Division *of* Risk Management

Transcript for Webinar Series: Protecting Insured Assets, Part 1: Flood & Weather-related Damage

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Speakers: Mike LeValley (Claims Adjuster) and Del Brady (Loss Control Manager)

Welcome and Speaker Introduction

[Del Brady]: Welcome everyone to our monthly risk webinar. We took a break during July, and so we're excited to be back in the routine of having monthly risk webinars. Glad you could all join us.

We have the pleasure of hearing from one of our claims adjusters today, Mike LeValley. He's been with State Risk for about three years, but he brings with him 26 years of handling high-exposure commercial property claims, with a lot of experience with complex claims in particular. He worked in Florida as a catastrophe adjuster for eight hurricanes. If you know anything about hurricanes, there's a lot of water involved, and wind, and they're messy.

He also worked through claims involving restoration companies during the Florida Assignment of Benefits fiasco. This is when attorneys and contractors were overbilling insurance companies for disaster mitigation work, and sometimes billing for services that were unnecessary. He is also certified by the Institute of Inspection, Cleaning and Restoration (IICRC) and he is a self-appointed skilled tradesman and water damage nerd. So, we're really excited to hear from Mike. Thanks for joining us, and Mike, I'll turn it over to you.

Presentation Summary and Key Metrics

[Mike LeValley]: Oh yeah, thanks for having me. The goal of today is just to kind of give you guys a good outline of what trends we are seeing specific to flood and weather-related damages. Hopefully, this presentation today gives you a snapshot of what those trends look like, our claims costs, as well as some of our expectations or desires for our entities out in the field. So, with that said, I'll get started.

Ideally, through this presentation, we provide you just claims data that we've seen, and it'll give you a snapshot as to some of the big, large cost drivers on our claims. As you can see, through 2023 to 2026, we've had a total gross paid of $18.5 million over a total claims count of 360.

A big number I noticed is that 65% are plumbing claims. That's pretty much dominant. It constitutes 218 of the total claims for $12 million, which is about 65% of all those payments. Catastrophic events, we really don't have much control over. Specific to catastrophes, they're going to happen; we need to be proactive in how we handle the back end of that. One big one was specifically the Moab hail storm that did significant damage to two schools down there. Roofing—that's always going to be exposed. What I did notice, and which was a big cost driver, was the HVAC condenser fins, a lot of exposed materials, and all that that when hit by hail is more or less destroyed. It's a perfectly good unit, but destroyed by hail. Protecting those fins is helpful for saving that particular product.

As you can see, the average payout per claim increased from about $37,000 in 2023 to over $63,000 in 2025. That's pretty much a clear indicator that costs are going up. The economy is what it is, and mitigation and repair costs are just increasingly getting more expensive.

Breakdown of Claims by Fiscal Year and Cause

[Mike LeValley]: This will be a good outline for the amount of claims per fiscal year and then the amounts paid out on it. It more or less speaks for itself. As you can see, the 2024 year was notably that Moab hail storm. We also had some floods that came through that year that increased that cost on our end.

This is a pretty telling pie chart. Plumbing: we are experiencing a significant amount of plumbing losses. These are sometimes, and a lot of times, preventable, others not. We've got aging infrastructure and plumbing issues that exist out there. We're always going to be dealing with them, but getting out ahead of those by virtue of just inspections, knowing where these leaks are potentially going to occur. A building will tell a story. There's going to be evidence of a potential leak or a prior leak and something that we should probably get our eyes on.

Hail accounted for $2 million of that. We don't see a lot of hail in Utah, which is fortunate for our entities, but nevertheless, we do see hail. And when we do get it here in Utah, it's significant. We get big hail that drives quite a bit of damage. Winds, and then floods—as you can see, that's just general inundation of surface flooding from outside sources, which we do cover under the State Risk policy.

This next slide, I'm not going to get into the specifics of it, but if you guys have any interest in a breakdown of what specific cause of loss and then what we've paid out for each one of those causes of loss per fiscal year, I'd be happy to share that with you. This just gets down into the nitty-gritty of the data specific to what that claim was and how much that particular claim cost.

Primary Vulnerabilities: Water Leaks and Plumbing

[Mike LeValley]: A lot of the vulnerabilities we see out there: pipe freeze and/or burst. Winter temperatures will drop, leading to exposure of uninsulated pipes or deficiencies in insulation where freezing temperatures cause a break.

HVAC condensate and overflows. I haven't really had a huge issue with that this season, but in hot seasons and summer months, we do get a lot of condensation build-up and overflow of that. Those typically aren't large losses, but any loss is a loss, and it's a cost to the entity if it exceeds our deductible or not. That's something to look out for and have your maintenance staff looking out for, making sure it's not clogged. I know down in Florida that was a constant claim driver for us; it was algae in these pipes, sometimes frogs getting in there and blocking them all up. Anything that will block that drainage could potentially lead to a loss.

Unmonitored leaks: anything after business hours typically are big. Obviously, when we're on site and have staff in place, we can document it or see what we've got going on, shut waters off. But when school's out or business is not on, then those leaks happen, and those turn into pretty major events.

Aging supply lines. We see this a lot. Flex lines, rubber fittings for any type of mechanicals, and supply lines to toilets and all that—those fail a lot. We're seeing a lot of drinking fountain leaks. Close inspection of those could prevent any type of future loss. Speaking of the drinking fountains, I think I've got three or four of them at any given time in the schools. Those do get jostled around by kids. Who knows how they happen, but they happen, and we're seeing a lot of water damages as a result of those drinking fountains.

Weather, Storm, and Roofing Vulnerabilities

[Mike LeValley]: Roof leak claims. We do have aging infrastructure out there. I know we're always pretty diligent about roofing and inspections of roofing. However, they do leak, and obviously, water finds the path of least resistance and leaks into our entities. The roofs themselves, we don't cover those under our policy, but we do have coverage for the resultant damage from those roof leaks. Depending on the extent of the water inundation, they do get pretty big.

Another thing, and this is specifically that I'm dealing with at a particular library of ours, is they've got a lot of artifacts on the top floor directly under these roofs. We've got exposure to some costly artifacts that, had that been a forethought, we'd likely place those in areas that are protected from the roof. Obviously, you don't want the roof leaking, but protection of those high-dollar, high-exposure artifacts is something to also be looking out for.

Clogged roof drains. We see that a lot. Some of the scuppers on these roofs get clogged out. Having a general maintenance schedule for these roofs will help us not see a lot of these water backups.

We've been fortunate this year. Water is I guess fortunate, and then unfortunate on a scale, but we haven't had a lot of water. So when it does rain, we do see an influx in claims. Depending on what we are looking toward this winter: ice damming and large accumulations of snow will lead to loss. Hopefully, we can get out there and get a close look at our roofs. If it's aging, look at what we need to do to either replace or mitigate anything that would be a potential moving forward.

Prevention, Asset Protection, and Smart Monitoring

[Mike LeValley]: Asset protection. We are pushing for protocols to be put in place. Maintenance standards, and then IoT—that's Internet of Things. There's a host of new monitoring equipment that's available. It's Bluetooth monitoring sensors, water pressure sensors. Loss control could work with you guys specifically on hopefully implementing some new sensors so we can not see a lot of the water losses.

Internet of Things smart monitoring is something that a lot of commercial buildings are implementing. We're seeing by virtue of that monitoring that a loss that does occur is either shut off in a manual form or someone's made aware of that so the extent of that loss is minimized.

Routine audits. Like I said in the prior slide, roof inspections, storm drain cleanouts. Do this hopefully every quarter we get eyes on it, and then inspecting plumbing lines. One notable claim we had was evidence of a leak to the insulation on the outside of a water line that ultimately failed. That leak, it was pretty telling in that the water staining had been there, and there was some type of deficiency or compromise in there that ultimately led to the hammering and failure of that line. If we can get our eyes on those and address those early on, we're going to hopefully not see some of those claims.

And then emergency readiness. In that same event, we were very fortunate to have had the maintenance manager on site. The water loss occurred, the maintenance manager was there, he ran exactly to the shut-off valve and shut that off. Had that water run at the CFM it was rated at for another 10 minutes, we're probably looking at a million dollars more in claims, and the scope of that flood probably doubled in size.

I say that in that we did find out just through questioning, "Who else knows where this shut-off was?" And the response was, "Me." He was the only one that knew. So fortunately, he was there on site, but we really need to have all people in that building—facilities, of course, and then others in the event facilities is not there—know where these shut-off valves are. Sometimes they're hidden, sometimes they're in open sight, but if we have an understanding with all people on site where these shut-off valves are, that can really prevent significant damage. The quicker we get the water off, the less water we have to deal with.

Targeted mitigation actions. You want to carry out just general water leak inspections. Flood diversion systems. If you have any stairwell drainage, any type of underground areas with drainage, make sure those are cleared. If we do have known flooding, let's have sandbags on site, anything that we can do to stop water going into our subgrade buildings. And then building automation. This ties into the IoT sensor controls. Those are also something you can put into place to prevent any type of future loss.

Phase 1: Immediate Safety and Hazard Checks

[Mike LeValley]: That gets us to what we do in the event of a loss. Hopefully, we don't have it, but 26 years I've never *not* been busy. So a loss occurs, it's going to happen, that's what we're here for, we are your protection.

First thing: immediate safety. We can replace buildings, materials, all that. That really is insignificant. Human safety is what is of utmost importance. So any type of electrical isolation and loss containment should be occurring right off the bat. We can replace property, we can rebuild things, but human life is of utmost concern.

Some of the safety checks: electrical isolation. Look at all the power breaks. If you have to shut off the power, if we've got any type of arcing or breakers that aren't flipping as a result of the water when it comes into contact, we want to get those shut off.

Structural inspections. This ties into human safety. Let's make sure we're not in and around buildings where a collapse could occur or any type of issue exists that's going to affect anyone in that property. Obviously, personal protection. Depending on what category water we're dealing with, we could have some biohazard issues. Let's be cognizant of protecting ourselves. And then gas line protection. If we've got a gas leak, let's get that gas shut off. A lot of this all ties into knowing where shut-off valves are. That's very important.

Phase 2: Stopping and Containing Water

[Mike LeValley]: Again, shutting off your water, your appliance valves, your angle stops. Let's stop the source so we can move towards mitigation. Mitigation doesn't do anything if we've still got an active water leak.

Loss mitigation: your assets. We do see a lot of content loss to computers that are sitting on the floor, anything that's exposed to the water. Contents are going to be there, it's case goods, it's always going to get damaged. Elevating anything up and off that floor so water isn't damaging that really helps us out. And obviously deploy barriers—anything you need to prevent the water to access in that building.

[Del Brady]: Hey Mike, just to let you know we got 10 minutes left.

[Mike LeValley]: Okay, thank you.

Claims, Reporting, and Documenting the Loss

[Mike LeValley]: Claims and reporting. So, as you guys know, we do have a $5,000 deductible that applies. We do run into a lot of cases where we're under the deductible, but you still have issues out there. At Risk, we're here, and through our vendor relations, we're here to assist with a claim. It doesn't really matter if it's less than our deductible, do we not pay out on anything that's under $5,000? But please utilize us and our services, especially with vendors and any type of issue that you're running into in the field with repairs and scope of loss. We can certainly assist you.

Filing a claim is encouraged because sometimes issues arise where it was once thought to be under the deductible, rises above the deductible, then we step in after the fact and we got to backtrack. So file a claim.

If it's clearly under the deductible, it's a pretty easy thing to handle it, but we ask that you utilize us for vendor management, bill review, and that sort of things.

Documentation. This is pretty straightforward. A lot of the entities are doing a really good job of that. Provide me proof of the loss, what occurred, how it occurred. Inventories. If we're dealing with big content inventories, start documenting that because that's what we need to see to substantiate any type of contents payment.

Samples. If there's a big one with samples, we do owe for like-kind quality replacement of materials. Our mitigation vendors out there are really good about helping us on identifying what the kind and quality of samples are so we can pay for a like-kind product moving forward.

Track expenses. If you have any incurred expenses for your staff, your maintenance people, we do encourage any and all hands on deck to help out, and we can reimburse for those expenses.

Water Contamination Types and Mitigation Strategies

[Mike LeValley]: A quick guide as to what type of water we're looking at. Clean water, a lot of the domestic water supply breaks. That's not really a big contamination risk. Dry out is pretty standard. Category 2 water falls into dishwasher, washing machine, any type of sump pump, anything that's not truly clean water. Then you get into your Cat 3 waters, where sewage... those present pretty significant biohazard issues. Methods of that is more or less we're not going to try to dry things, we're going to want to just remove and replace. Drying is not cheap. There's elements of seeing what the material is and making a call as to "alright let's just go ahead and remove it versus spending three, four days trying to dry the thing." Depending on moisture mapping and where that all falls into place, you're better off and it's more cost-effective to just pull materials.

We do have emergency service vendors under state contract. I have worked closely, I know Ken has worked closely with our vendors on getting some established protocols in place, and understanding what we need out in the field. These guys are in it to make money. I don't want to put them down, they are a necessary evil. We need them to mitigate our properties to dry them out, we need them to stabilize things and get it to a point where we can make a call moving forward on the repair.

With that said, I break it down into two components: there's your emergency services which is your mitigation, and then there's your repair end of it. If we're mitigated, we're stabilized, at that point we can make a call as to how we want to go about the repairs. We are not under any obligation to use the mitigation vendors. Sometimes they work out great because they do have staff, they are available to get it done right then and there or the next day, and that's just the nature of their business. But with that said, the costs for that type of service are quite a bit more than what we see through just general contractors. We do encourage if you do have staff—janitorial staff, maintenance staff—that are able to carry out or any type of subcontractors you utilize in your buildings, we do encourage reaching out to them to see if we can't bring more people into the rebuild operation.

Insurance Subrogation and Preserving Evidence

[Mike LeValley]: And this is one thing I've put together just so we could be cognizant of it: Subrogation. You'd be surprised how many parties are at fault. I wouldn't say at fault, but have a play in why this occurred. I bring that up in that recovery is something I'm always looking at and it's something that we should all be cognizant of. This gives us the ability to recover any type of payments that we've paid out against any negligent party.

To go about that, we really want to understand and identify what third party are in our buildings. Any contractors, any maintenance contracts that exist, any recent installation work (30-90 days prior to the incident). Plumber comes in, doesn't solder a pipe properly, it fails 45 days after he's been there... there's some skin in the game on his end. We really want to identify that and hopefully get some recovery on our dollars spent.

Leased buildings, and then utility services. We get power surges, gas lines, municipal water breaks that are causing structural loss to us. That's something that we need to identify. Getting to component failures: burst supply lines, flex hoses, defective circuit breakers, and any type of appliances. If we're seeing failure of that, we ask that we're seeing what that is, what that failure is, and moreover saving any type of failed part.

Spoliation prevention. I've countless times run into failed supply lines, issues that, "Hey, this could have been a subrogation issue but we don't have the part." So that already takes our evidence out of our hands and ability to look into whatever potential exists for any recovery. In the event that we do have that, we want a real good documentation. Cleanup and emergencies, documentation of everything that we've done because when we're seeking recovery, that's something that's requested of us to prove our case.

Chain of custody. If it's a part, let's tag it, identify it, put it in a safe place, and then I can direct what we need to do up to that point. If we're going to get an expert in there to analyze it and build our case for subrogation.

This will give you a background of essential claims documents that we're looking for. Technical evidence: a lot of these large commercial losses I'm going to want to bring in forensics in there so we can really prove our case because these GL carriers, they typically want to see a pretty strong case on our end to see if they're going to pay our subrogation claim. So if we can't do what you can on your end to save that evidence, tag it, help me build the file on our end for our recovery interests.

Common Pitfalls to Avoid and Conclusion

[Mike LeValley]: And then evidence spoliation, broken chain of custody. These are just pitfalls to avoid that we see out in the field. That simple evidence spoliation: it's gone. Plumber came in, cut the pipe, threw it away, and we don't know where it's at. So that ends our pursuit right up to that point.

That's all I've got. Hopefully, I took up my bulk of time. If you guys have any specific questions, I can leave it open for discussion.

[Del Brady]: Thanks so much, Mike. Yeah, folks, go ahead and put any questions you have in the chat box, and I'll be monitoring that and then I can share them with Mike. But Mike, thanks a bunch for your presentation and sharing your expertise with us.

One of the reasons why we chose this topic for this month is because the claims data indicated a spike in property damage claims in August and September here in Utah, and particularly with an emphasis on water damage. So a relevant topic. Take a look at your plumbing lines, inspect your drinking fountains. If you walk by that stained ceiling tile every day, it's time to take a look, pop that tile and see what's causing that stain.

Mike, I don't see any questions in the chat, so we'll wrap it up there. Thanks again for your time. We appreciate everyone being here. We'll send out an email notification of when this is posted to the website with a copy of the slides and our monthly newsletter. But until then, please don't hesitate to reach out to us, reach out to Mike, reach out to Loss Control. We're here to help you out and walk you through any challenges that you have. Thanks, everyone.