

PUBLIC ADJUSTER BEST CLAIMS PRACTICES AND THE CLAIMS FILE

Claims handling “best practices” are routinely mentioned when discussing claims handling by insurance company adjusters. The discussion and analysis of what constitutes a claims handling “best practice” for a public insurance adjuster is not in current literature. This paper is a beginning of that analysis and focuses on claims file content and organization for public insurance adjusters.

Public adjuster claims handling “best practices” are ethically sound processes and procedures that lead to optimum claims settlements for policyholders. The ethical aspect of the process cannot be overemphasized. An optimum result does not equate fraud or settlement that pays more than what is fairly owed. Conversely, an optimum result is not a settlement that fails to pay all that is owed as soon as possible.

Nobody completely explains what property insurance claim handling “best practices” constitute. However, most would agree they include the following:

1. They are in accord with mandated laws and regulations.
2. Timeliness is paramount. Communications must be acknowledged within mandated time frames.
3. Thorough and timely investigating of coverage and evaluation of damages are accomplished.
4. Claims are settled. A "good faith" effort is made to resolve the claim.
5. Honest and transparent communications (not misleading) are demanded.
6. Written procedures are adopted and updated.

“Best Practices” from a public adjuster’s viewpoint should include all activities required to conclude the client's claim in a prompt and full recovery. For example, they must include contacting and contracting with the policyholder, reading the policy in a detailed manner, investigating the causation of damage while considering coverage, assessing damages, and complying with post loss duties. Finally, the claim must be adjusted and settled at the most favorable terms with the policyholder’s approval.

Claims file documentation is paramount to proper claims handling. Documentation can consist of evidence, communications, diaries and working notes. Such documentation can provide evidence to show you have handled the case properly, providing timely communication. When someone reads your claim file, it should show a clear history and development of the claim. Always remember that your claim file may be subject to

subpoena and might be read and examined by the insurance company, a court and jury. The claims file can be an electronic file, paper file, or a combination.

The speed and cost of proper adjustment can be impacted by automation. The level of automation can determine whether repetitive tasks can be made in a systematic manner that is less costly in terms of labor and ensures timely processing of the claim. The key is to avoid duplication of work, while ensuring tasks are completed in a timely manner. A well organized claims file and systematic claims handling approach make this possible.

Claims setup, claims processing, and closing must all be considered. Best practices require coverage issues to be identified shortly after retention to help ensure that fact investigation can be made before evidence is lost or destroyed. A close and detailed reading of the policy immediately following retention must occur so that the coverage issues can be identified and properly investigated.

Best practices also require a clear methodology to evaluate property damage. The methodology should include obtaining evidence demonstrating the extent of damages. This evidence may be derived from pictures, diagrams, estimates, contracts, expert reports, and assessments of the insurer's evidence. The scope and cost of damage is the public adjuster's stock in trade and must reflect a high level of competence if full recovery is to be made.

The minimum requirements of a well documented public adjuster claims file will include:

1. Contact Information
2. Retention Contract
3. Insurance Policy
4. Summary of Coverage and Limits
5. Time Deadlines—Proof, Replacement Cost, Statute of Limitations
6. Diary
7. Communications
8. Causation Proof
9. Damage Proof
10. Checklist of Post Loss Requirements
11. Claim Costs—listed and copies of invoices.
12. Insurance Company Causation and Damage Proofs
13. Claims Payments—listed and copied.
14. Closing Statements or Public Adjuster Invoices for Services

Public adjusters should understand that a typical best practice of an insurance company adjuster will reflect the following:

The adjuster should evaluate the nature and extent of the property loss. The adjuster should obtain from the insured any documentation the insured has of the property value to further document the claim. Damage

to property should be documented in the file with receipts, replacement cost, or other proof of value. The file should contain an evaluation outlining the exposure for all damages that are part of the settlement. The Settlement Evaluation should reflect a reduction of settlement value for any offsets due to depreciation, valuation limits, co-insurance clauses or policy exclusions.¹

As a result, the public adjuster's claims file should reflect processes that satisfy the insurance company demands for "any documentation" reflecting the scope and extent of damage. Timeliness can only be accomplished by a systematic process. It requires a sufficient amount of time carefully analyzing a loss, combing the property for subtle damage that can be documented and understanding the policy in detail.

¹ *Risk Management Notes #216*. Practical Risk Management, June 2006, available at http://www.irmi.com/online/pracrisk/ch0notes/prmn0216.aspx#jd_claims_best_practices