

The TGIF CHRONICLES

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THIS WEEKS FEATURES

1	WHO WE ARE	Editor
2	VALUATION PROGRAMS ARE NOT ALWAYS ACCURATE	Ron Wilkes
3	STATEMENTS FROM THE CLAIMS FILE	Anonymous
4	TIME MANAGEMENT (Part 8)	Unknown
5	WE LEAVE YOU WITH THIS THOUGHT	Editor



1. WHO WE ARE – Ron Wilkes – Editor

The TGIF Chronicles is an insurance industry driven newsletter that is centered on property insurance with a bit of personal flavour added in. It provides an open forum for insurance personnel to voice their opinions, and lend their expertise. All of our writers and editors are volunteers who put this newsletter out every week, and our sponsors provide the avenue to do so.

Today our readership has grown to over 2,500 people who have to subscribe to it in order to get a free weekly copy. In fact some managers actually send the copy they receive out to their own staff individually, or have added their staff's email addresses to our mailing list.

Our newsletter is now received and read across this great land of ours, by not only insurance personnel such as brokers, adjuster, underwriters, managers, and

mentors, but is also read by lawyers, accountants, appraisers, project managers, investigators, auditors, and Corporate Executive Officers.

We welcome all contributions, opinions, and articles from everyone and their information will appear in print in the next available edition of the TGIF Chronicles, and are currently writing newsletters 4 – 6 weeks in advance because of the response from you the readers.

It was in the early spring of 2003 that two old friends started to correspond by email trading not only the normal industry gossip but valued information. Some of this information was sent on a regular basis to other acquaintances sometimes one and two times a week. So by early summer of 2003 the very raw form of the TGIF Chronicles came into being which was sent every Friday morning to 6 people. During that week information was gathered by either of the friends and sent out.

So by the end of July in 2003, Rick asked Ron to start producing the chronicles with a readership list and others were added by nomination of a reader on a weekly basis. There are no archives of this primitive format, but by Friday, November 21, 2003, with a readership of 26 people the current format was introduced and there are copies kept of each edition since then.

By this time new features were introduced such as “You Asked”, “Letters to the Editor”, and “Statements from the Claims Files”. Guest columnists were prevalent during these times and membership began to grow on a rapid pace.

On September 1, 2004, three other subject related newsletters who were going to or had ceased printing due to time or monetary restraints merged with our newsletter. Their subscription lists were incorporated into our mailing list.

Oh and by the way, the original six who still receive the weekly chronicles are: Rick Collis, Ron Wilkes, Robert Eyford, Russell Sorsdahl, Dan Lambert, and Grant Molsberry.

2. VALUATION PROGRAMS ARE NOT ALWAYS ACCURATE – Ron Wilkes - Editor

No matter how easy or how detailed it is software valuation programs are they are only as good as the information that is entered into them. Here are the top reasons that we have found by completing a physical survey and manual computation to provide correct insurance values or an assessment of restoration as the case may be. They are not in any particular order of how commonly we have found them.

RESTORATION: All costs in any valuation program are based on new construction. Typical replacement or repair work will run 10% to 20% higher because of restricted area, movement of materials, temporary supports, shoring, etc., and other contingencies not encountered in new construction, not including

demolition and removal. On smaller losses this increase can be overlooked because they are not as obvious as the larger loss. Couple this additional cost with demolition and debris removal; it can increase the value or the loss by as high as 20%.

COMPLEX SITES: Hillside construction will be much more expensive, due to added foundation and site work. Downtown buildings are usually somewhat more expensive than outlying buildings. Sidewalks must be barricaded or roofed for the protection of pedestrians. Due to the lack of adequate space, material storage and handling is often more costly. Bordering property must often be protected. Such expenses are definitely a part of construction costs.

Hillside buildings	5% to 20%
Complex/congested areas	2% to 5%
Protection/storage costs	1% to 5%

If all of the above factors apply to a building the value or the loss costs can increase by as high as 30%.

QUANTITY OR DEVELOPMENT CONSTRUCTION: There is usually a cost saving in quantity or duplicate construction, which may or may not be passed on to the prospective buyer; usually, only part of the savings is passed on. Since costs for the types of buildings typically built in this manner will be based to some extent on such construction, the costs may require only small or no percentage reductions to reflect actual sales conditions in the area. Large industrial projects, using multiple tilt-up or residential modular construction can have savings double the listed averages. Therefore if an underwriter accepts the cost of construction because the building is new or coming off a course of construction, that valuation is immediately under valued because that building now falls under restoration construction and can be as high as 20% underinsured.

AMATEUR WORKMANSHIP: All costs are based on professional labor supervised by a contractor or his job foreman. For amateur workmanship or work done by farm or ranch help, costs are usually reflected in the replacement costs that the insured provided. The addition of proper wage rates and a restoration contractor, and architectural supervision relative to the quality of the work can increase costs by as much as 15% to 30%.

SEISMIC AND WIND: In high wind (over 90 mph) and earthquake prone areas, you can have additional structural elements which will affect the overall building costs. Lifeline structures, such as Hospitals, must meet stringent building and life safety codes. The average building will have increased costs by as much as 2% to 5%, while a lifeline building will have increased costs by as much as 5% to 10%.

NATURAL DISASTERS: Widespread major natural disasters can create isolated materials and/or labor shortages requiring some upward adjustment for some specific materials, such as roofing, which can temporarily increase 30% to 50% or more above normal repair estimates. In general the overall cost can increase to as much as 20 % - 25%.

ABNORMAL SHORTAGES: Temporary supply-demand imbalances caused by events other than major catastrophes, such as factory closures, strikes, inadequate inventories, environmental legislation, trade embargoes, commodities speculation, etc., may require some upward adjustment for some specific materials. Abnormal material shortage can increase costs 2% to 10%, while abnormal labor shortage can increase costs 1% to 5%. In general the overall cost can increase to as much as 5% - 15%.

WEATHER EXTREMES: Extreme cold, heat or wet weather may require temporary enclosures or covers or special storage, handling and wrapping of materials. These added costs may increase costs by as much as 2% to 6%.

REMOTE LOCATIONS: If a building or other structure is far removed from supplies of labor and material or if its location (island, mountain, desert or resort) is accessible with difficulty, requiring higher freight charges on material, noncompetitive conditions for labor or materials, disproportionate crewing or labor per diem charges or unusual climatic conditions, or is and others not enjoying reasonable and adequate transportation facilities can increase costs by as much as 5% to 15% for remote areas and 15% to 30% for resort areas.

ATTACHMENTS: True attachments (not butted up to) actually form part of the building and should be included in the value of the building. Quite often they are ignored or considered as out structures. Common attachments that are taken into consideration are porches, balconies, garages, sheds, additions, etc. whereas quite overlooked are decks, patios, swimming pools, terraces, etc. yet these features can also be butted up to the structure.

It is not uncommon to find risks that have more than one of the above conditions that apply to it. These conditions are normally not asked while completing a valuation program, nor are they taken into consideration when computing the amount of insurance required. Depending upon the size and quality of the structure coinsurance can play a large role in the adjustment of a claim.

Insurers are becoming more pro active by addressing it at the underwriting level, rather than at the claims level where it is more of a reaction to confirm the coinsurance clause. We estimate that 1 in 3 buildings are under rated therefore insureds are not receiving their premiums, brokers are not receiving their commissions, and the insured is losing by becoming a coinsurer. Call a professional insurance appraiser who has a trained eye that can provide you with the right values.

3. STATEMENTS FROM THE CLAIMS FILE

Here is an excerpt from a statement in a claims file for you to analyze and determine what the insured is talking about.

“Play Dough and Microwaves should never be used in the same sentence.”

4. TIME MANAGEMENT (Part 8)

Say No

- We say, "yes" to others because we want to please them. But when eventually we can't continue, we let them down and we feel guilty. Both parties suffer. Recognize that a desire to please often prevents us from saying no.
- Stick to your plan. If you have a written set of goals and strategies, this gives you a reason to stick to your course. ("Thanks, but I already have an investment plan, so you don't need to send me a newsletter about stocks.")
- When someone persists, repeat your position, perhaps in a slightly different way. ("As I already said, our policy is to donate to charities that help children only.")
- Make sure you understand exactly what is being asked of you before you respond. Perhaps the task is more time consuming than you thought. On the other hand, it may not take much effort at all.
- Excel at just a few things, rather than being just average at many. Don't try to do everything.
- You have a right to say no. Remember that others may take you for granted and even lose respect for you if you don't.
- Be polite, but firm in saying no. You only build false hopes with wishy-washy responses. For instance, the phrase "I'll try to be there" in response to a party invitation is giving yourself an excuse to avoid a commitment. It doesn't do anyone any favours.
- When a superior asks you to do a new urgent task;
 - Remind her that you are working on other projects that she has already identified as top priorities
 - Ask for help in deciding where the new task should fall on the list of priorities
 - Ask, "What you like to give up in order for me to do this?"
 - Point out that you might be able to do everything, but not to the usual high standards that are expected.
- Some experts recommend keeping your answer short. This way, you can say no without feeling the need for a lengthy justification. ("I'm sorry, I'm not available that night.") On the other hand, others say that giving a longer answer with reasons reinforces your credibility. Let the situation decide.
- Provide suggestions or alternatives to the person who is asking. ("I can't do that task today, but how about next week," or "How about asking John instead?")
- When in doubt, it's easier to say no now, and then change your mind to a yes later, rather than the other way around.

When You Have to Say Yes

- Sometimes, saying no is simply unavoidable. Here are some techniques to use:
 - Tell the person you can agree to their request this time, but ask how the two of you might plan better for the next time.
 - Tell them yes, but remind them they owe you one. For example, they might cover you for a shift next time you need time off.
 - Tell them yes, but take control by saying you'll come back to them with a timetable. For instance, say, "I expect I'll be able to do that for you by the end of the week."
 - Put a tough condition on your agreement. "If it would only take an hour, I'd be able to help, but I can't give you more than that."

5. WE LEAVE YOU WITH THIS THOUGHT

"An ego trip is a journey that gets you nowhere."

Have a great weekend!

Notice: As of September 1, 2004 the Informer Newsletter, the WCC Newsletter, and the ARRN Advocate, has merged with the Chronicles Newsletter, and that is why you may be receiving this newsletter for the first time.

If you have changed your email address or if you wish to be added to this newsletter or removed from this newsletter please email us at integral@shaw.ca

All QUESTIONS, OPINIONS, & ARTICLES WELCOME, please send them to Letters to the Editor at integral@shaw.ca

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