



# **SCHOOLS PROTECTION PROGRAM**

*Risk Management*

## **PROPERTY CLAIMS HANDLING GUIDELINES**

### **Reporting**

Please report loss of property to SPP as soon as possible via our On Line Reporting system at [www.incident-request.org](http://www.incident-request.org) .

**For a serious event please call the RMB office at 250-356-1794. If the incident has occurred after business hours, the message on the phone line will include instructions to reach an on call claims person.**

The sooner you advise us the sooner we can provide the support required to get repairs underway. In the meantime, please ensure the cause of the loss has ceased and take whatever steps are necessary to protect and secure your premises/property. Do not wait for approval from SPP before commencing any necessary emergency work.

The more information you have available, the more efficiently the SPP claims team can help you to bring your claim to completion. Here are examples of the type of information that you should include in your claim report (if available), or be prepared to collect:

- What was damaged?
- Is the affected property owned or leased by the District?
- How did the damage occur?
- When did it occur?
- What is the extent of the damage?
- Photographs of the damage?
- Police or fire departments' file number and contact information for the investigating officer.
- Confirm that steps have been taken to preserve any evidence (e.g. retention of any failed parts or equipment).

### **Communication**

SPP's mandate is to work collaboratively with you to meet our common goal of returning your site to full operations efficiently, effectively and economically. SPP examiners are readily available to answer your questions. We understand the timelines and urgency of your needs, and will endeavor to assist you accordingly.

It is the responsibility of the District to ensure that either the assigned independent adjuster (IA) or the SPP examiner is kept apprised of any developments in the claim.

The claims examiner is the SPP staff member assigned to oversee the District's claim. An IA is an insurance industry professional contracted by SPP to meet with the District to gather the information on the loss and report back to the SPP claims examiner. Where an IA is assigned to a claim, you will deal directly with the IA and the IA will deal with SPP.

## **Coverage**

Once your loss is reported to SPP our first responsibility will be to determine if there is coverage for the loss. The SPP Property Coverage Agreement is intended to be at least as broad as a comparable commercial insurance wording. In practice, this means that SPP will interpret coverage as broadly as possible and exclusions narrowly.

Generally speaking SPP provides coverage for buildings owned by the District and used for educational purposes. Contents and equipment which are owned or leased by the District and tenants improvements on any leased property (where the lease agreement holds the tenant responsible), are also covered. Where the claim involves leased property a copy of the lease is necessary to confirm responsibilities.

The SPP Property Coverage Agreement will not cover the costs of repairing damage to a leased building, unless there has been prior agreement by the Ministry to do so. The owner of the building (i.e., the lessor or landlord) is the party responsible for ensuring insurance coverage is in place for their property and the costs of this insurance can be flowed through to the lessee or tenant (i.e. the District) as an operating expense. Regardless of whether the District is at fault for the damage or not (details of which will be determined at a later date) the owner of the property is responsible at the outset for undertaking the necessary restoration. In any lease that the District enters with a landlord where the costs of the landlord's building insurance are paid by the District, SPP requires the District to include a waiver of subrogation in favour of the District as per section 12.2 of the SPP Property Agreement. The reason for this is the District is paying for the Landlord's insurance premiums so the Landlord or its insurer should not be asking the District to pay for a loss to the building.

SPP is funded by the Ministry of Education and has a risk pool to pay for property losses up to \$250,000 in value. Losses over that are funded as a Capital Project. Coverage for any claim under the SPP Property Agreement is always at the discretion of the Ministry of Education.

*Note: The SPP article – School Property Coverage (released 2018), written in collaboration with the Ministry of Education, goes into more detail about property covered under the SPP Property Agreement Wording, Course of Construction and the BC Optional Property Program. The article can be found under [www.bcspp.org](http://www.bcspp.org) .*

All claims under the SPP Property Coverage Agreement must be fully documented and presented to SPP within two years of the date on which the loss or damage occurs.

## **Perils / Property covered**

SPP coverage is provided on an all risk basis, which means the District has coverage for all types of losses – except those which are specifically excluded.

Exclusions exist in two broad categories – types of property and types of perils.

- Examples of property excluded: watercraft over 17m in length, land, money and securities, plants, trees and shrubs not forming part of the landscape.
- Examples of perils excluded: gradual deterioration, inherent defects, wear and tear, faulty or improper design, faulty workmanship, faulty materials, settlement, cracking, expansion. However, damage which results from one of these exclusions may still be covered. As an example, this means that while SPP would not pay to replace a hot water tank which ruptures due to age, the costs to repair the water damage which resulted would be covered.

Refer to your SPP Coverage Agreements for full coverage details.

## **Extensions of Coverage**

In addition to the costs to repair/replace any damaged property, SPP extends coverage for various other expenses, such as:

- **Extra expense** includes costs to expedite repairs including overtime, the rental of alternate premises and equipment, cost of transportation such as busing to alternate locations etc.
- **Debris Removal** includes cost of debris removal of the destroyed property; including non-owned property deposited by flood or windstorm on a District's premises.
- **Bylaws coverage** includes the increased cost of reconstruction to comply with municipal ordinance and by-laws necessitated by loss or damage to property covered and arising from a covered event, including the cost of demolishing and clearing the site of any undamaged portion of the building(s) or structures.
- **Employee Personal Property** provides some limited coverage for personal possessions of employees which are used in the course of their employment. Coverage is limited to a maximum of \$3,000.00 per employee and in excess of the employees own personal insurance.

## **Building Damage**

### **Roles and responsibilities for building damage**

Parties involved in a building claim include the District and a SPP Examiner. An IA and a restoration contractor are also commonly involved.

SPP assigns the IA (if necessary) and approves costs. The District selects the contractor and/or supplier and authorizes repairs or replacement.

All parties collaborate on scope of work.

It is the District's responsibility to ensure that either the IA (if assigned) or the SPP Examiner is kept apprised of any developments in the claim.

### **Building Claims Process**

#### ***Loss occurs***

- District must initiate emergency clean up upon discovery of the loss.
- Mould and other contaminants can set in after 72 hours, so it is imperative that efforts be made to extract water and begin drying affected areas as soon as possible.

#### ***Emergency Phase***

- A **scope of work** which specifies the extent of the damage and describes what is required to stabilize the structure is required.
- The scope should be created with input from the site, restoration contractor and IA (if assigned). The SPP Examiner will review and approve the scope of work.
- Where work is being conducted by the District (no restoration contractor involved), a detailed description of the work involved and a time line for completion should be provided to SPP.
- The scope of work / description of work must include dimensions of affected rooms as well as a diagram/floor plan.
- Emergency work is always completed on a time and materials basis with a requirement for the restoration contractor to provide **full back up documentation** including time sheets, sub-trade and materials invoices.

The emergency phase is complete once the structure has been returned to a stable condition and the extent of the damage is known.

#### ***Repair Phase***

- A **scope of work** which specifies the extent of the damage and describes what is required to repair the structure is required.
- The scope should be created with input from the site, restoration contractor and IA (if assigned). The SPP Examiner will review and approve the scope.

- Where the repair costs are expected to exceed \$10,000 **two estimates are required.**
- As with the emergency scope, the repair scope of work must include dimensions of affected rooms.
- If competitive estimates are obtained for the repair work (based on a specified scope of damage) there is no need to obtain any backup documentation with the invoice. The bid price and the invoice should match.
- If competitive estimates are not obtained for the repair work, then an estimate on costs is still obtained at the outset, but the final invoice must be supported by full back up documentation including time sheets, sub-trade and materials invoices.

**Any changes to the scope of repair which will impact costs must be documented and approved by the SPP Examiner and/or the IA (if assigned) prior to the additional work commencing.**

Overtime charges are expected on the day of a loss, and perhaps even the next day depending on the size of the loss. However, after the initial response, use of overtime should cease. Any overtime after the initial response must be approved by SPP and the rationale for overtime must be provided by the District.

### ***Claim Completion***

- Final invoicing should be provided to the District and the IA/ SPP Examiner.
- Do not pay the invoices until the IA or SPP Examiner has audited the documents and approved them for payment. It is much more difficult to seek a credit back from a contractor than it is to simply pay the correct amount initially.
- Any labour charges from the District must be documented and provided to the SPP Examiner/IA at this time. Ensure that each employee (either via name or employee number), labour rate, trade and a general description of the work undertaken are clearly identified. Any materials consumed must be documented and costed out.
- The District will not be compensated for the cost of managing a claim. Only labour charges that can be attributed to direct repair or restoration work will be covered. Costs for supervision, project management, collecting estimates, accounting etc. are not compensable.

Once the approved costs are finalized, the SPP Examiner or IA will forward a Statement of Damage which details the total costs, less the \$10,000.00 deductible and the applicable GST retention.

The Statement of Damage must be signed and witnessed by an appropriate signing authority for the District and then returned to the SPP Examiner or IA in exchange for settlement funds.

## **Cost control mechanisms for Building Damage**

### ***Actively Manage the Work***

- Do not sign a work order without understanding and agreeing to the work it encompasses.
- Set a timeline for developing and/or receiving a scope of repair and a budget.
- Ensure that the contractor obtains the District approval for any changes in scope and/or costs before they occur.
- It is always the District's site and the District controls what work is done, not the restoration contractor.

### ***Equipment & Tools***

- Do not pay daily charges for use of a vehicle by contractor.
- Four day maximum for drying equipment is industry standard.
- Do not pay charges for transporting or cleaning equipment.
- Do not pay charges for use of small tools & equipment (e.g. ladders/saws).
- Charges for specialized equipment specific to your project are reasonable.
- Do not pay charges for reusable equipment, but charges for consumables are okay (e.g. garbage bags chargeable, garbage cans are not; poly sheeting is chargeable, poly poles are not).

### ***Labour***

- Overtime charges are only acceptable (after the initial response) if the District requested and sought approval in advance from the SPP Examiner or Insurance Adjuster.
- Only pay skilled labour rates for skilled work (e.g. carpenter rate is appropriate for construction work, not appropriate to pick up debris or mop floors).
- Unskilled labour should be at a lower rate (e.g. cleaners are reasonable at \$35 per hour, not reasonable at \$55).
- Supervision charges are not compensable, pay for direct work only.
- Administrative, project management and clerical charges are not compensable.

### ***Invoicing***

- Require full back up documentation with all time and materials jobs (this means time sheets, sub-trade invoices, materials invoices and equipment logs).
- Review the time sheets submitted to make sure they are for your project and for compensable work only.
- Compare the hours on the time sheets with the hours charged to make sure they match.
- Review sub-trade invoices to make sure they are charged correctly.

- Charges for overhead and profit are typical for restoration work, however, we will not pay overhead and profit to more than one contractor on any project for the same scope of work.

The District is the party best positioned to review invoicing to ensure accuracy because it owns the building, witnessed the damage, and managed the repair process. Maintaining control of costs is a joint responsibility between the District and SPP.

## **Contents and Equipment Damage**

### **Roles and responsibilities for Contents and Equipment damage**

Parties involved in a contents and equipment claim include the District and the SPP Examiner. A supplier/manufacturer of the damaged property is required to provide a repair/replacement estimate and occasionally, depending on the extent of the damage, IA will be involved.

SPP approves repair/replacement costs. The District obtains estimates and authorizes repair/replacement.

### **Contents and Equipment Claims Process**

- Provide a detailed list of damaged items, including age, make, model and original purchase price.
- Provide original proof of purchase (receipt or purchase order).
- Provide estimates to repair/replace the damaged items.
- The repair estimate must include a clear description of the work required to repair and a breakdown of labour and material costs involved.
- Replacement is at the discretion of SPP, and we will pay the lesser of repair or replacement.
- SPP will approve costs and then the District will make arrangements to undertake repairs/replacement.
- Invoices are submitted to SPP for reimbursement.
- The District is entitled to upgrade any new equipment/contents they are purchasing, however SPP will only pay for the cost of a like kind and quality replacement. The District pays any additional costs.

Once the approved costs are finalized, the SPP Examiner or IA will forward a Statement of Damage which details the total costs, less the \$10,000.00 deductible and the applicable GST retention.

The Statement of Damage must be signed and witnessed by an appropriate signing authority for the District and then returned to the SPP Examiner or IA in exchange for settlement funds.

## **Boiler and Machinery Coverage**

Boiler and Machinery coverage is also known as Equipment Breakdown. It is basically a single peril policy and it covers losses which occur as a result of an internal failure of the machinery or equipment. Boiler and Machinery covers loss to an “object” (most equipment) by an “accident” (sudden and accidental breakdown). Where the damage to an object by an accident results in damage to other covered property, the costs to repair or replace the other covered property is also covered.

Exclusions exist in two broad categories, types of property and specific causes of equipment breakdown.

- Examples of excluded types of property (“objects”) include: elevator/escalator/crane/hoist, oven/stove/furnace/kiln, sprinkler system or its accessory equipment, any vehicle, power shovel, excavator or other mobile equipment. Examples of excluded causes of equipment breakdown (“accidents”) include: wear and tear, corrosion, vibration or misalignment, leakage at valves, cracking/bending of turbines.

## **Deductible(s)**

SPP Property Coverage Agreements are subject to a \$10,000.00 deductible.

## **Common Claims Management Issues include:**

- Late reporting of loss;
- Failing to preserve evidence;
- Not obtaining independent assessment/analysis for causation;
- Changing scope of work with no notice to the SPP examiner/IA;
- Late and/or incomplete submission of invoices; and
- Lack of cost control.

These issues impact either our ability to promptly reimburse you for your damages and/or our ability to recover from a responsible third party.

## **Subrogation**

Where another party is responsible for the damages, the District is entitled to recover its costs. When SPP pays for a loss it "steps into the shoes" of the District and is able to seek recovery in the name of the District. This is a requirement in the SPP Property Coverage Agreement.

When SPP subrogates against another party the District is required to assist in the recovery process. This may entail such activities as: providing statements, securing evidence, providing contracts or other background documentation.

An investigation will be conducted to determine the cause of the loss and to identify the appropriate parties to pursue. This may require such outside expertise as engineers, architects, fire investigators etc. The District will have a key role in providing documentation such as construction details, floors plans, contracts, maintenance records etc.

Subrogation recoveries are often lengthy and drawn out processes. There may be ongoing requests for additional information from the District as the subrogation claim progresses.

Any funds recovered are shared between SPP and the District on a pro-rata basis, taking into account the costs of recovery including the expenses paid (e.g., legal fees etc.) to make that recovery. The District therefore recovers a pro-rated amount based on the percentage and deductible.

### **Litigation arising from Subrogation**

The Court system in BC requires that any civil litigation must be commenced within 2 years from the date of discovery of damages. Efforts will be made at the outset to negotiate a resolution without litigation. However, if the third party is unreasonable or unwilling, or the negotiations have not been finalized within the 2-year period, a civil action must be filed. Litigation must always be brought forward in the name of the District, even though the recovery process is typically directed by SPP.

Once a civil action is commenced the parties begin a process of exchanging information to make clear their respective positions on liability. Examinations for discovery are formal interviews in which representatives of the involved parties are questioned by the opposing counsel in order to clarify the circumstances of the loss. Representatives of District are often required to attend examinations. When doing so, the District representative will be supported by legal counsel (provided by SPP) who is representing both the individual and the District.

Often a formal mediation process is used in order to try to settle the matter rather than proceeding directly to court. At mediation all sides get together with an appointed independent mediator who leads the process. The intent is for the mediator to point out strengths and weaknesses of each party's case. Discussions at mediation are always confidential and without prejudice, meaning they cannot be used at trial. Usually it is the SPP examiner and legal counsel that attend mediation with appropriate settlement authority.

If all efforts to resolve the matter fail, the matter may proceed to trial at which time representatives of the District will be required to testify. Legal counsel supplied by SPP will support the representatives in preparing for and attending any court proceedings.

## **Additional Resources**

General questions or requests for information about insurance coverage or process can be directed to SPP advisory staff at [Protection.Program@BCSPP.org](mailto:Protection.Program@BCSPP.org).

Risk Notes and other advisory publications can be accessed at [www.BCSPP.org](http://www.BCSPP.org).

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