

# Your Changing Marketplace

by Les Cunningham

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In the current economic environment it definitely pays to be doing the right things in your business. That said, what are the right things to be doing?

Hopefully you fall into the category of business owners who learn from their mistakes. There are those, however, who continue to make the same mistakes they have been making all along. Instead of having 20/20 hindsight, it's more like 20/200!

Let's talk about some things that have happened in the industry and how you are responding to them.

## **The Old Days**

They have been gone for a long time; you may have just chosen not to acknowledge it happened. The reality is, a lot of companies are choosing not to admit that the old days are gone. It's easy to pretend that things will get better in the future by just wishing they will. You can continue to wish all day long, but the reality is that wishing, while it may give you a nice warm feeling, won't change squat.

We talk about personal relationships being the key to your past, present and future business. Have you noticed that insurance companies are effectively eliminating you from a lot of your past relationships? Have you considered that they know that you can be more effective in the business arena than some of their representatives? They have realized that contractors are a formidable force in the business arena, and they need to have a better business presence and position when they deal with you.

## **Chasing a Loss**

A lot of the insurance industry sours at the idea of a contractor being at the scene of a loss in progress. The reality is, a policyholder in the process of

experiencing a loss needs help right then. They do not know where or from whom they can get that help. They do not know what they can and cannot do in their current situation. They are very receptive to someone who is there in their time of need.

Are there people who prey on these types of situations? Absolutely. However, most contractors ethically handle themselves and the situation in the best interests of both the policy holder and the insurance company.

## Public Adjusters



This person usually generates very strong response from both the insurance industry and the contractor. Usually, the policyholder is unhappy with the way they are being treated, responding emotionally to the way the insurance company is handling their loss. Frustrated and, perhaps, mistrustful of their carrier, the policyholder turns to a public adjuster in place of a company adjuster.

A public adjuster represents and is paid by the policyholder in appraising and negotiating an insurance claim. Except for attorneys, public adjusters licensed by state departments of insurance are the only type of claims adjuster that can legally represent the rights of an insured during the claim process.

## Third-Party Programs

If you don't already feel a bit bushwhacked by what appears to be going on in the industry, along comes another process to put a buffer between the contractor and the insurance company representatives.

There are all different shapes and sizes of third-party programs. Remember that these programs are there to make a profit. The insurance company doesn't want to spend any additional money to settle a claim. This is one effort on the insurance company's part to cut their costs in settling claims.

This seems to be at least a two-part process; one is to have a fixed adjustment cost for each claim, and two is to be able to decrease the existing adjuster-employee base by decreasing overhead costs.

The mindset seems to come from the automotive industry, i.e. being able to look at a vehicle manual, determine the make and model of the damaged asset and determine exactly what it will cost to fix the current loss. The reality is that there are a lot more “models” of homes than there are models of vehicles.

## The Economy

I know, I know, it's been pounded at you again and again; well, here's one more little tap. Our current economic state is disturbing, to say the least. We haven't had a downturn of any consequence in the insurance business since 1992. That means anyone who has been in the business less than 18 years has only seen ever-increasing business.



The industry has historically seen the ratio of policyholders cashing out vs. having the work done by a contractor to be about 1:1; that is, for every policyholder who hires a contractor to do the work, another cashes out and keeps the money.

Of late, it appears that three factors are working to move the ratio toward not filing a claim or increased cashing out:

1. When a policyholder calls with potential claim, the insurance agent is strongly suggesting that the policyholder think long and hard about turning in a claim. The insurance agent explains that insurance companies are canceling policies of their members who make a claim on their policy. As a result, a lot of people have not been making a claim.
2. The adjuster and the contractor negotiate hard and fairly for the policyholder and the best possible settlement for the policyholder is reached. The policyholder then takes the cash in place of having a contractor (you) do the job for the amount that the insurance company has negotiated with you to pay the policyholder for the loss.
3. The adjuster negotiates the claim with the policyholder only. The policyholder does not know the policy rules as well as the adjuster does and, as a result, a settlement is reached that is sometimes not as fair to the policyholder as it should be.

You may wonder how an adjuster could be unfair to a policyholder. One way is to not properly depreciate the loss and to not pay the 10-and-10 to the

policyholder. The policyholder, not knowing what they are entitled to, takes the cash and tries to find someone to do work for less than what they were paid, or just keeps the cash and doesn't fix anything.

I hope that gives you a good platform from which to move ahead. Wishing you good business and good profit!

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**Les Cunningham**

Les Cunningham, *CGC,CR,CCR,CGRa*, is president and CEO of Business Networks, Inc. He is a restoration industry expert and can be reached at 1-800-525-1009, ext. 14 or e-mail him at [Les@BusinessNetworks.com](mailto:Les@BusinessNetworks.com).