

The TGIF CHRONICLES

For Friday June 25, 2004

Volume 2 – Issue 21

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1. LETTERS TO THE EDITOR

From Cheryl at Koch B & Y Insurance

Thank you Ron, you are good people!!

Editors Note: Thanks Cheryl, we try to be.

2. FRIDAY, JULY 2, 2004

NO PUBLICATION OF THE CHRONICLES FOR FRIDAY, JULY 2, 2004

Since a number of people will have a long week end, the editors for your Chronicles will be doing the same. Sir Richard will be basking in the sun in his wading pool in Surrey, while the old man will be sweating to the oldies doing yard work in Mission. Now you know the difference between an Adjuster and an Appraiser.

3. FIRE SEASON IS UPON US TWO MONTHS EARLY

With major fires burning near Lillioet, Williams Lake, Prince George, Vanderhoof, and Terrace already, it looks like we will be in for a long hot dry summer ahead of us. Fire departments on the Lower Mainland have been placed on alert this past

week to be ready to send crews to areas where homes are threatened. Their job will not be to fight the fire but rather protect the structures.

With that in mind, due to the day job of yours truly, there maybe a Chronicle or two not published during this fire season without any advanced warning.

4. THE KELOWNA FIRE REVISITED

WHAT THE B C FOREST FIRES HAVE REVEALED



The Okanogan Mountain fire descends on the outskirts of the suburbs of Kelowna

With material shortages already starting to arise, some contractors who have contracts with insurers at fixed rates are experiencing a losing situation. The cost of materials have risen sharply due to the war in Iraq, because the U S military has been buying large quantities of materials to ship overseas. Couple this with a skilled labour shortage evident, these contractors will soon be extended beyond their means, which could result in a shortage of restoration contractors.

Insurers are also experiencing that what was norm is no longer working when evaluating the replacement cost of homes that have GRC coverage. The homes

are grossly under rated in a large majority of cases. In fact, 3 out of 4 are under rated in some fashion.

There are a number of reasons for this state of affairs. Firstly, when dealing with a “CAT” such as this, costs will increase on the average of 20 %. Then combine a material shortage due to market conditions, and availability of products, you can add another 30 %.

So you want to make sure you are collecting premium for a correct limit or value placed on a policy. Underrated policies are not noticeable on partial loss but rather when a total occurs.

One question that is never asked is what is the ceiling height? If your ceiling height is over eight feet then you have a custom, luxury, or high value home, you are insuring. Today, almost all new homes have a ceiling height over 8 feet, and this has been evident since the mid nineties. Other factors come into play as well, such as older homes that have eight-foot ceilings, have been updated, converted, remodeled, and their design has changed to suite their current owners.

So let’s take an existing example.

BOECKH Verses MARSHALL VALUATION SERVICE Reconstruction Cost Method



This is a standard Somerset Homes spec home that is constructed once the lot has been sold and the buyers have been approved, built in 1,050 square foot three-bedroom one-story stucco on frame construction with composite shingles. The master bedroom has a walk in closet and Ensuite. A simple design for simple construction methods.

This home could have been valuated under the Boeckh program quite easily but even before construction began, the new buyers made changes to the floor plan. They eliminated the third bedroom by removing the wall between the kitchen and

that bedroom, removed the third bedroom closet, moved the second bedroom closet into the second bedroom by taking up some of that floor space, and added a patio door instead of the rear single entry door. This home now has become a custom home, which still could be valued by the Boeckh program, just by moving it up a notch from standard to custom. It would qualify as a good quality in the Marshall system.

But that is not the end of the changes to this home. Within the first year of occupation, concrete pads were poured in the back yard and front yards to form a front patio and walk and rear floor for the hot tub and custom enclosed deck for storage, and a double garage was built. Fencing and landscaping was also added at that time. The deck consisted of a custom 2-tier deck, which extended over the room of the detached garage and was tied into that garage at one end and the residence at the other.

Within two years, the basement was finished to include another master bedroom complete with walk in closet and Ensuite, another full bathroom downstairs, and another room which could double as another bedroom or den, and the recreation room included a fireplace, wet bar that was capable of cooking meals, and a built in nook for eating.

Now these changes make this a luxury home in the Boeckh system, or a very good quality in the Marshall system. By interviewing the insured (and the insured would not know of these technical changes because he is not knowledgeable of these programs that the insurance industry uses), he would tell the broker it was constructed as a spec home which would qualify for standard in the Boeckh system, with the following features; a finished basement; a deck; a fireplace; 2 full baths; 2 half baths; an extra sink; a detached garage; a central vacuum system; a dishwasher; a garage door opener; a hot tub; a range hood; 4 exhaust fans; 2 smoke alarms; and a wet bar.

So lets do a comparison between the two methods of determining value.

BOECKH			MARSHALL		
Base Charge – Class B, 1,050 sffa, One Story, Exterior Wall Category – 1	\$	60,600	Single Family Residence, Class D, Very Good Quality (76.28 x 1.000 [Basement Multiplier] x 1.000 [Foundation Shape Multiplier] x 1,050 sffa)	\$	80,094
Basement Finish (1,050 sffa x 12.20)	\$	12,810	Basement Finish (1,050 sffa x 24.92)	\$	26,166
Deck (360 sf x 9.80)	\$	3,528	Deck (360 x 12.09)	\$	4,352

BOECKH			MARSHALL		
Garage – Detached – 2 car (8,700) plus Garage Door Opener (275)	\$	8,975	Garage – Class D, Good Quality, (480 sf x 27.80 = 13,344) + Garage Door Opener (675)	\$	14,019
Fireplace Prefabricated Metal with Metal Chimney (2,500) + Hearth (1,645)	\$	4,145	Fireplace Prefabricated Metal (1,800) + Log Lighter (150) + Extra Story for Chimney (475)	\$	2,425
Bathrooms Extra Full Bath (2,590) + Extra Half Baths (2 x 1,190 = 2,380)	\$	5,970	Bathrooms		Included
Plumbing Fixtures – Extra Sink	\$	550	Plumbing Fixtures		Included
Built ins – Central Vacuum System (1,415) + Dishwasher (830) + Range Hood (280) + Exhaust Fans (4 x 150 = 600) + Smoke Alarms (2 x 125 = 250) + Wet Bar (980)	\$	4,355	Built ins –Wet Bar (3,800) + Exhaust Fan & Hood (570) + Dishwasher (715) + Exhaust Fans (4 x 170 = 680) + Central Vacuum System (1,500)	\$	7,265
Hot Tub	\$	4,900	Hot Tub	\$	5,450
SUBTOTAL	\$	104,833	SUB TOTAL	\$	139,771
Times Location Multiplier (1.28) times Current Cost Multiplier (1.02)	\$	136,869	Times Current Cost Multiplier (1.04) times Location Multiplier (1.32)	\$	191,877

So you collected \$ 889 in premium using the Boeckh Valuation method, when you should have collected \$ 1,247 having a correct appraisal completed – a difference of \$ 358. True, this premium would have been used up in producing the appraisal, which would have cost \$ 375 (minimum charge) to produce but remember that this residence had only 2,100 square feet of finished floor area, and it is rare to find custom changes of this degree to a home this small.

So is the weighted average of .0065 for standard homes too low in measuring a rate for insurance? Should it be increased to .0075 for custom homes? Or .0085 for luxury homes? Or even as high as 1 % for high value homes?

We think so, because it would increase the premium to \$ 1,439 less the \$ 889 that you did collect in premium, which results in a difference of \$ 550 which would take care of both the cost of the appraisal and deficit you incur in under rating values. This example is on a smaller home, so the larger ones would produce more premiums to take care of the increased costs.

It would be a win - win situation for both the broker (who would receive more commission) and the insurer (who would receive the premium necessary to spread the risk correctly). It might even help the restoration contractors to stay competitive, yet be able to charge accordingly when a “cat” occurs.

5. FIRE or SMOKE DAMAGE

A **FIRE** or **SMOKE DAMAGE** to your home or business can be very emotionally upsetting and stressful as well as disruptive to your daily routine. Water, mildew and smoke can be very destructive if not treated correctly. We at **INTEGRAL** are here to help you through the process of restoring you life to normal.

Damage can be in the form of burnt and charred material, and black, grey or white smoke, depending on the severity and type of fire. Building and contents can sometimes be cleaned and deodorized on site. Some items may have to be treated at the plant.

When contents are removed, we complete a removed articles list of which you will receive a copy. We take proper measures to protect your property in transit, in the warehouse and in storage.

Protein fires produce a penetrating, rancid odor and you may not see a clear almost invisible film throughout the affected area. Standard cleaning and smoke odor removal processes are seldom effective. Specialized treatment for both odor and cleaning are required.

Our first step will be to apply all necessary steps under **EMERGENCY SERVICE** to stabilize (stop the cause of) the loss and secure (prevent further damage to) your property. Our initial steps will be:

- <Sort and arrange contents for treatment (It will be necessary to treat contents back at the plant.).
- <Extract water and raw sewage.
- <Remove wet and damaged ceilings, walls and flooring.
- <Remove all charred materials.
- <Open up any wet cavities.
- <Treat all affected areas for mildew and bacterial growth.
- <Provide and set up drying equipment in the form of:
 - Air Movers *
 - De humidifiers
 - Generators **
 - Pumps **

* Air Movers are not used when raw sewage is evident as they will put bacterial spores into the air.

** This equipment is installed only if required.

- <Smoke seal all open framing and smoke damaged surfaces.
- <Treat odor as necessary
- <Remove all contaminated contents.
- <Provide emergency structural cleaning.
- <Secure the building.

Immediate **EMERGENCY** action can reduce:

- <Overall Damage
- <Overall Claim Costs
- <Later Repairs or Reconstruction
- <Illness from Contaminants
- <Additional Living Expenses

FIRE DAMAGE MITIGATION by **INTEGRAL** includes:

- §24 Hour Emergency Deodorization, Board up, Water Extraction, and Drying Services
- §Move outs: Packing, Inventory, Warehouse Storage
- §Draperies and Clothing Deodorized, Dry Cleaned, and Laundered
- §Electronics Cleaned and Service Checked (computers, stereos, tv's etc.)
- §Fine Art Cleaning and Restoration (paintings, sculptures, textile art, etc.)
- §Wall to Wall Carpet and Area Rug Cleaning and Deodorizing
- §State of the Art Drying Equipment and Techniques
- §Debris Removal
- §Odor Removal
- §Upholstered Furniture Cleaning
- §Media and Data Recovery
- §Contents Cleaning and Restoration
- §Detailed On Site Interior Clean up
- §Furniture Refinishing
- §Books and Documents Restoration and Drying
- §Certified Inspectors, Appraisers and Technicians
- §Direct Insurance Company Billing

APARTMENTS & CONDOMINIUMS

All too often you can hear on the news that a large apartment building or multi unit condominium complex is struck by fire, leaving families homeless. What you seldom hear reported is that skilled crews arrive to assess the damage, and before reconstruction can take place, necessary steps are taken to protect the building owner against liability or looting which includes sealing off dangerous or exposed areas, sandbagging against water damage or leakage, handling specialized problems such as asbestos removal or disposal of hazardous materials.

HIGH RISE BUILDINGS

A high rise building that has been damaged by fire and the water that is used to fight the fire, whether it's an office tower, apartment or condominium building, or a hotel, we have the expertise, and the knowledge to return it to its original pre loss condition. High rise projects can be extremely complex, involving many different parties, including insurance companies, engineers, architects, building owners, building managers, individual tenants, and specialized contractors.

SINGLE FAMILY RESIDENCES

We are a single source service that can handle the restoration from start to finish. There is no need to have a stream of sub contractors coming in to survey the damage and provide estimates to repair the damage. We, as a turn key service, will provide all the trades that are necessary from obtaining permits to demolition to repairs to final cleaning.

Our **APPROACH** in solving your restoration problem will include the following:

- <An onsite inspection of the premises.
- <A general scope of our proposal as to the assessment of damage and repairs.
- <Our specific observations of the premises, damage, conditions, and restoration procedures.
- <Photographs of damage and overviews.
- <Recommendations regarding the required repairs.
- <Options of various ways to resolve the problem with your needs in mind.

Our **ESTIMATES or BUDGETS** include:

- \$Permits and Fees
- \$Labor Costs
- \$Material Costs
- \$Equipment Costs
- \$Management Fees

Work is done in a quality manner within a time frame that meets your requirements.

Our goal is to put you back into the same position you were experiencing before the loss occurred, with as little inconvenience and as quickly as possible.

Our billings will be made on a monthly basis based upon the dollar value of the loss restoration that has been completed to date for that 30 day period. Our terms are "Net 15 days".

LOSS PREVENTION BEFORE FIRE DAMAGE HAS OCCURRED

1. We suggest you read your insurance policy and contact your broker if you have any questions about coverage, limits, etc.. Read all of it and just

don't skim through it - now is the time to understand it - not after a loss has occurred.

2. Install smoke alarms throughout the entire building. Areas of special concern would be sleeping quarters, cooking facilities, heat sources, etc..
3. Keep fire extinguishers near heat sources such as furnace rooms, work shops, kitchens, etc.. Make sure they are properly rated and fully charged.
4. Know how to remove the source of fuel or contamination. Everyone should know where the main shut off's are for electricity, gas, and water. Containment will definitely limit the amount of damage that can occur.
5. Have an emergency plan for everyone to follow in the event of fire. Have a pre-determined place to meet or phone for family members or staff in case the building is severely damaged. Have periodical fire drills.

LOSS PREVENTION AFTER FIRE DAMAGE HAS OCCURRED

After fire damage, it is natural to want to clean a building and its contents but incorrect or delayed action can jeopardize or seriously impede satisfactory restoration. Although smoke and soot may seem to be identical, experienced professionals recognize the important differences and appropriate emergency action can help in restoring walls and furnishings damaged by soot..

- < **DO** clean and protect trim on kitchen appliances with a light coating of Vaseline or other oil.
- < **DO** blow off or brush vacuum loose smoke particles from upholstery, drapery and carpet.
- < **DO** open windows for ventilation.
- < **DO** change furnace filter if blower is operating.
- < **DO** empty freezer and refrigerator completely if electricity is off, and prop doors open with a rolled towel or newspaper.
- < **DO** clean and protect smoked bathroom faucets, tub fittings and towel bars with a light coating of oil.
- < **DO** pour antifreeze in toilet bowls, sinks, and tubs to prevent freezing of heat is off in winter.
- < **DO** wash plants with water on both sides of leaves (water softener helps).
- < **DO** call a plumber to drain heating system if heat is off in winter.
- < **DO** remove pets (especially birds) to clean environments.
- < **DO** cover upholstery with clean sheets.
- < **DO** tape double pieces of cheesecloth over air registers with masking tape.
- < **DO** limit the movement in the home or business to prevent spreading and embedding soot particles.
- < **DO** turn off water and drain lines.
- < **DO** drain the hot water heater if the electric or gas is off.

- < **DO NOT** wipe or attempt to wash walls, ceilings or other absorbent surfaces.

- < **DO NOT** use upholstered furniture if it can be avoided.
- < **DO NOT** use exposed food items, or canned goods which have been subjected to excessive heat.
- < **DO NOT** use tv's, stereos, or electrical appliances until cleaned and checked.
- < **DO NOT** send smoked garments to an ordinary dry cleaner. Improper cleaning may set smoke and odor.
- < **DO NOT** use domestic carpet or upholstery cleaners.

We leave you with this thought

“If opportunity doesn’t knock, build a door.”

Have a great weekend!

Executive Editor

Sir Richard

Publisher

Integral Property Loss Services

Editor

The Old Man

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