

THE FORENSIC ENGINEERING REPORT

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INSIDE THIS ISSUE...

- Hail Damage Causing Billions in Claims 1-2
- PEX Plumbing Failures 1
- US Storms to Cost Insurers 1 Billion+ 2
- The Hail Damaged Car—Comedy Relief Corner 2
- Looking for Expertise? 3
- Hurricane Predictions 2014 4

UPCOMING EVENTS:

I-ENG-A CONVENTION 2014

NOVEMBER 9-12, 2014

FORT LAUDERDALE, FL

HAIL DAMAGE CAUSING BILLIONS IN CLAIMS

According to Verisk Analytics, hail has caused more than 4.5 million claims between 2008 and 2012 resulting in \$32.1 billion of insured losses. Analysis by Xactware determined that 36 percent of all property claims nationally involved roof repairs, which accounted for 24 percent of all property claim costs between 2008 and 2012. The company performed a risk analysis and determined that if severe thunderstorm losses continue at the current rate, the cost of doing business could become unsustainable. Further, according to the National Insurance Crime Bureau (NICB) the number of questionable hail damage claims rose 136% between 2006 and 2009. According to an

article published on 5/2/2014 in the Claims Journal, "The Emerging Hail Risk: What the Hail Is Going On?" recent reports indicate hail damage claims have doubled over the past few years.

The cause of this significant increase includes the fact that there have been significant hail events in large metropolitan areas. However, there is an abnormally high percentage that are being disputed.

In Texas alone literally hundreds of lawsuits are being filed each week in Dallas, Tarrant, Potter, Hidalgo and other counties. These lawsuits allege underpayment of hail related roof damage claims.

(Continued on page 2)

Largest Recorded Hailstone—7"



PEX PLUMBING FAILURES

According to Cadell Calkings, BAE/MAE, Penn State, with the price of copper continuing to rise, there has been a need for more economical plumbing solutions. Synthetic materials are being used to accomplish this with the most prevalent in recent years being PEX plumbing systems. PEX is cross-linked Polyethylene. It has gained popularity in the heating and potable water plumbing because of its ease of use and less fittings. PEX can bend around corners, whereas copper or PVC would need an elbow fitting. This makes for easier and quicker installation; however, it is currently involved in recent failures and lawsuits.

Failures can be linked to two different areas; the pipe and the fitting. The pipe can fail when it has been exposed to chlorine. It is common to have small levels of chlorine in the water supply. This can cause oxidation. Another cause of failure is when the PEX has been exposed to sunlight. Plastic when exposed to ultraviolet light or sunlight causes the molecules to break down making the pipe brittle and subject to rupture. PEX is also permeable to certain chemicals and oxygen causing further problems. PEX piping also has chemical byproducts that are often left behind in the pipe; some of them have been reported by the United States Environmental Protection Agency to be

(Continued on page 2)

HAIL DAMAGE CAUSING BILLIONS IN CLAIMS CONTINUED

(Continued from page 1)

There are some red flags to hail damage claims that may be exacerbated or fraudulent. Firstly, claims that are submitted late, months or years after the reported hail event may be deemed suspicious. The insured may be absent from the claims process, leaving only a contractor or public adjuster involved. Roof damages that are not leaking and damage that is not visible to the naked eye is another issue. And, then there are the pesky claims of damages involving lost granules which have exposed the asphalt which may now cause deterioration and can be a nuisance. Similarly the claims of minor dings in metal roofs that may now collect water, etc., causing rusting over time and leaks, are a similar pattern.

Strategies recommended by Steven Badger with Zelle Hofmann Voelbel & Mason LLP, include:

- Engaging qualified engineers with real experience in identifying hail damage;
- Refusing to negotiate claims with contractors and other individuals acting as unlicensed public adjusters;
- Holding the insured to its policy burdens (establishing physical loss or damage and establishing a date of loss within the insurer's policy period);
- Refusing to accept inflated Xactimate estimates but instead require read bids from real contractors;
- Refusing to pay "10+10" overhead and profit when general contractors are not reasonable necessary and their costs not incurred (there is no "TDI Bulletin" or "three trade rule" dictating otherwise);
- Closely monitor appraisals to avoid the inevitable manipulation of the process and race to the courthouse for a favorable umpire appointment; and steer clear of the predictable traps.

Finally he recommends that "insurers can also decide to step up and start fighting the worse abusers, not only in the claims process itself, but also in the shady underworld of referral fees, inflated invoices, kickbacks and outright fraud".

Contact your local Investigative Engineers Association member to assist with investigation and reporting on these types of claims.

PEX PLUMBING FAILURES CONTINUED

carcinogens. Dezincification is another problem that has caused fittings to leak. Due to these many failures, there is a civil lawsuit as well as class action lawsuits.

The Investigative Engineers Association (I-ENG-A) Convention 2014, slated for November 9-12, 2014, may address this and other failure issues. Look for the preliminary convention agenda coming soon.

US STORMS TO COST INSURERS 1 BILLION

According to Aon, in its Global Catastrophe Recap report for May 2014, there were four periods of severe weather across the country from hail and wind that are likely to be around \$1 Billion with economic losses likely to reach several billion more. The most costly occurrence was a five-day period across the Midwest, Rockies and the Northeast including the major cities of Chicago and Denver. The tornado activity in this year so far remains in the bottom 25th percentile of all years dating back to the early 50's.

COMEDY RELIEF CORNER

A teenager got caught in a hail storm and his car got dented pretty badly. He went to a body shop to have the damage looked at, and the guy there decided to have a little fun with him since he was a bit wet behind the ears.

"The repairs will cost you about \$2800, but you can save that money by doing the repairs yourself," he said. Interested in saving that kind of money, he asked "How?".

"Well, take your car home, park it in the driveway, get an air pump and insert it into the tail pipe and all the dents will pop out," he said.

So when he got home, his friend drives up and asks what he's doing with the car. So he explains about getting caught in the hail storm, and the guy at the body shop telling him how to save \$2800, but he's getting frustrated because it doesn't seem to be working...

His friend says, "Well DUH!, you have to roll the windows up!"



LOOKING FOR EXPERTISE?

ITS A SHOCKER...

A high end home suffers suspected lightning damage to computers, TV's, hot tub, stereos, etc. There was a large storm on the date of loss, but no media reports of lightning damage. Was it lightning damage or was it a surge? Which items are truly damaged and which are not? Give us a call...

SPRINKLER SPRUNG A LEAK?

A large loss occurs involving the failure of a copper to PVC connection for a sprinkler system. Was it due to improper installation, component failure or the ground heaving and shifting due to cold weather? We can determine the cause.

THE MEAT FREEZER FLOOD...

A large walk-in meat freezer wall and ceiling panels are filling up with ice. The freezer was shut down for service and all of the ceiling panels immediately began leaking and pouring water onto the floor. Was it due to condensation or is something else going on? We can help!



OOOH THAT SMELL...

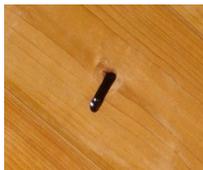
Your client complains of a funky smell, dizziness, shortness of breath, flushing of his face and a sore throat. He says his dog is having the same issue. Is it the furnace? Air ducts? Carbon Monoxide? Mold? Give us a call, we'll get to the bottom of it!

GRAIN BIN DAMAGE?

Every year windstorms take their toll on all types of high profile grain bin and silo structures. However, what may appear to be wind damage often can be attributed to other phenomena that are not related to high wind pressure. Give us a call!

IS THE ROOF BLEEDING TAR?

The insured installed fiberglass shingle over an underlayment. Since 2009, the roof has been leaking water during the wet winter months and a tar-like substance during summer months. The roofer and contractor have attempted to repair the problem but it is still leaking and seeping tar.



What do you think the cause of this is? Give us a call...

AUTOMATIC POOL COVER AND LINER FAILURE:

Your client has an automatic pool cover which may have caused damage and tore the pool liner. Is it a manufacturer defect or was it improperly used? Was it maintained properly?



We've handled these cases too!

STRANGE ROOF DAMAGE?

You're insured is claiming wind damage and the first thing you notice is that every single shingle in the claimed area is exhibiting cracking and is very brittle. The damage is around two vents and several shingles look like they have been ripped. It almost looks like someone has done something on purpose, but you're not sure. Did they deteriorate for some other reason?

RUN! THE TREADMILL'S ON FIRE!

A treadmill kept on your client's patio catches on fire and burns the house down. Is it ok to keep a treadmill on the porch? How do the manufacturer's instructions come into play when subrogation comes into play? Give us a call...

BRRR, CHILLER BARREL FAILURE AT THE ICE RINK

Did the chiller barrel fail due to mineral build-up? Was it improperly maintained? Or, was it corrosion? Who ya gonna call?

SHOULDER INJURED DUE TO A SEATBELT?

Your client is claiming his shoulder was injured due to the seatbelt. Even though we are just engineers, we have the resources to investigate and reconstruct this type of claim.

VINYL LINED IN GROUND POOLS

Your insured discovered damage early in March, when the trampoline style cover broke loose from some of its anchors and collapsed into the pool. The pool is now empty of water and ice. Did the cover cause damage to the pool liner and cause the water to drain? Or did the water drain prior to the incident allowing the cover to sag to a point where the anchors failed?



Give us a call!

**COMPLIMENTS OF YOUR
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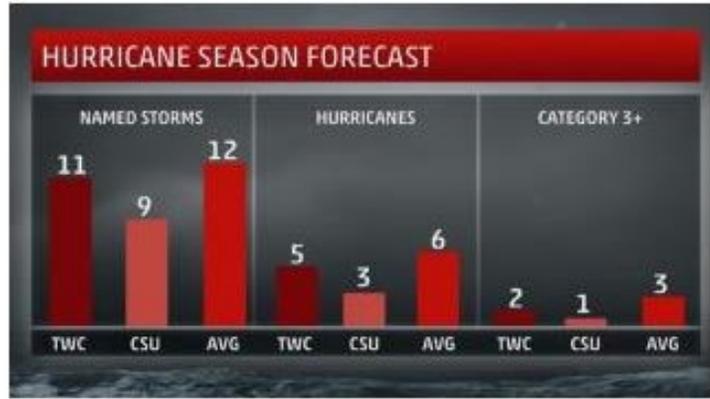
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The commentary contained in The Forensic Engineering Report is not intended, nor should it be relied upon, to replace specific professional advice. We recommend that readers consult their professional advisors regarding issues raised in this publication.

2014 HURRICANE STORM PREDICTIONS



2014 hurricane season forecasts from The Weather Channel (TWC) and Colorado State University (CSU) compared to average (AVG).

The 2014 Hurricane season is predicted to be near-normal or below-normal by the National Oceanic and Atmospheric Administration (NOAA). NOAA predicts eight to 13 named storms, The Weather channel predicts 11 and Colorado State University predicts 9. A normal season, according to NOAA statistical averages from 1980 to 2010, has 12 named storms, six hurricanes and three major hurricanes.



CITY, STATE, ZIP
ADDRESS
FIRST NAME, LAST NAME



CITY, STATE ZIP
ADDRESS
YOUR FIRM NAME

