

Case Studies of Challenges and Complexities during the Claim Adjustment Process for Multi-Layered and Shared Insurance Programs on Eight Figure Claims



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A Tale of Too Many Claims



Case Study 1 – The Biltmore Hotel Coral Gables, Florida

- *Dates of Loss –*
- *Hurricane Katrina – August 25, 2005*
- *Hurricane Wilma – October 24, 2005*



- The Biltmore Hotel in Coral Gables Florida was hit by Hurricane Katrina as a Category 1 (wet storm) and then Hurricane Wilma as a Category 3 (dry storm). Katrina caused water damage to 150 guest rooms. Wilma caused significant wind damage to 84 roof surfaces, doors, windows, stucco, landscaping, exterior paint

Biltmore Hotel Insurance Program

- Buy-back deductible with Carrier XYZ on First \$1,000,000
Represented by Independent Adjuster 1
- Deductible for Multi-layers Program = \$1,000,000
 - 1st Layer with Carrier 1 - \$1,000,000 - \$3,500,000
Represented by a Company Adjuster 2
 - 2nd Layer with Carrier 2 - \$3,500,000 - \$6,000,000
Represented by Independent Adjuster 3
 - 3rd Layer was shared by Carrier 3A (30%), Carrier 3B (30%), and Carrier 3C (40%) - \$6,000,000 - \$50,000,000
Represented by Independent Adjuster 4

Biltmore Hotel - Primary Issue

- The Independent Adjuster for Carrier XYZ tried keeping the combined losses below \$500,000. The NYC based broker (now with Marsh) called the Policyholder two months into the process to strongly recommend our involvement.



Biltmore Hotel - Next Steps



Biltmore Hotel - Next Steps



-After our initial inspection, our understanding was loss could be in excess of 10 million

-We asked the broker if they had notified Carriers 1, 2, and 3. They had not based on the initial report from the initial Independent Adjuster. We recommended to the broker to put Carriers 1, 2, and 3 on immediate notice and assign adjusters.

-We asked for joint inspections with the 4 adjusters for all parties to understand the extent of damage and work towards an agreed scope.

-We had various meetings the following weeks to identify issues, make adjustment and ultimately negotiate a global settlement.

Biltmore Hotel - Claim Process Issues Problem #1



Problem #1:

- The Buy Back policy did NOT have a wind driven rain exclusion
- The multi-layered program did have the wind driven rain exclusion.

Solution #1:

- Hurricane Katrina was a wet storm. Their claim was ultimately paid for approximately 800k by the Buy Back Carrier. The other carriers were not impacted.
- Hurricane Wilma was a dry storm. The One Million dollar deductible was applied. The claim was for wind only.

Biltmore Hotel - Problem #2



Problem #2:

- Identifying the extent of damage to loose roof tile on 84 roof surfaces and the golf courses. Then, once established, the Historical Society of Coral Gables advised that the Spanish barrel roof tiles needed to be 2" to match, as opposed to 3". 2" tiles had to be custom made and shipped from Spain. This extended the period of restoration.

Solution #2:

- 2" tiles had to be custom made and shipped from Spain. This extended the period of restoration.

Biltmore Hotel - Problem #3



- The repairs to the roof were shut down 27 times due to visits by dignitaries. No one was allowed on scaffolding as they were perceived to be a threat.
- This issue had to be well-documented with multiple updates the the carriers with the direct impact on the Period of Restoration

Biltmore Hotel - Problem #4

- The Golf Cart Bridge



Biltmore Hotel - Conclusion

- The Claim settled six months after we were engaged
- The Biltmore Hotel replaced nearly all roof surfaces
- The Golf Cart bridge was rebuilt
- Everyone lived happily ever after



Case Study 2 – Superstorm Sandy Jack Resnick & Sons

- Date of Loss: October 29, 2012
- Eight Class A Office Buildings in NYC were simultaneously damaged in the same insurance program by flood and wind.



Jack Resnick & Sons Introduction

- Eight Class A Office Buildings in NYC were simultaneously damaged in the same insurance program.
- 199 Water Street, the NYC Headquarters of Aon, is 35 stories with 1.1 million square feet. 8 million gallons of water damaged the garage, mechanicals, 26 elevator shafts, several elevator cabs damaged, Switchgear and mechanicals destroyed. Approximately 100k-a-day in loss of rents.
- 110 59th Street in Midtown. The wind gusts of 100mph+ blowing from the South created a strong vacuum that sucked thousands of bricks from the 40th and 36th floor that collapsed on the Plaza below.
- Six other buildings had various flood and wind damage in six-figure range.

Jack Resnick & Sons Insurance Program

- NFIP – First layer with \$500,000 limit
Represented by Independent Adjuster
- Carrier 1 – Fine Arts
Represented by Independent Adjuster
- Carrier 2 – Entire program up to 9 Figures
Represented by Company Adjuster
- Deductible: 2% of building value for Named Storm,
separate deductibles for wind and flood

Jack Resnick & Sons 199 Water Street –Aon NYC Headquarters

- **Primary Issues:**
- -no certificate of occupancy
- -2,000 people needed to get back to work in the building
- -potential 100k+ daily loss of rents
- -cash flow, manpower, and contractors to be paid in a highly competitive environment
- -no power, sharing generators and fuel



Jack Resnick & Sons
199 Water Street - Insurance Program Challenges

- 7-figure deductible
- 25-million dollar sublimit for flood.
- Tri-State area greatly impacts and stress on insurance industry resources



Jack Resnick & Sons
199 Water Street – Next Steps

- Confirm adjuster for Carrier 1 assigned and proper action to protect 10 million in art in the lobby from any further contamination
- -Confirm large loss adjuster with authority for Carrier 2 assigned for major building damage
- -Loss Mitigation and Claim Strategy
 - Secure Generators and Fuel – multiple loss mitigation companies
 - Project Contact Book secured
 - Requests for substantial partial payments with support documentation
 - Construct Phase One construction timeline to get building secure and time line to get building 'Green Tagged' and obtain Certificate of Occupancy
 - Have daily and weekly meetings in a trailer with 20+ vendors. Assignments were provided to properly document claim. Carrier 2 was invited, in writing, to participate in all meetings.
 - Initial protection of the lobby art and then removal for restoration and storage
 - Frequent reminders to all vendors and consultants to complete detailed reports
 - Present 8-figure claim within 5 weeks to help with cash flow.

***Jack Resnick & Sons
199 Water Street – Conclusion***

Certificate of Occupancy achieved within 5 weeks.

The Claim documented in thick binders with full contact information and detailed subcontractor bids.

The claim settled for policy sublimit of \$25,000,000 in 6 weeks, prior to year end with agreed Proof of Loss. The carrier asked for a release of liability, but 7 other claims were still open on the same policy.

***Case Study 3 – Hilton Los Cabos owned by Brookfield/Thayer,
managed by Hilton Worldwide***

- Date of Loss: September 14, 2014
- Hurricane Odile hit Cabo with 125mph winds severely damaging more than 200+ rooms, destroying windows, sliding glass doors, exterior, mechanicals, multiple restaurants, lobby, common areas, roofs, landscaping, beaches, pools, etc... hit one of the top Hilton properties in their international portfolio.



Hilton Los Cabos Pictures



Hilton Los Cabos Insurance Program

- Carrier 1 - Mexican Based Carrier backed by London – Shared Program
Represented by an Independent Adjusting Firm. Four separate adjusters through the process
- Carrier 2 - Mexican Based Carrier - Shared Program
Represented by a Independent Adjusting Firm. Four separate adjusters through the process
- Carrier 3 - with US Based Carrier. – Carrier, reinsurer, and extra coverage not provided by Carriers 1 & 2. Represented by an Independent Adjusting Firm. Four separate adjusters through the process and two separate claims managers

*We determined early in the process that the US Based Carrier was the reinsurer for the two Mexican Based Carriers

Hilton Los Cabos Insurance Program Challenges



- Inconsistencies in the deductible threshold between Carrier 1 & 2.
- Mexico City based adjusting firm wanted to initially reserve the claim at \$15,000,000
- The adjusting team sent inexperienced independent adjusters and inexperienced building consultants on hospitality claims

Hilton Los Cabos Next Steps



- Multiple discussions with broker to assure a clear understanding between the 3 carriers of their % shared issues based on the differences of forms, limits, deductibles and policy language
- Assure the US based carrier was engaged from the onset to fly down and see damages and included on correspondence.
- Request Clerk of the Works to maintain costs of the BMS Cat
- Daily meetings, 3-times a day, to work on an efficient time line to jointly evaluate building damages over the initial weeks
- Request significant partial payment
- Create a good working relationship between the accounting firm to secure support documentation for business interruption claim.

Hilton Los Cabos

Problem #1



Problem #1:

- Independent Adjuster stated a \$15,000,000 reserve, a severely low number that could hamper the claims process and cash flow

Solution #1:

- I worked with the broker to contact the US based carrier to fly down to Cabo and jointly inspect damages. During on-site meetings, I requested the carrier provide a US based building consultant that could handle estimating, engineering, etc... for sophisticated issues.

Hilton Los Cabos

Problem 2



Problem #2:

- The Mexican based adjustment team would not agree to scaffolding on a 6-story building to remove roof tile and facilitate all aspects of repairs. The adjuster showed us a video of how workers can go down the side with a rope and a bucket.

Solution #2:

- We worked with Hilton's team in Mexico City and Miami to demonstrate their standards for safety, similar to US OSHA requirements. We provided a cost benefit analysis on how it would shorten the period of restoration. Scaffolding was then agreed to and assembled on the building.

Hilton Los Cabos

Problem #3

Problem #3:

- The Third Independent Adjuster from the same company in the US would not agree to pay the ordinary payroll for the period of restoration. This would cause 500 employees to go without pay.

Solution #3:

- We provided correspondence that although the policy did not define 'ordinary payroll', the policy did cover fixed costs which should include ordinary payroll. We provided a 'check-in' system for all employees to come to work daily with different roles to further mitigate the loss. The carrier ultimately agreed to pay for the payroll during the period of restoration.

Hilton Los Cabos

Problem #4

Problem# 4:

- There were many disagreements in scope, pricing, valuation of business personal property and business interruption.

Solution #4:

- We had 2 meetings with direct decision makers for the US based carrier to negotiate the adjustments, along with the independent adjuster.

Hilton Los Cabos Conclusion

- A global settlement for the claim was achieved. The settlement was more than 4 times the initial reserve determined by the independent adjuster nearly six months after the date of Loss.
- The Hilton Los Cabos was the first of all the large resort properties adjacent to their location to reopen by a several months.



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Time for Banter...



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