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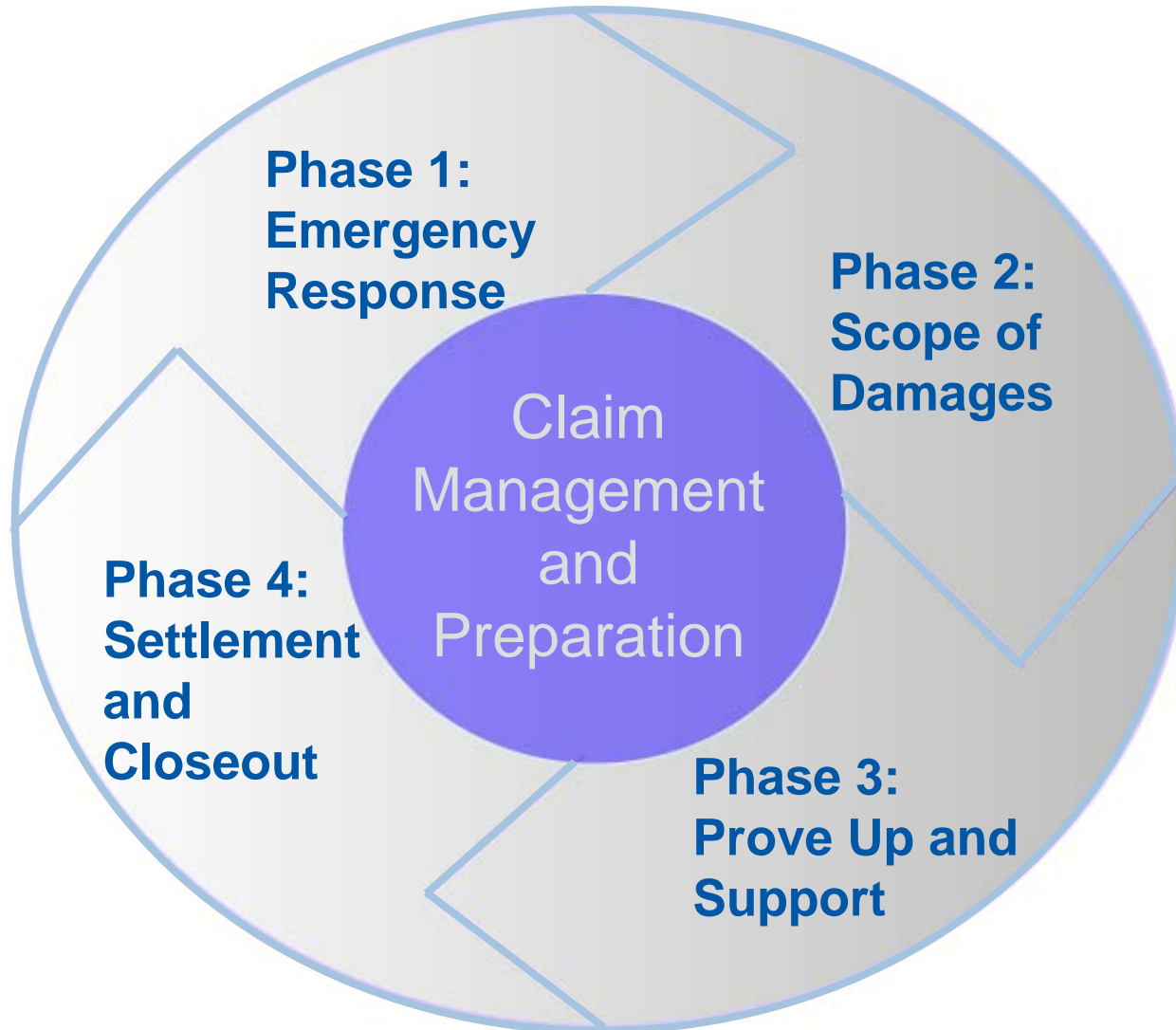
October 7, 2009

Managing Large Property Losses: Proof of Loss

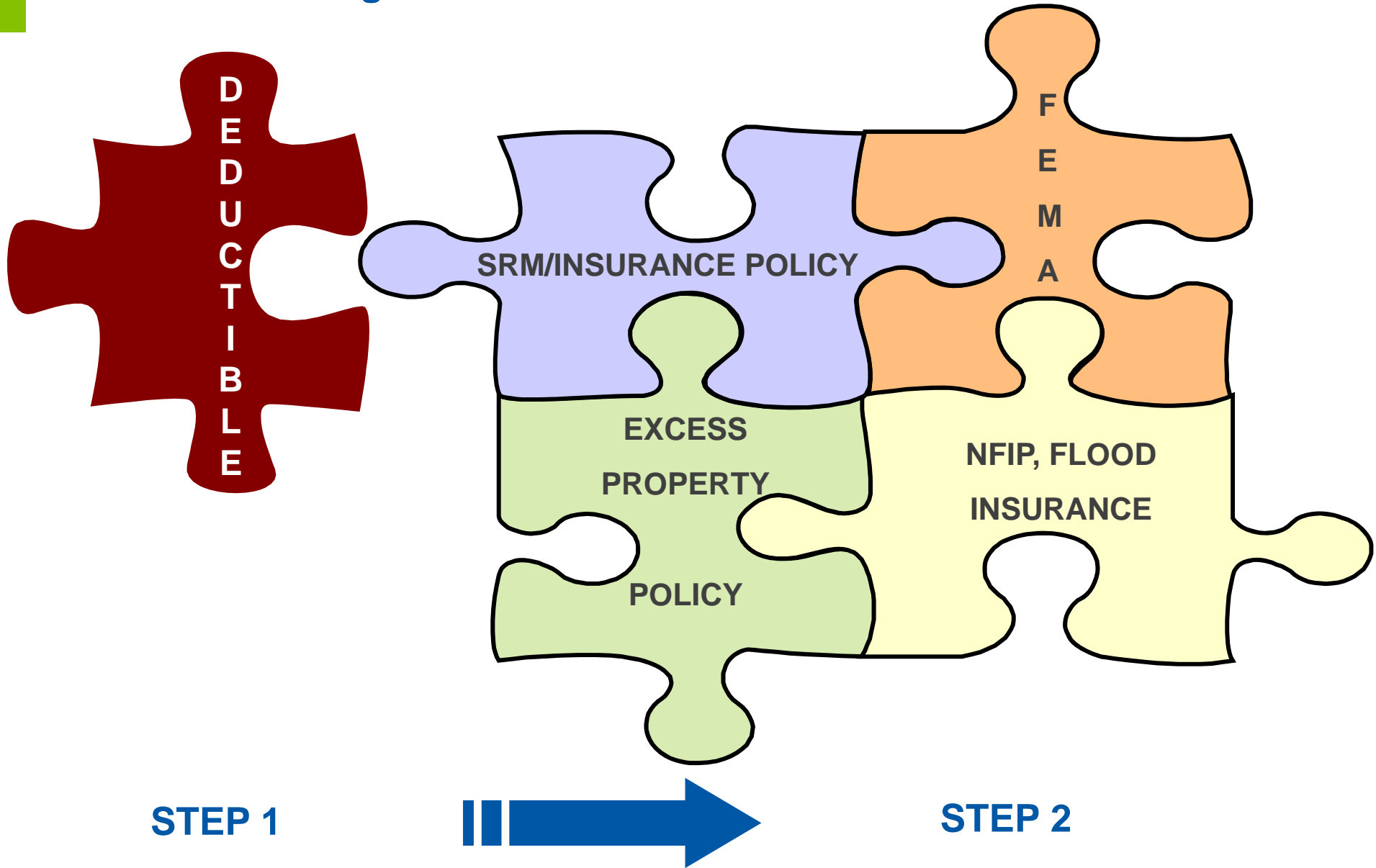
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Proof of Loss

Insurance and FEMA Claim Lifecycle



Insurance Coverage and FEMA Overview





Phase 1: Emergency Response

Emergency Response

Initial Steps

- Establish disaster team
 - Both internal and external key contacts
- Take measures to protect property from further damage (i.e. secure building, cover contents, hire cleaning company)
- Perform initial damage assessment inspections (follow checklist)
- Review policy language to determine coverage and requirements
 - Sworn statement in proof of loss submission requirements
 - 30 or 60 days after loss or after requested
 - Timeframe to notify insurer with intent to make replacement cost claim (typically 180 days after the loss)
 - Policy sublimits or exclusions
- Review and understand FEMA recovery guidelines (if applicable)

Emergency Response Initial Damage Assessment Checklist

- ✓ Protect property from further damage
 - Utilize reputable/experienced disaster response service company
 - Remove water or debris as soon as possible
 - Board up windows and secure contents
 - Utilize security services to protect property

- ✓ Perform initial damage assessments
 - Take photographs to capture “picture” of damages (*label them!*)
 - Take videos, if available
 - Inspect roofs, basements, windows, and other water penetration sites to determine vulnerable areas (identifying such sites is difficult later in the process)
 - Meet with vendors/contractors to establish protocols for tracking employee time, materials, etc. – especially for T&M contracts

Emergency Response

Suggested Recordkeeping

1. Create a separate general ledger account or sub-accounts for each damaged building affected by the loss event. Note that FEMA tracks loss-related disbursements by building and specific building loss accounts are recommended for FEMA recovery purposes.
2. Maintain a voucher package for each insurance and FEMA claim disbursement. The voucher package should include copies of purchase orders, invoices, and cancelled check copies.
3. For all in-house, force account labor charges, provide:
 - a. Claimed labor hours, by employee, by building location (if allocable), including a breakdown for straight time and overtime;
 - b. Employee time cards indicating straight time and overtime;
 - c. Overtime payment policy per the employee handbook;
 - d. Labor rates, by employee; and
 - e. A breakdown of related fringe benefits including historical ratios to labor for all benefits (i.e. FICA, FUTA, SUTA, retirement, insurance, workers' compensation, vacation and sick leave, and holidays).
4. To the extent possible, identify/code all labor, clean-up expenses, debris removal, property damage repairs, property damage replacement, and extra expenses separately by the category of repair or construction (i.e. roof, boiler, electrical, and plumbing).

Emergency Response

Suggested Recordkeeping (cont'd)

5. For in-house equipment and vehicle usage, provide:
 - a. Claimed hours, by building location (if allocable);
 - b. Detailed description of asset type, make, model, size, etc.;
 - c. Detailed explanation of loss-related work by category (clean-up, debris removal, repairs, and extra expenses); and
 - d. Employee responsible for operating in-house equipment or vehicle.

Note: FEMA will apply hourly rental rates based on the type of internal asset used.
6. Record a description of all other claim costs on the related invoice if not already within the body of the invoice, noting how the claim item is loss-related and allocating the cost to a facility.
7. Be prepared to provide copies of vendor contracts, as well as invoices from any subcontractors that may have been used by a general contractor for property damage repairs.
8. Be prepared to provide copies of invoices or receipts for all employee expenses.
9. Employees should be instructed to file separate expense reports for all costs incurred relating to the loss event.
10. We suggest that one person be responsible for accumulating purchases orders or invoices as they are received and marking the document as loss-related. In large property damage scenarios knowledge of the construction repairs may be necessary.
11. Department heads should create and maintain a chronology of events related to the loss and the impact that the loss has on their operations.



Phase 2: Scope of Damages

Scope of Damages



Scope of Damages

Building Claims

- Damage sustained by a building structure after a loss event
 - Building take-offs and analysis
 - Xactimate, RS Means, or Marshall Swift
 - Compile detailed building-by-building, room-by-room, trade-by-trade, unit-by-unit cost estimates
 - Repair versus replacement options (total and partial losses)
 - Code upgrade requirements – enforcement is critical!
 - Improvements/betterments
 - Hazard mitigation projects
 - Reach scope agreements
 - Involve insurance company experts, adjusters, and/or FEMA estimators in the scope development process
 - Identify areas of agreements – obtain pricing
 - Identify areas of disputes – obtain further justification

Scope of Damages

Building Claims: Facility Repair Work Protocols and Procedures

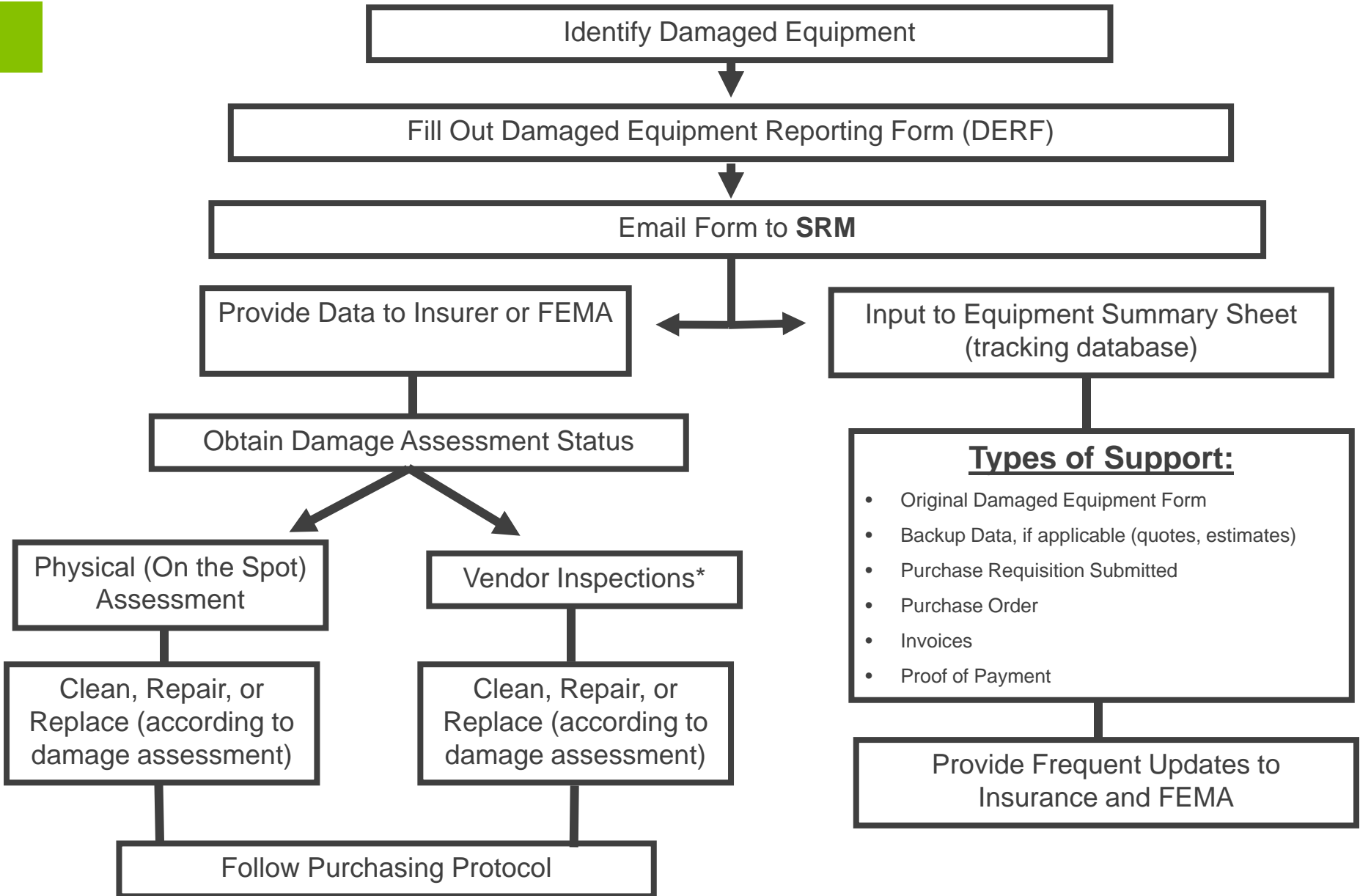
- Contractors will reference buildings using the building number rather than the name of the building on all documents, proposals, and invoices going forward
- All proposals, contracts, purchase orders, and invoices must:
 - Be tracked by building
 - Reference loss event
- All proposals and invoices require a breakdown to include:
 - Debris removal-related expenses
 - Emergency measure-related expenses
 - Permanent repairs – structure-related expenses
 - Breakdown between wind and flood damage, when possible
- Time and material contracts for emergency repairs must include a “not to exceed” amount in order to be considered by FEMA
- All proposals and/or invoices will require documents to include material pricing, labor (time card details), equipment usage, and other related costs allocated to each building or common area

Scope of Damages

Equipment and Contents Claims

- Identify and inventory equipment and/or contents damaged
 - Serial numbers, make/model numbers, detailed descriptions
 - Information needed includes items cleaned, repaired, or replaced
- Identify classification of contents
 - Furniture
 - Office equipment
 - Supplies
 - Machinery used in operations
- Determine if experts are necessary to confirm extent of damage to key pieces of machinery and equipment
- Obtain fixed asset list, a helpful resource, which provides:
 - Original purchase date (used to determine age and calculate depreciation)
 - Baseline for original purchase price (for information purposes only)
 - Possible missing information (i.e. manufacturer name, serial number) that could not be identified/obtained during the field inspection

Equipment Claim Process/Protocol



Scope of Damages

Equipment and Contents Claims

- Examples of support
 - Photographs
 - Fixed asset lists
 - Vendor quotes for repair
 - Vendor quotes for replacement
 - Expert reports regarding damage assessment
 - Cost benefit analyses showing repair vs. replacement
 - Purchase orders
 - Repair invoices
 - Replacement invoices
 - Salvage agreements
 - Historical records (original purchase orders, invoices, photographs, diagrams of the facility, etc.)

Scope of Damages

Business Income Claims

- Review financial records to develop historical trends to use as a basis for projecting revenue during the period of restoration
- Compare actual revenue streams and projected revenue levels to determine lost revenue
- Analyze operating expenditures
- Identify operating inefficiencies
- Eligible for insurance claims only, as FEMA does not typically consider intangible/financial losses as eligible

Scope of Damages

Extra Expense and Expediting Claims

- Analyze to determine eligibility for insurance and/or FEMA claim
 - Depends upon type and/or purpose of expense
 - Examples of extra expenses
 - Temporary classrooms
 - Rental of trailer and related set-up and ongoing operating costs
 - Hotels/temporary living
 - Food services
 - Daily living expenses
 - Cell phones/calling cards
 - Transportation
 - Security
 - Postage and mailings
 - Labor costs
- College/university will most likely incur costs to maintain classes versus losing students
- Gather supporting documentation for expenses

Lessons Learned

Sample Extra Expense Worksheet

CHECKLIST: EXTRA EXPENSES

Company Name

Location:

Date of Loss:

Control Number	Description	Number of Units	Unit Cost	Months	Amount
<i>Temporary/Rental Space</i>					
1	Rental and leases - office space				
2	Rental and leases - classroom space				
3	Rental and leases - office furniture and equipment				
4	Net cost of purchased equipment				
5	Rental and leases - other				
6	Relocation of operations to temp location				
7	Expense of moving equipment, etc.				
8	Repair/replace equipment expedited freight (Fed Ex, Etc.)				
9	Light, power, and heat at temporary premises				
10	Cost of cleaning temporary premises				



Phase 3: Prove Up and Support

Prove Up and Support

Claim Preparation

- Protocols established during Phase 1 (Emergency Response) will help expedite claim preparation process
 - Advance payment requests
- All data and documentation gathered in Phase 2 (Scope of Damages) will be utilized to prepare claim packages (include building, equipment, contents, business income, and extra expenses)
- Important to update claim packages and expenditure data on a frequent basis
- Detailed claim package documentation to include:
 - Invoices
 - Purchase orders
 - Vendor reports
 - Photographs
 - Proof of payments



**SERVES TO
SUPPORT FORMAL
PROOF OF LOSS
SUBMISSION**

Prove Up and Support

Why Documentation Is Important

- Accurate documentation will help:
 - Recover eligible costs
 - Collect the information necessary to develop your disaster projects
 - Validate the accuracy of small projects
 - Prepare for audits or financial reviews
 - Assist in responding to requirement of both the insurance claim process and the FEMA recovery process
 - Avoid duplication of efforts when streamlining both processes at the same time
 - Possible expediting of eligible FEMA damage review if insurance pays promptly

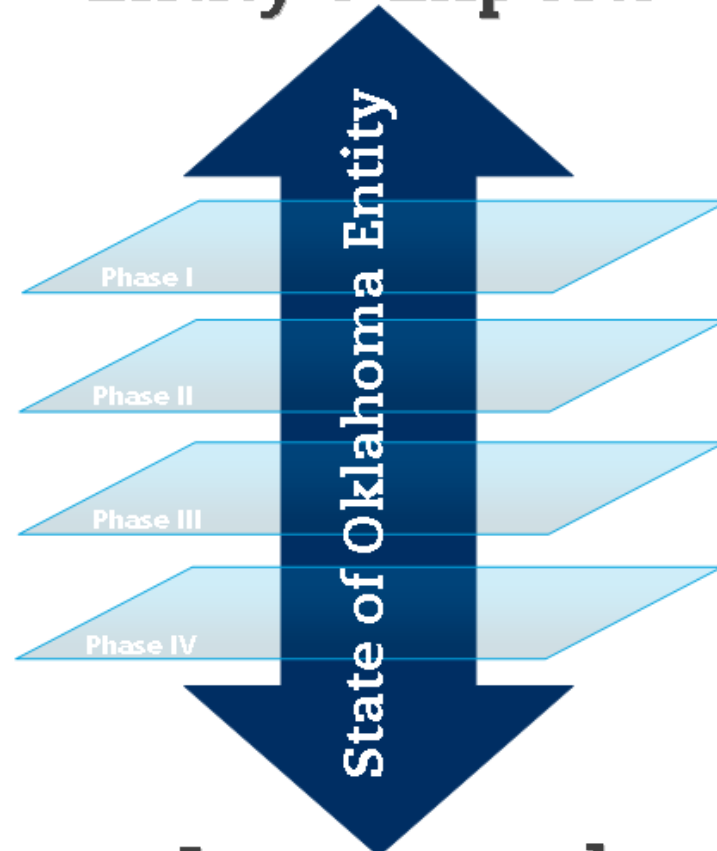


Phase 4: Settlement and Closeout

Settlement and Closeout

Effective communication and teamwork help minimize conflicts during the claim recovery process and help achieve a superior recovery

State of Oklahoma Entity's Experts



Insurer and Its Experts

Settlement and Closeout

- Insurance claims
 - Settlement phase based on negotiations reached among all parties
 - Work together with property broker, claim advocate, and insurer
- FEMA claims
 - Settlement and closeout phase based on work completed and funds expended
 - Time consuming and tedious process
 - Coordination of all funding sources needed
 - Records must be maintained for at least three years after closeout
 - Undocumented eligible expenses will not be reimbursed

The information contained in this presentation provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Insureds should consult their insurance and legal advisors regarding specific coverage issues.

The hypothetical claims scenarios included here are for illustration purposes only and should not be relied upon as governing your specific facts and circumstances. Actual claims are governed by your specific policy terms, conditions, limits, and exclusions and are subject to individual claims review by applicable insurer representatives.

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Compliance No. MA9-10402

Settlement/Payment Options (Insurance Company Payments)

- “Traditional” – payment made when all work completed
- RCV and ACV settlements (be aware of time “sensitive” requirement)
- Partial/Advance Payments through the claim process
- “Global” settlement
- Compromise settlements
(due to coverage issues, disparity in loss measure)
- Appraisal Clause
- Alternative Dispute Resolution, Mediation, Litigation
- Carrier will require Proof of Loss form when issuing payment
- Be sure worded correctly, e.g. partial payment
- Seek broker input/assistance if questions on completing the POL



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