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August 26, 2021

[Via email: jpearsall@rialto.ca.gov](mailto:jpearsall@rialto.ca.gov)

Jennifer Pearsall
Human Resources/Risk Management
City of Rialto, California
(909) 421-4939

Re: Process Synopsis

Assured:	PRISM / City of Rialto
Date of Loss:	August 20, 2021
Nature of Loss:	Fire
Location of Loss:	Public Works (Location 46) 355 W. Rialto Avenue Rialto, CA 92376
Assured's Broker:	Alliant Insurance Services
Our File Number:	002.056231.00.Q

Dear Ms. Pearsall:

You had requested that we provide a brief claims overview for yourself and your City Manager as expected in the occurrence of the attic fire at the Public Works Warehouse.

Risk:

We understand the structure at hand is an "old lumberyard offices" building circa 1960s which the city acquired and converted to City use, several years ago and uses for its Public Works operation. An attic fire occurred 20th August 2021 and burned through a portion of the attic roofing and created varying degrees of smoke damage throughout the structure and water damage from the fire suppression water.

Occurrence (& securing the scene):

We understand this is a fire loss and the origin is still being determined. We will be retaining an Origin & Cause (O&C) investigator to assist with determining the origin and cause. To that end, please maintain the area of the fire burn as much as possible until our origin & cause investigator can release the scene. (This is as requested in our email to you of 24th August 2021.)

We have asked our field adjuster, Alex Makh, to arrange inspection with your Superintendent of Public Works Anthony "Tony" Brandyberry. (The two of them worked together on the Rialto tree onto breezeway claim in March of last year as well.) That is set for Thursday Aug 26th I believe.

Additionally, we have forwarded to Tony at Public Works, an inventory worksheet to assist Public Works staff in listing items that are not expected to be able to be cleaned and/or saved, and/or reused. This is a worksheet and may be manipulated as the City chooses. We do need a description of the item, location of the item, approximate age and a general idea of value (the latter at this point is mainly to assist us in approving disposal and make sure we do not have any unknown high-end items of concern). We understand the list will likely be incomplete in the first few weeks of the loss and will be an ongoing process. Ultimately, we will need the actual Replacement Cost prices and actual invoices from replacements as items are replaced (batch sendings are fine/ preferred).

Invoices:

As per the above paragraph, please keep copies of all invoices of items as they are replaced as this is an expectation of the Replacement Cost coverage afforded by the property insurance policy.

Building:

We understand from the brief discussions with your Superintendent that 1-800 Board Up (a division of Padgetts, it turns out) performed the board up at the request of the fire department and that Padgetts performed the initial dry out and installed some dehumidifiers. We understand this work was undertaken at Time and Expense (, as is normal,) and we ask that the City not pay these bills until we have had a chance to review them and their supporting backup.

Based on the extent of damage, we expect this job will go to public bid, an expectation that Tony seemed to concur with at the time. To that end, we request a copy of the proposal for your desired architect or engineer as Tony indicated the City was four engineers down and thus short staffed, so it is expected to be outsourced.

Extra Expense:

Tony said he was putting together the City's employees' time and activity thus far and we ask that you separate them into:

hourly employees,

salaried employees,

and

salaried exempt employees (those who might still secure overtime)

so that we could review those charges.

Generally, on this program, salaried personnel are not reimbursed for time incurred. Hourly people doing extra duty and/or direct repair can be recoverable, but it is at payroll rates not cost recovery departmental billing rates. Salaried exempt we would need to look at the “extra expense” aspect of their exempt status and the activity undertaken. For all presenting claim related in-house labor, we will need to know the activity being undertaken, the individual, and their payroll rate.

Cash Flow:

The City of Rialto appears to have a \$5,000 deductible applicable to this claim.

Location 46 on the Schedule of Values is part of a sizable blanket of coverage so we do not believe limits will be a factor at this time.

The general expectation is that the board up and remediation bills (Padgetts) will be reviewed and an agreed value and/or recommended value supplied in order to pay those vendors for activities rendered, once determined. Our building consultant will likely undertake this activity as well as develop a preliminary cost of expected repairs and a corresponding Replacement Cost Value less betterment (new versus old, in conformance with the California Department of Insurance guidelines) to develop an Actual Cash Value (ACV) of the building repairs. He will hopefully also capture the minimally triggered Code aspects, if any, which are/ or may be, triggered by the level of direct repairs work expected.

Once we have the board up, remediation and Building Actual Cash Value together with any Business Personal Property (BPP, aka Contents) Actual Cash Value determined along with any incurred and/or contracted costs for Extra Expense (your temporary office trailer comes to mind) and generate an initial payment recommendation against the ultimate claim.

Once bid results are back, we will review the bid results derived from the bid package (we hope to inspect the bid package before it is “let out” for bidding in order to get any questions clarified and/or any options or alternates that might want to be presented in the bidding process, such as any voluntary¹ changes or any specialty items of concern).

Typically, a second payment is in process once the permits are secured, the bid package is agreed, and thus the architecture invoices are supported, the contract let, & permit fees determined – as well as any changes from the projected Replacement Cost and/or Code facets can be captured or start to be captured at this time. Also at this secondary payment would be expected to be a top-up of the Business Personal Property that may have been replaced and/or discovered since the initial review of BPP.

¹ Voluntary changes will be at the cost of the City if they increase costs. We need to know any desired changes so that we make sure to look closely at those facets pre-and post-removal and attached associated (hopefully agreed) costs relative to said changes as items outside the scope of insurance.

An interim payment is sometimes due after the second payment and ultimately the last payment would be a wrap-up of all outstanding items not already considered and/or funded.

The above is a nonbinding general description of the claims process.

At each step of the funding process, we will need an executed Proof of Loss, ACV, partial, RCV, or final, similar to the one executed for the tree onto the breezeway claim of last year (if that one is wrapped up it may not be). And a Payment Directive telling us how insurers should be making out the payment. Should you wish wire instructions you would tell us at that time.

Control of the Site:

We would like to maintain the site and therefore the integrity of same for the Origin & Cause fire investigator being retained by the insurers in this matter.

We understand that some city employees had done some electrical work at the subpanel through the attic and to a dedicated plug for the phone voice mail system(?) a couple weeks prior to the incident but not apparently in the area of the fire in question. Tony was preparing/securing, a description of same.

We understand Allied, or similar, did an LED lighting retrofit citywide including 335 W. Rialto Avenue;

1. Please provide copy of the Allied contract and the Allied certificate of insurance supplied at the time of their work relative to 335 W. Rialto (and/or the city in general).

Should the Origin & Cause (O&C) investigator discover pertinent leads, we may need to put a another party or parties on notice and give them a chance to inspect the site before the seat of the fire is available for demolition and reconstruction. Should partial use of the building be needed prior to the release of that area, then a temporary wall can be constructed with negative air and/or containment facets if needs be.

Once the joint inspection is done and any evidence secured by the various Origin & Cause investigators has happened, then the scene should be able to be released for reconstruction purposes. We would anticipate and expect that permitting and/or project bid activity can be going on simultaneous with the O&C investigative activity described above.

I believe this addresses most of the items of concern relative to the adjustment process as we believe it will apply to the fire at 335 W. Rialto Avenue, Rialto, CA of 20th August 2021.

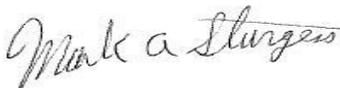
We expect to request the following:

2. Other Requested Items

- a. Building floor plan
- b. Annotated floor plan for city work August 2020 – The Dedicated plug;
 - i. Witness statements and description of added 30amp circuit participants and location of work.
- c. Fire report, Rialto Fire District.
- d. Alarm report (smoke detector alarm was indicated for this un-sprinklered facility).
- e. Lead and asbestos testing results and related invoicing
 - i. Should there be significant quantities of lead or asbestos found within the fire, smoke or suppression water demolition needed areas, then we would anticipate an abatement bid process pre-reconstruction.
- f. Inventory worksheets (**BPP**) for items not able to be repaired and/or cleaned, preferably by department. (The claim form provided was an advisory tool to this end.)
 - i. We will need receipts for invoices replaced in order to process the Replacement Cost Holdback facet of the claim (as described above).
- g. Other supporting documents as they become available
 - i. Architect's proposal (Building)
 - a) Architect's or engineer's invoicing
 - b) Permits and permit charges
 - ii. Temporary trailer proposal (Extra Expense)
 - a) Temporary trailer invoicing and use agreement (lease)
- h. Supporting documentation and invoices of any other costs or charges related to the fire which the City of Rialto believes to be part of, or potentially part of, this claim.

As always, we look forward to any comments, concerns or discussion you may wish to have on this matter and my phone numbers are at the head of this process summary.

Very truly yours,



Mark A. Sturgess, CPCU, RPA, AIC
Assistant Vice President / Executive General Adjuster

MAS/ca

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