

THE OFFICE OF RISK MANAGEMENT (ORM)  
BUILDING APPRAISAL CRITERIA:

UNDERWRITING UNIT

A. RESPONSIBILITY/AUTHORITY

Directs and monitors Third Party Administrator's services in the following areas:

- Audits all property appraisals, reappraisals, and building deletions
- Assists with the review RMIS system capabilities and functionality
- Provides access to documentation necessary in the processing of claims, and provides coverage interpretation as needed to ensure the coverage intent is accurate in the processing of all claims.

B. STAFF/QUALIFICATIONS/DUTIES

State Risk Underwriting Supervisor

- 10+ years of experience in the insurance and risk management field
- Certified Insurance Counselor
- Licensed Insurance Producer
- Certified Insurance Service Representative
- Bachelor of Science

State Risk Underwriter 3 (Property, Fine Arts, Terrorism, Bridge)

- 10+ years of experience in the insurance and risk management field
- Certified Insurance Counselor
- Bachelor of Science

State Risk Underwriter 3 (Wet Marine, Workers' Compensation, Bond and Crime, Medical Malpractice, Cyber Liability)

- 10+ years of experience with the Office of Risk Management
- Certified Insurance Service Representative
- Bachelor of Science

State Risk Underwriter 2 (General Liability including Professional Liability and Public Officials, Automobile Liability and Physical Damage, Aviation Liability and Hull, Airport Operations Liability)

- 4+ years of experience with the Office of Risk Management
- Bachelor of Science

- Unit duties include:

- managing and exercising administrative oversight of the TPA, and ensuring all work in these administrative areas is executed in accordance with ORM and Division of Administration policies and procedures as well as State laws and Federal regulations, by:
  - sole responsibility for all Property and Casualty and Workers' Compensation insurance purchased or self-insured for all state agencies, board and commissions
  - Supervisor responsible for supervising all daily underwriting functions performed by professional level staff underwriters, including rating risks to identify types and levels of insurance required to cover agencies' damages and losses; preparation and issuance of the state's self-insurance policies; and obtaining, renewing and revising policies with commercial insurance carriers
  - analyze and interpret insurance coverages provided under the self-insurance program; consult with the Office of Risk Management Claims Unit and/or TPA personnel to clarify coverage and make determinations whether a claim falls within the parameter of the insurance coverage provided in the self-insurance and/or commercial insurance policies
  - communicating regularly with TPA regarding agency questions/concerns requiring TPA involvement
  
- Review the assessment of premium allocations for each agency for all commercially insured coverage, not computed by the *Cost of Risk Allocation Plan*, and all self-insured coverage, which may be computed by the *Cost of Risk Allocation Plan*, as requested by the State Risk Administrator. Oversee the collection of State agency exposure values as needed.
  
- Oversee and review for accuracy the manual input of premium (not calculated through the *Cost of Risk Allocation Plan*) into the Third Party Administrator's Invoicing and Policy system (RMIS) and the forwarding/ mailing of the invoices to the various State agencies for payment.
  
- Directs the development of Requests for Proposals (RFP) and contracts pertaining to the selection and retention of qualified broker of record contractors. Provides input to Administration regarding the needs of the Underwriting Unit each time a new RFP for claims and loss prevention services is initiated. Assesses the need to contract for outside consultative expertise and ensures completion of that process.
  
- Assist in the maintenance of the building and property inventory system (LaGov ERP) in order to assure that the State is adequately insured for identified and accepted risk exposures. Oversee the process of the daily updating of the system, including but not limited to, addition/deletion of buildings, addition/updates to building contents values, daily appraisal uploads from the TPA's valuation system, and report generation.

## ORM Building Inventory and Appraisal Process

Per Revised Statute 39:1535, ORM is statutorily responsible to maintain an inventory of state owned property and contents. It is the insured agency's responsibility to report newly-constructed buildings, building renovations, buildings purchased, sold, and demolished. Agencies are to use the UND 4.1, 4.2, and 4.3 form found on the ORM website at: <https://www.doa.la.gov/Pages/orm/Exposure-Reports.aspx>

Buildings are appraised on a five-year cycle by ORM's Third Party Administrator (TPA). The TPA shall employ dedicated experienced appraisers with their only focus being State building appraisals. All buildings are appraised at Insurance Replacement Cost Valuation. Replacement cost means the cost to replace the building on the same premises with like kind and quality used for the same purpose. This is not market value, nor complete construction cost or acquisition cost. This cost also does not include the foundation of the building nor any site prep work.

The TPA shall utilize industry-standard appraisal software to calculate the replacement cost valuations. The software requires input of specific information to provide accurate calculations, such as address, construction class, square footage, occupancy code, COPE data, etc. The software shall be automatically updated quarterly to reflect current regional construction rates. ORM began doing site specific appraisals in FY18 to refine the appraisal process. This was done to ensure that all buildings at a site/location were being reported and that there was valuation consistency (all appraised at the same time reflecting the current regional rates). When ORM sends out the appraiser to the site, they meet with the agency representative to gather pertinent information that has changed since the last appraisal. **The appraiser will include all hard-wired equipment into the building replacement cost. They do not include items that are not a permanent part of the structure nor any equipment that isn't hard wired.**

Newly-acquired buildings, either newly constructed or purchased, are appraised within 30 days of being reported to ORM. Large renovation projects on an existing building are also re-appraised within 30 days of being reported to ORM. Buildings sold or demolished are verified by the TPA before being removed from the insured building inventory.

Agencies are also responsible to report a value for their contents/moveable property at each of their buildings/sites. ORM has 12 different content categories – General Contents (a system-calculated field), Non-calculated general contents, Computer Equipment, Boats (< 26 ft.), Fine Arts, Mobile Equipment, Medical Equipment, Fences, Livestock, Signs, Mobile Structures, and Other Outdoor Property. Acquisition cost should be used to value these contents.

ORM's property policy is a scheduled policy, so if ORM is not informed about a building or its contents then coverage could be denied at the time of a loss. Some common property policy exclusions are infrastructure such as parking lots, sidewalks, plants, trees, underground items, and foundations. ORM also does not cover street signs, traffic signs, and parking lot lights.

ORM distributes agency-specific property exposure reports twice a year (March and September) so that insured agencies can review their list of scheduled property and make any changes necessary. This report contains the building name, address, replacement cost, total square footage, and all content values that have been reported to ORM. If an agency needs to report a change at any other time of the year, they simply complete the appropriate form and send it in to ORM. (UND 4.1, 4.2, and 4.3).

## **CLIENT INSTRUCTIONS: Building Appraisal Procedures**

### **Appraiser Minimum Qualification:**

All appraisers shall have a minimum of two (2) years of commercial real estate appraisal experience, or shall be a licensed commercial real estate appraiser in the State of Louisiana.

### **Continuing Education Requirement:**

All appraisers must earn 28 hours of continuing education credit, including the “7-hour USPAP Update” course, within the two-year renewal cycle regardless of whether they are licensed or not. These hours must be taken through accredited educational bodies, and the TPA is required to maintain documentation of completion for each appraiser assigned to the account.

### **Contract Specifications:**

The Contractor will be required to set up an interface to upload appraisals from the Contractor’s appraisal system to the State’s system of record. All building appraisals shall include the gathering of pertinent COPE data. The following fields will need to come through the Interface: Construction Quality, Exterior Wall Cladding Type, Heating/Cooling, Fire Protection, Door & Window Opening, Frame Foundation Connection, Roof Anchors, Roof Geometry & Parapets, Year Roof Replaced, Roof Covering, Year Built, Year Renovated, ATC Codes and any new fields required by the market.

No appraisal shall be deemed received until receipt is reflected in the State System of record, LaGov ERP.

The Contractor shall, for any new or existing state building, conduct all appropriate appraisal functions, including:

**New Building** – visit site to gather any pertinent other information/determine if any major changes have occurred, such as: sq. ft., HVAC, occupancy/use of building, elevator, etc., take a picture of the building-front and back, take GPS reading if none exists in State’s system, enter/update information in State’s system, enter new pictures into State’s system. Consultant is to include detailed appraiser notes regarding any additional information justifying the valuation.

#### **Valuation of Equipment**

- The replacement cost value of hard-wired equipment that is part of the building should be included in the appraised value of that building, i.e. generators, boilers, pumps, chillers, switchgear, etc.
- The appraiser CAN ask the agency for assistance in valuing the equipment but it is ultimately the appraiser’s responsibility. An appraisal should NEVER be held while waiting on a response from an agency.
- The replacement cost value of the equipment should be specified in the Appraiser Notes of the building, i.e. “The replacement includes the value of a 15KW Generator at \$104,000 and a Chiller at \$28,000.”

TPA is responsible for ensuring that appraisers have all equipment and software necessary to complete on site appraisals.

**Existing Building (Re-appraisals)** - visit site to gather any pertinent other information/determine if any major changes have occurred, such as: sq. ft., HVAC, occupancy/use of building, elevator, etc., determine if the building is an object or moveable, take a picture of the building-front and back, take GPS reading if none exists in State's system, enter/update information in State's system, enter new pictures into State's system. Consultant is to include detailed appraiser notes regarding any additional information justifying the valuation and any changes observed.

#### Valuation of Equipment

- The replacement cost value of hard-wired equipment that is part of the building should be included in the appraised value of that building, i.e. generators, boilers, pumps, chillers, switchgear, etc.
- The appraiser CAN ask the agency for assistance in valuing the equipment but it is ultimately the appraiser's responsibility. An appraisal should NEVER be held while waiting on a response from an agency.
- The replacement cost value of the equipment should be specified in the Appraiser Notes of the building, i.e. "The replacement includes the value of a 15KW Generator at \$104,000 and a Chiller at \$28,000."

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**Change to Building (Building re-appraisal due to building renovations)** - visit site to gather any pertinent other information/determine if any major changes have occurred, such as: sq. ft., HVAC, occupancy/use of building, elevator, etc., determine if the changes warrant updating the record, take a picture of the building-front and back if needed, take GPS reading if none exists in State's system, enter/update information in State's system, enter new pictures into State's system. Consultant is to include detailed appraiser notes regarding any additional information justifying the valuation and any changes observed.

#### Valuation of Equipment

- The replacement cost value of hard-wired equipment that is part of the building should be included in the appraised value of that building, i.e. generators, boilers, pumps, chillers, switchgear, etc.
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TPA is responsible for ensuring that appraisers have all equipment and software necessary to complete on site appraisals.

**Inactivate a Building (Building Deletions)** –visit site to determine if the building no longer exists. Take a picture of the former site as confirmation. Visual confirmation and photograph are required for all building deletions.

#### **Historic Building Appraisals:**

Contractor shall verify the historic status of state-owned buildings either by using official documentation the owner-agency supplies or by checking one/both of the following web sites:

[www.nationalregisterofhistoricplaces.com](http://www.nationalregisterofhistoricplaces.com) (Federal) and  
<http://www.crt.state.la.us/dataprojects/hp/nhl/index.asp> (State)

The contractor shall provide services necessary for the specialized appraisal and valuation of historic structures and submit reports, along with the historic replacement cost to ORM. Historic structures shall be subject to the same 4-year cycle as regular appraisals.

### **ORM Processes:**

#### **New Building Appraisals:**

New Buildings that are added to the LaGov ERP system by ORM will be sent over to TPA on the 1<sup>st</sup> and the 15<sup>th</sup> of each month. New appraisals should be completed by TPA within 30 days of the assignments being sent over. ORM will keep track of these assignments on an excel spreadsheet. This same spreadsheet will be the one that is sent over on the 1<sup>st</sup> and the 15<sup>th</sup> of the month. The Property Underwriter will review the spreadsheet before sending it over to ensure that the prior month's assignments have been received and updated in the LaGov ERP System. The Property Underwriter will review a sampling of these each month to make sure that the new appraisals are being done accurately.

#### **Re-Appraisals:**

TPA will re-appraise one-fifth of the insured buildings in the LaGov ERP System. The list will be provided to TPA by July 1<sup>st</sup> of each fiscal year. TPA will have one year to complete these re-appraisals. TPA will submit one-twelfth of the annual re-appraisals each month to ORM. ORM Underwriting Unit will track this re-appraisal list in excel and will update the spreadsheet each week as these re-appraisals are received from TPA. The Property Underwriter will review a sampling of these each month to make sure that appraisals are being done accurately. The Underwriter will review, at a minimum, ten building appraisals each month with at least one coming from each of the appraisers. On the first day of each month the Property Underwriter will check the number of re-appraisals received from TPA to ensure that we received one-twelfth of them in the prior month to make sure that TPA is in track to complete all re-appraisals by mandatory deadlines.

#### **Building Investigations (Building Modifications/Deletions):**

Building Modifications Forms (UND 4-3 Forms) will be held in a folder by the Property Underwriter. These forms along with the Building Investigation Tracking Spreadsheet will be sent over to TPA on the 1<sup>st</sup> and the 15<sup>th</sup> of each month. Building modifications will be completed by TPA in 30 days. The Property Underwriter will review the spreadsheet before sending it over to ensure that the prior month's assignments have been received and updated in the LaGov ERP System. The Property Underwriter will review a sampling of these each month to make sure that the building investigations are being done accurately.

**Underwriting Supervisor or their designee will send all three spreadsheets (New Buildings, Re-Appraisals, and Investigations) to TPA's Director of Client Services and TPA's Vice President of Risk Services on the 15<sup>th</sup> of each month.**

## **Contract - Performance Penalties**

In the event that the contractor fails, due to no fault of the Office of Risk Management, to perform critical functions in a timely, effective manner, the following penalties will apply:

Failure to complete required building appraisals each year –\$5,000 per month until the work is completed

Once it is determined by ORM that the building appraisals are late. The Property Underwriter will send an e-mail to the Appraisal Supervisor with a copy to the Underwriting Manager, the Assistant Director, and TPA's Director of Client Services. TPA will have 5 business days to get the late appraisals to ORM for their review. If the building appraisals are not received within 5 business days a penalty of \$167 per day will begin. This penalty will continue until all appraisals are received. ORM will document such issues on its own internal performance log for review at contract extension/renewal time.