

JIM SCHRATZ
and ASSOCIATES

May 15, 2026

Timothy W. Burns
Nathan M. Kuenzi
Burns | Bair LLP
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Madison, WI 53703-3392

RE: IN THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION, *LIPSCOMB UNIVERSITY, Plaintiff, CIVIL NO. v. THE TRAVELERS
INDEMNITY COMPANY*, Defendant. No. 3:25-cv-00230

Dear Mr. Burns and Mr. Kuenzi:

The office of Jim Schratz and Associates (“JSA”) was retained by Burns Bair LLP (“Counsel”) on behalf of the plaintiff Lipscomb University (“Lipscomb”) to give expert opinions regarding The Travelers Insurance Indemnity Company (“Travelers”) and industry standards and the claims handling 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. As discussed in more detail below, it is my opinion that, by the summer of 2021, Travelers’ conduct in this matter constituted a dramatic departure from industry standards for proper claims handling in a number of areas and that the conduct forced Lipscomb to incur substantial additional costs.

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. 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.

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 that 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 Travelers did not meet the applicable industry standards and its investigation and handling of Lipscomb's claim was not reasonable, in conformity with industry standards, and the expectations that an institutional consumer would have in purchasing insurance.

III. METHODOLOGY

The methodology I used in this case to determine whether Travelers 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 SUMMARY

Numerous properties owned or controlled by Lipscomb were damaged by a hailstorm on March 25, 2021. Phoenix009626 at 009627. The damage was severe and wide-ranging, impacting structures, windows, roofs, electrical and gas connections, HVAC systems, air conditioners, and heaters across 112 properties. *Id.* at 009627–28.

Don Kennedy Roofing ("Don Kennedy") performed an initial inspection of the damage on March 26, 2021, and then performed a secondary inspection of additional buildings on April 13, 2021. Lipscomb00165 at 00168 (Apr. 13, 2021 inspection invoice). Don Kennedy hired Christopher Scarlett ("Scarlett") at Phoenix Claims Consulting ("Phoenix") as a consultant to assist in its investigation.

On April 9, 2021, Kathy Hargis ("Hargis") at Lipscomb advised Branden Miller ("Miller") at Arthur J. Gallagher, Lipscomb's insurance broker, that Lipscomb may need to submit a claim to Travelers for the hail damage. Lipscomb00008. On May 7, 2021, Hargis asked Miller to file the hail loss claim with Travelers and advised him that Lipscomb does not currently have an exact assessment of the buildings damaged. Lipscomb00194. On May 11, 2021, Miller submitted the claim to Travelers. Lipscomb00203.

Travelers sent Envista Forensics (formerly Grecco Construction Consultants) ("Envista") and Rimkus Engineering ("Rimkus") as its representatives to perform an initial inspection of the hail damage on June 3–4, 2021. Travelers-00030065. During this inspection, Travelers chose to inspect only a small number of the damaged buildings, even though Travelers' representatives were advised by Scarlett at Phoenix that there was significant damage that Phoenix had observed during its more comprehensive analysis of the damaged buildings in March and April, Scarlett Dep. at 106:23–112:24, and Hargis had previously informed Travelers in May that all buildings on the property schedule would have to be inspected. Lipscomb00368. Furthermore, on May 13, I interviewed Chris Scarlett, and he emphasized that: (1) Travelers was informed during the June 3–4 onsite investigation that there was almost certainly subsurface damage to membrane roof systems that would require destructive testing to properly investigate, and (2) during that on-site investigation, Travelers denied that any such damage had taken place without conducting any additional inspections. *See also* Scarlett Dep. at 113:25–114:22.

Travelers adjusted Lipscomb's loss at \$1,493,396.65, which was just a fraction of its actual loss. Travelers' line-item valuations and payments to Lipscomb almost uniformly reflected this practice of undervaluing the property damage.

On July 15, 2021, Travelers paid Lipscomb an advance of \$450,000 for immediate repairs after receiving estimates from Lipscomb of nearly \$1.1 million in damages for two buildings. Travelers-00008317 at 00008322–00008323. On July 23, 2021, Travelers submitted estimates for damages to three properties (Crisman, McFarland, and Ward) reflecting an RCV of \$126,737.80 and an ACV of \$106,834.57, which the Umpire ultimately valued at a total of \$1,201,709.58 RCV and \$990,196.67 ACV for Crisman (RCV of \$239,652.65 and ACV of \$187,720.89) and McFarland/Ward (RCV of \$962,056.93 and ACV of \$802,475.78). Travelers-00007519.

On August 9, 2021, Travelers submitted estimates for hail damages to HVAC systems at Lipscomb reflecting an RCV of \$148,704 and an ACV of \$69,363, which the Lee Company, a contractor for Lipscomb, estimated damages reflecting \$471,657.50. Travelers-00020876; Phoenix001750. On November 16, 2021, Travelers paid Lipscomb an additional \$95,353.28 reflecting ACV of damages to all inspected properties according to Travelers' estimates at that time. Lipscomb06179.

On December 17, 2021, Travelers paid Lipscomb an additional \$11,830.38 reflecting ACV of damages at the Ayers Institute estimated by Travelers. Lipscomb07342. On July 28, 2022, Travelers paid Lipscomb an additional \$349,353.19 reflecting ACV of damages to Alumni Relations, Parkwood Terrace, Bennett Center, Harding Hall, and Johnson estimated by Travelers. Lipscomb17682.

On March 27, 2023, Travelers paid Lipscomb an additional \$117,183.56 reflecting ACV for HVAC repairs at Lipscomb Upper Academy, McFarland Hall, Lipscomb Lower Academy, and Bison Hall estimated by Travelers. Lipscomb20914. After this point, Travelers did not make any additional payments to Lipscomb for the damages until 2024. In total, Travelers paid only \$1,493,396.65 prior to Lipscomb invoking the appraisal process compared to Phoenix's estimated damages reflecting an RCV of \$8,066,854.35. Travelers-00001608.

Faced with Travelers' estimates, Lipscomb formally hired Phoenix as a Public Adjuster on October 21, 2021, to conduct an independent assessment of the damage. Lipscomb05915 (Agent Agreement); Lipscomb05907 (Oct. 21, 2021, Email from Scarlett to Lipscomb signing Agent Agreement). Phoenix retained GRK Engineering ("GRK") to conduct an additional inspection, a structural analysis of the damage, and destructive testing of roofing material to assess the hail damage. Travelers-00005213. Phoenix and GRK ultimately found evidence of over \$8,000,000 in covered property damage to numerous campus buildings and other properties controlled by Lipscomb, the vast majority of which had not been discovered by Travelers due to its refusal to acknowledge damage to membrane roof systems about which they were specifically informed of on June 3–4, 2021. See Scarlett Dep. at 113:25–114:22; Travelers-00005162 (Statement of Loss).

Lipscomb invoked the process described in the Appraisal Condition under the Policy on November 18, 2022. Travelers-00000168. On December 2, 2022, Travelers responded to the appraisal demand and stated there was no genuine disagreement because Travelers had paid the undisputed ACV of the loss and had not received monetary demands from Lipscomb for the 72 properties and included a blank proof of loss. Travelers-00023862.

On January 23, 2023, Lipscomb sent Travelers a Proof of Claim, updated February 2, 2023, to reflect an RCV of \$7,966,835.54, and documents to support its claim. Travelers-00024012 (Jan. 23, 2023, Sworn Statement in

Proof of Loss); Travelers-00023995 (Feb. 2, 2023, Sworn Statement in Proof of Loss). Afterwards, Travelers inspected several properties and sent estimates for certain HVAC repairs to these properties along with an updated statement of loss reflecting a total RCV of \$1,888,036.22 on March 27, 2023. Lipscomb20914. After this point, Travelers did not make any other payments to Lipscomb prior to Lipscomb invoking the appraisal process for the second time. Travelers-00001608.

On April 10, 2023, Lipscomb again invoked the appraisal process based on the “large discrepancy between Lipscomb University’s RCV of \$8,068,854.35 and Traveler’s RCV of \$1,888,036.22.” Travelers-00001608. Pursuant to the Appraisal Condition, a panel was convened consisting of Luke Bowman from Undisputed Consulting as Appraisal Umpire, Toby Johnson from Omega Building Consultants (“Omega”) as Lipscomb’s Appraiser, and Mike Whitford from InLine Consulting (“InLine”) as Travelers’ Appraiser. Lipscomb24740.

Toby Johnson at Omega provided Travelers’ appraiser a list of locations for appraisal in December 2023. Travelers-00001139. On January 23, 2024, Ellis informed Lipscomb that approximately 26 locations claimed by Lipscomb to be at issue in the appraisal were new locations that Travelers had not previously inspected and declined to appraise these new locations. Lipscomb23343. During March 18–21, 2024, almost three years after the hail damage, the Appraisal Panel inspected over 50 Lipscomb locations, including the 26 new locations. Travelers-00000729 (Apr. 2, 2024, Rimkus Third Supplemental Report). Many of these were properties that Travelers had previously had the opportunity to investigate but either chose not to investigate these properties or refused to value damage to these properties. Travelers-00000024.

The Appraisal Panel found in favor of Lipscomb and issued a Final Umpire Appraisal-Award on June 10, 2024, Travelers-00004288, which was amended on August 12, 2024. Travelers-00020284. The Appraisal Award reflected damages that were more than ten times Travelers’ valuations:

- Travelers’ Payments Prior to Appraisal Award: \$1,493,396.65.
- Lipscomb’s Proof of Loss Value: \$7,966,835.54.
- Lipscomb’s Updated Proof of Loss Value: \$22,506,024.87.
- Final Valuation (ACV): \$16,167,881.46.
- Final Valuation (RCV): \$20,051,887.22.

Travelers-00003113; Travelers-00024012 (Jan. 23, 2023, Sworn Statement in Proof of Loss); Travelers-00023995 (Feb. 2, 2023 Sworn Statement in Proof of Loss); Travelers-00000879 (Mar. 22, 2024 Sworn Statement in Proof of Loss); Travelers-00020284. After the Appraisal Award was rendered, Travelers made payments totaling \$16,167,881.46. Travelers-00020814. On February 28, 2025, this lawsuit was filed.

V. CORRESPONDENCE REVIEW

On April 9, 2021, Hargis at Lipscomb sent an email to Miller at Arthur J. Gallagher, Lipscomb’s insurance broker, advising him that Lipscomb may need to submit a claim to Travelers for the hail damage pending a determination by Lipscomb as to whether a claim needed to be filed. Lipscomb000008.

On May 7, 2021, Hargis sent an email to Miller asking him to file the hail loss claim with Travelers and advised him that Lipscomb does not currently have an exact assessment of the buildings damaged. Lipscomb00194. On May 11, 2021, Miller submitted the claim to Travelers. Lipscomb00203.

On May 12, 2021, Hargis sent an email to Travelers asking when Travelers would be coming to inspect Lipscomb's campus. Lipscomb00368 at 00369. On May 14, 2021, Travelers responded that the Nashville adjuster would reach out early the next week to schedule the inspection and asked Hargis how many buildings were damaged. Lipscomb00368. On May 16, 2021, Hargis responded that Travelers should "look[] at all the buildings on our property schedule." *Id.*

On May 19, 2021, Jim Ellis ("Ellis") at Travelers called Hargis to schedule the initial inspection and confirmed that Lipscomb was concerned with hail damage to all 101 buildings. Travelers-00020876 at 00020946-47.

On May 19, 2021, Baughn sent an email to Scarlett at Phoenix stating that Lipscomb would not be hiring Scarlett and Phoenix as a public adjuster at that time because they wanted to use the brokers "in the hopes that [Travelers] will do the right thing as it relates to our claim." Phoenix009051.

On May 26, 2021, Ellis sent an email to Hargis scheduling inspection of the buildings at Lipscomb for June 3-4, 2021. Travelers-00030081. In this email, Ellis also asked Hargis to provide information about the buildings on campus, including a "diagram of the campus, showing all of the buildings and the names you have given to each building." Travelers-00030081. Later that day, Hargis emailed Ellis a map of the Lipscomb campus showing the buildings on campus and their names. Travelers-00030177.

On May 27, 2021, Ellis sent an email to Hargis containing a spreadsheet that listed all buildings which appeared on the campus map and asked Hargis to "insert the names and addresses of any other buildings that you would like us to inspect for hail damages." Travelers-00030073. As described below, this is a failure of Travelers to meet the industry standard in an attempt to shift the burden to conduct a full, fair, thorough investigation to the insured.

On July 13, 2021, Miller sent an email to Ellis asking for a \$1,000,000 advance to pay for repairs to locations that need immediate attention. "Lipscomb has received two estimates for locations that really need immediate attention while school is on summer break. I have not seen a comprehensive write up on this loss yet (total), so not sure what the total loss is estimated. That being said the two estimates attached add up to a bit under \$1.1m. It seems this loss is considerably above this amount but not sure the total and understand advancing past a certain percentage may be problematic but do want to better understand how we can work together with Travelers to make some repairs when students are likely not present." Travelers-00008317.

On July 15, 2021, Ellis emailed Hargis that Travelers would send a \$450,000 advance to Lipscomb, which according to Ellis "is the largest within my authority to submit immediately," to begin paying invoices. Travelers-00008317 at 00008322-00008323.

On August 5, 2021, Ellis sent an email to Hargis and Miller that listed all properties inspected by Travelers since receiving the claim, reflecting a total of 83 buildings inspected and only 57 of those buildings having hail damage in some form. Lipscomb04022; Lipscomb04026; Lipscomb04027. "Attached are 2 spreadsheets showing all of the buildings which have been inspected by Travelers or its representatives since receipt of this claim. I was present during the June 3 & 4 inspections and the other inspections were conducted by Grecco personnel. On that list, out of 83 buildings claimed, 57 had hail damage in some form or fashion, the others either did not. For all of these buildings we are awaiting estimates from Grecco, except Crisman, McFarland & Ward, for which estimates have been provided by Grecco." Lipscomb04022.

Also on August 5, 2021, Ellis sent an email to Hargis stating that Travelers would be ending its inspection at 83/185 properties on the Statement of Values until Lipscomb informed Travelers of the exact locations that Lipscomb wanted Travelers to inspect. "You'll notice in column M of the residential roof inspection list that there are 9 addresses marked 'does not exist.' Grecco told me that the houses along Grandview and one adjacent street (3701 Rosemont) no longer exist and have been replaced with a parking garage &/or associated green space. For this reason I will need for the university to tell us exactly what other locations/addresses they'd like us to inspect, but only after confirming that these locations actually exist, and are still in Lipscomb's ownership. I will await that list of addresses, then I will arrange for Grecco and Rimkus to recontinue their inspections." Travelers-00029244.

On August 17, 2021, Miller sent an email to Ellis in response to Ellis' request for specific additional properties to be inspected identifying a dwelling at 1303 Grandview and a garage at One University Drive as needing inspection. Lipscomb05001.

On October 20, 2021, Hargis sent an email to Ellis informing him that Lipscomb's invoices had exceeded the \$450,000 advance previously sent by Travelers. Lipscomb05711; Lipscomb05756 (email reflecting \$635,210.80 in invoices).

On October 26, 2021, Randy Long at Grecco sent an email to Ellis informing him that all estimates had been completed. Travelers-00029662.

On November 8, 2021, Scarlett at Phoenix sent an email to Ellis informing him that Lipscomb had appointed Phoenix as Lipscomb's public adjuster and representative for the claim and requested another advance. Lipscomb06084.

On November 10, 2021, Scarlett sent an email to Ellis informing him that they would review Travelers' estimates "to confirm where we are in agreement with what has been prepared, or if there are items/issues that may warrant additional consideration" and asked Ellis to release the remaining initial ACV balance to pay for repairs that require funds from the claim to be made. Phoenix012810.

On November 15, 2021, Ellis sent an email to Scarlett containing Travelers' estimates for the properties damaged as a result of wind and hail damage. Lipscomb06179. In this email, Ellis also asked Scarlett to identify any additional addresses that Travelers needed to inspect. *Id.*

On April 7, 2022, Scarlett sent an email to Ellis informing him that GRK had finished its inspection of the campus and submitted GRK's report to Ellis. Travelers-00023419.

On November 18, 2022, Scarlett sent a letter to Ellis electing to enforce the appraisal provision. Travelers-00000168.

On December 2, 2022, Ellis sent a letter to Scarlett setting forth Travelers' position concerning Lipscomb's demand for appraisal and stating there was no genuine disagreement and including a blank proof of loss. Travelers-00023862.

On January 23, 2023, Jeffrey Baughn ("Baughn") at Lipscomb sent a letter to Ellis in response to his letter of December 2, 2022. Travelers-00024010. On that same date, Scarlett sent a letter to Ellis concerning a

number of issues including Travelers' position that appraisal was premature and responding to Ellis' request for information. Travelers-00024018.

On February 2, 2023, Scarlett sent Ellis additional documentation supporting the claim. Lipscomb19872. That same day, David Wilson ("Wilson") at Lipscomb sent Ellis an updated Proof of Loss reflecting the updated claim total. Lipscomb19934.

On April 10, 2023, Scarlett sent Ellis Lipscomb's second demand for appraisal. Travelers-00001608.

On March 20, 2024, the appraiser Michael Whitford ("Whitford") sent an email to Ellis stating he didn't fully understand Travelers' position on the additional locations. "By scheduling the recent inspection, I figured everyone agreed with what was being proposed. With your request to provide an estimate for these additional locations and submit to you directly, I have felt somewhat conflicted and come to realize that maybe we are not on the same page." Travelers-00000933.

On March 22, 2024, Baughn sent Travelers an email concerning the updated proof of loss. Travelers-00000876.

On April 18, 2024, Ellis sent a letter to Baughn responding to his email of March 22, 2024 concerning the updated proof of loss and Travelers' rejection of it. Travelers-00001540. On the issue of appraisal Ellis stated that cause of loss is a coverage issue and outside the scope of appraisal. Travelers-00001540 at 00001542.

On May 16, 2024, Ellis sent a letter to Baughn restating the position set forth in the April 18, 2024 letter concerning the proof of loss; the scope of the appraisal; and reserving the right to deny coverage. Travelers-00001165.

On June 14, 2024, Kathy Hargis at Lipscomb sent a letter to Ellis enclosing the final Umpire Appraisal Award and signed and notarized sworn statement Proof of Loss. Travelers-00002328.

On September 6, 2024, Ellis sent a letter to Lipscomb enclosing payment of the remaining balance of the ACV for the Repriced Umpire Award. Travelers-00023603.

VI. 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 Travelers failed to meet the industry standard for proper claims in a number of areas:

- Failed to conduct a full, fair, thorough, reasonable investigation
- Failed to conduct a prompt investigation
- Failed to give equal consideration to the insured's interest
- Failed to look for ways to provide coverage
- Looked for ways to deny coverage

As a natural result of failing to conduct a full, fair thorough investigation, Travelers failed to document that one had occurred.

A. Travelers failed to perform a reasonable investigation.

Travelers failed to perform a full, fair, thorough, reasonable investigation. In particular, Travelers' failure to perform a reasonable investigation is evidence by Travelers refusing to value (1) over 21 "new locations" damaged by the hailstorm and (2) an entire category of roof damages.

First, Travelers refusal to inspect all potentially damaged properties, and in particular the 21 "new locations" identified during appraisal, represents a failure to perform a reasonable investigation. Travelers refused to appraise approximately 26 locations claimed by Lipscomb to be at issue in the appraisal because they were "new locations" that Travelers had not previously inspected. Lipscomb23343.

Many of these "new locations," however, were on-campus buildings in close proximity to other buildings that Rimkus reported damage to. Phoenix009626 at 009660 (map of campus). In fact, during the initial June 3–4 inspection, Travelers inspected several on-campus buildings that shared the same address—3901 Granny White Pike—as several of the new locations. Moreover, Lipscomb instructed Travelers to inspect all properties on campus on several occasions and provided a map of campus that listed many of the "new locations." Lipscomb00368 (May 16–17, 2021, Email from Hargis to Ellis); Travelers-00020876 at 00020945–47 (May 19, 2021, Note to Claims File); Travelers-00030073 (May 27, 2021, Spreadsheet from Travelers listing locations on campus); Travelers-00007964 at 00007966 (June 29, 2021 Property Large Loss Report lists "120 other insured locations/buildings on campus and in the Nashville area which remain uninspected").

Despite knowing that Lipscomb wanted all properties be inspected, Travelers instructed Rimkus to inspect only a small subset of the buildings insured by Travelers. Travelers-00029426 (Aug. 24, 2021 Rimkus Report). Moreover, after inspecting only 83 out of roughly 185 locations insured on Lipscomb's Statement of Values, Travelers ended its inspection of the hail damage claim because it discovered several locations no longer existed and demanded that Lipscomb identify "exactly what other locations/addresses they'd like us to inspect, but only after confirming that these locations actually exist, and are still in Lipscomb's ownership." Travelers-00029242 at 00029244. A reasonable investigation would have inspected these buildings even without Lipscomb specifically requesting Travelers to inspect these locations. Phoenix009626 at 009659–009662.

Contrary to its position that it never inspected these locations, Travelers inspected several of the new locations but did not value these damages. Prior to visiting Lipscomb's campus, Grecco ordered Eagleview reports for 12 of the 21 new locations but never inspected these properties. Travelers-00030101. Also, on September 19–20, 2022, Envista inspected 10 of the 21 new locations for hail damage to pipe and duct insulation and jacketing and prepared estimates for 5 of these locations that did not reflect the extensive damage to HVAC systems shown by photos of the locations but claimed to have never inspected these properties. Travelers-00029875; Travelers-00029961. In fact, Lipscomb's original proof of loss included the 5 new locations with estimates under a catch all entry for 11 buildings. Travelers-00001610. Travelers' failure to inspect and refusal to value these "new locations" constitutes a failure to perform a reasonable investigation.

Second, Travelers refused to acknowledge an entire category of damages to membrane roof systems. Scarlett Dep. at 113:25–114:22. For instance, Phoenix and GRK ultimately found evidence of over \$8,000,000

in covered property damage to numerous campus buildings and other properties controlled by Lipscomb, the vast majority of which had not been discovered by Travelers due to its refusal to acknowledge damage to membrane roof systems that they were specifically informed of on June 3–4, 2021. See Scarlett Dep. at 113:25–114:22; Travelers-00005162 (Statement of Loss). Furthermore, in my interview with Chris Scarlett on May 13, he emphasized that Travelers was informed that there was almost certainly subsurface damage to membrane roof systems that would require destructive testing to investigate, and that Travelers categorically rejected that any such damage had occurred without the necessary investigations. See also Scarlett Dep. at 113:25–114:22. Moreover, Rimkus actually captured images of these types of damages and referred to them as “hail damages” in its First and Second Supplemental Reports. Phoenix009626 at 009664–67. Later, Rimkus and Travelers refused to acknowledge these damages.

B. Travelers failed to perform a prompt investigation.

Travelers also failed to perform a prompt investigation. Soon after Lipscomb provided notice of the claim, Lipscomb attempted to schedule Travelers’ inspection of all campus properties, informed Travelers that all properties would need to be inspected, and provided Travelers all information that it needed to investigate the claim, including a map of all campus properties. Lipscomb00368 at 00368–69. Travelers, however, elected to inspect only a limited number of properties in its initial June 3–4 inspection. Travelers-00030084.

After these initial inspections, Travelers continued to inspect various on-campus buildings and off-campus dwellings for the next two months, ultimately inspecting 83 buildings and finding damage to 57 of them. Lipscomb04022. Then, in August 2021, Travelers abruptly ended its investigation at 83 total buildings inspected after learning that several properties did not exist and demanded Lipscomb to provide a list of any additional properties to be inspected and provide proof that these properties existed. Travelers-00029242 at 00029244. Because of this refusal to continue its inspection, Travelers did not fully inspect 21 of the properties until March 2024, over three years after the initial claim. Travelers-00000216. Notably, Travelers retained Rimkus to inspect only “selected” properties which did not include these locations. Travelers-00029426.

If Travelers had instructed Rimkus to conduct a complete inspection of all of Lipscomb’s properties, Travelers could have avoided dispatching Rimkus for additional inspections over the next three years, including re-inspections of several properties, that ultimately resulted in a total of five different reports that were “sloppy, contained insufficient conclusions, and displayed inaccurate, incorrect, and erroneous information.” Phoenix009626 at 009665 (emphasis added) (Umpire Conclusions Report). If Travelers had cooperated with Lipscomb from the outset, Travelers could have resolved this case in 2021, not 2024. Instead, Travelers’ failure to meet industry standards substantially delayed the investigation of the claim for over three years between Lipscomb notifying Travelers of the claim on May 11, 2021, Lipscomb00203, and Travelers paying the remaining balance of the Umpire Award on September 6, 2024. Travelers-00023603.

Lipscomb repeatedly attempted to cooperate with Travelers to provide all information needed to expeditiously and fairly evaluate Lipscomb’s damages. At the outset of the claim, Travelers, not Lipscomb, limited its inspection of the properties, which caused Travelers to not investigate these properties until 2024. See *supra* Section VI.B. Travelers’ ending of the inspection in August 2021, and subsequent undervaluation of Lipscomb’s damages, forced Lipscomb to hire Scarlett and Phoenix in October 2021 and GRK in 2022 to prepare its own valuations of the claim which delayed the process by almost a year. Travelers-00029244 (Aug. 5, 2021, email from Ellis to Hargis ending inspection of Lipscomb properties); see *supra* Section IV & Section VI.A. Travelers’ refusal to promptly and fairly value the claim for multiple months after receiving Phoenix’s

estimates forced Lipscomb to invoke the Appraisal Condition in the policy, which resulted in Travelers demanding, for the first time after more than a year of investigations, for Lipscomb to prepare a Proof of Loss and to send monetary demands for the remaining properties. Travelers-00000168 (Nov. 18, 2022, Demand for Appraisal); See Travelers-00023862 (Dec. 2, 2022, Ellis Response to Demand for Appraisal). In response, Lipscomb promptly provided a Proof of Loss and all supporting information requested by Travelers within the 60-day time-limit. Travelers-00024012 (Jan. 23, 2023, Sworn Statement in Proof of Loss); Travelers-00023995 (Feb. 2, 2023 Sworn Statement in Proof of Loss); Travelers-00024010 (Jan. 23, 2023, Letter from Baughn to Ellis).

In response to Lipscomb's proof of loss, Travelers continued to delay for the next four months, only scheduling a single round of inspections and providing a single payment for certain HVAC repairs during this period, which again forced Lipscomb to invoke the appraisal clause after determining that Travelers had provided its final valuation of the claim. Travelers-00001608. Ultimately, Travelers' delay forced Lipscomb to hire a public adjuster, prepare its own estimates of the damage, prepare a Proof of Loss a year after the claim had been filed, to invoke the appraisal condition on two separate occasions, and to delay investigation of the 21 locations until 2024, events which significantly delayed resolution of the claim. In my interview with Chris Scarlett on May 13, 2026, he emphasized that there was a similar investigation for hail damage caused by the same hailstorm at nearby Belmont University in Nashville, Tennessee that was comparable to Lipscomb. That investigation was concluded within six weeks, with the carrier ultimately paying the claim. The initial survey involved a comprehensive inspection of all the buildings on that campus and was completed within seven weeks. Without Travelers' delay, a reasonably prompt investigation of Lipscomb's campus would have ended in the summer of 2021, not 2024.

C. Because of its failure to perform a reasonable, prompt investigation, Travelers systematically undervalued Lipscomb's damages.

Tennessee's unfair claims practices law requires insurers to perform reasonable and prompt investigations. Tenn. Code § 56-8-105(3). While Tennessee's unfair claims practices laws may not provide a private right of action, they mirror industry standards and every insurance company doing business in the state would be aware of their requirements.

But Travelers did not conduct a reasonable or prompt investigation of Lipscomb, which led Travelers to drastically undervalue the damage to Lipscomb's campus. Lipscomb submitted its claim for the hail storm damage on May 11, 2021. Lipscomb00203. Even though Travelers was informed of extensive damage to Lipscomb's campus by Lipscomb and its vendors, Travelers and its vendors conduct only limited inspections on June 3–4, 2021. Travelers-00030065; Scarlett Dep. at 106:23–112:24. By August 5, 2021, Travelers informed Lipscomb that it was ceasing its investigation unless Lipscomb told Travelers the exact locations Lipscomb wanted Travelers to investigate. Lipscomb04022; Lipscomb04026; Lipscomb04027. By that point, Travelers had only investigated 83 of the 185 buildings on Lipscomb's statement of values. Lipscomb04022; Lipscomb04026, Lipscomb04027; Travelers-00029244.

Thus, as early as June 2021, Travelers should have been aware that Lipscomb's damages would far exceed its \$1,493,396.65 valuation based on (1) a rough order of magnitude prepared by Grecco estimating total damages of \$2,573,102, Travelers-00030092, and (2) Travelers setting internal reserves of \$4.3 million for the claim. Travelers-00007964. Travelers' failures to perform a reasonable investigation enabled it to maintain estimates of Lipscomb's damages, \$1,493,396.65, that were less than 20% of Lipscomb's estimated damages prior to appraisal, \$7,966,835.54, and less than 10% of the total RCV awarded by the Umpire,

\$20,051,887. Most tellingly, prior to Travelers investigating these new properties and prior to the Appraisal Panel valuing damages to the membrane roof systems, Travelers valued the claim at \$1,493,396.65, and Phoenix valued the claim at \$7,966,835.54 in the February 2, 2023 Proof of Claim, a difference almost entirely attributable to disagreement between Travelers and Phoenix as to the damages to advanced membrane roof systems. *See, e.g.*, Phoenix009626 at 009677 (Umpire Report comparing Travelers' valuation of damage to Allen Arena at \$0 and Lipscomb evaluation of damage at \$3,150,258 based on their differing evaluation of the roof damages). After the appraisal process was invoked and Phoenix discovered the new locations, Lipscomb's valuation of the claim rose from \$7,966,835.54 to \$22,506,024.87, with the Umpire ultimately awarding \$20,051,887 RCV. By refusing to value the "new locations" and the damages to membrane roof systems, Travelers' refusal to adequately investigate allowed it to maintain estimates of Lipscomb's damages that were less than 10% of the total RCV, to its benefit and its insured's detriment.

Travelers ultimately awarded Lipscomb only \$1,493,396.65 based on its incomplete investigation of Lipscomb, a substantial undervaluation compared to the umpire's ACV award of \$16,167,881.46. This willful or reckless disregard of Lipscomb's interests also hurts Travelers' interests by potentially exposing it to damages beyond the scope of the policy limits.

D. Travelers' failure to perform a reasonable, prompt investigation and undervaluation of Lipscomb's damages forced Lipscomb to invoke the appraisal process and incur substantial additional costs.

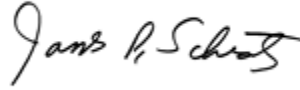
After Travelers severely undervalued Lipscomb's damage, Lipscomb was forced to hire Phoenix Consulting and GRK to conduct an independent investigation of the damage. Lipscomb06179; Travelers-00023419. In 2023, Lipscomb made two demands for appraisal. Travelers-00000168; Travelers-00001608. Finally, in 2024, the appraisal process leads to a full investigation of the damage to Lipscomb left by the hail storm. Ultimately, the umpire awarded Lipscomb \$16,167,881.46—over ten times as much as Travelers initially awarded Lipscomb. Had Travelers sought to effectuate a prompt, fair, and equitable settlement of Lipscomb's claims, Travelers would have conducted a thorough investigation of Lipscomb's claims in 2021. Instead, Lipscomb was forced to wait three years for that investigation to conclude, and incurred considerable costs due to Travelers' conduct, including at least Phoenix's fees, GRK's fees, and fees associated with the appraisal process.

**VII.
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 45 years acting as consultant and expert on behalf of both policyholders and carriers, it is my opinion that Travelers failed to meet the industry standard. 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,

A handwritten signature in black ink that reads "James P. Schratz". The signature is written in a cursive style with a large initial 'J' and a stylized 'S'.

James P. Schratz

JPS/spg