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66th ANNUAL CONVENTION

Top 10 Restorer Challenges when Working with Insurers

G. Pete Consigli, CR, WLS
Problems and Solutions.....
Closing the Gap!

March 8-11, 2011

The Broadmoor

Colorado Springs, CO

Disclaimer

The viewpoint and opinions expressed are those solely of Pete Consigli based on personal experience from more than 3 decades in the restoration and damage repair industry.

The intent is to provide insights and offer solutions for a smoother working relationship between Restorers and Insurers.



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Disclaimer Continued

The ultimate objective is to help foster better service for insurance policy holders and victims of a disaster.

This presentation is not intended to provide professional, legal or insurance coverage advice and should not be used as an authoritative source!



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The First 5 Challenges

- Dealing with Deductibles
- Dealing with Mortgage Companies
- Contractor Adjuster Role Reversal
- Professional Egos and Territorial Protection
- Industry Standards and Scoping Discrepancies



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The Second 5 Challenges

- 3rd Party Evaluations and the Use of IEPs
- Dealing with Contractors not on the Preferred Vendor List
- Questioning the “Bill” after the Fact!
- Including the Contractor’s Name on the Check
- Just saying, “The Bill is too high!” ...or is it an Estimate?



Challenge #1: Deductibles

- Restorers often get stuck
- Variety of reasons
- Establish a clear and consistent policy
- If not collected at time of emergency service apply towards a portion of claim not involving the restorer!



Challenge #2

Mortgage Companies

- Mortgage companies notorious for delaying check/draft endorsements
- Diligence in complying with policy language
- Avoid cash flow hardship, work stoppage and unnecessary liens
- Better communication early in the claims process!



Challenge #3

Contractor and Adjuster Roles

- Restorers provide expert opinion on damage assessment and repair options (including an estimate of cost) based on professional judgment and experience
- Adjusters control the loss, interpret policy provisions and ensure the policy holder is made “whole”
- Both should understand their fiduciary duty!



Challenge #4

Egos and Territorialism

- The “Restoration Triangle” Concept
- The claims process can be adversarial by nature, clarity on the relationship of all the participants is essential for a “meeting of the minds” to establish who is the customer
- Only 2 out of 3 working together won’t cut it!
- Walking the fine line to close the file happily



Challenge #5

Standards and Scoping the Loss

- What standard or “best practice” will be considered to determine degree of damage?
- All parties must agree for an accurate and meaningful scope to be developed!
- Scope comes before the estimate, project sequencing and completion expectations
- Better training and communication is required



Challenge #6

3rd Party Evaluations and IEPs

- Proactively establish criteria for use of IEPs
- **Issues to discuss:** damage assessment, project oversight, clearance verification and/or remediation efficacy
- Agree on protocols and communication loop
- Transparency and disclosure helps avoid conflicts of interest



Challenge #7

Preferred Vendor Lists

- Dealing with Restoration Contractors of Record (RCR) not on the list
- Mandated mitigation clause in HO policies
- Consumer Right to Choose Legislation
- Avoiding tortious interference and litigation
- Consider arbitration to settle disputes



Challenge #8

Questioning the “Bill”!

- **Factors to consider:** availability to respond, customer preference, suitable scope, roots in community to warranty the work, Not what the “approved guy” would do!
- **Framing the discussion:** Is there a contract in place, have industry standards been documented, is there a pricing guideline or estimate in place, is the bill reasonable?



Challenge #9

Naming Contractors on the Check

- Assignment of Benefits contract language
- Developing standardize forms and contracts
- Establish policies for progress payments on large projects and timely final payments
- Avoid creating hardship with the insured for project financing needs or requiring credit checks and filing liens to guarantee payment



Challenge #10

Just saying, "The Bill is too High"!

- Is it an estimate, bid or invoice (bill)?
- Should a non covered loss be paid because the work was done and the insured told the adjuster to pay the bill?
- Line item charges too high, or is it the scope?
- What guidance was used to develop the scope and is the pricing customary and normal?



4 Reasons Insured will hold up the Restoration Contractor's Payment

- Legitimate complaint – Take care of problem!
- Thinks there is a problem, but not sure - Explain or resolve the problem and get paid!
- Insured sees the check and wants some of the money – using solid contract language, having project phase sign-offs by supervisors and willingness to make concessions will help to “release” the funds!



The Customer is a Crook!

- Educate staff on fraud and spotting “con artists”
- Identify those in arrears on their mortgage
- Establish procedures to limit exposure
- Larcenous minded customers are normally more problematic for insurers than restorers
- Just saying No may be the best option!



Professional Restorer's Code

- Quality Work, Ethical Conduct & Fair Dealings
- Benefits all stakeholders involved in a restoration and damage repair project!
- Insurance coverage provides a sense of security and assurance to the public
- Quality service providers give “meaning” to policy proceeds!



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It Takes a Community to: Make it Better!

- The work restorers and adjusters do is an honorable profession and important to society
- Building bridges through constructive and honest dialog between the restoration and insurance industries is good business
- Encourage your colleagues to join the discussion and help...”Close the Gap”, **Thanks!**



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RIA's 66th ANNUAL CONVENTION

Bridging the Gap Between Contractors and Insurers

Paul Gross, President & CEO

CodeBlue



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Collaborative v. Combative



Every Claim Starts as an Emergency



Estimating Process is Flawed



Assumes a worst case recovery solution 100% of the time

Conflicting Goals

Contractor

Optimize profits on individual claim

Insurance
Carrier

Return policyholder to pre-loss condition quickly and efficiently, paying what they owe – no more, no less

The Policyholder



Traditional Contractor

Science &
Technology

Marketing

Adaptable > Strong & Intelligent



“It is not the strongest and most intelligent that survive; it is those who adapt most quickly” ~ Charles Darwin

Collaborative v. Combative



**Not all
Contractors
are Created
Equal**



3 Solutions:

- 1. Establish the same goal and gain alignment.**
- 2. Focus on the science of drying.**
- 3. Allow, embrace and encourage competition.**

Gain Alignment | Establish Same Goal



Goal: return the policyholder to their pre-loss condition in the fastest, most efficient, and least disruptive manner possible.

Focus on the Science of Drying



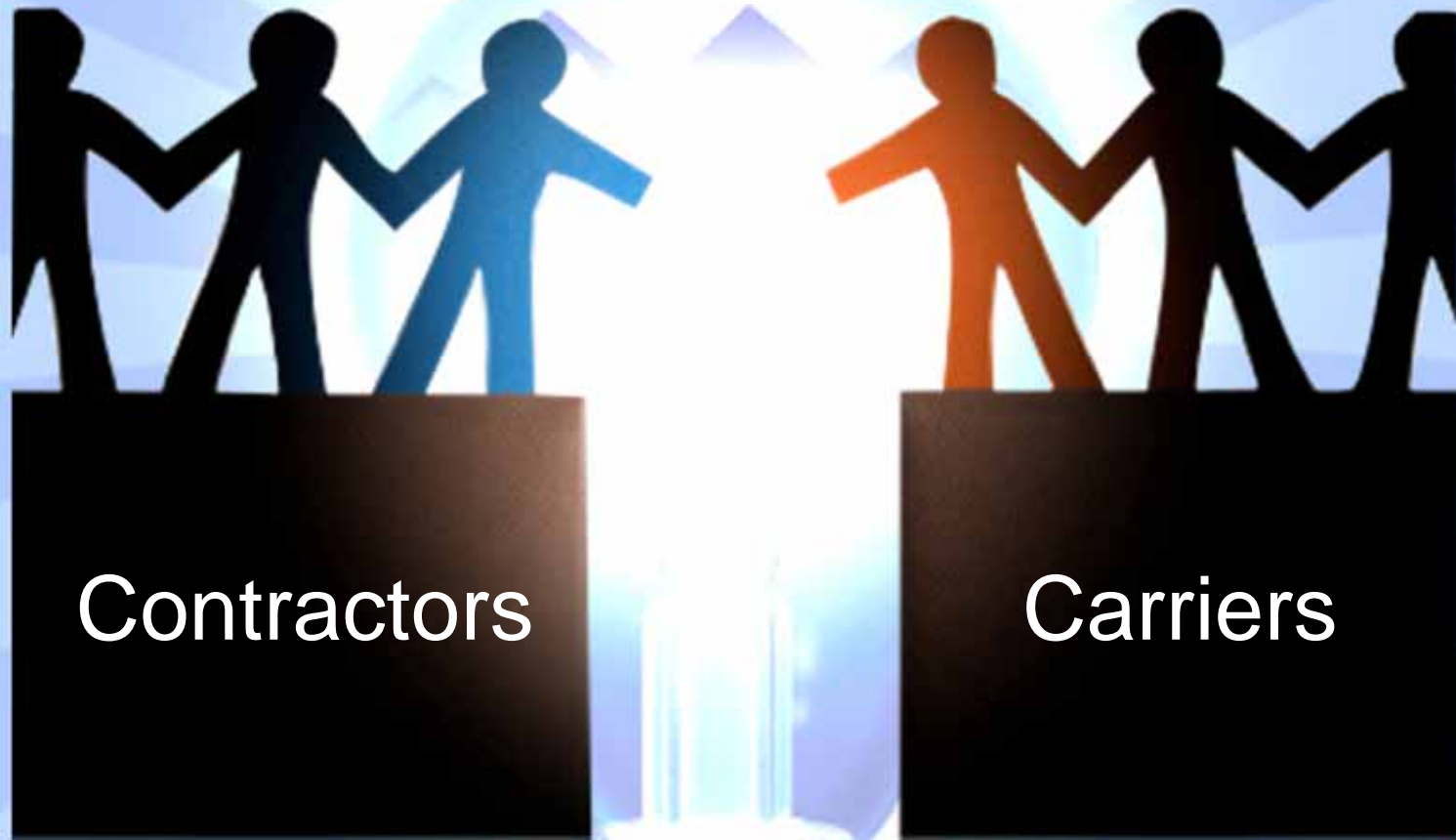
Competition – Allow, Embrace, Encourage



3 Solutions:

- 1. Establish the same goals and gain alignment.**
- 2. Focus on the science of drying.**
- 3. Allow, embrace and encourage competition.**

Bridging the Gap



Contractors

Carriers

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Insurers Challenges and Opportunities when Working with Restorers to Service the Policyholders

Greg Mier, Staff Consultant, Property
and Casualty Claims, State Farm
Insurance

March 8-11, 2011

The Broadmoor

Colorado Springs, CO

About This Presentation...

The challenges and opportunity examples shared today do not represent State Farm's view or opinion.

They are my own, based on my experiences working 13 years in the remodeling and construction trades, 25 years in the insurance industry, and gathered feedback from various insurance industry experts.



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Challenge #1

Challenge:

Lack of timely and effective communication.

Opportunity:

Communication can significantly reduce the number of problems and conflicts.



Challenge #2

Challenge:

Lack of documentation for the services performed.

Opportunity:

Consider implementing a documentation plan and consistently follow your procedures.



Challenge #3

Challenge:

Mitigation employees lack training or technical expertise on the job site.

Opportunity:

Consider having one employee on the job at all times with WRT and ASD training.



Challenge #4

Challenge:

Charge for drying equipment on a calendar day.

Opportunity:

Consider charging a per hour rate or a flat rate for a 24 hour time period



Challenge #5

Challenge:

Monitoring hours estimated are very difficult to verify for accuracy.

Opportunity:

Consider including a description of charged services and documentation of monitoring activities



Challenge #6

Challenge:

Dehumidifiers in unconditioned spaces

Opportunity:

Consider creating a drying chamber



Challenge #7

Challenge:

Excessive invoice amounts for pack-out of contents from policyholder's home.

Opportunity:

Evaluate the competitive rate for pack-outs



Challenge #8

Challenge:

Recognition and evaluation of building materials to determine dry vs. replace.

Opportunity:

When unusual circumstances occur communicate with the Claim Representative.



Challenge #9

Challenge:

Using subcontract textile cleaning vendors without prior discussion with the policyholder.

Opportunity:

The use of textile cleaning companies should be selected by the policyholder.



Challenge #10

Challenge:

Mitigation vendors performing work as it's noted in the IICRC S 500.

Opportunity:

The IICRC is a very good tool, but use common sense when appropriate.



Challenge #11

Challenge:

The equipment needs are established the first day and the number remains the same on the job throughout the drying process.

Opportunity:

Conduct daily monitoring and adjust equipment needs accordingly.



Thank You

Thank you for helping serve our policyholders; often under difficult Circumstances.

Thank you for your commitment to doing this well.



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Challenges Restorers and Insurers Face When Working Together: Closing the Gap

Dale A. Sailer
President
DKI Holdings LLC



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Overview

- My Perspective
- Is There Really a Gap?
- 10 Challenges
- 1 Barrier
- 3 Facts
- 2 Solutions



10 Challenges



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Challenge #1

- A Stratified Insurance Market
 - Well understood by car purchasers
 - Cadillac vs. Chevrolet
 - Completely misunderstood by purchaser of insurance

Challenge #2

- Three Parties to a Transaction
 - Buyer, Provider, Payer
 - Competing interests
 - Buyer receives value at fixed cost
 - Payer does not receive value at variable cost
 - Buyer will seek repeat business
 - Payer may discourage repeat business

Challenge #3

- What is the Insurance Promise?
 - Cutting a check?
 - Returning the property to pre-loss condition?
 - Hedging risk
 - Ultimately a financial transaction

Challenge #4

- Whose Contract Matters?
 - Restorer's is clear on obligations
 - Insurer's is clear on obligations
 - Must they be the same?
 - Concept of 'agreed price' – parties 'usually' don't choose one another
 - Two exceptions

Challenge #5

- What does Choice Really Mean?
 - Much ado about nothing
 - Purchasers have clear choice of **many** insurers
 - Problem – no research by purchaser
 - Later buyer's remorse
 - Ignorance is no excuse!

Challenge #6

- Who Really Knows Disaster Restoration?
 - New franchisee?
 - Home builder?
 - College graduate?
 - Insurance adjuster?
- Who is in best position to adjust a claim?
- Who is in best position to assess a damaged property and write a scope?
- Who is in best position to assess orthopedic surgery needs?

Challenge #7

- On-site Evaluation
 - Restoration is a ‘five senses’ business
 - Migration to centralized claims centers
 - Technology has limits

Challenge #8

- Structural Market Imbalance
 - Top 10 = 63%
 - Top 10 < 10%
 - What happens when #1 stops doing business?

Challenge #9

- Value Justification
 - Restorer – for price, delivers structure back to pre-loss condition
 - Periodic challenges to price, but generally not task
 - Insurer – internally, claims handling is a cost center
 - Indemnity costs and adjusting costs
 - What's the ROI on the latter?

Challenge #10

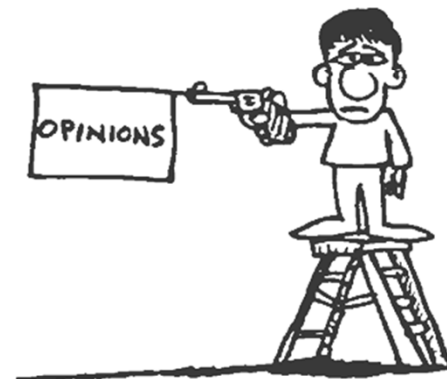
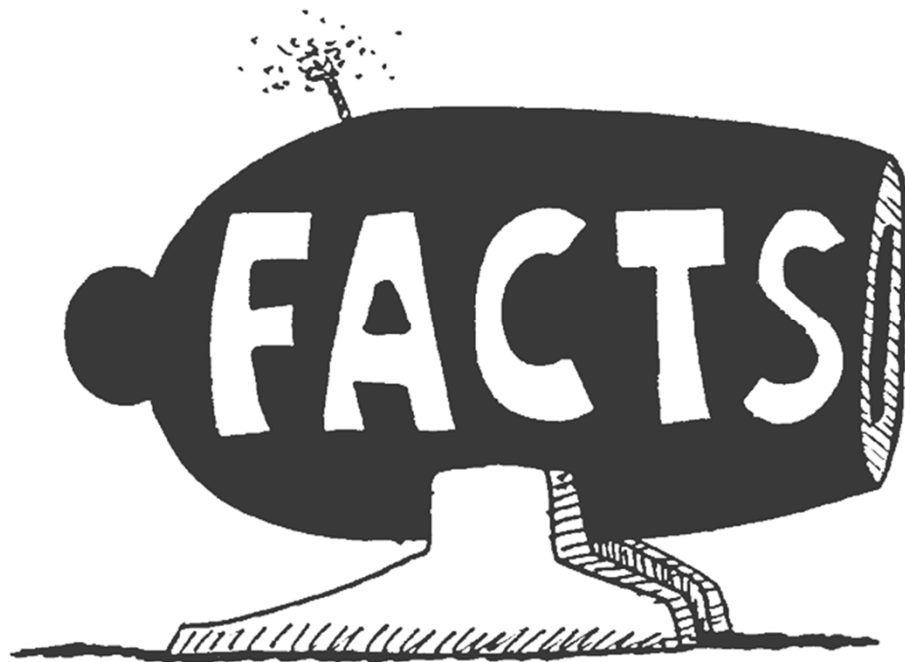
- Who defines Best Practices or Standard of Care?
 - Four elements – service, quality, technical, and financial
 - Technical – Restorer
 - Service, quality and financial - Both

One Barrier

We don't talk to one another!



3 Facts



Fact #1

- 'Model' Complexity
 - Health care – 2 models – centuries without change
 - Auto – 100's of models – 15 years of relevance
 - Property – 1,000,000's of models – 300+ years of relevance

Fact #2

- Operational and Data Complexity
 - Health care – service provision in antiseptic office with feedback and decades of empirical data
 - Auto – service provision in controlled environment with 3-10 years of objective, scientific data
 - Property – service provision in uncontrolled environment, multiple outside agencies, multiple service participants, and little objective, scientific data

Fact #3

- Auto portends Property
 - Rule of thumb: 10 years

2 Solutions



Solution #1

- HMO and PPO Policies
 - NOT about cost control; it's about expectations
 - Choice is clear at policyholder at purchase
 - Choice is clear for restorer

- Unfortunately implementation beyond our control

Solution #2

- Create a Property Damage Industry Conference
 - One integrated industry, not many unrelated industries
 - Require a forum to discuss and resolve issues
 - A proven model exists

Collision Industry Conference (CIC)

- Created in 1984 as the Collision Repair Conference by frustrated body shop owners (restorers)
- Without all players, nothing happens
- Expands to Collision Industry Conference



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Vision

“A collision industry in which all segments work together efficiently, effectively, ethically and respectfully to enable a complete and safe repair while facilitating the most pleasant experience possible for our mutual customer, the consumer.”



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Mission

“The Collision Industry Conference (CIC) is a forum where collision industry stakeholders come together to discuss issues, build broad understanding, find common ground and communicate to the industry at-large, findings and possible solutions”.

Collision Industry Conference (CIC)

- 4-5 one day meetings a year
- 1 annual planning meeting
- Chairperson elected every two years
- Multiple working committees
- Product produced
- Committees retired



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Committees

- Business Improvement Task Force
- Data Privacy Task Force
- Definitions
- Education and Training
- Governmental
- Human Resources Task Force
- Insurer Relations
- Marketing Task Force
- Parts
- Special Presentations
- Technical Presentations



Former Committees

- Business Management
- Cycle Time Task Force
- Data Issues Task Force
- Best Practices Task Force
- Estimating Practices and Procedures
- Ethics
- Industry Trends
- Trade Practices
- Vehicle Repairability
- Write It Right



Case Study

- Three estimating systems in market
- Consequential impact
- Electronic Communication Committee formed
- Collision Industry Electronic Commerce Association formed
- Data standard created
- Everyone won

Closing the Gap

- Past CIC chairmen from Hanover and Kemper
- Current CIC committee participation from Amica, Allstate, Cal Casualty and Progressive
- Current CIECA chairman from Cal Casualty
- Current CIECA trustees from State Farm, Nationwide, Cal Casualty and Allstate
- State Farm was 2010 Electronic Commerce Company of the Year
- Randy Hanson of Allstate was received 2010 Leadership Award
- Ed Wiedmann of State Farm - former CIECA chairman

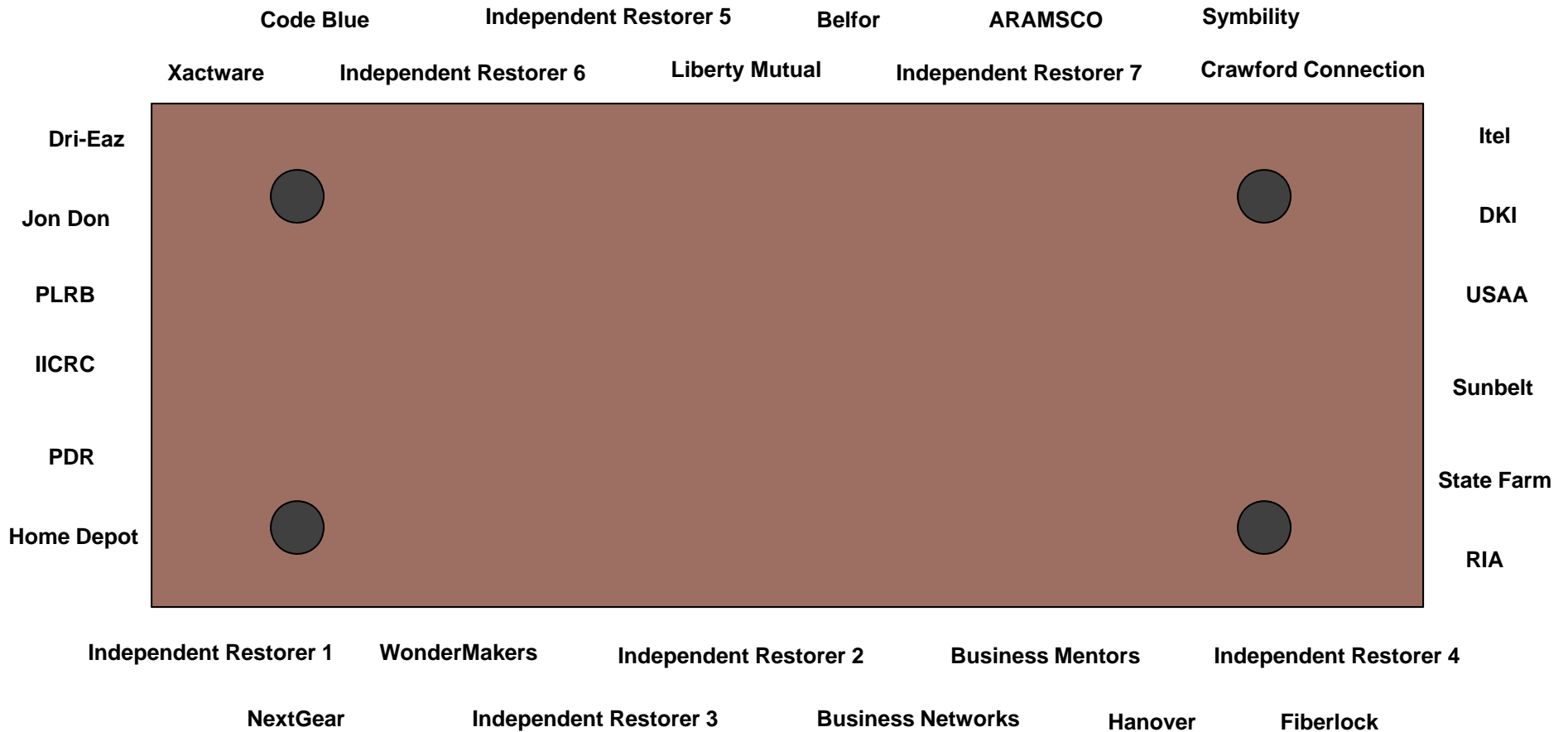


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Closing the Gap



Imagine



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Thank You

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Closing the Gap

Brandon Burton

Industry Trainer and Consultant Perspective

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The End in Mind

- Mission Statement for All Materially Interested Parties:
 - Return the building, systems and contents to an acceptable condition utilizing methods that:
 - Allow for health and safety of workers and occupants during and after restoration is complete
 - Are consistent with local and federal laws, code and regulation
 - Are financially responsible



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Challenges Exist Because

- We loose sight of the common mission
- A party is in conflict with the mission
- We assume others are in conflict with the mission



Primary Catalyst for Breakdown

- Lack of Communication
- Restorer has not supplied sufficient documentation to satisfy insurers due diligence policy
 - Incomplete documentation
 - Variance from expected process with no significant cause or justification supplied

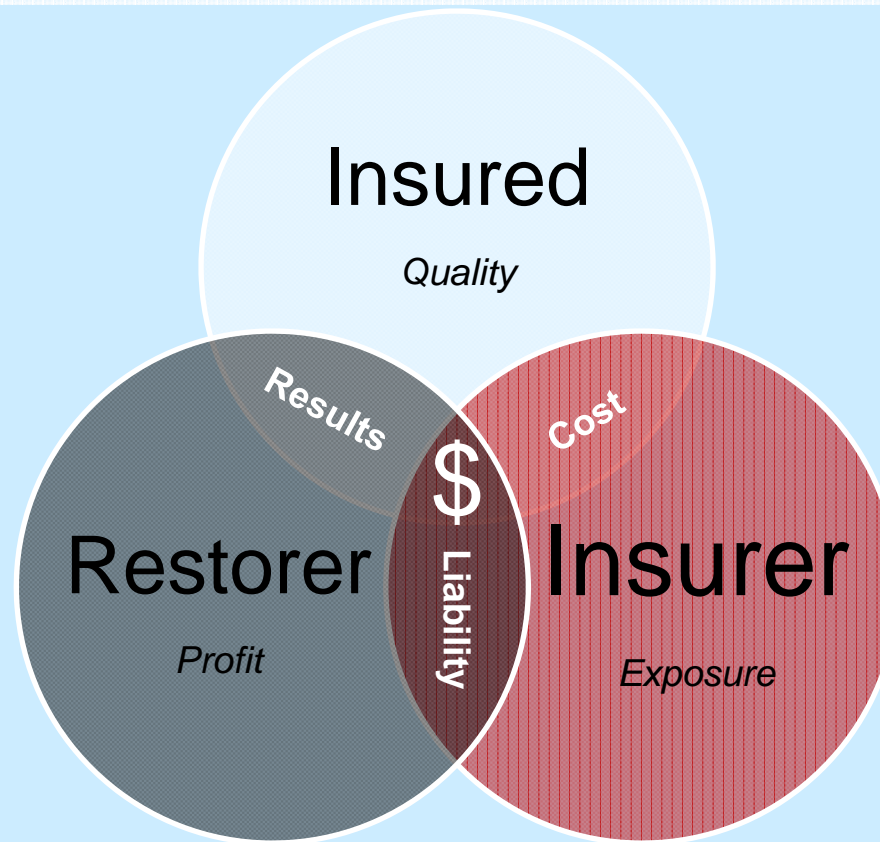


Understanding = Efficiency

- Restorer
 - Fair price
 - Reasonable profit
 - Timely payment
 - Minimize liability
 - Satisfy customer
- Insured
 - Timely process
 - Quality restoration
 - Fair Price
- Insurer
 - Fair price
 - Logical practices and procedures
 - Justification for deviation from normal or expected
 - Satisfied policy holder
 - Confidence claim will not reopen



Common Ground



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