



Risk Management
Fund

Risk Advisor



FALL 2017

Hurricane Harvey

The Fall Risk Advisor is taking a different approach than usual by compiling some of the articles and items that might serve as reminders and recommendations in response to Hurricane Harvey. Some of the items are specific to the recent storm while others could serve in response to any kind of disaster or emergency affecting members. Some of the items appeared as Risk Alerts sent to members and flashed on the TWCARMF website. Others have appeared recently as other organizations provide good advice in the aftermath of the storm. We hope you find these articles beneficial.

As of November 6 the Fund had received 80 claims from 11 districts totaling \$4,102,741. Claims were for both wind and water damage with claims for damage to vehicles, buildings and equipment. The Fund pays the claims out of its operating accounts then seeks reimbursements from its reinsurance companies for amounts that exceed certain retention levels. For most of the property damage claims from Harvey the Fund's retention level is \$200,000 with maximum coverage of \$500,000,000. If claims ever exceed the reinsurance available to pay for losses the Fund's surplus would be tapped. Surplus currently stands at \$19.7 million.

How do I file a claim with the Fund?

Complete the appropriate property or auto loss form and email to OSCTexas@YorkRSG.com. Please take pictures or video of damaged structures and preserve anything that might assist in adjusting the claim. It is also appropriate to make emergency repairs and take steps to prevent further damage, as your coverage supports these emergency and mitigating repairs.

It is the intent of the Fund, to investigate and determine if there is coverage for your reported loss. If there is no applicable coverage from the Fund, the Fund will provide the member with documentation that can be used to apply with FEMA.

How do I file a flood claim with National Flood Insurance Program (NFIP)?

To file a claim:

- ◆ Go to <https://myflood.com/> to turn in claim with the policy number,
- ◆ Can call 1-800-423-4403, or
- ◆ If JISR placed the coverage you can contact Shela Ferrell at 512-427-2487 to file it for you.

What type of property losses are covered under the Fund's property coverage?

The Fund covers loss or damage to your property damaged by the storm such as buildings, contents, electronic data processing equipment (computers), and other personal property you have scheduled with the Fund. Coverage will vary depending upon the cause of damage (e.g., windstorm damage versus flooding damage). Coverage also varies based upon each building's location with respect to windstorm tier and flood zone. We encourage you to report all damaged property to the Fund, whether or not there is any coverage for the property. If there is no coverage through the Fund, documentation of denial of coverage by the Fund will be important as you seek assistance from FEMA.

How do I know if our building is in the 100 year flood zone?

When you report a claim to the Fund, we will determine the flood zone for each damaged building at each location. If the property is located in a 100 year flood zone, the Fund does not provide flood coverage. In that case, the Fund will provide a denial of the claim based upon the flood zone. This will be important documentation as you seek assistance from FEMA.

Because one of our locations is in the 100 year flood zone, we purchased a separate flood policy. Does that flood policy also provide extra expense and business interruption coverage?

No, the National Flood Insurance Program (NFIP) does not cover extra expense and business interruption. NFIP coverage is limited to physical damage to the covered property.

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What if we elect not to repair a building? Can we still make a claim with the Fund?

Yes, you should report the damage to the Fund. If you elect not to repair or replace a damaged building, the Fund will pay the actual cash value for the building. Actual cash value is equivalent to the replacement cost of the building less an appropriate amount for depreciation based on the age and condition of the building.

We have some locations that are in the 100 year flood zone. What do we do if those are not covered by the Fund?

We encourage members to seek assistance from FEMA. Please also see the first question above related to the FEMA assistance program and the additional information located under the Hurricane Harvey resources on the Fund's website.

Should we wait for an adjuster to inspect our damaged property before we begin repairs?

If emergency repairs are needed, you should make them as soon as practical. This includes debris removal or repairs to protect property from further damage. Save any invoices for emergency repairs and document any items that must be discarded, such as equipment or personal property. Take photos of any items being discarded and keep a running list of those items with as much detail as possible. This information can be provided to the adjuster during the inspection for inclusion in a repair estimate for any remaining damages.

Do we need to notify the Fund before we hire contractor to do repair work?

No, you do not need to notify the Fund before you hire a contractor. However, you should seek out reputable contractors and collect multiple bids before hiring a contractor for repairs. Please also reference the Risk Alert related to hiring contractors under the Hurricane Harvey resources on the Fund's website.

We have a lot of furniture that was damaged by flooding. Do we need to wait for an adjuster to come out before we get rid of the furniture?

No. However, you should take multiple pictures of the damaged furniture or equipment as evidence of the damage before disposing of the property.

How long does it typically take for an adjuster to come to our office after we have reported damage to the Fund?

It depends upon your location. As you might imagine, there is a backlog of assignments for independent adjusters to inspect properties throughout southeast Texas, even with adjusters coming into the area from all over the country. In some cases, an adjuster may visit your office within a few days. In some cases, it might take as long as a couple weeks before an adjuster can make it to your office. These delays were compounded by the arrival of Hurricane Irma in Florida.

How does the deductible work for flood claims?

The deductible applies on a per occurrence basis for damage to real and personal property, other than vehicles. In other words, a single deductible would apply to all real and personal property, other than vehicles. For vehicles, a separate automobile physical damage deductible would apply to each damaged vehicle.

What happens to a Total Loss Vehicle?

If a covered vehicle is damaged due to the storm it is covered subject to any applicable deductible. The adjuster will work with the member to determine if the vehicle is repairable or if it is a total loss. A vehicle appraiser will help determine its status. If water has reached the

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Questions, comments, tips, advice, ideas, opinions, criticism, and news are welcomed and encouraged. Every effort has been made to ensure the accuracy of the information published in *Risk Advisor*.

Opinions on financial, fiscal, and legal matters are those of the editors and others. Professional counsel should be consulted before taking any action or decision based on this material.

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Would you like to receive this newsletter by e-mail?

The Fund will distribute future editions of *Risk Advisor* electronically to those who prefer a paperless version. The newsletter is provided in PDF format. To add your name to the distribution list, send your e-mail address to Kathy Hulse at the Fund (kathy.hulse@yorkrsg.com).

engine and its associated electronics the vehicle is usually totaled. Likewise, if water has been trapped in the interior of the car and mold has grown, that and the smell that is very difficult to eliminate may cause the vehicle to be totaled. If totaled, the vehicle will be sent to a salvage company to be sold at auction. Any decals identifying the district should be removed before the vehicle is taken away. In the event of a total loss, the member will be paid for the vehicle's value less deductibles.

How to Spot a Water-Damaged Vehicle

The following inspection tips may help detect significant water damage on a vehicle:

- ◆ Examine the interior and the engine compartment for evidence of water and grit from suspected submersion.
- ◆ Check for recently shampooed carpet, and check under the floorboard carpet for water residue or stain marks from evaporated water not related to air-conditioning pan leaks.
- ◆ Look for rusting on the inside of the car and under interior carpeting, and visually inspect all interior upholstery and door panels for evidence of fading.
- ◆ Check under the dashboard for dried mud and residue, and note any evidence of mold or a musty odor in the upholstery, carpet or trunk.
- ◆ Check for rust on screws in the console or other areas where water would normally not reach unless submerged.
- ◆ Check for mud or grit in alternator crevices, behind wiring harnesses and around the small recesses of starter motors, power steering pumps and relays.
- ◆ Complete a detailed inspection of the electrical wiring system, looking for rusted components, water residue or suspicious corrosion.
- ◆ Inspect the undercarriage or other components for evidence of rust and flaking metal that would not normally be associated with late model vehicles.

While these inspection suggestions will not detect water damage in every case, they do provide some information to protect consumers from purchasing a vehicle damaged by water, such as flood. If you are considering purchasing a vehicle that you suspect may have been damaged by water, consider having it inspected by a licensed mechanic.



Photo courtesy of Velvet Dixon, near Rockport, Texas

FEMA Public Assistance

FEMA provides grants to state and local governments and certain nonprofit entities to assist them with the response to, and recovery from, disasters. The Public Assistance program may cover uninsured losses. Specifically, the program provides assistance for debris removal, emergency protective measures, and permanent restoration of infrastructure. Documentation will be important to apply for these funds.

Regarding Public Assistance, it is important to:

- ◆ 1. Register your district, as a governmental entity with FEMA indicating you had a loss.
- ◆ 2. Keep track of non-insured losses (including financial losses as well as consumer losses) to include in Public Assistance requests.
- ◆ 3. Be aware of the FEMA Public Assistance requests deadlines. Your Local Emergency Planning Committee (LEPC) can assist regarding this program.

Federal Emergency Management Agency

Risk Alert: Business Interruption and Extra Expense

As Fund members begin the recovery process from Hurricane Harvey the Fund's Claims Adjusters are ready to help. As you identify and quantify the extent of your losses be sure to consider the loss of income to the district as a result of temporary disruption of services caused by damaged property. Damage to property might also trigger Extra Expense coverage. Extra Expense coverage applies to extraordinary expenses incurred to mitigate damage and/or to restore services. After Hurricane Ike, several members were significantly affected by that storm. One member was essentially out of business for a short time and unable to derive income from the services to its clients at its damaged facilities near the Gulf coast. "Loss of Revenue/Business Interruption" coverage will reimburse a member for lost revenue up to \$1,000,000 that can be reasonably documented during the period of business interruption.

If a water treatment facility is closed by storm damage and water sales are curtailed during the period of restoration, the documented loss of revenue would be covered by the "Business Interruption" coverage. If the facility can resume operations more quickly in a by renting pumps, the cost of rent and utilities paid by the member to resume services would also be covered up to \$1,000,000 under Extra Expense.

The process of determining the extent of loss is based on historical records, the costs that do not continue during the period of interruption and fixed ongoing expenses that do continue. The Fund's Claims Adjusters are ready to handle claims from Hurricane Harvey for you including any potential loss of income caused by covered damage to your premises. The handling of business interruption claims is quite different from more simple property damage claims so we request your cooperation and patience. Very complicated Business Interruption claims may require involvement by forensic accountants who specialize in this type of claim. Good business records that cover ongoing expenses, past history of income for similar periods and expenses you incur to try to get back in business will help the adjuster achieve a fair result for the district and the Fund. Note that Business Interruption and Extra Expense coverage would not apply to losses covered under separate flood policies placed outside the Fund with the

National Flood Insurance Program.

Risk Alert Regarding Contractors

We have already heard stories of contractors making untrue statements in relation to recent legislation in Texas. We know from past experience that not all contractors are reputable or reliable. If/When you need to hire a contractor, rely on those with good reputations and a solid record. During this challenging time, you may receive solicitations from unfamiliar contractors, public adjusters, or consultants who promise they can help you in making your claim. If you have concerns or questions about any contractor feel free to call the Fund's adjusters and staff. Sometimes a contractor will need to be hired immediately, to make emergency repairs for example. Even in those situations it is still good practice to be thorough. This may include an internet search for a Better Business Bureau rating or request for referrals. The contractor should also be willing to work with the Fund's adjuster to help get you back to business. Texas will be overrun by contractors coming in from all over the country looking for work. The Fund is ready and prepared to assist you in rebuilding efforts.

Repairing or Rebuilding Your Home after a Disaster

One of the first things you'll have to do to begin putting the pieces back together after a disaster is hire a contractor to repair or rebuild your home. Most licensed or registered contractors are honest and will stand by their work. Unfortunately, however, some unscrupulous people may try to use the confusion and high demand for building services in the wake of a disaster to con you. They may pose as legitimate contractors to engage in a variety of schemes. For instance, they may offer to clear debris, but then dump it illegally once they are paid, leaving you liable for the cleanup costs. Others may demand a large deposit in advance and then vanish without ever doing the work. The Texas Department of Insurance (TDI) urges you to be careful when hiring contractors to repair, rebuild, or clean up your home or businesses. Here are some tips to help you protect yourself:

Step 1 – Find a reputable contractor

- ◆ Use local contractors if possible.
- ◆ Use only licensed or registered contractors. In Texas, specialty contractors (plumbers, electricians, etc.) must be licensed to legally do business in the state. Although there are some exemptions, most homebuilders and remodelers must be registered.
- ◆ To verify an electrician's or other specialty contractor's license, contact the Texas Department of Licensing and Registration at 1-800-803-9202, www.license.state.tx.us.
- ◆ To verify a plumber's license, call the Texas State Board of Plumbing Examiners at 1-800-845-6584, www.tsbpe.state.tx.us/index.html.
- ◆ Check with your local Better Business Bureau.
- ◆ Ask the contractor for references. Call the contractor's former customers to make sure they were satisfied.
- ◆ Get written estimates from several contractors before hiring one. Don't automatically go with the lowest bid unless the contractor checks out otherwise.
- ◆ Ask whether the contractor has workers' compensation or general liability insurance. Workers' compensation insurance

will pay for injuries to the contractor or contractor's employees that occur because of a construction accident. General liability insurance will provide coverage to the contractor for damages the contractor may cause to your house or building. If the contractor doesn't have insurance, employees could make a claim against you.

Step 2 – Get a written contract

- ◆ Never sign a blank contract or one with blank spaces. Read the fine print. Have a lawyer review the contract if substantial costs are involved. Before you sign a contract, make sure it includes:
- ◆ The contractor's name, address, phone number, and license number, if required.
- ◆ A clear statement of the work to be done. Don't forget site clean-up and trash removal.
- ◆ An estimated start and completion date.
- ◆ Payment terms and timeline.
- ◆ The contractor's obligation to obtain all necessary permits.
- ◆ How change orders will be handled. A change order is a written authorization to the contractor to change the work described in the original contract. Changes usually affect the project's cost and schedule.
- ◆ A detailed description of the materials to be used, including color, size, brand, quality, etc.
- ◆ The length of the warranty period and any limitations.

Step 3: Stay vigilant

- ◆ Don't pay the full cost up front. Pay only as the work is completed to your satisfaction. A reasonable down payment is 10 percent of the total cost of the work.
- ◆ Don't sign your insurance settlement over to a contractor. Pay the contractor yourself by check so there's a record of your payment.
- ◆ Ask the general contractor to provide lien releases or partial lien releases from the subcontractors in order to receive payment especially when work is complete.
- ◆ If the contractor buys the materials, ask for receipts to make sure you're not being overcharged.
- ◆ Make sure you keep a copy of your contract and any change orders. Document conversations in writing.

Step 4: Get it inspected

- ◆ Inspect the contractor's work yourself as you go along to make sure you're satisfied. Address any problems as they arise.
- ◆ If excavation work is being performed, make sure a building inspector or other qualified inspector signs off on the work before it is hidden from view to avoid problems in the future.
- ◆ Ask your insurance agent whether you need to comply with the Texas Windstorm Building Code. If your home is located in a county bordering the Gulf of Mexico or in Harris County east of Highway 146 (including La Porte, Morgan's Point, Pasadena, Seabrook, and Shoreacres), new construction and repairs may need to comply with the code in order for you to obtain or maintain wind and hail insurance coverage.

- Repairs and construction subject to the windstorm building code must be inspected by a TDI inspector or a qualified inspector appointed by the Commissioner of Insurance. The inspection must be made during the construction phase, not after the construction has been completed. There is no fee for inspections performed by TDI inspectors. If the construction or repairs meet the code's requirements, you will receive a Certificate of Compliance (Form WPI-8) from TDI. Additional information on the Windstorm Inspection Program is available on the TDI website at www.tdi.texas.gov.
The Texas Department of Insurance Consumer Protection Division

Flood and Wind Insurance - So you didn't have coverage this time. How do you get it before the next storm?

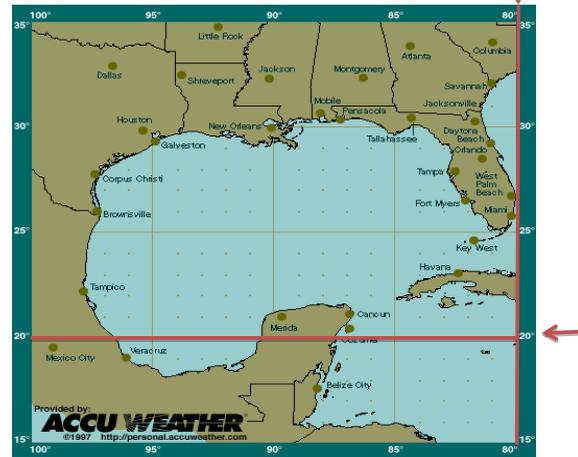
The incredible power of Hurricane Harvey showed itself with both powerful winds and record breaking amounts of rain. Although many of the people affected by the storm had homeowner's or other types of insurance, many did not have flood coverage because they didn't live in a flood zone. Others may not have had Wind coverage because of the expense or mis-conceptions about coverage on their homeowner's policy. Both coverages require written applications through authorized insurance agents. There are also limitations on when coverage can become effective. Wind coverage, in particular, has a stringent geographic limitation on when coverage can begin:

Wind

To start coverage an application must be submitted to the TWIA by an authorized insurance agent. The application will not be accepted if there is already a named storm in the exclusion zone that includes the Gulf of Mexico and additional areas outside the Gulf. Texas Windstorm Insurance Association rules state that

"No new or increased coverage applications will be accepted on the day (beginning at 12:01 A.M.) or after a windstorm designated as a hurricane by the United States Weather Bureau is in the Gulf of Mexico or within the boundaries of 80 degrees west longitude and 20 degrees north latitude until the General Manager determines that the storm no longer threatens property within the designated catastrophe area of the Texas Windstorm Insurance Association."

The latitude and longitude designation extends the exclusion zone into the north Caribbean Sea near the Cayman Islands south of Cuba. It also extends eastward into the Atlantic Ocean at the entrance to the Florida Straits between Florida and Cuba. This is important because both areas are outside the Gulf of Mexico and expand the exclusion zone by several thousand square miles and possibly days during which coverage cannot be obtained. The map shown below illustrates the 20 degree latitude and 80 degree longitude lines. Each location on your district's property coverage schedule shows its Windstorm Tier to help you determine if windstorm coverage should be purchased. Tier 1 is the row of counties that front on the Gulf of Mexico. Tier 2 counties are the second row inland from the coastal counties.



Flood

For a new Flood policy there is a 30 day waiting period. The instructions for the Flood Insurance application state:

C. Policy Period Enter the policy effective date and policy expiration date (month/day/year). Check the box for the applicable waiting period. The effective date of the policy is determined by adding the appropriate waiting period, if applicable, to the date of application listed in the "Signature" section. The standard waiting period is 30 days. For additional guidance on exceptions to the standard waiting period, refer to the Effective Date subsection in the General Rules section of this manual.

Each location on your district's property coverage schedule shows its Flood Zone.

So, if there is a named storm near the Gulf of Mexico you won't be able to get wind coverage until the storm passes or abates. Likewise, Flood insurance requires a 30 day wait before it can become effective.



Courtesy of Texana Center

IRS Tips for Individuals Who Need to Reconstruct Records After a Disaster

Taxpayers who are victims of a disaster might need to reconstruct records to prove their loss. Doing this may be essential for tax purposes, getting federal assistance, or insurance reimbursement.

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P.O. Box 26655
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Here are 12 things taxpayers can do to help reconstruct their records after a disaster:

- ◆ Taxpayers can get free tax return transcripts by using the Get Transcript tool on IRS.gov, or use their smartphone with the IRS2Go mobile phone app. They can also call 800-908-9946 to order them by phone.
- ◆ To establish the extent of the damage, taxpayers should take photographs or videos as soon after the disaster as possible.
- ◆ Taxpayers can contact the title company, escrow company, or bank that handled the purchase of their home to get copies of appropriate documents.
- ◆ Home owners should review their insurance policy as the policy usually lists the value of a building and its contents to establish a base figure for replacement.
- ◆ Taxpayers who made improvements to their home should contact the contractors who did the work to see if records are available. If possible, the home owner should get statements from the contractors to verify the work and cost. They can also get written accounts from friends and relatives who saw the house before and after any improvements.
- ◆ For inherited property, taxpayers can check court records for probate values. If a trust or estate existed, the taxpayer can contact the attorney who handled the trust.
- ◆ When no other records are available, taxpayers can check the county assessor's office or appraisal district for records that might address the value of the property.
- ◆ There are several resources that can help someone determine

the current fair-market value of most cars on the road. These resources are all available online and at most libraries:

- ◆ Kelley's Blue Book
- ◆ National Automobile Dealers Association
- ◆ Edmunds
- ◆ Taxpayers can look on their mobile phone for pictures that show the damaged property before the disaster.
- ◆ Taxpayers can support the valuation of property with photographs, videos, canceled checks, receipts or other evidence.
- ◆ If they bought items using a credit card or debit card, they should contact their credit card company or bank for past statements.
- ◆ If a taxpayer doesn't have photographs or videos of their property, a simple method to help them remember what items they lost is to sketch pictures of each room that was impacted.

Internal Revenue Service