

JIM SCHRATZ
and ASSOCIATES

January 26, 2026

Mr. Stephen Kreller
The Kreller Law Firm
650 Poydras Street Suite 2828
New Orleans, LA 70130

RE: 26TH JUDICIAL DISTRICT COURT FOR THE W.D. OF LOUISIANA, **HOLIDAY LANES, L.L.C.**
v SCOTTSDALE INSURANCE COMPANY and MARKEL INSURANCE COMPANY; Case
No. 5-25-cv-00820

Dear Mr. Kreller:

The office of Jim Schratz and Associates (“JSA”) was retained by The Kreller Law Firm (“Counsel”) on behalf of the Attorneys for Petitioner, Holiday Lanes, L.L.C. (“CLIENT”) to give expert opinions regarding insurance industry standards and the claims handling of the insurer defendants Scottsdale Insurance Company (“Scottsdale”) and Markel Insurance Company (“Markel”) in this matter. It is my understanding that discovery is not complete, and I reserve the right to change, amend, supplement or modify the opinions expressed herein based on any additional information that may be provided to me.

I.
BACKGROUND AND QUALIFICATIONS

1. My current business address is 18017 Stanford Court, Sonoma, California, 95476.
2. A copy of my current resume is attached as Exhibit “A”. A list of all documents reviewed is attached as Exhibit “B”.
3. My standard hourly is \$550 for both non-testimony and deposition testimony and trial testimony and that is the rate at which I will be compensated in this action.
4. I graduated from the University of San Francisco Law School in 1976 where I was Editor-in- Chief of the Law Review and then went into private practice for four years.
5. In 1980, I joined the General Counsel’s Office at Fireman’s Fund Insurance Company, where I performed both litigation and transactional work.
6. In 1984, I joined the Claims Department where I shared responsibility for supervising the lawsuits against Fireman’s Fund nationwide that alleged improper claims handling or insurance bad faith. These cases involved both primary and excess policies. Within this role, I would review hundreds of claims files from around the country to determine if Fireman’s Fund claims handlers had properly documented, investigated and handled the claim and met or exceeded the industry standard. According to company policy and case law, the measurement I used in determining whether the claim

had been properly investigated and handled was whether the insurance company gave as much consideration to the insured's interests as to its own.

7. In approximately 1986, I established the Major Litigation Unit at Fireman's Fund, which was responsible for many of the complex, high-profile, high-exposure, labor-intensive cases throughout the country. Over the next several years, I personally adjusted many of these cases, which involved both primary and excess policies. I retained coverage counsel and/or defense counsel, retained outside experts, attended settlement conferences, and attended meetings with experts. I authorized payments and other such duties typical for adjusters.

As an Assistant Vice President, I not only supervised a staff of adjusters around the country, but also personally adjusted and investigated many of these cases. Within this dual role of supervisor and hands-on adjuster, I paid special attention to assuring that all of the adjusters who reported to me met or exceeded the industry standard in investigating claims, i.e., giving as much consideration to the insured's interests as to its own. Again, I emphasized to the adjusters that the claims files and their investigations of the claims had to be properly documented.

8. In 1990, I was promoted to Vice President, Major Claims, where my duties were expanded to include any matter around the world, which was reserved at \$3 million or more, including environmental claims. These cases involved both primary and excess policies. Within this role, I would meet with the President of Fireman's Fund, the Executive Vice President of Claims, a member of the General Counsel's Office, and other senior officers to analyze these claims and make sure that they were being properly documented investigated and adjusted
9. In January 1994, I started Jim Schratz and Associates, which provides consulting and expert witness services on behalf of both insurance companies and insureds. Over the past 32 years, I have reviewed thousands of claims files, numerous claims manuals, and numerous cases from around the country relating to issues of proper claims handling and the duty of good faith and fair dealing. I have qualified as an expert witness in state and federal courts in numerous jurisdictions including the state of Louisiana.

II.

INDUSTRY STANDARDS AND CUSTOMS FOR PROPER CLAIMS HANDLING

Based on my experience over the past 45 years in the insurance industry and my review of thousands of claims files and numerous claims manuals and Best Practices Guidelines, it is clear that carriers adhere to certain standards and customs in investigating claims.

Based on a review of thousands of claims files and numerous claims manuals or "Best Practices Guidelines," it is clear that carriers hold their own adjusters to a standard of reasonableness or fairness. This standard is often stated as the equal consideration standard meaning the carrier must give equal consideration to the insured's interest as to its own. The fact that this standard of reasonableness or fairness is an industry-wide standard is demonstrated by the fact that in my 45 years of being connected with the insurance industry, I have never heard or seen a carrier disagree with that standard. I have never had a carrier say, "we don't have to be fair" or "we don't have to be reasonable". I have never heard a carrier say, "our investigation does not have to be fair, prompt and thorough". Carriers may disagree with the insured on whether they met the standard, but they don't disagree on what the standard is.

As discussed below, there are basic insurance industry principles that flow from this standard and it is difficult to imagine any carrier openly admitting that they are not governed by them or they do not follow them. Rather, all companies that I am aware of, acknowledge they are governed by and try to follow these basic principles. The role of an insurance industry expert is to explain these principles and then from the view of an insider, give an opinion on whether these principles were followed in the day to day adjusting of the claim. I believe that this is something the average juror would not know.

It is my opinion that the process must be fair and reasonable. A review of any well documented claims file quickly discloses that an adjuster, during the course of a proper investigation, reaches many "decision points" where a decision must be made. For example, "Is there coverage?" "Is the damage related to the occurrence?" "Is the insured liable for any damages to the third party"? At each of these decision points, in order to meet the industry standard, the file must clearly reflect that the adjuster performed a fair, thorough, prompt investigation, and gave as much weight to the insured's interest as to the carrier's interest.

Based on my experience, the insurance industry (including, but not limited to, State Farm, Travelers, American Family, Allstate, Farmers, CNA, AAA, AIG, Hartford, USAA and GEICO, in addition to approximately another 20 carriers all of whom have retained me as an expert) generally recognizes that the following are specific practices which must be followed in investigating a claim and failure to follow these practices constitutes a breach of proper claims handling. In addition, these companies require that the claims file be well documented. Carriers require the claims file be well documented so the carrier can clearly establish that it met the standard for proper claims handling. Absent a well-documented claim file, it is difficult, if not impossible, for a carrier to show it has followed these practices.

1. The carrier must treat its policyholder's interests with equal regard as its own interests;
2. The carrier should assist the policyholder with the claim;
3. The carrier must disclose to its insured all benefits, coverages and time limits that may apply to the claim;
4. The carrier must conduct a full, fair, thorough and prompt investigation of the claim at its own expense;
5. The carrier must fully, fairly and promptly evaluate and adjust the claim;
6. The carrier must pay all amounts not in dispute within a reasonable time period;
7. The carrier may not deny a claim or part of a claim based upon insufficient information, speculation or biased information;
8. The carrier must give a written explanation if it partially or totally denies a claim, pointing out facts or policy provisions that support such a denial;
9. The carrier must not misrepresent facts or policy provisions;
10. The carrier may not make unreasonably low settlement offers;
11. The carrier owes a duty to act in good faith and deal fairly with the insured;
12. The carrier owes a duty not to unreasonably withhold payments due under the policy;
13. As set forth in the industry standard and subject to case law, the duty of good faith and fair dealing continues into litigation with the insured;
14. The carrier must act in open candor and transparency towards the insured;
15. The carrier must properly document its actions so that both supervisory personnel and independent third parties can review the file to confirm if the carrier met the industry standard for proper claims handling.

As discussed in more detail below, it is my opinion that Scottsdale and Markel failed to meet a number of these standards.

III. METHODOLOGY

The methodology I used in this case to determine whether Scottsdale and Markel met the industry standard for proper claims handling is the same methodology I used at Fireman's Fund in reviewing a claims file, as well as the methodology I use now whether I am reviewing a claims file on behalf of either an insured or an insurance company. This methodology encompasses reviewing various documents, i.e., the insurance policy, depositions, claims notes, e-mails, internal memos, proof of loss and supporting documents where appropriate. As noted above, the standard that I use in this methodology is whether or not the insurance carrier acted reasonably.

IV. BACKGROUND

Holiday Lanes owns a bowling alley located at 3316 Old Minden Road, Bossier City, LA 71112 ("Insured Property"), that is a 39,236 sq. ft. masonry framed building constructed on a concrete foundation, clad with a masonry veneer, and a rolled asphalt single membrane roofing system. The exterior walls of the buildings are comprised of brick veneer and ribbed metal siding. The Insured Property sustained two weather-related losses, the first on April 15, 2023 ("First Loss"), and the second 10 months later on February 11, 2024 ("Second Loss"). The Insured Property was insured by Scottsdale through Policy No. KKS0000026639-00 during the First Loss and Markel through Policy No. MKP0000500840700 during the Second Loss. K&K Insurance Group, Inc. ("K&K Insurance") was the acting claims administrator on behalf of both Scottsdale and Markel during both losses.

FIRST LOSS – April 15, 2023

On April 15, 2023, a severe weather event affected the Bossier City area where the Insured Property is located. According to a weather report prepared by Jeffrey M. Medlin of Medlin Meteorological Consulting LLC, who was retained by Holiday Lanes, a "severe hail shaft" with hail measuring 1.25 - 1.5 inches impacted the insured's property during the late afternoon hours on April 15, 2023. Mr. Medlin's research concluded that at approximately 4:30 - 5:00 p.m., a severe thunderstorm possessing significant storm-relative flow and favorable thermodynamic conditions that allowed large hailstones to form in the storm's upper levels and reach the ground. Holiday Lanes timely reported the claim and on or about April 19, 2023, K&K Insurance, acting as a managing general agent for Scottsdale, assigned the Holiday Lanes' claim to Engle Martin to adjust the loss.

On or about May 2, 2023, Engle Martin inspected the insured's property and on May 18, 2023, Sean Murphy, a Senior Property Adjuster, sent a letter to K&K Insurance estimating the damage to the roof to be approximately \$350,000.00 since salvage did not exist. Mr. Murphy concluded that the roofing system appeared to be in fair condition on the higher rounded areas, but the lower valleys were in poor condition. However, due to the thick elastomeric coating he was unable to determine if the hail exposure damaged the rolled asphalt mat.

Therefore, J.S. Held, an engineering firm, was retained to further evaluate the property. On or about August 1, 2023, the site inspection was completed and on or about August 14, 2023, Christopher Sanchez at J.S. Held, provided his written report to Engle Martin where he determined that impacts from the hailstones from the weather event resulted in infrequent chips on the roof coating material. However, he concluded that the roof coating material was aged and deteriorated throughout. Therefore, the infrequent hailstone impact related to chips allegedly did not diminish the performance of the already deteriorated roof coating. He also concluded that the hailstone impacts did not cause correlating punctures or bruises to the membrane roofing patches. Sanchez ultimately opined that the water shedding capability and expected service life of the modified bitumen roofing system and overlay patches were not adversely affected as a result of the hailstone impacts.

At the time of the First Loss, Holiday Lanes was in the process of and under contract with a commercial roofer to add a new ribbed metal roof to provide coverage to the screened-in patio/porch enclosure. The new ribbed metal roof was substantially damaged by the April 15, 2023 storm. A builder's risk insurance claim was made, and the roof was entirely replaced. Scottsdale observed and noted the damage to the ribbed metal roof.

On March 5, 2024, approximately 11 months after Holiday Lanes reported the damage claim, K&K Insurance sent a written denial of the claim to Melanie Coleman for Holiday Lanes maintaining that the roof damage was not covered under the policy relying on Sanchez's conclusions. K&K Insurance had issued payment to Holiday Lanes for damage to a neon sign located on the property for \$5,723.63 on Oct. 26, 2023, approximately 6 months after the damage claim had been made.

SECOND LOSS – February 11, 2024

On or about February 11, 2024, another severe weather event affected the Bossier City area where the Insured Property is located. Based on a weather report prepared by meteorologist Jeffrey M. Medlin of Medlin Meteorological Consulting, LLC, retained by Holiday Lanes, a "severe bow echo" with hailstones measuring between 1.235 to 1.55 inches and damaging straight line winds containing gusts up to 63 mph impacted the Insured Property during the morning hours on February 11, 2024.

On or about April 18, 2024, Markel assigned Holiday Lanes' claim to David Lee of Crawford and Company, an independent adjusting service, to adjust the claim. On or about May 1, 2024, Landon Lewis, P.E., at EFI Global inspected the insured's property. Lewis concluded that the modified bitumen membrane had not been damaged by hail, and no repairs were needed because of the hail related activity. He also concluded that the dents to the metal roofs were cosmetic in nature and have not reduced the roof's ability to shed water. Lewis also concluded that there were no roof openings because of wind speeds, thus the roof did not suffer wind damage. Lastly, he concluded that the water leakage was likely caused by separation at the roof penetrations, which were the result of long-term weathering of the sealants and not the result of storm related activity. Based on this report, K&K Insurance sent a denial letter on May 27, 2024, to Holiday Lanes on the basis that the commercial policy does not afford coverage for the damages sustained.

On or about October 8, 2024, Premier Claims, LLC ("Premier"), the public adjuster retained by Holiday Lanes, submitted a rebuttal letter with photographs, weather reports, and a damage estimate to K&K Insurance. In response, K&K Insurance forwarded the rebuttal and its enclosures to Markel and recommended that they send the same to EFI Global for review and schedule a reinspection. On October 22, 2024, Markel replied to K&K Insurance agreeing with their recommendations.

On November 13, 2024, representatives of Premier and EFI Global performed the reinspection of the Holiday Lanes property; and on November 26, 2024, Landon Lewis at EFI Global, provided his supplemental written report and photographs to K&K Insurance and Crawford and Company. Lewis noted that a sample of the modified bitumen membrane was removed by the Premier representative to be sent for lab testing; however, it was EFI Global's position that the opinions and conclusions of the May 27, 2024, report remained unchanged. Lewis further stated that the metal panel roof was not part of the reinspection, so no additional observations were made during the reinspection. On December 4, 2024, K&K Insurance sent another written denial of the claim to Premier Claims for Holiday Lanes maintaining that the roof damage was not covered under the policy relying on Lewis's conclusions.

FORCED INSURANCE LITIGATION

Holiday Lanes filed a lawsuit against Scottsdale and Markel on April 15, 2025. Holiday Lanes retained Gurtler Bros. Consultants, Inc. ("Gurtler") to conduct an inspection of the Insured Property and evaluate the property damage on or about April 24, 2025. After an inspection of the property, Gurtler concluded that impact and excessive winds forces have caused substantial damage to the modified bitumen roof coverings, and that accumulated rainfall is penetrating the damaged roof covering collecting in the interior ceilings. Mr. Gurtler noted moisture stains in the concrete ceiling, moisture stains in the acoustic tile ceiling, hail impact marks on the roof covering, lifting and tearing of the modified roof covering, hail impact marks were noted on the AC units and the aluminum roofing materials. Gurtler has prepared cost estimates for the damage caused by the April 15, 2023 and February 11, 2024 hail and windstorms.

V. FINDINGS AND OPINIONS

Based on my experience as an adjuster, supervisor, assistant vice president and vice president at Fireman's Fund Insurance Company and my experience as an expert on behalf of both insurance carriers and policyholders, it is my opinion that Scottsdale and Markel failed to meet the industry standard for proper claims handling in this case in a number of areas.

As to Scottsdale:

1. Scottsdale failed to conduct a full fair through prompt investigation of the Insured Property following the April 15, 2023 hailstorm and timely notice of loss from Holiday Lanes.
2. Scottsdale failed to communicate to Holiday Lanes that its adjuster estimated \$350,000 in damage following his property inspection and loss adjustment. Instead, Scottsdale deliberately chose to retain an insurance industry engineering firm to inspect the Insured Property.
3. Scottsdale failed to timely make a tender payment to Holiday Lanes for the roof damage after its adjuster found \$350,000 in property damage.
4. Scottsdale failed to timely make a tender payment to Holiday Lanes for the damage to the signage until Oct. 26, 2023, approximately 6 months after the damage claim had been made. This delay is not consistent with insurance industry claims handling standards and practices.
5. Scottsdale failed to give equal consideration to Holiday Lanes's interest.

6. Scottsdale failed to look for ways to provide coverage, in favor of finding ways to deny coverage. This failure is illustrated by the fact that Scottsdale found damage, and then deliberately chose to retain an engineer, ignore facts, and deny coverage.
7. Scottsdale looked for ways to deny coverage by ignoring evidence of damage, ignoring the findings of its field adjuster, and retaining an insurance industry engineering firm to find support for a claim denial. Scottsdale acknowledge that the property sustained substantial damage and it paid for the damage to the neon signage. Scottsdale also observed a builder's risk insurer replace a brand-new ribbed metal roof.
8. As a natural consequence of failing to conduct a full, fair, thorough investigation Scottsdale failed to document that such an investigation had been performed. And, this is not consistent with insurance industry claims handling standards and practices.
9. Scottsdale agreed to extend roof coverage after an underwriting process only to ultimately deny the insured's roof damage claim based on the claimed presence of alleged preexisting conditions that predated the issuance of coverage.

As to Markel:

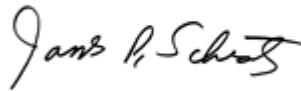
1. Markel failed to properly evaluate the Holiday Lanes property before agreeing to assume the risk of insuring it. Markel then utilized the opinions and conclusions of its predecessor to deny and/or disclaim coverage for damages to the Insured Property.
2. Markel failed to conduct a full fair through prompt investigation of the Insured Property following the February 11, 2024 hail and windstorm and timely notice of loss from Holiday Lanes.
3. Markel failed to communicate to Holiday Lanes the findings of this initial adjuster pursuant to the initial inspection of the property. Instead, Markel deliberately chose to retain an insurance industry engineering firm to inspect the Insured Property.
4. Markel failed to timely make a tender payment to Holiday Lanes for the damages to its roof structures and appurtenances.
5. Markel failed to give equal consideration to Holiday Lanes's interest.
6. Markel failed to look for ways to provide coverage, in favor of finding ways to deny coverage. This failure is illustrated by the fact that Markel found damage to the roof structures, appurtenances, and interior of the building, but instead, deliberately chose to retain an engineer to deny coverage.
7. Markel looked for ways to deny coverage by ignoring evidence of damage, withholding the findings of its field adjuster, and retaining an insurance industry engineering firm to find support for a claim denial.
8. As a natural consequence of failing to conduct a full, fair, thorough investigation Markel failed to document that such an investigation had been performed. And, this is not consistent with insurance industry claims handling standards and practices.
9. Markel agreed to extend roof coverage after an underwriting process only to ultimately deny the insured's roofs damage claim based on the claim presence of alleged preexisting conditions that predated the date of coverage.

**VI.
CONCLUSION**

Based on my review of the documents, my experience as an adjuster, supervisor and vice president at Fireman's Fund, and my experience over the past 44 years acting as consultant and expert on behalf of both policyholders and carriers, it is my opinion that Scottsdale and Markel the industry standard in a number of areas, as stated above. This report and my opinions are based upon my review of currently available documents and information and is subject to change based upon review of certain additional documents not yet received. As a result, this report and its opinions may be supplemented based upon later information that I am provided.

Please feel free to contact me if you have any questions.

Best regards,



James P. Schratz

JPS/spg