Table of Contents
COVERAGE:

Statutory Authority/Rules and Regulations ........................................... 1.1

   Introduction
   What Is Covered
   Exclusions
   Limitations on Coverage
   Denial of Coverage

EXCESS COVERAGE CLAIMS:

Notice to Excess Insurers ................................................................. 1.1

   Introduction
   Recognition of Losses Subject to Notice
   Mandatory Requirements: Notice to Excess Insurers
   Cooperation with Insurers

INVESTIGATION:

General Investigation Outline ............................................................ 1.1

   Introduction
   Property Loss Report
   State Responsibility
   Investigation

Burglary/Theft Claim Guidelines ....................................................... 2.1

   Introduction
   Investigation
   Mysterious Disappearance
   Insurance Coverage for Mysterious Disappearance Losses
   Denial of Coverage

Boiler & Machinery Claim Guidelines ................................................ 3.1

   Introduction
   Definitions
   Coverage
   Investigation
Fidelity Claim Guidelines .................................................. 4.1

   Introduction
   Coverage/Definitions
   General Guidelines
   Investigation

Fire Loss Investigation Guidelines .................................. 5.1

   Introduction
   Investigation

DOCUMENTATION:

File Documentation .................................................... 1.1

   Statement of Personal Property Loss
   Building Loss Evaluation
   Diagrams
   Fire/Police Reports/Fire Marshal Reports
   Photographs
   Repair Estimates/Invoices

Property Claim Final Report Form ................................... 2.1

   Form Use
   Form Completion

Narrative Report Format ............................................. 3.1

   Introduction

Procurement Code ..................................................... 4.1

   Introduction

Use of Experts ....................................................... 5.1

   Introduction
   Selecting an Expert
   Expert’s Reports
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Information Report</td>
<td>6.1</td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>ADJUSTING PROCEDURES:</td>
<td></td>
</tr>
<tr>
<td>Contact with Agencies</td>
<td>1.1</td>
</tr>
<tr>
<td>Working with Agency Personnel</td>
<td></td>
</tr>
<tr>
<td>Building Losses</td>
<td>2.1</td>
</tr>
<tr>
<td>Replacement Cost Provisions</td>
<td></td>
</tr>
<tr>
<td>Agency Repairs (Acceptable Charges)</td>
<td></td>
</tr>
<tr>
<td>Personal Property Losses</td>
<td>3.1</td>
</tr>
<tr>
<td>Actual Cash Value Provision</td>
<td></td>
</tr>
<tr>
<td>Non-owned Property Claims</td>
<td></td>
</tr>
<tr>
<td>Independent Adjuster Assignments</td>
<td>4.1</td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>Aircraft Losses</td>
<td>5.1</td>
</tr>
<tr>
<td>SUBROGATION:</td>
<td></td>
</tr>
<tr>
<td>Investigation</td>
<td>1.1</td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>Investigation/Documentation</td>
<td></td>
</tr>
<tr>
<td>Evaluation</td>
<td></td>
</tr>
<tr>
<td>SALVAGE:</td>
<td></td>
</tr>
<tr>
<td>Introduction</td>
<td>1.1</td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>Surplus Property</td>
<td></td>
</tr>
<tr>
<td>Owner Retention of Salvage</td>
<td></td>
</tr>
<tr>
<td>Protection of Salvage</td>
<td></td>
</tr>
</tbody>
</table>
STATE VEHICLE PHYSICAL DAMAGE SECTION

STATE VEHICLE ADJUSTMENT PROCEDURES:

Inspection Criteria ....................................................... 1.1
Appraisal Standard ......................................................... 2.1
General Adjustment Guidelines ........................................... 3.1

- Introduction
- Rental Cars (Loss of Use)
- Towing and Storage
- Vehicle Theft
- Vehicles Targeted for Disposal
- Glass

Total Loss Adjusting Procedures ...................................... 4.1

- Introduction
- Investigation
- Salvage

Nomenclature .............................................................. 5.1
Coverage
I. INTRODUCTION:

All property coverage provided by the Risk Management Division is set forth in A.R.S. § 41-621 and 41-622 (Exhibit 1). The statutes are further clarified in the Administrative Rules & Regulations, R2-10-104 through R2-10-107 (Exhibit 2).

II. WHAT IS COVERED:

A.R.S. § 41-621 states that the Department of Administration shall obtain insurance or self-insure all State-owned property, including that of the State universities. It also states that the Department of Administration shall obtain insurance, or self-insure, all personal property reported to the Department. This shall include vehicles, aircraft owned by the State and its departments, agencies, boards and commissions, and all non-owned personal property which is under the clear responsibility of the State because of written leases or other written agreements.

III. EXCLUSIONS:

A.R.S. § 41-621L.2. losses arising out of contractual breaches. A.R.S. § 41-622B. states that property losses arising from obsolescence, nonserviceability, mysterious disappearance, mechanical or electrical breakdown, ordinary wear and tear and inventory shortage are excluded.

Obsolescence is not defined in the statute, or further clarified in the rules. An accepted insurance definition for obsolescence is "the outdating of an article due to complete loss of utility or improved engineering or manufacturing process." An example of this would be the computer equipment that becomes useless as technology advances.

Nonserviceability is also not defined in the Statute or in the Rules. Nonserviceability can best be defined as "loss of value resulting from an inability to repair or maintain an item due to the unavailability of parts or service expertise." An example of this would be a piece of equipment that would be useful if replacement parts were available, but the manufacturer no longer produces these parts, thus rendering the equipment useless.

Mysterious disappearance is clarified to some extent in A.R.S. § 41-622B & C. which states that mysterious disappearance shall not be construed to include a loss where there is a reasonable presumption of theft. "Reasonable presumption of theft" unfortunately, is not defined in the statutes or rules.
See Burglary & Theft claims guidelines in the Investigation Section of this manual for necessary information to determine whether mysterious disappearance exclusion applies to a particular loss.

Inventory shortage is not defined in the statute or rules. An accepted insurance definition of inventory shortage is "shortages determined to exist solely as a result of taking a physical inventory."

IV. LIMITATIONS ON COVERAGE:

Coverage under the State's Self-Insurance Program is provided on a replacement cost basis for buildings, **IF THE BUILDING IS ACTUALLY REPAIRED OR REPLACED.**

Personal property is covered on a replacement cost less depreciation basis (actual cash value). Claims totaling less than one hundred dollars are not covered. (Rule R2-10-106A.)

All State-owned property losses must be reported and properly documented within one year of the date of loss. If not, the claim is denied. (Rule R2-10-104A.)

Another limitation on coverage deals with losses in which the State agency suffering a loss has qualified personnel available to make repairs. If the agency does have personnel available, then outside labor charges are not covered. The agency labor charges are covered only if the employee's salary came from an unallocated source. (Rule R2-10-106B.) This limitation is further discussed in the Building Loss subject in the Adjusting Procedures section of this manual.

Rule R2-10-106C. states "The following State-owned property shall be excluded from coverage: Roads, bridges, tunnels, dams, dikes and retaining walls."

Rule R2-10-107A.3. states "There is no coverage for an employee while driving a state-owned or non-state-owned vehicle outside the course and scope of employment."

V. DENIAL OF COVERAGE:

Before a property claim is denied based on an exclusion, the adjuster must have supervisor approval.
§ 41-621. Purchase of insurance; coverage; limitations; exclusions; definition

Text of section effective January 1, 1996

A. The department of administration shall obtain insurance against loss, to the extent it is determined necessary in the best interests of the state as provided in subsection F of this section, on the following:

1. All state owned buildings, including those of the universities, excluding buildings of community colleges, whether financed in whole or in part by state monies or buildings in which the state has an insurable interest as determined by the department of administration.

2. Contents in any buildings owned, leased or rented, in whole or in part, by or to the state, excluding buildings of community colleges, and reported to the department of administration.

3. The state and its departments, agencies, boards and commissions and all officers, agents and employees thereof and such others as may be necessary to accomplish the functions or business of the state and its departments, agencies, boards and commissions against liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization except as prescribed by this chapter.

4. All personal property reported to the department of administration, including vehicles and aircraft owned by the state and its departments, agencies, boards and commissions and all non-owned personal property which is under the clear responsibility of this state because of written leases or other written agreements.

5. The state and its departments, agencies, boards and commissions against casualty, use and occupancy and liability losses of every nature except as prescribed by this chapter.

6. Workers' compensation and employers' liability insurance.

7. Other exposures to loss where insurance may be required to protect this state and its departments, agencies, boards and commissions and all officers, agents and employees acting in the course and scope of employment or authorization except as prescribed by this chapter.

B. To the extent it is determined necessary and in the best interests of the state, the department of administration shall obtain insurance or provide for state self-insurance against loss caused by clients in, or resulting from, the direct or incidental care of clients participating in programs of the state and its departments, agencies, boards or commissions relating to custodial care. The insurance available for mentally disabled, an individual provider of service programs. The department of administration shall obtain insurance or provide for state self-insurance against loss caused by clients in, or resulting from, the direct or incidental care of clients participating in programs of the state and its departments, agencies, boards or commissions relating to custodial care. The insurance available for mentally disabled, an individual provider of service programs.

R. For purposes of determining whether a state officer, agent or employee is entitled to coverage under this chapter, "within the course and scope of employment or authorization" means:

1. The acts or omissions that the state officer, agent or employee is employed or authorized to perform.

2. The acts or omissions of the state officer, agent or employee occur substantially within the authorized time and space limit.

3. The acts or omissions are activated at least in part by a purpose to serve this state or its departments, agencies, boards or commissions.

Amended by Laws 1992, Ch. 25, § 1; Laws 1993, Ch. 71, § 1; Laws 1994, Ch. 114, § 1; Laws 1994, Ch. 231, § 1.

1 Section 38-621 et seq.
2 Section 41-2501 et seq.
3 Section 20-401 et seq.

For text of section effective January 1, 1996, see § 41-621, post.
missions relating to
employees acting
self-insurance against
of the state, the
this state and its
commissions and
by this chapter.
its of the state, the
of employees acting
self-insurance against
of state because
part, by or to the
officers, to accomplish the
of administration, and may include the
of administration's procurement of insurance to cover losses arising out of state property or liability claims prescribed in subsections A and D of this section or excess

1. The board shall consist of three members appointed by the director of the department of administration, at least one of whom shall be a foster parent, two members appointed by
the director of the department of economic security, one member appointed by the director of the
state department of corrections, and one member appointed by the administrative
director of the courts.

2. The board shall elect a chairman from among its members.

3. The board shall hold at least two meetings a year or shall meet at the call of the
chairman.

4. Board members shall serve for three years terms.

5. Board members are not eligible to receive compensation but are eligible for reimbursement of expenses pursuant to title 38, chapter 4, article 2.

6. The board shall provide advice to the department regarding coverage and administra-
tion of the provisions of this subsection and shall assist the department in coordinating its
activities pursuant to this subsection with state departments, agencies, boards and commissions.

C. The department of administration may obtain insurance against loss, to the extent it is
determined necessary and in the best interests of the state as provided in subsection F of this
section for the professional liability of individual physicians and psychiatrists who provide
services under a contract with the state department of corrections. Coverage is limited to
acts and omissions committed inside a state department of corrections facility while in
the performance of the contract and to individual physicians and psychiatrists who demonstrate to
the satisfaction of the state department of corrections that they cannot otherwise obtain
professional liability coverage for the services required by the contract.

D. The department of administration may obtain property, liability, disability or workers'
compensation insurance, self-insure or develop risk retention pools to provide for payment of
property loss or casualty claims or disability insurance claims against contractors of this state
with the approval of the joint legislative budget committee. With respect to insurance, self-
insurance or risk retention pools for contractors licensed and contracted to do work for this
state, the coverage afforded applies with respect to the conduct of the business entity of that
contractor. The pool is available to all contractors regardless of the amount that the state
contracted work bears in relation to the amount of nonstate contracted work. The contractor
shall be terminated from the pool if the contractor ceases to be a state contractor.

E. The department of administration may determine, in the best interests of the state,
that state self-insurance is necessary or desirable and, if that decision is made, shall provide
for state self-insurance for losses arising out of state property, liability or workers' compensa-
tion claims prescribed by subsection A of this section. If the department of administration
provides state self-insurance, such coverage shall be excess over any other valid and
collectible insurance.

F. In carrying out the provisions of this chapter, the department of administration shall
establish and provide the state with some or all of the necessary risk management services, or
shall contract for risk management services pursuant to chapter 23 of this title, as the
director of the department of administration deems necessary in the best interest of the state,
and may, in addition to other specifications of such coverage as deemed necessary, determine
self-insurance to be established. The provisions of chapter 23 of this title shall not apply to
the department of administration's procurement of insurance to cover losses arising out of
state property or liability claims prescribed in subsections A and D of this section or excess

30 ARSA 1994 P.P. 2

EXHIBIT 1
loss insurance for the state’s workers’ compensation liability for individual or aggregate claims, or both, in such amounts and at such primary retention levels as the department of administration deems in the best interest of the state. In purchasing insurance to cover losses arising out of state property or liability claims prescribed by subsection A of this section, the department of administration is not subject to the provisions of title 20, chapter 2, article 5.3

G. No successful bidder for risk management services pursuant to this section shall be entitled to receive directly or indirectly any sales commission, contingent commission, excess profit commission, or other commissions, or anything of value, as payment for the risk management services except those amounts received directly from this state as payment for the risk management services.

H. The department of administration shall pay for purchased risk management services, premiums for insurance on state property and state liability and workers’ compensation pursuant to the provisions of this chapter.

1. A state officer, agent or employee acting in good faith, without wanton disregard of his statutory duties and under the authority of an enactment that is subsequently declared to be unconstitutional, invalid or inapplicable is not personally liable for an injury or damage caused thereby except to the extent that he would have been personally liable had the enactment been constitutional, valid and applicable.

J. A state officer, agent or employee, except as otherwise provided by statute, is not personally liable for an injury or damage resulting from his act or omission in a public official capacity where the act or omission was the result of the exercise of the discretion vested in him if the exercise of the discretion was done in good faith without wanton disregard of his statutory duties.

K. The state and its departments, agencies, boards and commissions are immune from liability for losses arising out of a judgment for willful and wanton conduct resulting in punitive or exemplary damages.

L. The following exclusions shall apply to subsections A, B and E of this section:

1. Losses against this state and its departments, agencies, boards and commissions or its officers, agents or employees that arise out of and are directly attributable to an act or omission determined by a court to be a felony by a state officer, agent or employee unless the state knew of the person's propensity for that action, except those acts arising out of the operation or use of a motor vehicle.

2. Losses arising out of contractual breaches.

M. If self-insurance coverage is determined to exist, the attorney general, with funds provided by the department of administration, shall provide for the defense, either through his office or by appointment of outside legal counsel, of the state and its departments, agencies, boards and commissions and all officers, agents and employees thereof and such others as are insured by the department of administration for or on account of their acts or omissions covered pursuant to this chapter. All state departments, agencies, boards and commissions, all officers, agents and employees thereof and such others as are insured by the department of administration shall cooperate fully with the attorney general and department of administration in the defense of claims arising pursuant to this chapter.

N. A claim for liability damages made pursuant to this chapter may be settled and payment made up to the amount of twenty-five thousand dollars or such higher limit as may be established by the joint legislative budget committee with the approval of the director of the department of administration. A claim over the amount of twenty-five thousand dollars up to fifty thousand dollars or such higher limit as may be established by the joint legislative budget committee may be settled and payment made with the approval of the director of the department of administration and the attorney general. Any claim over the amount of fifty thousand dollars or such higher limit as may be established by the joint legislative budget committee may be settled and payment made with the approval of the director of the department of administration, the attorney general and the joint legislative budget committee. If it is in the best interest of this state, the joint legislative budget committee may establish higher settlement limits. Any settlements involving amounts in excess of fifty thousand dollars or such higher limits as may be established by the joint legislative budget agencies, boards and commissions, all officers, agents and employees thereof and such others as are insured by the department of administration.
Individual or aggregate as the department of management services, workers' compensation, or any officers, agents and employees of this state unless such liability otherwise exists.

2. Impair any defense this state or the departments, agencies, boards and commissions or any officers, agents and employees of this state otherwise may have.

P. The department of administration shall pay, on behalf of any state officer, agent or employee, any damages, including punitive damages, for which the officer, agent or employee becomes legally responsible if the acts or omissions resulting in liability were within the officer, agent or employee's course and scope of employment.

Q. The department of administration shall adopt such rules as are deemed necessary to carry out, implement and limit the provisions of this chapter.

R. For purposes of determining whether a state officer, agent or employee is entitled to coverage under this chapter, “within the course and scope of employment or authorization” means:

1. The acts or omissions that the state officer, agent or employee is employed or authorized to perform.

2. The acts or omissions of the state officer, agent or employee occur substantially within the authorized time and space limit.

3. The acts or omissions are activated at least in part by a purpose to serve this state or its departments, agencies, boards or commissions.


For text of section effective until January 1, 1996, see § 41–621, ante.

Historical and Statutory Notes

Laws 1992, Ch. 25, § 5, provides:

"Sec. 5. Delayed effective date

"Section 2 of this act is effective from and after December 31, 1995."

The 1992 amendment of this section by Ch. 25, § 1 explicitly amended the 1991 amendment of this section by Ch. 197, § 1.

The 1992 amendment of this section by Ch. 25, § 2 explicitly amended the 1992 amendment of this section by Ch. 197, § 2.

Laws 1992, Ch. 258, § 28, eff. Sept. 30, 1992, retroactively effective to July 1, 1992 provides:

"Sec. 28. University programs; risk management insurance

"Interns, externs, residents and fellows in programs of universities under the jurisdiction of the Arizona board of regents are eligible for insurance coverage under § 41-621, subsection A, paragraph 3, Arizona Revised Statutes."

Laws 1993, Ch. 71, §§ 4 and 5, provide:

"Sec. 4. Delayed repeal

"Section 41–621, Arizona Revised Statutes, as amended by Sec. 1 of this act, is repealed from and after December 31, 1995."

Laws 1993, Ch. 71, §§ 4 and 5, provide:

"Sec. 5. Delayed effective date

"Section 41–621, Arizona Revised Statutes, as amended by § 2 of this act, is effective from and after December 31, 1995."

The 1993 amendment of this section by Ch. 71, § 1, explicitly amended the 1992 amendment of this section by Ch. 25, § 1.

The 1993 amendment of this section by Ch. 71, § 2, explicitly amended the 1992 amendment of this section by Ch. 25, § 2.

Laws 1994, Ch. 114, §§ 3 and 4 provide:
§ 41–621

"Sec. 2. Delayed repeal
"Section 41–621, Arizona Revised Statutes, as amended by § 1 of this act, is repealed from and after December 31, 1995.

"Sec. 4. Delayed effective date
"Section 41–621, Arizona Revised Statutes, as amended by § 2 of this act, is effective from and after December 31, 1996."

The 1994 amendment of this section by Ch. 114, explicitly amended the 1993 amendment of this section by Ch. 71, § 1.

The 1994 amendment of this section by Ch. 114, § 2, explicitly amended the 1993 amendment of this section by Ch. 71, § 2.

Laws 1994, Ch. 231, §§ 8 to 5, provide:

"Sec. 3. Applicability to pending claims
"The department of administration shall provide coverage pursuant to § 41–621, Arizona Revised Statutes, against claims pending on the effective date of this act against state officers, agents and employees for injury or damages, including punitive and exemplary damages, resulting from acts and omissions within the course and scope of official duties.

"Sec. 4. Delayed repeal
"Section 41–621, Arizona Revised Statutes, as amended by § 1 of this act, is repealed from and after December 31, 1995.

"Sec. 5. Delayed effective date
"Section 41–621, Arizona Revised Statutes, as amended by § 2 of this act, is effective from and after December 31, 1996."

The 1994 amendment of this section by Ch. 231, § 1, explicitly amended the 1993 amendment of this section by Ch. 71, § 1.

The 1994 amendment of this section by Ch. 231, § 2, explicitly amended the 1993 amendment of this section by Ch. 71, § 2.

1994 Reviser's Note:
This section contains the amendments made by Laws 1994, Ch. 114, sec. 2 and Ch. 231, sec. 2 that were blended together as shown above pursuant to authority of § 41–1304.03.

Cross References
Conservation districts, state demonstration projects, indemnification, see § 45–898.01.

Defamatory 18

18. Defamatory
Evidence that state officials knew there was another possible suspect in child-molesting case at day-care facility where plaintiff was employed, or that perhaps child had been molested twice by different persons, did not establish that personnel knew that accusations against plaintiff were false or that personnel acted in reckless disregard of truth for purpose of conditional privilege defense. Carroll v. Robinson (App. Div.1 1994) 874 P.2d 1010.


Conditional privilege of public officers regarding defamatory communications does not provide absolute defense; plaintiff may establish abuse of conditional privilege by showing that officer acted with knowledge of statement's falseness or with reckless disregard of whether statement was true. Carroll v. Robinson (App. Div.1 1994) 874 P.2d 1010.


Notes of Decisions
Defamatory

§ 41–621.01. Contractors; pooling of property, liability and workers' compensation coverage; exemptions; board of trustees; contract; termination; audit; insolvency

Text of section effective until January 1, 1996

A. Pursuant to § 41–621, subsection C and § 41–622.01 two or more contractors licensed to do work for this state may with the approval of the department of administration enter into contracts or agreements pursuant to this section for the joint purchase of insurance, to pool retention of their risks for property and liability losses and to provide for the payment of the property loss or claim of liability made against any member of the pool on a cooperative or contract basis with one another or may jointly form a nonprofit corporation or enter into a trust agreement to carry out the provisions of this section in their behalf directly or by contract with a private party, if the department of administration has determined to sanction such a pool. Two or more contractors may enter into contracts or agreements pursuant to this section to establish a separate workers' compensation pool to provide for the payment of

34
§ 41-622. Revolving funds for self-insured losses and administrative costs; budget requests

A. There is established a permanent risk management revolving fund and a permanent workers' compensation liability loss revolving fund in the department of administration for the purchase of insurance, risk management services including loss control services, payment of self-insured losses pursuant to § 41-621, subsections A, B, C and D and administrative costs necessary to carry out risk management services prescribed by § 41-621. The department of administration shall pay for claims processing costs, including adjusting costs, legal defense costs and attorney fees, for any portion of claims falling within state self-insurance coverage pursuant to the provisions of this chapter.

B. The permanent risk management revolving fund in the department of administration shall exclude any property loss arising from damage due to mechanical or electrical breakdown, ordinary wear and tear or obsolescence, non-serviceability, mysterious disappearance or inventory shortage. Mysterious disappearance shall not be construed to include a loss if there is a reasonable presumption of theft. The department of administration, subject to chapter 23 of this title, may advance or disburse monies to contractors who rebuild state property as a result of self-insured losses or to persons who supply goods or services in replacing self-insured losses. The department of administration shall pay for claims processing costs, including adjusting costs, legal defense costs and attorney fees, for any portion of claims falling within state self-insurance coverage pursuant to the provisions of this chapter.

C. To qualify for payment for loss by theft or burglary of state-owned personal property, an agency, department, board or commission must show evidence of forcible entry or that threat of violence was used in the taking of the property or there must be a reasonable presumption of theft.

D. The department of administration shall present to the legislature not later than September 1 of each year, in accordance with the provisions of § 35-118, a budget request based on the actuarial needs for liability losses, workers' compensation liability losses, property losses and risk management administrative costs. The budget request shall be broken down to reflect the amount of monies to be charged to each of the state departments, agencies, boards and commissions and any others insured under this chapter. Any state department, agency, board or commission that has an amount for insurance included in its appropriation, whether specifically stated or not, and any state department, agency, board or commission or others insured under this chapter that receive funds other than those appropriated shall be billed for the proportionate share of the charges for insurance or self-insurance by the department of administration. In collecting the agency billings for risk management charges, the director of the department of administration may transfer the amount required by risk management to the permanent risk management revolving fund or permanent workers' compensation liability loss revolving fund before the coverage begins. Those entities or persons insured under the provisions of this chapter that are not state agencies, departments, boards, commissions or employees or that do not receive funding from state sources shall be billed for the amount required by risk management to the permanent risk management revolving fund or permanent workers' compensation liability loss revolving fund.

E. All monies recovered by the state pursuant to litigation, recovery, salvage value of damaged property, proportionate share monies from any other existing state funds, or otherwise, for damages relating to either a liability, property or workers' compensation loss for which monies from the risk management or workers' compensation liability loss funds have been or will be paid shall be deposited in the respective revolving funds.

F. If a revolving fund is projected to be exhausted while the legislature is in session, a special appropriation may be requested by the department of administration for monies to...
§ 41–622

STATE GOVERNMENT

meet the needs of the funds. If the funds are exhausted at a time when the legislature is not in session, any final judgment shall accrue interest and shall be payable upon appropriation in the next succeeding regular session of the legislature. Interest on any judgment against this state paid for out of the permanent risk management revolving fund shall accrue at the average yield offered by United States treasury bills during the course of the appeal and shall be paid in accordance with this section. If the appeal is lost by this state, the judgment amount plus interest at the rate prescribed in this subsection shall be paid.

G. All monies deposited in the funds identified in subsection A of this section are subject to annual legislative appropriation beginning in the 1992–1993 fiscal year to the department of administration for use pursuant to this section and are exempt from the provisions of § 35–190, relating to lapsing of appropriations.

H. Monies in the funds established pursuant to subsection A of this section shall not be used for administrative costs, other than costs directly related to liability, property loss claims, workers' compensation liability, loss control services, risk management services or administration of the risk management division, without approval of the joint legislative budget committee.

I. A ten thousand dollar death benefit shall be paid from the workers' compensation revolving fund to the estate of a deceased volunteer, who is registered as a volunteer by the agency, board or commission, or to an employee who is not subject to the provisions of § 38–651.02, upon proof of death while in the course and scope of duties as defined in § 41–621, subsection P for any state agency, board or commission.

Amended by Laws 1992, Ch. 312, § 12, eff. Sept. 30, 1992, retroactively effective to July 1, 1992; Laws 1993, Ch. 71, § 3; Laws 1994, Ch. 10, § 1, eff. July 17, 1994, retroactively effective to July 3, 1993.
B. State employees shall direct all contacts concerning any liability claim against the state, its agencies, officers, agents or employees by a third party to either RM, the Attorney General’s Office or independent contractors representing either of those offices.

C. No oral discussion or written reports of claims or lawsuits shall be disclosed to anyone other than state-authorized personnel unless required by law or unless permission for each discussion or report is given by the Attorney General’s Office or RM.

R2-10-104. Property claim procedures

A. All property losses within the state’s self-insured retention program that are not reported to RM within one year of discovery of the incident giving rise to the loss shall not be covered. All property losses within the state’s self-insured retention program, that have been reported within one year of the discovery of the incident date but lack proper documentation as to the cause and amount of the loss shall not be covered. If a loss to buildings or structures requires more than one year to repair or replace, the Risk Manager may grant an extension of time to properly document the amount of the loss.

B. RM or upon request, the agency involved, shall obtain competitive bids for the necessary repairs or replacement. Repairs will be authorized only upon the approval of RM.

C. Consulting services, when required, of architects or engineers who are advising the State on the replacement or construction of state buildings that have been partially or totally damaged and that are to be paid for by RM funds shall be reviewed and approved by RM.

R2-10-105. Employment discrimination claim procedures

A. Upon receipt of a notice of charge of discrimination, the agency or employee shall:

1. Send a copy of the charge immediately to RM and to the Attorney General’s Office.

2. Contact the Attorney General’s Office if the agency requires legal assistance during the administrative process.

3. Provide RM with a copy of the response upon completion. RM shall review the material and assist in resolution during administrative process.

B. Upon receipt of the determination or A Right to Sue Letter from the appropriate administrative agency, the agency shall immediately provide a copy of the decision to RM.
R2-10-106. Property coverages and limitations

A. State-owned property loss coverage to state-owned buildings shall be on a replacement cost basis for items actually replaced or repaired. State-owned property loss coverage to state-owned personal property shall be on a replacement cost less depreciation. State personal property claims less than $100 shall not be covered.

B. If the state or its agencies requesting repairs or replacement of a state property loss have the facilities and qualified personnel available to repair state property, RM will determine if work shall be performed by state employees or contractors. Reimbursement for the cost of repair or replacement of state property shall not include the State employee's labor time, when the labor cost for the repair or the replacement is allocated from appropriated funds.

C. The following state-owned property shall be excluded from coverages: Roads, bridges, tunnels, dams, dikes, and retaining walls.

R2-10-107. Liability coverages and limitations

A. The following coverages and limitations apply for purposes of this Chapter:

1. An officer, agent or employee shall be covered within the limitations of A.R.S. §41-621, et seq., while driving a state-owned or a non-state-owned vehicle in the course and scope of employment. Each agency will ensure that anyone operating a state-owned vehicle or non-state-owned vehicle on state business has a valid driver's license. Coverage shall be on a primary basis for state-owned vehicle use and on an excess basis for non-state-owned vehicle use. There is no coverage provided for damage to or loss of the employee-owned vehicle.

2. All officers, agents or employees shall be considered within the course and scope of their employment while driving a state-owned vehicle under the following conditions:

   a. While driving on authorized state business;
   b. While driving to and from work;
   c. While driving to and from lunch on a working day;
   d. While driving outside the geographical area of regular employment on authorized state travel;
   e. While driving at any other specifically state-authorized time outside regular employment hours;
   f. While driving to and from meals while on out-of-town travel.

3. There is no coverage for an employee while driving a state-owned or non-state-owned vehicle outside the course and scope of employment.
4. An employee will not be considered within the course and scope of employment while driving a non-state-owned vehicle:
   a. While driving to and from work,
   b. While driving to and from lunch in the area of employment and not on officially authorized state business,
   c. While driving on other than state-authorized business.

B. Volunteers acting at the direction of state officials, and within the course and scope of their state-authorized activities, come within state coverage pursuant to statute.

C. Claims alleging civil rights violations shall be covered through RM, except there is no coverage for payment of that portion of a settlement or judgment for position status adjustments.

D. If an employee's personal aircraft is used while acting within the course and scope of employment with the State, aircraft liability coverage shall be provided by RM under the following guidelines:
   1. Coverage shall be on an excess basis for an employee's personal aircraft.
   2. An employee shall be required to carry a minimum of $1,000,000 in aircraft liability coverage on their personal aircraft.
   3. An employee pilot shall be on record and approved by RM prior to flying on state business. Employees shall complete a pilot application requesting pilot's name, airman's certificate number, driver's license number, aircraft description, rating and flying hours, and return it to RM for review along with a certificate of insurance evidencing the required limits of coverage on a personal aircraft. An updated pilot application and certificate of insurance shall be required annually.
   4. An employee shall maintain a current pilot certification issued by the FAA.
   5. An employee shall meet the pilot warranties as indicated in the aircraft insurance policy and available through RM.
   6. An employee shall hold all licenses, certificates, endorsements, and other qualifications, including proficiency checks and recent experience, required by the FAA or other federal, state or local statutes and rules to act as pilot-in-command or a required crew member for the aircraft being flown. The pilot-in-command shall meet current requirements for carrying passengers.
7. Use of non-state-owned aircraft is limited to authorized activity which is in the course and scope of employment with the State. No coverage is available for the following uses:
   a. Personal use of aircraft,
   b. Aircraft for hire, reward or commercial use,
   c. Agricultural operations
   d. External loads,
   e. Aerial acrobatics.

8. The seating capacity on aircraft is limited as outlined in the aircraft insurance policy purchased by RM.

9. No coverage is provided for damage to or loss of the employee-owned aircraft.

10. A letter shall be sent to the employee from RM approving or rejecting an application to fly on state business. The approval letter shall be presented to the appropriate department head and a copy sent to the agency's loss control coordinator.

11. If a non-state employee is piloting an employee-owned aircraft on behalf of a state employee, on authorized state business, all guidelines listed above shall apply.

12. All aircraft used by state employees or non-state employees as an agent of the State shall meet all statutes and rules of the FAA and other federal, state, and local jurisdictions for flight.
Excess Coverage Claims
I. INTRODUCTION:

The Risk Management Section has a number of property insurance policies in force at any one time covering different types of property. There is a basic property program that provides coverage on a blanket basis for real property and personal property. The other policies are specialty coverages, such as: Boiler & Machinery, Crop-Multiperil, Aircraft Hull; etc.

Each adjuster should have an Insurance Policy Summary Manual which contains information regarding the policies (property and liability) currently in force.

When assigned a new loss that has the potential to go beyond the deductible amount, the adjuster must review the actual policy to determine under which policy, if any, the loss might be covered. The adjuster must also review the reporting provisions to ensure compliance.

II. RECOGNITION OF LOSSES SUBJECT TO NOTICE:

It is expected that all adjusters be familiar with the deductible amounts on the property coverages. This is necessary in order to ensure no losses in which coverage should be afforded go unreported. The Insurance Policy Summary Manual contains those deductible amounts.

III. MANDATORY REQUIREMENTS: NOTICE OF LOSS TO EXCESS INSURERS:

Upon receipt of a property claim that potentially could exceed the deductible amount, the adjuster shall do the following:

1. Notify the Insurance Section of the loss
2. Send letter to the carrier/s advising them of the loss (send by Certified Mail).
3. Send a copy of the letter to the appropriate broker.
4. Follow up with carrier directly or through the broker if acknowledgement of the notice is not received from the carrier/s within a reasonable time.

IV. COOPERATION WITH INSURERS:

Typically the insurers will assign the claim to an independent adjusting firm to conduct the investigation and document the loss. The Risk Management adjuster is to cooperate fully with whomever the insurer chooses to handle the loss. The Risk Management adjuster must also maintain close contact with the insurer’s representative in order to ensure the State’s best interest is protected.
Investigation
I. INTRODUCTION:

The purpose of an investigation of a property claim is to ensure that any denial or payment made for a loss is in accordance with the governing statutes, rules and regulations and any applicable policies. The scope of the investigation may vary according to the complexity and severity of the loss.

Detailed guidelines for the investigation and adjustment of property losses follows this general outline.

II. PROPERTY LOSS REPORT:

A property loss can be reported verbally or can be filed by the agency using form RM013. (Exhibit 1) The adjuster shall acknowledge receipt of the property loss within 48 hours after the adjuster receives the assignment.

III. STATE RESPONSIBILITY:

The adjuster shall confirm with the agency the damaged property is owned by the State. If the property is not owned by the State, then any State responsibility must be determined, whether by lease, contract or other written agreement.

IV. INVESTIGATION:

Investigation of automobile related losses is addressed in the auto section of the manual. Aircraft hull, fidelity and boiler & machinery loss investigations are addressed in their respective sections.

The Statute provides coverage for all losses subject to certain exclusions. These exclusions are explained in the coverage section of this manual. The cause (peril) of loss is to be developed by the adjuster. All losses which involve a coverage issue must be investigated and, where applicable, the loss site inspected.

The value of the loss must be investigated and verified by the adjuster. This may include repair cost of buildings or personal property. Building losses are paid on a replacement cost basis (no depreciation). Personal property losses are paid on an actual cash value basis (ACV, replacement cost less depreciation).

Salvage and subrogation should be considered and reported on by the adjuster. Unusual and/or hazardous conditions discovered during the investigation should be reported to the Loss Prevention Unit.
I. INTRODUCTION:

Each adjuster is responsible for ensuring an investigation sufficient to properly document there is coverage for the loss, that the value of each loss can be determined and any subrogation possibilities are explored.

II. INVESTIGATION:

A police report must be obtained on all burglary and/or theft losses. After review of the police report it may be necessary to interview the person or persons having the most information about the loss. The adjuster must make a determination as to the following:

* When and where the property was last seen and by whom.
* Who reported the disappearance and how.
* When and by whom were the police notified.

A review of the police report and a physical inspection of the premises (if necessary) must identify any signs of forced entry. When investigating a large theft loss, the adjuster should make contact with the police agency having jurisdiction to determine if there are any suspects and/or to provide further information as to the cause of the loss.

If there is a suspect identified, the adjuster must ensure that restitution be requested should the suspect be later convicted.

III. MYSTERIOUS DISAPPEARANCE:

One definition for mysterious disappearance stated in Black's Law Dictionary is as follows:

Term refers to theft insurance policy provision covering any disappearance or loss under unknown, puzzling or baffling circumstances which arouse wonder, curiosity or speculation, or circumstances which are difficult to understand or explain. Claiborne v. U. S. Fire Ins. Co., La.App., 193 So.2d 315, 317.

A.R.S. § 41-622B excludes losses for mysterious disappearance. All losses that would fall within the definition of mysterious disappearances as stated above would be excluded. However, 41-622B further states that "mysterious disappearance shall not be construed to include a loss if there is a reasonable presumption of theft." A.R.S. § 41-622C further emphasizes this point in stating that for losses by theft or burglary
I. INTRODUCTION:

Generally speaking, any loss caused by an accident direct from within the object (i.e., boiler, air-conditioning equipment, transformer) should be handled as a boiler & machinery claim. This would apply even if a fire resulted but was contained within the object. Fire damage to property outside the object should be handled as a general property claim. An exception to handling a claim as a boiler & machinery loss would be a lightning-caused loss, or a loss caused by any other Extended Coverage peril (i.e., windstorm, hail, vehicle damage).

II. DEFINITIONS:

"Object" shall mean any complete vessel designated and described in this section and shall also include:
A. any steel economizer used solely with such vessel;
B. any direct water heater used for hot water supply service which is directly in the water circulating system of such vessel and which does not form part of a water storage tank, and
C. any piping on the premises of the State, or between parts of said premises, with valves, fittings, traps and separators thereon, which contains steam or condensate thereof, generated in whole or in part in such vessel, and any feed water piping between such vessel and its feed pump or injector;

but object shall not include:
1. any part of such vessel or piping which does not contain water or steam;
2. any reciprocating or rotating machine;
3. any electrical apparatus;
4. any piping not on the premises of the State, used to supply any premises not owned by, leased by or operated under the control of the State; nor
5. any other piping, any radiator, convector, coil, vessel or apparatus except as included in Sections A, B, and C above.

"Accident" shall mean a sudden and accidental breakdown of the object, or a part thereof, which manifests itself at the time of its occurrence by physical damage to the object that necessitates repair or replacement of the object or part thereof;

but accident shall not mean:
1. depletion, deterioration, wear and tear, corrosion, or erosion of material;
2. leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
there must be "evidence of forcible entry or that the threat of violence was used in the taking of the property or there must be a reasonable presumption of theft."

In addition to defining mysterious disappearance, we must also define "reasonable presumption of theft." In insurance law, theft presumption language in a policy places the burden of proof on the insurance company to establish that a loss was caused by some peril other than theft. Case law on presumption of theft over the years has established that lacking reasonable evidence of some other cause, the insured was given the benefit of the doubt.

For our purposes we will follow the insurance law that has developed in this area. If after investigating a loss that would fall under the definition of mysterious disappearance, the adjuster must use his/her judgement to determine whether there is a reasonable presumption that the property was stolen. Unless there is some evidence to believe otherwise the reasonable presumption language in the statute will allow for coverage to apply.

Coverage does not apply for losses that fall into one of the following categories:

* Mislaid property
* Property intentionally concealed for safekeeping, the hiding place being forgotten
* Property misplaced, and property which is "just lost," where the owner cannot remember where or when he/she last had it in his/her possession.

IV. INSURANCE COVERAGE FOR MYSTERIOUS DISAPPEARANCE LOSSES:

The manuscript property insurance coverage purchased by Risk Management does have a mysterious disappearance exclusion and there is no language relating to presumption of theft. Thus, there is no coverage for mysterious disappearance losses under our commercial insurance policy.

V. DENIAL OF COVERAGE:

Before a property claim is denied based on either mysterious disappearance or any other exclusion, the adjuster must have supervisor approval.
I. INTRODUCTION:

A crime/fidelity bond is a guarantee of personal honesty of an employee furnishing indemnity against his/her embezzlement or negligence. More specifically, it is a contract whereby for a consideration, one agrees to indemnify another against a loss arising from the want of honesty, integrity or fidelity of an employee or another person holding a position of trust.

II. COVERAGE/DEFINITIONS

The State does not carry bonds on employees. Insurance is purchased through Risk Management under the provisions of A.R.S. §41-621 and A.R.S. §38-251. (Exhibits 2 & 3) This coverage is subject to a deductible and provides coverage as outlined in the Insurance Manual under Crime/Fidelity.

A. Theft, disappearance and/or destruction is defined as any act of stealing, loss of or damage to a locked safe, vault, cash register, cash box or cash drawer inside the premises caused by the actual or attempted theft of the container or unlawful entry into it. Damage to the premises or to the exterior of the premises resulting from actual or attempted theft of covered property, provided the State as the named insured is the owner of the premises or is liable for such damage. This also covers theft from armored car transport services.

B. Computer fraud means "theft" of property following and directly related to the use of any computer to fraudulently cause a transfer of that property from inside the "premises" or "banking premises" to a person (other than a messenger) or place located outside those "premises."

C. Public Employee Dishonesty is per loss - blanket employee dishonesty coverage with a few differences, most of which grow out of the specialized nature of the public employee dishonesty exposure. Example, there is no coverage under Form O with respect to public employees who are required by law to be individually bonded. (Our coverage does cover these employees.) There are no third-party rights to seek recovery under the policy for instances of public employee dishonesty. Only the named insured governmental entity is entitled by the terms of the policy to bring legal action for payment of a covered loss.

III. GENERAL GUIDELINES:

The handling of fidelity claims involves settlement negotiations with agencies and employees. These losses are
1. Years employed with the State and the position occupied at the time of the loss

2. Review the employee's application for employment and collect any pertinent information

3. Did the employee confess? To whom? Oral or written? If written, obtain a copy

4. Facts from the employee's private life to include names and addresses of relatives

5. List any personal problems known (i.e. medical, financial, etc.)

6. Does the employee have any property/assets that may be attached for potential recovery?

After Risk Management is advised of, or discovers a loss or a situation that may result in a loss of, or loss from damage to, covered property, the adjuster must:

A. Notify the excess insurance carrier as soon as possible.

B. Submit to examination under oath at the request of the excess insurance carrier and give a signed statement of answers.

C. Give detailed, sworn proof of loss within 120 days.

D. Cooperate with the excess insurance carrier in the investigation and settlement of any claim.
I. INTRODUCTION:

Every claim submitted for damage to property should be evaluated to determine the cause of that damage. How that damage occurred should be determined by investigating the peril (cause of loss). Generally speaking, all losses are covered with the few exclusions previously outlined in the coverage section of this manual.

II. INVESTIGATION

Fire losses may originate from many hazards. The questions which need to be answered in determining the cause of a fire loss can be summed up with the five general questions normally considered in any investigation.

When did it occur?
Where did it occur?
How did it occur?
Why did it occur?
Who caused it to occur?

The investigation should reflect the simplicity or complexity of the loss. The scope of the loss will determine if an on-site inspection is warranted. If the adjuster has the experience, the adjuster should conduct the inspection; otherwise, an independent property adjuster should be assigned in accordance with the Independent Adjuster Assignments section of this manual.

Fire department reports, police reports, statements of potential witnesses and interviews with persons familiar with where the loss originated can provide some information to establish the cause of the fire. Potential hazards on-site will need to be considered. The cause of the loss will be determined in the course of the investigation using a process of elimination. The adjuster should initiate the investigation from the apparent origin of the loss.

Independent cause and origin experts may be needed to assist in the investigation of severe or complex losses. Potential subrogation should be kept in mind. Each loss needs an investigation and evaluation on its own merits.
## Arizona Department of Administration
### RISK MANAGEMENT SECTION
#### PROPERTY LOSS REPORT

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>DIVISION</th>
<th>SECTION</th>
<th>AFIS MAILCODE</th>
<th>RMS NO. (FOR RMS USE ONLY)</th>
</tr>
</thead>
</table>

This Report Involves: State Building State-Owned Property

Person To Contact: 

Telephone Number: 

<table>
<thead>
<tr>
<th>FACTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Loss:</td>
<td>Time: a.m. p.m. Weather:</td>
</tr>
<tr>
<td>Location:</td>
<td></td>
</tr>
<tr>
<td>Description of Incident:</td>
<td></td>
</tr>
</tbody>
</table>

Who Was Notified: 

Name Address Telephone 

What Action Was Taken by the Agency Following Damage? 

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of Property Involved:</td>
<td></td>
</tr>
<tr>
<td>Estimated Amount of Loss:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PARTY RESPONSIBLE FOR LOSS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name ( Individual or Firm)</td>
<td>Address Phone:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WITNESSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Name Address Phone No.</td>
<td></td>
</tr>
<tr>
<td>2) Name Address Phone No.</td>
<td></td>
</tr>
<tr>
<td>3) Name Address Phone No.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>POLICE REPORT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Officer and ID No. Report No.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REMARKS</th>
<th></th>
</tr>
</thead>
</table>

Reported By Date Mail 

Authorized Supervisor Date In Person 

Authorized Supervisor Date Phone

MAIL COMPLETED FORM TO: Risk Management, 1818 West Adams, Phoenix, Arizona 85007, or FAX 542-1982
Documentation
I. STATEMENT OF PERSONAL PROPERTY LOSS:

When adjusting a personal property loss involving multiple items, it is necessary to properly document the loss with a personal property inventory form. (Exhibit 1) The personal property inventory form will provide an accurate presentation of how the amount of the agreed or adjusted loss was determined.

II. BUILDING LOSS EVALUATIONS:

Generally speaking, on losses not requiring an independent adjuster (criteria is discussed later in this section) a building loss appraisal is not required. However, the adjuster must document, in the claim file, the type of damage, scope of damage, and provide clearly documented back-up to substantiate the loss. The narrative report format must be followed. (Exhibit 2)

If an independent has been assigned to investigate and assess a building loss, a narrative report (Exhibit 2) and a building loss appraisal are required.

III. DIAGRAMS:

Diagrams are necessary to document building losses requiring a field investigation. All reports from independents should include a diagram of the damaged structure.

IV. FIRE/POLICE/FIRE MARSHALL REPORTS:

Every file must contain all law enforcement reports on the incident. If in the case of a fire in which the Fire Marshall's Office completed an investigation, that report should also be obtained.

V. PHOTOGRAPHS:

Photographs which help explain the extent of the loss, or which are to be used in the pursuit of subrogation must be of good quality. Photographs are a valuable tool, but they can be expensive. Make certain every photograph serves a purpose.

Each photograph must be mounted on the photo mounting forms and appropriately labeled.

VI. REPAIR ESTIMATES/INVOICES:

All repair invoices or estimates are to be checked for accuracy. An adding machine tape should be run and attached to the document.
I. FORM USE:

The Property Claim Final Report (Exhibit 3) is to be used by the adjusting staff as a summary document on all uncomplicated property claims with a value greater than $500.00 but not to exceed $10,000.00. When correctly completed by the assigned adjuster, all essential documentation concerning the facts of the loss and the agreed settlement of the claims will be contained in the report or in documents attached to the report.

II. FORM COMPLETION:

When another form, such as the Building Loss Appraisal or any other supporting document is made a part of this report, the appropriate line is marked.

If more than one category of loss is involved (i.e., building and personal) it is recommended that a simple Statement of Loss Summary be developed on the Property Claim Final Report (in the Adjustment section of the form) to show the total amount of the claim payment.

Example:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreed Structural Loss</td>
<td>$985.00</td>
</tr>
<tr>
<td>Agreed Personal Property Loss</td>
<td>367.00</td>
</tr>
<tr>
<td>Net Claim</td>
<td>$1352.00</td>
</tr>
</tbody>
</table>

On the reverse side of the form is a Statement of Loss Form. This should always be completed if a Personal Property Inventory Form is not included in the file and the loss involves more than one item.
I. INTRODUCTION:

On property losses exceeding $10,000.00 (excluding auto physical damage), a narrative investigation report should be completed instead of the property claim final report form. A sample report outline is provided as Exhibit 2.

This report should be prepared at the close of the adjustment of the loss. This reporting requirement applies for Risk Management staff and for independent adjusters.

The narrative report is intended to communicate the facts of a loss, fully explain the basis of settlement and provide special information about the risk. All back-up documentation should be arranged so it can be easily identified and reviewed.
I. INTRODUCTION:

If the loss may approach the procurement code threshold, the assigned adjuster should notify the agency of the potential need for compliance with the State Procurement Code.
I. INTRODUCTION:

Experts are permitted, within the confines of their fields of expertise, to examine evidence and to express an opinion of some fact or facts based upon that examination. One of the most frequent uses of an expert in a property case is for the examination of the scene, and other physical evidence, to offer an opinion as to the causative agent of the loss.

Experts are commonly used in litigated cases to refute, or corroborate testimony given by other witnesses to some event or happening. Experts may also be used early in an investigation to aid and assist the claim adjuster with that investigation and the development of credible supportive evidence.

Experts may also be used to evaluate evidence already gathered, and to offer an opinion as to its overall credibility and validity, as well as the chance of success of the case as it is presently developed. Recommendations are often secured at this time for more specific detailed investigations. This, together with other oral and documentary evidence, supports the subrogation case to the jury.

II. SELECTING AN EXPERT:

In that experts are quite expensive, the use and selection of one on any given case should always be approved by the supervisor or claim manager following a thorough review of the facts of the case.

The selection of an expert should be done on the basis of past experience. Unfortunately, not all experts make good witnesses, and their ability on the witness stand is important—especially upon cross examination.

III. EXPERT’S REPORTS:

Experts are to be directed to report their findings verbally. If a written report is then needed, a supervisor’s or claims manager’s approval is required.
I. **INTRODUCTION:**

A Risk Information Report (Exhibit 4) should be completed under the following circumstances:

* The adjuster becomes aware of a loss frequency problem.
* The adjuster becomes aware of a hazardous condition which requires remedial action.
* The adjuster is unable to obtain cooperation from agency personnel in adjusting a loss.
* The adjuster becomes aware of inappropriate behavior of a state employee involved in a loss; for example, drinking on the job, disregard for safety of others, etc.

The form should be submitted to the Loss Prevention manager. One copy should remain in the file and a copy should be provided to the claims manager.
# PERSONAL PROPERTY INVENTORY FORM

(See Reverse Side for instructions)

ATTACH RECEIPTS FOR EACH ITEM

<table>
<thead>
<tr>
<th>Claim Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Description of Property (Include mfg., brand name, serial and model numbers)</th>
<th>Purchased or Obtained From</th>
<th>Date of Purchase or Age</th>
<th>Original Cost New</th>
<th>Current Replacement Cost</th>
<th>Cost of Repair of Restoration</th>
<th>RMS USE ONLY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above information is true to the best of my knowledge.

Insured's Signature___________________________ Date__________ TOTALS $__________

EXHIBIT 1
NARRATIVE INVESTIGATION REPORT

Risk

Give a brief description of the building and contents. Construction, age, occupancy, size of the building and nature of business should be stated. Physical condition and/or maintenance are also important. If there are any other features of the risk which have a bearing on the claim, state them in this section.

Origin

Provide date, time and place of the occurrence causing the loss. Describe the facts which are determined during the course of the investigation. If the loss origin is of a suspicious nature or is being investigated by police or fire officials, so state. If fire, comment on who discovered the fire. If there was no forcible entry and the structure was locked, this should be also be stated.

Reserve

The recommended reserve should be stated. If a reserve change is recommended, a brief explanation should be provided.

Extent of Damage

This is an important caption in supporting the adjustment of the loss. If a fire, describe where the fire traveled and the resultant damage. If the loss involves contents, describe what was both completely destroyed or partially damaged. If burglary or theft, the amount of property taken should be described as well as the nature of the items taken.

Adjustment

Describe the adjustment technique utilized. This may be brief if a statement of loss has been prepared and the information contained is self-explanatory. If the adjustment is not complete, the activity to date should be described. If appropriate, comment on the agency's attitude toward loss adjustment. Did the agency prepare and furnish an inventory? Are there any unusual problems in the adjustment of the claim?

Subrogation/Salvage

The possibility of subrogation recovery should be noted. If subrogation possibilities are positive, the reasons leading to this conclusion should be noted. If an expert has assisted, reference should be made to the report and final opinions and conclusions of the expert. If the responsible party is known, identifying information should be noted along with the name, policy number and name of the responsible's insurance carrier. Describe the
PROPERTY CLAIM FINAL REPORT

Date of Loss | Time of Loss | Date Assigned | Date of Initial Inspection

SUPPORTING DOCUMENTS

- Building Loss Evaluation
- Diagram(s)
- Statement of Personal Property Loss
- Fire or Police Report
- Subrogation Checklist
- Photos
- Repair Estimates/Invoices
- Risk Information Report
- Other Support Documents

RISK (Description)

CAUSE OF LOSS

ADJUSTMENT:

SALVAGE:  _Yes  _No (explain)

SUBRO:  _Yes  _No (explain)
## RISK INFORMATION FORM

**TO:** Loss Control Manager  
**From:** 
**Title:** 

<table>
<thead>
<tr>
<th>Agency</th>
<th>Date of Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claim No.</td>
<td>Type of Loss</td>
</tr>
<tr>
<td>Ind. Reserve</td>
<td>Ind. Paid</td>
</tr>
</tbody>
</table>

### Remarks From Claims Adjuster:

Items to consider but not limited to:

- Frequently
- Severity
- Const. Defect
- Hazardous Condition
- Unsafe Machinery or Equip.
- Cooperation (lack of)
- High Concentrated Values
- Management
- Late Reporting
- Suspicion of Drinking
- Reckless Driving
- Vehicle Condition
- Inadequate Records

### Remarks from Loss Control Representative:

Loss Control Representative ____________________________ Date ____________________________
Payments & Settlements
I. WORKING WITH AGENCY PERSONNEL:

One of the primary functions of Risk Management is to act as a funding source to repair/replace property damaged or lost as a result of a loss. In many cases, time is critical for the agency incurring the loss. The agency often needs the property involved in the loss to accomplish its mission. Thus, it is important that prompt service be provided to the agencies so they can get back to functioning in the same manner as before the loss.

With that in mind, initial contact with the agency incurring the loss is to be made within 48 hours of the claim assignment. In "Emergency" situations, the agency is to be contacted the same day the loss is received.

It is the adjuster’s responsibility to ensure the investigation, adjustment and documentation of property losses is handled as quickly as possible.
I. REPLACEMENT COST PROVISION:

All losses to State-owned buildings and fixtures shall be covered on a replacement cost basis for items actually replaced or repaired. (See exhibit 2 of Coverage Section - Rule R2-10-106A.)

If the agency does not intend to repair or replace the damaged property, the Claims Manager is to be advised. The agency will have to obtain special permission to use the monies for other purposes before Risk Management releases the funds.

II. AGENCY REPAIRS: (Acceptable Charges)

As was discussed in the Coverage Section of this manual, Rule R2-10-105.B. states that if the agency incurring a loss has qualified personnel available to make repairs that outside labor cost will not be covered by Risk Management unless special permission is granted. In addition, this rule states that Risk Management will not pay for labor charges from State employees if their salaries are allocated with appropriated funds.

For example, DOA incurs minor water damage to a building in the Capital Mall area as a result of a broken water pipe. If DOA Facilities Management personnel are used to do the clean up, painting, etc., their labor cost in completing this task would not be covered by Risk Management. On the other hand, if the same loss occurred at ASU, and their Physical Plant personnel are used to make the repairs, the labor charges would be covered. This is the case because ASU Physical Plant receives their funding from the individual departments at the University for work done on behalf of the department. In other words, they bill for their services and that is how they are funded.
I. ACTUAL CASH VALUE PROVISION:

Rule R2-10-106A. states that all personal property covered under the State Risk Management program is to be valued at replacement cost less depreciation (Actual Cash Value).

To establish the actual cash value for an item an accurate replacement cost value must be determined. From this figure, the applicable depreciation must be deducted. The applicable depreciation is determined in the following manner:

\[
\% \text{ Depreciation Applicable} = \frac{\text{Age of Item}}{\text{Life Expectancy of Item}}
\]

A depreciation chart has been provided as Exhibit 1 of this section. This chart provides an estimated life expectancy on a wide variety of items. This chart is however, only a guide. The use of good judgement is a most important factor in considering depreciation. It is important to know quality, model, brand, and extent of wear & tear on the article to equitably apply depreciation.

Despite the age, most personal property items have some remaining minimum value. Therefore, it is suggested that the depreciation should not exceed 90%.

II. NON-OWNED PROPERTY LOSSES:

As was mentioned in the Coverage Section of this manual, A.R.S. § 41-621A.4. does provide that non-owned personal property which is under the clear responsibility of the State because of written leases or other written agreements is covered.

The key element is that there must be a written agreement before a loss can be paid as a property loss under the statute. The adjuster is responsible for ensuring that a copy of that agreement is in the file before the claim is settled. Non-owned property losses are also to be adjusted on an actual cash value basis.
I. INTRODUCTION

Assignments to independent adjusters are limited to those activities the Risk Management adjuster is unable to accomplish. If it becomes necessary to make use of an independent adjuster the Risk Management adjuster must obtain authority to assign the case from their supervisor and complete the independent assignment sheet. (Exhibit 1) Specific instructions should be given to the independent to avoid incurring unnecessary expense.

The independent adjusters will report directly to the Risk Management adjuster assigned and will not deviate from the assignment sheet without prior approval. The first report should include a scope of damages and photos and should be submitted to the Risk Management adjuster within thirty days or less.
ARIZONA DEPARTMENT OF ADMINISTRATION
RISK MANAGEMENT DIVISION
1818 W. Adams
Phoenix, AZ 85007

TO: DATE:

RE: Our File No: RMD Adjuster:
Claimant: W.C. Adjuster:
Date of Loss: Phone #:
IDS Atty.:

Please investigate this loss as follows:

Assignment
( ) Appraisal ( ) Full Assignment ( ) Limited Assignment

Report
( ) Brief Memo ( ) Captioned Report ( ) No Report
YOUR FIRST REPORT WILL BE DUE: . IF A CAPTIONED REPORT IS REQUESTED, PLEASE USE THE
RMD CLAIMS EVALUATION FORMAT.

Statements
( ) Claimant /s ( ) Witness /es ( ) State Employees (Interview only)

Records
( ) Court Records Search ( ) Other: ____________________________

Reports
( ) Police ( ) Police Photos ( ) Fire ( ) Autopsy ( ) MVR
( ) Other: ____________________________

Photos
( ) Accident Scene ( ) State Veh. ( ) Clnt. Veh.

Appraisals / Estimates
( ) State Veh. ( ) Clnt’ Veh. ( ) Structural

Diagrams
( ) Scene ( ) Other: ____________________________

Special Instructions
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

MAJOR APPROVAL MUST BE SOUGHT FOR ADDITIONAL WORK.

ENCLOSURES
Independent – White
Unit Manager – Canary
EXHIBIT 1
File – Pink
Aircraft
I. INTRODUCTION:

To establish procedures for handling and processing claims involving state aircraft

II. COVERAGE:

All state aircraft are covered under an "Aircraft Hull & Liability" policy issued by the American Eagle Insurance Company administered through Arthur J. Gallagher & Company. Exhibit 1 lists the covered aircraft and owning agency. The policy provides full coverage for liability with a deductible of $7500.00 for physical damage.

III. ADJUSTING PROCEDURES:

Agencies are to report all claims to Risk Management on the standard "Property Loss" report form. A file will be set up and assigned to an adjuster. When the file is received, the adjuster will confirm that an "INS RSV" of at least $7500, and an "IND RSV" of $7500 is shown on screen RMS152. The adjuster will also go to screen RMS154 (30 on Property/Liability Menu) and complete the portion for Excess Insurance.

The assigned adjuster is to immediately FAX the loss report to Aviation Risk Managers, ATTN: Mr. C. W. Lombardi at 1-303-773-9776. This will minimize downtime for the aircraft.

Aviation Risk Managers will handle the loss completely and forward a settlement check to Risk Management for the amount of the loss, less the deductible and any betterment. A "Proof of Loss" will also be sent that will require a signature from the appropriate person at the agency. They will notify us in the event the amount of loss is less than the deductible.

Upon receipt of the check, the adjuster will complete the "Subrogation" section of Form RM006 in the following manner:

- Enter recovery date (date you received check).
- Under Type, circle "Insurance".
- Under I-L-E, circle "Indemnity".
- Under Source, circle "RM".
- Enter amount of check under Total Recovery &
RMS Recovery
Enter 97150 under the PCA Code & 7061 under Comp Obj. Code.

Attach the check, photocopy for the file and send it to accounting.

The adjuster will then request payment to the agency for the amount of the insurance check, plus the deductible. The adjuster will send the "Proof of Loss" sent by Aviation Risk Managers along with the payment. The representative from the agency will sign the proof and have it notarized. The signed original is to be sent back to the adjuster who will make a copy for the file and forward the original to:

Aviation Risk Managers
ATTN: C. W. Lombardi
P. O. Box 24809
Denver, CO 80237-2737

At this point the adjuster should be able to close the claim file.
PHYSICAL DAMAGE:

Damage to Owned Fixed-Wing Aircraft and Rotor-Wing Aircraft: Based on the following schedule of aircraft and its' insured value.

<table>
<thead>
<tr>
<th>STATE AGENCY</th>
<th>AIRCRAFT DESCRIPTION</th>
<th>FAA No.</th>
<th>TOTAL SEATS</th>
<th>INSURED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPS</td>
<td>1988 King Air B200</td>
<td>N921AZ</td>
<td>12</td>
<td>$2,300,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1978 King Air E90</td>
<td>N911AZ</td>
<td>10</td>
<td>$900,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1983 Bell 206L-1</td>
<td>N36AZ</td>
<td>7</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1982 Bell 206L-1</td>
<td>N38AZ</td>
<td>7</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1984 Bell 206L-3</td>
<td>N32AZ</td>
<td>7</td>
<td>$900,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1984 Bell 206L-3</td>
<td>N41AZ</td>
<td>7</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1982 Bell 206L-1</td>
<td>N32AZ</td>
<td>7</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1977 Cessna T-120</td>
<td>N761EZ</td>
<td>5</td>
<td>$90,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1980 Cessna 182</td>
<td>N155AZ</td>
<td>4</td>
<td>$62,000</td>
</tr>
<tr>
<td>DPS</td>
<td>1966 Piper Aztec PA23250</td>
<td>N4700P</td>
<td>6</td>
<td>$55,000</td>
</tr>
<tr>
<td>DOT</td>
<td>1977 Commander 690B</td>
<td>N45AZ</td>
<td>7</td>
<td>$800,000</td>
</tr>
<tr>
<td>DOT</td>
<td>1976 Commander 690A</td>
<td>N48AZ</td>
<td>8</td>
<td>$725,000</td>
</tr>
<tr>
<td>DGF</td>
<td>1985 Cessna 206</td>
<td>N9381R</td>
<td>6</td>
<td>$225,000</td>
</tr>
<tr>
<td>DGF</td>
<td>1981 Cessna T182R</td>
<td>N6229N</td>
<td>4</td>
<td>$174,000</td>
</tr>
<tr>
<td>DGF</td>
<td>1981 Cessna T182</td>
<td>N6952H</td>
<td>4</td>
<td>$174,000</td>
</tr>
<tr>
<td>DGF</td>
<td>1977 Piper PA-18-150</td>
<td>N57792</td>
<td>2</td>
<td>$125,000</td>
</tr>
<tr>
<td>DOC</td>
<td>1990 Aerostar S55A</td>
<td>N35873</td>
<td>3</td>
<td>$13,000</td>
</tr>
<tr>
<td>DEQ</td>
<td>Tethersond TS2AW</td>
<td>S#214</td>
<td>0</td>
<td>NIL</td>
</tr>
<tr>
<td>DEQ</td>
<td>Atmospheric Instrumentation Research, Inc. Model TS-1BR-0</td>
<td>S#1619</td>
<td>0</td>
<td>NIL</td>
</tr>
</tbody>
</table>
Subrogation
I. INTRODUCTION:

Subrogation possibilities should always be pursued quickly and aggressively. The shorter the period of time after the loss occurs the collection effort begins, the greater the chance of a recovery. Each time a property damage claim is presented, whether it be for State owned personal property, real property or vehicle, the subrogation potential must be considered and the file so documented.

II. INVESTIGATION/DOCUMENTATION:

Immediate attention should be directed toward determining the actual cause of the loss. The early investigation of the facts leading up to and surrounding the loss is of the utmost importance in determining the cause. In order to perfect a subrogation claim, it is imperative that the claim adjuster recognizes, develops and preserves all types of evidence which support the case.

Interviews directed toward determining the cause of the loss should be obtained from all witnesses. Interviews with government officials who have some interest or involvement in the loss can help in establishing the cause. Official reports do not always reveal the entire story that can be derived through a personal interview. Any and all suspected physical evidence should be photographed in place and inspected. If the services of an expert appear to be warranted, the adjuster should advise the Claim Supervisor or Claim Manager so a prompt decision can be made to secure the services of an appropriate expert.

III. EVALUATION:

The following questions must be answered before an evaluation of the subrogation potential is possible:

1) What is the cause of the loss?
2) Does the cause of the loss result from the acts of someone other than a State employee?
3) Can we prove the cause of the loss?
4) How can we prove it?
5) What duty is owed by the person causing the loss to the State?
6) Is the duty apparent or is a legal opinion needed?
7) What is the amount of the loss or damage, and can we document it?

Once the adjuster is able to answer all of the above questions, a decision as to whether subrogation will be pursued must be made based on a cost/benefit analysis.
The assigned adjuster will decide if there is any potential subrogation. Prior to the file being transferred to the subrogation adjuster, a transmittal memo (See Exhibit 1) is to be completed and placed in the file.

The Subrogation Unit will be responsible for follow-up recovery activity in accordance with the guidelines established in the Subrogation Manual.

If the adjuster is contacted about subrogation payment arrangements, the call is to be referred to the subrogation adjuster.
SUBROGATION TRANSMITTAL FORM

TROGATION ADJUSTER: ______________________ FROM: ______________________
RMS NO. __________ DATE OF LOSS __________

LETTER TO ADVERSE ______________________

RESPONSIBLE PARTY (FIRST, MIDDLE, LAST)

________________________________________

ADDRESS: __________________________ STATE: _______ ZIP: ______
HOME PHONE NO.: __________ WORK PHONE NO: __________ D.O.B.: __________

ADVERSE DRIVER’S IDENTIFYING INFORMATION

VEHICLE LICENSE #: __________ DRIVER’S LICENSE #: __________
POLICE REPORT #: __________ WERE CITATIONS ISSUED? YES _____ NO ______

INSURANCE INFORMATION:

A. ADVERSE INSURED’S NAME: __________________________
B. ADVERSE INSURANCE CO: __________________________
C. AGENT: __________________________
D. ADDRESS: __________________________
E. PHONE NUMBER: __________________________
F. POLICY NO.: __________________________

OWNER OF ADVERSE VEHICLE

NAME: __________________________ PHONE NO: __________
ADDRESS: __________________________
CITY: __________ STATE: __________ ZIP: __________

ESTIMATE OF COMPARATIVE NEGLIGENCE: CLAIMANT _____% STATE _______%
EXPLAIN: __________________________

EXAMPLE: TOTAL CLAIM _______ SALVAGE $_________ SUBTOTAL $_________
ADDITIONAL CHARGES $_________ FINAL CHARGES $_________

SUGGESTED SUBROGATION RECOVERY AMOUNT $ __________
(CONSIDERING COMPARITIVE NEGLIGENCE)
Salvage
I. INTRODUCTION:

The Risk Management Section has received an exemption with regard to motor vehicle salvage from the State Purchasing Administrator. Thus, all motor vehicle salvage shall be disposed of as outlined in the "Auto Claims Adjustment Procedures" Section of this manual.

All salvage (with the exception of motor vehicles) shall be disposed of in accordance with A.R.S. § 41-2601 through 41-2607 (Exhibit 1) and DOA Procurement Rules & Regulations; Article 8, Materials Management.

A.R.S. § 41-622E. states "...the salvage value of damaged property...shall be deposited in the respective revolving fund." (Exhibit 2)

II. SURPLUS PROPERTY:

Salvage may be received in one of two ways. Either salvage obtained in the adjustment of a State-owned property loss or retained as part of the settlement of a property damage liability claim. Regardless of the source of the property, by Statute & Rules, the property must be disposed of through the State Surplus Property Office.

Salvage Property received from other State Agencies, Boards, or Commissions as a part of the claim resolution must have a "Surplus Property Disposal Request and Authorization" form (SP-101) completed, indicating that the ownership of the property is being transferred to Risk Management. This form will have to be signed by an authorized individual at the agency in which the property is being transferred. (Exhibit 3) This form is then to be forwarded to the Surplus Property Manager. This action will satisfy all capital equipment inventory management transfer requirements.

At that same time or at such time as Risk Management is ready to dispose of the property, a new SP-101 form will be completed by the adjuster and forwarded to Surplus Property indicating the type of disposal action desired.

III. OWNER RETENTION OF SALVAGE:

Often times the salvage value of property is very limited. The adjuster should be aware of this fact. Whenever possible, the adjuster should consider allowing the owner (whether it be a Liability Claim or a State Property Claim) to retain the salvage, reducing the fair value of the salvage from the settlement amount. If the owner does wish to retain the salvage in this manner, we have saved the time and expense
involved in disposing of the salvage.

The decision to handle salvage in this fashion will depend on the owner and the economic feasibility. The claim file must clearly reflect the total settlement amount and the salvage allowance being taken.

IV. PROTECTION OF SALVAGE:

It is the adjuster's responsibility to see that salvage is reasonably protected until it can be delivered to Surplus Property. The easiest way to do this is of course to have the property delivered to Surplus Property as soon as is practicable. If it is necessary for the property to remain with an agency, etc., the adjuster must advise them of the importance of safeguarding the property from further damage or loss.
ARTICLE 8. MATERIALS MANAGEMENT

§ 41-2601. Definitions

In this article, unless the context otherwise requires:
1. "Excess materials" means any materials which have a remaining useful life but which are no longer required by the using agency in possession of the materials.
2. "Nonexpendable materials" means all tangible materials which have an original acquisition cost over an amount set by regulation and a probable useful life of more than one year.
3. "Surplus materials" means any materials that no longer have any use to this state or materials acquired from the United States government. This includes obsolete materials, scrap materials and nonexpendable materials that have completed their useful life cycle.

§ 41-2602. Material management regulations

The director shall promulgate regulations governing:
1. The management of materials during their entire life cycle.
2. The acquisition and distribution of federal surplus materials.
3. The sale, lease or disposal of surplus materials by public auction, competitive sealed bidding or other appropriate method designated by regulation.
4. The purchase of any such materials by an employee of the owning or disposing agency.
5. The transfer of excess and surplus materials.
6. The trade-in of excess or surplus materials.

§ 41-2603. Surplus material program

The department may acquire surplus materials from the United States government and may distribute surplus materials as may be usable and necessary for public purposes to a state governmental unit or a political subdivision.
§ 41-2604

Authority for transfer of material

Notwithstanding any provision of law to the contrary, the governing board, or in case there is none, the executive head of any state governmental unit, political subdivision or nonprofit institution determined to be eligible to receive surplus materials, may confer on any officer or employee thereof continuing authority to secure the transfer to it of surplus materials and to obligate its monies to the extent necessary to comply with the laws and conditions of such transfers. The director shall promulgate regulations establishing guidelines for use in determining eligibility.

§ 41-2605. Fees and charges

The department shall make proper charges and assess proper fees for the acquisition, receipt, warehousing, rehabilitation, delivery, distribution or transfer of excess and surplus materials. Such fees and charges shall be fair and equitable and shall be based on services performed, including acquisition, receipt, warehousing, rehabilitation, delivery, distribution or transfer. A reasonable charge shall be made for maintenance and repair services.


Historical and Statutory Notes

Source:
Laws 1956, Ch. 6, § 1.
A.R.S. former §§ 41-581.07, 41-817.

§ 41-2606. Surplus materials revolving funds

A. The state surplus materials revolving fund is established. All monies coming into the department derived from state surplus materials fees and charges shall be placed in the state surplus materials revolving fund. All uncommitted monies in the state surplus materials revolving fund in excess of one hundred thousand dollars at the close of any fiscal year revert to the state general fund.

B. The federal surplus materials revolving fund is established. All monies coming into the department derived from federal surplus materials shall be placed in the federal surplus materials revolving fund. All uncommitted monies in the federal surplus materials revolving fund in excess of fifty thousand dollars at the close of any fiscal year shall be returned to agencies and institutions through discounted service and handling charges to eligible donees in the following fiscal year until the surplus is depleted.

C. Monies in the funds shall be available for the purpose of carrying out the provisions of this article.


Historical and Statutory Notes

Source:
Laws 1956, Ch. 6, § 1.
A.R.S. former §§ 41-581.09, 41-819.
Laws 1972, Ch. 141, § 4.
Laws 1983, Ch. 98, § 187.
Laws 1984, Ch. 251, § 39, effective January 1, 1985, provides:
"Sec. 39. Transfer of monies

Library References

States 127.
WESTLAW Topic No. 360.
C.J.S. States § 228.

§ 41-2607. Allocation of proceeds from sales, transfers or disposal of surplus materials

Unless otherwise provided by law, the director shall promulgate regulations for the allocation of proceeds from the sale, transfer, lease or disposal of excess and surplus materials.

§ 41-622. Revolving funds for self-insured losses and administrative costs; budget requests

A. There is established a permanent risk management revolving fund and a permanent workers' compensation liability loss revolving fund in the department of administration for the purchase of insurance, risk management services including loss control services, payment of self-insured losses pursuant to § 41-621, subsections A, B, C and D and administrative costs necessary to carry out risk management services prescribed by § 41-621. The department of administration shall pay for claims processing costs, including adjusting costs, legal defense costs and attorney fees, for any portion of claims falling within state self-insurance coverage pursuant to the provisions of this chapter.

B. The permanent risk management revolving fund in the department of administration shall exclude any property loss arising from damage due to mechanical or electrical breakdown, ordinary wear and tear or obsolescence, nonserviceability, mysterious disappearance or inventory shortage. Mysterious disappearance shall not be construed to include a loss if there is a reasonable presumption of theft. The department of administration, subject to chapter 23 of this title, may advance or disburse monies to contractors who rebuild state property as a result of self-insured losses or to persons who supply goods or services in replacing self-insured losses. The department of administration shall pay for claims processing costs, including adjusting costs, legal defense costs and attorney fees, for any portion of claims falling within state self-insurance coverage pursuant to the provisions of this chapter.

C. To qualify for payment for loss by theft or burglary of state-owned personal property, an agency, department, board or commission must show evidence of forcible entry or that there was use of violence in the taking of the property or there must be a reasonable presumption of theft.

D. The department of administration shall present to the legislature not later than September 1 of each year, in accordance with the provisions of § 35-113, a budget request based on the actuarial needs for liability losses, workers' compensation liability losses, property losses and risk management administrative costs. The budget request shall be broken down to reflect the amount of monies to be charged to each of the state departments, agencies, boards and commissions and any others insured under this chapter. Any state department, agency, board or commission that has an amount for insurance included in its appropriation, whether specifically stated or not, and any state department, agency, board or commission or others insured under this chapter that receive funds other than those appropriated shall be billed for the proportionate share of the charges for insurance or self-fund by the department of administration. In collecting the agency billings for risk management charges, the director of the department of administration may transfer the entire amount of the billing for appropriated insurance from the agency account into the fund designated in subsection A of this section at the start of the fiscal year or in periodic payments during the fiscal year if necessitated by cash flow restrictions. Those entities or persons insured under the provisions of this chapter that are not state agencies, departments, boards, commissions or employees or that do not receive funding from state sources shall pay the amount required by risk management to the permanent risk management revolving fund or permanent workers' compensation liability loss revolving fund before the coverage begins. These amounts shall be included in the budget request. All monies received from all billings shall be deposited in the funds as identified in subsection A of this section.

E. Monies recovered by the state pursuant to litigation, recovery, salvage value of damaged property, proportionate share monies from any other existing state funds, or other monies from the risk management or workers' compensation liability loss funds for damages relating to either liability, property or workers' compensation loss for which monies from the risk management or workers' compensation liability loss funds have been or will be paid shall be deposited in the respective revolving fund.

F. If a revolving fund is projected to be exhausted while the legislature is in session, a special appropriation may be requested by the department of administration for monies to...
## PROPERTY DISPOSAL REQUEST AND AUTHORIZATION

**Agency Authority No.:**

**Date:**

(Agency, Address, Telephone)

**From:**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Cond Code</th>
<th>Federal Stock No.</th>
<th>Description (Include Manufacturer's Serial Number)</th>
<th>State Equip. No.</th>
<th>Date Acquired (Mo/Yr)</th>
<th>Qty</th>
<th>Original Cost</th>
<th>Estimated Value</th>
<th>Fund No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Condition Codes:**

- 1 - Excellent
- 2 - Good
- 3 - Fair
- 4 - Poor
- 5 - Condemnable

**Funding Source:**

- General
- Federal
- Other

**All columns must be filled in:**

**Use estimates if actuals not available:**

**Vehicle titles must accompany this form:**

**Owning Agency Remarks:**

Contact Person: __________________ Phone No. __________________
Location of Property: __________________

**SP-101 R 3/91 - IPS 1554**

1 - WHITE: SPO File • 2 - CANARY: FINAL ACTION, Owning Agency • 3 - PINK: Owning Agency File Copy

**EXHIBIT 3**
State Vehicle Adjustment Procedure
The following is the established criteria for determining when an appraisal of damages is to be obtained by an Independent Appraiser on contract with Risk Management.

An appraisal will be required on automobile collision or comprehensive losses in which the gross damages are expected to exceed $2,000.00.

If the agency believes a vehicle is a total loss and the value of the vehicle is $5,000 or less, they should indicate so on the loss report and include photos if they are available. The Risk Management adjuster is then responsible for verifying the mid-blue book value, obtaining photos if none were included as well as deciding if an independent appraisal is necessary.

It is recognized that in some remote areas it may not be economically feasible to follow the above stated criteria. In such instances, the use of sound claims judgement is the test to be applied. When an appraisal is waived, the reason must be documented in the claim file.

A more conservative approach may apply if there are questionable circumstances, or if the Claim Supervisor or Claim Manager feels an appraisal is warranted due to the repair facilities in a particular area.

The use of drive-in appraisal services offered by the appraisers on contract with Risk Management should be encouraged for both State and claimant vehicles.

When a claim is to be handled without an appraisal, because it does not meet the inspection criteria, at least two estimates for repair should be obtained from reliable repair shops and carefully checked by the adjuster for accuracy. Any correction must be brought to the attention of the repair shop and the file documented.
The objective in establishing automobile appraisal standards is to ensure the highest quality work product possible from the independent appraisers on contract with Risk Management. Since there is a significant cost associated with obtaining auto appraisals, it is crucial that a quality work product be maintained to assure the benefit received clearly outweighs the cost.

These standards encompass the basic elements necessary for prompt, accurate and cost effective disposition of auto physical damage claims. All independent auto appraisers on contract with Risk Management are to adhere to the following standards:

A. Owner contact within 24 hours and inspection of damage within 48 hours after the assignment is received.

B. Appraisals and reports are to be forwarded within 24 hours after inspection. Should a delay be necessary, the adjuster should be advised.

C. The appraisal is to show the date the assignment was received and date inspected.

D. Adding machine tapes are to be attached to all estimates and should be checked for accuracy.

E. Appraisals are to be written in a logical sequence in order to avoid duplication, inclusion of undamaged items, omitting damaged items, overlap and included operations.

F. All appraisals are to be completed in detail, showing the name of the owner of the vehicle, the vehicle make, model, year, mileage, color and vehicle identification number (VIN).

G. All old and non-related damage should be separated and clearly identified (include photographs).

H. At least two photographs, clearly showing the damage, when the state vehicle is repairable will be accepted. If the state vehicle is a total loss, at least four photographs are required.

I. Flat rate guide time allowances should not be exceeded.

J. Front end alignment is to be allowed only when there is damage to the front suspension, steering, frame (excluding frame horns), or impact to the front wheels.

K. Questionable or hidden items are not to be included on the original appraisal. A return trip after tear down may be necessary to verify additional damages.
L. Supplements will be allowed only if a personal reinspection is made and the additional damage confirmed with the supplemental appraisal.

M. Parts discounts are to be taken whenever possible.

N. Parts of like kind and quality (used), rechrome or exchange bumpers, and recore radiators are to be figured. Never specify used parts which could affect the safe operation of the vehicle such as wheels, suspension, tires, steering or brakes.

O. On the replacement of batteries, tires, convertible tops, upholstery, complete paint jobs, and any other item subject to wear and tear, the age, condition and the recommended amount of depreciation/betterment should be considered.

P. Total losses are to be substantiated by a detailed appraisal up to at least the ACV of the automobile.

Q. A total loss evaluation must accompany all appraised total losses (Exhibit 1). It should include detailed information on replacement cost based on the overall condition of the vehicle and local market value.

R. Immediate attention is to be given to all salvage to avoid unnecessary storage charges. The appraiser should phone the adjuster assigned after a total loss has been determined so arrangements can be made to move it to a storage free location.

S. Appearance allowance on claimant vehicles should be offered when possible in exchange for replacement of cosmetic damage to the claimant vehicle.

T. The appraisal shall reflect the prevailing labor rate unless special circumstances have been approved by the Risk Management adjuster assigned.
I. INTRODUCTION:

The following section provides information for circumstances not necessarily encountered in every State vehicle physical damage claim.

II. RENTAL CARS (LOSS OF USE):

Rental Cars (Loss of Use) are not covered for State vehicles. Subrogation should be kept in mind as the agency may be entitled to loss of use from a potential subrogee. If subrogation is possible, it should be pursued according to the Subrogation Section of this manual.

III. TOWING AND STORAGE:

Towing and storage charges should be minimized by limiting towing to only those cases where necessary. The damaged vehicle should be stored at agency facilities where available or moved to a free storage facility as soon as possible.

IV. VEHICLE THEFT:

When an agency files a stolen State vehicle claim, the adjuster must wait up to 30 days before processing the claim. This allows time for the vehicle to be recovered. If there is no recovery, the claim is be handled as a total loss. If the vehicle is recovered, the claim should be handled like any other State vehicle physical damage claim.

V. VEHICLES TARGETED FOR DISPOSAL

Risk Management will not pay a State vehicle claim if the agency plans to dispose of the vehicle (Example: trade in or sell as wholesale) without having the repairs done.

VI. GLASS:

There is a contract through State Procurement for vehicle glass; therefore, estimates are not required for these losses. In cases where the agency did not use the contract, Risk Management will only pay the amount we would have been billed under the contract. The contract is reviewed yearly, by the Procurement office (they do not notify us if/when the contract changes). The new contracts are usually effective in January of each year.
I. INTRODUCTION

A vehicle is considered a total loss if the estimated damage approximates the value of the vehicle. When determining if the vehicle is a total loss, the value of the salvage recovery needs to be considered, as well as the mid-blue book value. Risk Management Form, RM026 Total Loss Evaluation (Exhibit "1"), will be used to make this determination.

II. INVESTIGATION

The following steps will guide you through prompt, accurate and cost effective total loss evaluations of vehicle physical damage claims. All independent vehicle appraisers on contract with Risk Management are to adhere to the following guidelines:

A. An accurate estimate of damage needs to be completed for the vehicle. If there is probable hidden damage, it should be noted.

B. An accurate vehicle evaluation based on the Kelley Blue Book needs to be completed. This will include the wholesale and retail value of all options and the appropriate allowance for mileage.

C. Once the wholesale and retail values have been determined, they should be added together and divided by 2. This will give you the mid-blue book value.

D. The estimated salvage value will be deducted from the mid-blue book value to arrive at the total loss breaking point. This is the amount to be compared against the cost of repairs to determine if the vehicle is a total loss. If the repair costs exceed the mid-blue book value, the vehicle is a total loss. If the figures are close, the vehicle should be considered a "constructive" total loss. Generally, a constructive total loss will be considered a total loss, but in some cases the agency may wish to repair the vehicle.

III. SALVAGE

Once a vehicle is determined to be a total loss, the adjuster will request payment and work with the agency to arrange for removal of the vehicle to Insurance Auto Auctions. An appropriately signed title and odometer statement must be obtained from the agency and forwarded to Insurance Auto Auctions. Upon the sale of the vehicle, Insurance Auto Auctions will issue a check to Risk Management for the amount of the salvage, less any incurred charges.
Upon receipt of the salvage check, the adjuster will process the check by completing the Subrogation portion of Risk Management Form RM006 (Exhibit "2"), attaching the check and forwarding it to accounting for processing. At that time the adjuster can close that suffix in the claim file and prepare it for subrogation, if appropriate.
The following parts names, and body shop terms are some of the many terms used in auto repair and claim settlement.

ACCELERATOR: foot-operated pedal for regulating speed of the engine. Commonly called the gas pedal.

ACCESSORIES: Devices which are not essential to the operation of the vehicle: radio, heater, and electrical window lifts.

ACCESS TIME: Time needed to jack out or cut away damaged parts for the purpose of repairing or replacing inaccessible parts.

ACTUAL CASH VALUE: The fair or reasonable cash price for which the property could be sold in the market in the ordinary course of business and not at a forced sale. This is the price it will bring in a fair market after reasonable efforts to find a purchaser who will give the highest price. It is also the greatest amount the insured can recover in all auto policies indemnifying for damage to property.

AGREED PRICE: The appraiser agrees with a repair shop on the method and cost of repairs. It does not mean the appraiser will negotiate from his appraisal just for the sake of obtaining an agreement with the repairing garage.

ALIGNMENT: The adjustment of a part or assembly, such as doors to their opening or front suspension to manufacturer’s alignment specifications.

APPEARANCE PARTS: Parts which may be seen all the time on the exterior of the car, such as bumpers, moldings and body surfaces. Sheet metal surfaces which are appearance parts must be completed metal finished.

APPRAISAL: Survey of property made for determining its insurable value or the amount of loss sustained.

ARBITRATION: The submission for determination of a disputed matter to disinterested, objective persons selected in a manner provided by law or by agreement.

ASSUMPTION OF RISK: Used where one places himself in a situation which he knows may be dangerous to him.
| **AXLE** | Cross support of a vehicle on which its road wheels turn. |
| **BAFFLE** | Sheet metal panel used to direct radiator air to the radiator. |
| **BEARINGS** | Bearings have rolling contacts between the moving surfaces; ball, roller or tapered roller bearings. They are used to reduce friction between moving parts. |
| **BEZEL** | Chrome or plastic rim surrounding parking lamp lens. |
| **BRAKE DISC** | Disc to which the wheel is attached. The brake lining is forced against the disc to slow or stop the disc and wheel rotation. |
| **BRAKE DRUM** | Metal drum to which the wheel is attached. The brake lining is forced against the drum to slow or stop the drum and wheel rotation. |
| **BRAKE LINING** | The asbestos-type material used to line the brake shoes. The lining takes the wear when the shoe is pressed against the drum. |
| **BUMPER (FACE BAR)** | Usually a chrome-plated part found at front and rear of automobile. Provides parking protection for sheet metal parts of the automobile. |
| **CENTER PILLAR** | On four-door sedans and four-door hardtops, it serves as a hinge pillar or post for the rear doors and as a latch pillar for the front doors. |
| **CHASSIS** | The assembly of mechanisms that make up the major operating part of the vehicle. It is usually assumed to include everything except the body. |
| **CLAIM** | The right, real or alleged, of an individual or corporation to recover for a loss, which may come within an insured's policy contract. |
| **COIL SPRING** | Spring made up of elastic metal formed into a wire or bar and wound into a coil. |
| **COLLUSION** | An agreement between two or more persons to defraud a third person of his rights by the norms of law, or to obtain an object forbidden |
by law. It implies the existence of fraud of some kind, the employment of fraudulent means, or of lawful means for the accomplishment of an unlawful purpose.

**COLUMN HOUSING**

*(MAST JACKET)*

The covering over the steering shaft located between the steering wheel and fire wall.

**CONJUNCTIVE STRAIGHTENING**

when more than one straightening operation is being performed at the same time. For example, during frame straightening, adjacent sheet metal will sometimes become partially straightened.

**CONSTRUCTIVE LOSS**

*(Constructive Total Loss)* - Loss resulting from such injury to property, without its destruction, as to tender it valueless to the insured or prevent its restoration to the original condition except at a cost exceeding its value.

**COVERAGE**

In insurance practice, the word "coverage" is used synonymously with the word "insurance" or "protection". Never confuse coverage with liability.

**COWL AND DASH ASSEMBLY**

Sheet metal panels welded together that form the front of the body shell or passenger compartment of the vehicle.

**COWL AND SIDE TRIM**

Upholstery on the inside of the side cowl in the passenger area.

**DASH**

Partition between the engine and the operator; also known as fire wall.

**DASH PAD**

Insulation and covering on the dash section of the cowl and dash assembly.

**DEPRECIATION**

Decrease in the value of property over a period of time due to wear and tear and obsolescence. Many appraisers or claim representatives like to refer to this as betterment.

**DIRECT DAMAGE**

The portion of damage which was in actual contact with the object causing the damage.

**DIVISION CHANNEL**

The channel that separates two pieces of glass.
DOG - LEG
The lower curved portion of the quarter panel at the rear door of a 4-door automobile.

DOOR CHECK
Part that prevents the door from opening too far.

DOOR LATCH
The mechanism inside the door that holds the door in the closed position.

DOOR SKIN
Outer panel of a door.
(REPAIR PANEL)

DRAG LINK
Steering linkage part that connects the various linkage parts together.

DRIVE-IN
Permanent location where an insured or claimant can bring a damaged vehicle to be appraised.

ENAMEL &
The type of paint used on Ford, Chrysler, American Motors, and many foreign makes of automobiles.
ACRYLIC ENAMEL

FACE BAR
See bumper.

FAN
The device on the front of the engine that rotates to draw air through the radiator.

FENDER SKIRT
Forms inner side of fender to keep water, dirt snow, etc. from being splashed into the engine compartment.
(APRON; INNER SHIELD)

FIRE WALL
The insulated partition between the engine and the passenger compartment.

FLAT RATE TIME
The time given to remove and replace a part or complete a given operation. Times include alignment unless otherwise noted.

FRAME HORN
The assembly of metal structural parts and channel sections that support the engine and body. It is supported by the car wheels.

FRAME HORN
Non-critical portion of an automobile frame used to support the front bumper assembly.

GARNISH MOLDING
Sheet metal trim surrounding glass openings on the interior of the vehicle.

GRILLE
Appearance part used for covering the front body opening.
**HEADLINER**  Upholstery overhead in the passenger compartment.

**IDLER ARM**  Steering linkage part connecting the drag link to the frame.

**INCLUDED OPERATION**  Operations that may have to be done while replacing certain parts. For example, headlamp, parking lamp, and side lamp may have to be removed and replaced to change a front fender, and should be included in replacement of fender.

**INDIRECT DAMAGE**  The portion of damage which was not in actual contact with the object which caused the damage.

**INSURED (ASSURED)**  The person, partnership, association, trust or corporation whose insurable interest is protected by the policy.

**INDEPENDENT SUSPENSION**  Type of construction whereby the wheel on one side of the vehicle may rise or fall independently of the wheel on the other side.

**INSTRUMENT PANEL**  Mounting for speedometer and other instruments; incorrectly referred to as dash.

**KICK-UP**  The raised portion of the floor and/or frame which provides clearance for the rear axle.

**LACQUER & ACRYLIC LACQUER**  Type of paint used on General Motors automobiles.

**LEAF SPRING**  Spring made up of a series of flat steel plates of graduated lengths, assembled one on top of the other.

**LIABILITY**  Any legally enforceable obligation to another person.

**LIKE, KIND, QUALITY**  Parts that are available from salvage dealers that can be used for replacement parts in lieu of new ones. To be considered only if equal to or better than the parts to be replaced.

**LINKAGE**  Any series of rods, yokes, or levers, used to transmit motion from one unit to another; such as transmission and throttle.
MASTER CYLINDER  The liquid-filled cylinder on a hydraulic braking system where hydraulic pressure is developed by depression of the brake pedal.

NON-AGREED PRICE  The appraiser writes an appraisal, but does not agree upon the method and cost of repairs with a repairing garage.

NON-APPEARANCE PARTS  Parts such as the floor pans which are covered and not visible. Such parts need not be metal finished.

OVERHAUL TIME  Overhaul means to remove, disassemble, inspect, reassemble with new parts or the same parts, replace, adjust, or align.

OVERLAP  While performing a certain operation, the time needed for additional operations becomes lessened. For example; after removal of a quarter panel, the time needed to replace the rear body panel is reduced. Overlap also pertains to painting operations, when the time allowed to refinish adjacent panel is less after full time is allowed for initial panel.

PARKING BRAKE  Mechanically-operated brake which may be set for parking the car.

PITMAN ARM  Steering linkage part connecting the steering gear to the drag link.

PLIES  The layers of fabric in a tire casing. Each layer is a ply.

POWER BRAKES  Brakes which use vacuum and atmospheric pressure to provide most of the effort required for braking action.

POWER STEERING  Device that uses hydraulic pressure to multiply the driver's effort as he turns the steering wheel so that his steering effort is reduced.

PROOF OF LOSS  Piece of documentary evidence generally used as a means of procuring necessary evidence which cannot otherwise be procured, or cannot be procured with reasonable convenience or reasonable expense; a means of putting the insured definitely on record in cases where that procedure seems to be necessary.
<table>
<thead>
<tr>
<th>Nomenclature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUARTER EXTENSION</td>
<td>Sheet metal part that extends from the tail light opening. It is not used on all vehicles.</td>
</tr>
<tr>
<td>QUARTER PANEL ASSEMBLY</td>
<td>The side of the body shell at the rear wheel area.</td>
</tr>
<tr>
<td>RADIATOR</td>
<td>Device in the cooling system that removes heat from water passing through it. It receives hot water from the engine and returns cooled water.</td>
</tr>
<tr>
<td>RADIUS RODS</td>
<td>Rods attached to the axle housing and to the frame to maintain correct horizontal position of axle and yet permit vertical motion.</td>
</tr>
<tr>
<td>REAR LOWER PANEL (LOWER DECK)</td>
<td>Sheet metal panel between the quarter panel assemblies. It forms the rear lower section of the trunk opening.</td>
</tr>
<tr>
<td>REAR UPPER PANEL (UPPER DECK)</td>
<td>Sheet metal panel between the trunk opening and the bottom of the rear window.</td>
</tr>
<tr>
<td>RECAPPING</td>
<td>Form of tire repair in which a cap of new material is placed on the old tread and vulcanized into place.</td>
</tr>
<tr>
<td>RECHECK/REINSPECTION</td>
<td>Where a supervisor reinspects the work of a staff member, independent appraiser, or body shop person to insure that a proper appraisal was written and repairs are being made in accordance with appraisal.</td>
</tr>
<tr>
<td>RE-CORE</td>
<td>Repair to the radiator in which the water passageways and air directional fins are replaced with a new unit using the original tanks, fittings, etc.</td>
</tr>
<tr>
<td>REVEAL MOLDING</td>
<td>Chrome trim surrounding windows on the exterior of the vehicle.</td>
</tr>
<tr>
<td>RISER CHANNEL (SASH CHANNEL)</td>
<td>&quot;U&quot;-shaped channel on the bottom of movable glass that attaches the glass to the regulator.</td>
</tr>
<tr>
<td>ROCKER PANEL</td>
<td>Box-type sheet metal reinforcement for the outer edge of the floor panel. Forms the bottom of the door opening.</td>
</tr>
<tr>
<td>ROOF PANEL (TOP PANEL)</td>
<td>The top of the passenger compartment.</td>
</tr>
<tr>
<td><strong>RUN CHANNEL</strong></td>
<td>Channel made of felt that glass slides in.</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td><strong>RUNNING BOARD</strong></td>
<td>Step for entering vehicles; found primarily on trucks and some foreign imports.</td>
</tr>
<tr>
<td><strong>SEMI-APPEARANCE PARTS</strong></td>
<td>Parts which can be seen part of the time, such as the underside of the hood, fire wall, and inside parts.</td>
</tr>
<tr>
<td><strong>SHACKLE</strong></td>
<td>Swinging support by which one end of a leaf spring is attached to car frame.</td>
</tr>
<tr>
<td><strong>SHOCK ABSORBER</strong></td>
<td>Hydraulic device to dampen or stabilize the up and down movement of the car frame by controlling the compression and rebound of the springs.</td>
</tr>
<tr>
<td><strong>SHROUD</strong></td>
<td>Circular band of sheet metal or fiberglass that encloses fan blades.</td>
</tr>
<tr>
<td><strong>SILL PLATE</strong></td>
<td>Aluminum or rubber cover on top of the rocker panel.</td>
</tr>
<tr>
<td><strong>STEP PLATE</strong></td>
<td>Sheet metal part found at the bottom of radiator and extending to the front of the engine.</td>
</tr>
<tr>
<td><strong>SPOT WELD</strong></td>
<td>To attach in spots by localized fusion of the metal parts with the aid of an electric current.</td>
</tr>
<tr>
<td><strong>STABILIZER BAR</strong></td>
<td>Connecting bar between the two lower suspension arms to the tie rod end.</td>
</tr>
<tr>
<td><strong>STEERING ARM</strong></td>
<td>Steering linkage part connecting the suspension to the tie rod end.</td>
</tr>
<tr>
<td><strong>STEERING GEOMERTY</strong></td>
<td>The part of the steering system that carries the rotary motion of the steering wheel, with increased leverage, to the steering linkage to guide the car on its course.</td>
</tr>
<tr>
<td><strong>STEERING GEOMETRY (FRONT END ALIGNMENT)</strong></td>
<td>The proper positioning of the front wheels to give ease of handling, safety, and improved tire wear.</td>
</tr>
<tr>
<td><strong>STEERING KNUCKLE</strong></td>
<td>Journal or shaft upon which the steerable wheels of a vehicle are mounted.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>STEERING LINKAGE</td>
<td>The links, rods, and arms connected together that transmit the motion of the steering gear to the front wheels.</td>
</tr>
<tr>
<td>STRIKER PLATE</td>
<td>The metal plate which the doors latch to when closing.</td>
</tr>
<tr>
<td>SUBROGATION</td>
<td>The legal right by which an insurance company seeks from a third party, who may have caused the loss, recovery of the amount paid to the policyholder.</td>
</tr>
<tr>
<td>TIE ROD</td>
<td>The steering linkage part connecting the tie rod end and sleeve to the drag link.</td>
</tr>
<tr>
<td>TORSION BAR SPRING</td>
<td>Long, straight bar fastened to the frame at one end and to a suspension part at the other. Spring action is produced by a twisting of the bar.</td>
</tr>
<tr>
<td>TRIM</td>
<td>Term used to describe the upholstery in all, or in part.</td>
</tr>
<tr>
<td>TRIM PAD</td>
<td>Upholstery on the doors and quarter panels.</td>
</tr>
<tr>
<td>UNDERCOATING</td>
<td>Refers to the spraying of a material on the exposed underside of an automobile to retard corrosion and deaden noise.</td>
</tr>
<tr>
<td></td>
<td>WHOLESALE</td>
</tr>
<tr>
<td>----------</td>
<td>-----------</td>
</tr>
<tr>
<td></td>
<td>BASE BOOK</td>
</tr>
<tr>
<td></td>
<td>MILEAGE</td>
</tr>
<tr>
<td></td>
<td>AUTO TRANS</td>
</tr>
<tr>
<td></td>
<td>PWR STEERING</td>
</tr>
<tr>
<td></td>
<td>AJR COND</td>
</tr>
<tr>
<td></td>
<td>PWR WINDOW</td>
</tr>
<tr>
<td></td>
<td>LEATHER</td>
</tr>
<tr>
<td></td>
<td>VINYL TOP</td>
</tr>
<tr>
<td></td>
<td>LUX INTERIOR</td>
</tr>
<tr>
<td></td>
<td>PWR SEAT</td>
</tr>
<tr>
<td></td>
<td>SPLIT PWR SEAT</td>
</tr>
<tr>
<td></td>
<td>PWR DR. LOCK</td>
</tr>
<tr>
<td></td>
<td>ROOF RACK</td>
</tr>
<tr>
<td></td>
<td>RAC AM W/TAPE</td>
</tr>
<tr>
<td></td>
<td>AM-FM STEREO</td>
</tr>
<tr>
<td></td>
<td>AM-FM STEREO W/TAPE</td>
</tr>
<tr>
<td></td>
<td>TILT WHEEL</td>
</tr>
<tr>
<td></td>
<td>CRUISE CONT</td>
</tr>
<tr>
<td></td>
<td>RALLE WHEELS</td>
</tr>
<tr>
<td></td>
<td>SUN/HATCH RF</td>
</tr>
<tr>
<td></td>
<td>MOON ROOF</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PREPARED BY: ____________________________  DATE: ____________________________

FORM NO26 (9/82)

EXHIBIT 1
### CLAIM INFORMATION

<table>
<thead>
<tr>
<th>O/C/R</th>
<th>AGENCY</th>
<th>DIV.</th>
<th>SECT.</th>
<th>RMS ADJ</th>
<th>IND ADJ</th>
<th>LOSS DATE</th>
<th>REPORT DATE</th>
<th>CLOSE DATE</th>
</tr>
</thead>
</table>

- **Claimant's Name**: Location of Accident
- **Claimant's Address**: City
- **City**: State, County
- **State**: Zip
- **Loss Type**: Category, Injury, Cause, Status
- **Agency File #**: IDS File #, Diary Date
- **Indemnity Reserve**: Expense Reserve, Legal Reserve, Insurance Reserve
- **Suit-Date Served**: Trial Date, Counsel Code, Court
- **Defense Attorney**: Plaintiff Attorney
- **Vehicle Operator**: Agency, License Plate
- **Insurer**: Policy Number, Date Reported, Broker, Date Paid, Amount
  - **Annuity Co./Policy #/Date**: Annuity Co./Policy #/Date

### SUBROGATION

#### RECOVERIES

<table>
<thead>
<tr>
<th>TYPE</th>
<th>I-L-E</th>
<th>SOURCE</th>
<th>TOTAL RECOVERY</th>
<th>RMS RECOVERY</th>
</tr>
</thead>
</table>

- **Deposit#**: I = Insurance, O = Other, S = Subro, V = Salvage, W = Write Off
- **Recovery Date**: I = Indemnity, L = Legal, E = Expense
- **RM**: AG, CA
- **PCA Code**: Comp. Obj. Code

**Prepared by**: Date, **Input by**: Date