



When a community sustains wind, flood or fire damage, public adjusters' tact enables owners to minimize losses, maximize settlements and get back to business.



ADJUSTING TO DISASTER

BY WES BALDWIN

Forty-one days after Hurricane Katrina laid waste to much of New Orleans, the owner of three affected apartment communities on the city's West Bank received another hard knock: Two of the buildings in one of his communities were on fire.

The blaze meant one more insurance claim and one more insurance company adjuster to add to the growing list of adjusters.

It meant more fine-print fighting points in the argument over which company owed what, how much and because of what cause—in this case, wind, flood or fire.

It also brought up additional questions about the proper way to protect the community from further damage and, worse, how to handle the pressing issue no one wanted to deal with—how to evict residents from their homes in the midst of calamity.

What could have been yet another devastating blow in an already trying time was deflected by the strong recovery team that community owner John O'Neal (name changed to protect client confidentiality) had assembled after the storm made landfall. That team included a public adjuster.

THE LONG, EXHAUSTING BATTLE

Looking back two years later, O'Neal said, "Do not plan on doing things yourself; you need professional advice. Understand you are entering an area that is not within your expertise and that you should be prepared for a long, exhausting battle."

While surveying his three afflicted properties after the hurricane, O'Neal's initial thought was of recovery, not of struggle. How could anyone, even an insurance company adjuster, see this type of destruction and miss that there was nothing left to do but raze the buildings and start anew?

What O'Neal didn't realize was that each type of loss needed to be assessed by a separate insurance company adjuster. Further, because of the layered nature of his corporation's insurance policies—meaning that the communities are, in this case, insured by three separate insurance companies—each insurer sent its own adjuster for each loss. Wind, flood and fire damages were all considered separate losses, according to policy language.

O'Neal and his capable community management team had done everything they should have and were required to have after incurring a property loss. They had reported the loss to the appropriate authorities and to the company's insurance carriers.



PLAN, PREPARE, PROTECT

How to deal with a property loss:

- 1. Maintain contact lists.** Gather an accurate and updated list of residents and their emergency contacts.
- 2. Secure adequate insurance coverage.** Make sure all buildings, businesses and personal property are covered. Be certain to ask insurance agents if the policy covers loss of rental income and inquire about replacement cost coverage.
- 3. Take inventory.** Be complete and thorough. List all items in the apartment community with location identification so insurance representatives can verify what property was damaged or destroyed. This includes items such as office equipment, maintenance and repair materials, grounds and pool equipment, landscaping and directional signage. Include serial and model numbers.
- 4. Make copies of financials.** Include income tax returns, income statements, receivables and any other vital financial information. Store this information in a safe location—off the premises.
- 5. Report the loss immediately.** Notify the proper authorities and insurance companies.

They had done their best to protect the communities from further damage, as their policy instructed. When reasonable, they even had arranged for temporary electricity.

But then, a crowd of adjusters, each trying to protect the interests of his company, was forced to agree to what percentage of the massive property loss was because of wind or water or, at one location, fire.

To further complicate matters, in one of the three communities, each of the 22 buildings had its own flood policy, since flood policies are limited to \$250,000 per occurrence. This meant a separate claim and insurance company adjuster per building.

Convincing the many adjusters, most from different companies, to agree was no easy task. Each wanted his own estimates and builders and each had his own rules and policy language. However, the public adjuster O'Neal hired encouraged all to work together to arrive at a just solution.

Additionally, O'Neal and his public adjuster had to maneuver through Louisiana state eviction laws. After Katrina struck and the levees broke, residents who didn't want to attempt a life in the ruins scattered to countless locations—many leaving behind the

majority of their belongings and no word of their whereabouts.

Until O'Neal's public adjuster helped him obtain the residents' permission, heaps of molding possessions were off limits to clean-up crews and to anyone else because, according to restrictions by authorities, if they removed the items they either could be accused of stealing or be held liable. Residents' belongings remained, creating an environment for mold to grow and consequently cause additional damage.

Though O'Neal's insurance policy demanded that he do everything he could do to protect his property from further damage, state eviction laws superseded. Normal eviction procedure meant notifying residents and waiting through a mandatory time period before he could be granted permission by a judge to proceed with the evictions. The problem: Many of his residents could not be located.

O'Neal and his public adjuster had other issues to deal with in the meantime. The buildings, built more than 20 years ago

6. Consider professional assistance. Think about the amount of time available to dedicate to the insurance claims process. It may make the most sense to turn to qualified professionals who can help present a claim to the insurance company for recovery. Public insurance adjusters work on behalf of the claimant and can help deal with deductibles, limits, coinsurance, extension of coverage and other complicated details.

7. Document, document, document. Take photographs of everything and clearly identify all items and their locations. Keep copies of written correspondence—including e-mail—and thoroughly document all phone conversations—making sure to note the date, time and contact person for each communication.

8. Protect your community. Double-check compliance with the insurance policy's language by securing the community and working to protect the property and its contents from further damage, from vandalism or from the elements.

9. Locate all affected residents, if possible. After a disaster, residents may relocate and become difficult to find. Remember: In most states, the law prevents apartment community owners, employees and any other type of contract or clean-up crew from entering a structure and removing wet materials without resident permission. As a result, mold sets in and property damage increases.

—W.B.



according to 1971 building codes, were required, after incurring damages, to meet current construction standards and government requirements. Contractors who came to inspect properties and estimate damages not only were subject to credential and license verification in the post-disaster chaos, but their estimates also needed to be double-checked and agreed upon by the adjusters—both on O’Neal’s team and on that of the insurance companies.

A ‘TOTAL LOSS’

What about business-interruption insurance? What about loss of rents? What about business and personal property clauses? What if a community owner experiences a “total loss” and all of the many layers of insurance—often required to cover the large

liabilities involved with apartment communities—only agree to pay for 70 percent of the damages?

It is then up to the community owner and policyholder to prove what he or she is owed and to present the claim. If the insurance company and its adjusters disagree, it becomes their burden to disprove the terms of the claim, presenting their facts and figures in response.

Fighting for a just settlement with an insurance company that is trying to protect its bottom line can be a protracted and expensive process for the policyholder. Although, by contract, a community owner must submit his or her initial documented claim within 90 days of the date of the loss, the subsequent wrangling between the insurance company and its policyholder, over covered damages and their costs, can run on for many months, and sometimes years.

The insurance company has a full complement of adjusting and financial experts on its payroll whose jobs are to determine ways to pay these larger claims without bankrupting their own company. Even community owners who retain their own risk managers are rarely armed to take on such a formidable adversary.

The informed policyholder who hires a professional public adjuster to handle his company’s claims can help to level the playing field against this Goliath. Although a public adjuster must charge a fee, his services normally more than pay for themselves by helping the community owner to receive a more generous and just settlement than otherwise offered by the insurance company.

O’Neal sought and accepted the advice of a public insurance adjuster to handle the exacting insurance claim process. The public adjusting firm presided over and filtered all of these crucial details for O’Neal, organizing and presenting his insurance claim to three separate insurance companies.

As professionals with extensive experience, public adjusters understand insurance policy fine print. It is with this understanding that they are able to assist property-loss victims to determine the best possible way to present their claims so they will receive everything owed to them under the terms of an insurance contract.

COSTLY MISTAKES

Sometimes, public adjusters help correct insurance company mistakes. Take, for example, a case in December 2006

when an accidental fire burned the roof off of a large apartment community building in the Washington, D.C., suburbs.

Before the flames were subdued, the community owner and a public adjuster began discussing how best to protect the building from the elements and supplementary harm. The insurance company adjuster denounced the need for tarps or a temporary roof, citing high costs and believing no further damage could be done.

But then it rained. Then it snowed. The precipitation not only added to water damage caused as firefighters worked to douse the blaze, but it also mixed with the warmth of spring, which led to mold invasion.

Unfortunately for the owners of that D.C. apartment community, the insurance company was forced to change insurance adjusters mid-claim. The second adjuster admonished the community owner for not having done everything possible to protect the building from further damage, placing full blame for additional water damage and the resulting mold on the owner's shoulders.

Repair and mold remediation estimates ran at approximately \$400,000, but it wasn't until August 2007, eight months after the fire, that the insurance company decided it would issue a payment of \$15,000—the policy limit for mold damage.

After the community owner was denied \$385,000 in the insurance company's decision, the insured's public adjuster studied its client's policies once more. During this review, he discovered that his client's mold damage in fact was covered, because the initial proximate cause was fire. In the end, the insurance company paid the full amount—approximately \$400,000—to the insured.

Public adjusters are accustomed to these types of issues and know how to handle them to protect their clients' best interests, ensuring that the insurance company keeps its contractual promise to return its policyholders to the same financial position they were in before their loss.

Seeking the expertise of a public adjuster enabled these apartment owners to minimize their losses, maximize their settlements and get back to business. ■

Wes Baldwin is President of The Baldwin Company, a property loss recovery firm based in Charlotte, N.C. Baldwin can be reached at www.thebaldwinco.com or 704/335-1111.

HELP WANTED?

When Disaster Strikes: When apartment communities sustain damages, owners often have much more to worry about than insurance claim details.

Between the Lines: Public adjusters understand insurance policy fine print, enabling them to help victims receive everything their carriers owe to them.

Strong Returns: Adjusters also can help to expedite the cumbersome claims process, allowing communities to get back to business more swiftly.