

# ADJUSTER INSIGHTS

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## SURVIVING THE STORMS

By David B. Kurland, Vice President of Business Development, Property Loss Consulting, Inc.

The 2004 Atlantic hurricane season was one for the record books and certainly one to tell your grandchildren about -- fifteen named storms! Nine of those storms affected the U.S., including six hurricanes, three of which were classified as major on the Saffir-Simpson Scale of hurricane intensity. Four of the six hurricanes affected Florida, making it the only state since 1886 to sustain the impact of four hurricanes in one season (Texas also had four hurricanes in 1886). Hurricane Charley in August was the strongest

hurricane (Category 4 at landfall) to strike the U.S. since Andrew in 1992 and caused an estimated \$14 billion in damage. Hurricanes Frances, Ivan and Jeanne quickly followed Charley in September.

Hurricane Gaston also impacted the U.S. in August making landfall in South Carolina. **In total, the hurricane season cost the U.S. an estimated \$42 billion, the most costly season on record.** That record has been calculated back to 1900.

NOAA's seasonal hurricane outlook issued in May called for 12 to 15 named storms, six to eight

hurricanes and two to four major hurricanes. The season actually produced 15 named storms, of which nine became hurricanes, and six became "major" (Category 3 or higher on the Saffir-Simpson Hurricane Scale). In the month of August alone, eight systems reached tropical storm strength, breaking the previous record of seven in 1933 and 1995.

How did this year's dramatic hurricane season impact the property-casualty insurance industry in terms of underwriting profit? According to Robert P. Hartwig, Ph.D., CPCU, Senior Vice

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## VAMA = (↓ALAE) + (↓APC)

By Jerry Provencher, President and Executive General Adjuster of Property Loss Consulting, Inc.

Means what? Being a third generation loss man with 27 years in the business, I had come to believe the old adage that there is nothing new under the sun. As it turns out,

innovations in technology, coupled with old-time street adjusting skills, have resulted in exciting new opportunities to reduce costs and enhance adjusting results.

VAMA, acronym for Very Aggressive Mitigation Adjustment, is a

web-based process for getting skilled adjusters immediate access to damaged homes, facilitating immediate drying, cleaning and mitigation of damage. Streaming video, digital photographs, diagrams, all necessary authorizations,

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## ADJUSTER'S TOOLBOX

Drying operations can be an expensive waste of time and money if not effectively deployed. While not intended to take the place of formal structural drying training, the following pointers can be helpful:

- Don't waste time and money trying to dry building materials that are already lost. After materials are wet for more than a week, carefully evaluate whether selective demolition should be done before drying.
- Materials such as carpet and sheetrock may well not be salvageable and keeping them in the building causes more damage by reducing the effectiveness of drying.
- The contractor should be taking regular psychometric readings including relative humidity, moisture content of materials and grains (A measurement of moisture content in the air). If the contractor does not measure and record such readings, get one who can. The readings should demonstrate daily progress in drying.

Running too little equipment can be as costly as running too much equipment. Insufficient drying extends drying time and results in excessive demolition. The contractor should be able to document and support his equipment needs.

## VAMA = (↓ALAE) + (↓APC) (CONTINUED)

interactive development of an initial scope of mitigation and repair, and a well disciplined approach to loss measurement and documentation bring the insured, a pre-screened mitigation contractor, and the adjuster together without the normal delays of conflicting

schedules and windshield time.

While not appropriate for every loss, a significant percentage of common homeowner claims can be expedited with vastly improved customer service, reduced loss adjustment

expense and significantly reduced average paid claim. The Virtual Adjusting side of this technology does have universal applicability, though. Every experienced field adjuster recognizes the value of a well-placed phone call,

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## SURVIVING THE STORMS (CONTINUED)

President and Chief Economist at Insurance Information Institute, “Despite one of the worst quarters ever for disasters, the property-casualty insurance industry in 2004 appears poised to realize its first underwriting profit in more than a quarter century. This news may be somewhat surprising, given the \$21.6 billion in insured catastrophe losses the industry suffered at the hands of Hurricanes Charley, Frances, Ivan and Jeanne during the third quarter. However, some of the losses will ultimately be borne by foreign reinsurers (and hence, recorded in the financial statistics of the country in which that reinsurer is domiciled). Also, recoveries from the Florida Hurricane Catastrophe Fund, into which insurers have been paying reinsurance premiums since 1993, further reduce losses on a “net” basis. Finally, the experience of Florida’s state-run high-risk insurer, Citizens Property Insurance Corporation, is not included in the results.

Consequently, ISO/PCI estimate that net losses to the industry after these adjustments are between \$10.3 billion and \$12.3 billion. None of these considerations diminish the aggregate financial impact of the hurricanes on the industry or lessen insurers’ obligations to policyholders—insurers will still pay \$21.6 billion to roughly 2.2 million claimants. The difference is due purely to the way losses are treated from an accounting perspective along with non-reporting issues associated with Citizens (and other residual market mechanisms).

With these considerations in mind, the combined ratio for the third quarter was 104.7, significantly lower than it would have been otherwise. Given that the combined ratio through the first six months of 2004 was a stellar 94.4, the result through the first nine months was just 97.9, virtually guaranteeing

an underwriting profit for calendar year 2004—the first since 1978—when the industry recorded a combined ratio of 97.5.”

Forecasters at the National Hurricane Center state the historical review of Atlantic hurricanes suggests that a pattern exists with high storm frequencies, followed by periods of reduced storm development. The forecasters are predicting a period of elevated activity over the next 15 years, when annual storm counts will rise above the long-term average.

**With this in mind, let’s not think of the next six months as the time to recover from this years hurricanes but the time to prepare for the upcoming hurricane season.**



Hurricane Charley – Landfall --  
Punta Gorda, Florida – August 2004

## ADJUSTER PROFILE : CHUCK STREET

Chuck Street, our Claims Analytics Manager, resides out of Property Loss Consulting's Southwest Regional office in Dallas, TX. Chuck joined our firm in October of 2004 after spending the past five years working with both local and national carriers in an effort to understand and address severity issues that impact their business.

Chuck will be working closely with our

clients to help them understand the core drivers of severity within the claims handling function. From the true understanding of the drivers we will be able to implement business strategies based on claim handling "best practices". These practices will be available to our clients through technology and knowledge based solutions.

In all future newsletters, Chuck will be providing our readers more

insight to our claims analytics services.

For more information on Chuck Street, or any of our other skilled adjusters please contact us at 800-918-3498.



## HANDLING FIRE DAMAGE TO ART AND ANTIQUES

By Georgia A. Taylor, Fine Art Claim Specialist, SCLA, AIC, RPA, CPIW

The need to act quickly in the event of fire, smoke or heat damage to pieces of art is essential to maintaining control over the recovery of the art. The size of the art and antique loss should be evaluated immediately, and then if the abilities of a Fine Art Claim Specialist/General Adjuster are required he or she should be brought onto the art loss immediately. The art claim specialist identifies: what items should be removed to a restoration facility; the proper handling of the items that can be cleaned and/or repaired; and will evaluate the need for appraisal of specialty items. The art claim specialist will realize what is just old versus an antique, and has the ability to quickly locate an art salvage buyer, if

necessary.

Knowledge of art and antiques in the process of restoration is essential in working with the art owner throughout the claim process.

Although, many times after a fire, many items appear to be a total loss, they may be restored. It is crucial that the identified pieces be removed quickly, cleaned or repaired if necessary to remove the residue of smoke. Often, if metal sculptures, paintings or antiques, such as bronze, copper, silver or other medias become pitted because of the fire residue covering them, the longer these items sit in the fire debris, the more probability of further damage.

Establishing the initial value of the artwork may be a determining factor on going ahead with restoration. In addition, the

adjuster must keep in mind the possibility of diminishing value because of the restoration repair. The Fine Art Specialist needs to work with both the carrier and Insured to establish what the diminished value may be and if the piece is worth restoration costs. The right type of adjuster trained in art and property handling may mean the difference between a total disaster and a well-handled claim file with all parties pleased with the results.

## ADJUSTER INSIGHTS

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REDEFINING SUPERIOR  
CLAIM MANAGEMENT

## VAMA = (↓ALAE) + (↓APC) (CONTINUED)

a timely faxed document, and the speed of digital photos through e-mail. The IMACC™ claim-Cam™ technology, is yet another powerful tool for the savvy field adjuster. Not every transaction of a field-adjusted loss is conducted face-to-face. We simply must use the available communication tools to deliver the kinds of efficiencies insurers are demanding. If we can only deliver value in face-to-face meetings and inspections or re-inspections, we price ourselves out of the market. Effective use of this new technology as a loss management tool, combined with truly aggressive immediate mitigation can deliver huge savings to insurers in both indemnity as well as loss adjustment expense.

The reduction in claim costs was dramatically demonstrated in a recent “test burn” I attended at the Dri-Eaz facility in Nashville, TN. The IMACC™ network, Belfor USA

and Dri-Eaz combined forces to demonstrate the effectiveness of immediate mitigation. A three bedroom model home was used to set a kitchen fire using plastics, various types of wood, paper, food products, and cooking grease. The fire was allowed to burn in the kettle grill (Keeping in mind we didn't want to burn the building down!) for over 20 minutes. Extinguished once the hardwood floor and near-by kitchen cabinet were scorched, the home nevertheless suffered damage from heavy black smoke, steam, water, and excessive humidity. The walls were dark with soot, the furnishings and appliances were covered with wet, acidic smoke and combustion residues.

**The Full article can be viewed  
at our website:**

[www.propertylossconsulting.com](http://www.propertylossconsulting.com)

## CHILI CHAMP!

Property Loss Consulting's own Roger Foltz was crowned “Champion” at the 38<sup>th</sup> Annual Terlingua International Chili Championship . Each year on the first Saturday in November there are two chili cookoffs, both billed as Worlds Championship, held in the South Texas desert town of Terlingua. These cook- offs are by invitation only, contestants having to qualify during the previous year by placing in the top ten in other chili cookoffs held across the country earning points to qualify. This year Roger qualified for the 38<sup>th</sup> Original Tolberts and the 38<sup>th</sup> Annual CASI event. This was his fifth year to qualify and cook at the Tolbert event and the second year to qualify but first year to cook at the CASI cookoff. After a long day of cooking at both events, when the tasting was complete Roger was second out of 96 cooks at the Tolbert Championship and first out of 336 cooks at the CASI Championship.