

OPERATION GUIDE

DATE	GENERAL CLASSIFICATION	SUBJECT	NUMBER
06-18-03	Claim Practices Fire	Claim Procedures - First Party	75-01

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I. PURPOSE

This Operation Guide establishes guidelines and procedures for handling first party structural and personal property losses. For specific types of losses such as crime, water, etc., refer also to the OG under that title.

II. GENERAL INFORMATION

It is the intention of State Farm[®] to handle each claim fairly, promptly, and courteously.

To ensure the attainment of this goal, reasonably consistent investigative patterns, interpretations, and reporting procedures should be followed.

III. LOSSES HANDLED WITH PHYSICAL INSPECTION

A. Investigation of Structural Losses

1. Inspection

- a. Thoroughly inspect each loss.
- b. Carefully note any indication of the source of the loss, as well as when the loss occurred. It is important to note the date of loss, whether one or more occurrences caused the loss, and whether subrogation potential exists.
- c. When inspecting buildings, it is recommended to follow a consistent routine to be sure relevant parts of the building are inspected. For example, start at the front or street side of the house, and go clockwise until returning to the start spot. Use similar routines in inspecting roofs and interiors.
- d. Record the date of inspection in the file, along with pertinent comments on the loss.

2. Photographs

Take pictures to preserve facts, illustrate any unusual features, or more clearly reflect damaged and undamaged areas. If underwriting characteristics of an adverse nature are noted, take one or more exterior photos and refer to your Underwriting section via the Underwriting Review form (Exhibit 5).

Example: If a wood burning stove or free-standing fireplace is observed at the risk, take a photo and route to Underwriting on the Underwriting Review form.

The claim representative's role in this area is limited to reporting underwriting concerns. The claim representative does not recommend or initiate underwriting activity.

3. Shipping Hazardous Materials

Occasionally in the investigation of the claim, it becomes necessary to ship materials and debris for expert analysis. Some of this material may be hazardous. The United States Department of Transportation (DOT) has

- very specific requirements for anyone who ships or transports hazardous materials. The bulk of the regulation applies to transporters; however, the law also regulates the consumer or shipper. Even the occasional shipper of hazardous materials must have proper training in labeling, packaging, and documenting shipments. Administrative Services employees are trained in these procedures as part of their mailroom, shipping, and transportation duties. This training is outlined in their Safety and Health Manual article: *Transportation of Hazardous Materials*.

It is always preferable that hazardous materials are shipped by the expert who collects the materials. In the rare event this is not feasible, the claim representative should obtain assistance of a Loss Prevention Specialist in the Administrative Services Department. The Loss Prevention Specialist contacts are listed on the Facilities Management Services Web site, under Contacts, Safety.

B. Evaluation of Structural Losses

I. Procedure

Claim representatives and estimators are required to prepare a handwritten or Xactimate[®] estimate of the damage on structural losses, per OG 75-07, File Requirements - First Party Claims. Consider first contact settlements on appropriate losses within the claim representative's authority.

Thoroughly explain the estimate to the insured, and give a copy of the estimate to the insured. Explain any benefits the insured is entitled to after repairs are completed, and properly document.

The claim representative should take each of the following steps:

- a. Inspect the loss and note the date of inspection in the file.
- b. Take pictures as appropriate.
- c. Complete a diagram of the damaged areas. On this diagram indicate the damaged area (location of damage, origin of loss, missing walls, etc.) of each room damaged. Diagram any other areas, or the entire risk, as needed to explain the loss. Note any relevant areas that are not damaged.
- d. Complete accurate measurements and insert the measurements on the diagram. Diagrams with accurate measurement are required on all field inspected losses.
- e. Agree with insured as to scope of damage.
 - 1) What is damaged?
 - 2) What is not damaged?

- f. Complete Xactimate or itemized handwritten estimate.
 - g. Discuss estimate with insured or their contractor, item by item.
 - h. Advise the insured it is his or her responsibility to contract for any repair or replacement. When requested, the claim representative may suggest competent contractors with whom they are familiar, but the insured should understand that they may choose any contractor to perform the repairs.
 - i. If insureds desire another estimate, advise them that it is their right to have a detailed estimate completed by a contractor or repair firm of their choice.
 - j. If another estimate is received, compare it with the claim representative's estimate and reconcile any differences. Verify the scope of the loss is the same, all measurements are the same, the unit costs are in line, and that quantities of materials are justified. Resolve any discrepancies by rechecking the building. Carefully review the claim representative's original figures, scope notes, or Xactimate estimate to make certain all measurements are proper. Determine that quantities and prices of materials are realistic, and that hours of labor are correctly calculated to establish a basis for discussion with the insured and/or contractor to resolve differences.
 - k. Agree with the insured as to Replacement Cost and Actual Cash Value (ACV), and explain applicable depreciation. If repairs are underway, or the insured has a signed contract with an acceptable repair firm, Replacement Cost benefits may in the claim representative's judgment be paid up front without a deduction for depreciation.
 - l. As soon as the amount of the ACV loss has been determined, close the loss as outlined in this Operation Guide.
 - m. In larger losses, even though Replacement Cost may have been paid up front, we still occasionally need to check the progress of the repair work to make sure it is being completed as agreed. It is very important that all measurements are accurate. If there is a difference between the claim representative's and the contractor's figures, remeasuring is in order. The contractor's or repair firm's conclusion should not automatically be considered correct. Record such activities in the file.
 - n. Overhead and profit should be considered as outlined in this Operation Guide.
2. Door Hanger - Estimates Only

A door hanger enables a claim representative or estimator to leave a copy

of a completed estimate at the insured's residence when they are not there during inspection. The door hanger (560-277) can be ordered through regular supply channels.

Fold the completed estimate into thirds and place in the door hanger bag. Place a business card in the lower portion of the hanger bag to assist the insured in reaching the claim representative to discuss the estimate.

Hang the door hanger from a door knob at the residence via the top of the hanger bag. The door hanger should not be left in the mailbox.

Contact the insured within 24 hours and explain the estimate before closing the loss. Use this procedure only when a personal meeting with the insured at the premises is not feasible.

3. Contractor and Source of Repair Information

Each claim section has the responsibility for creating and maintaining a directory of contractors and sources of repair firms in the area.

Sections using the State Farm Premier Service[®] Program (SFPSP) should contact their program coordinator for a list of approved SFPSP contractors. Sections without SFPSP should contact their local Pricing Specialist or Estimatics Team Manager for contractor information.

4. Xactimate System Price Lists

Each claim representative should have a reasonable familiarity with frequently used Xactimate prices. This will facilitate the prompt writing of estimates.

5. Applicable Sales Tax

Sales tax is a component of the loss, and we must take care that our payments reflect the sales tax applicable to the loss location. Some jurisdictions tax materials but not labor, while others tax both. In some areas sales tax is applicable to the "bottom line" of the estimate. Other jurisdictions will exempt certain trades from sales tax and will draw distinctions between taxable repairs and non-taxable "improvements." It is not possible to discuss all possible variations in statutes throughout the U.S. and Canada. If there are questions about the local tax applicability, contact your consultant.

Xactimate unit prices do not include applicable tax on materials and labor. Since Xactimate prices cannot incorporate the peculiarities of each state's or province's sales and use tax system, claim sections are charged with making sure that estimating practices are modified to reflect any locally-specific issues. Refer to OG 783-100 for information on Xactimate.

Contractors' bids and estimates may make different pricing and tax

assumptions. Make sure these assumptions are understood so that payments will be proper and Xactimate and contractor estimates are properly compared.

6. Overhead and Profit

a. General Information

In addition to incurring costs for labor and materials, contractors incur overhead costs. Examples of overhead costs include office space and materials, depreciation, utilities, property and liability insurance, telephone, office employee expenses, etc. Such overhead must be considered when estimating property losses. It is difficult to determine the amount of overhead applicable to any one job. For this reason it has become customary in many areas to express overhead charges as a fixed percentage of the total cost of the job.

In addition, a contractor is entitled to profit. Generally, profit is expressed as a fixed percentage of the job cost. Consider negotiating the percentage of profit on larger, more competitive jobs. Because of economies of scale, a contractor may be willing to work at a lower profit margin on a large reconstruction project than on a minor repair.

b. Overhead and Profit Considerations

1. Contractors' Overhead and Profit

Individual tradespersons are entitled to overhead and profit. In general the unit prices used in our Xactimate software include overhead and profit, so an additional calculation is not necessary.

When evaluating contractors' estimates, however, it is important to compare prices and to note whether the contractor's prices include overhead and profit to avoid duplication of payment.

2. General Contractor's Overhead and Profit

In some instances, as repairs become more complex and as more trades become involved, a policyholder may choose to engage a general contractor. A general contractor coordinates and schedules the efforts of various subcontractors and is entitled to overhead and profit above the cost of individual subcontractors.

c. ACV Settlements

1. Calculation of ACV

ACV should be determined consistent with local case law or statute. When not in variance with case law, ACV is defined as Replacement Cost less depreciation. OG 75-50, Betterment and Actual Cash Value, provides specific guidelines.

2. ACV and General Contractor Overhead and Profit

When it is reasonably likely that a covered repair will require the services of a general contractor to coordinate and supervise the repair, the general contractor's overhead and profit payment shall be paid with the ACV payment. The appropriate percentage charge should be added to the bottom line ACV calculation. Evaluate the need for a general contractor using good judgment on each loss according to the complexity of the repair, the degree to which trades require coordination, and the number of trades involved. If judgment dictates that the use of a general contractor is unnecessary, the costs associated with such use will not be paid with the ACV payment.

When the need for a general contractor is questionable, the cost associated with a general contractor's overhead and profit is payable only if the property is repaired or restored by means of a general contractor. Overhead and profit should not be paid with the ACV payment in this case.

d. Replacement Cost Claims and General Contractor's Overhead and Profit

Under Replacement Cost policies, the difference between ACV and Replacement Cost is payable upon completion of repairs when costs for such benefits have been necessarily incurred. The difference between the general contractor's overhead and profit amounts paid with the ACV are payable at this time.

The claim representative has the latitude to issue Replacement Cost benefits before completion of the repairs when the insured presents an acceptable signed contract to repair the damage or when the repairs are underway. The acceptability of the contract is a matter of judgment for the claim representative on a case-by-case basis.

e. Replacement Cost Claim Payment When the Policyholder Does the Work

Claim estimates are written or evaluated on the basis of Xactimate pricing. The deductible and appropriate depreciation is applied to the Replacement Cost estimate, and an ACV payment should be

made.

When the insured establishes the work is completed, the supplemental payment for Replacement Cost benefits is then made based on the Replacement Cost estimate that was used to make the ACV payment.

If a decision had been made that it was reasonably likely that a general contractor would be necessary to supervise and coordinate the repairs, the remainder of the general contractor overhead and profit allowance is paid at the time the Replacement Cost benefits are paid.

f. Amount Spent Exceeds the Property Claim Agreement Allowance

There will be cases where the amount actually and necessarily spent will exceed the amount shown on the Property Claim Agreement. Use good judgment in determining the reason for this discrepancy. If there is an error in our estimate, or hidden damages were found, consider further payment. The situations can be minimized if the insured is instructed to call the claim representative as soon as errors are noted and before the work is done, so any appropriate changes can be made.

g. Valued Policy Statutes

When the state in which the loss occurs has a Valued Policy Law with provisions in conflict with policy provisions, handle the loss in accordance with provisions of the statute as applicable to the loss situation.

C. Investigation of Personal Property Losses

1. Inspection - Always conduct a thorough inspection:
 - a. To verify the origin of the loss.
 - b. To verify the date of loss and number of occurrences involved.
 - c. To verify the existence of the property through observation of the debris, hookups, or other evidence.

Follow an inspection routine that helps separate undamaged and damaged property.

2. Take photographs whenever they will assist in an accurate evaluation of the claim. Photos may be helpful to the insured and claim representative in creating an accurate room-by-room inventory. They also preserve the facts, illustrate any unusual property, and aid management in file review.
3. Note in the activity log the date of inspection along with appropriate

remarks and observations.

D. Evaluation of Personal Property Losses

Personal property varies so greatly by type, quality, and usage that only general rules can be given. The following should be expanded or modified to fit the individual case.

1. Determine the age of the item(s) of property involved.

2. Determine the place of purchase.

Age and place of purchase may be established by other sources, original receipts, purchase orders, sales records, canceled checks, warranties, store records, or credit card records.

3. Establish the normal life expectancy of the item(s) involved.

a. See QG 75-50, Betterment and Actual Cash Value.

b. When an unusual item(s) is involved, it may be necessary to consult an expert.

4. Determine if any factors would cause a variance in value from average property of the same type.

Consider such factors as obsolescence, uniqueness or rarity, impossibility to repair or replace, and others.

5. Determine the cost to replace the item(s) today.

a. Because of inflation some values may have increased, and conversely, technology has reduced the cost of certain types of electronic equipment.

b. It is often possible to secure new property of the same type or quality for a considerable discount.

c. Sales tax is part of the cost to replace and should be included.

d. Discounts should be pursued whenever possible. The Company Discount Program through the State Farm Replacement Service (SFRS) should be used whenever possible.

6. Determine the cost of repair, if repairable, to see if repair is less than ACV (or Replacement Cost if Replacement Cost on Contents (RCOC) is involved).

7. Consider 1, 2, 3, 4, 5, and 6 to arrive at the value (Replacement Costs with RCOC) of the damaged property or the cost to repair. We owe whichever is the smallest.

E. Calculating ACV of Personal Property based on Replacement Service Prices

If the policyholder chooses a cash settlement rather than replacement, determine the ACV of the item by subtracting depreciation from a price readily available to the general public. ACV should NOT be determined by depreciating from the SFRS quote since this quoted price is not available to the general public.

In some cases, the SFRS quote (without deduction for depreciation) may be less than the ACV calculated from a price readily available to the general public. In that case, it would be appropriate to pay an amount no greater than the SFRS price.

F. Documentation of Personal Property Loss

1. No definitive, quantifiable rule may be given as to what constitutes adequate documentation. For detailed information, see OG 75-06, Documentation of Personal Property Loss, and OG 75-07, File Requirements - First Party Claims.

2. Claim Central Units - Claim Representative Handling

- a. During the initial phone conversation with the insured, the claim representative begins to complete the PPIF for major items, starting with SFRS categories. An attempt is made to identify all content items and to list all available and necessary information on the PPIF. The basis for the actual cash value settlement is explained. Documentation is logged for the items deviating from the depreciation guide.
- b. SFRS is explained when applicable and the policyholder is encouraged to use the service.
- c. At the conclusion of the call, if the PPIF is incomplete, the claim representative sends the partially completed PPIF to the policyholder for review, completion, and signing. The claim representative enters into the computer system the preliminary information gathered during the initial phone conversation and explains by a log note entry why the PPIF was not completed. In the event a claim processor will become involved in the activity of the claim, specific direction should be provided to the claim processor in the activity log.
- d. Company guidelines regarding documentation, verification, and use of the depreciation guide are followed. Investigation issues that develop during the initial conversation are handled based upon the merits of the claim being handled. Deviations from guidelines are documented in the activity log.
- e. When the claim representative receives the PPIF from the policyholder, appropriate entries on the PPIF are completed and

the claim is paid or investigation of the claim continues. If a computer-generated PPIF is completed, the date of purchase recap must be contained in the electronic file.

3. Claim Central Units - Use of Claim Processor

- a. The claim processor becomes involved in the handling of the claim following the claim representative's initial phone conversation with the policyholder. The PPIF is routed to the claim processor when returned to the claim unit from the policyholder, or when received directly from the claim representative.
- b. The claim processor receives the PPIF, reviews the direction provided by the claim representative in the activity log and completes the PPIF based upon the information available. If a computer-generated PPIF is completed, the date of purchase recap must be contained in the electronic file.
- c. The claim processor works with SFRS to replace those items noted by the claim representative. On occasion, the claim processor may call the policyholder regarding factual issues relating to the contents list received or to assist in SFRS item replacement. The claim processor uses the depreciation guide as noted by the claim representative.
- d. Provided a claim representative has indicated an initial claim payment approval level in the file and there are no deviations from the documented instruction, the claim processor may process the payment for the contents claim.
- e. In the event the claim representative receives the completed PPIF from the claim processor, the claim is paid or further investigation is conducted to allow for a claim decision to be made regarding the claim. The claim representative calls the policyholder to conclude the claim or provide a claim status. The PPIF is not returned to the claim processor for additional handling.
- f. A claim processor may also handle claims for replacement cost benefits as those items are replaced by the policyholder.

4. Field Units

- a. During the initial inspection, the claim representative completes a scope of the personal property loss. The claim representative photographs and/or makes a video recording of personal property.
- b. Claim representatives identify all major personal property items and attempts to conclude this portion of the loss during their initial inspection. SFRS categories should be discussed at this time with the policyholder. An attempt is made to identify all

contents items and at a minimum, scope the contents loss. Generally, blank PPIFs should not be left with the policyholder.

- c. The claim representative should actively work the personal property portion of the loss with the policyholder throughout the adjustment process by using SFRS and other discount sources, applying depreciation per the company guidelines, and documenting deviations as necessary.

G. Closing the Loss

1. When to Close

Close the loss as soon as the loss settlement has been determined and agreed upon with the insured. It is not necessary for repairs or replacement to be completed before the loss is closed. Consider first contact settlements as appropriate.

When Replacement Cost Coverage is involved, either building or personal property, it is proper to complete settlement on an ACV basis and after the repair or replacement has been completed, make an additional payment.

When closing a loss by payment, the insured must be advised of the coverage or coverages under which payment is being made, the amount of payment ascribed to each coverage, and how to obtain any supplemental Replacement Cost benefits that may be applicable.

2. Denial of Claims

When a reasonable investigation has been conducted and it is clear that coverage cannot be extended, the claim should be promptly denied. Denials may be made orally in person or by telephone, and in writing. Zones have the flexibility to establish guidelines for the denial of claims consistent with their particular business and regulatory environment.

In some states, Unfair Claim Practices Statutes or Regulations may require confirmation of the basis for complete or partial denial of a claim, in writing, including a reference to the local service office of the Insurance Department to which the insured may appeal. Claim management is charged with complying with applicable state statute.

Record the date and time of the contact in sufficient detail to reconstruct the action taken and with whom.

Explain to the insured in a clear and understandable manner the reasons for the Company's decision. Exercise patience, respect, courtesy, and understanding, remembering that the insured may not have experience or technical knowledge of insurance. It is expected the claim representative's conduct will merit the policyholder's respect.

3. Correspondence and Telephone Calls

If it has been determined that a loss should be handled by field inspection, personal contacts should be emphasized. Such contacts, on more complicated losses, foster better understanding and more efficient communication. Correspondence and telephone calls on such claims are viewed as ways of complementing and confirming what was discussed in face-to-face contacts. They are not a substitute for personal contact. Document telephone calls and correspondence by notation in the claim activity log and by the retention of correspondence copies in the file.

4. Expense Payments

Adjustment expense payments should be made promptly by the claim representative or claim management, when appropriate, according to the guidelines contained in OG 70-21, Claim Settlement Authority. Expense payments should be backed by appropriate itemized bills for services. It is our intent to pay all adjustment expenses promptly after appropriate review. Claim representatives should review each file carefully upon closing to ensure that expenses for all rendered services have been made.

5. Estates of Decedents

a. Settlement with Executor or Administrator

When the insured is deceased, whether before or after the loss, or when the policy was issued to the estate of a deceased person, the adjustment is made with the executor or administrator of the estate, and with approval of the probate court. Size and types of losses to be handled in this manner are established by the Section Manager.

The following documents must accompany the proof of loss and remain in the loss file:

- 1) Certified copy of the letters of administration or letters testamentary.
- 2) Certified copy of the order of the probate court authorizing or approving the adjustment.

b. Settlements with Heirs or Next of Kin

In some cases, the estate may be small, no probate proceedings have begun and none are contemplated. In such situations, if there are no unpaid creditors of the estate and if the loss is small, the adjustment may be made directly with the heirs, next of kin, devisees, and legatees.

6. Proof of Loss

- a. In general, claim representatives should be able to resolve the

majority of routine claims before the policy deadline for submission of a Sworn Statement in Proof of Loss. When the claim representative anticipates settlement within that time frame, a Proof does not aid in the settlement of the loss and should not be a requirement.

b. Under certain circumstances the submission of a Sworn Statement may preserve the Company's defenses to claims where a payment determination cannot be made within 60 days. The claim representative should provide a blank Sworn Statement in Proof of Loss when:

1. We are required to provide the Proof by applicable statute.
2. We anticipate that a coverage issue may be difficult to resolve.
3. We anticipate that we may potentially differ on the cause of loss.
4. Benefits are being requested by a policy beneficiary such as mortgagee or trustee of a policyholder estate.

Consult management in those circumstances where the submission of a Sworn Statement in Proof of Loss is advisable.

7. Property Claim Agreement

- a. Used when additional payment under Replacement Cost provisions is anticipated.
- b. Used on Structural Losses per QG 75-07, File Requirements - First Party Claims.

8. Unfair Claim Practices Acts

These acts generally require that an explanation of any payments be given to the insured or beneficiary. It is usually satisfactory for the explanation to be given orally. However, check the law of the particular state, and observe any requirements.

9. Advance Payments

In some severe losses, a considerable economic hardship is placed on the insured. These losses can result from a variety of origins, but generally fire and wind are the most common. In these losses, the insureds virtually have all of their personal property and the use of their residence, or in the case of a commercial loss, the building and/or business personal property, destroyed.

In addition to providing the best possible personal claim service, authority in a specific amount (as granted by the Team Manager) is extended to provide financial assistance to the insured in the form of an advance payment before the final settlement.

Offer advance payments after coverage has been confirmed.

It is the Company's position that advance payments will be made on suspicious losses while the claim is being investigated to determine whether it is compensable. Advance payments will not be discontinued unless and until a decision is made to deny the claim.

In both compensable losses and suspicious losses under investigation, issue advance payment only when the insured demonstrates a definite need for such benefits.

Inform the insured that the advance payment will be credited to the total amount of the final settlement. For statistical purposes, the advance payment is coded to contents when building(s) and contents are insured and involved. Do not code the advance payment to Additional Living Expense or Rents because the amount of this part of the claim generally cannot be determined until the loss is settled.

When advance payments are made, the Receipt for Advance Payment form (F2-232) must be executed by the insured.

10. Disputed Claims

Sometimes the circumstances of a claim warrant a payment of an amount less than originally claimed by the insured. This amount is reached by agreement with the insured.

As always, any undisputed amount should be paid on an ACV basis or Replacement Cost basis if replacement of the item(s) has already been made or as otherwise required.

11. Polygraph Usage

Claim personnel must not request or enter into agreements regarding the use of this type of apparatus.

Courts generally consider polygraph, voice-stress analyzers, and other similar instruments to be unreliable when attempting to discern misrepresentations. Therefore, these tests (results) are almost always inadmissible.

We do not rely on the use of such devices, the willingness of an individual to submit to this kind of procedure, or the results of such a process when deciding a coverage issue or supporting any claim decision. However, notification of such an endeavor should be documented in the claim file.

12. Subrogation

Whenever subrogation is anticipated, a subrogation receipt should be completed by the insured. The subrogation receipt assists in informing the insured of our subrogation interests.

It may be the case that subrogation will be pursued on a claim where the insured has not been fully compensated. This could be true where because of special limits of liability or insufficient coverage the loss exceeded the available coverage.

Upon closing a loss in this situation, the insured should be made aware of our subrogation interest and how any amounts received through subrogation will be apportioned between the insured and the Company. (See OG 75-54, Subrogation.)

H. Reporting on Losses

1. Philosophy

Reporting must be done in a manner to enable the file content to properly support the necessary claim handling activity. This must respond to Unfair Claim Practices Acts and state regulations and appropriately consider the trends of the courts in that jurisdiction.

Information in the file, supplemented by reports, must specifically address four basic areas of each claim:

- a. From whom, when, and how the claim was reported to the agent or Company, and details about the loss.
- b. How we investigated, verified, and documented the cause and origin of the loss, and whether coverage existed.
- c. How we established, verified, and documented the amount of damages.
- d. The basis and recapitulation of the amount of payment or settlement.

The Section Manager is responsible for establishing appropriate reporting procedures so the above requirements are met on each claim file. Facts contained in the file in other forms need not be duplicated in reports, unless necessary for clarity.

2. Type of Reports

Claim representatives are responsible to report to the Team Manager on each claim file in the manner designated by the Team Manager. See OG 75-07 for file requirements.

The reporting process may involve any or a combination of the following reports:

a. Preliminary Report (F2-275) (Exhibit 6)

The Preliminary Report is a form used to report on a loss not otherwise reported on. It is generally used in a two-file system. It is optional in a one-file system, but can be useful. Purposes of the Preliminary Report are:

- 1) Establish reserves when appropriate
- 2) Provide brief outline of facts

The claim representative completes each item on the Preliminary Report that is appropriate for the particular loss.

Preliminary Reports, when required, are submitted per guidelines established by the Section Manager. This reporting time may be shortened at discretion of the Team Manager, depending on the experience level of the claim handler or circumstances of the claim. This initial reporting time will enable many routine claims to be settled and closed with a single report.

b. Progress Reports

Progress Reports may be required on a periodic basis according to the complexity of the claim file.

The Section Manager should establish guidelines covering requirements for Progress Reports.

c. Combined Fire Report

This report is not required when the claim file's chronological log and document entries make the transaction clear. If, however, the claim file deals with unique and complex issues that are better captured in a single report, management has the discretion to require a Combined Fire Report (Exhibit 1).

d. Closing Report (Exhibit 2)

1) Narrative Closing Report

A narrative closing report is only required when it substantially aids in the understanding of the claim file. In most smaller losses we will presume that log entries will sufficiently summarize file activities, rationales for actions taken, and subrogation/salvage disposition.

2) Loss Settlement Form (Exhibit 4)

The Loss Settlement form is used on non-catastrophe property claims when a payment is made or when we anticipate making a payment after Replacement Cost benefits apply.

The Loss Settlement form is not to be used when we do not make any payments, do not write an estimate, or there is no covered damage such as in a denial or Closed Without Payment (CWP) situation.

3. Underwriting Review Form (530-653) (Exhibit 5)

- a. The claim representative completes the appropriate section(s) of the form and forwards it immediately to Underwriting.
- b. If the claim representative feels a reinspection is in order or notes unusual risk characteristics, the appropriate sections of an Underwriting Review form are completed for underwriting's consideration. A copy is forwarded immediately to Underwriting.
- c. The claim representative provides IV Information and Underwriting Audit Information only when directed by the Division Manager.

Exception: If the claim representative finds a risk that appears obviously under or over insured, complete the IV Section of the Underwriting Review form and route to Underwriting with one exterior photograph attached.

I. Assembly of Closed File (Exhibit 3)

- 1. The Fire and Casualty Claim Report should be the bottom item. The front of the report should face out so the policy number and claim number are visible.
- 2. Loss Settlement Form should be the top item, with the face of the report outwards.

IV. LOSSES HANDLED WITHOUT PHYSICAL INSPECTION

Not all claims require a physical inspection of the loss by a claim representative. Claims that may be handled to conclusion over the phone and do not require an inspection are the primary responsibility of the claim handlers in Claim Central. Claim representatives in Claim Central may use estimators to inspect losses, if needed.

Claim representatives may estimate damages over the phone with a policyholder or send an estimator to inspect and write an estimate of damages.

For more information on Claim Central, see OG 75-07, Section III.

Exhibit 1. Combined Fire Report

I. INSURED

A. Named Insured(s)

Name, occupation, age, marital status, and any other information that may affect the pending claim.

B. Insured by Definition

Give same information as required in "A."

II. COVERAGE - POLICY DEFENSES

A. List type of policy (Homeowners, Apartment, Manufactured Home, etc.).

B. State coverage involved.

C. State coverage questions or policy violations.

III. IDENTIFICATION OF RISK

A. Identify the location and kind of premises we insured.

Age, type of construction, size, and occupancy. Include diagram and photos, if necessary.

B. Title Encumbrance - describe nature of insured's interest in property and any other interest in property.

IV. FACTS OF OCCURRENCE

State what happened to cause loss.

A. Date, time, and place of occurrence.

B. Describe place of origin and what caused the loss. (Be specific.)

V. OTHER INSURANCE AND SUBROGATION

A. Report on any other insurance available.

B. Summarize possibility for contribution from other insurance or individual tort-feasor.

- C. Summarize possibility for subrogation, either from another insurance company or an individual tort-feasor. Explain what you have done to pursue subrogation.

VI. ANALYSIS AND EVALUATION

A. Coverage

Discuss any question of coverage as to:

1. Origin of loss.
2. Specific item of property.

B. Evaluation

1. Describe value before loss, damage, and cost to repair.
2. If experts were used, explain.
3. Explain in detail estimate or papers used to determine value of loss.
4. State method of payment, ACV or Replacement Cost.

VII. SALVAGE

If salvage is involved, describe it and give the present location and action taken to dispose of the salvage. If none, so state.

VIII. UNFINISHED ITEMS

A. Incomplete investigation, explain:

1. Additional investigation to be completed.
2. Target date for completion.

B. Loss not settled - give explanation, including action being taken to close claim.

C. Comment on adequacy of reserves.

Exhibit 2. Closing Report

When a Combined Fire Report has been submitted, the settlement or Closing Report serves as an outline of the elements of loss or damage upon which the settlement was based, and as a transmittal report. This report should be concise and submitted immediately upon settlement. Do not repeat information furnished previously. Use the following narrative topical outline, or adapt it as needed. Narrative Closing Report required as shown in OG 75-07.

- A. Total amount paid by coverages.
- B. Explain settlement.
- C. Unfinished items.

Exhibit 3. First Party File Arrangement

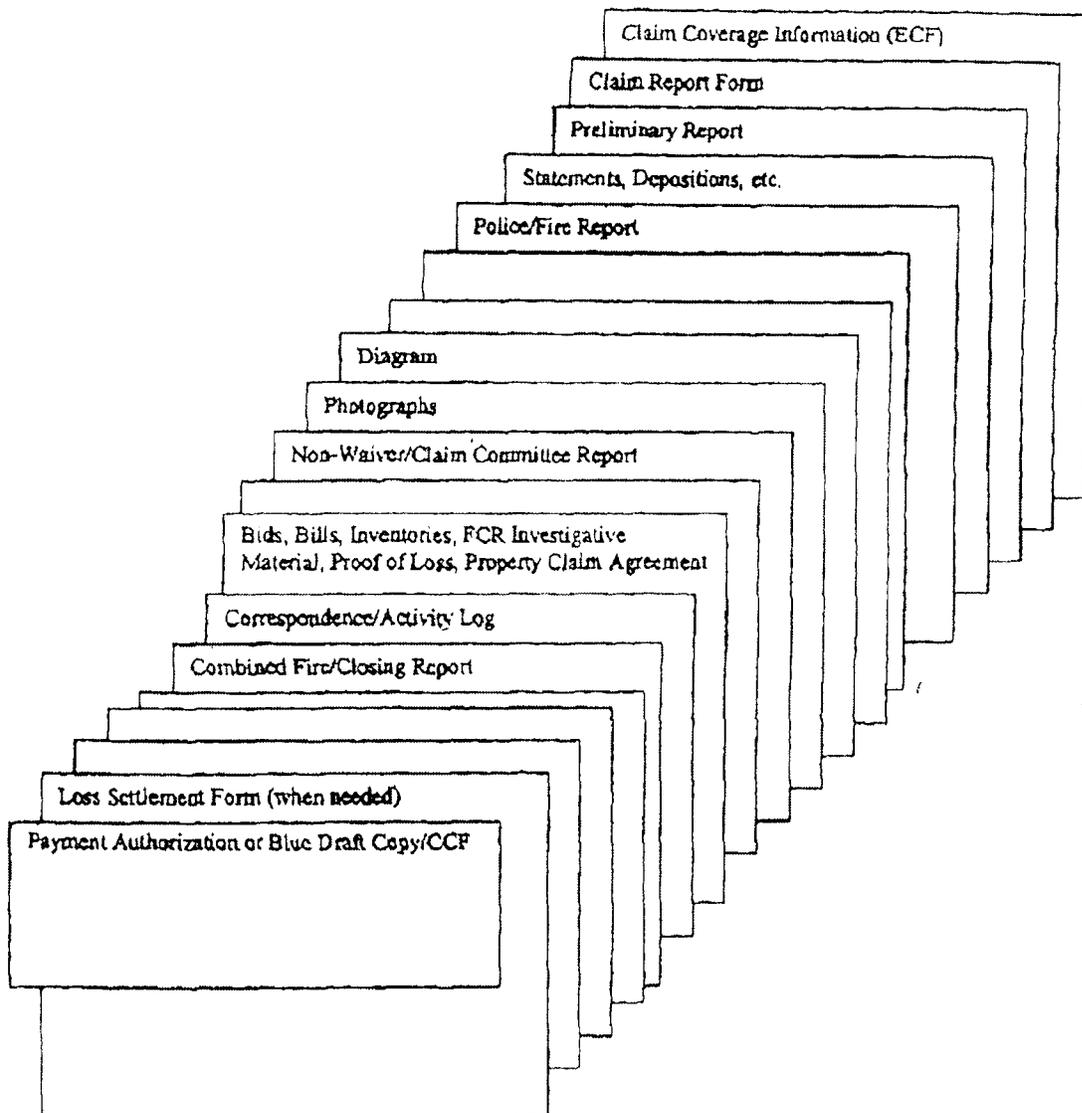


Exhibit 4. Loss Settlement Form

		RB11A001 date: 03-11-97	
route to: Stephanie Rocky			
STATE FARM INSURANCE COMPANIES LOSS SETTLEMENT			
insured: WESTON, JOHN policy number: 13-66-9611-4		date reported to agent: 08-09-95 date of loss: 07-07-95 date recorded: 08-09-95	
BUILDING			
amount claimed:	45.00		
depreciation:	34.00		
overfills:			
deductible:	49,867.00		
net loss:	0.00		
CONTENTS			
amount claimed:	13,497.00		
depreciation:			
overfills:			
discounts:			
deductible:	139,487.00		
net loss:	0.00		
ADDITIONAL LIVING EXPENSE			
amount claimed:	56.00		
related expenses:	45.00		
net loss:	11.00		
OTHER			
amount claimed:	239,487.00		
deductions:	2,394.00		
deductible:	329,847.00		
net loss:	0.00		
TOTAL:	11.00		

Exhibit 5. Underwriting Review Form

UNDERWRITING REVIEW

To _____ From _____ Date _____ Policy No. _____
 Agent _____ Agent Code _____ A/E: _____ Policy Type _____
 Insured _____ Date of Loss _____ Claim No. _____
 Loss Location: _____
 Descriptive Cause of Loss: _____

COMPLETE WHEN APPROPRIATE: (Give comments below in Remarks)

INCREASED HAZARD-CHANGE IN RISK DUE TO:

- | | | | |
|--|--|--|---|
| <input type="checkbox"/> Maintenance | <input type="checkbox"/> Over-insurance | <input type="checkbox"/> Housekeeping | <input type="checkbox"/> Building Materials |
| <input type="checkbox"/> Vicious Animal | <input type="checkbox"/> Character or Activity | <input type="checkbox"/> Under-insurance | (job, burglary, plumbing, |
| <input type="checkbox"/> Vacancy or Unoccupied | <input type="checkbox"/> Inad. or Mortgage Change | <input type="checkbox"/> Financial Situation | summit wiring, asbestos, |
| <input type="checkbox"/> Occupancy or Use Change | <input type="checkbox"/> Other Prop. or Land Hazard | <input type="checkbox"/> Code Violations | others - include in remarks) |
| <input type="checkbox"/> Wildlife Comp. Hazard | <input type="checkbox"/> Condition of Risk | <input type="checkbox"/> Business or Hobby | |
| <input type="checkbox"/> Condition of Roof | <input type="checkbox"/> # of Wood/Coal Stoves
or Free Standing Preplaces | <input type="checkbox"/> 1st Notice of W.C. Loss | |
| <input type="checkbox"/> Preexisting Damage | | <input type="checkbox"/> Occupation of
Injured Employee | |

- Late Reporting Litigation Anticipated Suspicious premises Possible Agcy. of Und. Commitment Guaranteed Extra Coverage

- Suspend Underwriting Activity OK to Resume Underwriting Activity Open Closed
 Date Closed _____ Amount Paid _____

Year: <input type="checkbox"/> 40 <input type="checkbox"/> 41	App. 40 <input type="checkbox"/> 41	Multi-family <input type="checkbox"/>	<input type="checkbox"/> 1 story <input type="checkbox"/> 2 story <input type="checkbox"/> 3 story	<input type="checkbox"/> 1-level <input type="checkbox"/> 2-level	<input type="checkbox"/> Non-Tenants <input type="checkbox"/> # of stories	Construction: Frame Masonry <input type="checkbox"/> Block
<input type="checkbox"/> 1st Fl. Area	Ground Floor <input type="checkbox"/>	Number of <input type="checkbox"/>	<input type="checkbox"/> 2 1/2 or 3 story <input type="checkbox"/>	Pool: 1980 <input type="checkbox"/>	Roof: <input type="checkbox"/> Wood Shake <input type="checkbox"/> Asphalt	Concrete: <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Carport	<input type="checkbox"/> Screened Pool <input type="checkbox"/>	Garages: <input type="checkbox"/> 1 car <input type="checkbox"/> 2 car <input type="checkbox"/> 3 car	<input type="checkbox"/> Attached <input type="checkbox"/> Detached	<input type="checkbox"/> Built-in garage <input type="checkbox"/>	<input type="checkbox"/> Carport <input type="checkbox"/>	<input type="checkbox"/> Open <input type="checkbox"/> Enclosed
# of Poles with covers	# of decks	<input type="checkbox"/> Fireplaces	# of hearths	# of masonry chimneys	<input type="checkbox"/> Finished basement	Unfinished lower level <input type="checkbox"/>
<input type="checkbox"/> Fire-rated masonry	So. H. Area	Finished 1st room	So. Fl. Area	# of Wood/Coal Stoves	Preexisting Preplaces	Chimney Package <input type="checkbox"/>
Subcell Features	Bedrooms adjoining a bedroom	Masonry Fireplaces	Shower stalls	Handicapped, elev., marble floor	Stained or varnished woodwork	
Secondary Rooms	Den <input type="checkbox"/> Exercise Rm <input type="checkbox"/> Laundry Rm <input type="checkbox"/> Library <input type="checkbox"/>	Family Rm <input type="checkbox"/> Office <input type="checkbox"/>	Formal Dining <input type="checkbox"/> Reception Rm <input type="checkbox"/> Study <input type="checkbox"/>	Great Rm <input type="checkbox"/> Sunroom <input type="checkbox"/>	Large Foyer <input type="checkbox"/> Other <input type="checkbox"/>	Describe any other features of Appliances
Replacement cost:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Forest & # of acres 0/1 # of rooms 0/1 Post. Prop. Quality Economy Standard Luxury Calculator Value Condo: # of days # of days

BLDG. ACV CONTENTS ACV OTHER ACV OTHER

REMARKS

CLAIM HANDLER _____ OFFICE _____ PHONE NO _____

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ATTACH PHOTOGRAPH HERE

Exhibit 6. Property Loss Preliminary Report

PROPERTY LOSS PRELIMINARY REPORT

Named Insured _____ Claim #: _____

Risk Location _____
(Complete if different from policy location) D.O.L.: _____

Date PLR Filed _____

Date Reported To: Agent _____ Claim Office _____

Date 1st Contact with Policyholder _____ Date Inspected _____

Coverage Question? _____ Non-Waiver Obtained? _____

Nature of Question _____

Reserves (Cause/Amount) _____

Describe Facts of Loss & Claim Adjustment Progress _____

DRAFT NUMBER	DATE	PAYEE				COMMENT CODE	TRANS	CAUSE CODE	LOSS AMOUNT	PAY TYPE	LINE NO.
		INS	INTL	CTR	OTH						

Claim Representative _____ Office _____ Date _____

Attachments enclosed? Yes No

Supervisory Comments _____

Supt./Supv. _____ Date _____ Next Olary Date _____

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