

Public Adjusters of Colorado, LLC

10583 Serengeti Drive, Littleton, CO 80124

Phone: (303) 770-0351

Fax: (303) 799-7721

"Adjusters for the Policyholder"

Named Insured: Colonial Manor Condominium Association
Policy Number: 96-KS-1619-0
Claim Number: 06-K180-354
Date of Loss: April 24, 2007
Loss Location: 4100 S.Dale Ct., Englewood, CO 80110

SERIOUS ENVIRONMENTAL CLAIMS HANDLING ERROR BY STATE FARM

State Farm through its consultant, Foothills Environmental, initially asbestos tested the loss for the presence of friable asbestos hazards. The first evaluation was completed on April 25, 2007. This site testing was restricted to limited plaster textures in Unit 2 (origin of fire) and the presence of asbestos was declared non detectable. State Farm's adjusters orally advised the Insured's representative and individual unit owners that the units were safe to enter as no asbestos hazard was present. State Farm's adjusters furnished these parties with copies of the Foothills Environmental report dated April 26, 2007. The State Farm adjusters orally advised the unit owners that the coverage policy only afforded coverage for the structure frame work and exterior finishes. The individual unit owners were advised they were responsible for interior damage repairs from the framework out. On the reliance of the State Farm adjuster's representations, the owners freely entered their damaged units to assay personal property damages. The owner of Unit 3 removed segments of damaged sheetrock and attempted to clean interior soot from wall surfaces in an effort to minimize damages.



PAC wishes to note that the State Farm's representation of restrictive interior damage coverage (i.e. Does not cover interior finish damages from framework out.) as discussed was false and in our opinion a clear violation of the Colorado Revised Statutes 10-3-1104 relating to Deceptive Insurance Practices.

Soot Contaminated Sheetrock

Debris Pile Kitchen of Unit 3 - PAC Photo May 16, 2007

Owner relied on false State Farm Coverage representations and began removing damaged materials. Material was tested and determined to be asbestos containing.



Unit 3 Debris Removal by Owner Based on State Farm's False Coverage Representation
PAC Photo May 16, 2007 Wall material later proved to be asbestos containing.

Despite the representations and assurances made by State Farm's adjusters relating to the Foothills testing report dated April 26, 2007, the adjusters commissioned additional asbestos testing in the damaged units. State Farm's consultant, Foothills Environmental, performed the second round of limited testing on "popcorn" ceiling textures in Units 1 and 3 on April 30, 2007. The Insured and the unit owners had no knowledge that this second round of asbestos testing was performed. Foothills Environmental released the second testing report concerning its limited testing scope to State Farm on May 2, 2007. This second report also declared the damaged units to be a non hazardous asbestos situation and safe to remove debris without concern. For the record, State Farm's two testing events failed to sample clear and obvious fire damages (Burnt vinyl flooring and sheet rock wall debris in Units 1 and 2) that had a high probability of being classified as a "major asbestos spill" per Colorado Regulation 8B.



Unit 2 Main Floor Bath
PAC Photo May 16, 2007

Wall Damage By Firefighter Causing Clear Pass Through to Unit 1. Asbestos containing sheetrock material. No record of debris being tested by State Farm's consultant



Unit 1 Main Floor Bath - PAC Photo May 16, 2007

Firemen removed 8'x 5' section of sheetrock due to fire in wall cavity. Photo shows sheetrock crumbs and burnt vinyl both contain asbestos levels greater than 1%. Damage is over 32 square feet qualifying as major spill area per Colorado Regulation 8B. State Farm's consultant tested loss location twice without record of sampling this obvious damage which poses a high potential asbestos risk. See attached State Farm Photos taken in April 2007 showing the same debris.

PAC did not learn of the second Foothills Environmental testing report dated May 2, 2007 until a complete claim correspondence package was issued by State Farm and received by our office on June 21, 2007. In retrospect, we can not understand why a second testing event was commissioned by State Farm's adjuster if the first testing event properly characterized the non hazardous asbestos situation. We can not understand why this second round testing was cancelled from the Insured's representative and unit owners. We can not understand why the unit owners were not immediately advised that the first report was not conclusive and they should stay out of the units for safety concerns until the matter was resolved. We can not understand why the State Farm's consultant did not test clear and obvious suspect fire damaged debris considered by all standards to be high risk asbestos containing materials.



Asbestos Containing Sheetrock Debris
Middle of Kitchen Floor Unit 1.
PAC Photo May 16, 2007

Owner's children were playing in this asbestos laden debris for weeks. The owner relied on State Farm's assurance that the units were not an asbestos hazard and Safe to Enter.

See similar State Farm photo taken on April 26, 2007 showing same piece of sheetrock in same location. How can this be overlooked?

Upon PAC's first meeting with the Insured's representative, Mr. Robert Nolan and all unit owners in the complex on May 16, 2007, we were informed that State Farm had conducted asbestos testing. We were provided with the Foothills Environmental report dated April 26, 2007. The unit owners indicated that State Farm adjusters, Mr. Tim Thomsen and Mr. Tom Egger had given them the Foothills Environmental report and told them that it was safe to enter their units to survey their damages. The effected unit owners were mostly concerned about statements made by the two adjusters orally informing them that the policy only covered structural damages to the building and they were each responsible for interior repairs for the stud framework out. We reassured the entire association body that most, if not all, interior damages should be covered but we would have to review the policy and the association by laws verify coverage. Our firm then inspected the units to assay the damages. We became immediately concerned that the Foothills Environmental report did not include asbestos testing of clear and obvious damages that were highly suspect materials.

During the first inspection, PAC identified nine different potential asbestos containing wall textures throughout the units that were affected by the fire. We immediately advised the entire association to stay out of the damaged units until a CIH / licensed asbestos tester could conduct a comprehensive analysis to either confirm or refute the State Farm commissioned testing report. We indicated that this was a sensible precaution and the comprehensive analysis report would be required to evaluate the proper repair methods. Mr. Tm Koch, owner of Koch Environmental Health, was retained and provided with the Foothills report dated April 26, 2007. Mr. Koch was advised of PAC's concerns about an incomplete asbestos evaluation and the need for a comprehensive analysis. Mr. Koch personally tested the property on May 18, 2007 due to the prior test by a licensed asbestos tester. Mr. Koch issued a report dated May 21, 2007 which declared all units to be a "major asbestos spills" pursuant to Colorado Regulation 8B. The Insured's representative was immediately notified of the situation and advised of containment requirements.

The Insured's contractor, Disaster Restoration Inc. (DRI), was also informed of the asbestos spill situation and advised to arrange for the appropriate containment of the loss by a licensed asbestos abatement contractor per Colorado Regulation 8B. The owner of DRI, Mr. Michael Griggs, was

disturbed by the inaccurate State Farm report that had been issued, as they too had relied on this report to guide restoration plans and activities at the loss. Mr. Griggs had his personnel contacted DRI's asbestos abatement subcontractor, Custom Environment to get another assessment of the situation. Mr. Eldon Nahring, a Project Manager of Custom Environmental felt that the Koch report was accurate, but commissioned Wee Cycle to retest the property loss again. PAC was advised that Lorene York, from Wee Cycle also determined independently that the entire loss was a "major asbestos spill" per Regulation 8B. The Wee Cycle report has not been released to our company. The site was properly spill contained by Custom Environmental on May 24, 2007.

PAC believes State Farm has made a serious environmental error in the handling of this loss. We hope that you will agree and take immediate action to remedy this situation. Many people were senselessly exposed to the friable asbestos spill hazards due to State Farm's error. The owner of Unit 1 was in her unit almost daily for three weeks inventorying damaged contents. During her evening visits, she brought her small children to the unit by necessity. Her children were playing on the kitchen floor and on the back patio where firemen left piles of friable asbestos containing debris. The owner of Unit 2 made numerous trips into his unit to remove his personal property which was most likely covered with friable asbestos. The owner of Unit 3, along with a number of friends, removed a number of sections of heavily damaged sheet rock on the reliance of State Farm's information. They spent nearly three weeks trying to wash soot from all the wall surfaces because she believed State Farm's adjusters representations that she was responsible for the repair of interior finishes from the stud frame work out. Many other parties providing assistance or evaluating damages were also senselessly exposed to the asbestos spill hazard.

The unit owners and association (Insured) are outraged at this situation and may seek remedies with CDPHE and DOI. Although PAC can't speak for their possible individual actions, we think that State Farm efforts to quickly and fairly settle real damages presented in this document may go along way to unwinding the situation. We suggest that State Farm strongly consider the issue of a multipart, Policy Holders Release, with unit owner signoffs, as an expedient means to close liability in this matter. PAC will be glad to negotiate such a document with State Farm Management and the effected parties. From a client perspective (The Association), State Farm's actions may have caused an unwanted liability exposure as the association technically owns the building and the unit owners purchased the exclusive right to occupy the space. We are sure State Farm is fully aware of the structure of condominium associations. Let this correspondence serve a notification of potential liability exposure as the result of State Farm's claims handling error. Our client would welcome prompt resolution that fully repairs damages and ends potential liability issues.

Please be advised that PAC does not wish an adversarial relationship with any individual employed by State Farm as suggested in State Farm's correspondence dated June 4, 2007. We are simply following regulatory laws and procedures in the course of handling this damage claim. PAC did not create this situation; we are only documenting the facts and offering a sensible resolution. We wish to handle this matter in a discrete professional manner with whomever State Farm designates as the appropriate contact person. If State Farm does not wish to respond in an appropriate and constructive manner, PAC is fully prepared to involve CDPHE, meet with Colorado Insurance Commissioner, Ms. Marcy Morrison, and place our clients situation in the hands of competent legal council. We are fully prepared to execute any and all measures necessary to protect our client's interest. PAC sincerely hopes State Farm agrees that this situation is unfortunate and accepts our offer to professionally resolve this matter.