

Working with insurance adjusters on fire and mudslide claims

James Komen and Doug Malawsky

FOR THE FIRST FEW months of 2018, much of my work involved assessing damages to trees caused by the recent fires and ensuing mudslides in Southern California. Many tree owners had some insurance covering some of the losses sustained by their landscape trees, plants, and shrubs. I was hired by insurance adjusters and sometimes other consultants to help in the process of quantifying those damages. I've written this article to share some of my experiences doing the work.

Estimating the scope of an assignment

I've often received assignments without knowing the size of the project or extent of the damage. To help budget my time for a given project and to make travel plans, I would try to obtain as much information about the claim as possible. There were three variables I used if they were available to me: property acreage impacted, overall landscaping policy limit, and per-tree policy sublimit.

There were two types of insurance policies I assisted in processing: residential homeowner policies and commercial policies. Typically the homeowner policies had more stringent limitations on coverage such as per-tree sublimits. For example, a \$500 sublimit would not pay the policyholder more than \$500 for any given tree, even if the value of the lost tree were significantly greater (Fig. 1).

The commercial policy claims had significantly fewer restrictions. Several commercial policies I worked on had no per-tree sublimit! That meant that I could record data on \$1M worth of trees by measuring twenty 35" DBH trees that were killed or se-

verely burned – easily accomplished in an hour on a few properties I visited. I reached policy limits very quickly on commercial policy claims covering old-growth forest stands that had completely burned. Conversely, I was much slower to reach policy limits when per-tree sublimits were imposed.

Homeowner policies tended to have one of three per-tree sublimits: \$500 per tree, \$5000 per tree, or \$10,000 per tree. The overall limit on homeowner policies was often 5% of

"*Dwelling A Coverage*," the estimated cost to rebuild the main house on a property. So if a main house had an insured rebuild cost of \$1M, then the landscaping limit would be \$50,000. The landscape limit would be the maximum amount of money that the insurance company would pay for any damages to the landscape assets.

Due to the high volume of claims that all needed to be processed in a short time, there was an imperative to use my time efficiently. On many claims with extensive damage, it

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Figure 1. On a policy with a \$500 sublimit, the 4" oak in the image on the left had the same amount of covered loss as the 46" oak in the image on the right.



was clear that policy limits would be reached from a cursory scan of the property. In these cases, I was instructed to capture 110% to 120% of the overall landscape limit and then stop data collection. Once the policy limits had been reached, the insurance company wouldn't have to pay the policyholder additional funds, so no justification was needed for tree damage beyond policy limits. Any additional time on site would be wasted investigation that could have been used for another property.

On other claims, some adjusters preferred to have me record data on everything. Although my data would far exceed the landscaping limit for the policy, there would sometimes be other forms of coverage that could be used, and so the additional information was still necessary to process the claim. Data collection for these claims proceeded much more slowly because every asset needed to be recorded, no matter how small the loss was.

However, due to the extensive fire damage on many properties, it was clear that policy limits would be reached. Time was of the essence, and the claims needed to be processed and paid quickly. So for claims where it was likely I would reach policy limits, I used the following method of improving my data collection efficiency: The *Trunk Formula Method* (TFM) of tree appraisal as outlined in the *Guide for Plant Appraisal 9th Edition* was the most commonly used method of tree appraisal at the time of my site inspections. It has since been replaced by the 10th Edition. Most often, TFM is used to calculate the replacement (reproduction) cost of a tree by inputting the size of a tree, its unit cost, and several other parameters. When I was estimating my anticipated workload, I used the Trunk Formula Method of appraisal in reverse: I estimated how large a given tree would have to be to reach a given per-tree sublimit. Using the lowest unit cost published in the Southern California subregion of the Western Chap-

ter Regional Classification Guide of \$45 per square inch of trunk cross sectional area, I estimated the sizes of trees that exceeded the following per-tree sublimit thresholds:

Per-Tree Sublimit Threshold	Approximate Size of Tree
\$500	4"
\$5,000	12"
\$10,000	17"
\$20,000	24"
\$50,000	38"

So if I were working with a policy with a \$500 per-tree sublimit, I would be looking for any total-loss trees larger than 4" in diameter. If I were working with a policy with a \$10,000 per-tree sublimit, I would focus on all trees 17" and larger. Size estimates would be different in regions or in ISA chapters using different unit costs, but I provide this table as an example of the numbers I was working with on my assignments.

Combining the total limit and the per-tree sublimit would yield a preliminary estimate of the number of total-loss trees for which I would need to record data. For example, if a policy had a \$50,000 landscaping limit and a \$500 per-tree limit, then I would need to record data on at least 100 total-loss trees valued at least \$500 (or 120 total-loss trees if my adjuster wanted to obtain 120% of policy limits). If it were clear that policy limits would be reached, I began by collecting data only on the obvious total-loss trees with 4" DBH or larger.

If there were more trees than necessary to meet policy limits on a claim with a \$500 per-tree sublimit, I would usually focus on the trees 4" to 11" DBH and leave off the larger ones because larger trees take more time to measure. If I was unsure about whether a tree was a total loss or if it would recover, I skipped it, opting for the obvious losses. In these cases, skipping trees didn't have an effect

on the outcome because I would still reach policy limits with the trees for which I did record data.

As a means of improving efficiency in the field, I copied measuring tape markings onto the edge of my data collection sheet. Then I could simply hold up my paper to a small-size tree and obtain a quick trunk measurement. I lost some accuracy, but vastly improved speed over wrapping a D-Tape around every tree trunk. But when working with a \$500 per-tree limit, there was no difference between a 5-inch total-loss tree and a 5.5-inch total-loss tree because they would both be limited to \$500 total. The additional level of measuring detail did not have an effect on the outcome of a claim, so I omitted it in favor of efficiency.

Sometimes there was not enough damage to meet policy limits. In these cases, I had to record data on every piece of damaged plant material, no matter how small. If a tree was only a partial-loss, then I recorded data on the estimated cost to salvage the tree (deadwood pruning, supplemental irrigation, etc.). These cases tended to take more time in the field because of the increased need for detail. Unlike claims with many obvious total-losses, I couldn't skip any losses in these cases, because that would have had a material effect on the outcome of the claim.

Consultant's role

When an insurance adjuster hires a consultant, usually the consultant's role is to collect data and to determine the value of the loss. A consulting arborist collects data on the damaged trees, plants, and shrubs in the field and then submits an itemized report for the value of the damage to each landscape asset. In many of my assignments, I was hired by another consulting firm that provided the plant values, so my only role was to inventory the damaged trees and plants.

For the most part, I was instructed to avoid consulting directly with the policyholders. In these assign-

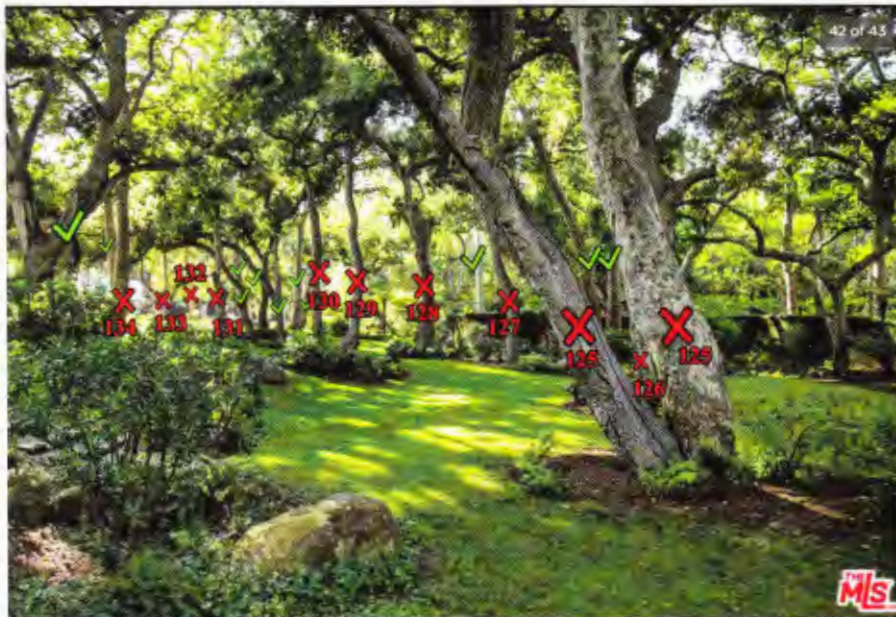


Figure 2. (Above) Post-loss image of a mudslide-damaged property matching the angle of the pre-loss image shown in Fig. 3. All of the boulders were deposited by the mudflow.

Figure 3. (Below) Pre-loss MLS image showing tree trunks that were present (green ✓) and absent (red “x”) from Fig. 2, the post-loss photo. Absent trees are labeled with asset numbers corresponding to losses recorded in the asset spreadsheet.

Figure 4. (Lower left) MLS Image Before Loss corresponding to the post-loss image in Fig. 5.

Figure 5. (Lower right) Replicated post-loss image corresponding to the pre-loss image in Fig. 4. Note the matching trunks of the sycamores at right. Several large trees are missing, and so are many smaller landscape plants. Each of the missing trees, plants, and shrubs were itemized in my report. Mudslide debris was stacked at the center of the yard (center and left) as part of the cleanup process.



ments, I was working for the insurance company and not the homeowner, so it was not my role to provide additional information outside my scope of work. In some assignments, I was given leeway to help build rapport with the policyholders as their tree damage consultant on behalf of the insurance company. In other assignments, the guidance of avoiding out-of-scope advice was strongly emphasized, especially in cases where attorneys were involved. If I had erroneously given predictions about the outcome of an appraisal prior to delivering a final report, one of the involved parties would have been given a false impression about how their case would turn out. In every case, my case’s insurance adjuster or



lead consultant was open and available to discuss case-specific details such as the allowable level of contact with the policyholder.

When it came to involvement, different adjusters had unique approaches to the claims process. Some preferred a passive role of "desktop adjusting." They would simply wait for my report and then apply policy limits to my appraisal of damages without ever having visited the site. Some would make an initial site visit with me. We would walk the property together and then they would turn me loose to collect data on my own. And still others preferred a direct-supervisory role, actively participating in the tree measurements and appraisal on site. Usually the more supervision I received, the slower the data collection proceeded because of the increased amount of discussion time. But the discussion yielded productive results and material effects on the outcome of the process, so all three strategies had their advantages and disadvantages.

Special circumstances

In fire damage cases, there was usually some significant evidence that a large tree was formerly present on site. Even in an intense fire, there would usually be a portion of the charred heartwood either standing or laying on the ground. But for the mudslide claims in Montecito, CA, many trees were simply wiped away without a trace. And in both fire and mudslide claims, there were many areas where landscaped areas were completely erased. How could I gather data on the damaged trees, plants, and shrubs without any evidence of their existence?

In these cases, I relied heavily upon pre-loss photos of the landscape. Many property owners had photo-records of their properties from past events like birthday parties and family gatherings. A commercial resort had images of its cottages. A home that was recently sold had MLS images available on Zillow and Redfin. I took the images I was provided, and then I re-created the same photo angle on the property post-loss. Then I lined up the remaining trees and determined which trees, plants, and shrubs were missing. It was very tedious work, but I was able to pull together fairly detailed inventories of assets that were completely swept away or burned to ash. Figures 2-3 and 4-5 show the stark contrast of pre- and post-loss images. Believe it or not, those photo pairs were taken from approximately the same angles.

One of my assignments was particularly interesting: I wasn't even allowed to visit the site! I was instructed to make my determination of the value of the damaged trees, plants, and shrubs on a property wiped out by a mudslide - and all I was given were a few photos of the house submerged in mud and a few aerial images. For this assignment, I utilized Google Maps satellite imagery. I matched the angles that the aerial photos were taken from in the pre-loss satellite imagery and then began labeling the green blobs on the screen. I estimated trunk diameters by taking ratios of canopy spread measurements

to DBH of trees on other nearby properties. Although there was a significant margin of error, I was still able to pull together enough evidence that my adjuster could be confident that the policy limits had been exceeded.

Final thoughts

My experiences with the fire and mudslide damages in California were both harrowing and humbling. I had the opportunity to speak with a wide range of property owners and managers and to see the restoration and recovery process firsthand. I hope that sharing my experiences will assist others in working with insurance professionals on insurance claim cases in the future.

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