

Property Losses
What You Need To Know
What You Need To Do
(A Guide To Recovering From A Loss)

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Introduction

While property losses are not uncommon, major losses are. However, as we all know, we live in an area where severe weather is not just possible, it is inevitable. Over the last three years, the State has experienced several major weather related losses. As a consequence of these losses, one thing is clear—no matter how prepared you believe you are to handle a loss few of us really are.

RM, in its annual Property Loss Seminars, provides some direction for you in how to handle a property loss. We are committed to continuing these seminars, and we ask that you commit to attending them as often as possible. We also believe it will be useful for you to invite and encourage your Chief Financial Officer, General Counsel, Purchasing Officer, and Agency Executive Director to attend as well. Each of you performs a major role in maximizing your recovery.

But our seminars do not seem to be enough. With this in mind, and in our attempt to continually improve our programs, we have prepared this guide in the hope that you will read it and keep it near at hand so when a loss does occur it can assist you in steering through what will be, even under the best of circumstances, a very frustrating and complex process.

RM

1. Preparation Before a Loss Occurs

- Inspect properties on a regular basis (monthly, quarterly, etc.) and identify potential hazards and record them;
- Take necessary steps to prevent losses that are preventable (repair as needed, follow recommended guidelines for flammables, etc.);
- Make certain all fire sprinkler and alarm systems are functioning properly;
- Take extra steps to protect vital records;
- Have a business continuity plan in place (assign roles to key players and make certain they understand those roles);
- Conduct fire and storm drills and mock loss scenarios and practice your business recovery plan;
- Correct deficiencies in your plan;
- Be familiar with the property insurance loss reporting and recovery procedures;
- Make certain you have reported all owned property to RM with updated property values.

While many of these steps may seem tedious, they may mean the difference between a total loss and a partial loss, a total recovery or a partial recovery. They may mean a week or month recovery effort or years of recovery efforts.

Failure to take corrective action on problems found during inspections assures losses will be larger and more costly leading to longer recovery time. Lack of funds is no excuse for delaying corrective steps—sometimes you have to be creative in solving problems.

Failing to conduct drills and test your plans because it will take time away from work is no excuse. How long will it take away from work to watch a building burn to the ground? How much time will it take away from work to dig through the rubble to salvage what you can? How much time will it take away from work to move to a temporary location and then move again to a permanent location? How much time and extra effort will it take to prepare the massive amount of paperwork you will face to prove your claim and recover the funds you will have to spend up front before you recover them from insurance?

While everyone knows losses are a possibility, very few of us believe it will ever happen to us. Think again, it will happen; it is just a question of time.

2. Agency Responsibilities When a Loss Occurs

- **Secure the Loss Site:** This is important to prevent injury as well as to protect your interests. Immediately activate your Business Continuity Plan and report the loss to RM.
- **Report the Loss to the Risk Management Division:** Report all property losses, including those that do not exceed your agency deductible, immediately to RM (405-521-4999). RM is on 24

hour call 7 days a week. During regular working hours you may need to leave a message; when leaving a message, be certain to speak slowly and provide your name, agency, and a phone number where we can reach you—provide your phone number at least twice. Delay in reporting property losses will cost time and this could reduce the amount of recovery you may have otherwise received. RM will respond to all losses, but may elect to conduct onsite loss inspections for only large losses. RM will provide you with guidance that will assist you in mitigating and recovering from any loss reported to it. Do not destroy or throw away any damaged property until RM instructs you to do so.

- **Mitigate the Loss and Make Temporary Repairs:** Take all necessary steps to protect the property from further damage including making temporary repairs. Keep all cost records related to mitigation efforts as these may be recoverable.
- **Recovery from the Loss:** Your recovery from the loss will begin with your mitigation efforts and with instructions from RM. Itemize all property damaged or destroyed. The itemization of damaged and destroyed property is the beginning of your Scope of Loss. Failure to keep this itemized list may reduce your agency's amount of recovery.
- **Scope of Loss and Permanent Repairs:** RM, as well as insurance adjusters, will work with you to determine the extent or scope of your loss. The better prepared you are to demonstrate and articulate what has been lost, the quicker an agreement on the Scope of Loss will be reached. (Remember, while the program provides for the replacement value of scheduled property, it pays the lesser of repair or replacement based upon the values you report and then replacement costs is limited to repairs or replacement of property on the basis of like kind and material.) This phase of recovery is to establish the extent of damage and whether or not repair is feasible rather than replacing damaged property. The Scope of Loss is not a final determination of the actual amount you may recover for a loss; it is, however, a crucial step toward recovery.¹ Once all parties agree upon the Scope of Loss, you will need to begin permanent repairs to the property. Be certain you follow the appropriate purchasing policies to contract for repair work. Neither RM nor the insurance carriers are responsible for making repairs or finding contractors to perform repair work. Your agency's Purchasing Officer should immediately begin the process of acquiring services to assist your agency's recovery. Any delay at this stage will cause delays in claim payments. In some cases, your Executive Director may be able to declare an emergency situation; this may help speed recovery.
- **Proof of Loss Document:** Your agency is responsible for proving its loss. This is a formal, written declaration of the amount of loss. Proof of Loss documents are required for both partial payments and final payments. No money will exchange hands without a sworn, signed, and notarized Proof of Loss. RM will provide these forms to you for execution by your Executive Director or, in the case of a university or college, the President of the institution.

¹The Property Program is an indemnity policy. This means your agency is responsible for paying any and all costs for recovery. Your agency will not be eligible for reimbursement of any loss until it has submitted paid invoices related to the loss. Insurance carriers will audit all documents related to a loss to make certain all work and all expenses fall within the agreed Scope of Loss as well as coverage provided. Once the audit of the documents is complete and barring questionable submissions, we will issue to you a Proof of Loss for your agency's execution.

- **Payments for Loss:** Your agency will only be eligible for reimbursement of paid losses after it has executed and submitted a Proof of Loss. There are two potential types of payment: 1.) Partial Advance Payment, and 2.) Full and Final Payment.
 - A Partial Advance Payment is not the final payment on a loss. If losses are below the State's Self-Insured Retention, RM may allow advance payments based upon the Actual Cash Value (ACV) of the damaged property less your agency deductible. An outside property insurance adjuster will determine the ACV value.
 - A Full and Final Payment represents the full and final amount of the loss; once you receive this payment the claim is closed.²
- **Coverage Questions:** Address all coverage questions to Risk Management. In no case should an agency approach one of the State's insurance carriers with questions or comments of any kind. Doing so may cause difficulty for the State to renew coverage, and, as has happened in the recent past, this may cause a non-renewal of coverage.

3. Risk Management Division Responsibilities When Loss Occurs

- **Loss Adjusters:** When an agency reports a property loss to RM, we will ask several questions about your estimate of the extent and monetary value of the loss. We will determine whether or not other agencies have reported losses (storm sweep)³. If a storm sweep exists, we will request an adjuster assist us in inspecting and documenting the damaged property regardless of the agency's deductible. If a storm sweep does not exist but we believe the loss clearly exceeds the agency's deductible, we will request an adjuster assist us in inspecting the damaged property. This inspection is the first step toward establishing a scope of loss. Once RM receives the adjuster's assessment of the loss as well as estimates of repair or replacement from your agency we will communicate this information to you. If a loss clearly does not exceed the agency's deductible and no storm sweep exists, we will instruct you to make necessary repairs as you see fit. You should provide documentation of repairs to Risk Management to assure your listed property has coverage equivalent to its repaired value.
- **Estimate of Loss:** Risk Management does not prepare or provide loss estimates. If a reported loss is clearly a single loss with no impact upon another agency and is below the reporting agency's deductible, RM will request the agency to provide two or three estimates of repair for our records. RM may inspect the damage if we believe a possibility exists for the loss to expand beyond the agency deductible. If the reported loss appears to exceed the agency deductible,

²Risk Management's Administrative Rules (OAC 580:25-11-2 (h))—Time Limit to File Claim states: "A final claim along with the requested supporting documentation must be submitted to Risk Management within 2 years of the date of the incident or the claim will be considered invalid." If Risk Management allows an Advance Payment equal to the ACV value of the damaged property, less your agency deductible, and the agency fails to complete its claim in the allotted time, the amount paid for ACV will be the full and final payment on the claim.

³The Commercial Property Policy defines a claim to include all claims resulting from a single storm system; in this case, the State's Self-Insured Retention is eroded by the sum total of all claims reported and possibly allowing recovery under the Commercial policy if all losses exceed the State's Self-Insured Retention. For this reason, it is important that in the case of weather related losses, each agency should report any and all claims even if it is clear to the agency that its specific loss will not exceed its internal deductible.

RM will engage a loss adjuster. Where a loss adjuster is engaged on a claim, the adjuster provides the estimates. Where a loss will exceed the State's Self-Insured Retention level, an adjuster representing the insurance carriers will inspect the loss as well as the adjuster assigned by RM. The insurance carriers' adjuster may or may not provide an estimate of loss.

- **Reporting Loss to Insurance Consultant and Insurance Carriers:** The insurance program has a loss threshold (\$100,000 each loss) requiring reporting to the carriers when any loss appears it may exceed the threshold and is under the agency deductible. RM is responsible for reporting claims to the insurance consultant and insurance carriers.
- **Coordinating the Loss:** RM's Claims Unit will coordinate all claims. An agency should work with and through the RM's Claims Unit in recovering its loss.
- **Auditing the Loss Recovery:** RM, its consultants, the contract adjuster, and the insurance carriers' adjuster, and the insurance carriers will audit claims. Any repairs or replacements that are questionable may cause delays in payments.
- **Payments for Loss:** All loss payments made from the Self-Insurance Retention Fund or from the insurance carriers will flow through RM. RM will reimburse an agency for any insured loss minus the agency's selected deductible.

4. Finalizing a Loss, Tips, and Worksheets

When your agency begins to replace or repair damaged property covered under the RM Property Program, please pay careful attention to RM's Administrative Rules (see footnote 2)—or check out www.ok.gov/DCS/Risk_Management/index.html, look at the right hand column and click on "2010 Large Property Losses Marsh Seminar" for tips and worksheets that may assist you if you have a property loss. Also, refer to the left hand column on this site, "Forms, Procedures, and Surveys", for other required forms related to Property Claims. Now available is the Risk Management Connection (Wiki-Site) blog. Visit <https://wiki.ok.gov/dashboard.action> to gain access. Just fill out and submit a request.

While we hope you never experience a property loss, we hope this guide proves useful if you do. RM is a phone call away. We are always happy to assist you in any way we are able.