

20
26 PROPERTY CASUALTY
CLAIMS SEMINAR

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A Berkshire Hathaway Company





Emergency Mitigation: Tools for Success



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Agenda and Introduction

1. Important Factors for Claims People
2. What is an isn't an "Emergency"
3. Does "Size" Matter
4. Best Practices
5. Do's and Don'ts
6. Determining your obligations and avoiding disputes
7. Modern technologies to aid in the claim adjustment

Your Goal... The Only Goal!



The goal of **EVERY** first property insurance claim is to put the right number on the check and say goodbye to a happy policyholder as quickly as possible.

In other words ...

Increase the chance the insured will thank you and tell their broker to renew the policy.

- What got Damaged?
- Do we have an Emergency?
 - Does immediate response mitigate the loss – physical damage and or time element?
- When does it cease to be an Emergency?
- How to control time and money!





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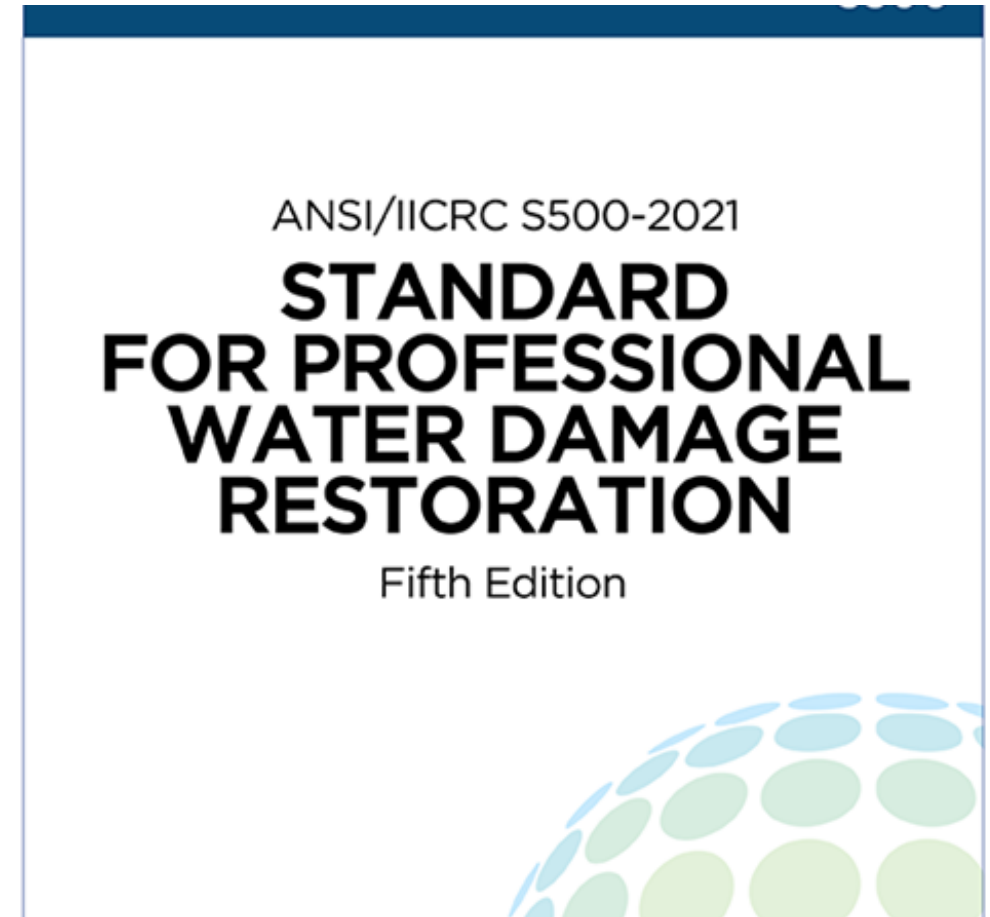
Definitions

The Basics

Purpose of the S500

- **Application**

- This Standard was written for use by those involved in the water damage restoration industry, **primarily for restoration companies and workers**, and secondarily, for others who investigate or assess abnormal water intrusion, prepare restoration specifications and procedures and protocols, and manage restoration projects, (e.g., indoor environmental professionals (IEPs), and other specialized experts) and finally, for other potential materially interested parties (e.g., consumers and occupants, property owners and managers, government and regulatory bodies, **insurance company representatives**, or third party administrators).



What is an Emergency?

Mitigation Defined:

“The action of reducing the severity, seriousness, or painfulness of something.”

(Oxford English Dictionary)

1. Reduces Physical Loss or Damage at an amount less the emergency service expenditure.
2. Reduces the loss of business, period of restoration and or additional living expense, but:
 - What about coverage or waiting period?
3. Size of Claim is Irrelevant!

When Does “Emergency” End?

- The “Emergency” response is deemed completed when the following is satisfied:
 1. The property is protected from further damage.
 2. The period of restoration is not extended by ceasing mitigation activities.
- Emergency responses are often not within the control of the policyholder and quite often mitigation expenses may not be possible or reduce the effect the expenditure.

IICRC S500 Category of Water

- **Category of Water:** The categories of water, as defined by this document, refer to the range of contamination in water, considering both its **originating source** and quality **after it contacts materials present** on the job site. **Time and temperature** can affect or retard the amplification of contaminants, thereby affecting its category. Restorers should consider potential contamination, defined as the presence of **undesired substances**; the identity, location, and quantity of which are not reflective of a normal indoor environment; and **can** produce adverse health effects, cause damage to structure, systems, or contents, or adversely affect the operation or function of building systems.



IICRC S500 Category 1

- **Category 1:** Water that originates from a sanitary water source and does not pose substantial risk from dermal, ingestion, or inhalation exposure.



IICRC S500 Category 2

- **Category 2:** Category 2 water contains significant contamination and has the potential to cause discomfort or sickness if contacted or consumed by humans. Category 2 water can contain potentially unsafe levels of microorganisms or nutrients for microorganisms, as well as other organic or inorganic matter (chemical or biological).



IICRC S500 Category 3

- **Category 3:** Category 3 water is grossly contaminated and **can** contain pathogenic, toxigenic, or other harmful agents and **can** cause significant adverse reactions to humans if contacted or consumed.



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Contract Issues

When does emergency service end?

- If there is no contract? When the insured says it does.
- Work Authorization vs Contract
 - **Work Authorization** – temporary permission to furnish services, no defined time period
 - **Contract** – defined scope and cost, legally binding to completion

To Xactimate or Not to Xactimate?

- Xactimate is an estimating tool, not an invoicing tool
- Xactimate (currently) works best in residential settings or under 100k in mitigation cost
 - Duplicates time between line items
 - Often must be modified to fit certain tasks
 - Can be misleading depending on codes utilized
 - HMR or WTR?

- **What are appropriate rates and markups?**
- **“It Depends...”**
 - What does local law require?
 - Maryland = 10+15
 - Normal and customary = 10+10 over contractor cost

How to avoid problems early...

- Extrapolate labor efficiency
- Define billing provisions – T&M or Xactimate
- Procure and review Rate Sheets
- Request moisture maps (define the damage)
- Define and request supporting documents
 - Labor logs/timesheets
 - Equipment logs
 - Consumable logs
 - Drying Logs
 - Photographs



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Tools to Help You

Labor Efficiency is the Key!



The one thing that hasn't changed in over 25 years

- The amount of scope 1 person can complete in 1 shift
- Not dependent on rate sheet
- Multiple variables
 - Type of structure
 - Level of contamination
 - Amount of content

Projection Element	Projection Input	Output	Unit of Measure
Facility Type - Starting Quotient	Multiple-Family Dw	272	Square Feet
Ceiling Height	13' to 20'	-14	Square Feet
Contaminant Level	Light	-4	Square Feet
Contents Concentration	Moderate Heavy	-23	Square Feet
Confined Space	No	0	Square Feet
Containment	Yes	-40	Square Feet
Debris Removal	Yes	-12	Square Feet
Elevator System	No	0	Square Feet
False Air Space	No	0	Square Feet
H.V.A.C.	Yes	-12	Square Feet
Number of Stories	One to Twenty	-10	Square Feet
Cause of Loss / Peril	Water	-5	Square Feet
Productivity Quotient - Prior to Exceptions		152	Square Feet
<i>Union Labor Exceptions</i>		0	<i>Square Feet</i>
<i>Additional Productivity Exceptions</i>		-10	<i>Square Feet</i>
Final Productivity Quotient		142	Square Feet

Total Square Footage	15000.00
Labor Efficiency	142.00
CALENDAR DAYS	14.00
MAN-DAYS	105.63
PRODUCTION LABOR	7.55
SUPERVISORS REQUIRED	0.75

Category	Totals
Labor	\$ 97,216.00
Equipment	\$ 77,772.80
Materials	\$ 19,443.20
Vendors	\$ 21,387.52
Reimbursables	\$ 14,582.40
Additional Services	\$ -
Total for Categories	\$ 230,401.92

		Total Amount of Time & Materials Budgeted:	\$ 230,401.92
Not to Exceed % Reserve Factor (NTE):	10%	Budget w/NTE	\$ 23,040.19
		Total Amount of Time & Materials Budgeted with NTE:	\$ 253,442.11
		Approx Price Per Square Foot (based on Time & Materials Budget Amount):	\$ 15.36
		Approx. Daily Burn Rate (based on Time & Materials Budget Amount):	\$ 16,457.28

Clerking vs Monitoring – There IS a Difference!



Clerking

- Daily inventory of labor, materials & equipment
- Documents job site activities
- Reports back to the insured owner/adjustment team

Project Monitoring

- Setting expectations for the job site.
- Reporting of job site activities to keep the client informed in real time including an onsite representative to respond to the insured's needs
- Track job site activities
 - Labor (ratios, efficiencies, work areas)
 - Equipment (usage, necessity)
 - Material usage
 - Changes to scope and cost
 - Change order requirement
 - Subcontractors (who/what trades, subjected to markup, rate structure)
- Track/report on progress (drying and demolition inefficiencies, means & methods)
- Multifaceted Experts monitoring multiple services (EHS & Mitigation)

- Keep form and format consistent (T&M or Unit Cost) for recommendations
- Scheduling of Documents
 - Identifying errors in calculations
 - Identifying overages (field log verification)
 - Identifying comingling & duplications of scope and cost
- Using Facts, Industry Experience and Project Documentation to make reasonable recommendations.

Examine contractor invoicing and documentation for validity and value by analyzing:

- Scope of work
- Invoicing methodology (rate sheet review)
- IH support for Class and Category assignment
- Invoiced rates as compared to market
- Crew sizes and labor category ratios
- Subcontractor usage and markup
- Accuracy of supporting documentation
- Equipment usage, moisture mapping, drying records and psychrometric logs

- Communicate and evaluate as much as you can on the front end
 - **Silence will be interpreted as agreement**
- Rely on the data and supporting documentation
- Clearly outline areas of concern in a consistent format
- Follow up with contractors



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Thank you!



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