**Top 5 Critical Issues When Handling Catastrophic Claims**

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As Ida was approaching the Louisiana coast packing 150 mile per hour winds and unknown amounts of rain, I spoke with a claims manager for a national insurance carrier responsible for tens of thousands of property policies-in-force along Ida’s projected path. His company had just completed an internal audit and field reinspection program of thousands of closed catastrophe losses. We discussed the findings of those audits and reinspection’s and developed a list of the top 5 critical issues surrounding the handling of catastrophe property claims. We have listed them in order of importance and provided some tips and suggestions to insure estimates, reports and claim files will stand-up to the most stringent claims review process.

***Scope Issues***

The most damaging error any estimator or adjuster can make in a catastrophe claim is in the area of scoping the loss. This error includes the scoping of both structure and personal property items damaged by the catastrophic event.

Scoping errors include both under-scoping and over-scoping of a loss. Under-scoping relates to the omission of items in estimates and inventories. Over-scoping is duplication of repair items, or the inclusion of items excluded or limited due to insurance policy coverages.

Under-scoping an estimate affects everyone involved in the claim. The policyholder feels cheated, the estimator or adjuster, if on a fee schedule based on the size of the estimate, earns less money and the insurance carrier may suffer legal ramifications or a devaluation of public goodwill towards their brand.

Similarly, over-scoping is just a detrimental to the estimating and claims process. Most over-scoped estimates are flagged by the claim’s examiners requiring the estimate be returned to the estimator for fixing/rewriting. This wastes valuable time for the estimator, who has by now moved on to other estimates and policyholders. Now he or she has to return to the old estimate and respond all of the claim examiner’s concerns. Over-scoping hurts the policyholder by delaying the payment of their claim. And, if not caught in time, over-scoped estimates cost the insurance carrier unnecessary claims dollars in overpaid claims.

Under and over scoping can be minimized several ways. First and foremost, estimators and adjusters need to take their time when scoping a loss. Remember this is a catastrophic event - the site will probably be chaotic, there might be no power or limited visibility in the building, or the policyholder might want to talk the entire time the scope-of-loss is being completed. In all these scenarios repair items, even entire rooms, can be missed, materials may be misidentified (was the countertop granite or something else?) and some risk may have been vandalized.

Adjusters and estimators who have a methodical way of walking through a loss (front-to-back, east-to-west, etc.) and systematic way of recording a scope-of-loss (floor-to-ceiling, ceiling-to-floor, etc.) reduce the chance of scope-related errors. Estimators take their time and have a systematic approach to their inspections usually have a better chance to record accurate scopes in catastrophe-related situations.

In regard to over-scoping, the vast majority of over-scoping errors are causing by estimators not fully understanding their estimating software – either the software’s operation or its pricing database or both. Different brands of software calculate room dimensions and construction units of measure differently, have different repair line-item descriptions and include/exclude different line-item components in their assembly type repairs such as in painting, drywall or roofing. Estimators and adjusters need to know their software before tackling the simplest of building estimates.

Inaccurate scoping is the number one offender in the property claims industry. Errors in this area can be mitigated by estimators and adjusters taking their time, having a systematic plan of attack and knowing their craft.

***Photo Issues***

If estimators and adjusters are the in-the-trenches infantry of the insurance carriers they represent, claim examiners are their armored support. One of the best ways field personnel can assist the claim examiners and expedite the claims process is to take good photos. In today’s world of digital and phone photography many adjusters and estimators have lost the art of telling a claim’s “Story” through their photographs. Let’s review some suggestion for taking better claim photos.

Photo issues include, but not limited to, not taking quality photos, not taking enough photos, not labeling photos properly, not displaying photos in the proper order. An entire article can be written on taking proper photos but here are some quick general tips.

Just as in scoping a loss, the best professional estimators and adjusters take photos in a systematic way. The system utilized is not as important that is works! Some adjusters prefer to walk a loss solely for the purpose of taking the photos. They will walk throughout the loss taking photos along the same route they plan on scoping the loss. That way, the photos are already in the order in which the estimate will be written. Genius, right? Other adjusters like to photograph a loss while they are scoping (an acceptable method but some estimators may lose focus when scoping). Others use assistants to take loss photos (not recommended – adjusters should take their own photos).

Most phone and cameras now have a review screen. Be sure photos are in focus and depict exactly what you want the viewer of the photo to see. Often times, photos are taken as wide shots of a bedroom or kitchen and don’t show any damages. Pictures may be worth a thousand “words” but if an image is out-of-focus or does not draw the viewer’s attention to its purpose, the image remains silent and those thousand words are “unreadable” for claims purposes.

Take clear photos, label them properly and display them in the right order. If these things are done, claim examiners, as well as anyone else viewing the images, will see the ‘story’ of the estimate and ultimately the claim file.

***Documentation Issues***

Building estimates, contents inventories and claim files are not created in a vacuum. They are paper-based and electronic entities which often rely on other forms of documentation to properly explain why an estimate or inventory was written in a specific way. And, without that documentation, the claim’s examiner is left confused and has no choice but to reach out to the estimate’s creator, slowing down the claim payment process.

Estimators and claims adjusters who fully document their estimates and claims rarely receive calls, emails or texts from their employers or file reviewers. As with photographs, the better the story of the claim can be told through sufficient documentation, the faster the claim gets approved, and the policyholder gets paid.

Documentation may include such items as specialty contractor estimates, engineering and expert reports, repair bills, proof-of-purchase receipts, written statements from those involved-we could add to the list ad infinitum. All of these sources of information may be critical to getting an estimate and claim paid.

It is also a good habit to get into displaying the documentation in a way that makes sense to the reader of the estimate and claim file. If the estimate begins with listing other estimates used to generate it, be sure those estimates are the first thing the reader see when they turn to the documentation portion of the claim report. Don’t make the reader have to hunt for the information by burying it deep in the claim file report.

Proper and complete documentation is vital for the successful completion and payment of the estimate and claim file. Complex claim files which lack proper documentation rarely are paid on a timely basis.

***Personal Property Issues***

If you ask any property damage estimator or adjuster what he or she does for a living, they will most-likely tell you they write estimates for property damage to buildings from homes-to-high-rises. Most won’t readily admit they prepare contents inventories. Although the majority of property professionals pride themselves on “writing and tight sheet”, few like to recount the hours they spend in catalogs or on Google® looking up personal property items and pricing – it’s not a very glamorous task.

Studies have shown some of the greatest leakage (over or underpayments) insurance carriers face can be attributed to the personal property inventory of a claim. Here are some suggestions when handling contents estimates in catastrophe claims.

If possible, walk the loss with the policyholder for the sole purpose of inspecting and discussing their personal property. Record as much information as possible concerning the age and condition of high-cost items, collectibles, one-of-a-kind items and sentimental items. These notes will come in handy when pricing and later discussing them with the insured. Be sure to personally inspect as many contents items as the type of loss and time allows. Never rush this process. It may be just another inventory to the claims professional but, in most cases, it is the catastrophe victim’s entire material life and its been completely uprooted by a catastrophic event.

As with building damages, take good photos. Clear and well-labeled photos are just as critical to the estimation of personal property as they are to the structure. Photos should show damage – a bird’s eye photo of a flood damaged wood dresser is technically useless unless it shows how the floodwater caused the wood to swell or delaminate the veneer finish to the point the item must be replaced or repaired.

Depending upon specific insurance carrier requirements, all prices for higher valued items should be verified by the estimator and any documentation supporting the price should be included with the estimate. If it is a large inventory of hundreds of items, the property professional will display the contents item(s) documentation in the same order the items appear in the inventory list. A comment or note should also be added to the inventory item alerting the reader of the inventory there is additional documentation in the report.

All of the popular software programs used by estimators and adjusters to estimate personal property contain updated item listings and internal depreciation tables. There is also a vast amount of pricing and depreciation information available online. All of these sources combine to give todays estimators and adjusters a complete toolbox in order to generate accurate personal property inventories

***Coverage Issues***

Here is where the world of the restoration estimator and adjuster go their separate ways. Although they share common goals in the writing of professional and accurate building and personal property estimates, it’s the adjuster’s task it is to apply the insurance contract, along with its coverages, exclusions and limitations to the estimates-at-hand.

Many estimators and newbie adjusters write all the damages they see and let the claim examiner sort it all out. If this is what the insurance carrier wants, there is nothing wrong and no issues will arise. However, if the insurance company insists on applying coverages, the adjuster better know them.

Policies differ among companies; the same wording may be interpreted differently by different insurance carriers. Property claims professionals know their policies and estimate accordingly. It is also a good practice to have access to all policy information in the event a policy condition, exclusion or limitation has to be explained (aka shown in black and white) to the policyholder, agent or interested party.

Lack of sufficient coverage knowledge often leads to under and over-scoping of an estimate. Although not the responsibility of the restoration contractor, a basic understanding of the insurance contract will minimize any friction between himself and the company or independent adjuster.

Catastrophes are a fact of life. As estimators and adjusters, it is our goal to quickly and accurately estimate the building and personal property losses from those catastrophes. As you are deployed to the event site, have a plan on exactly how you will demonstrate to your employer and the policyholder-victims you assist your professionalism, experience, strength and knowledge of the claims process. Successful execution of your plan will result in accurately paid claims settled on a timely basis.