Opportunities in Insurance Repair

Special skills and a commitment to service are needed to make good in this recession-proof market

by Walter Lumpp

Catastrophes show no favoritism. Fires, floods, storms, and other disasters create havoc with equal disregard for all people and places. Last year, such devastation cost the insurance industry an estimated $30 billion in payments to policyholders—who then sought builders to restore their damaged property.

A Market Largely Untapped

Insurance restoration forms a significant segment of the construction industry. Yet it remains a largely untapped market for most builders, who can't see beyond the charred remains or muddy mess of a disaster scene to the remodeling job ahead.

Dealing with the aftermath of a disaster requires special skills and flexibility. But it also provides a recession-proof source of work. Disasters don't care about the season of the year or the mood on Wall Street. For those who develop the necessary skills, insurance restoration offers a solid buffer against the uncertainties that are a constant part of the general construction industry.

My firm began specializing in insurance restoration 21 years ago, after frustrations with the high risks and slim profit margins in general construction almost convinced me to leave the industry. I investigated insurance restoration as an alternative and enjoyed the challenge of reaching out a specialized market of insurance agents and adjusters. The profit margin in insurance restoration turned out to be more comfortable, and the work load did not depend on economic trends.

Two decades and 33 branch offices later, I am convinced that builders who enjoy challenges and being of service to people should consider insurance restoration. After all, once you've done

Champaign-Urbana News-Gazette

Heavy fire damage requires a quick response from the restoration contractor. Minimizing water and smoke damage will be a top priority.

the cleanup (which can be subbed out), insurance restoration is mostly remodeling. The other major differences relate to the delivery of service following a disaster and to marketing.

Disaster's Aftermath—Everything Is an Emergency

If you have any misgivings about being on call 24 hours a day, 365 days a year, forget insurance restoration. In this business, emergency calls are the rule, not the exception. Getting to the scene as soon as possible after a disaster is vital, because you often must start work immediately to minimize further damage.

Also vital is the ability to deal well with distraught people. Under the best circumstances, property owners will be distressed. When property loss is coupled with an injury or death, the trauma experienced by those facing the restoration decisions can be overwhelming.

Unfortunately, while dealing with the emotions of the property owners takes time, the job of salvaging the building often can't wait. Broken windows and doors must be boarded up. Standing water must be removed. Smoke odors should be treated as quickly as possible. In time, the owner will be able to appreciate your concern for protecting what is left of the property. (And insurance adjusters certainly will remember your quick response to their calls.) Initially, though, you may have to balance the urgency of salvaging the property with a sensitivity to the emotions of its owners. Make what progress you can without seeming pushy or aggressive.

Attention to owner emotions reaps rewards, however. In one of our jobs, an elderly widow whose house burned was distraught because the engagement ring on her dresser was buried beneath the rubble of her former bedroom. Despite her substantial loss, she could talk only about the missing ring.

One of our workers asked the woman where the dresser had stood. He then took a pan and whisk broom and spent two hours painstakingly sifting through the ashes until he retrieved the ring. Both he and the widow were overjoyed. Recovering that ring brought the trauma of the fire to an end. The woman then could focus on the job of rebuilding her house, and the work was easier for everyone.

Marketing Your Services

Once disaster strikes, it's too late to start promoting your services. In insurance restoration work, you must market your business in advance so insurance adjusters know who to call when property damage occurs. Quality of service is as important as price in getting such referrals. Unless your prices are completely out of line, you will get calls once adjusters and agents know you give immediate and reliable attention to their clients.

Insurance restoration work comes from three primary sources: the insurance agent, the telephone adjuster, and the field adjuster. The agent is the individual who sold the policy to the property owner and who normally handles claims for the insurance company. The telephone adjuster reviews cost and decides on the scope of repairs, but may never visit the property or inspect the work. The majority of insurance restoration work, however, comes from field adjusters (also called outside adjusters), who may be either employees of an insurance company or inde-

Smoke Odors Can Be Removed

This gasoline-powered "thermo fogger" helps neutralize smoke odors. Smaller electrical models are also available.

Many people believe it's impossible to remove all traces of smoke odor from a house damaged by fire, short of tearing the structure apart and replacing all the materials. And it is true that heavy smoke odor cannot be successfully masked: sooner or later the pervasive smells will resurface if not treated properly. It is sometimes necessary to remove surfaces to gain access to smoke-contaminated structural members needing treatment or replacement. But in many circumstances smoke odor can be removed by less disruptive means—by using chemical treatments that counteract the odor-causing molecules at the source.

What's smoke odor? Consider for a moment what smoke odor is. What most people call smoke odor is actually a combination of smells produced by the interaction of chemicals during and after combustion. Many different materials burn during a building fire, including wood, fuels, plastics, fabrics, proteins, and countless others. All these materials produce different smells when they burn and as their charred remains "offgas" afterwards. Also, contributing to the overall odor is the smell of fungi that flourish in areas soaked by water. Yet to the layperson, all the different smells add up to just "smoke odor."

Why is smoke odor so hard to treat? For one thing, it's difficult to reach. Smoke seeps through the minute cracks and crevices and leaves its residue on surfaces and in ductwork throughout a building. Sometimes the smoke also reaches structural elements such as framing members. To be effective, any chemical treatment must behave the same way, fully penetrating the building to find and counteract the odor-causing molecules.

Foggers and ozone generators. The three technologies that can do this are a wet fogger, a thermo fogger, and an ozone generator. Wet foggers and thermo foggers work on similar principles: Both break down odor-eliminating chemicals into microscopic particles, producing a "fog" that drafts through a structure, following the same paths as the smoke. These chemical compounds suppress the offgassing of any odor-causing molecules they come in contact with.

The wet fogger operates by breaking a water-based chemical solution into an ultra-fine mist of particles several microns in size. Thermo foggers, on the other hand, pass the odor-eating chemicals through a heating element to vaporize them, creating a smokelike solvent- or oil-based fog much like the fog pumped out by trucks that spray for mosquitoes. (This fog is so smokelike, in fact, that we usually call the fire department before we use it, since people seeing the fog seeping from windows or vents often call to report a fire.)

When used properly, both foggers take advantage of a structure's natural airflow patterns, allowing the fog to penetrate to places where smoke has left its residue. However, each type of fogger tends to work best in different situations. Wet foggers tend to be more effective where heavy, localized penetration or soaking of charcoal-tainted water has occurred—as might happen, for instance, in a fire that burned in only one room. Since wet foggers leave a residue, they are also useful in situations where a long-residual treatment is desirable, as in a building's hvac ductwork. However, wet foggers don't seem to find their way through barriers and into recesses as well as thermo foggers do.

Thermo foggers, on the other hand, work well where the smell of smoke is less intense but more generalized—such as when a stove or electrical fire has spread smoke throughout a house. Here the thermo fogger's ability to penetrate barriers and find nooks and crannies more than compensates for its less concentrated impact. Its finer particles and lighter residue are other advantages that help make it the most widely used fogging technology.

The leading supplier of the chemicals for these foggers is Unsmoke (mailing address: 1135 Braddock Ave., Braddock, PA 15104). The chemical formulas come in two versions: You can buy a general solution designed to attack all types of odors, or specific solutions targeted at smoke from specific materials, such as fuel oil, wood, or protein. Solutions also can be bought to fight odors from pets, mildew, and other sources. Care must be taken to use the most appropriate treatment.

Ozone generators provide another alternative. They work by producing and distributing highly volatile O_3 molecules, which oxidize active odor-causing molecules in the structure and neutralize them. Extremely effective with most nonsynthetic materials, they are also controversial. Ozone (one of the harmful emissions in car exhaust) is an EPA-controlled substance, with strict guidelines for its use—it should never be used, for instance, in an occupied home. Fortunately, its harmful effects fade rapidly, usually within a day. In addition to its polluting effect, however, ozone is believed by some to have an "aging" or fading effect on certain synthetics, such as those used in upholstery and carpets. For these and other reasons, many people shy away from using ozone generators.

Extra protection with sealing. If a finished surface or structural member is heavily contaminated with smoke, you can gain extra protection against odor by spraying or brushing on a sealer. This will further suppress offgassing and also help keep out moisture, which tends to bring out odors. Special sealers for this purpose are available in a variety of finishes, both clear and pigmented. The pigmented versions also can cover water or smoke stains. Parks Corp. (P.O. Box 5, Somerset, MA 02726) is one leading supplier. Sealer should be applied after cleaning and odor treatment, but before repainting or recovering with wallboard, flooring, or other finish surfaces.

Though not a cure-all, any of these technologies can be effective when used appropriately. Knowing when to use which one—or when other steps are called for—takes considerable knowledge and experience. You also need to know their limitations so you know when removal of wall or ceiling surfaces or even structural elements is necessary. But along with good old-fashioned cleaning, foggers and ozone generators often provide an alternative to dismantling an otherwise sound house. It rarely is necessary anymore to completely dismantle a sound structure to eliminate a smoke odor.

Of course, the satisfaction of the property owner is the ultimate test—restoration professionals should do whatever it takes to restore property so that the owners never will be able to see or smell evidence that the structure suffered from a fire.

—W.L.

pendents who handle claims for several companies.

The working relationship between the property owner, the adjuster, and the contractor can become complicated. The adjuster is the mediator who must see to it that the property owner receives reasonable compensation while the insurance company pays no more than it is liable for under the policy. Although adjusters are paid by the insurance companies, it has been my experience that most of them honestly try to reach an agreement they believe is fair to both parties.

Between the adjuster and the property owner stands the contractor, whose loyalty is split. The contractor serves both the adjuster who asked for the estimate—though the two have no formal relationship—and the property owner, who will sign a formal agreement with the contractor once details of the restoration are settled. The property owner controls the current job; the adjuster controls future referrals.

Remaining neutral is the only way a contractor can deal fairly with both parties. You must give your estimate of the scope of repairs and then stay out of negotiations until the adjuster and property owner come to an agreement.

Estimating Costs and Time

The first step in estimating any insurance restoration job is to take pictures. This gives you a record of structural features and damage. It's also a good idea to have the adjuster on the scene while you estimate the scope of repairs so you can both agree on the extent of the restoration to be done.

Costs. The biggest difference in estimating for restoration work (as opposed to ordinary remodeling) is figuring the cost of the cleanup. Cleanup after fire or water damage can be difficult to assess, not to mention perform; until you gain experience in this area, it might be wise to subcontract such work, including the estimate. You can find companies specializing in such work in the Yellow Pages under "Fire and Flood Damage" or "Water Damage." To avoid hiring your competitors, make sure you use companies specializing in cleanup only. As with any other subcontractor, it is possible to develop long and productive relationships with such subs.

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When using subs for cleanup, however, make sure you clarify at the beginning just how far their cleanup will take you toward the point of being able to begin reconstruction. There is often a gray area between cleaning and rebuilding. For instance, some surfaces or structural components may need to be removed before rebuilding, and the cleanup sub may not include such work in the cleanup estimate. You need to identify these gray areas of interim work at the beginning.

The other estimating peculiarity in restoration work is hidden damage. What happens when damage becomes apparent after you've started work? In my experience, insurance companies almost always are willing to approve a supplement for hidden damage as long as you can explain why something originally thought to be salvageable must be replaced.

Except for cleanup costs and hidden damage, the cost estimating process for insurance restoration work is identical to that for remodeling: You take the rooms apart, operation by operation, and calculate the cost to rebuild them. You can consult standard estimating books for the price of materials and labor. You might also consider investigating in computer software, which can simplify and speed up the estimating process.

Obviously, the bigger the job, the more time a detailed estimate will take. However, if you are familiar with construction operations and standard costs, you should be able to deliver a reliable estimate within 24 to 48 hours.

Time. Estimating how much time a restoration job will take can be tricky. Because insurance restoration is emergency work, you can't order supplies or schedule subcontractors in advance. Disaster restoration is often a game of "hurry and up and wait"—you start a job immediately, only to encounter delays when an unusual piece of material is out of stock or the carpenters you normally use are already committed to another job. Be conservative in giving your completion date. That way your client will be less frustrated when the inevitable delay occurs.

Insurance restoration jobs range from a porch that collapsed under a snow load (top), to a house damaged by a fallen tree (middle), and a home nearly leveled by a catastrophic storm.

Safety First

Use common sense when entering structures damaged by fire or other disasters. You may need to wear a respirator, since many household items leave toxic residues after a fire. Be sure floors are sound enough to carry your weight. Wear protective gloves and clothing during cleanup. Heavy shoes with steel shanks are a must to protect against exposed nails.

During cold weather, restoring heat immediately is a priority. You also will need fans and dehumidifiers if the structure has been exposed to water. And though you'll need electric power quickly, you should never use any damaged existing wiring until a licensed electrician inspects the system. A portable generator or current from a neighbor's house can serve as a temporary power source.

Getting Paid

Because insurance companies vary in their payment policies, restoration contractors must be in strong financial positions and have good relationships with their banks.

Many insurance companies pay policyholders 80% of an estimate as soon as an agreement is reached on the amount of the loss; the remaining 20% is held until final inspection. However, some companies will not make any payments until the job is completed. On large jobs, this can mean the difference between continuing or stopping work unless the contractor can borrow against a line of credit to keep going.

Payment also can be delayed when the law requires that mortgage companies as well as property owners be parties to the insurance payment. If the mortgage company is channeling its part of the payments to you through an escrow account, delays can occur. Doing advance research to find out the parties involved and the mortgage company's payment policies can prevent such frustrations.

Finally, you should establish at the beginning of the job the property owner's deductible or other share of payment and come to an understanding about the owner's obligation.

In general, payment is one of the strong points of insurance restoration work. One major plus is the virtual absence of bad debts—though delays may occur, insurance companies do pay their bills. Knowing this makes the delays easier to take.

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The Market Is Worth the Mess

Insurance restoration requires remodeling skills, a willingness to tangle with cleanup and salvage operations, tactful client management, and the ability to effectively market your services to the insurance world. An aptitude for technical subjects such as engineering and chemistry doesn't hurt, either. But for remodelers who want to level the peaks and valleys in their work flow and who have a genuine interest in serving people, it can be an ideal way to expand a business.

For More Information

The Association of Specialists in Cleaning and restoration (ASCR) regularly offers seminars and courses for people interested in insurance restoration work, including a week-long "Certified Restorer program" given once a year. For more information, contact the ASCR at 10830 Annapolis Junction Road, Annapolis Junction, MD 20701; 301/604/4411. ■

Walter Lumpp is the founder and president of Forest Hill Associates, Inc., and Forest Hill Enterprises, Inc., a business with 33 offices in 12 states. He is a member of the panel of the American Board of Arbitrators, the National Association of Fire Repair, and the Association of Specialists in Cleaning and Restoration.