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Establishing Value on Contents Claims: 3 Bad Habits to Break

By Scott Petlewski, training director for Enservio | January 30, 2017

Every insurer wants to settle contents claims quickly and accurately, but how well do we succeed in that aim? Truth be told, inaccuracies related to either the age, brand name, material or size of items can lead to an over or underpayment.

If these errors occur frequently, the good news is that they're quite preventable. You might have some bad habits to kick, but all it takes are some solid best practices.

Here are three oversights you may be making, and what to do about them.

Content Claims Oversight #1: Going with Guesstimates

You're on the phone with a policyholder. He tells you about the electronics, musical instruments, and miscellaneous personal property that were recently stolen out of his car. He does his best to estimate the value of each item. In fact, he may even remember what he paid for some items. You take this information into account, but what happens next? Do you shrug, say, "That sounds about right," and cut him a check?

Considering the policyholder's estimate is a good place to start, but guesswork will not lead to the most accurate indemnification. In truth, guesswork routinely leads to cumulative underpayment or overpayment.

That applies to online searches for values as well. The Internet is a powerful source of instant information, and it's a tempting way to establish value, but honing in on the specific price you need from the wealth of data that's out there is easier said than done.

If your process for establishing value consists of spot-checking a few different websites and calling it good, chances are, you're making inaccurate payments. A 30-second Google search is not the best way to determine values.

We all have a sense for what things cost. But no one has telepathic access to minute-by-minute pricing updates on every item in existence. That's why it's essential to maintain a data warehouse that regularly updates the replacement value on millions of property items.

Considering the Herculean task this involves, it may pay to rely on a third-party data provider to manage the pricing on literally millions of consumer items.

Content Claims Oversight #2: Expecting Policyholders to Complete Their Own Inventory

If a policyholder has a reason to submit a long list of contents, you can bet they're going through a difficult time. Expecting them to bear the full burden of remembering and itemizing everything in detail is a mistake, for a few reasons:

- Adding to stress damages the customer experience and increases the risk of customer churn following the claim.
- The overall cycle time of the claim suffers, further damaging the customer experience while inflating carrier expenses.
- Leaving it to the claimant can lead to over-reporting or under-reporting. The accuracy is difficult to assess.

It pays to be proactive. Perform the inventory yourself or consult with contents experts to show policyholders that you're there for them in their time of need (which is, after all, the basic promise that secures the insurance relationship). Doing so will also help you establish a list that's truly accurate and complete.

Content Claims Oversight #3: Accepting Appraisals at Face Value

A policyholder files a claim on a Persian rug, which has been damaged beyond repair due to flooding. Fortunately, the policyholder has an appraisal on file, which describes the rug in detail and establishes its value. Do you take the document at its word, or do you conduct your own review?

For the most part, an appraisal may be based on a just photo, or even a verbal description. It's possible that the appraiser who estimated the value of the rug may never have even seen it. Of course, it's always best to handle the rug in person but when that isn't possible, an experienced appraiser will know how to pose the right questions to establish accurate and defensible values.

There was a case where a claims adjuster, working for a major carrier, decided to probe the appraisal of a damaged work of art, which had been valued at \$25,000. Upon speaking to the artist, the adjuster discovered that the piece was a giclée print, not the original artwork. The correct value turned out to be just \$900.

The difference was only discovered because of an independent examination by a contents expert in fine art. Without that source of expertise, a fair settlement would not have been achievable. The same principal holds true for Persian rugs, as well as any other possession of great worth.

If you're practicing any of the bad habits we've mentioned here, don't panic, because it isn't difficult to kick them to the curb. Simply apply a consistent process. And remember – you don't have to carry the load all on your own. Tried and trusted contents inventory experts and valuation tools can help you to achieve more accurate settlements.



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