

DEPARTMENT OF FINANCIAL SERVICES

Department of Financial Services Division of Risk Management 2019 Property Division Workshop



CFO JIMMY PATRONIS

Division of Risk Management Property Manual



**Department of Financial Services -Division of Risk Management
Bureau of State Liability & Property Claims
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DRM Workshop Agenda



I. Risk Management Authority

II. Property Premium Calculation

III. Duties & Responsibilities of a Property Coordinator

IV. Facts & Figures

V. The Three DRM Coverage Forms

VI. Adding & Maintaining Coverage

VII. Property Scheduling Guidelines

VIII. The Claims Process

Q & A Session

The Division of Risk Management Authority

- **F.S. 284.01**: Coverages & exclusions
- **F.S. 284.02**: Premiums charged to agencies
- **F.S. 284.03**: In the event Trust Fund is underfunded, deficits will be covered from General Revenue Fund
- **F.S. 284.04**: Requirement that agencies notify DRM of all newly erected or acquired property subject to insurance



The Division of Risk Management Authority



A special Note regarding Leases:

When DRM reviews, the insurance and indemnification section of proposed lease agreements with state agencies, we look to make sure it does **not** contain any of the following four provisions:

1. It requires the agency to indemnify a third party (e.g., the lessor).
2. It requires the agency to add a third party as an additional insured.
3. It names the lessee as the "State of Florida", and not the involved agency.
4. It requires coverage that conflicts with our *Certificate of Property Coverage*. (e.g., All-risk, replacement cost, etc)

The Division of Risk Management Authority

- **Gap Insurance options:**
- State of Florida universities have the option of purchasing gap coverage directly from the private market.
- Other State agencies must purchase gap insurance through DMS.
- DMS contact for purchasing private insurance is:

Jill Soderberg, MBA, FCCM
Associate Category Manager
Florida Department of Management Services
Division of State Purchasing
4050 Esplanade Way, Tallahassee, Florida 32399
(850) 488-7996
Jill.Soderberg@dms.myflorida.com



The Division of Risk Management Authority

- Excess Insurance:
- DRM's excess coverage is bided out yearly by our broker of record (PRIA). This consist of a number of private insurers; which collectively, constitute the so-called coverage "Quilt". Some of the insurance companies under the quilt are Lloyds of London, National Fire & Marine and Westport Insurance Corporation.
- The State's Risk Fund current SIR(Self-insured Retention) is as follows:
- 42 Million Dollars annual aggregate for flood and named wind event(i.e. hurricane).
- 2 Million Dollars per occurrence for all other perils.



The Division of Risk Management Property Premium Calculation



- Property premiums represent an allocation of the statewide property premium total.
- For FY 2018- 2019, statewide property premiums totaled \$12,195,647.

Premium Overview

- Premiums are assessed in a retrospective manner based on exposure to loss and actual loss payment history experience.
- Exposure is based on information submitted by agencies for each individual building.
- Experience is based on the loss history for the 5 previous fiscal years.
- Property data is locked down on May 1st.
- Property premium invoices are emailed July 1st, along with a list of each agency's buildings and building values.
- Agencies are required to pay premium invoices upon receipt.

EXPOSURE



Exposure Calculation

- Bases for 95% of statewide property premiums.
- Represents the potential for loss, according to reported property values.
- Derived from base premiums developed for each insured location
- The exposure portion of the statewide property premium is allocated for all locations based upon the percentage of each location's base premium to the statewide base premium total.

Base Premium Calculation

Formula comprised of:

- Total Insured Values (TIV):
Building Value + Contents Value + Rental Value
- Individual fire rates and extended coverage rates based on construction, occupancy and location:
Building fire rate
Contents fire rate.
Extended Coverage (EC) Rate
- The sum of all buildings' base premiums is the statewide base premium total.

Base Premium Calculation

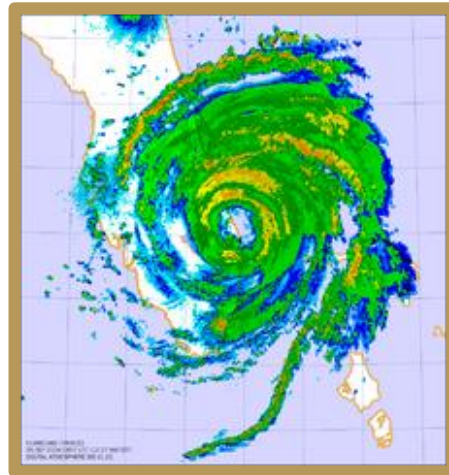
$$\left(\frac{(\text{Building Value} + \text{Rental Value}) * ((\text{Building Fire Rate} * 0.65) + \text{Extended Coverage Rate})}{100} \right) + \left(\text{Contents Value} * \frac{(\text{Contents Fire Rate} * 0.65) + \text{Extended Coverage Rate}}{100} \right)$$

Reported Property Value Errors

- Property value reporting errors will not result in a recalculation of overall premiums.
- Such a recalculation would affect each agency's and university's premium allocation.



EXPERIENCE



Experience Calculation

- Bases for 5% of statewide property premiums.
- Represents each building loss history for the previous five fiscal years.
- The sum of all building loss histories is the statewide total.
- The experience portion of the statewide property premium is allocated for all buildings based upon the percentage of each building's loss history to the statewide total.

Example Property Premium Calculation



- Statewide property premium total:
\$12,195,647
- Exposure Amount:
 $\$12,195,647 \times 95\% =$
\$11,585,865
- Experience Amount:
 $\$12,195,647 \times 5\% =$
\$609,782

Example Exposure Allocation

- Statewide base premium: \$91,302,992
- Agency base premium: \$15,225,503
- Agency exposure portion of premium:
 $(\$15,225,503 \div \$91,302,992) \times \$11,585,865 = \$1,932,035$

Example Experience Allocation

- Statewide 5-Year loss total (07/01/11-06/30-16): \$7,101,097
- Agency 5-Year loss experience: \$252,364
- Agency experience portion of premium:
 $(\$252,364 \div \$7,101,097) \times \$609,782 = 21,671$

Example Property Premium

Total Premium

- Agency Exposure Portion: \$1,932,035
- Agency Experience Portion: \$21,671
- Agency Total Premium: \$1,953,706



The Division of Risk Management Property Premium Calculation



- Premiums are affected by:
 - Funding levels
 - Exposure (Total Insured Values & Rates)
 - Experience (Claim Payments)
- Exposure & funding have the greatest impact on premiums
- Agencies are responsible for the accuracy of information entered in Origami.
- Premiums cannot be recalculated for just one building/agency. Any recalculation affects premiums for the entire state.

The Division of Risk Management Property Premium Contact

CONTACT:

Pat Vice

Government Analyst I

Phone: (850) 413-4761

Patricia.Vice @ myfloridacfo.com



Property Coordinator's Responsibilities

Property Scheduling

&

Claims



Property Coordinator's Responsibilities



Property Scheduling

- 1) Obtain Coverage (i.e., submit a Coverage Request for all eligible, newly added property)
- 2) Maintain Coverage (i.e., submit yearly updated Property Schedule by March 15th, plus keep current on existing property valuations.
- 3) Property Valuation (i.e., as part of 1 & 2, maintain accurate insured values on all scheduled buildings and contents)

Property Coordinator's Responsibilities



Protect property from further damage after the storm.

Preserve evidence of the loss.

Submit a timely notice of property loss in the claim system.

Provide proof of your claim such as photos, affidavits, and estimates.

Fully cooperate with DRM.

Review the closing documents, then return a signed proof of loss to the adjuster, or advise DRM of any dispute.

Hire, supervise and pay your repair contractors.



Facts and Figures

- Hurricane season starts on June 1, and ends on November 30 each year.
- Florida is the most hurricane prone state in the nation. Florida has had 120 storms between 1850-2018.
- Hurricane Michael (CAT 4) was the last hurricane to hit the state of Florida on October 10, 2018. DRM had 1,554 claims reported from this storm. Some of the states buildings were considered a total loss.



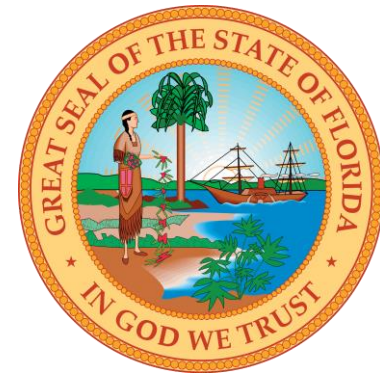
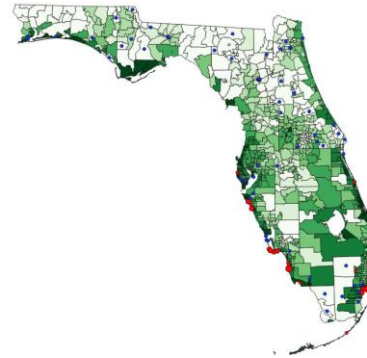
Facts and Figures

- In the past three years four major hurricanes have hit the State of Florida. 5,630 claims were reported to DRM from these hurricanes. The cost to repair & replace the States property was **\$74,895,570.70**.
- Hurricane Hermine **\$1,311,082.29-** CAT 1
- Hurricane Mathew **\$3,783,419.65 –** CAT 5
- Hurricane IRMA **\$34,380,379.68-** CAT 5
- Hurricane Michael **\$35,420,689.21-** CAT 5



Facts and Figures

- Under the DFS-DO-852 Certificate of Insurance there are 20,552 active locations for the State of Florida as of 04-2019.
- Building values: \$16,535,262
- Content values: \$6,170,192,300
- Rental values: \$386,054,654
- Total insured to value: \$23,091,509,327



THREE TYPES OF DRM INSURANCE FORMS

- **1.**DFS-DO-852- Certificate of Property Coverage
- **2.**The National Flood Insurance Program
“Standard Flood Insurance Policy”
- **3.**DFS-DO-85- Certificate of Rental Value
- Copies of all three forms are available
myfloirdacfo.com/Division/Risk/Property
Forms and Links



DFS-DO-852- Certificate of Property Coverage



- DFS-DO-852- Certificate of Property Coverage is not a typical commercial insurance policy. The State is self insured.
- Coverage is at named peril, not all risk.
- Claims are paid at ACV (actual cash value) not replacement cost.
- There is no coinsurance penalty.

DFS-DO-852- Certificate of Property Coverage

OUT OF POCKET
MAXIMUM



- Deductible Amounts
- Covered Losses \$2,500 per certificate.
- Flood \$1,000 per scheduled location.
- Rental \$1,000 per scheduled location.

DFS-DO-852- Certificate of Property Coverage



Covered Causes of Loss under the State's Certificate includes:

- Fire
- Lightening
- Explosion
- Windstorm and hail
- Smoke
- Aircraft & Vehicles
- Riots & Civil Commotion
- Sinkhole Collapse
- Flood

DFS-DO-852- Certificate of Property Coverage

- Is the loss covered under the States certificate?
- It depends?
- DRM will ask a few questions before we set up a claim.
- When did the loss happen?
- Where did the loss happen?
- How did the loss happen?
- Did the loss involve State covered property?
- Did it involve a covered loss:
 - Fire
 - Lightening
 - Explosion
 - Windstorm and hail(hurricanes)

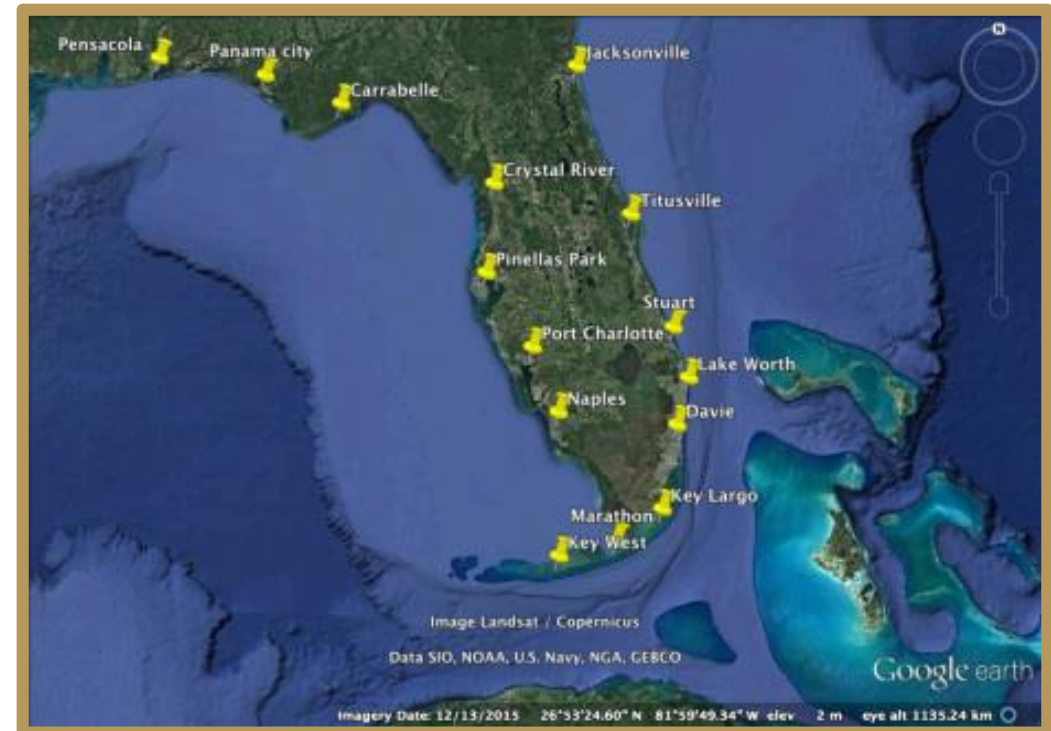


DFS-DO-852- Certificate of Property Coverage

WHAT'S COVERED ?

DRM will pay for direct physical loss of or damage to covered property at the premises described in the declarations caused by or resulting from any covered cause of loss.

Declarations, means the agency location schedule.



DFS-DO-852- Certificate of Property Coverage

- What is Covered Property?

Covered property means the types of property for which a limit of insurance is shown in the declarations.

1. Building property

Business personal property
(State owned Property)

This is considered “contents”
under the certificate of insurance.



DFS-DO-852- Certificate of Property Coverage

2. Property owned by your agency that is used to maintain or service the building or structure or its premises, including; fire extinguishing equipment, outdoor furniture, floor coverings and appliances used for refrigerating, cooking, ventilating and laundering.



DFS-DO-852- Certificate of Property Coverage



What is Covered Property?

Improvements and betterments as a tenant. Your fixtures, alterations, installation or additions, made a part of the building or structure you occupy but do not own and you acquire or made at your expense but cannot legally remove.

State property is considered “Contents” under the DMS certificate of insurance. If its owned by the State its insured under contents coverage.

DFS-DO-852- Certificate of Property Coverage

Debris Removal what is covered?

DRM will pay 25% of the entire amount of the loss or \$5,000, whichever is less to remove debris after a storm.

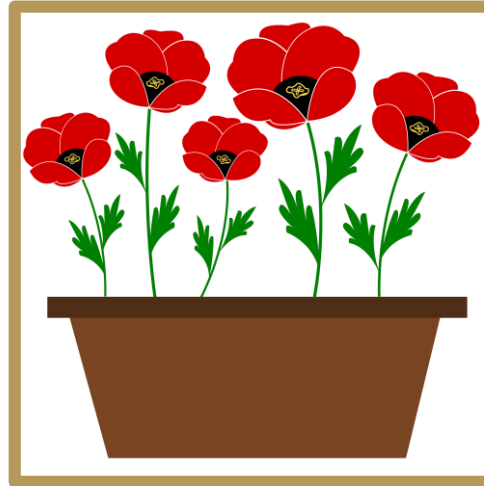
Debris Removal is additional coverage.



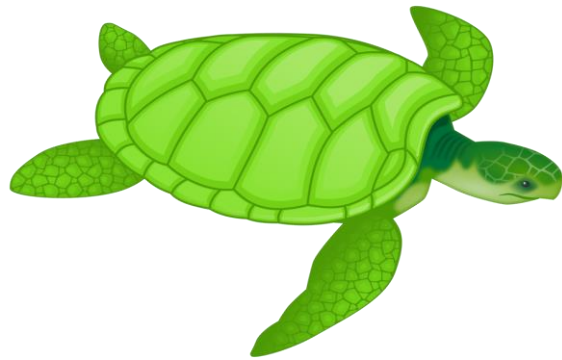
DFS-DO-852- Certificate of Property Coverage

What is Covered Property?

Trees, Shrubs and Plants,
The most DRM will pay for loss or damage under the certificate is, -\$1,000 but no more than, \$250 for any tree, shrub, or plant.



PROPERTY **NOT** COVERED UNDER THE DFS-
DO-852 CERTIFICATE OF INSURANCE
ANIMALS



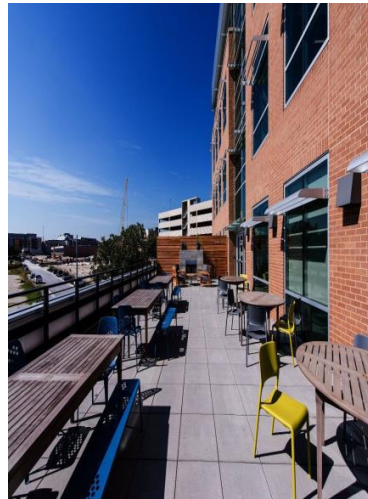
PROPERTY NOT COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

- Accounts, bills, currency, deeds, food stamps, or other evidence of debts, money, notes, or securities, lottery tickets held for sale are not securities.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

Bridges, roadways, walks,
patios, and other paved
surfaces.



PROPERTY NOT COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

Cost of excavations, grading, backfilling or filling.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

UNDERGROUND PIPES, FLUES, DRAINS, OR ELECTRICAL
AND COMMUNICATION WIRING



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

Land, water, and growing crops, Grain, hay, stray and other crops.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

Foundations of buildings, structures, machinery or boilers.
Business personal property in the air or on the water.



PROPERTY NOT COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

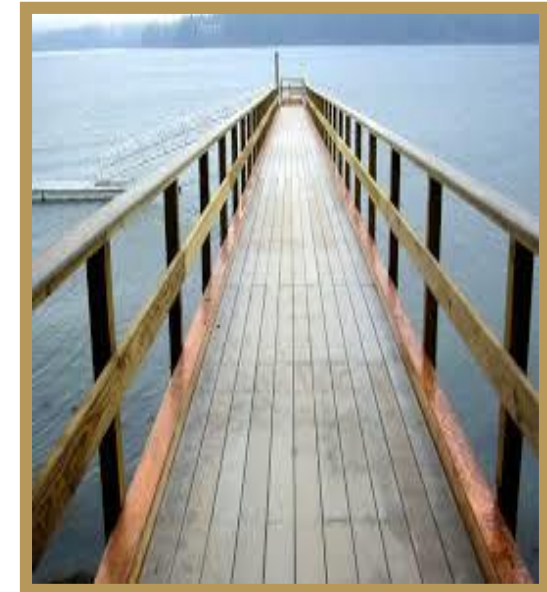
Personal property not owned by the State of Florida.

This includes the personal property of the State employees.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

Pilings, piers, wharves or docks, even if they are attached to a scheduled building, they are not covered.



PROPERTY NOT COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

- Retaining walls, that are not part of a building



PROPERTY NOT COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

- The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media



PROPERTY NOT COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

- Vehicles or self-propelled machines including aircraft and watercraft.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

- Fences, including attached devices. DRM considers all walls and gates to be fences.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

- Unattached radio or television antennas, including their lead-in wire, masts or towers.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

- Stand alone light poles and fixtures.
- Trees, shrubs or plants over the limit.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

- Signs not attached to the buildings.



PROPERTY NOT COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

- Fine arts, manuscripts, nitrocellulose films, museum collections, artifacts, relics and bullion.



PROPERTY **NOT** COVERED UNDER THE DFS-DO-852
CERTIFICATE OF INSURANCE

- Buildings that have been abandoned or selected for removal from the premise or selected demolition.



PROPERTY NOT COVERED UNDER THE DFS-DO-852 CERTIFICATE OF INSURANCE

- Surplus property. Business personal property declared surplus property but stored on the premises are deemed to have no value for the purpose of making a claim with DRM.



DFS-DO-852- Certificate of Property Coverage



- Flood Limits of Coverage
 - (a) Building:
 - Residential: \$250,000
 - Non-Residential: \$500,000
 - (b) Contents:
 - Residential: \$100,000
 - Non-Residential: \$500,000

FEMA NATIONAL FLOOD INSURANCE PROGRAM 'General Property Form'

- Definition of **Flood**: “A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area **or** two more properties (at least one of which is your property)”
- **\$500,000** is the most DRM will pay in the event of a flood loss.
- Never store expensive items in flood prone basements.
- **FEMA Grants**: If your agency needs help with FEMA, please contact this with DRM.



FEMA

DFS-DO-853- Certificate of Rental Coverage

- **WHAT IS COVERED:**
- **Loss of Rents:** The amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be your obligations.
- Fair rental value of any portion of the described premises which is occupied by you.
- University dorms & State offices



OBTAINING AND MAINTAINING COVERAGE



OBTAINING AND MAINTAINING COVERAGE

- Responsibility for obtaining & maintaining coverage rest solely with the agency.
- Responsibility for valuating the State's property rest solely with the agency.
- If its **not** scheduled, then its **not** going to be covered after a loss.
- Note: This assumes the involved permanent building or temporary structure was not added to the property schedule with in the 30 days **prior** to the loss.



I can BEE
RESPONSIBLE

by knowing and doing
what is expected of me.



OBTAINING AND MAINTAINING COVERAGE

- The agency shall submit a completed property schedule for each certificate by March 15th, of each fiscal year.
- Changing coverage is accomplished by emailing a request with the location and what change is needed, to DRM's Insurance Analyst, Jeannie Etheridge
- Jeannie.Etheridge@MyfloridaCFO.com
850-413-4768
- If a coverage change is **not** submitted **before** a loss, the current coverage amount applies at the time of the loss.



OBTAINING AND MAINTIANING COVERAGE

- Adding Coverage with DRM
- Maintaining Coverage with DRM
- Property Valuation with DRM



OBTAINING AND MAINTIANING COVERAGE

DATA ELEMENTS:

When entering Data Elements into the coverage request form, it is very important to understand certain data elements, such as flood zones, latitude and longitude.

This information can be found on <http://map.floridadisaster.org/GATOR/map.html>

For assistance in completing the technical elements of the form (etc. exterior wall, roof supports, alarm systems, etc.), please consult your agency Facility Manager.



PROPERTY VALUATION

Property Valuation is a process used by the DRM, to determine the Actual Cash Value Coverage amounts for two main categories of covered State property:

1. Building
2. Contents



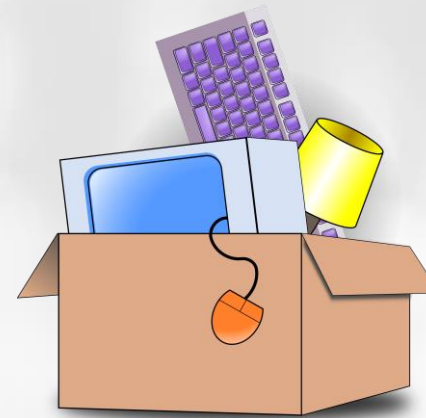
PROPERTY VALUATION

- State property needs to have a value set on it before it is covered under the DFS-D0-852 certificate of insurance.
- Each agency is responsible to schedule the State buildings and its contents, before a claim is paid. DRM will pay only up to the limit of insurance for each location. In the event of a total loss it is important the agency submits a accurate value as is reasonably possible.



PROPERTY VALUATION

- The main purpose of this section is to assist your agency in establishing the most accurate Actual Cash Value (**ACV**) for each scheduled location's building and contents.
- The agency is responsible for submitting and then periodically checking, its schedule for values, values for which DRM has no means to verify.



PROPERTY VALUATION

UNDERSTANDING ACTUAL CASH VALUE

- Under the State Risk Management Trust Fund Certificate of Property Coverage **DFS-DO-852**, all claim settlements on any State building, and the State's contents, is paid at **Actual Cash Value: (ACV)**
- ACV** is defined in the the State Risk Management Trust Fund Certificate of Property Coverage **on page 8, Definitions** as: "Replacement cost less depreciation." Under the certificate a loss deductible applies to each covered loss.
- Please **see page 7** of the State Risk Management Trust Fund Certificate of Property Coverage, it reads:
"3. Loss Payment
a. *In the event of loss or damage coverage by this Coverage Certificate, at our option, we will either:*
(1) Pay the "Actual Cash Value" of damaged property; which has been replaced with property of like kind and quality, or
(2) Pay the cost of repairing; whichever is less"
- Depreciation:** Depreciation is calculated by evaluating an item's **(RCV)** (replacement cost value) and its life expectancy. RCV represents the current cost of repairing the item or replacing it with a similar one, while life expectancy is the items average expected lifespan.

- Example:** Let's say three of the State of Florida's laptops were destroyed in a fire. Your agency bought the laptops two years ago, and they were in normal condition for their age before the fire. Three similar laptops are sold in stores today for a total of \$5,120.00 **(RCV)**. These laptops have a life expectancy of five years, meaning they lose 20% of their value each year. Because your laptops were two years old, they have lost 40% of their value before being destroyed by the fire. Therefore, the **(ACV)** actual cash value (i.e., the value at the time of the loss) of your laptops are \$3,072.00.

Example on calculating payment with depreciation

\$5,120 -	\$2,048	= \$3,072
Cost of 3 new laptops today/	40% depreciation	Value of laptops
(RCV-Replacement cost value	(2 years x 20% per year)	(ACV)

Claim payment example would look something like this:

(RCV) Replacement cost value	\$5,120.00
Less - non-recoverable depreciation	- \$2,048.00

(ACV) Actual cash value	\$3,072.00
Less DRM 's loss deductible	- \$2,500.00

Net claim amount paid to agency	\$572.00
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PROPERTY VALUATION

There are two main subcategories of buildings

1. Permanent Buildings

2. Temporary Structures

Each comes with its own valuation methodology.



PROPERTY VALUATION

Again, DRM recognizes three distinct classes of insurable property:

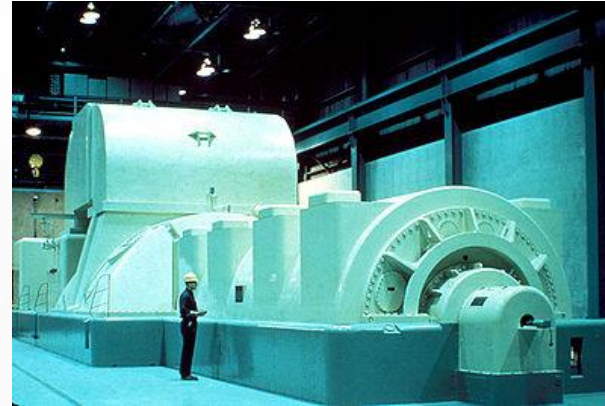
1. Permanent Buildings
2. Temporary Structures
3. Contents (State Property)

The Property Coordinator should be able to distinguish between all three.



PROPERTY VALUATION

- Some contents can change classification over time: For example, a relatively **expensive large generator**, worth 75k. This generator can be permanently mounted inside a building, this would be considered part of the building. It can then be moved and permanently mounted onto a exterior slab, making it a temporary structure. Later, it could be stored on a flat bed trailer making it contents.
- Under the State Risk Management Trust Fund Certificate of Property Coverage DFS-DO-852, for this generator to be correctly insured, the schedule should have been changed each time the generator changed classification.



PROPERTY VALUATION

- DRM has two building sub-types and each have their own respective valuation method. Temporary buildings and permanent buildings.
- Temporary structures typically experience a much shorter life span than when a comparison to permanent buildings. Therefore, a much shorter lifespan means a much more accelerated rate of depreciation and a much accelerated rate of depreciation, calls for a different method of valuation.

PROPERTY VALUATION

What is considered a Temporary Structure, per DRM's values.

- Temporary structures may be housed at a permanent location. Some Temporary structures are not structures, per se, but rather various types of equipment. Examples would be transformers, generators, and condensing units. What is considered a Temporary structure, in addition to being on the DRM recognized list, it must also:
 - 1) be unattached to any permanent building:
 - 2) not be contents.
 - DRM suggest, you schedule them separately, and give that item its own value.



Temporary structures list for property values

- **Mobile Homes**
- **Modular Classrooms**
- **Modular Offices**
- **Sheds/Barns/Canopies**
- **Butler Buildings**
- **Greenhouses**
- **Light-Framed Structures**
- **Satellite Dishes**
- **Solar Arrays**
- **Electrical Transformer (Pad-Type)**
- **Generators**
- **Condensing Units**
- **Water Tanks/Towers**
- **Communication Towers**
- **Grain Bin/Silo**
- **Grease Racks**
- **Truck Washes**
- **Walk-In Freezers**
- **Incinerators**
- **Trash Compactors**
- **Pumping Stations**
- **Sawmills**
- **Bleachers**

TEMPORARY STRUCTURES



TEMPORARY STRUCTURES



TEMPORARY STRUCTURES



TEMPORARY STRUCTURES

Generators

- **Warning: Before you schedule any generator, please make sure you agency owns it and its not owned by a utility company.**



Condensing Units



Electrical Transformers



PROPERTY VALUATION

- What is considered a permanent structure, by DRM:
- It has a solid foundation.
- It is made of a solid construction.
- It is intended to be occupied for an indefinite period.



Property Valuation

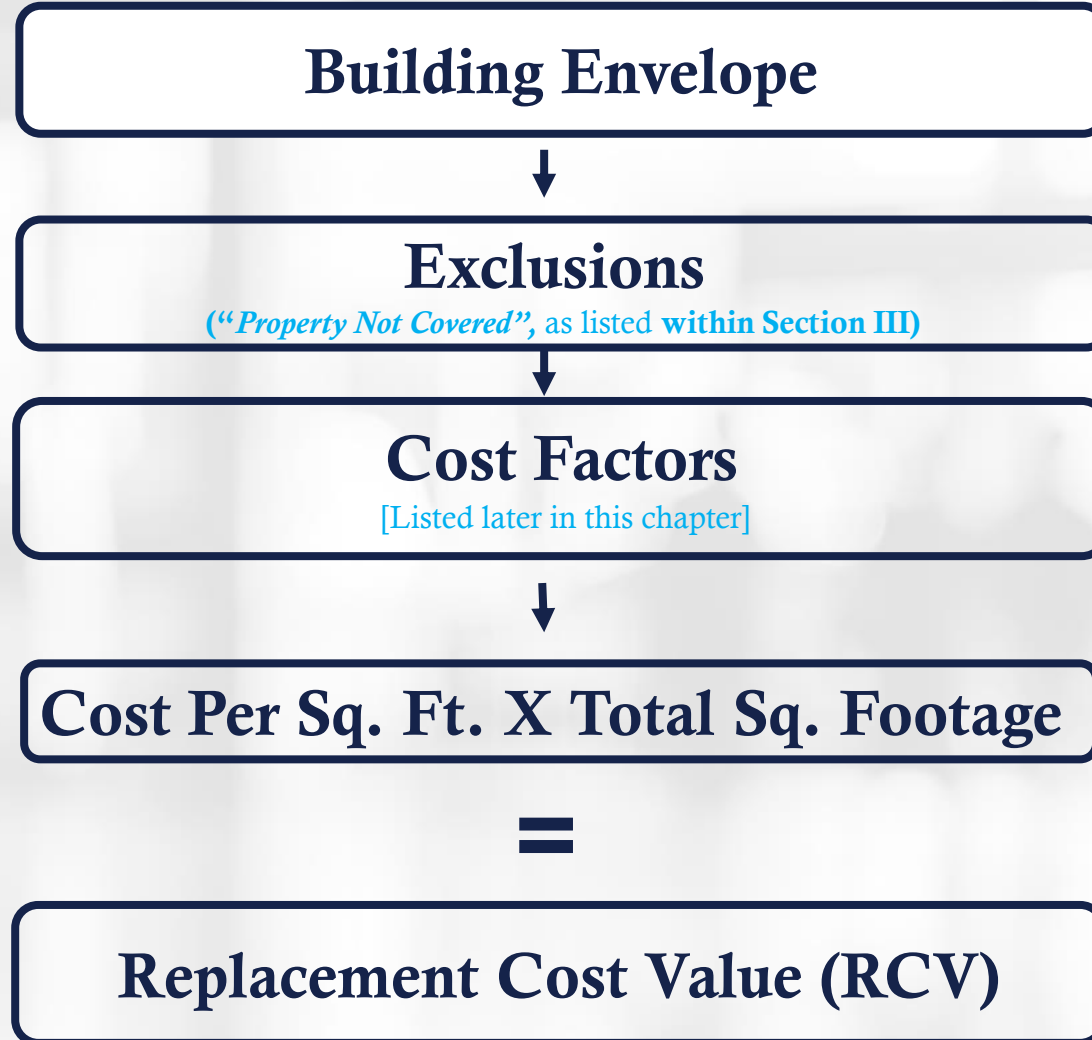
- Each of the two building subcategories come with its own respective valuation methodology:
- Permanent structures uses the “cost approach”
- Temporary structures uses the “DRM temporary structures formula”

Permanent Buildings Valuation Methods

- Hire a private valuation service
- For buildings constructed within recent years, use the invoice construction cost, then deduct any excluded items.
- Do it yourself and purchase prosperity valuation software. "Asset Works, etc.
- Do it your self and use DRM Matrix Code Formula.



DEPARTMENT OF FINANCIAL SERVICES
DRM's MATRIX CODE FORMULA



Valuation Methods

- **DRM's MATRIX CODE FORMULA**

- Calculating (Actual Cash Value)

- 1. Start with the replacement cost value of the item(RCV)

- 2. Subtract depreciation.

- 3. Defined the building condition.

- 4. Final figure will be the Actual Cash Value (ACV)

Replacement Cost Value (RCV)

LESS

Depreciation

X

Building Condition

=

Actual Cash Value (ACV)

Permanent Buildings Valuation Methods

- DRM'S MATRIX CODE FORMULA
- *WARNING:* This method is to be used **only** on simple buildings. Such as rectangular shape and basic construction.
- Never use it on a building of complex design and premium construction



Permanent Buildings Valuation Methods

- **DRM MATRIX CODE FORMULA**

- DRM uses two types of cost factors: Pick one for your building.

- 1. Occupancy type:



- 2. Construction type:



Permanent Buildings Valuation Methods

- Occupancy Cost Factors: Pick one cost factor for your building.
- 1. Industrial: Labs, manufacturing, large equipment based research, pride, & small physical plants.
- 2. Health Care: Hospitals, Evaluation/ Treatment centers.
- 3. Detention/Correctional Facilities: Lock-up facilities, gatehouses, confinement dorms, etc.
- 4. Colleges: Administration, gyms, lecture halls, theaters, libraries, etc.
- 5. Office buildings and Class rooms.
- 6. Residential: Ranger residences, apartments, Frat/Sorority houses, Dorms, BOQ.
- 7. Warehouses, shops and storage buildings.
- 8. Full scale power plants.
- **Warning: DRM cautions your agency against using the DRM Matrix Code Formula for these types of buildings, due to their complex and expensive trade fixtures.**

CONSTRUCTION COST FACTORS

	ROOF	WALL	FLOOR
A	Heavy Concrete & Fire Protected Steel	Heavy Concrete & Fire Protected Steel	Concrete
B	Poured or Pre-stressed Heavy Concrete Units	Heavy Concrete Frame, Panels On Steel, or Steel On Steel	Concrete
C	Metal/Light Weight Concrete On Pan	Glass, Metal, or Concrete Block	Concrete
D	Wood Truss or Metal Frame	Concrete Block, Brick, or Wood Frame	Concrete Slab or Wood Frame
E	Wood or Wood Truss	Wood or Brick Facade	Concrete Slab or Wood Frame

RCV COST PER SQUARE FOOT MATRIX

CONSTRUCTION	OCCUPANCY							
	1	2	3	4	5	6	7	8
A	\$257	\$ 278	\$ 312	\$237	\$186	\$ 154	\$ 125	\$ 388
B	\$ 173	\$ 200	\$ 222	\$ 194	\$ 153	\$ 125	\$ 111	\$ 333
C	\$ 131	\$ 164	\$ 167	\$ 153	\$125	111	\$ 98	\$306
D	111	\$ 133	\$ 167	\$ 118	100	\$ 98	\$ 67	\$ 249
E	\$ 98	114	\$125	\$ 94	\$ 83	\$ 86	\$53	\$ 222

DEPRECIATION SCALE

EFFECTIVE AGE	DEPRECIATION %	FACTOR "C"
1	0	1.00
2	1	.99
3	2	.98
4	3	.97
5	3	.97
6	5	.95
7	5	.95
8	6	.94
9	8	.92
10	10	.90
11	12	.88
12	14	.86
13	16	.84
14	18	.82

DEPRECIATION SCALE

EFFECTIVE AGE	DEPRECIATION %	FACTOR "C"
15	20	.80
16	22	.78
17	24	.76
18	26	.74
19	28	.72
20	30	.70
21	32	.68
22	34	.66
23	36	.64
24	38	.62
25	40	.60
26	42	.58
27	44	.56
28	46	.54

DEPRECIATION SCALE

EFFECTIVE AGE	DEPRECIATION %	FACTOR "C"
29	48	.52
30	50	.50
31	52	.48
32	54	.46
33	56	.44
34	58	.42
35	60	.40

- Thus, the maximum amount of depreciation, 60%, is reached at 35 years.
- **Never** depreciate a building by more than 60%

BUILDING CONDITION

CONDITION	PERCENTAGE	FACTOR "D"
EXCELLENT	100 %	1.0
GOOD	95 %	.95
FAIR	90 %	.90
POOR	85 %	.85

DEPARTMENT OF FINANCIAL SERVICES

SAMPLE EXERCISE

Using the *Matrix Code Formula*, determine the ACV of a permanent building



Hermitage Centre

CFO JIMMY PATRONIS

MATRIX CODE FORMULA WORKSHEET

CERTIFICATE #		AGENCY NAME				DATE			
BLDG #	BUILDING NAME	EFFECTIVE AGE	MATRIX CODE	"A" COST/SQ.FT.	"B" SQ.FT.	Replacement Cost	"C" DEPRECIATION FACTOR	"D" CONDITION FACTOR	ACTUAL CASH VALUE
					TOTAL:	TOTAL:			TOTAL:

Sample Input Sheet

EFFECTIVE AGE is the age from original construction or from total renovation.

"A" is taken from the "Cost per square foot Matrix." Include construction and occupancy codes. **EXAMPLE; C5/\$90**

"B" is taken from your files on each particular building. Indicate either **GROSS** or **NET** square feet.

REPLACEMENT COST is the result of **"A" x "B"**

"C" is taken from the "Depreciation Scale" and is shown as a decimal percentage.

"D" is taken from the "Condition Scale" of **EXCELLENT – 100%** or **GOOD – 95%** or **FAIR – 90%** or **POOR – 85%**. Use the following multipliers: **1.0 EXCELLENT** or **.95 for GOOD** or **.90 for FAIR** or **.85 for POOR; THIS IS YOUR CALL.**

ACTUAL CASH VALUE is the **REPLACEMENT COST** less all depreciation and is the result of **"A" x "B" x "C" x "D"**

NOTE: PROVIDE SEPARATE FORMS FOR EACH CERTIFICATE NUMBER AND SHOW A COLUMN TOTAL FOR EACH OF THE FOLLOWING COLUMNS.

NOTE: THIS WORKSHEET SHOULD BE SET UP IN A SPREADSHEET PROGRAM SUCH AS EXCEL WHERE THE MATH FORMULAS CAN BE INSTALLED.

MATRIX CODE FORMULA: Sample Exercise

Scenario:

- 1) Building Number: **BR549**
- 2) Building Name: **Hermitage Building**
- 3) Effective Age: **20 years**
- 4) Roof: **Metal/Light Weight Concrete On Pan**
- 5) Wall: **Glass, Metal, or Concrete Block**
- 6) Floor: **Concrete**
- 7) Occupancy: **Office Building**
- 8) Condition: **Good**
- 9) Total Square Footage: **165,009**

MATRIX CODE FORMULA: Sample Exercise

Inputs:

Matrix Code:	<u>C/5</u>
Cost per S.F. (Factor "A"):	<u>\$109</u>
Total S.F. (Factor "B"):	<u>165,009</u>
Depreciation % (Factor "C" = .70):	<u>30%</u>
Condition % (Factor "D" = .95):	<u>95%</u>

Formula:

$$\text{"A"} \times \text{"B"} = \text{RCV} \quad \times \text{"C"} \times \text{"D"} = \text{ACV}$$

$$\$109 \times 165,009 = \$17,985,981 \times .70 \times .95 = \$11,960,677$$

TEMPORARY STRUCTURE FORMULA

Original Purchase Price

-

Depreciation

=

A.C.V.

Notes:

- This formula goes with the depreciation schedule on the next slide
- Its main advantage is that it's quick and simple.
- Its main disadvantage is the double hit from a) depreciation; and b) price inflation
- As will be discussed, values should be adjusted upward whenever a temporary structure has had expensive fixtures installed post-acquisition (i.e., the 'hybrid structure').

TEMPORARY STRUCTURE FORMULA

Depreciation Schedule, w/example

\$100,000	← Enter Purchase Price (aka Acquisition Cost)											
	Age	1	2	3	4	5	6	7	8	9	10	11
Value	% Dep.	10	5	5	5	5	5	5	5	5	5	5
	Factor	0.9	0.85	0.8	0.75	0.7	0.65	0.6	0.55	0.5	0.45	0.4
\$100,000	\$ ACV	90,000	85,000	80,000	75,000	70,000	65,000	60,000	55,000	50,000	45,000	40,000

MAXIMUM DEPRECIATION = 60 %

VALUATING **HYBRID** STRUCTURES:

- Q: How should you value a *Temporary Structure* that has had costly equipment, machinery, and other fixtures installed after acquisition?
- A: By adjusting the insured value to reflect these changes. ([Examples to follow](#))

VALUATING **HYBRID** STRUCTURES:

- Definition of a **Hybrid Structure**:
 - “A *Temporary Structure* that has built-in equipment, built-in machinery, or other types of fixtures installed after that structure’s acquisition by a state agency”
- The combination of the *Temporary Structure* with the after-acquisition fixtures is what makes a hybrid structure a **Hybrid Structure**
- A strict application of the *Temporary Structures Valuation Formula* (i.e., with no adjustments) might grossly undervalue a **Hybrid Structure’s** total ACV

VALUATING **HYBRID** STRUCTURES:

Hybrid Structures share characteristics of both Temporary Structures and Permanent Buildings

Some Examples (assume equipment, machinery, fixtures installed post-acquisition):



Diary Barn



Bleacher



Communications Tower



Sawmill



Greenhouse



Grain Silo

VALUATING **HYBRID** STRUCTURES:

- To avoid undervaluing a **Hybrid Structure**, adjustments need to be made.
- Adjustment Calculation for Hybrid Structures:

Using the *Temporary Structure's Formula*, determine the ACV of the structure

+

ACV of the after-acquisition equipment/machinery/fixtures

=

Hybrid Structure's ACV

- The after-acquisition equipment/machinery/fixtures are valued just like those in a *Permanent Building*

Hypothetical Example of a **Hybrid** Structure:

- Agency: University of Exceptionally Juicy Citrus (UEJC)
- Building Name: Greenhouse
- Acquisition Date: 1957
- Acquisition Cost: \$1,800
- Square Footage: 281
- Original Features: Concrete block knee wall; glass walls & ceiling



Hypothetical Example of a **Hybrid** Structure (cont.):



- In 2010 \$34,000 in new equipment/fixtures were installed, including a HVAC system
- In 2016 a windstorm destroyed the entire structure, including all fixtures and equipment

Hypothetical Example of a **Hybrid** Structure (cont.):

SCENARIO #1:

- Coverage at the time of loss:
 - Building: **\$1,200**
 - Contents: Zero
- Adjustment of Loss:
 - Application of *Temporary Structures Valuation Formula* to original structure plus adding ACV of the new equipment yields a \$26,000 ACV Loss.
 - **However, given the agency did not modify the coverage to reflect the increase in value, the net paid claim was at the policy limit of \$1,200.**

SCENARIO #2:

- Coverage at the time of loss:
 - Building: **\$24,000**
 - Contents: Zero
- Adjustment of Loss:
 - Application of *Temporary Structures Valuation Formula* to original structure plus adding ACV of the new equipment yields a \$26,000 ACV Loss.
 - **After applying the \$2,500 deductible, DRM paid \$23,500**

Implication? Major changes in values should be matched by major changes in coverage.

VALUATION OF CONTENTS (PERSONAL PROPERTY)

- For locations, like office buildings, where non-inventoried items account for a significant proportion of total ACV, these various and sundry items need to be considered. One quick, simple method to accomplish this is the so-called 'Cubicle Count'. The cubicle count involves disaggregating a location's offices by job title, size, function, or other attributes. The average ACV per cubicle would then be determined, with that number then multiplied by the number of such cubicles within the building. The sum of all the different cubicle categories will yield that location's total non-inventoried ACV. This total is then combined with the inventory to result in that location's contents coverage.

PROPERTY SCHEDULING GUIDELINES

- Property scheduling requires basic knowledge of property and common sense.
- Scheduling has a direct impact on premiums and claim payouts.
- Each Property coordinator is responsible to keep building and contents schedules current.



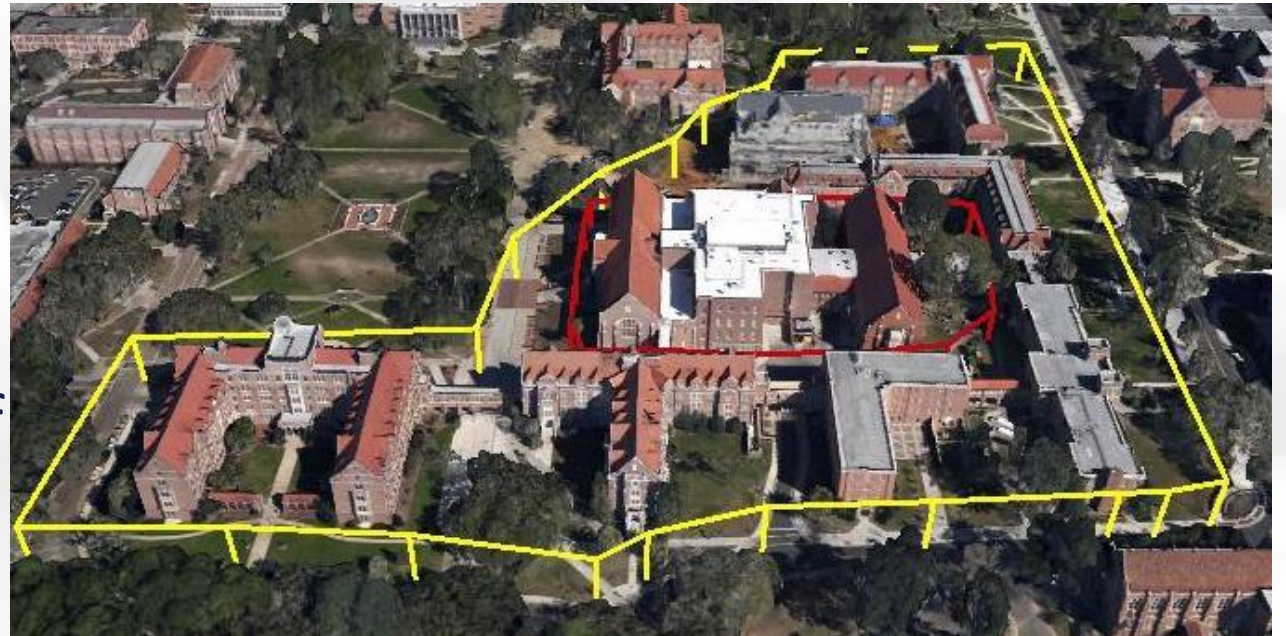
PROPERTY SCHEDULING GUIDELINES

- When in doubt schedule it
- Property not covered, should never be scheduled.
- Breaking apart structures is safer, whereas grouping them into a cluster can cause a problem in scheduling.
- If there is a fine space between the buildings, the more likely those buildings should be scheduled separately, not lumped together.



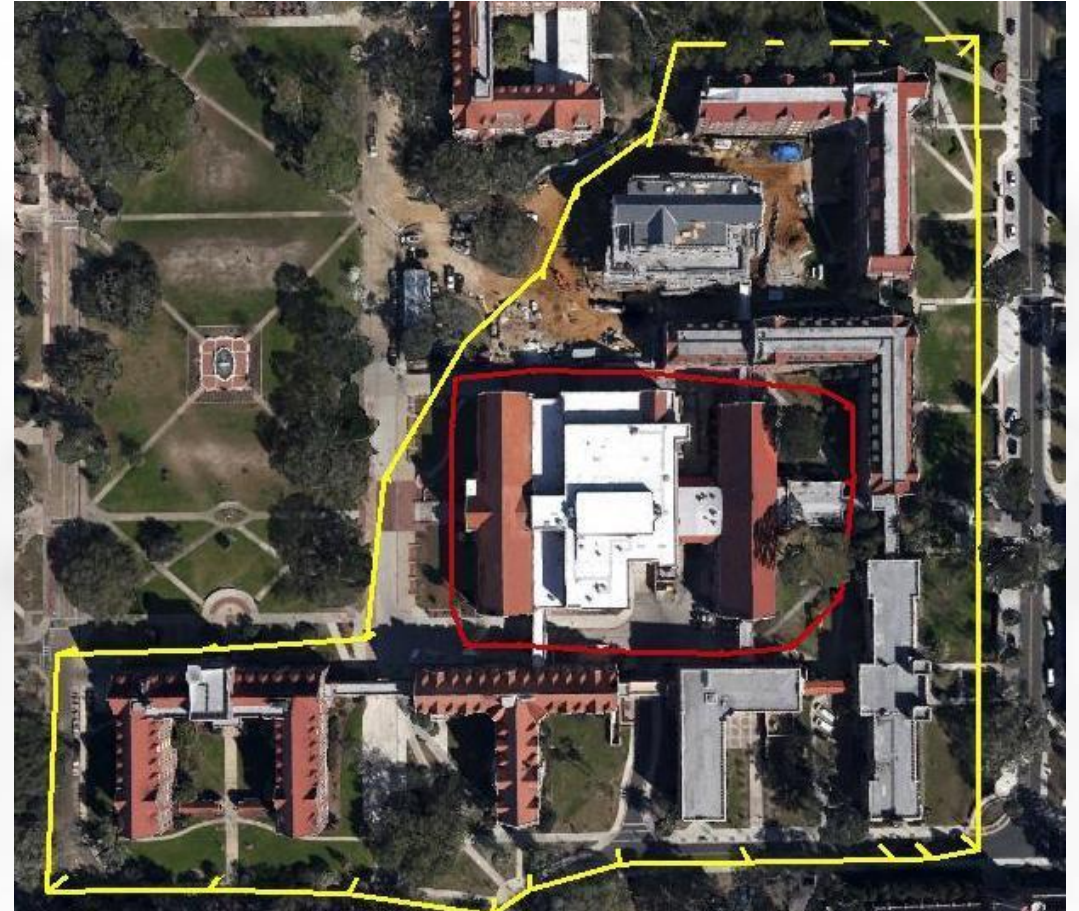
PROPERTY SCHEDULING GUIDELINES

- Examples of connections between buildings are:
- Covered walkways
- Pedestrian bridges
- Narrow/thin roof connections
- Walls with no accompany roof structure
- Underground passages



PROPERTY SCHEDULING GUIDELINES

- Here's an overhead view of the same buildings, with green ovals highlighting the pedestrian bridges.



Naming Building Guidelines:

Whenever a building name has been changed, please alert DRM by submitting the appropriate coverage change request.

For example, if the structures shown here were later connected via a new addition (per the blue oval), and the building names were then changed from “Bldg A” and “Bldg B” to a single “Bldg T”, then please report this to DRM by adding Building T, while simultaneously requesting deletions of Bldg A and Bldg B.



Special rules for rating Generators, Transformers, and HVAC systems:

Assuming these are not part of a building, and not personal property, these should only be scheduled individually -- as *Temporary Structures* -- when they:

- a) Are beyond 100 feet from its parent building;
- or –
- b) Have an ACV over **\$50,000**

Otherwise, if they're attached to a building (including *within* a building), then include them as part of the parent building's ACV (i.e., as a part of a Permanent Building).

Note: The goal of this guideline is to reduce the time spent by property coordinators in individually scheduling these ubiquitous items, which exist in the thousands.

Generators & Pad Transformers



Is 100 feet from a building and \$49K ACV.

Is 99 feet from a building and \$49K ACV.

Is 102 feet from a building and \$51K ACV.

Is 98 feet from a ACV. building and \$51K



HVAC Systems



This large condensing unit is 99 feet from a scheduled building, and has a \$200K ACV.



These small condensing units are all within 20 feet of scheduled building; and have ACV's < \$50K.

College Dorms

- Question: How many buildings/structures should you schedule?



Scenario: College Dorms (cont.)

- Answer: seven



Baseball Field

Schedule the built-in batting cage as a temporary Structure.

Schedule the Press Box/Storage and the two dugouts as Permanent Buildings

Assign the four portable bleachers and portable batting cage as Contents to the Press Box, or to one of the dugouts.

Exclude the scoreboard, backstop, fences, light poles, and all other *'Property Not Covered'*



Scenario: Miscellaneous



Window HVAC Unit



**Floor-Mounted
Range**



Drop-in Range

Scenario: Miscellaneous



Carpeting



Rug



Curtain Rods

Curtains



Scenario: Miscellaneous



Generator: small & portable



Generator: mounted inside a Permanent Building



Generator: mounted on the roof of a permanent building

Scenario: Miscellaneous



Generator: sitting on a portable flatbed trailer

Generator: permanently mounted inside a temporary structure (one with slab floor)



THE DEPARTMENT OF RISK MANAGEMENT CLAIMS PROCESS

- Mitigation
- Preservation of evidence & salvage
- Notification (notice of loss)
- Documentation (estimates, invoices, receipts, photos, etc)
- Full cooperation with DRM
- Claim settlement
- Repairs and payment



THE DEPARTMENT OF RISK MANAGEMENT CLAIMS PROCESS

- Mitigation: Take all reasonable steps to protect the covered property from further damage by a covered cause of loss.
- Its important that each agency protect the State of Florida's property in the event of a loss.



THE DEPARTMENT OF RISK MANAGEMENT CLAIMS PROCESS

- Preservation of evidence & salvage of property.
- Each agency has a duty in the event of a loss protect DRM's subrogation and salvage rights after a loss. DRM needs to inspect the property before it is repaired, replaced or disposed. Especially electronics and machinery.

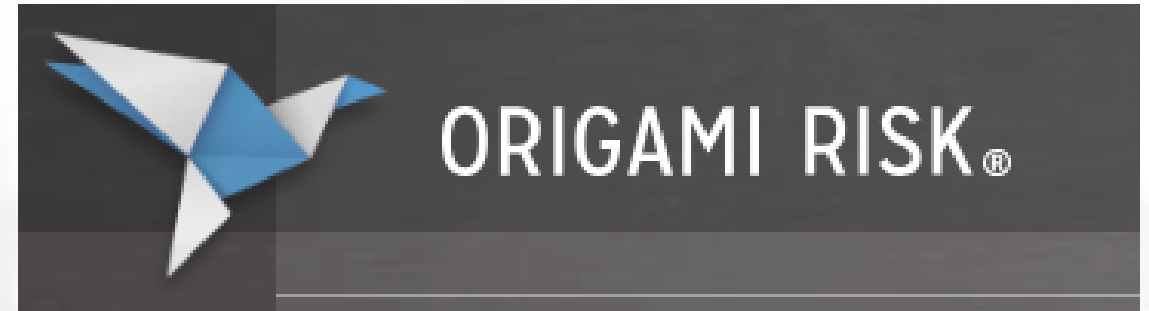


THE DEPARTMENT OF RISK MANAGEMENT CLAIMS PROCESS

NOTIFICATION:

Don't wait to report a new loss to DRM.

Under the DFS-DO-852, Each agency has a duty to give prompt notice of the loss to DRM, so we can inspect the damages prior to making repairs.

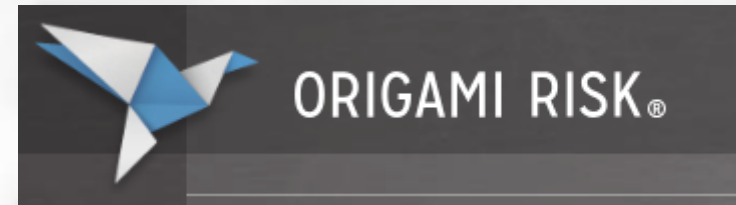


THE DEPARTMENT OF RISK MANAGEMENT CLAIMS PROCESS

HOW TO REPORT A NEW CLAIM

How do I report a new claim for my agency to DRM?

1. Complete online Notice of Property Loss on the Origami Risk system.
2. Email
3. Telephone

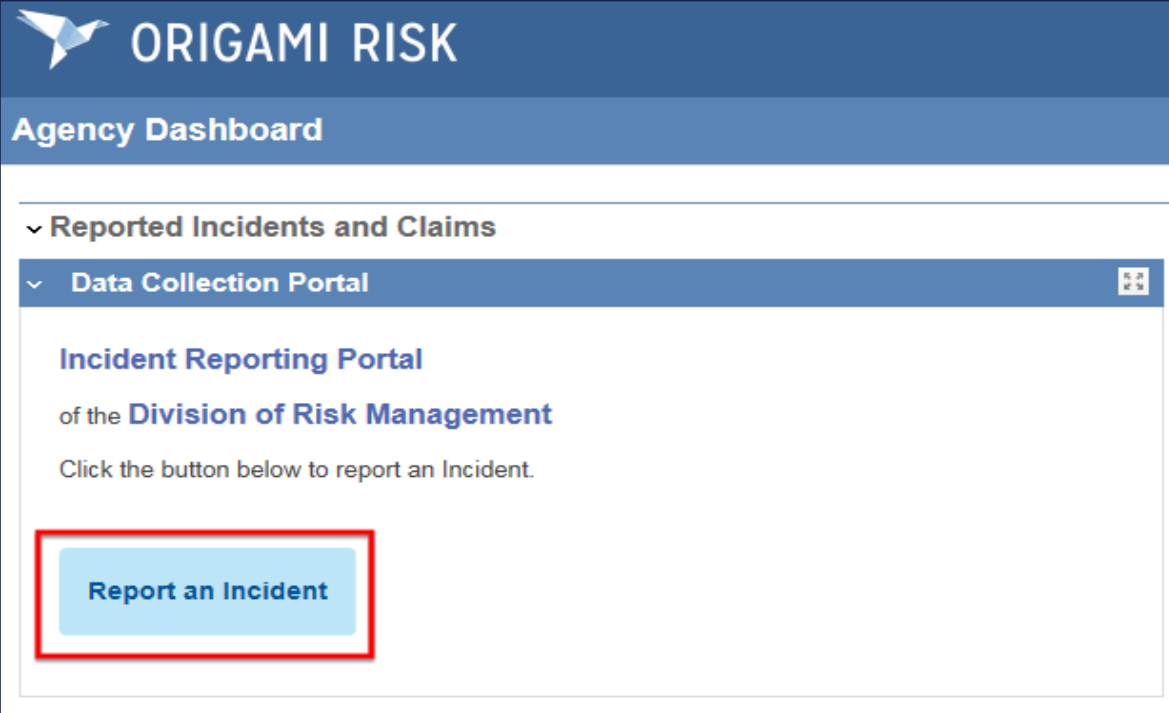


Creating an Incident

Incidents that are reported through Origami will be assigned to the proper Administrator here at DRM. They can either be denied, sent back to request more info or accepted. If accepted, they'll be converted into a Claim in the system.

How to create an Incident

From the Dashboard, click the button, "Report an Incident" in the Data Collection Portal widget.

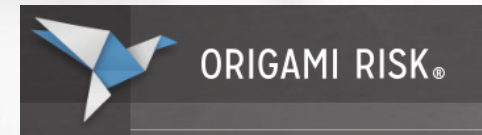


The screenshot displays the ORIGAMI RISK Agency Dashboard. At the top, there is a blue header with the ORIGAMI RISK logo and the text "ORIGAMI RISK". Below the header is a sub-header "Agency Dashboard". The main content area is divided into sections. The first section is "Reported Incidents and Claims". Below it is the "Data Collection Portal" section, which is highlighted in blue. Inside the "Data Collection Portal" section, there is a sub-section titled "Incident Reporting Portal" of the "Division of Risk Management". Below this sub-section, there is a text prompt: "Click the button below to report an Incident." A blue button labeled "Report an Incident" is positioned below the text and is highlighted with a red rectangular border.

THE DEPARTMENT OF RISK MANAGEMENT CLAIMS PROCESS

DAMAGE BY FLOOD AND WIND NEEDS TO BE REPORTED AS TWO SEPARATE CLAIMS.

- Two separate claims will need to be set up in the claim system.



THE DEPARTMENT OF RISK MANAGEMENT CLAIMS PROCESS

NOTIFICATION: In the event of a **fire** related loss, or any type of loss that caused damage to a fire alarm system, you shall, per Florida statute, report this to the State Fire Marshall.

- Current Contact:
- John Walker, State Fire Marshall's Office, Tallahassee Florida
- Phone: 850-413-3656
- Email: John.Walker@myfloridacfo.com



CLAIM DOCUMENTATION

- **Photos**: Submit a sufficient number, showing the pre-repair conditions, to fully document the loss
- **All** documents, including photos, should have the building number written or captioned on the document; or the DRM claim number, whichever is available



CLAIM DOCUMENTATION

- Do **not** submit multiple claim materials within the same email.
- Instead, limit your emails to one claim and one claim only.

CLAIM DOCUMENTATION

- Invoices/estimates should clearly show quantity, unit price, and total cost, of each item damaged

[DRM will not accept lump sum invoice/estimates!]

- DRM reserves the right to have the agency solicit competing bids (i.e., two or more for the same damage).
- If applicable, mark the location of the *Point of Origin* of the loss on a sketch or floor plan.

CLAIM DOCUMENTATION

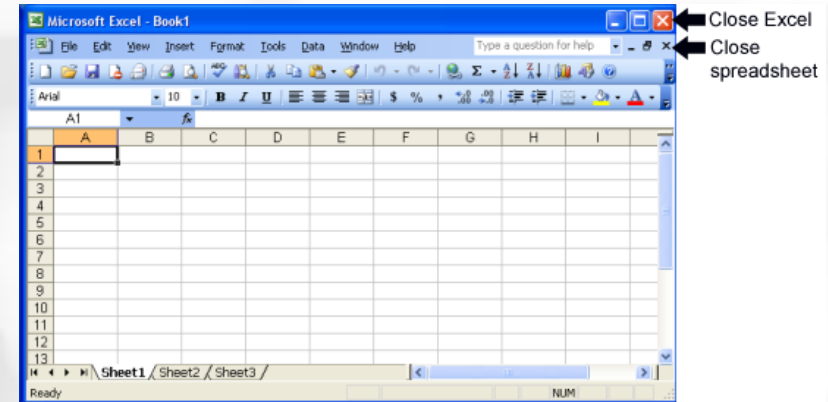
- If multiple rooms were damaged, provide a floor plan, with dimensions.
- Provide policy information on any other insurance coverage in effect – including product warranties – together with any insurance proceeds received or expected.



CLAIM DOCUMENTATION

For contents losses:

- Complete a *Contents Inventory* (usually submitted on an MS Excel template provided by DRM)
- Provide proof of purchase, including the acquisition date.



COOPERATION

- Cooperation extends to York Risk, and other third-parties hired by DRM through York (e.g., Professional Engineers, Appraisers, etc.)
- York Field Adjusters are DRM's eyes and ears on claims.
- The communication chain-of-command flows from DRM to York Risk, then to the Agency, and then back.

REVIEW OF CLOSING DOCUMENTS & CLAIM SETTLEMENT

- Once the loss is finalized, and assuming the claim is not denied, DRM presents the closing documents for your review (i.e., *Claim Summary & Proof of Loss*).
- You have 30 days to sign and return the *Proof of Loss*; or submit a written contest to the proposed settlement.

Bottom line: PLEASE RESPOND WITHIN 30 DAYS OF RECEIPT!



DEPARTMENT OF FINANCIAL SERVICES

Division of Risk Management

**STATE RISK MANAGEMENT TRUST FUND
CERTIFICATE OF PROOF OF LOSS**

DRM CLAIM NUMBER:	HUR09173-1645	RISK MGT ADJUSTER:	Wade Short
DRM LOCATION CODE:	170045/21640005 Academic	COVERAGE TERM:	07/01/17 to 06/30/18
INSURED VALUE/BLDG.:	\$616,659	INSURED VALUE/CONTENTS:	\$

TO THE STATE RISK MANAGEMENT TRUST FUND OF THE DEPARTMENT OF FINANCIAL SERVICES; BY THE ABOVE INDICATED CERTIFICATE OF INSURANCE YOU INSURED THE FOLLOWING AGENCY, DIVISION, OR UNIVERSITY:

Department of Corrections -Madison Correctional Institution – Madison – Academic

IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE CURRENT STATE RISK MANAGEMENT TRUST FUND CERTIFICATE AND SECTION 284.01, FLORIDA STATUTES.

DATE OF LOSS: 9/11/2017 CAUSE: Disaster-Windstorm

STREET ADDRESS OF THE STRUCTURE SUSTAINING SAID LOSS: 382 SW MCI Way Madison, FL 32340

AND THE TITLE AND INTEREST OF WHICH ARE IN THE NAME OF *THE STATE OF FLORIDA*.

THE TOTAL AMOUNT CLAIMED UNDER THE ABOVE NUMBERED CERTIFICATE:	Building: \$48,155.65 Contents: \$0,000.00 Total: \$48,155.65
--	---

[Notes:]

REVIEW OF CLOSING DOCUMENTS & CLAIM SETTLEMENT

Two forms, each completed by DRM, constitute the closing settlement documents on every paid claim:

1. ***Claim Summary*** (includes the *Damage Assessment Worksheet*)
2. ***Proof of Loss*** (the only form the agency signs and returns)

REVIEW CLOSING DOCUMENTS & CLAIM SETTLEMENT

1) Claim Summary:

- This *Claims Summary* lists the items which are eligible for payment.
- The total amount of the claim is calculated as follows:

RCV minus DEPRECIATION minus DEDUCTIBLE equals
TOTAL PAYABLE CLAIM AT ACV

- If prepared by a York Field Adjuster the *Summary* must be approved by DRM before it is submitted to the agency

REVIEW OF CLOSING DOCUMENTS & CLAIM SETTLEMENT

2) *Proof of Loss:*

- The *Proof* is emailed to the agency, along with the Claim Summary, with the former being signed and returned.
- DRM also requires the agency's W-9 form.
- Once the signed *Proof* has been received, a check request to the *Fund* is initiated with the check being either mailed to the designated Property Coordinator or sent electronically through FLAIR.

REPAIRS: MONITOR, CONTROL & PAYMENT

A special note on overtime repairs performed by agency personnel:

This will be considered for reimbursement only when:

- a) it is incurred solely due to claim related-cleanup and repairs;
- and-
- b) such work is not within the normal scope of the employees' duties. [In such cases, the agency must provide time sheets for each employee showing the hourly wage and reason for overtime, and an explanation of the actual work performed.]

REPAIRS: MONITOR, CONTROL & PAYMENT

A special note on Assignment of Benefit agreements:

Increasingly, Florida repair contractors are having policyholders sign *Assignment of Benefit* (AOB) agreements. This document is ostensibly intended to speed up the repair and claim process by contractually designating direct payment from the insurer. However, as recently reported by Citizens, the state-owned insurer, AOB-related fraud has led to increased property premiums, even in this historically long period of seasonable weather. Water extraction and mold remediation companies have been particularly aggressive in filing lawsuits against insurers, using the AOB to support their alleged grievances.

Although payment of the contractor is the *sole* responsibility of the agency, it is DRM's position that no agency should sign an AOB.

X: Q & A Session



[PLEASE DON'T FORGET TO COMPLETE THE EVALUATION SHEET BEFORE YOU LEAVE!]

DEPARTMENT OF FINANCIAL SERVICES



CFO JIMMY PATRONIS