

## APPENDIX 4:

### **PROCEDURES FOR FILING MAJOR LOSS PROPERTY INSURANCE CLAIMS (revised eff. 5-1-14)**

The Risk Management Office (RMO) will be the point of contact for any large property loss, or disaster, in order to coordinate claims against the property insurance carrier and/or with State Civil Defense.

Insurance coverage is afforded for damage to real property, personal (State) property, loss of rental income, artwork, extra expense, loss of valuable papers, extended coverage, pollutant/contaminant clean-up and other expenses.

In order to document any damage that might result in the event of a large loss, hurricane or other similar catastrophe, please utilize the following procedures and forms. The initial reports and claim forms are to be submitted to the RMO within 5 working days after the loss. A claim file will be created for each location, therefore, it is requested that expenses are identified by location.

The following forms, which are patterned after the Federal Emergency Management Agency (FEMA) forms, will aid you in keeping track of your costs and expenses:

1. Force Account Labor Summary Record (RM-FALSR)
2. Force Account Equipment Summary Record (RM-FAESR)
3. Materials Summary Record (RM-MSR)
4. Rented Equipment Summary Record (RM-RESR)
5. Contract Work Summary Record (RM-CWSR)
6. Other Extra Expenses Summary Record (RM-OEESR)
7. Applicant's Benefits Calculation Worksheet (RM-ABCW)
8. Personal Property Damage Summary Record (RM-PPDSR)

These forms and procedures are on Microsoft Excel and Microsoft Word and can be provided to you on thumb drives or via e-mail. Please contact the Risk Management Office to request the forms.

#### **PROCEDURES:**

1. DETERMINATION OF VARIOUS CATEGORIES AND SUBCATEGORIES OF CLAIMS.

Generally speaking, all recoverable expenses are associated with a building. The categories for receiving reimbursement or payment from the State's **property insurance policy** must fall within the definition of the following:

- A. Real Property: buildings, additions-extensions, fixtures, machinery and equipment constituting a permanent part of the building that services the building and yard fixtures.

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- B. Personal (State) Property: furniture and fixtures, machinery and equipment, stock, materials, supplies, mobile equipment (actual cash value) and property held in trust or on commission or consignment for which the State is legally liable. In addition, books, abstracts, card index systems, magnetic recordings or storage media are covered. Tenant improvements and betterments, whether or not they are permanent or an integral part of the building. Coverage is afforded to leased property that the State has a contractual responsibility to insure.
- C. Loss of Rental Income: any loss resulting directly from untenability caused by damage to or destruction of a building or structure.
- D. Art Work
- E. Extra Expense: an expense incurred in order to continue as nearly as possible normal operations i.e. rental of office space, trailers, mobile class rooms, equipment, extra cost of shipping, cost of extra work shift, etc.
- F. Loss of Valuable Papers: the cost to reconstruct valuable papers lost or damaged when a covered building is damaged or destroyed. This includes historical documents and the cost to reconstruct data processing media, i.e.: computer programs, records, etc.
- G. Extended Coverage: expenses incurred in the removal of debris, and/or an expense necessary to reduce the loss (temporary repairs). Also included within the scope of this coverage are: Fire Department charges, architects and engineering fees.
- H. Pollutant/Contaminant Clean-Up: the expense to extract pollutants and/or other contaminants from the insured premises (asbestos removal), limited coverage provided.
- I. Other Expenses: in-house labor charges to inspect damages and make necessary repairs; travel, lodging, car rental, and meals may be reimbursable under this coverage. This expense is restricted to costs directly related to a building.

2. NECESSARY DOCUMENTATION FOR INSURANCE CLAIMS.

The following guidelines are to be used to substantiate the claim:

REAL PROPERTY - BUILDINGS & STRUCTURES: Refer to appendix "A".

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PERSONAL (STATE) PROPERTY - CONTENTS: Refer to appendix "A".

VEHICLES: Provide a list of vehicles that sustained loss, to include the year, make, model and license number, and a description of the damage. In the event of a disaster, claims for damaged vehicles are to be submitted to FEMA since the State is self-insured and this damage is not covered by insurance.

DEBRIS REMOVAL:

- A. Identify the building location from which the debris was removed using the Property Damage Assessment (PDA) completed by FEMA and the Project Worksheet (PW) number, if applicable.
- B. Provide the appropriate accounting support for the debris removal charges. (see Appendix A)

PERSONNEL COSTS:

- A. Identify the building and/or location and/or the PW number.
- B. Submit time cards or daily summaries of hours, including a description of the tasks. See "Force Account Labor Summary Record" (RM-FALSR) form.
- C. Computation of the claimed hourly wage rate, which may consist of published hourly rate scales, or monthly or annual salary divided by the standard hours to develop an hourly rate.
- D. To the extent that extra wages are incurred, identify the premium portion of the pay and apply the variable portion of the payroll, such as payroll taxes, workers compensation and other costs, which increase in relation to the wages.

EXTRA EXPENSES:

- A. Identify the building and/or location and/or the PW no.
- B. Provide an explanation of how the extra expense served to reduce the property loss or maintain normal operations.
- C. Provide accounting support per appendix "A".

BUSINESS INTERRUPTION & LOSS OF RENTAL INCOME: (TIME ELEMENT)

To recover under the terms of the insurance policy, the loss of revenue must be a

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"DIRECT" result of damage to or destruction of the insured property.

- A. Identify the building and/or location and/or the PW no.
- B. Describe the nature of the lost revenue and estimate the length of the loss period.
- C. Provide sufficient income history to make a projection of revenues lost during repair period. This should take into consideration any trends, seasonality or other factors that would influence revenues or rents.
- D. Provide a current financial statement accompanied by sufficient detail to determine those costs or expenses that varied or discontinued in the circumstances of the loss. These could include cost of sales, labor paid for property damage and extraordinary utilities, etc.

3. REPORTING OF A LOSS:

Claims originate from the departments. All requests for reimbursement must be accompanied by:

- Report of Loss or Damage to State Property (RMP-001) form
- FEMA's Request for Public Assistance form (if applicable)
- FEMA's PDA or PW numbers (if applicable)
- State's insurance adjuster's estimate

The departments are advised to submit any and all claims to the RMO for expenses incurred related to the incident. Departments should not take it upon themselves to determine if an expense is covered by the insurance policy, the RMO staff will make this determination.

In a disaster, FEMA claims should be handled in the same manner as with any other State department, through the State Civil Defense as their State disaster recovery coordinator. The RMO will work with the State disaster recovery coordinator to determine those expenses that are covered by insurance.

4. INSURANCE SETTLEMENTS:

The State's insurance broker will assist in processing a settlement on behalf of the State with the property insurance carrier. The State's insurance deductible for hurricane, flood or earthquake losses is 3% of the actual value of each building and 3% of the actual value of the contents that were damaged, with a minimum deductible of \$1,000,000 for the loss.

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5. DISBURSING ADVANCEMENT AND REIMBURSEMENT TO EXPENDING AGENCIES:

Departments shall prepare a request to the DAGS- Accounting Division to establish a trust account to deposit insurance proceeds if an account has not already been created for this purpose. The trust account number must be provided to the RMO for the distribution of the insurance proceeds. Journal Vouchers or warrants will be issued to the departments for all or that the portion of the claim that falls within parameters of the insurance policy.

6. REPORTING CRITERIA TO MONITOR THE PROGRESS OF THESE ACTIONS.

Departments may be required to submit a monthly status report of restoration work and periodic telephone calls will be made to check progress and offer risk management assistance.

The RMO staff, at 808-586-0547, is available to assist in the completion of the claim form and to answer questions regarding claims, insurance coverage, and reimbursement.

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APPENDIX "A"

Accounting supporting documentation, such as purchase orders and invoices, are required for all claimed costs, with the exception of force account labor (refer to page 3), includes the following:

1. Computer generated summaries that capture all major property loss, or disaster, damage related expenses and costs.
2. Requisition of the expense.
3. Purchase Order supporting the requisition.
4. Invoices for the expenses related to the Purchase Order.
5. Contracts in response to the Requisition and/or Purchase Order. The contract should be detailed and itemized and follow as closely as possible the insurance company estimate (estimate), if applicable. Any and all differences must be fully explained if the cost exceeds the estimate.
6. Upon the department's review and approval of the estimate, a final loss settlement will be provided by the insurance adjusters. With the final loss settlement, the repair or replace may proceed. It is the department's responsibility to carefully review these estimates and to negotiate as needed with the insurance adjusters as to any differences so that the department may approve what is considered to be a fair settlement of covered claims.
7. Departments for which the Public Works Division normally administers the building projects should contact the Public Works Division for assistance in determining the adequacy of the estimates if applicable.
8. When applying for reimbursements from Risk Management, please complete the Report of Loss or Damage to State Property (RMP-001) form and include the estimate and/or FEMA's PW, as part of your supporting documents.