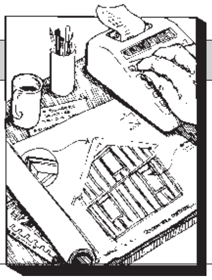
Estimating for Insurance Repair



by Walter Lumpp

Insurance repair is a very specialized type of work and one must fully understand the requirements of the business in order to succeed. One of the biggest requirements is estimating.

Writing the Estimate

Writing an estimate for insurance companies, agents, or adjusters is not that difficult and it should not be that different from the estimate the contractor is presently writing for his own benefit. However, there are some differences.

If more than one contractor is preparing an estimate, both parties should walk the job together, agreeing on the scope of work with the adjuster. This will ensure that a fair comparison of the total price will be made.

Break down the estimate into various operations in terms of labor and materials. Or simply use unit costs (this would be much like the specifications written by an architect).

Write the estimate so that each room requiring repairs is listed individually with accurate measurements of every dimension of the room. Make a line-by-line listing of replacements with materials and labor in separate columns on the right. This cost breakdown will be very helpful in establishing a budget and tracking job costs during the reconstruction of the job.

After the proposed repairs for one room have been completely listed, repeat the process in the next room. When the interior of the house has been completed, move to the exterior and do the same thing.

A properly itemized estimate will make it easier for the adjuster to compare one estimate against another, and against the coverage of the policy. Remember, the adjuster may not be a construction expert, so keep the estimate in lay terms. The adjuster must understand the work being done, well enough to explain the estimate to his supervisors. Keep in mind that an adjuster's needs, in order of importance, are: (1) competitive unit costs; (2) detailed itemization of covered repairs; (3) a quick response; (4) timely completion; and (5) completion without complaint.

The property owner should also understand the estimate and know exactly what repairs are and are not going to be made. His needs are: (1) a quick response; (2) competence; (3) empathetic treatment; (4) quality workmanship; and (5) timely completion.

Actually, it is to the contractor's benefit to have a very clear set of specifications written for the repairs or replacement. If additional damage is found after the repairs have started, a change order can be submitted to the insurance company. In most cases, it is easier to get a supplement for insurance work than it is for private remodeling work because the insurance estimate is more detailed.

Always allow the adjuster an adequate amount of time to review the estimate before proceeding with work. Sometimes the property owner's policy inadequately covers the damage, or it may not cover specific types of damage. To protect himself, the contractor needs to know if all of his contract is going to be paid by the insurance company or if the customer has to pick up some of the costs. If the latter is true, you need to make sure the customer understands what he must pay for.

As a contractor, never allow yourself to get into the cross fire of trying to settle a claim for either party. When you review a job, do so in a professional manner, listing the items in need of repair or replacement based on your expertise. Then allow the adjuster to settle the claim with the claimant.

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Understanding Adjusters

There are several types of adjusters you may have to deal with when doing insurance repair work:

Agency adjusters. The local agent's role in handling small insurance claims has changed rapidly in recent years. More and more agents are being given larger check or draft authority by various companies. The agency's authority will depend on its staff, experience, and longevity.

A. The agent may have a small draft authority for some insurance companies, while for others he may have no authority at all. This applies to two kinds of agents: The independent agent who writes on more than one company; and the company agent who writes for the company with which he is licensed to do business.

B. Many agencies write enough business within a local community to justify their own adjuster who settles many claims without relying on the insurance company for help. Again, the adjuster's authority will vary from one insurance company to another.

C. Occasionally an agency writes enough policies within a given community to require an adjuster from a particular company to be in-house. However, this is rare.

Insurance company adjusters. Here again, there are several types of adjusters. Many insurance companies have watts lines on which their claims are called in to one location. They are then screened according to size and location and assigned in one of the following ways:

Telephone adjusters never see the job, but simply request one or more estimates from the property owner. The adjuster then agrees to the scope of the repairs. When the check is issued, a proof of loss will be required from the property owner. A proof of loss is a signed and notarized document that verifies that the loss occurred and that the owner abided by the rules of the policy.

Field adjusters will visit the site and review the damages, when the size of the loss makes this necessary. In these cases, the field adjuster will actually write an estimate of repairs when he inspects the property. Using this, he will compare it against a contractor's estimate or even close the claim without ever discussing the repairs with a contractor. It is then up to the property owner to hire a contractor to have the repairs done.

General adjusters will only handle the very large or complicated losses, frequently referred to as jumbo losses. He specializes in specific areas, such as property damage. The general adjuster understands policy coverage and is skilled at dealing with clients and other members of the business community.

Independent adjusters. Generally speaking, the independent adjuster contracts his work from the insurance companies. The independent adjuster must have experience in several areas (auto, property, workman's comp. etc.). However, independent adjusters also have a general adjuster on staff who is extremely knowledgeable in specific areas of business.

Public adjusters. The public adjuster has become increasingly popular in recent years. He represents the property owner in adjusting the claim and in many cases is paid through the proceeds of the claim. Public adjusters usually serve large metropolitan areas.

What to Expect

There is no standard or set rule for how insurance companies may handle claims. There is some very clear terminology within the policy that states the time limits they must follow to make client contact and set loss reserves for payment of the claim. Generally speaking, insurance companies are seeking: (1) a quick response to reduce loss; (2) competitive unit costs; and (3) scope itemization.

No matter what type of adjusters or agents you deal with, get to know them personally. Usually, they are local business people and have local business interests at heart. The key is to market the adjusters and agents and convince them that you can be counted on to produce an estimate and make repairs quickly and without prob1ems. ■

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