

RPA

Society of Registered Professional Adjusters



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Summer 2006

President's Message

Rick Sunny

Well summer has finally arrived! Hope this newsletter finds you enjoying the warm weather with your friends and family. Of course summer means Hurricane season has come upon us once again, feels like it never ended. For those of you that look forward to the workload bump the season typically brings, good luck and much prosperity. For those who do not, hopefully we will get a let up from what we have experienced over the past couple of years.

In a change from past newsletters, we are including some informational articles submitted by RPA members and friends of the RPA. Hopefully they will prove to be enjoyable reading and somewhat informational as well.

Lastly, we do need your help in drumming up interest in the RPA Program amongst new applicants. The future of the RPA depends on a steady stream of new membership into the Society and new RPA designees out there in the industry. Please urge your friends who handle claims to apply to one of our various programs.

Enjoy the summer!!

Meet & Greet Sessions 2006

The initial meet and greet session was held at the PLRB in Nashville, with a second session at the NAIIA Conference in Orlando and a third at the PLRB in Hartford . Adjusters in attendance were brought up to date on the current issues facing the Society and the plans of the Board of Directors to increase membership, update and maintenance of the web site, as well as launching of the Society's Associate RPA Program.

Sessions are open to all current RPA designees as well as those who might have let their designation lapse and anyone interested in learning more about and becoming part of the Society of RPA. For additional information please visit www.rpa-adjuster.com.

Future Meet & Greet Sessions 2006

PLRB Central Regional Adjusters Conference, Schaumburg IL. September 6-7 Come meet Len Murphy – RPA Board of Directors

NAIIA Eastern Regional Meeting, Solomon Island Maryland, September 21-22 - Come Meet Mike Csom RPA Chairman of the Board

PLRB Western Regional Adjusters Conference, Santa Clara, CA. November-15 - Come Meet Rick Sunny – RPA President & Board of Directors

PLRB Large Loss Conference, Austin TX. Nov 28-30

Buddy up to the RPA!

Many of you work with colleagues that should be part of the RPA. Now is the time for them to apply! Through the end of September 2006, the RPA will waive your 2007 renewal fee if you encourage 5 qualified colleagues to complete and submit an application for the RPA designation. Applications need to be completed and must be accompanied by the \$150 application fee upon submittal. Applicants should clearly indicate your referral on their application for you to get credit for the reference.

RPA designation applications may be downloaded from the RPA website www.RPA-Adjuster.com

In addition, the RPA will award a prize of:

\$500

to the RPA member who encourages the most qualified applicants to apply for the RPA designation – minimum 10 applicant referrals to be awarded the \$500 prize. If the winning number exceeds 25 applicants, we will increase the prize to:

\$1,000

The winner will be announced in Fall newsletter!

PLRB 2006 Conference and Expo Hits Record Highs

Over 2,500 claims professionals attended PLRB's 2006 annual Claims Conference in Nashville this year. Attendance levels matched the highest in PLRB's history. The three-day curriculum of adjuster classes kicked off with a keynote address by Tom Ridge, First Secretary of Homeland Security and Former Governor of Pennsylvania. The conference offered attendees 109 educational sessions in areas ranging from practical topics such as negotiation skills to substantive topics such as condominium coverage.

The 2006 PLRB Expo, held in conjunction with the conference, was the largest ever. The two-day expo featured over 400 exhibitors including restoration companies, engineers, accountants, temporary housing providers, along with many others.

Pre-conference activities included the CPCU/AIC Conferment Ceremony honoring those adjusters achieving the designation of Associate in Claims, a charitable golf outing, and the industry reception.

PLRB Regional Events Offer CE

PLRB's Regional Adjuster's Conferences in 2006 will be held in Hartford (already held), Schaumburg (a Chicago suburb), and Santa Clara (a suburb of San Jose). Each event features two days of classes for which PLRB is seeking CE approval.

Between 500 and 800 claims professionals are expected to attend these educational meetings.

Registration is free for employees of PLRB/LIRB member insurance companies. Registration for others ranges from \$350 to \$595. The Central Regional will be held September 6-7, 2006 at the Renaissance Schaumburg Hotel and Convention Center, and the Western Regional November 14-15 at the Hyatt Regency Santa Clara. For more information or to register, visit <http://www.plrb-lirbregionals.com/>.

CATASTROPHE LOSSES WILL DOUBLE ABOUT EVERY 10 YEARS, SAYS LEADING CATASTROPHE MODELING EXPERT AT PCS CONFERENCE

BALTIMORE, April 25 — With last year's record catastrophe losses of \$58 billion still fresh in listeners' minds, a leading catastrophe modeling executive warned property/casualty claims professionals they face "a 5 percent chance we'll have losses greater than Hurricane Katrina in 2006."

In her keynote remarks, at the 2006 PCS Catastrophe Conference, Karen Clark, president and CEO of AIR Worldwide Corp., a leading catastrophe modeling company, also predicted catastrophe losses "will double about every 10 years."

While scientists may debate whether warming sea surface temperatures that influence hurricane activity are cyclical or a long-term trend, "the main driver of catastrophe losses is exposure growth."

The head of AIR noted aggregated commercial replacement costs have more than doubled for more than half the United States, while residential replacement costs have increased more than 100 percent in the past 10 years. "Changes in the cost per square foot of residential buildings are up 40 percent nationwide," she said.

Moreover, a catastrophe event resulting in insured losses exceeding \$100 billion "is not hard to imagine," said Clark. She cited the possibility of a major storm making a direct hit on Miami or sweeping through northern New Jersey, New York, Long Island and New England.

Andrew Castaldi, senior vice president, Swiss Re, said catastrophe modeling has helped the industry cope with record-setting catastrophe losses. Through relatively new, catastrophe modeling technology has proven itself an important tool in minimizing the economic impact of major hurricanes, he said.

The three-day PCS conference brought together some 300 catastrophe claims managers, adjusters, reinsurers and other property/casualty industry professionals interested in learning more about a wide range of catastrophe-related challenges. These included a discussion of rebuilding Mississippi in the aftermath of Hurricane Katrina by the state's Deputy Insurance Commissioner Lee Harold and the northeastern United States' unique vulnerability to hurricane destruction.

Conference organizer Gary Kerney, head of ISO's Property Claims Services unit, said having catastrophe experts discuss targeted topics in depth and offer practical solutions helps professionals prepare for future natural disasters.

"By providing insight into a broad range of issues from the use of catastrophe models to detecting fraud in catastrophe claims to examining the roles of government and private industry in catastrophe recovery, the PCS conference delivers valuable know-how to help prepare for the next 'big one,' which we all know is coming."

Protect Yourself Against Bad-Faith Allegations

By Douglas J. Kent

Adjusters and investigators involved in the insurance industry today must fully recognize the significant increase in litigation, including "bad-faith" assertions that the insurer or its agents handled a claim improperly. Those handling insurance claims must protect against allegations of bad-faith by a plaintiff's attorney whenever a claim is denied. Most claims for bad-faith allege that 1) the insurer handled the claim improperly, or 2) analyzed the coverage provided by the insurance policy incorrectly.

Some states require that the insurer or its agents act with malice or ill-will to be liable for bad faith. In other jurisdictions, the insurer can be liable if the claim is simply handled negligently. Failure to manage the claim in good-faith or to properly document that the claim was managed in good-faith can result in significant awards over and above the insurance company's policy limits as well as bad publicity, which can ultimately have a disastrous effect on the insurance company's business. Insurance adjusters and investigators can defeat or limit bad-faith claims by good-faith claims handling.

The potential for bad-faith problems begins with notice of the claim. The initial review of the coverage must be complete and accurate including an analysis of the actual policy at issue. The insured also needs to be advised in writing of the insurance company's coverage position, such as a reservation of rights or a denial. A prompt and thorough investigation must be done within the required time, which is typically 30 days but varies by state and can be as short as 15 days. It can sometimes be longer if a written explanation is provided. This can prevent arguments about unfair claim practices.

There continue to be instances where an insured or his attorney try to set up a bad-faith claim: by creating confusion or disagreements between the adjuster and the investigator by asserting that one of them did not do their job properly; by creating miscommunications or delays, such as sending letters to a different company address, which practically guarantees delays; or by appearing to be fully cooperative, while being indirectly unresponsive or reticent. The insured may also try to impose unreasonable time limits so failure to meet a deadline can be used to their advantage. All of these are red flags and should signal the adjuster to keep tight control with greater follow through and documentation of all activity.

By doing so, you protect yourself and the insurance company from a Court finding that you acted in bad-faith. In one recent case, the Court ultimately found that the insurance company had incorrectly denied coverage and was ordered to pay the original claim. However, the prompt, proper and appropriate investigation by the insurance company was deemed to be in good-faith so they did not have to pay any punitive or extra contractual damages.

Adjusters also face fraud dilemmas and the related bad faith exposure in different situations: Should insurance fraud be asserted against the insured as a basis to deny the claim if you suspect he set his house on fire? Fraud is a serious accusation and difficult to prove (the insured will probably assert bad-faith if the claim is denied on the basis of fraud), but must be investigated and considered nevertheless.

The first step is to review the policy language on the fraud exclusion. A detailed factual investigation by an investigator and a qualified expert must then be conducted. The fire scene must be investigated carefully and thoroughly with photos in this C.S.I./TV era. Any discussions with witnesses must be thoroughly documented, as well as any refusal to give a statement. Tape-record the interview if possible; the person's consent is required in many states. A tape-recording will limit vulnerability to the bad-faith setup to a large extent because disputes regarding the questions and answers in the interview will be limited.

At the end of the investigation, the insured should be given an opportunity to respond, which also should limit bad-faith exposure. The final decision regarding the claim should be made only after a detailed conference between the insurance company's adjuster, legal counsel, the investigator and the expert(s) analyzing the evidence. Document each step along the way to show a methodical, unbiased, and thorough investigation. This will limit the bad-faith argument that parts of the investigation never occurred because they are not documented in the file.

Some points to remember:

- Evaluate any coverage issues that exist as soon as possible.
- Advise all insureds of the insurer's position in writing with the appropriate letter(s).
- Immediately begin a thorough, systematic investigation and evaluate all of the facts.
- Give the insured's interest in the claim equal consideration as to the insurer's interest.
- Document and date all unsuccessful attempts to get information from anyone as well as all refusals or failures to provide information.
- Document the claim file with details for the basis of the evaluation without any personal comments, and comply with all of the insurance company's standard procedures.
- Don't delay; instead, aggressively follow-up on any remaining issues involved in the claim until it is completely resolved and a letter of conclusion is sent to the insured.

- Consider paying claims even in instances where there is no settlement demand and/or when the final claim amount may be in dispute even when you are not required to do so in your jurisdiction.
- Determine early in the claims process if there are any excess carriers and keep them informed of all developments.
- Documentation should be clear and concise, with sufficient explanation so that a jury could understand the investigative steps taken and the basis for the insurer's position.
- Respond to all settlement demands within any time deadlines or advise them in writing why the time deadline is unreasonable.
- Send an excess letter to the insured, the insured's personal counsel, or any other person as required by the jurisdiction if 1) the requested damages in the Complaint are in excess of the policy limits; 2) the settlement demand exceeds the policy limits; or 3) the insurer or defense counsel sets the value of the case above the policy limits and the claim cannot be settled.
- Obtain the advice of experienced counsel.

It's impossible to entirely eliminate bad-faith allegations in today's society, but it is possible to prepare an effective defense against any such allegations through good claims file management. If you are careful to document that you did the right thing at the right time, you should achieve the best possible result.

Douglas J. Kent is a shareholder with the law firm of Marshall, Dennehey, Warner, Coleman & Goggin in Philadelphia, Pennsylvania. He specializes in defending members of the insurance industry in connection with insurance coverage and bad-faith issues. He can be reached at (215) 575-2605.

Boost Claim Productivity by Being the Biggest Loser!

Kevin M. Quinley CPCU

Backlog is the bane of any claims office or operation. It doesn't matter whether you work for a TPA, insurance claim department or a corporate self-insured. Here are six ways to lose unnecessary steps to tame backlog in your claims operation:

1. Assess why adjusters leave their desks or work areas to perform tasks. Identify which tasks they repeat most often. For each one, find a way to complete it without having the adjusters leave their workstations. Doing this may save five minutes per task. This adds up over a day, a week or a month.

2. Bring activities to the adjuster's workstation. If company claim procedures are available in an electronic format, for example, adjusters need no longer get up to find and consult hardbound manuals. Ditto for lists of approved vendors, body shops, IME physicians, appraisers, rehab vendors, surveillance outfits, etc. Electronically scan insurance policy forms and endorsements so adjusters can retrieve them quickly to analyze coverage situations without leaving their chairs. This will boost productivity. This applies also to references such as statutes of limitations in various states, states that do/don't allow recovery for punitive damages, states that do/don't allow insurability of punitive damages, etc.

3. Let adjusters access a high-speed Internet connection to send and receive faxes without getting up from their chairs. Your claims unit will reap significant time savings from this. It eliminates the need for adjusters to get up, march to the fax machine and manually input the data.

4. Move to a paperless environment to let adjusters quickly retrieve claim materials electronically. You can gather background material for an outside counsel assignment in a fraction of the time it would have taken to stand over a photocopier for a half-day (or more) prepping a file to go to defense counsel or a coverage attorney.

5. Electronically scan claim department phone lists and other lists of frequently called numbers. Store them where the claim staff can easily retrieve them. Use speed dial whenever possible. In Microsoft Outlook, adjusters can create contact lists by company or law firm to make email more efficient.

6. Let adjusters have their own "dedicated" printers at their workstations. Ideally, the adjuster should be able to retrieve claim documents from a paperless filing system, print them if needed and forward them to insureds, defense attorneys or doctor offices via email or fax without leaving his or her chair.

Multiply each of the preceding activities by the number of times adjusters perform them daily. Then, multiply that total by five minutes to see how much time you can save. You will likely find that your claims operation can improve efficiency enough to dent – if not eliminate – inefficiencies.

Claims backlog is a never ending nemesis. Increasingly, though, technology provides tools to eliminate or reduce repetition of daily adjusting tasks, improve accuracy and increase claim efficiency. Use these tech tools to be "the biggest loser" of needless steps, streamline your operations and send inefficiency packing once and for all!

Kevin Quinley CPCU, AIC, ARM is an authority on claim productivity. He is the author of ten books, including Time Management for Claim Professional (www.nuco.com). You can reach him at kquinley@cox.net or at his website, www.kevinquinley.com

Yes, you can teach an old adjuster new tricks!!

Elise Farnham

Why is it that the best ideas seem to hatch over a few drinks with friends? I've just had another experience with that phenomenon and it has taken my life on a new course.

As I was preparing to attend the CPCU Annual Meetings and Seminars last October, I knew that my job would be ending soon. I had interviewed with several great companies, but for one reason or another we couldn't work out a job for me. You'll recall that Hurricane Wilma hit on October 24, 2006, smack dab in the middle of the annual meeting. As I was visiting with friends one evening and having a few drinks prior to the night's events, we were brainstorming my next job. Finally, I looked at them and said, "Well, if all else fails, I can just go work hurricane claims for awhile." They sat up, took notice, and pointed at me and said, "That's exactly what you should do...but wait, do you know anything about handling property claims?" I assured them that I did.

My experience with property losses began only 2 weeks after I was hired by Crawford and Company in their Dallas office in 1973. A huge hailstorm hit the Oak Cliff section of Dallas and I was assigned to administrative duties. I will never forget working with those old-time CAT adjusters, working until 11:00pm every night, typing and photocopying reports on an IBM Selectric typewriter, and mailing tons of reports, photos, and diagrams to carriers. It was a manual process from start to finish.

Things didn't change much during my time as an outside field adjuster. Eventually, pricing books were created and distributed, but estimates were written and computed by hand, contents inventories were depreciated by referring to pages of "life expectancy" tables, and photos were Polaroid, since 1 hour processing had not arrived on the scene.

In the late 1980's I moved into management positions and no longer was required to adjust claims. I made decisions about systems, software, and work processes, but never had to actually DO those processes myself. Now here I was, in 2005, contemplating becoming a field adjuster yet again.

Not being one to make decisions while under the influence, I waited a few days, called a friend of mine who is a CAT adjuster and got advice from her about working independently. She offered insight and assistance as to how I might get hired. She sent my name to Hill Country Claims Management in Kerrville, Texas, and I was hired. After an orientation program, and an Xactimate training program, I was assigned 52 claims, all for Citizens Insurance Company in Florida, and I went off to Miami.

I was a bit apprehensive about what I'd find once I arrived there. How was the work done, information moved, and more importantly, could I cope?

Well, I'm proud to say that I managed quite nicely. Some things changed dramatically, while other things were "déjà vu all over again" as Yogi Berra might say. What follows are the highlights and the lowlights of the experience.

The Process: What worked in the old days would not have sufficed in the aftermath of Wilma. With phone lines down, utilities disrupted and mail service suspended; all I could think was, "thank goodness technology has moved forward!" My work was done completely electronically. I received my assignments at the Citizens' website, used Xactimate to create the estimates and tabulate the digital photos, and converted the final report to a .PDF file for transmission back to Citizens. Receipts and documentation from insured's were scanned and added to the final report. Nothing was mailed except original documentation back to the insured's. Some of the insured's were even savvy enough to e-mail photos to me that they had taken immediately following the storm. No hard copies. Overall, the life time of a claim was considerably shorter than before.

Communication: Thank heaven for cell phones! In my prior experience as a field adjuster, I can remember looking for pay phones in convenience stores, gas stations and hotel lobbies. Not any more! On first arriving in Miami, I went to Costco and purchased a contract on a cell phone at their discounted rate which had a local to Miami telephone number. I thought it only fair that the insured's should be able to call me on a local number, and once the storm was over, I could discontinue the number. It was particularly beneficial once I returned home and finished up some of the paperwork from Atlanta. The insured's probably assumed I was still in Miami since they were calling a Miami number and this eased any possible "separation" anxiety. Citizens assigned me a number in their system as well.

I went to Efax.com and got a free fax number which sent faxes to my e-mail. Hill Country gave me a spot on the web site where my team leader could make comments about estimates, coverage, etc. Communication was totally electronic and I was mobile. Examiners, my team leader, and the insured's could all communicate with me at any time...well except when I was climbing a roof.

Scoping the loss: And I climbed a lot of roofs. This is one area that hasn't changed so much in the last 30 years. Citizens required that I use a metal tape measure and create a complete diagram of each elevation and damaged interior room. This was the most time consuming portion of the adjustment process. But up on the roof I knew this was the right

But up on the roof I knew this was the right thing for me to be doing. When I looked out over the sea of blue tarps, I knew I was making a difference in someone's life.

Locating the Insured Property: Insured residences were so much easier to find! No more pages of Atlases and Mapsco's all over the car. I learned to cross reference Mapquest with Microsoft's Streets and Trips, and always, at least one was correct. With Streets and Trips I could run a route based on zip code numbers and the software helped organize each location in a logical order. I could then call insured's, make appointments, and inspect each day's losses within a very small area. This saved time in planning since the computer could sort the locations, and certainly saved time when I was doing the inspections. Driving time was kept to a minimum. Next CAT, I'm trying GPS!

The Policyholders: Due to the number of hurricanes and losses in Florida over the past few years, the policyholders there are quite knowledgeable. For the most part, they knew what I would ask and had the documentation or response ready. However, they were no less traumatized than others after experiencing a loss, and I spent time with people who cried, who were worried and exhausted, who had seen most of what they owned destroyed, and who wondered how they would rebuild their lives. They were even worried about the 2006 hurricane season while still in the throws of the 2005 season. But the best part is that they were so glad to see me!

I never felt threatened or concerned for my safety. There were inspections in rougher parts of town, but from past experience, I knew to inspect those locations earlier in the day when the riff-raff is usually sleeping in from a hard night of rabble rousing. I also made it very clear that I represented the insurance company – rearview mirror tag hangar, logo on my shirt, and the ever present ladder. People were anxious to help me advance the process and have their claim concluded quickly.

Since this was Miami, there were language issues – I do not speak Spanish, but we were always able to find a trusted friend or family member who could



Society of Registered Professional Adjusters
PO Box 3810
Napa, CA 94558
Telephone: (707) 226-5762 Fax: (707) 226-5746
Toll free: (800) 949-5272
E-Mail: SusanKSunny@RPA-Adjuster.com

interpret. Many times I would call the insured who would respond, "I've been waiting for the insurance man to call." It would take several minutes to explain that I was the "insurance man", and that "yes, I will climb on your roof."

Supervision: 30 years ago, I would spend the equivalent of 1 day on the road and 2 days in the office to catch up the paperwork and inform my supervisor as to what was happening on my claims. That has changed! I didn't have an office in Miami, and neither did Hill Country Claims. I was assigned a team leader, met him once and never saw him again. We communicated via e-mail or cell phone. We were both domiciled in Miami, but there was simply no need for in-person visits. I would upload estimates for his review, he would make comments, and then I'd send the file on to Citizens. It was very efficient.

The CAT Experience: The hard work and long hours were the same as 30 years ago! From 7:00 in the morning until 10:00 at night, I worked on inspections and write-ups. I did give myself Sunday mornings off, but was back to work after lunch. After all, the weekends were a great time to catch people at home.

I occasionally felt isolated as I have spent the better part of my career working in an office environment with lots of people around. The isolation would have been worse if I had to stay in a motel or hotel. Fortunately, a great friend of mine let me stay with her, so I was better off than most CAT adjusters who spent the majority of their time either in the car or in the hotel room.

Overall, it was a great experience to get back to where the "hammer meets the nail" and deal directly with individuals who are impacted by our industry and its good and services. If you feel you've gotten in a rut and are ready for a change, this would certainly be IT!

Oh, and the CAT adjuster friend who's advice and counsel helped me get started? Well, she's decided to change her career, and go into teaching!

Chairman's Corner

Mike Csom

Since our last board meeting we have conducted three Meet and Greet sessions with members and others interested in joining the Society and both meetings have been productive and informative. Application for the Associate RPA program are being received and processed. Membership renewals continue to be received and I encourage those who have not yet renewed to do so as quickly as possible. The board continues to take positive steps to insure the Society will remain attractive and viable. We continue to encourage communication with any questions, comments or concerns and these should either be addressed to Executive Director, Susan Sunny, President Rick Sunny or myself at mikecsom@yahoo.com.