenged: stating that there was only one building under roof. I went to the building code office, pulled the Certificates of occupancy and was able to prove there were five different dates of completion, and the buildings were poured concrete and each had a different pour date. Advanced loss adjusting calls for advanced loss knowledge.**

We continued to work with the owners to transition the claim mitigation over to the actual reconstruction contractor. Their business is booming, but it's still a gamble being close to the water.