Four Stages of Disaster Management

Phase 1: Pre-disaster Planning
Phase 2: Response
Phase 3: Recovery
Phase 4: Closeout
Disaster Preparedness

Phase 1: Pre-disaster Planning
Why Prepare?

- Assess Vulnerability
- Reduce Risk
- Overcome the Challenges
- Maximize Recovery
Why Prepare?

- Reduce Risk
  - Can’t Stop a Disaster – No One is Immune
    - Many States Have Been Spared – But the Inevitable Can Happen
    - Prepare to Ensure Continuity of Operations and Services
    - Take Steps to Protect Life and Property
Phase 1: Pre-Disaster Planning

Why Prepare?

- Overcome the Challenges & Maximize the Recovery
  - Complexity of the System
    - Accounting Systems
  - Economic Environment
  - Physical Environment
  - Limited Resources
Phase 1: Pre-Disaster Planning
Get A Game Plan- Activate the Plan

- Pre-disaster photographs are essential
  - Take photos of all insured facilities and property
  - Photographs must be date stamped
- Essential records must be properly stored and easily accessible
- Reciprocal agreements and mutual aid agreements must be in place prior to disaster
Phase 1: Pre-Disaster Planning

- Communications
  - People are your most valuable resource – how will you reconnect with them?
- If needed, provide a place away from the affected area to shelter your staff
- Cash flow - keep enough cash to keep operations going
  - Back-up accounting & payment systems
  - Alternate procedures to ensure that people and vendors can continue to be paid
Phase 1: Pre-Disaster Planning

**PLAN** FOR THE POSSIBLE, **PREPARE** for the impact, **CONDUCT** meaningful drills to simulate the outcome.
Phase 1: Pre-Disaster Planning

Do You Have Adequate Coverage?

- Reducing risk before a disaster requires an understanding of how your insurance company will respond in the event of a loss.
- Understand how FEMA will cover eligible costs not covered by your insurance policy
- Read Your Policy – Know Your Policy
Phase 1: Pre-Disaster Planning

Can you control costs effectively?

- COPE Data – Keep it current and detailed
- Self-Insurance – Large retention, lower costs
- CAT Models – Understand and know how RMS 13 and AIR models impact your premium
- Risk Grouping – Consider aligning with another company
Phase 1: Pre-Disaster Planning

Know Your Policy

- Understanding how your policy affects the FEMA Public Assistance (PA) program.
- The National Flood Insurance Program (NFIP) mandates that flood policies are written for each separate building.
  - For wind it is permissible and more practical to write a policy that covers all assets.
- If an eligible insurable facility damaged by flooding is located in a Special Flood Hazard Area (SFHA) and the facility is not covered by flood insurance (or underinsured) on the date of such flooding, FEMA will reduce PA funding by the maximum amount of insurance proceeds that would have been received had the building been fully covered under an NFIP flood insurance policy.
Phase 1: Pre-Disaster Planning

Do You Have Adequate Coverage?

- Business Income – Are your limits adequate? Is your policy written such that the limit is tied to a specific building?
- Extra Expenses – How long will your insurance coverage provide for Extra Expenses you incur to relocate?
- Preservation of Property – Does your policy provide coverage for the costs incurred to mitigate an impending disaster?
Phase 1: Pre-Disaster Planning

- Emergency remediation contractors/vendors
  - Pre-position contracts
    - Quick response times can help mitigate total losses
    - Pre-disaster rates are locked in

- Identify other vendors that could assist after a major loss event
  - General contractors
  - Roofing consultants
  - Industrial hygienists
  - Structural engineers
  - Mechanical/electrical contractors
  - Insurance and FEMA claim consultants
Phase 1: Pre-Disaster Planning

Pre-loss checklist used to identify:

- Site/facility number and location
- Name of individual(s) performing inspection
- Date of inspection
- List of contact names responsible for facility
- Are there any trees in the power lines?
- Is there a generator on-site? Is the tank full?
- Is this facility a designated shelter location? Are there any special needs?
- Have photographs been taken for use as a baseline?
- Are roof drains/gutters free of clutter and debris?
- Are the window and door waterproofing (caulking/insulation) intact?
- Are sump pumps functioning properly?
- Are elevators inspected annually?
- Are there any outstanding maintenance items that have not been addressed?
Disaster Preparedness
Phase 2: Response

Activate the Plan

- Who Is Involved?

- FEMA
- State (Grantee)
- Applicants (Subgrantees)
Phase 2: Response
Post Disaster Emergency Response

- Roles and Responsibilities
  - APPLICANT (SUBGRANTEE)
    - Responsible for requesting public assistance
    - Develops and monitors scope of work
    - Maintains proper documentation
  - STATE (GRANTEE)
    - Reviews special requests
    - Administers funding
    - Conducts final closeout and inspections
Phase 2: Response

Post Disaster Emergency Response

- Roles and Responsibilities (CONT)
  - FEMA
    - Assigns a team to an applicant
    - Responsible for preparing project worksheets
    - Assesses scope of damage
    - Reviews insurance applicability
Phase 2: Response

Post Disaster Emergency Response

- Emergency Protective Measures
  - Protect property from further damage
    - Remove water and debris as soon as possible
    - Board up windows and secure property
    - Utilize security services if necessary to protect and secure property

- Perform Initial Damage Assessments
  - Take photographs and/or videos
  - Inspect roofs, basements, windows, and other breaches to the building envelope
  - Meet with vendors and establish timelines, protocols, tracking (especially important for T&M contracts)
Phase 2: Response

- Contractors will reference buildings using the building number rather than the name of the building on all documents, proposals, and invoices going forward.
- All proposals, contracts, purchase orders, and invoices must be tracked by building.
- All proposals, contracts, purchase orders, and invoices must reference disaster name/event.
- All proposals and invoices require a breakdown to include the following:
  - Debris removal-related expenses
  - Emergency measure-related expenses
  - Permanent repairs – structure-related expenses
  - Breakdown between wind and flood damage, when possible.
- Time and material (T&M) contracts for emergency repairs must include a “not to exceed” amount in order to be considered by FEMA.
- All proposals and/or invoices will require RS Means-type pricing details.
  - Support documents should include material pricing, labor (time card details), equipment usage, etc. allocated to each building or common area.
Phase 2: Response

Documentation and Support

1. Create a separate general ledger account or sub-accounts for each damaged building affected by the loss event. Track loss-related disbursements by building and use specific building loss accounts to capture loss related activity.

2. Maintain a voucher package for each claim disbursement. The voucher package should include copies of purchase orders, invoices, and cancelled check copies.

3. For all in-house, force account labor charges, provide:
   a. Claimed labor hours, by employee, by building location (if allocable), including a breakdown for straight time and overtime;
   b. Employee time cards indicating straight time and overtime;
   c. Overtime payment policy per the employee handbook;
   d. Labor rates, by employee; and
   e. A breakdown of related fringe benefits including historical ratios to labor for all benefits (i.e. FICA, FUTA, SUTA, retirement, insurance, workers compensation, vacation and sick leave, holidays, etc.).

4. To the extent possible, identify/code all labor, clean-up expenses, debris removal, property damage repairs, property damage replacement, and extra expenses separately by the category of repair or construction (i.e. roof, boiler, electrical, plumbing, etc.).
5. For in-house equipment and vehicle usage, provide:
   a. Claimed hours, by building location (if allocable);
   b. Detailed description of asset type, make, model, size, etc;
   c. Detailed explanation of loss-related work by category (clean-up, debris removal, repairs, and extra expenses); and
   d. Employee responsible for operating in-house equipment or vehicle.
   ➢ **FEMA will apply hourly rental rates based on the type of internal asset used**

6. Record a description of all other claim costs on the related invoice if not already within the body of the invoice, noting how the claim item is loss-related, and allocate the cost to a facility.

7. Copies of vendor contracts; invoices from any subcontractors used by a general contractor

8. Copies of invoices or receipts for all employee expenses.

9. Employees should file “separate” expense reports for all costs incurred relating to the loss event.

10. We suggest that one person be responsible for accumulating purchases orders or invoices as they are received and marking the document as loss-related. In large property damage scenarios, knowledge of the construction repairs may be necessary.

11. Department heads should create and maintain a chronology of events related to the loss and the impact that the loss has on their operations.
Phase 3: Recovery
Phase 3: Recovery

- Debris Removal
- Code Issues
- Alternate Projects
- Contingent BI

**BUILDING CLAIMS**

**EQUIPMENT AND CONTENT CLAIMS**

**BUSINESS INCOME CLAIMS**

**EXTRA EXPENSE AND EXPEDITING CLAIMS**

- Hazard Mitigation
- Improved Projects
- Emergency Protective Measures
- 50% Rule
Phase 3: Recovery
FEMA’s PA Program / Insurance Requirement

- FEMA Public Assistance is conditional based on a policy of “obtain and maintain” in regard to insurance coverage.
- Future public assistance will be jeopardized if adequate insurance coverage is not “obtained and maintained”.
- Permanent work project worksheets totaling less than $5,000 do not require future insurance commitments.
- Insurance requirements may be waived if the State Insurance Commissioner certifies that the type and extent of insurance required by FEMA is not reasonably available.
Phase 3: Recovery
Documentation and Support
FEMA’s PA Program / NFIP

- Only pre-disaster insurance requirement is for facilities located in a Special Flood Hazard Area (SFHA)
- Maximum amount of coverage available through the National Flood Insurance Program (NFIP) is $500,000 per building and $500,000 for contents located within a building
- If adequate flood insurance is not available, FEMA funding will not occur unless damages exceed the $500,000 threshold for building and contents
Phase 3: Recovery

Documentation and Support
FEMA’s PA Program / NFIP

- State Agencies That Will Likely Be the Largest Sub-Grantee After A Federally Declared Disaster
- Important To Understand:
  - The State must be in control of the disaster. **Do not wait for FEMA.** Dozens of agencies will be impacted, create consistency.
  - Understand your insurance requirements, including flood and other perils. Comply with FEMA obtain and maintain requirements resulting from past disasters.
  - For FEMA Categories A&B, debris and emergency work, have pre-positioned contracts in place for loading, hauling and disposal of debris and for contractors to perform remediation work. Additionally, you need to have contracts for debris monitoring and operations, and for project managers to oversee and document the remediation process.
Phase 3: Recovery

Documentation and Support
FEMA’s PA Program / NFIP

- State Agencies Will Likely Be the Largest Sub-Grantee After A Federally Declared Disaster
- It Is Important To Understand:
  - For FEMA Categories C-G, permanent work, use state licensed architects and engineers to develop:
    - Scope
    - Cost estimates
    - Documentation of codes and standards
    - Development of hazard mitigation proposals
  - For each project there is a need to reconcile what is covered under the insurance policy for wind and flood damage and what is covered by FEMA under the public assistance program. FEMA is the funder of last resort
  - All phases of the recovery must be properly documented. This includes damage, procurement, change orders, cost estimates, codes and standards, invoices, etc.
Phase 3: Recovery

Post Disaster Scope of Damages

• Building Claims
  • Damage Sustained by a building structure after a loss event
    • Building take-offs and analysis
    • Compile detailed building-by-building, room-by-room, unit-by-unit cost estimates
    • Repair vs. replacement options
    • Codes and standards
    • Hazard mitigation projects

• Reach scope agreements
  • Involve insurance company experts, adjusters, and/or FEMA estimators
  • Identify areas of agreement and/or areas of disputes
Phase 3: Recovery

FEMA Special Considerations

- Hazard Mitigation
  - Cost effective measures taken to prevent or reduce the threat of future damage to a facility
    - Section 404 and 406
- FEMA’s 50% test rule
  - If the estimated repair costs exceed 50% of estimated total replacement costs, total replacement value will be awarded
- Improved projects
- Alternate projects
Phase 4: Closeout
Phase 4: Closeout

FEMA Special Considerations

Establish protocols during Emergency Response to help expedite the Closeout process
- All data and documentation gathered during Scope of Damages will be utilized
- Continually update claim packages and expenditure data
- Detailed claim package to include:
  - Invoices, Purchase Orders, Vendor Reports, Photos, Proof of payment
  - Project Worksheets
  - Damage description list with actual or estimated costs
  - Scope of work necessary to repair eligible disaster damages
  - Breakdown of eligible materials, labor, equipment, and contract work
  - Reduction for applicable insurance proceeds to identify net FEMA recovery
- Accurate documentation will help recover eligible costs; assist in responding to requirements of both the insurance claim process and FEMA recovery process
Phase 4: Closeout

To ensure a more efficient and effective close-out and to maximize all funding opportunities it is important to pay attention to some special considerations:

- Understand your insurance policy and applicable coverage(s)
  - Wind vs. Flood
- Identify uninsured exposures
- Always have an updated schedule of insured values available
- Understand your current procurement restraints and regulations
- Update your disaster recovery plan frequently and conduct mock trials or table-top exercises
Phase 4: Closeout

- Insurance claims
  - Settlement phase based on negotiations reached among all parties
    - Work together with property broker, claim advocate, and insurer
  - FEMA claims
    - Settlement and closeout phase based on work completed and funds expended
    - Time consuming and tedious process
    - Coordination of all funding sources needed
    - Records must be maintained for at least three years after closeout
    - Undocumented eligible expenses will not be reimbursed
An Overview
FEMA PA and Insurance
FEMA PA Process

- Disaster Event
- PDA
- Governor’s Request
- Declaration
- Initiate FEMA Programs
- Kickoff Meeting
- RPA
- Applicants’ Briefing
- Project Formulation
- Project Review
- Obligation
- Disaster Closeout
- Project Closeout
- Subgrantee
- Grantee
LESSONS LEARNED FROM PAST EVENTS

- Hurricane Katrina
- Hurricane Sandy
Questions?

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