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THE CHANGING CLAIMS ENVIRONMENT
A TPA Perspective
By G. Pete Consigli, CR, WLS

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During RIA’s 2014 International Restoration Convention and Industry Expo in Orlando, Florida, a panel of third-party administrators (TPAs) met to discuss how the claims environment is evolving and its effect on the industry. The panel was moderated by former C&R Editor-in-Chief Patti Harman and consisted of Jonathan (Jon) Miko of Alacrity Services, Larry Thomas of Crawford Contractor Connection and Paul Gross of Code Blue. The following is a snapshot of the insights gathered from the discussion.
**THE BIG PICTURE**

**What are the top three challenges facing TPAs today?**

**PG:** Finding and qualifying the best contractors, which is similar to herding cats; ensuring the terms of a policy are adhered to; and qualifying and implementing new and emerging technologies.

**LT:** Keeping up with the demand of network partners and nurturing growth; finding the right partners and still meeting client needs; and balancing client needs to create a win-win for all the stakeholders to a claim.

**JM:** Meeting changing needs for the carrier, policyholder and contractor; providing value to the contractor on the program by being sensitive to balance the carrier needs; and effectively working with ITP technology.

**How is the role of the TPA changing? Where do you see it going in the next five to 10 years?**

**LT:** Contractor Connection embraces outsourcing and sees the role of TPAs expanding in the marketplace into other sectors such as home improvement.

**PG:** For the property restoration sector, the expanding role of the TPA in the future is not a question of if, but rather when. History demonstrates this in the glass replacement and auto repair insurance market sectors—the question is how quickly contractors and vendors can embrace the TPA model!

**JM:** The carriers will shape the property claims space in the future using the auto model. In the future, you will see TPAs expand their services into other markets, such as bank-foreclosure property repair and consumer home services. TPA contractor networks will play a bigger role in the property repair, restoration and renovation markets.

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**What are the biggest misconceptions about TPAs?**

**JM:** One of the biggest misconceptions is that TPAs work against contractors to control pricing and do not stand up for them when appropriate.

**LT:** That TPAs make up unnecessary rules to participate in the program.

**PG:** TPAs are hired by carriers to cut costs.
You rely on your contractors to scope a loss. How do you determine which standards the contractor needs to follow if there are multiple documents comprising the industry standard of care? How much flexibility do you give your contractors to deviate from an industry standard?

**PG:** Code Blue asks network contractors to follow the IICRC S500 standard for water mitigation.

**JM:** Alacrity sets the expectation of the standard of care and communicates in a transparent manner. If that standard requires a deviation, it is expected the contractor will explain and justify why.

**LT:** Contractor Connection asks that when the accepted standard of care requires deviation that the contractor educates us and explains why, then provides supporting documentation.

Do smaller companies in your network have to complete a job before they are paid, or do you have a process in place that allows them to draw funds throughout the process?

**JM:** Alacrity uses an electronic payment system and has a provision for smaller companies to draw progress payments.

**LT:** Contractor Connection asks that a work authorization be uploaded, and then it issues dual-party checks. On larger losses, we will accommodate a draw against the project for companies of all sizes.

**PG:** Code Blue contractors are ranked on competency against other competitors. Since we specialize in water mitigation, no draws are issued. We pay claims electronically on completion in seven days once all appropriate paperwork is submitted.

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**“If you are not measuring, you cannot improve.”**

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How do you rate contractors and track their performance?

**PG:** Code Blue uses an NPS rating system to track contractors and the performance of their employees. Objective measurements are used to determine the best-performing contractors in specific geographic regions.

**LT:** For 20 years, Contractor Connection has used a customer-satisfaction scorecard to measure key performance indicators. These are provided to the contractor to track his or her performance, and then they are shared with the carrier in a transparent process.

**JM:** If you are not measuring, you cannot improve. In 2010, Alacrity started an “improvement over time” program to share data with the carriers to objectively determine the best-performing contractors.

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Does your network use a variety of pricing platforms or do you require your companies to use a specific one? If the latter, does it allow for independent pricing or adjustments as market circumstances dictate?

**LT:** Xactimate is the preferred platform. Each program has various guidelines and a standard of care to be followed.

**JM:** The platform is client-driven. Xactimate is the most common one used.

**PG:** Symbility and Xactimate.
HANDLING LARGE-SCALE DISASTERS

How do your policies change during a catastrophe (CAT) such as Hurricane Sandy or tornadoes impacting a large area?

Panel Comments: We use technology to deliver a better product during peak times with supporting evidence and documentation. We benchmark the contractors’ performance against the use of staff and/or CAT adjusters.

How do you best use your contractors during a CAT situation? Since it costs more to bring in equipment and supplies during a CAT, do your networks allow for premium pricing or some sort of additional fee to cover the increased overhead?

Panel Comments: We relax timelines and standards during CATs and bring in reinforcements. We use proactive communication and increase education for clients during CATs. Pricing during CATs varies, as higher costs can’t be controlled. We establish a database that keeps up with supply and demand and pricing increases during CAT situations.

THE TPA ROLE IN DISPUTE RESOLUTION

How do you resolve any differences between the carrier and the contractor, e.g., the adjuster disagrees with the scope and you know the contractor is correct. How do you rectify that situation?

Panel Consensus: By referring to the ANSI standard to determine the scope.

How do you handle situations involving mortgage companies that take insurance funds and apply them to a mortgage that is in arrears?

JM: Alacrity gets the mortgage company to agree to pay the contractor electronically.

LT: Contractor Connection asks the carriers to support the contractor when possible.

PG: Normally, this is a non-issue with water mitigation claims.

Panel Consensus: When a TPA is involved, the work is validated that it was performed to make the property whole again. The mortgage company should then have no standing to hold contractor funds based on the status of the property owner/insured being in arrears on their mortgage.

How do you handle situations when insurers don’t want to pay for things such as asbestos testing that may be mandated by OSHA or EPA? These become health and safety issues, so how do you protect your contractors?

Panel Comments: These situations are handled on a case-by-case basis. Whether the situation is covered or not under the policy is an issue between the carrier and policyholder. When necessary, TPAs will serve to mediate the situation between the carrier and the contractor. In addition, the TPA may serve to help facilitate a dialogue with the carrier to determine if the contractor has interpreted the law properly and help provide supporting documentation to the carrier.

G. Pete Consigli, CR, WLS, is RIA’s industry advisor. He has more than 35 years of experience in the restoration industry.