

3RSystems, LLC

3RS *Profit MAX*

The Playbook[®]

***A TO Z PROPERTY DAMAGE INSURANCE CLAIM PROCESS
TRAINING FOR RESTORATION CONSTRUCTION CONTRACTORS***

How to help your customers get their insurance companies to pay for all of the damage and help you to **MAXimize your profits and income.**

3RSystems, LLC

Review Reposition Recapture

Minneapolis, Minnesota USA

3RS Profit MAX

The Playbook.®

3Rstimax.®

ICCOA™

Independent Construction Contractors of America

“How to beat the P&C insurance companies at their own game”

Written, edited and published by

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Table of Contents

3RS Profit MAX

<i>Introduction</i>	Page 1
<i>Forewarned is Forearmed</i>	Page 4
<i>Wisdom</i>	Page 7
<i>The Perfect Hail Storm</i>	Page 10
<i>The Problems</i>	Page 13
<i>(defeating) The “No Negotiating / PA’s Only” Push</i>	Page 15
<i>Insurance Company Bad Faith Practices</i>	Page 25
<i>Industry Friendly Insurance Commissioners</i>	Page 31
<i>Industry Friendly Attorneys General</i>	Page 33
<i>Corrupt and/or Incompetent Mortgage Servicing Companies</i>	Page 34
<i>Busy-body “Do-Gooder” Bureaucrats</i>	Page 36
<i>Prejudicial Engineering Firms + Engineer Protocols</i>	Page 38
<i>Insurance Adjusters and Claims Managers + Adjuster Protocols</i>	Page 43
<i>The Effect of Estimating Software on Pricing</i>	Page 49
<i>Lack of Training</i>	Page 51
<i>Overhead and Profit Issues – How to defeat the denials</i>	Page 54
<i>The Doctrine of Privity and Conscious Avoidance</i>	Page 60
<i>The Process - Review Reposition Recapture</i>	Page 62
<i>CYA - Covering Your Ass-ets</i>	Page 97
<i>Insurance & Loss Draft Company Executive Contact Information</i>	Page 114 to 121
<i>Disclaimer</i>	Page 122

△ **Introduction** △

In 2007, I became so entirely fed up with P&C insurance companies never ending delay, deny, defend nonsense and too many state insurance commissioners reluctance to do anything about it, I committed to writing a restoration contractor claims process training manual that would advance restoration contractors who studied the training and put it into practice to a top level in the industry. With that in mind, I closed off my financial services practice and began putting the program together. the 3RS *Profit MAX* / The Playbook© Property Damage Restoration Contractor insurance claims repair process training program. Several years later, the program was completed, self published and made available across the USA and beyond.

By combining my then over thirty five years of hands on retail and storm damage contracting and consulting experience, twenty years of concurrent in depth insurance/investment financial advisory experience, and decades of winning *Pro Se* legal experience with a take no prisoners approach to dealing with the people mentioned above – and others, I gained a reputation as someone who knows what they are doing as well as someone who knows how to get the job done.

For example, a few years ago while in Columbus, Ohio, then state insurance commissioner Ann Womer Benjamin hid from several local TV news reporters and me because she knew that what I had said about a number of P&C insurance companies bad faith practices was true. The last thing she wanted to do was appear on TV to explain to the voting, tax paying public and numerous quite unhappy insured property owners why she was doing nothing about it.

Around the same time, Columbus Dispatch reporter Phil Porter told me that if I could prove that everything I had said about those insurance companies bad faith practices was true, he would publish the story. I did prove it and he did publish the article on the front page of the business section. That article, combined with my insistence on going over the heads of insurance company claims departments and aggressively confronting the CEO's of those companies and Commissioner Benjamin regarding those under and unpaid claims resulted in my getting all of the insured's claims paid in full – at *MAXimum* pricing relative to the premiums paid by the insureds.

In 2008, with the passing of the Independent Contractors Exemption Certificate (ICEC) law in Minnesota that was co-authored by two state legislators who also happen to be carpenters union officials, I became more motivated than ever to step up the process and complete the 3RS *Profit MAX* contractor training system. Not only to help independent contractors across the country to rightfully and properly increase their profit margins, but also to help them to protect their business interests by preparing them for the onslaught of additional business stifling legislation and P&C insurance company interference that was soon to come.

In the late spring of 2009, I provided then probable 2012 presidential candidate and Minnesota Governor Tim Pawlenty with evidence that made it clear that the state legislature had pulled a fast one on him by sneaking ICEC into an Omnibus (AKA 'garbage') bill that he eventually signed. I also pointed out the fact that his 2003 appointee to head the Minnesota Department of Commerce (Insurance Commissioner) had not only failed to protect Minnesota insurance consumers but that he had also, despite his in depth experience as past president of Ginnie Mae and board member of the Mortgage Bankers Association of America, failed to stave off the eventual collapse of the housing market. Why? He had his own interests to protect – just as I have mine.

Mine, are indeed, the same as yours. Many years ago, I started my remodel and insurance restoration contracting business with a sign, \$100 bill, and a lot of determination and hard work. I took the risks and I turned my vision into a reality. You've turned your vision into a viable business reality as well and my mission is to help you to keep that business as viable and as profitable as possible. As a 3RSystems, LLC trained restoration contractor, besides the invaluable claims process knowledge you'll learn from this program, you will also have access to our occasional members only updates and "Sausage Makers Exposed" articles which will be sent to you from time to time that will help you to do just that.

Life as an independent construction contractor can be tough enough without having to deal with the seemingly endless regulatory interference from busy-body "do-gooder" bureaucrats HAVE NEVER RUN A BUSINESS OF THEIR OWN BUT who think they know better. For contractors who include storm damage insurance restoration on their menu of services offered, and there are many thousands of you across the country, dealing with those bureaucrats as well as P&C insurance companies and mortgage loss draft servicing companies adds another dimension to the business mix that, if not properly understood, can lead to less than ideal if not disastrous results.

Independence equals freedom, life and liberty. However, that independence that we so treasure is all too often used against us by people like those mentioned above. Knowing that independent construction contractors are usually too busy to scrutinize the activities of self serving legislators, P&C insurance companies, mortgage loss draft servicing companies (and some insurance commissioners), they see themselves as unrestricted from placing numerous hurdles in front of you. Those hurdles often serve no other purpose then to advance the status and careers of those placing them in your way.

That being the case, one of the key and most valuable elements of the 3RS *Profit MAX*® system is indeed your access to those occasional member's only restoration industry specific updates that provide answers to business related questions and solutions to business related problems and exposes those who would attempt to hinder your progress. While you still remain independent, your voice can now be heard along with many thousands of other like minded independent construction contractors from across the country – strength in numbers. We fight the good fight on your behalf against those who would attempt to hinder your progress so you can focus on making your business grow and prosper with the least amount of outside interference.



Cutting the "GIANTS" down to size...



△ *Forewarned is Forearmed* △

As P&C insurance companies and some industry friendly politicians are continually considering ways to prevent and prohibit contractors without substantive insurance industry experience from acting as advocates for property owners with storm or other insurance covered damage or negotiating their claims (AKA UPPA), 3RSystems, LLC is dedicated to warning of and continuing the fight against any such attempts to prevent independent construction contractors from doing so.

That being said however, there is room for improvement and those who have “seen the future” and have prepared for it by investing in and learning the 3RS *Profit MAX*© system will be the ones who lead the way and achieve the best results while greatly increasing their profit and income potential. As a 3RSystems, LLC trained property damage restoration contractor, you'll have added expertise and credibility because you were actually trained by a real insurance claims expert with years of insurance industry experience and you'll be able to prove it to your potential customers through your presentations to them.

With your added expertise and credibility, you'll be able to dramatically increase your profit and income potential while decreasing your stress, your workload and your risk. More to the point, the 3RS *Profit MAX*© system will teach you how to beat the P&C insurance companies, their adjusters and their in house claims managers at their own game.

Using the example of the property in the photo at the top right of the page where an additional \$17,000 profit was achieved using the 3RS *Profit MAX*© system, you can easily recognize why the additional profit potential is indeed tremendous. The example shown of that additional profit potential is from just one job. Multiply that out many times per year and then over a number of years and you'll quickly see the true enormous additional profit potential by learning the 3RS *Profit MAX*© system.

The property owner who knew he had some degree of storm damage had received estimates from two different roofing and siding general contractors, each with over twenty years of contracting experience and each who claimed to be a storm damage “insurance claims specialist.” The contractors estimates were for \$600 and \$500 respectively.

The property owner called me several days after receiving those estimates and said he had heard about my reputation for success in getting property owners paid top dollar from their insurance companies and wanted my assessment of the damage and cost. \$42,500 later his restoration was completed at a 40+% profit. Had either of those two GC's who claimed to be “insurance claims specialists” but were not, become 3RSystems, LLC trained, they would have never missed out on that job, or the profits.

What was interesting to me about the claim is that the property owner who filed the claim was also an executive with the investment side of the financial services firm that sold him his P&C insurance policy. A reasonable person would rightly assume that as an executive with the company he would have been afforded some degree of additional attention on his claim but that was not the case.



The property, which sits on a golf course, had been hit numerous times by errant golf balls and had the dents to prove it. The insurance adjuster who inspected the property attributed 99% of the damage to golf balls and the two inexperienced contractors who had given their estimates of \$600 and \$500 for what they had wrongly concluded was only slight wind damage agreed with the adjusters assessment. When I met with the adjuster it was apparent that he thought I would also be fooled and he told me the same thing. I then proceeded to point out the actual hail damage that, while not all the size of golf balls, was large enough to cause severe and substantial damage to the roofing, the siding, the trim and other collateral items.

The property owner who had nearly fallen over when I gave him my initial ballpark estimate within two minutes of meeting him (\$30 to \$35K) was quite pleased with the final numbers. Although it took an aggressive and sustained effort, I was successful in getting the insurance company to pay the total amount of the claim - \$42,500, from which I earned a substantial \$17,000 profit!

Was it a lack of vision that caused those two contractors to miss out? Both had each managed to stay in business for some twenty plus years so there was obviously no lack of vision or effort on their parts. No, it wasn't a lack of vision that caused them to miss out, it was indeed, something else. On the next page, it will become crystal clear to you what that missing ingredient was and is.

it wasn't a lack of

V I S I O N

(mentally add a second **V** to the first letter, a backwards **C** to the second **I** and a left slash to the right side of the **N** then see the next page for the answer)



What they were really lacking was...

W I S D O M



△ Wisdom △

Noun: utilizing knowledge with experience, common sense and insight

Someone once said, and I've repeated this quote a number of times to several Judges, insurance commissioners and insurance company CEO's as well others in positions of "authority" who needed to hear it, "The truth never changes but it does change that which is not." So what is truth?

Without getting too philosophical, truth is essentially that which conforms to reality and actuality and is comprehended through common sense and insight. By utilizing knowledge with experience that we learn from other successful people and our own life experiences over time we acquire wisdom that naturally conforms to reality and actuality. The result; the truth/wisdom principle. Operating under this truth/wisdom principle paves the way to our eventual success in all areas of life. The more we apply and adhere to the principle, the better our personal and business lives become.

Millions of people worldwide have little or no comprehension of the truth/wisdom principle and they are the ones who are taken advantage of the most in life. However, there are millions more from across the country and beyond who do comprehend the principle but consciously choose to either deviate from it or disregard it entirely. As it applies to property owners with storm damage, governmental agencies (including some insurance commissioners) and P&C insurance companies (i.e., their CEO's, lawyers, claims managers and staff and independent adjusters, and engineers) understand this and take full advantage of that fact.

Possessing little or none of the knowledge and experience of the insurance commissioners or the P&C insurance companies and their CEO's, lawyers, claims managers and staff adjusters regarding the claims adjusting process, property owners with storm damage fall prey to the insurance companies own deliberate deviations from and/or deliberate disregard for the principle.

Lacking the knowledge and experience of the P&C insurance companies who are usually more interested in shareholder returns (stock companies, mutual insurance companies often use profits that should be returned to policy holders for their mutual benefit - to instead start banks...), property owners with storm or other insurance covered damage often unknowingly accept much less than what is owed to them. They all too often place unwarranted trust in their insurance companies, their claims departments and their adjusters to deal fairly and honestly with them. Your job is to know how to overcome this problem for your customers and expose the truth - your success depends upon it.

The other side of the coin from the insurance companies perspective is that they also know that far too many independent construction contractors who offer storm damage repair services are simply inexperienced in general and/or unfamiliar with the truth/wisdom principle. Or, if they are familiar with the principle, are just as willing as the P&C insurance companies to deviate from or disregard the principle



in order to get property owners with storm damage to “show them the money” sooner rather than later. That was the case with the two contractors who both missed the damage and therefore missed out on the \$17,000 profit on the job mentioned earlier. There are countless other examples of this happening across the country every year.

Education versus wisdom gained through the *utilization of the knowledge and experience of others...*

Much is made of the “value” of getting a college education if you want to truly succeed in life (the implication being that without a college education, you’re likely destined for failure – tell that to Steve Jobs, Bill Gates, etc.). I won’t disagree that a good education has its merits. However, reality has a way of disproving or at least weakening the argument for trading thousands of dollars and four or more years of a persons life for a document that proves the graduate has become educated in a particular field of endeavor.

In reality, many of the problems each of us is forced to deal with on a daily basis are the result of having been told what is best for us by highly educated but often clueless do-gooders and bureaucrats who think they know better. Two to four or more years of college may have indeed made them better educated and an “expert” in their chosen profession but in far too many cases, their education didn’t necessarily make them any smarter overall.

One of the things I most enjoyed about working with the successful business owners and executives I chose to work with in my financial services practice was the fact that, like me (and like most of you), most of them had built their businesses with a lot of sweat equity and street smarts. Many of them had never been to college and some hadn’t even graduated from high school yet they were able to build successful businesses that in many cases, were/are worth millions of dollars.

They then hired and trained college educated MBA’s on how to manage their businesses so they could enjoy the fruits of their hard work while on vacation in the Caribbean or elsewhere. They also gave and continue to give away thousands, and in some cases, millions of their hard earned dollars to Churches and charities. They were able to do all of that because they had applied the truth/wisdom principle to everything they did. They utilized the knowledge with experience (wisdom) learned from other successful people and became successful themselves. When you do the same, you will also grow and prosper in your business and personal life.

Remember that possession of a degree, whether by an insurance executive, politician or otherwise, does not mean that the person holding the degree is any smarter or any more intelligent than you are. While those holding the degree may be well spoken, their words, though they may be eloquent sounding and tickling to the ear, are often meaningless to anyone who operates within the realm of the real world.



While I possess no licenses that allow me to legally or professionally act in the capacity of either a lawyer or an insurance fraud investigator, I have been told on numerous occasions by numerous individuals that I possess certain innate abilities that would have allowed me to succeed handsomely in either field. Despite the lack of licensure in either of those professions however, I have on a number of occasions, because of those innate abilities and the ability to ferret out corruption in general, successfully “prosecuted” cases where it was proven that the “accused”, in or out of court, whether a insurance company claims rep, claims manager, insurance CEO, a wayward insurance commissioner, engineer, and even a Judge in one particular case, was indeed “guilty” as charged.

I now pass those abilities and my knowledge and experience on to you through this program with the sincere hope that, by learning and internalizing to the information contained herein as well as the truth/wisdom principle, like the other highly successful business owner clients I have helped in the past, you too, will be well on your way to achieving the highest possible levels of personal and business growth and success. The ultimate result being that you will indeed experience an increase in your money, freedom and fun potential while, at the same time, reduce your stress, your risk and your workload. Those are the kinds of results that we all work and hope for in life anyway, aren't they!



△ *The Perfect Hail Storm* △

A number of years ago, a severe wind and hail storm came through the town of Northfield, Minnesota that, within a matter of minutes, caused millions of dollars worth of damage. Besides the massive damage caused to homes, businesses and the local college, the grapefruit size hail that fell from the sky broke out nearly every car and truck window on every vehicle in the area. Fortunately, no one was killed or injured by the massive hail stones that fell to the ground that hot and muggy late summer day but the storm did leave one incredible and expensive mess to clean up.

Later that day, those who had suffered damage to their properties called their insurance agents or claims departments to report the damage and file their claims. A few days later, insurance adjusters who were out in full force, inspected the damage, turned in their reports and then saw to it that each and every property owner who had suffered damage was paid in full for all of the damage at real, true and accurate (RTA) remodel market rates with 100% GC O&P paid on all trades. (not true)

From the storm damage contractors point of view, what you read in the second paragraph above would initially seem like, in terms of business and income potential, the perfect hail storm. In reality however, we know that the second paragraph would probably read more like this:

Later that day, those who had suffered damage to their properties called their insurance agents or claims departments to report the damage and file their claims. A few days later, insurance adjusters who were out in full force, inspected the damage, turned in their reports and then saw to it that each and every property owner who had suffered damage would have to suffer further through weeks and possibly months of frustration, confusion, obfuscation, and unintelligible loss reports while they tried to make sense of it all.

Obviously, its never quite as bad overall as it appears in the re-write of the second paragraph but the description is certainly more accurate and realistic than the original. If the original writing of the second paragraph were accurate though, would that really be “the perfect hail storm” or would it be something else. More than likely it would look something like this.

Rather than acting as the insured’s exclusive contractor with complete control over the job, storm damage contractors would simply be relegated to the ranks of the typical “free” estimate contractor (giving “free” estimates is fine for retail work but not for storm damage repairs). If that were the case, bidding wars would take place and prices (and profits) would rapidly decline. Many of the contractors in business when the storm hit would soon be out of business as a result of under pricing their work (this regularly happens to “free” estimate contractors who bid on storm damage).

Property owners paid under the “perfect storm” scenario would, for a time, be left with “found” money (the difference between what the insurance company paid them and what the “free” estimate contractor did the work for). The insurance companies who would be within their rights to claim overpayment to their insured’s would probably eventually ask the insured’s to return the overpayments once discovered.



The insurance companies profits would then increase dramatically without having to raise premium rates which would then, of course, keep the insured's blissful in their ignorance.

In this scenario, the insurance companies come out way ahead. The people hurt under this scenario are the insured's who don't consider that lower price often means lower quality. Many who do will rationalize that risk by comforting themselves with the fact that they were able to purchase that new ultra 4k HD mega flat screen TV they'd been looking at for months with the money they were overpaid. That is, until they get the call from their insurance company asking them to return the overpayment.

The experienced and expert property damage restoration contractor who would have been the best possible choice for the property owner with storm damage and would have been paid handsomely for their services as the insured's exclusive contractor was forced into becoming a "free" estimate contractor (in the example, since all property owners were paid in "full" they would have no need for an experienced storm damage contractor to help them with getting paid.) Although the quality of his/her work as well as business practices in general were top notch, he/she would have to, having been relegated to the rank of "free" estimate contractor, bid on the repairs against what could be the lowest priced, worst quality and least experienced "free" estimate retail contractor out there.

Property owners all too often convince themselves that the lowest price contractor must be as good as the real expert so they get the requisite three "free" estimates and choose the lowest priced or next lowest priced guy to do the work. They'll remain happy with their decision...as long as and if their repairs hold up, and until their insurance company asks for their overpayment back and they have to pay for that new flat screen TV out of their own pocket. In the words of Forrest Gump's long lost father, "Cheap is as cheap does" (I made that one up but I think you get the point).

If you get sick you don't ask for "free" estimates from different Doctors hoping to find the lowest price, you choose one that you trust to help cure whatever ails you. If you need legal help, you don't ask for "free" estimates from three different lawyers and go with the cheapest or next cheapest one, you find one that you believe will do the best job for you and you pay him or her accordingly.

The first thing I want this program to teach you is that "free" estimates are fine for retail remodeling but not for property damage restoration work. I can't tell you how many times I've had to go in and clean up the messes made by "free" estimate contractors who became instant insurance claims experts after whatever storm because they had absolutely no clue about what they were doing or what they had gotten themselves into.

Let me make it clear that this is not a forum dedicated to the berating of "free" estimate contractors. When it comes to retail remodeling work that is not storm related, submitting bids is the tradition and the standard and it works fine. Over the years I've known and worked with



all kinds of people who operate their retail construction businesses on a “free estimate” basis and most of them are great people who do a terrific job. When it comes to dealing with insurance covered property damage claims however, we’re talking about an entirely different and much more complicated process.

In regards to processing and completing storm or other property damage claims, the restoration/repair part which is the part the retail contractor can and does easily handle when not associated with a storm damage claim, is twenty-five percent of the process – that’s the easy part. The other seventy-five percent of the process, dealing with insurance adjusters, claims managers and engineers who work for multi-billion dollar insurance companies and want to stay employed, insurance company lawyers and executives, industry friendly insurance commissioners and corrupt and/or incompetent mortgage servicing companies who regularly improperly withhold final payments of your customers (and your own) money – that is the hard part. That is the part that most of this program focuses on.

The ultimate purpose of the 3RS *Profit MAX*© system is to bring the level of professionalism of the industry up to the highest possible level. That can only be achieved by teaching the process to contractors at all levels of experience, beginning with “free” estimate contractors and continuing with contractors with some or a lot of storm or other property damage contracting experience. Only by learning how the process really works from someone who has been there and done that (comprehensive storm and other property damage contracting and insurance/investment industry experience) can one rise to the level of competence necessary to achieve the best possible results. When that goal is attained, property owners with storm or other property damage will be much better served as insurance companies are forced to start honoring the terms of their insured’s policies. At the same time, storm and other property damage contractors who have risen with the tide of their increased competence will garner respect and goodwill never before afforded them.

Set your goal to be to learn and follow the truth/wisdom principle written about earlier and the training offered to you here. In doing so, you will naturally rise with that tide mentioned above. As a result, you will eventually find yourself looking down from the mountain of success and realizing that all of your effort and commitment was worthwhile.

From this point on, the training overview begins. In the following section, we’ll focus on what the problems are so you’ll be equipped with at least some degree of insight to enable you to understand the solutions offered, how they come together and why they make sense. In the second section, we’ll focus directly on how the process works by going through it in detail, step by step. In your study of the process, you’ll come to learn and understand what the solutions are. Once you have gone through, studied and internalized all of the material, your comprehension of the entire process as well as your earnings potential will be greatly enhanced.

△ *The Problems* △

(defeating) The No Negotiating UPPA Push RE DO

Insurance Company Less than good faith Bad Faith Practices

Industry Friendly Insurance Commissioners

Industry Friendly Attorneys General ?

Corrupt and/or Incompetent Mortgage Servicing Companies

Busy-body “Do-Gooder” Bureaucrats

Prejudicial Forensic Engineering Firms + Engineer Protocols

Insurance Adjusters and Claims DESK Representatives + Adjuster Protocols

The Effect of Estimating Software on Pricing

Lack of Training

Overhead and Profit Issues – How to defeat the denials

The Problems



*"All truths are easy to understand once they are discovered; the point is to discover them."
- Galileo*



△ (defeating) *The No Negotiating UPPA Push* △



The Unauthorized Practice of Public Adjusting (UPPA) Laws - One of the biggest financial scams ever perpetrated against the American insurance buying public – and who is behind it

The nationwide push for No Negotiating UPPA legislation first came to my attention in the late summer of 2010. Although I'd seen some evidence in 2009 that the No Negotiating UPPA push had started, it wasn't until Minnesota contractors received "Bulletin 2010-4" in September of 2010 from then soon to be retired MN Commerce Commissioner Glenn Wilson, Jr. that threatened that any contractor who did what contractors have been doing for decades, negotiate with insurance companies on behalf of their customers, would be in violation of the MN Public Adjusters law and could be "penalized", that it became clear that the UPPA push was gaining momentum.

Wilson and his cronies reasoning behind the bulletin was that PA's are trained on how to read, understand and interpret policy language and contractors are not. Therefore, contractors who are not specifically trained in the same manner were not, according to them, qualified to negotiate on behalf of their customers. What they apparently did not consider when putting forth that baseless argument was the fact that the great majority of contractors are also insured property owners who, because of their knowledge of how P&C insurance companies regularly attempt to underpay property damage claims, study and know policy language as much as anyone - including PA's.



P&C insurance industry crony legislators, commerce and insurance commissioners and others in positions of power who want to keep their after public service career options open put their support behind legislation they know full well is anything but consumer protection but present it that way to their constituents (aka voters) and hope none of them will be the wiser. Under the guise of "consumer protection", those and other interested parties pushed for legislation that would control the populace (in this case an estimated 75,000,000 + insured property owners from around the country) and ill-informed less experienced citizen legislators voted on the misleading legislation so they could tell their constituents they were "look-in out for them" when the next election cycle came around.

The simple truth; departments of commerce and insurance, departments of labor and industry, and all of the P&C insurance industry friendly legislators, lobbyists and related individuals who support No Negotiating UPPA legislation nationwide, do so with the full and complete knowledge that by limiting, through law, the rights of insured property owners by requiring them to either pay a PA to negotiate on their behalf or trust their insurance companies to deal fairly with them, P&C insurance will save hundreds of millions of dollars every year by not having to fully and properly pay their insured's claims.

In Minnesota, finding that the commissioner's empty threat did not, at least initially, have the intended effect, it appears that it was likely then Minnesota Senator and ALEC Commerce, Insurance and Economic Development Task Force member now Dakota County, MN County Commissioner Chris Gerlach who decided that, in order to force contractors to comply, a bill must be passed and signed into law.

The language which is almost if not exactly the same in every state where the model template "No Negotiating" language shows up is as follows: THE BILL...A residential contractor shall not represent or negotiate, or offer or advertise to represent or negotiate, on behalf of an owner or possessor of residential real estate on an insurance claim in connection with the repair or replacement of roof systems, or the performance of any other exterior repair, replacement, construction, or reconstruction work."

THE BULL...such legislation is typically introduced by veteran legislators on behalf of whatever special interest group or groups they may support or who support them (or employ them as is the case with Georgia's passage of their own No Negotiating UPPA bill several years ago where nearly all of the bill's authors were employed by the P&C insurance industry) then passed onto various committees made up of other veteran and inexperienced legislators. If the veteran sponsoring legislators could (and they did) convince the less experienced and often ill-informed legislators that the legislation has merit, the bills got voted on and signed into law by ill-informed Governors who failed to consider the harm that doing so would cause to their constituents as well as their own future career prospects.



In regards to No Negotiating UPPA legislation, it appears that the primary special interest groups are ALEC, NAIC, NAMIC, the NAPIA lobby and the P&C insurance industry in general. It also appears that State Farm insurance Company (a major ALEC contributor) General Counsel Roland Spies (ALEC Private Enterprise board member) and State Farm General Counsel Emory Wilkerson may likely and ultimately be, under the direction of now State Farm board chairman Ed Rust, Jr., the primary drivers behind the nationwide push for UPPA legislation. Here's a quick overview of why the Property and Casualty insurance industry wanted these template UPPA bills passed into law in every state.

P&C insurance companies don't like that fact that professional contractors who know better than anyone (including insurance adjusters) how much it really costs to repair storm or other insurance covered damage and what needs to be repaired "cost" the insurance industry many millions of dollars every year. By getting legislation passed into law that prevents, restricts or prohibits contractors from negotiating on behalf of property owners with damage they know they will be those same many millions of dollars ahead - each and every year, fully disregarding the fact that their insured's will be left unfairly underpaid those many millions of dollars legitimately owed to them by their insurance companies.

So, who is ALEC? ALEC or American Legislative Exchange Council, with more than 2,000 members, is the nation's largest, individual public-private membership association of state legislators whose stated (supposed) mission is a commitment to limited government and free markets. Funded almost entirely by large corporations – State Farm being one of their biggest contributors, ALEC produces model legislation favorable to certain industries that funded state legislators can introduce as their own bills. The ALEC member state legislators then typically present the legislation to specific legislative committee members in their own states who then sign on as House and Senate Chief or co-Authors.

Hearings are then held on whether or not to pass the model legislation. Again, as mentioned earlier, it appears that ALEC member and financial contributor State Farm insurance and State Farm General Counsels Roland Spies and Emory Wilkerson may likely and ultimately be, under the direction of now State Farm board chairman Ed Rust, Jr., the primary drivers behind the continuing nationwide push for UPPA legislation.

Several years ago, I spoke with Georgia Representative Howard Maxwell – also a ALEC member and 35 year Allstate Insurance agent, who co-authored his state's UPPA legislation and asked him how the UPPA language ended up in the Georgia bill. He told me that it was inserted at the last minute at the request of then newly appointed Georgia Commissioner and friend of NAIC Ralph Hudgens who, over the previous five years as a Georgia Senator, was treated to thousands of dollars worth of free lunches, dinners, and other goodies that were paid for by various P&C insurance industry interests. Without question however, Maxwell and the four other insurance industry employed bill authors supported the bill.



Colorado's UPPA bill which was passed into law in 2012 was sponsored by career bureaucrat Colorado House Rep and ALEC Commerce, Insurance and Economic Development Task Force Public Chair Glenn Vaad and supported by Emory Wilkerson, State Farm Associate General Counsel/ALEC Private Chair from Georgia.

THE PUBLIC ADJUSTER LOBBY – FROM DEFENSE TO OFFENSE For years, the American Bar Association had been after public adjusters trying to prevent them from negotiating (for a fee) on behalf of property owners with insurance covered damage, calling what public adjusters did, an "unauthorized" practice of law or UPL. However, seeing an opportunity ripe to be seized upon – that is, state legislators attempts to prevent contractors from “negotiating” their customers insurance claims, (i.e.; according to them, acting as “Public Adjusters”) – the PA lobby, who the ABA had let up on around 2010, decided to go on the offense against contractors.

In March of 2011, National Association of Public Insurance Adjusters (NAPIA) attorney and lobbyist Brian S. Goodman, Esq. said this: “Interestingly, and paradoxically, we are now finding that while we no longer have to fight the issue of the unauthorized practice of law, we have to take the offensive and fight the ‘unauthorized practice of public adjusting’, as, in this down economy, we are finding that roofers and general contractors (or “RUTHLESS, UNLICENSED INDIVIDUALS” as Goodman referred to all of you) in the United States are advertising their services, ‘essentially’ - as public adjusters.”

THE PUBLIC ADJUSTER STRAW MAN ARGUMENT One of the most disingenuous excuses the PA lobby and the P&C insurance industry cronies use for wanting to prohibit contractors from negotiating on behalf of their customers is that they “charge too much”. In 2010, Insurance Federation of Minnesota President, lawyer and insurance industry lobbyist Bob Johnson said that by keeping contractors from overcharging, this would help the P&C insurance industry to remain viable in a time when their overall profits have gone down in recent years. So, what was behind that temporary profit downturn?

Some of that may have been due to a temporary increase in the number of claims to be sure but, as in any cyclical business, some years are better than others. Even after Katrina however, P&C insurance had earned record profits over all. The real reason behind the temporary drop in P&C insurance industry overall profits back then? It was the same reason behind the cumulative 5 + trillion dollar drop in the value of millions of individual investment portfolios a few years ago - the housing market crash, aka the "Great Recession".

Just as those events had negatively affected each of our investment portfolios, they had also negatively affected the portfolios of P&C insurance and Warren Buffet, whose Berkshire Hathaway fund, BTW, earns 51% of its money from the float on its insurance investments (i.e. - premium income, some of which should have been paid out on claims but was not). And now, with the market long since back up, P&C insurance has, just as most investors have, recovered much of the investment value they had temporarily lost. It really has nothing at all to do with contractors over charging insurance companies. NOTE: Currently – as of this update, the market is at all time record highs.



Reality...a severe wind and hail storm comes through Anytown, USA and causes \$25,000 in damage on average to 5,000 properties. In Minnesota, for example, there are approximately 60 licensed PA's and, according to one MN PA I talked with several years ago, most of them have little interest in working claims of that size. Suppose just 10 of those PA's are interested in taking on the "smaller" wind and hail damage claims. How long would it take those ten PA's – or even all 60, to adjust those 5,000 claims? Forever! P&C insurance knows that the 4 to 5% of property owners with damage who even know what a PA is or does, may actually hire a PA who will likely get the claim paid at top dollar. They also know that 1 to 2% of them will hire an attorney and only 1% will ever actually sue their insurance companies.

But, for the majority of property owners, at least in states where UPPA laws apply (which, at this point in time, is most states) and therefore, their contractors are prohibited from assisting those property owners on their claims, will be left having to trust their P&C insurance company's to deal fairly with them and fully pay those claims – and we all know how all of that usually washes out in the end. And, because P&C insurance industry friendly state legislators and the PA lobby have been successful in getting legislation passed that prohibits (in most states) PA's and contractors from having any free enterprise, free market working relationships between them, many contractors are often reluctant to bring PA's into the picture. Should a contractor have to ultimately pay a PA's fee from their contract proceeds? NO!

The simple truth is this, the construction industry has matured over the years and has caught on to what the P&C insurance industry has been getting away with for decades. As a result, P&C insurance and its minions whose livelihoods depend on upholding the "over charging" claim and other myths and fallacies described here and elsewhere have chosen to fight back. But, because they have no substantive arguments in support of their claims, they must spin and obfuscate in an attempt to frighten their customers and the general public by laying the blame on knowledgeable professional contractors who are simply holding the P&C insurance companies accountable to do the right thing.

The current reality of the UPPA? Believing they've made progress in getting contractors out of the way by prohibiting them from negotiating with their insured customers, those same busy body bureaucrats and other P&C insurance industry connected individuals are now pushing to place restrictions on PA's and plaintiff's attorneys.

For example, several years ago, ex-TV editor and weather reporter Mark Kulda said the following during a local TV interview: "On any insurance claims, rather than hire a public adjuster, most homeowner's claims are handled successfully. If you do have a dispute the best source is to always go back to the insurance company first". Kulda is currently the V.P. of Public Affairs for the Insurance Federation of Minnesota and, at the time of his comments, was working on a bill that would tighten regulations on public adjusters. Along with falsely blaming contractors for pushing up claim amounts and therefore premiums, he and others in similar positions are now also blaming PA's and attorneys for doing the same thing.



In 2008, while still acting in the capacity of a GC, I helped an insured Minnesota couple with their wind and hail damage claim. With damage to five different buildings on their ranch property, after four separate inspections conducted with several different quite confused independent insurance adjusters, Farmers insurance claims managers eventually agreed to increase their settlement offer from their initial approximately \$35k offer to \$71k which included most of the requested O&P.

June 11, 2017, another severe wind and hail storm came through the same area causing an estimated one billion dollars in similar wind and hail damage to an estimated 33,000 properties. I contacted my past customer and asked if they needed any help on their claim or even knew if they had damage. They said they did not and asked if I would inspect their property for any damage. No longer licensed since voluntarily allowing my GC license to lapse in 2013, I connected with a contractor friend I had worked with over the years to ask to run any repairs through his company.

After inspecting the past customers property for damage, my inspection revealed even more damage then they had suffered in the 2008 storm. I then wrote an estimate for slightly under \$100k for roofing, siding, trim, gutter, screens, shutters, deck, fascia and other damage and directed them to file their claim. The first adjuster to appear said he was not authorized to approve anything over \$40,000 and promised a new adjuster would be sent. The insurance company then sent a different new adjuster – this time, a Hudson, WI based “window claims expert” and certified insurance company adjuster employed by an independent adjusting firm from Colorado

Prior to the first adjuster appearance, I had confirmed that the existing siding was no longer available which meant that all of the siding would have to be replaced...and paid for by the insurance company. At the second adjuster meeting, the new adjuster told me that the insurance company claims manager said a match for the siding was available. To prove the claims manager’s assertion as false, I installed the supposed match on a corner which revealed that as each course was installed, it would drop lower than the following course. Having proved the claims managers assertion to indeed be false she did, weeks later and at my insistence, reluctantly approve the full siding replacement.

Four additional re-inspections later, the insurance company gave their final number of \$72,500 and guaranteed they would pay no more on the claim and, since, in their opinion, the job was not complex enough, GC O&P would not be considered. At that point I had written to the insurance company CEO and published a publicly available website with YouTube video regarding the insurance company’s continued attempts to “delay, deny and defend”. Out of mostly curiosity, I called several local PA’s and asked for their opinions. When they did eventually return my calls, each stated they were interested in processing the claim and each guaranteed that they could move the insurance company to pay full 100% General Contractor Overhead & Profit. None of them could, however, immediately take on the claim since they were all several months back logged with previous claims. Since, at that point, proper claim settlement was already months overdue, I decided to pursue final settlement of the claim on my own.



After informing the PA's I would be pursuing full and final settlement on my own I had the insured's sign a Power Of Attorney in my name as an outside advisor which allowed me to negotiate with the adjusters and claims managers on the insured's behalf and for their benefit, as I saw fit.

Upon receipt of my notice that a POA had been granted to me and demand that GC O&P plus other additional amounts be paid, the original and quite troublesome CPCU claims manager and her Denver based senior claims director disregarded the POA and refused to pay the additional amounts requested. Their excuse for most of the non-payment? The standard specious "not complex enough" argument. Several weeks after that denial and a follow up email sent to claims by me, another claims manager contacted me to confirm that no further monies would be paid on the claim. Having had enough of their nonsense, I sent an email to the insurance company's main claims address.

The email informed the insurance company claims managers and their supervisors of the penalties associated with disregarding my POA and demanded that they honor it. The email also made it clear to those same people that if they did not come to final settlement with the insured's by a certain date, the local media would be knocking on the doors of the personal residences of they and the outside adjuster asking why not. On the certain date, the third claims manager called me and agreed to settle with the insured for a final total of \$96,946, a \$24,000 + increase. I accepted that final offer on behalf of the insured's and closed the file.

With that claim finally paid in full and put to rest, I decided it was time to write the template form letter that needs to be presented to every state legislator across the country informing them of the truth about UPPA and how the legislation has hurt and continues to hurt P&C insurance consumers. You should feel free to send the letter in your name or anonymously to each and every state legislator in your home state, starting with the legislators who represent your district. You should also send a copy to your local media and state Governor. The "No Negotiation by Contractors on Insurance Claims" letter template that is included with this program can be copied and pasted then completed and sent.

The No Negotiating UPPA Push...in a nutshell

In that June 2017 Minnesota wind and hail storm, an estimated 33,000 properties were damaged at an estimated per property repair cost of \$30,000. With UPPA on their minds, contractors understandably concerned over being accused of "acting as a public adjuster" and the associated potential penalties were not able to, just as the P&C insurance industry behind the laws intended, assist their insured property owner customers in any meaningful way. Because of UPPA, contractors and their insured customers from across the country face the same predicament.



This then allows insurance adjusters and claims managers to repeatedly deny and/or underpay legitimate damage, intentionally delay re-inspections and approvals of corrected loss reports and payments and generally cause contractors and their insured customers to become so frustrated with the process that they simply give up the fight and accept the underpayments. This is what they attempted with me and my customers on the job mentioned on the previous page.

On that claim, I informed the insured's that although my RTA estimate/contract price was slightly under \$100k as compared to the insurance companies initial settlement offer of \$55k, if, after moving the insurance company to pay all they actually owed – including full 100% GC O&P, even if that final number was slightly less than my contract price, I would adjust my contract price downward to match the final insurance settlement offer – if I thought the final offer was “close enough”. That's how it should be done.

The other option is, of course, for the insured's to either hire an appraiser or PA or attorney to assist them with their claim. The problem with that is that, at least prior to the introduction of my new “3RS If, Then / From Filed to Final”© contractor claims protocols plan, by the time it became apparent that hiring an appraiser or PA or attorney needed to be considered, months have likely passed, the insured's are over stressed and their repairs are likely not even started.

Sometime in early 2016, Merlin Law Group head Chip Merlin spoke at an IRC conference where he warned contractors that “while it is proper to explain their pricing and charges for a repair, the negotiation of an insurance claim can only be made by a policyholder, a public adjuster or an attorney.” While his warning reveals the essence and intentions of the UPPA laws, it also reveals the inherent hypocrisy of them as it also reveals the ultimate true source of the legislation behind the laws that have failed to truly protect the interests of insured property owners, that is, of course, the P&C insurance industry.

P&C insurance policies are required to be written in such a way so that the average person of average intelligence can understand and interpret them. Not a PA and not an attorney but rather, the average USA property owner. With the above in mind, the natural and proper assumption then regarding contractors who do insurance covered repair work is that they, too, are also average persons of average intelligence and therefore, also capable of understanding and interpreting policy language. However, although the contractor's and the insured's interests are the same – maximum legitimate claims payouts that are relative to the premiums paid, the typical PA lobbyists specious argument against allowing contractors to negotiate on behalf of their insured customers to achieve that goal is that doing so results in a conflict of interest.

The true and undisputed fact regarding the understanding and interpreting of P&C insurance policies and policy language written by insurance company attorneys, is that 99% of insured's don't understand them and cannot interpret them. Neither do they understand how the claims process really works once a claim has been filed in the real world.



With the false declaration of conflict of interest used effectively to support UPPA laws that prohibit contractors from negotiating on behalf of their insured customers, insureds only other options are to accept whatever payment their insurance company offers (typically low ball) or hire an appraiser or PA or attorney to negotiate or settle the claim on their behalf. The real conflict of interest...Contractor explains their pricing and charges for legitimate repairs at real, true and accurate (RTA) pro contractor market pricing of \$55,000 knowing they will accept a slightly less self negotiated settlement as sufficient. Insurance company offers \$30,000.

Since the contractor is prohibited from crossing the UPPA line, they and the insured customer are stuck. Insurance company claims managers knowing that is the case, take their sweet time in moving the claim to full payment and closure. Their mindset...you're a contractor who can't negotiate so until the insured hires a PA (if they even know what a PA is or does), we'll do everything we can to keep those claims dollars invested in our employers interest bearing accounts...and hope you and the insured will give up and accept the insurance company's low ball offer.

A PA called to assist on a claim that pays them an average ten percent of the claim that the PA would likely increase to at least the \$50,000 amount would net them \$5,000 at ten percent of the entire claim or twenty-five percent of the \$20,000 overage. That means that \$5,000 of the claims dollars that should have been paid to the contractor to complete repairs is instead paid to a PA for negotiating the claim. Something that a pro contractor could have easily done in much less time and with much less stress on the insured pre-UPPA.

(Not a defense of Lon Smith Roofing)

GERALD REYELTS and BEATRIZ REYELTS, *Plaintiffs-Appellees* v. CARY JAY CROSS; CARY JAY CROSS, P.C.; LON SMITH & ASSOCIATES, INC., and A-1 SYSTEMS, Inc., d/b/a LON SMITH ROOFING AND CONSTRUCTION, *Defendants-Appellants*.

[BRIEF OF AMICUS CURIAE NATIONAL ASSOCIATION OF PUBLIC INSURANCE ADJUSTERS IN SUPPORT OF APPELLEES](#)

[Brian S. Goodman, PESSIN KATZ LAW, P.A. NAPIA General Counsel / Steve Badger, ZELLE, LLP \(TX\) Filed 12/26/2013](#)

Excerpts of Goodman / Badger Amicus Curiae statements:

“Allowing unlicensed contractors to act as intermediaries between the insured and an insurer would wreck havoc on the licensed and regulated public insurance adjuster profession and would allow construction contractors to take advantage of insureds – particularly in the face of a catastrophic natural disaster, when they are the most vulnerable – in situations where the contractors’ financial interests obviously conflict with those of the insured.”



Although Goodman stated that “the contractors financial interests obviously conflict with those of the insured”, he never clarified the statement nor did he provide any evidence in support of it.

“Moreover, as the Texas Commissioner of Insurance has recognized, and as common sense dictates, even holding oneself out as a public adjuster without a license to do so is a violation of Section 4102.”

Ex-Texas Governor and reported recipient of \$100's of \$1,000's of dollars in campaign contributions from the American Legislative Exchange Council (ALEC) Rick Perry appointed ex-insurance executive Kitzman as insurance commissioner in 2011. State Farm is an ALEC member and one of its largest contributors. ALEC member state legislators appear to be the driving force behind UPPA template laws across the country on behalf of the P&C insurance industry. June 26, 2012, Kitzman issues Bulletin #B-0017-12, Texas' version of UPPA law @ www.tdi.texas.gov/bulletins/2012/cc16.html. 2013 – Texas Senate forces out Kitzman. *“We have had an opportunity to see her in action, and I continue to believe she is not an insurance commissioner who protects consumers,”* said Senate Democratic Caucus Chairman Kirk Watson of Austin.

Additional Goodman/Badger Amicus Curiae statements; *“The inherent conflict of interest in allowing an unlicensed and unregulated contractor performing the repair work to negotiate the final price that the insurance company will pay for its work is insidious and inescapable.”* Also not clarified...*“Second, the unlicensed practice of public adjusting unfairly portrays insurance adjusters as untrustworthy and as placing their own interests above those of the insureds.”*

...and your point, Brian and Steve, is what? That insurance adjusters (and claims managers) don't, on a regular basis, deny, underpay and omit legitimate damage and delay and withhold legitimate payments to insureds...in the interests of staying employed?

I want to make clear that I am not bashing what PA's do. I know a number of PA's, several who are friends I respect, that do a great job in helping insured's through and over the hurdles that P&C insurance places in the way of insured property owners. There is a place for them in the industry. What I do object to however, is the acceptance of the endless claptrap spouted by NAPIA lobbyists and others who know full well how damaging UPPA laws have been and continue to be to those same insured property owners.

If you read the information in this chapter with a keen eye on the details, it should have become clear to you how all the dots connect and who they connect to. NOTE: IF, AND BEFORE YOU CONSIDER HAVING A CUSTOMER GRANT YOU A POWER OF ATTORNEY (POA) OR AN ASSIGNMENT OF BENEFITS (AOB) ON THEIR CLAIM IN ORDER TO ALLOW YOU TO NEGOTIATE WITH THE INSURED'S INSURANCE COMPANY REPRESENTATIVES, CONSULT WITH YOUR ATTORNEY.

NOTE: Also read Form #51 – UNPACKING THE UPPA CONUNDRUM for a more detailed explanation of UPPA law history.

△ Insurance Company Bad Faith Practices △



Where to begin...

“No More Secret Goodies For NAIC Bosses”

“Ohio Insurance Commissioner Ann Womer Benjamin expressed concern over the provision that would require reporting potential conflicts of interest of family members. The concern, according to Ms. Benjamin, was both what would be considered a conflict of interest and how to track the activities of a family member. For instance, she asked, if a sister attended a party of an insurance executive, would that be deemed a conflict of interest?”

By Jim Connolly National Underwriter News March 14, 2005

NAIC is the acronym for National Association of Insurance Commissioners.

Remember Ms. Benjamin, the Ohio Insurance Commissioner who hid from two different Columbus, Ohio TV investigative reporters and me because she didn't want to be confronted about the problems property owners in Columbus who were being underpaid and denied on their legitimate storm damage claims were experiencing? Did she even have a sister? Let's look at several of those troublesome Ohio claims where bad faith on the part of at least three different insurance companies took place.

In the spring of 2003 a major storm came through the Columbus and surrounding area causing millions of dollars in property damage. One of the property owners who suffered damage was the Pastor of a Dublin, Ohio church. The Pastor's house was just a few blocks from his Church. His house and the Church were both within the “red zone” of the storm damage area. Although it took some extra effort, State Farm did eventually approve payment to replace the roof on the Pastor's house. What happened regarding his claim on the Church property however, was a different story.

After succeeding in getting the Pastor's own roof paid for, he asked me to take a look at the church property and inspect it for damage. Having done so it became apparent that the church's roof, along with various other items, had also suffered significant damage. After informing the Pastor of the results of my inspection I directed him to file a claim with the church's insurance company so we could get the process started.

On the day of the inspection, three representatives of the church's insurance company showed up – two claims adjusters and a third “un-biased” independent adjuster. I and another roofing contractor I had trained in the insurance claims process appeared on behalf of the church. Since the two of us had already inspected the roof and other items for damage and concluded that the damage was indeed there, we simply waited on the ground for the church's insurance adjusters to complete their inspection.



While watching the three adjusters as they searched the roof for damage we couldn't help laughing at the fact that each time the independent adjuster would look at what we knew was damage but had been zeroed out by the two church insurance company adjusters, he would look at them and then look at us and shake his head. The look in his eyes each time told us that he agreed with our assessment and disagreed with the church's insurance company adjusters. Upon completing their inspection, the head adjuster came down from the roof and told me he was denying the claim.

The head adjuster then told the Pastor that they would meet him in his office after discussing their findings amongst themselves. The two adjusters from the church's insurance company then told the independent adjuster they had hired to assist to follow them out to the middle of the church's parking lot. Although we couldn't hear what was being said to the independent adjuster whose looks toward us during the inspection told us he was in agreement with our assessment, we did see the head adjuster motion to the independent adjuster to "keep quiet" before going in to meet with the Pastor.

The meeting with the Pastor went quickly. While the independent adjuster appearing on behalf of the church's insurance company sat silently (as he was told to do), the head adjuster explained to the Pastor that, after a thorough inspection, no damage was found to the roof. Therefore, no payment was due for anything other than some small damage to several broken screens and similar collateral damage. After informing the Pastor of their decision, the adjusters left the property. I then directed the Pastor to call the church's insurance company and ask for a re-inspection, which he did.

Because of the size of the building and the potential cost of the claim, the church's insurance company, "a leading insurer of churches," decided to ask that HAAG Engineering conduct the re-inspection of the Church roof. I asked the Pastor to call me as soon as he knew the date and time of the inspection so I could appear there on his behalf. Several weeks later I got the call.

At this particular inspection, it wasn't the usual assignment dependent HAAG Engineering employee that appeared but rather, it was HAAG's own resident hail damage guru, Scott Morrison. As is always the case with the HAAG people, Morrison, who seemed to be a decent and reasonable guy, didn't want anyone following him around the roof while he conducted his inspection. I had already confirmed and documented the damage so there really was no need for me to do so anyway.

After completing his inspection, Morrison gave me the usual explanation as to why he couldn't discuss his findings with me and said that I would have to ask the insured for the results after he had received HAAG's final report. Having dealt with various HAAG "engineers" and "HAAG Certified" insurance adjusters numerous times before, I expected that this was going to be another one of those HAAG "we're the hail damage experts and our in house IBL-7 Ice Ball Launcher® and AccuDrop® system proves it" claim denials. The Pastor promised



he would call me as soon as he received HAAG's report.

Before he received the HAAG report however, I informed the Pastor that I would soon be returning to Minnesota to attend to obligations there and asked him to keep me updated. Later, apparently, and to my great surprise, HAAG's Morrison had actually agreed with my assessment of the church roof. Although I never saw the report, I based that assumption on the fact that after receiving HAAG's inspection report, the church's insurance company informed the Pastor that they were blaming the church's roof damage on a previous storm for which a claim was never filed and would therefore, not honor the current claim. I had to laugh when the Pastor told me that, during the Columbus Dispatch interview for the article by Mr. Porter, he said to Mr. Porter; "What God didn't get done the church's attorney will".

On another Columbus, Ohio job, after a local contractor who had claimed to be a "insurance claim expert" failed to get the adjuster to pay for all of the insured's damage, I went through four different adjusters and the insurance company claims manager before finally getting the property owners insurance company to fully pay the claim. According to the third adjuster, the previous two had either been fired by the insurance company or had quit as a result of the brow beating they received for actually (at least, eventually) accurately estimating and paying too many legitimate property owner claims.

On that particular claim, the first adjuster had agreed to pay for some damage to the insured's roof but denied payment for the aluminum siding, trim and gutters that were also badly damaged by the same storm. At that point, the local contractor gave up and the property owner turned to me for help.

Before the fourth inspection took place, representatives of the insurance company's claims department had called me every name in the book and had also threatened to "black ball" me at least within that particular insurance company's claims department. However, because of the publicity I had garnered as a result of the newspaper article as well as the pressure I had put on Commissioner Benjamin's office, the insurance company agreed to conduct that fourth inspection and have the inspection supervised by the executive head of the insurance company's claims department.

On the day of inspection, knowing that I had to catch a flight back to Minnesota later in the afternoon, I brought along the same guy who had appeared with me on the church inspection so I would have someone there to record what took place in the event I would have to leave early. Although somewhat late, two new adjusters (# 4 and # 5) appeared with the claims head in tow. To my surprise, the insurance company's claims executive, dressed in a suit and tie, followed the adjusters throughout the inspection – even climbing up on the two story roof so he could inspect for gutter and fascia damage. After several hours had passed, I realized that it was time for me to head to the airport to catch my flight back to Minnesota.



Before leaving, I gave my associate my damage list and asked him to make sure that every item that had not been checked off be inspected. After I had arrived back in Minnesota, he called me to say that all items on my list had been paid for – at my pricing. Before hanging up, he also told me that before the inspection was completed, the claims executive had asked him if there was anything else that “Larry” wanted him to look at because he wanted to make sure that I would be satisfied with their final assessment and payment – and make sure he would never have to hear about me from his CEO again.

Although the examples of insurance company bad faith are as endless as they are everywhere, the third example is also from Columbus, Ohio.

A very nice fifty something single woman employed by OSU who had been told by a staff insurance adjuster who had inspected her property in the presence of a local contractor that she had no damage called me for help. After I inspected her property it became apparent that her roof, siding and other items had indeed been damaged and, therefore, her insurance company was obligated under the terms of her full replacement insurance policy to pay to have all of the damage repaired.

At the re-inspection in my presence, a staff adjuster with the “good neighbor” looked over the property. Not surprisingly, he, too, opined that no damage could be found and stated that he would be reporting the same to his bosses and the insured. At that point in time I had already informed “Big Red” and the “We’re on your side” folks, among others, that they needed to vastly improve their adjuster training and start paying the legitimate claims of their insured’s. After that one though, I knew it was time to place a call to “Big Red’s” then CEO, Ed Rust.

Was he reluctant to talk with me? Of course! As was Steve Rasmussen over at Nationwide. However, when they and others got wind of the conversations I was having with Commissioner Benjamin’s office, the questions from the local media and that article on the front page of the Columbus Dispatch’s business section, the insurance settlement checks started coming in fast and furious. Before that happened however, the second adjuster on the above claim who told me he “didn’t give a damn” who I was talking to, also threatened to have me “black balled” and suggested that I should do something to myself that, up to that point, I had never before thought possible.

When that adjuster offered his suggestions, he knew that I was calling from Minnesota and must have assumed that I would not be returning to Ohio. However, not long after that conversation, the homeowner called me to tell me that a representative from Ed Rust’s office had placed a very cordial call to her saying that she had recently been made aware of her situation and was wondering what she could do to help. She asked the insured to ask me to call her to discuss the matter. When I did, she (State Farm corporate representative) was as cordial to me as she had been to the insured and expressed a seemingly sincere desire to resolve the issue and make sure that the insured would be made whole.



She stated that she had been made aware of the despicable behavior of the claims department and apologized for that bad behavior on their behalf. She also asked if I would be willing to schedule another inspection of the property in question. I, of course, agreed and set a date and time for the re-inspection. On the day the re-inspection took place, rather than send another staff adjuster with a bad attitude, State Farm corporate sent out two of their claims department heads to do the inspection. Within five minutes of pointing out the damage, both of the claims heads agreed that everything I had pointed out as damage was, in fact, damage.

Before leaving, both shook my hand and apologized for all of the trouble their adjusters had caused me and the insured. Several weeks later, the property owner received a check that covered the entire amount of the claim per my estimate.

Having read through the three “bad faith” examples on the previous pages, you should, by now, have a clear or clearer understanding of how and why the process can become so complicated. You should also however, have a much better understanding of how to deal with similar situations that you might find yourself in. Remember the truth/wisdom principle? Contractors may know when the truth is being concealed (adjuster claims there is no damage when the damage is obvious) but without the wisdom of years of practical experience combined with the knowledge and experience learned from someone who has been in the insurance/investment industry and knows how to deal with insurance industry “insiders”, all the truth in the world won’t get your customers claims fully paid nor will it put money in your pocket.

I wrote about my experiences in Ohio back then because they provide perfect examples of the problems and complications contractors are regularly confronted with when dealing with P&C insurance companies who are usually reluctant to follow through on their promises to their policy holders. The “excuse” that far too many in the P&C insurance industry use for knowingly and regularly attempting to under pay or deny their customers legitimate storm damage claims is that “they are in business to make money.” That’s fine, as long as they do it honestly. The reality is however, that they often don’t and then rationalize their underpayments and denials with the “in business to make money” excuse.

This disease starts at the top and goes all the way on down to insurance claims departments and adjusters who simply follow the “rules” handed down to them from corporate, all in the interest of job security and career advancement. I often feel a bit of empathy for adjusters who, in following the edicts of their superiors to pay as little as possible, must feel terribly conflicted.

If a property owner sent in premium payments to their P&C insurance company that were only a percentage of the full premium due, they would be in violation of the terms of their policy and their policy would rightly be cancelled. On the other hand, if the insurance company only pays the policy holder a percentage of their claim which would put the insurance company in violation of the policy, the insured doesn’t have the same power or leverage as the insurance company to enforce full payment.



Armed with the additional knowledge, experience, and wisdom you will gain from this program, that knowledge, experience and wisdom will put you in the drivers seat and allow you to level the playing field and become a more powerful and effective advocate for your customers.

“The more cash insurers can keep from premiums, the more they can invest. This pool of assets - most of which the companies invest in government and corporate bonds - is known as float. ‘Simply put, float is money we hold that is not ours but which we get to invest,’ billionaire Warren Buffett, CEO of Berkshire Hathaway Inc., wrote in his annual letter to shareholders this year.”

Excerpted from: The Insurance Hoax Property insurers use secret tactics to cheat customers out of payments - as profits break records. By David Dietz and Darrell Preston Bloomberg Markets September 2007

In part, what that essentially and really means is that, by withholding, delaying and outright denying payments owed to policy holders with storm or other damage, the insurance companies are improperly and in a corrupt manner, wrongly profiting on the money that actually belongs to those policy holders. Unfortunately, what you read in the above excerpt is just one small example of why P&C insurance companies are so often more than willing to put their interests ahead of those of their policy holders.

Food for Thought...

HOW PREMIUMS ARE CALCUALATED / P&C INSURANCE BUSINESS/PROFIT LOGIC: BASE PREMIUMS ON FUTURE COSTS, INCLUDE CHARGE FOR DEMO + O&P + CODE UPGRADES + MATCH + EPA + OSHA + TAX + LEGAL BUT THEN ATTEMPT TO PAY OUT THE LOWEST POSSIBLE \$ AMOUNT ON ANY AND ALL CLAIMS USING THE SO-CALLED “INDUSTRY STANDARD” ESTIMATING SOFTWARE...

Common business sense and logic tells us that, in order to ensure the highest possible profits, P&C insurance must base their premiums on the highest potential future claims costs since they never know when a claimable event might occur. That pricing must also logically include payment for the listed items since, in the event of a total loss, everything would have to be demo'ed then built all new. But, instead of paying on those claims at rates relative to the premiums paid, they instead, using that so-called industry standard estimating software that has a reputation for low balling most if not all damage repair estimates, attempt to pay their claims substantially below what even the current real, true and accurate (RTA) pro contractor rates should be.



△ *Industry Friendly Insurance Commissioners* △

Former Okla. Commissioner Convicted on Embezzlement, Perjury Charges

The Downfall of California's Insurance Commissioner

The Commissioner and the Legislature: Adjuncts of the Insurance Industry

The Insurance Commissioners, Other Government Agencies, and the Insurance Companies Focus On Insurance Fraud Committed By Policy Holders, But Nothing Is Done About the Multi-Billion Dollar Racket of Insurance Fraud Committed By Insurance companies

Pennsylvania Policyholders Sentenced to Four More Years of a Do-Nothing Insurance Commissioner

Commerce Commish Says He Won't Step Down Amid Controversies

Let's Put An End to Insurance Companies Regulating Insurance Commissioners, and Appoint Someone Who Will Regulate the Industry in the Public Interest

"For too long, the insurance industry has regulated the insurance commissioner. We've had enough industry lapdogs; it's time for a watchdog. My motto as insurance commissioner was 'The consumer has been screwed long enough.' I think we need another commissioner with that point of view. You can protect the interests of the insurance industry, without short-changing the policyholders and public."

Excerpted from the last article above which was written by Herb Denenberg - The Denenberg Report December 09, 2002. Herb Denenberg was a former Pennsylvania Insurance Commissioner, professor at the Wharton School, and Pennsylvania Public Utility Commissioner.

The National Association of Insurance Commissioners (NAIC) (mentioned earlier re: Ohio Insurance Commissioner Benjamin), states the following on their website;

"The National Association of Insurance Commissioners (NAIC) is the organization of insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. A state regulator's primary responsibility is to protect the interests of insurance consumers, and the



NAIC helps regulators fulfill that obligation.” Maybe, not so much...

I don't doubt that, overall, the majority of NAIC members are good, hard working people who do their best to “protect the interests of insurance consumers.” However, it is indeed all too clear based on the article headlines listed on the previous page that at least a minority of them have goals and agendas that deviate widely from the NAIC's stated mission.

Those headlines are just a sampling of commissioners who were caught deviating from that mission. Many that have come and gone and some that still hold that position are more than willing to allow P&C insurance companies to get away with attempting to under pay, underpaying and denying legitimate claims worth millions of dollars owed to property owners across the country every year.

What you need to realize and internalize is the fact that, regardless of the Goliath like size, imagined or otherwise, of the P&C insurance industry and those who taint it with their disregard, you should never allow yourself to be intimidated by any of them. Knowledge is power. Remember that many insurance/commerce commissioners want the same thing you do which is to ultimately make sure that your customers are dealt a fair hand.

Glenn Wilson, Jr.

Minnesota Commerce Commissioner - 2003 - 2010



That being said...ex-Minnesota Commerce / Insurance Commissioner Glenn Wilson, Jr., for example, whose bio includes stints as past president of GNMA, past Board of Governors member Mortgage Bankers Association, and founding committee member of the Mortgage Electronic Registration System (MERS), was apparently not one of them. During his tenure, he was repeatedly accused of showing favoritism to industry instead of the consumers he was supposed to be looking out for.

Illegal settlement? Legislative auditor questions secrecy clause *“Wilson was immersed in controversy last year when critics charged the Commerce Department, the state's business regulatory agency, with protecting industry rather than consumers.”* 2003



△ *Industry Friendly Attorneys General* △

Generally speaking, this is not anywhere near the problem that is seen with P&C insurance industry friendly insurance/commerce commissioners. In fact, although AG's are usually limited in their scope regarding what they can actually do to help property owners who experience problems with their insurance companies, some have actually done yeoman's work in effecting positive results in regards to the problem.

One good and positive as well as monumental example is that of past Minnesota AG Michael Hatch's work on a case back in 1998 where American Family Insurance was sued for trying to deny payment to a number of property owners with damage who had sidings that were no longer available. At issue was whether or not the insurance company was required to replace all of the siding with new since the existing material was no longer available.

Common sense (no wisdom or insight required in this situation) dictated that the answer to the question was obvious. No one would want or accept a mismatched house with two different kinds of siding on it. Below is the essence of the court order signed by Hennepin County District Court Judge Patricia Kerr Karasov on October 12, 2000 (Minnesota). The order stated the following:

- (a) requires American Family to pay for full replacement with materials of like kind and quality;
- (b) is not satisfied by the replacement of only those materials that are physically damaged by a storm, if the replacement materials do not or would not reasonably match in terms of color, quality, texture or type of materials already existing on the policyholders home.

It was that ruling that set the standard for all insurance companies in all states and that most P&C insurance companies – used to - follow.

From the date of that ruling and up until current AmFam CEO Wartburg College graduate and ex-claims adjuster Jack Salzwedel took that position in November of 2011 and destroyed the company, AmFam was one of the best at properly paying their insured customer's claims.

UPDATE – 2011

In spite of the 2000 court order that required American Family to pay for full replacement when existing damaged materials were no longer available, American Family decided in 2009 that they would require all insured home owners to pay an additional \$30 per year if they wanted the endorsement that would pay up to \$20,000 to replace damaged unmatchable materials. Unfortunately, many American Family customers never received the notice and some who received it didn't read it. Some agents apparently simply forgot or declined to mention the endorsement and the charge to their insured customers leaving them without recourse.



△ *Corrupt and/or Incompetent Mortgage Servicing Companies* △

I can certainly appreciate the need for organizations that write and hold mortgages to protect their interests by making sure that property owner storm damage is actually completed by the mortgagee before final payment is made to them. However, when you learn who is, in most cases, behind the mortgage servicing (loss draft) process, learn their methods and learn why the process causes so many contractors (as well as property owners) untold frustration and often forces some contractors to even seek bankruptcy protection, your opinion of this particular organization will not be dissimilar to mine.

Outside of Countrywide Mortgage who handles their own loss draft processing and has had their own problems to deal with, and Sterling National Corporation (formally Z C Sterling), the majority of storm damage losses where a mortgage is involved are handled by a company named Assurant Specialty Property. This niche company which is a subsidiary of Assurant, Inc. (AIZ), handles insurance loss draft processing for the majority of banks and mortgage companies from around the country - and makes a small fortune in the process.

Imagine the following; An insured's \$500,000 property has been damaged by a storm. They have a mortgage on the property and therefore, according to the terms of that mortgage, they are required to work with their mortgage company who has an interest in the property as part of the process of settling their claim.

Their mortgage is with, for purposes of this illustration, "BIG" mortgage and the initial settlement check (loss draft) is written out to the property owner and "BIG" Mortgage. Ok, so far (they think). It is assumed that at this point in the process, you as the contractor have already made sure that the property owners insurance company has agreed to pay the full amount of the repairs.

Before receiving their first insurance check (loss draft) the property owner contacted their mortgage company as directed and was given a website address and a code that gave them access to what they thought was the actual "BIG" Mortgage loss draft department. They go online and type in www.insuranceclaimcheck.com (actual site) then type in the pin number of "BIG001" (example) which will allow them to download the required loss draft processing forms and instructions. Several of the forms, depending on the dollar amount of the loss, must be completed and signed by you as the property owners chosen contractor before any money will be released.

At that point, the insured still believes they are dealing with "BIG" Mortgage. You and your customer complete and send in the required paperwork with the initial insurance check that was endorsed by the property owner/insured so that the repair process can begin. When returned to the insured, they (your customer) write a check to you (if they haven't already) so you can start the repairs. Remember what Warren Buffet said about "float" a number of pages back? Keep that in mind.



Soon after, their restoration is completed and you hand your customer your final invoice on the job. As per the instructions of their mortgage company they send in the final paperwork in anticipation of the final payment which would have been signed off by “BIG” Mortgage. Unfortunately, “BIG” Mortgage’s loss draft department (actually “BIG” Mortgage’s independent mortgage servicing company) fails to send the final check to your customer – and you need to be paid.

After waiting several weeks to hear from them, the insured starts calling and asking about the delay. You as the contractor who wants to get paid, also call “BIG” Mortgage’s loss draft department and ask for an explanation for the delay.

The typical response from the “BIG” Mortgage representative to the insured is all too often; “we didn’t receive the check and/or the paperwork from the insurance company, from you, from FedEx, from the post office, from whomever.” The typical response from the “BIG” Mortgage representative to you; “we aren’t authorized to discuss this matter with you without the insured’s permission.” Even if you had sent them a signed and even notarized authorization from your customer and point that out, you would likely hear; “we never received the authorization.”

The problem for most contractors in this situation is that they are unfamiliar with the games played by this and other mortgage servicing companies that apparently delay paying out the final depreciation checks to insured’s which ultimately belongs to the contractors in order to earn additional income on the float. Delay = float = additional unwarranted income to the mortgage servicing company/insurance company/bank. While they are “earning” that unwarranted and undeserved additional income off of potentially many millions of dollars at any one time, you – the contractor who may be owed many thousand’s of dollars by your customer, are left with nothing to show for your efforts.

Money that rightly belongs to you to pay suppliers, installers, overhead and personal expenses and to grow through investment is instead, being wrongfully used by someone else to make money for them. The practice is, in my opinion and I’m sure, in the opinion of many legal experts, morally and ethically wrong as well as (potentially) a criminal violation of SEC and other rules and laws. However, as is the case with most individuals and organizations who operate in the same or similar manner, Bernie Maddoff, for example, they foolishly believe that no one will ever find them out or expose them.

Through the efforts of 3RSystems, LLC and the efforts of several prominent political and legal figures from Minnesota and elsewhere, the light of truth is now shining down on them. Some of the actual names and positions of the top level executives behind this scheme are included at the end of the Playbook© along with their contract information.



△ **Busy-body “Do-Gooder” Bureaucrats** △

In my ICCOA© “Keeping Free Enterprise Free” report and exposé (archives/private training), I exposed the real intent of the types mentioned above. In the case of the Minnesota ICEC law, the people behind the bill weren’t really concerned about making sure that independent crafts people were covered under workmen’s comp. What they were concerned about was increasing revenues to the state and making life tough for independent contractors and sub-contractors who have no interest in joining a union.

One of their “reasons” for writing the bill was that independent contractors were, according to them, under bidding union contractors. That’s called “free enterprise”. Two other “reasons” given for writing the bill was that independent contractors and their sub-contractors were supposedly getting away with not paying taxes and not paying workmen’s comp insurance.

Regarding the workmen’s comp issues, the report revealed that a particular insurance company representative was the one who helped Montana DLI formulate their version of ICEC back in 2003. That same person is/was also “a public member (of the Minnesota Workers’ Compensation Insurers Association) appointed by the Minnesota Department of Commerce” and a member of the MN DLI Workers Compensation Advisory Council. Doesn’t take much to figure out what his angle was.

The then Minnesota House Tax Chair who moved to eliminate any IRC 530 (re: Independent Contractors) reference in order to get the ICEC bill passed listed the following as “friends” on her Facebook page: the Chief author of ICEC, a Minnesota Representative and union official; a co-author of ICEC, a State Senator and union official; the other co-author of ICEC, also a since disgraced State Senator and union friendly lawyer who was given \$15,000 by the union to sponsor a TV program; and a radical union lobbyist who was, among other things, a participant in the violent WTO protests in Seattle in 1999. Below is an excerpt from an article written by that union lobbyist where he talks about his experiences while at the protest:

“What happened before the police offensive was one of the most powerful events I’ve ever taken part in. For the six or so hours that protesters held downtown Seattle there was a huge festival of resistance to corporate plunder. All over the ‘liberated territory’ there were marches, parades, street theater, musicians, dancing, rallies, and huge artistic puppets . . . We were successful in blockading every entrance to the WTO’s conference center and stopping the meeting of this organization dedicated to corporate profit - that is, until the police were given the order to clear the streets.” ...corporate profits paid to union contractors are an exception?

Just an innocuous group of “friends” helping each other out...to gain as much unwarranted and unconstitutional power as they can...helping each other to the hard earned money of a few thousand independent tax paying construction contractors in the state...making anyone who has no interest in joining any union pay for their misguided thinking? Don’t think the same thing will happen in your state? It will eventually if the process hasn’t already started.



But, by learning how the process works – how they “work” the system towards their own personal ends, you’ll be better prepared and you’ll know how to vote accordingly.

Just think about the continued push for the rubber stamp template UPPA legislation that began in earnest back in 2010 that has since become law in forty-five different USA states.

Keep in mind that these are the same people who favored the Employee Free Choice Act of 2009 (H.R. 1409 and S. 560) that would take away most American workers’ rights to a private election in regard to decisions about union representation and instead replace it with the “card check” process.

In regards to UPPA legislation, who knows better than an experienced pro contractor what it will cost to repair an insured’s damaged property? No One! In my opinion, a property owners right to choose who they want to assist them and negotiate with their P&C insurance company on their behalf on any insurance claim is a constitutionally protected right...and it is likely that the estimated 75,000,000 + tax paying voting property owners across the country, once informed, would agree with me. If you don’t stand up to those who would attempt to force you to “comply” with their self serving legislation – as did a group of contractors in Minnesota several years ago who defeated the initial UPPA push, they’ll walk all over you and your free enterprise business.

The real reason behind the push? Experienced contractors who do the same work day in and day out know better than anyone else the real and true repair costs and they charge accordingly - not at the future rates on which our premiums are calculated but at current and reasonable pro contractor real, true, and accurate (RTA) market rates. Therefore, it makes sense that the people who know best should be the one's making sure their customers are fully paid on their claims. But, if the bureaucrats and others behind the push could, on behalf of P&C insurance companies, force contractors out of the process, the P&C insurance companies would save many millions of dollars each year that should have been fairly and properly paid out on claims. UPPA legislation, when signed into law by state Governors who should but don’t think it through before doing so, helps them to achieve that goal.

The people mentioned above who are behind the UPPA push knew they would never get away with attempting to pass legislation into law that would directly prohibit that estimated 75,000,000 + tax paying, voting and insurance premium paying property owners nationwide from freely exercising their right to choose a contractor to advocate for them, represent their interests and negotiate on their behalf. But, by prohibiting contractors from doing so, the effect is the same – the rights of those property owners to freely choose, their right to appoint their contractor to represent their interests and negotiate on their behalf has been taken away from them by the politicians who have passed such legislation and the Governor’s who have signed the bills into law.

△ *Prejudicial Engineering Firms* △

Indictment: Engineering Firm Altered Sandy Damage Reports

Engineering Firm Charged With Over 50 Counts In Fraud Scandal

State Farm Questioning Haag Engineering Firm's Katrina Work

Sen. Lott Sounds Off Over Katrina Claims, Insurers' Antitrust Status

Sisters Were Whistleblowers in Katrina Claims Handling Case

State Farm Sued by Gulf Coast Homeowners Over Katrina Claims

Okla. Couple Awarded \$13 Million in Lawsuit Against State Farm



*"It ain't what he don't know that scares me. It's what he knows that just ain't so."
- Will Rogers*



Anyone who has ever had to deal with an engineer working on behalf of a P&C insurance company can relate to what has been written under the article headlines on the previous page. Those and other articles relating to questionable practices of engineering firms that inspect storm damage are readily available on the Internet and elsewhere, including on the American Policyholder Association website.

The best known firm that does such work is probably HAAG Engineering. In my professional experienced opinion, regardless of the obviousness of the damage, they will deny or attempt to deny nearly all wind and hail damage claims just to keep the assignments coming in from the insurance companies. More than one jury has concluded as much. Below is what one Insurance company CEO had to say about working with HAAG.

“If State Farm had it to do over again, Chairman and CEO Edward B. Rust Jr. admitted, his company would not have used Haag to assess Hurricane Katrina damage.” That statement pretty much sums it up as it also calls HAAG’s credibility into question.

Insurance Journal State Farm Questioning Haag Engineering Firm's Katrina Work September 25, 2006

Almost as troubling as dealing directly with HAAG engineers is having to deal with insurance adjusters who proudly announce that they are HAAG certified. I’ve watched some of these people deny damage so obvious it can be seen from the ground – and that’s after they’ve been shown that the damage matches the damage shown in HAAG’s own field guide. Can HAAG’s in house IBL-7 Ice Ball Launcher® and AccuDrop® system that supposedly simulates damage in a laboratory really compete with decades of hands on real and proven experience? Not in my opinion or experience.

However, that doesn’t stop them from flaunting their “engineer/certified” title which “proves” that their “scientific” opinions are the last word. Fortunately, more and more juries are seeing the light these days and are disregarding HAAG’s and other engineering firms supposed authority on the subject as the quote below illustrates.

“State Farm has ordered an independent investigation into one of its vendors and suspended work with Haag Engineering Co. based on an Oklahoma jury's finding that the insurance company used Haag reports to maliciously deny policyholder claims, a newspaper reports.”

Insurance Journal Okla. Couple Awarded \$13 Million in Lawsuit Against State Farm May 30, 2006

So, what does an independent storm damage contractor do when confronted with an “engineer” from HAAG or some other firm? By applying the truth/wisdom principle talked about previously, even the least experienced contractor should be able to discern fact from fiction when it comes to doing “battle” with one of those people. And, the 34 + powerful adjuster rebuttals included with this program will help them/you to win those battles. So should the recently added “Adjuster/Engineer Questionnaire/Report”.



Simple common sense combined with experience tells us that there are those who will put money and job security ahead of reality and truth. Engineers aren't hired by insurance companies to find storm damage, they are hired to disprove the existence of it. There is simply no other reason a P&C insurance company would hire them. If they don't disprove the damage, the assignments will eventually dry up. This doesn't mean that all engineers who conduct storm damage inspections for P&C insurance companies are corrupt. It does illustrate however, where their loyalties are and why that should be taken into account by any reasonable person.

When meeting with an engineer or a engineering company "certified" adjuster, your percentages will be greatly enhanced by knowing what's in the opposing teams playbook. How do you do that? You buy it from them and they'll be glad to sell it to you. Not only will it help you and/or your reps to avoid embarrassment, it will become your "discovery" from which you will learn their perspective, their methods, and their strategy and which will help you to build and prepare your customers case for getting fully paid on their claim.

Afterwards, you'll be prepared to rebut any engineers contention that the only existing damage is from "Craze Cracks", Lichens', manufacturing defects or other "anomalies" (HAAG loves that word) that are, according to them, anything other then actual storm caused damage. It will also help contractors and their reps who might be a bit intimidated by having to do battle with an engineering firm to gain the confidence necessary to successfully complete the task at hand – get your customer (and you) fully paid. More specifics and details on the "how-to's" of dealing with engineers (insurance company "hired guns") will be given in the Process section.

Want to be prepared to do battle on behalf of your customers and win? Then you need to learn what "weapons" the other side will bring with them by ordering, studying, and learning their playbook – "Composition Roofs Damage Assessment Field Guide". Find it at: [www.https://haageducation.com/books-tools](https://haageducation.com/books-tools). Place your order for their playbook then take the time to learn what you are up against and how to beat them at their own game.

NOTE: In the interest of fairness, some insurance companies have been known to change the reports of some engineering companies or persuade them to change their own reports when those reports initially favored the insured's over the insurer. That still proves the point, however, and does not excuse the engineering companies who were complicit.

See CAT Insurance adjuster comments and opinions on this subject on the next two pages

Although the names have been changed, the following quotes are from actual and real CAT adjusters taken from various online CAT adjuster forums. *(for those who may not be familiar with the term, "CAT" stands for Catastrophe)*



CAT adjuster “Bob” - *“It has been my experience that carriers work using the theory of large numbers. They will continue to settle claims “slightly” unfairly as long as they have some engineering company that advances a bogus theory as to why the damage is from another source. This eliminates most of the chance they might be sued for bad faith since they are relying on an ‘expert’.*

Again, no matter what the insurance company or engineering company preaches, mat fracture is not required for there to be damage to roofing shingles and membranes, it only requires coating fracture or bruising that permits the onset of UV degradation. And, this is the important thing. TDI (Texas Department of Insurance) agrees and so would anyone who had an open mind.

I recently acted in a consultant capacity on a commercial loss where destructive testing was skipped by (engineering company) and a ‘Fluff’ report claimed no damage. Destructive testing later proved that the damage was real, widespread, and caused by hail. Once the insurance company saw that more in depth report, they paid the claim without so much as demanding an appraisal, arbitration or mediation.

In my opinion, (engineering company’s) very provable (by court records) biased ‘outcome-based engineering’ that sometimes reaches a figure of as much as a 94% record of finding no covered peril damage, will soon get them in some real hot water. Then the carriers who use them should follow because of their complicity in the ‘tag team’ match.”

CAT adjuster “LS” – *“That is an excellent point and I will most readily admit that you have a very good body of experience to uphold a major portion of that assumption. It would be true that insurers wouldn’t need an engineer when the claimant agreed.*

I would suggest that the 94% may be accurate on agreement between (engineering company) and insurers because of one court case involving 82 foundation claims and another where (engineering company) was disqualified as not being disinterested when it came to certain (insurance company) cases because the insurance company already had a pretty good certainty of the way the engineering company would opine before they were sent out.

My reason for stating that is the unwillingness of most carriers to question (engineering company) theories. In my opinion, the effort to please insurers and to create a demand for their C. E. materials taints (engineering company) necessity to be perceived as impartial.”

CAT adjuster “Jay” – *“As to granule loss, I too have been on thousands of hail damage inspections and made castles out of the granules*



found in the gutters. Yet with due diligence, was hard pressed to find significant impact marks. But, when talking with the insured and neighbors, they all stated that the hail was dime to quarter size and the few minutes that it fell you could shovel it up. You get back on the roof and following the reported path, ignoring the fact that the insured said it was falling straight down and on all sides, bouncing two to three feet in the air in the yard, you start noticing that the slopes in the reported path, although absent of significant impact marks, have a sort of cancer effect to it.

Once our eyes focus, you can see that it appears like something scraped here and there in large swatches. (Engineering company) would call it a 'manufacturers defect', yet you examine the opposing slope and the granule color is consistent all over. Dare I say that the affected slope is damaged? Should I consider that hundreds of pellets just pummeled this slope and knocked all those granules loose? If I were lying out there on the roof when the storm passed, what would I look like?

I don't have much faith in what (engineering company) has to say anymore, I was present when they performed one of their infamous inspections for hail damage and all they could come up with was, manufacture defects, improper installation and poor maintenance. Yet they didn't discount that the vents were damaged. Three other firms performed the same inspection in the same areas and they found damage. Three out of four that is and the carrier ignored the other findings. Astounding!"

Damage, is damage is damage! If it is there, engineers need to approve it and P&C insurance needs to pay the claim!

Form # 46 ADJUSTER/ENGINEER QUESTIONNAIRE/REPORT

The Adjuster/Engineer Questionnaire/Report form is a quite comprehensive form that is presented to adjusters or engineers prior to conducting their inspections. They can choose to complete and sign the form or they may refuse. Whichever choice they make, the form will become part of the claim record. Expecting that few if any adjusters or engineers will agree to complete and sign the form which would reveal important and pertinent information regarding their background, their refusal will likely be seen as suspect, and that is the point. Whether they complete and sign the form or not, just reading the form will put the adjuster or engineer on notice that the much better informed insured and their contractor who are (should be) American Policyholder Association (APA) members, will be paying much closer attention to the process. The above will also know that the well trained contractor will not allow the insurance company to bait the insured/contractor into accepting small increases over many weeks (the delay part of delay, deny, defend) until the contractor hits the UPPA "wall". Instead, the contractor will, at the appropriate time, sooner rather than later, take immediate and informed steps to cause the insurance company to pay special attention and move the claim to full and final settlement within a matter of weeks rather than months.

I recommend that whenever it is made known to an insured that their insurance company has scheduled an engineer to inspect their property that the insured first go online and look for any complaints against the engineer and/or the engineering company. If they simply Google search "engineering company name" complaints, what they will likely find should motivate the insured to object. If they accept whatever engineering company, I also suggest that they demand that the engineer provide the information requested in Adjuster/Engineer Questionnaire/Report before the engineer is allowed to proceed with their inspection.

△ Insurance Adjusters and *DESK ADJUSTERS* Claims Managers △



Insurance adjusters are obviously the first people you encounter when the real work of getting your customers claims paid begins. Theirs is, in my opinion, one of the toughest jobs around and one I'd never want to take on.

When it comes to insurance adjusters, there are basically three different types – staff adjusters, “independent” adjusters representing themselves as staff adjusters and truly independent adjusters. An example of “independent” adjusters who represent themselves as staff adjusters for various insurance companies are adjusters who, while wearing a certain P&C insurance companies badge, are actually employed by independent adjusting services companies such as E. A. Renfroe or Pilot.

As is the case with people in any profession, some adjusters are better than others. I've met some great adjusters over time who are decent and competent people and I've also met many that did not, and could never measure up to that standard.

The worst adjusters, at least, again, in my opinion, are staff adjusters who probably could never handle the assignments of other adjusters. These are the people who, as “captive” employees, are most likely to fear losing their jobs and, as a result, are also most likely to disavow even the most obvious damage. If they don't entirely deny a particular claim, they can usually be counted on to offer the lowest possible claim payment. And, as illustrated by the examples shown on previous pages, some of them can prove to be extremely abusive to contractors who call them on their lack of accuracy and competence.

As the least experienced of adjusters, I consider them insignificant in regards to getting a insured ultimately paid. While the process of dealing with them is often irritating, it really doesn't take all that much effort for an experienced contractor to convince them to eventually fully pay a legitimate claim. It was staff adjusters from State Farm and several from Nationwide in the previous Ohio examples who were so ridiculously abusive – at least until their CEO's got wind of their behavior. Hopefully, corporate delivered the spankings their unprofessional behinds deserved.

Next in line are the independent adjusters who represent themselves as staff adjusters. I clearly remember years ago when two such adjusters who worked for a particular adjusting company that was representing State Farm, began appearing on claims after a mid summer wind and hail storm came through the Twin Cities of Minnesota. I had heard about these two guys who were using an aggressive “team” approach in an attempt to intimidate any contractor or contractor sales rep from pursuing any claim beyond their denial or attempt to underpay.

Many adjusters will often deny obvious major damage and attempt to appease the insured's with offers to pay for collateral damage that falls below the cost of their deductible. There may well be obvious damage on the roof shingles and soft metal vents but they'll tell the insured that the only damage was to the vents and offer to pay for them (usually under the deductible) and move on. That was the tactic of the adjusters written about above and on the next page.



Both of them would arrive at the claim address wearing dark sunglasses and the insurance company's "colors" and would approach the contractor in a very aggressive and intimidating manner. They used the same approach with the property owners when they introduced themselves. After doing so they would make a big show of their "inspection" and, when completed, would aggressively confront the contractor and the insured with a flat out denial of the claim or, if not a denial, an offer for a minimum damage payment that often fell below the insured's deductible.

The news about those two guys and their tactics spread rapidly amongst contractors working the storm. It also spread quickly to corporate after enough insured's had called in to complain. Fortunately, they were eventually forced to take a different and more customer friendly tact and approach.

The problem with some of the independent "staff" adjusters is that they seem to become emboldened by the act of wearing a particular insurance company's badge. Does that make the specifics of a claim any different? Of course not. It does however, seem to infect them with and cause them to project a false and very annoying air of authority that the adjusting company they actually work for does not possess. I frankly don't care who they work for – if there is damage, they need to pay the claim and leave the histrionics back at the office.

Then there are the truly independent adjusters who, like many of the independent "staff" adjusters, travel from state to state on an as needed basis (some of them also wear insurance company badges). These people may earn great money – as long as there is work, but they earn every dollar of it. Many spend months if not years away from their homes and families and that's never a positive. They usually know what they are getting into when they take the job so it's hard to have much sympathy for them. However, I can certainly empathize with their situation.

In my opinion, if you're going to do battle with insurance adjusters, these guy's (and gal's) are who you want to be doing battle with. Why? They usually know what they are doing and why they are doing it. They may try and keep their claim payments down but overall, they'll usually be the most fair of all of the different types of adjusters.

That means that, while you'll still have to work at getting the claims paid, their lack of fear over losing their jobs and the fact that many of them may earn a higher percentage of each claim, will more than likely get your customer a more realistic, honest and fair settlement. They'll also be the ones who, because of their own extensive experience, will usually respect contractors who prove they know what they are doing – and they will test you.

I worked another Ohio claim when I appeared for a property owner insured by Met Life. The insured told me that their claim had been denied (all surrounding HO claims had been paid) and the initial adjuster had given them the old "just because everyone else had damage,



that doesn't mean your property was also damaged" explanation for denying the claim. I directed the property owner to call for a re-inspection and to then call me with the date and time.

The independent adjuster appearing for Met Life who likely thought I'd never make it to the Monday morning 8:30 a.m. appointment was about to pack up after inspecting the roof before I arrived when I pulled up to the property at – 8:30 a.m. As I parked, he began to re-set his ladder but when he recognized me, he stopped and began walking towards me. He didn't say hello or how are you, he simply asked me for my diagram and my estimate. He then shook my hand and left. Why so seemingly easy?

The reason was that he and I had crossed paths back in Minnesota several years earlier. He knew that I knew what I was doing and would fight the good fight to get my customer paid and therefore, he knew there was no reason to go back up. He respected me. Besides, he also knew that there were so many inexperienced contractors working the area and representing themselves as "insurance claims specialists" that he would have no problem handling those other guys (i.e., underpaying their claims).

I could go on with endless stories of encounters with adjusters but I think you get the point. Again, I cover more of the "how-to's" of dealing with reluctant insurance adjusters in the Process pages.

Can't move to the next section without giving in house claims representatives their just due. If you haven't come across the "Former Worker: Insurance Co. Pays Claims When Pigs Fly" link on the Internet, you're missing out on a very interesting investigative report regarding one P&C insurance company claims manager's attempt to deny the claim of a Colorado University Professor who was injured in a serious car accident back in 2002. The subtitle of the report reads as follows: *"Jury Hands Down \$3 Million Verdict Against American Family Insurance."*

In house claims managers are interesting people. They are the firewalls between you and their corporate offices. Since they usually never have any contact with the "outside" world (their customers), they have no qualms about repeatedly denying or underpaying legitimate claims after adjusters have turned them in. In the case above, the in house claims manager apparently would repeatedly deny numerous legitimate claims and laugh while saying she would pay those claims "when Pigs fly" (she had a little winged pig on her desk that, when the button was pushed, would flap its wings as if to fly). Those claims were denied for no other reason than her desire to look good to her superiors which she hoped would keep her gainfully employed and eventually lead to a promotion.

Believing themselves to be shielded from the public (and contractors), too many in house claims managers are more than willing to deny and delay claims payments for reasons based on whatever whim that floats across the vast expanse of their discombobulated thought processes. Feeling secure and protected within their company's corporate bubble, they often feel free to take whatever action that will serve their personal preferences and their bosses demands while entirely disregarding the needs of their employers' customers which are the insured's.



“Ah did not...find any damage”

These are the people that provide me with the highest quotient of motivation. These are the people who, while hiding behind their partitioned office modules at corporate, attempt to withhold many millions of dollars worth of claims payments that are legally, morally and ethically owed to the insurance company's customers. Operating under the mistaken assumption that they will never be anything more than a name and a number to an insured or a contractor and that neither will ever have to opportunity to confront them (serve them with legal process, for instance), they dish out their abuse with wild abandon. Meanwhile, premium paying customers are left wondering what to do and how to do it.

“An internal e-mail introduced in the Farmers lawsuit shows the company had pressured its adjusters, whom it calls claims representatives, or CRs, to pay out smaller amounts--and rewarded them when they did.” “As you know, we have been creeping up in settlements,” David Harding, a Farmers claims manager, wrote in an e-mail to employees on Nov. 20, 2001. “Our CRs must resist the temptation of paying more just to move this type file. Teach them to say, ‘Sorry, no more,’ with a toothy grin and mean it.” Harding praised a worker for making low settlements. “It can be done as Darren consistently does,” he wrote. “If he keeps this up during 2002, we will pay him accordingly.”

Excerpted from: The Insurance Hoax Property insurers use secret tactics to cheat customers out of payments - as profits break records. By David Dietz and Darrell Preston Bloomberg Markets September 2007

Form # 46 ADJUSTER/ENGINEER QUESTIONNAIRE/REPORT

The Adjuster/Engineer Questionnaire/Report form is a quite comprehensive form that is presented to adjusters or engineers prior to conducting their inspections. They can choose to complete and sign the form or they may refuse. Whichever choice they make, the form will become part of the claim record. Expecting that few if any adjusters or engineers will agree to complete and sign the form which would reveal important and pertinent information regarding their background, their refusal will likely be seen as suspect, and that is the point. Whether they complete and sign the form or not, just reading the form will put the adjuster or engineer on notice that the much better informed insured and their contractor who are (should be) American Policyholder Association (APA) members, will be paying much closer attention to the process. The above will also know that the well trained contractor will not allow the insurance company to bait the insured/contractor into accepting small increases over many weeks (the delay part of delay, deny, defend) until the contractor hits the UPPA "wall". Instead, the contractor will, at the appropriate time, sooner rather than later, take immediate and informed steps to cause the insurance company to pay special attention and move the claim to full and final settlement within a matter of weeks rather than months. The ADJUSTER/ENGINEER QUESTIONNAIRE/REPORT is shown on the next page.



Adjuster/Engineer Questionnaire/Report

YOU ARE A: ADJUSTER ____ ENGINEER ____

Insured _____ Insurance Company _____

Policy # _____ Insurance Claim # _____

Your Name _____ Home State _____

Are you licensed in this state? Yes ____ No ____ If yes, state license # _____

Are you a structural engineer? Yes ____ No ____ If not, your specialty? _____

Years of experience in your specialty? ____ Trained by _____

Certifications _____

Specific training pertaining to this claim? _____

Have you ever installed/replaced the items you have been assigned to inspect? Yes ____ No ____

Please describe three different scenarios: _____

True name of actual employer _____ # of years ____

Your immediate supervisor _____

Workers comp insurance carrier _____

Workers comp insurance policy # _____

Errors & Omissions (E&O) insurance carrier _____

Errors & Omissions (E&O) policy # _____

Your direct (personal) business telephone number (____) ____ - _____

Your direct (personal) business email address _____ @ _____

PLEASE INCLUDE YOUR INSPECTION NARRATIVE WITH YOUR REPORT(S) TO INSURED

This Adjuster/Engineer Questionnaire/Report will be made part of the claim record. Completing this report will assist the claimant in achieving a full, fair, and proper insurance claims financial settlement. Please complete, sign, and date below confirming that you have read the questionnaire, then return to the insured policyholder.

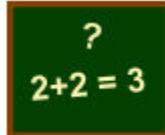
Signature: _____ Date: ____/____/____

BE ADVISED THAT INSURANCE FRAUD OCCURS WHEN AN INSURANCE COMPANY, INSURANCE AGENT, INSURANCE ADJUSTER, INSURANCE CLAIMS MANAGER, INSURANCE CLAIMS EXECUTIVE, OR FORENSIC ENGINEER COMMITS A DELIBERATE DECEPTION IN ORDER TO OBTAIN AN ILLEGITIMATE GAIN.



CLAIM APPROVED at 100%!

by a **3RS**ystems, LLC trained Storm Damage Restoration Contractor (3RS/SDRC) using **3RSstimax**®, who studied, learned, and applied the strategies found in **“The Playbook”**.



△ *The Effect of Estimating Software on Pricing* △

A severe storm comes through your area causing millions of dollars in property damage. A homeowner in need of help to repair the damage to their home looks for and finds their local 3RSystems, LLC trained contractor (you) and asks for help. Your wise customer, understanding why signing a contingency agreement contract that appoints you as their sole contractor is the only sensible approach, signs your agreement then calls in their claim.

Your initial “guesstimate” of the damage is for around \$45,000 based on similar jobs you’ve done in the past. You take your photos, draw your diagrams and prepare for your presentation of the facts when you meet with the insurance company adjuster on the day of the inspection. You then prepare your “estimate”, based not on traditionally lower Xactimate® or similar insurance industry preferred estimating software rates but rather, on real, true and accurate (RTA) remodel restoration market rates for the area on your 3RStimax®.

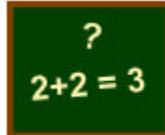
Before your customer called in their claim, you directed them to tell the person setting up the inspection to make sure that the inspection was set for a specific date and time (to avoid “drive-by’s”). Your customer calls you back several days later with the date and time. Scheduled for “Tuesday at 2:00 PM”, you write 1:15 PM as your arrival time. Two reasons for this. 1. Some adjusters will arrive early then leave before the contractor shows up at the appointed time. 2. You want to make sure that you’ve prepared your approach and your presentation and highlighted the damage ahead of time.

On the day of the inspection, the adjuster who arrived on time, does a forty-five minute inspection then leaves. A week or so later (if you’re lucky), your customer calls you as directed to tell you the loss report has arrived. You pick it up and compare the adjusters numbers to yours and find that the adjuster has missed (or omitted) numerous items and their loss estimate is at \$10,000 lower than yours. Because of your experience, you are not surprised and you are prepared for the battle.

You direct your customer to call their insurance company to schedule a re-inspection – preferably with a new adjuster. You appear there at the appointed date and time. At this point, the adjuster (if the same one) has already determined from talking with you before that you, as a 3RSystems, LLC trained restoration contractor, are an experienced professional. They also know that they will need to add a substantial dollar amount to the insurance company’s previous numbers just as a matter of course and does so on the second loss report.

When you receive your copy of the second loss report you find that the adjuster’s settlement offer is still substantially lower than yours. You call him (or her) and are told that the numbers shown are what the company’s repair pricing software lists as accurate numbers for repairs in your market and they will pay no more. What do you do now?

Insurance companies who want to keep costs down hire software companies to write repair estimating programs for their adjusters.



Obviously, the insurance companies will chose to pay and work with the software company who will show the lowest payouts. The software company that wants to keep the insurance company as a client will strive to keep those payouts as low as possible.

Xactimate and similar insurance company preferred estimating programs may be the P&C insurance industry standard but they are not the construction industry standard – at least not for contractors who want to remain viable and profitable over the long term.

With various insurance companies payouts totaled - after making sure the claims were paid based on RTA remodel market rates, I averaged out the per line item rates for repairs. I then conducted a price survey of contractors (“free” estimate) and material suppliers (big box retail stores), added up the numbers and then compared them to the RTA remodel market rates. As expected, I found the survey rate averages from the “free” estimate contractors and the material rates from the big box stores to be twenty percent (20%) or more lower overall then the RTA remodel market rates. Those lower rates were not far off from what many of the insurance company’s rates were, per their adjusters software estimating programs.

Are you getting the picture? The “free” estimate contractors who are generally used to getting into retail bidding wars often give out prices that barely keep them in business. The software people who put the insurance repair pricing together can then use the lowest of those low numbers as their supposed RTA remodel market rates for the area. They can then ask the big box retail building supply stores for pricing on their lowest end materials and call those prices RTA remodel market rates on materials.

The end result being pricing numbers they say are the RTA remodel market rates but are, in reality, twenty percent (or more) lower than the actual RTA pro contractor remodel restoration market rates for the area. Another trick is to input low or the lowest new construction rates they can find into their adjusters pricing programs instead of remodel market rates knowing that new construction rates are substantially lower.

Once the adjuster has taken the “legal” position of having no control over pricing however, (many do, some don’t) the battle often moves to what you see below.

“Programs like Colossus are designed to systematically underpay policyholders without adequately examining the validity of each individual claim,” former Texas insurance commissioner Hunter told the U.S. Senate Committee on Commerce, Science and Transportation on April 11. He also criticized Xactimate. “If you don’t accept their offer, which is a low ball, you end up in court,” Hunter said.”

Excerpted from: The Insurance Hoax Property insurers use secret tactics to cheat customers out of payments - as profits break records. By David Dietz and Darrell Preston Bloomberg Markets September 2007



△ *Lack of Training* △

Through out the Process portion of this program you are going to learn how to develop and strengthen your own in house training program which will help you, your employee's, sales reps and sub-contractors to greatly increase your and their productivity and competency. This will ultimately increase your company's overall profits and income. In this segment, however, I'm just going to touch on a few training issues, specifically – the lack of training.

One sunny summer afternoon a few years ago, a nice looking young guy who came knocking at my door told me that he would be happy to give me a free storm damage inspection since, according to him, there had been a recent wind and hail storm in the area. What caused me some confusion was his reasoning for stopping at my home when he could plainly see by the writing on my truck that I was a storm damage contractor/consultant. I congratulated him on having the “courage” to approach me before I began to question his comprehension of his chosen occupation.

I then asked him if he saw any in progress remodel work being done anywhere in the vicinity of my home. Since there was none, his only answer was, of course, no. Before leaving he did mention that he had managed to “sell” a re-roof to a homeowner several blocks over after he had “convinced” an insurance adjuster (the adjuster needed no convincing, he needed a paycheck) to pay the claim. After having a little fun with him I thanked him for sharing his “concerns” with me and sent him on his way.

Why did he bother to knock on my door, or for that matter, knock on the doors of anyone in my neighborhood when, in reality, there was no storm damage? Lack of proper training.

Although he would have had a much higher probability of success by canvassing neighborhoods on the other side of town that had suffered storm damage within the last two years of his appearance, his boss had sent him to a “dead zone” instead of a “red zone.” True, he did get lucky by signing one up in my neighborhood but that was a fluke. Although the area had seen several light hail storms in recent years, none of them were strong enough to cause any real damage.

Had he canvassed in what at least had been a “red zone” on the other side of town, his percentages and his commissions (and his boss's profits) would likely have increased substantially. And, he wouldn't have given numerous adjusters who had correctly denied numerous claims that insured's had filed based on the young sales reps insistence, reason to question his own and his company's integrity.

Ever hear someone say “you could attach an order pad to a dogs behind and send it on its way and somebody's bound to sign it.” It's kind of like that after a severe storm comes through an area. Any contractor can hire a bunch of people with varying levels of experience in whatever field, give them a basic training, a few contracts, and the title of “insurance claims expert” and send them out to start knocking



on doors in neighborhoods with storm damage. Even if they don't know what they are doing, one or more property owners will indeed, sign their "order pad".

The property owner with storm damage who sees that the contractor has a license or sees that the sales rep is working for a contractor with a license, automatically assumes that possession of that license qualifies them to act as their contractor when dealing with their insurance company. Bad assumption on their part.

The contractor, believing that the money they will make as a result of their reps signing up as many new customers as possible will more than make up for all of the headaches that are sure to come later on, sits back and starts to dream of that new fully loaded pickup truck or that great dream vacation. A couple of weeks later, all hell starts to break loose as the calls start coming in from angry customers who didn't get what was promised or were underpaid, installers wondering where the materials are, suppliers who delivered materials to the wrong address (correct address according to the sales rep), etc. Because the numbers look so good however, the contractor decides to take the stress, the pressure, and the worry all in stride while hoping for the best outcome. Hope is not enough.

There is a better way! If, the contractor has taken the time to learn the best processes (through this program and elsewhere) and is therefore able to better train their sales reps, they will need a lesser number of sales reps (if any at all) and a lesser number of sales. The end result? Less headaches, complaints, legal threats, etc. And, due to increased efficiencies, the contractor will also be able to earn more profits and income than ever.

Insured's with more expensive properties pay higher insurance premiums and the insurance companies like to keep those people happy. They know that those insureds are usually better educated and generally "smarter" than the average property owner and therefore, they (the insurance companies) are less likely to give them a hard time regarding their storm damage claims.

Being better educated and/or generally "smarter" (that's why they live in the higher value homes) or at least better educated, they usually work with other professionals who hold to a higher standard of professionalism. That being the case, they will also expect the same level of professionalism from you and/or your sales reps.

If it becomes obvious to them that whomever is trying to convince them that they are the right person for the job (you or one of your sales reps) is not qualified, they'll shut the contractor down in no time. On the other hand, if you or your sales reps have been properly trained (all aspects), your company will be the one that gets to work on the bigger properties.

While the "free" estimate guy or new and inexperienced wannabe "storm chaser" contractor is out signing up insured's in neighborhoods



with property values worth one quarter of the value of the properties in your found “goldmine”, you’ll be able to write up half to a third of the work and make twice to three times the per job profit. The referrals you will receive for doing a great job and proving your competence and professionalism with those higher end property owners will simply be an added and well deserved bonus. With that said, never disregard insureds in neighborhoods with smaller homes. They need your help too.

And, because your higher end customers will usually be paid better and faster by their insurance company’s, you’ll have the money in your company’s bank account where it belongs, that much faster.

“Insurance Claims Specialist”



3RS Trained Storm Damage Restoration Contractor





△ Overhead and Profit Issues – How to defeat the denials △

I can guarantee that, in most cases, no true and correct, if any, allowance for “General Contractor Overhead & Profit” will be shown on your customers loss reports. Lack of full and proper GC O&P equates to an unfair and improper reduction of your profits.

While some insurance companies are starting to slowly get the picture regarding the payment of GC O&P on all claims, regardless of the number of trades involved or level of “complexity”, (I’m aggressively working on that issue) it will, unfortunately, still be some time before they all finally start doing the right thing on a regular basis. REALITY re GC O&P - contractor or general contractor – no difference.

Actual Cash Value and Contractor Fees

“The Arizona Court of Appeals finds that, if a general contractor may be needed for repairs or replacement, payments to the insured should include contractor overhead and profit fees – even if no contractor is used.”

Lang & Baker, PLC Scottsdale, AZ

I found one of the better explanations of the problem on a posting found on the Internet. The pertinent points of the poster who is unknown are shown below.

According to the writer (and 3RSystems, LLC), various P&C insurance companies and claims adjusting services and adjusters, are knowingly underpaying claims (en masse) also.

“One method in particular that slides past most homeowners, is where the primary-general contractors 10% overhead and 10% profit cost factor lines are showing in the insurers estimates but are not truly 10% and 10%. Here’s some reasons why...Some “insurers” have an unwritten rule that [states] that only when 2 or more trades are needed for a reconstruction project is a primary general contractor “allowed” to be the homeowners contractor of choice. That “rule” not only defies recognizing the appropriate primary general construction business / full replacement values already factored into a premium, it also defies fair competitive market trade practice.

In short, certain insurers do not want consumers to call a general contractor for single trade reconstruction issues even though premiums (paid) have full replacement costs of the home already factored in. They claim that a homeowner should contract the single trade scenario on their own.

But, is that what consumers have pre-paid for? Carefully consider the inherent value of a premium by reading the following TDI (Texas Department of Insurance) bulletin...



Full replacement of a structure and construction products, processes and pricing is actuarially based on “Cost plus 10%” type construction business economics math in a particular region. (10% equaling a reasonable (pretax) profit on the whole investment “cost”. Since FULL replacement of the structure has been anticipated in the premium, and primary general contractors place new (and replace) structures, then an insurer should have no problem with a homeowner hiring a general contractor for a single or multiple trade reconstruction issue/project.

FULL replacement (primary general construction business processes/costs) are woven into the structure, and are proportionally indemnified. A general contractor is afforded by the premium no matter if FULL or PARTIAL reconstruction issues come up that an insurer has to pay for.

Remember the TDI bulletin points...

- 1. “The DEDUCTION of prospective contractors overhead and profit and sales tax in determining the ACTUAL cash value under a REPLACEMENT cost policy is improper, is not a reasonable interpretation of the policy language, and is UNFAIR to insured’s”.*
- 2. “Premiums charged must not be excessive for the risks to which they apply”.*
- 3. “Under a replacement cost policy, the liability limits of the policy and the premium paid by the insured are determined on the basis of the replacement cost of the structure”.*

**(Replacement costs are based/determined, in part, on primary general construction business products, processes and pricing. Construction business investment costs plus 10% profit is part of ALL of the replacement costs built into the premium).*

- 4. “The value of contractor’s overhead and profit, as well as sales tax on building materials, has been included in the limit of liability for which the insured has paid premium.”*

**(Primary general contractors, and their subcontractor cost VALUES, are already actuarially factored into the TOTAL VALUE of the premiums “limit of liability”).*



5. *“If the insurer in determining actual cash value excludes costs that are included in the determination of liability limits, on which the insured’s premium is based, the insurer reaps an illegal windfall because the insurer receives premium on insurable values for which loss may never be paid”.*

**(Insurers who “exclude” primary general contractors from single trade (i.e.; roofing or painting or carpet, etc.) work have excluded costs already included in the determination of the liability of limits the consumer/premium has proportionally paid for. Not including those values in a claim payment results in too much premium being charged.)*

With the above being said, insurers who pre-charge for construction business values and do not proportionally repay them are, according to TDI, acting in an illegal manner.

Also, insurers who preach/practice the two or more trades are needed before general contractor oversight is warranted philosophy are also consistently/simultaneously defying their own “rule of thumb”...

How so?

When a property becomes (hail, wind, rain, fire, etc.) damaged and needs roofing, painting, siding, windows, doors, guttering, etc. repair or replacement, insurers are EXCLUDING roofing costs from primary general contractor (2 – 3 or more trades needed) quantified estimates.

Subsequently, the primary general contractor overhead and profit lines (may) appear on the insurers estimate, but, (after having manipulated their estimating software) [refer back to “The Effect of Estimating Software on Pricing”], have been reduced or eliminated all together. Most consumers [and far too many contractors] who are not construction business estimators, are deceived and fooled by that one underpayment scheme alone.”

Visually the insurer underpaid claim estimating scheme looks like the following abbreviated construction estimates on the next page...



Typical basic "Costs plus 10% profit" Primary general contractor estimate; (for addressing hail, wind, rain storm damage)

Roofing Sub	\$ 5,500.00
Guttering Sub	\$ 840.00
Windows Sub	\$ 485.00
Garage Door Sub	\$ 900.00
Sheet Rock Sub	\$ 1,400.00
Cabinetry Sub	\$ 3,400.00
Painting Sub	\$ 1,200.00
Total Sub Trades	\$ 13,725.00
Materials Tax	\$ 442.00
Sub-total 1	\$ 14,167.00
10% Overhead	\$ 1,416.70
Sub-total 2	\$ 15,583.70
10% Profit	\$ 1,558.37
Contractor Total	\$ 17,142.07

NOW, on the next page, compare an exact "fair and reasonable" / "competitive" [various P&C insurance companies] type "Costs plus 10% profit" construction business estimating-claim settlement practice...



Roofing Sub	\$ 5,500.00	
Guttering Sub	\$ 840.00	
Windows Sub	\$ 485.00	
Garage Door Sub	\$ 900.00	
Sheet Rock Sub	\$ 1,400.00	
Cabinetry Sub	\$ 3,400.00	
Painting Sub	\$ 1,200.00	
Total Sub Trades	\$ 13,725.00	(So far, the Contractor-Insurer-Adjuster estimates are equal to previous page)
Materials Tax	\$ 000.00	(Uh-Oh...Materials tax investment dollars moved)
Sub-total	\$ 13,725.00	
10% Overhead	\$ 822.50	(How, why is this figure 10% of \$13,725.00?)*
Sub-total	\$ 14,547.50	(Materials & Roofing sub-trade costs are not included.)
10% Profit	\$ 822.50	(How, why is this figure the same as the 10% Overhead sum?)**
Materials Tax	\$ 442.00	(These orphaned investment dollars have \$92.82 O&P unaccounted for.)***
Ins. Co. Total	\$ 15,812.00	
Contractor Total	\$ 17,142.07	
Ins. Co. Total	\$ 15,812.00	
Ins. Co. "Savings"	\$ 1,330.07	

Double Check - Contractor O&P totals equal \$2,975.07 minus Ins. Co. O+P totals of \$1,645.00 = \$1,330.07 kept by Ins. Co.

By using some construction business estimating software slight-of-hand trickery the roofing sub-trade costs and materials tax are ZEROED OUT of the Ins. Co.'s Primary-General Contractors estimate totals so the Overhead "Savings" (coupled with materials tax-O&P NOT factored into the sub-sub-total) equals... *Ins. Co. Primary-General Contractor 10% Overhead is \$501.38 short. ** Ins. Co. Primary-General Contractor 10% Profit is \$735.87 short. * Materials tax dollar investment is \$92.82 O&P short.*

NOTE: Due to the complexity of insurance paid restoration work and all of the additional factors involved, "10 & 10" GC O&P often results in a drastic underpayment to the contractor. In other words, 10 & 10 simply does not cut it. When first opened, 3RStimax© shows 14.5 & 14.5% rather than 10 & 10 – based on the particular contractors true overhead and profit needs.



*Participating insurers explanation to consumers is that ‘the (roofing, carpet, painting, etc.) contractor’s overhead and profit is already included in the estimate, so the general contractor overhead and profit should be reduced proportionally’. Such nonsensical double speak will get by, (or be meekly accepted by), most stressed out policyholders (and inexperienced contractors and their sales reps) who just want the whole claims “process” to end. *(Just do the math. If the final (primary general) contractors’ 10% profit line is NOT 10% of the insurers estimate, the claim has been underpaid).*

This subject is important and fluid and the opinions vary widely. Insurance companies think they should only pay on minimum of 2 or 3 trades with roofing deducted, if they include it at all. Contractors, some legal experts, and several State insurance commissioners believe and/or have opined/ruled that GC O&P should be paid on 100% of all claims (as does 3RSystems, LLC). Ultimately, since, as pointed out previously, all of the costs discussed are already factored into the insured’s future based and priced premiums, P&C insurance cannot legally or otherwise refuse to pay for GC O&P.

Re-stated; GC O&P, always charged in premiums, therefore, always due on every claim. When not paid, unjust enrichment to the insurance company. Insurance adjusters and in house claim reps who, acting technically as fiduciaries of the insurance company, attempt to withhold GC O&P from insured’s can be held personally liable for any financial or other damage to the insured. Adjusters often (wisely) take out error’s & omission’s (E&O) policies to protect their own interests should they ever be found to have violated their implied fiduciary duty to an insured. It never hurts to remind adjusters and/or in house claim reps of their potential liability.

Remember – the insured pays the premium and that always makes them the boss, not the insurance company. And, if your customers P&C insurance company shows a reluctance to pay GC O&P on 100% of each job, you may need to read to them the 3RS “O&P Statement” that makes it perfectly clear why they should be including 100% GC O&P on each and every claim.

Some adjusters will outright lie to contractors and insured’s in saying that GC O&P is included in the line item pricing. While it is true that sub-contractor O&P may have been included in the line items, as Xactware’s own white paper clearly states – “The building cost data published by Xactware is not designed to be inclusive of sales tax, General O&P, or Job-Related O&P within the unit prices.” In other words, GC O&P is to be added to the subtotal which is arrived at by adding the line item total and materials sales tax total. GC O&P is then properly calculated as shown on the previous pages and in the 3RStimax© example which will result in a more than 10% & 10% total. If however, an adjuster or claims manager agrees to pay GC O&P at the typical “10 and 10”, you may just want to accept it and move on, or not.

Again...specious and nonsensical arguments against not paying GC O&P such as the so-called “3 trade rule”, “not complex enough”, “not due on roofing”, etc. should be flatly disregarded. The substantive rule and standard that most courts have agreed on regarding when GC O&P is owed is as follows; “If it is reasonably likely that an insured will hire a general contractor to complete the repairs, GC O&P is owed on the entire amount of the job whether or not the insured actually hires a general contractor to complete the repairs.



△ *The Doctrine of Privity and Conscious Avoidance* △

The Doctrine of Privity is a legal interpretation in contract law where contracts are only binding on the parties signing the contract. The idea is that, contracts are private agreements among the signatory parties (e.g., a contract between an insurance adjusting company or engineering company and a P&C insurance company) which technically should have no bearing on others who are not involved in making the contract (i.e., insured policy holders/contractors). While the doctrine makes sense in certain situations, over time it has proved to be problematic and numerous exceptions to the Doctrine of Privity are now well accepted.

Now more than ever, 3rd party insurance adjusting and forensic engineering firms who conduct hail damage inspections for insurance companies and repeatedly deny legitimate damage are included in those numerous exceptions mentioned in the first paragraph, for reasons that, if not already clear, should become clear upon further reading.

Here's essentially how the inspections process works after a storm comes through a city and causes hail damage to a large number of properties. An insured property owner files a hail damage claim with their P&C insurance company. Typically, an "independent" insurance adjuster (IA) employed by a 3rd party insurance adjusting firm contracted with and paid by the insurance company inspects the property for damage and far too often, denies or attempts to underpay for legitimate covered damage.

When there is a question on the part of the property owner as to whether or not damage is present and claimable at the property being inspected, on request of the insured, P&C insurance may order an adjuster re-inspection of the property in question or, on demand of the insurance company, send a forensic engineer employed by a 3rd party engineering firm contracted with and paid by the insurance company to conduct a "scientific forensic" inspection of the property. On completion of his/her inspection, the forensic engineer will then submit his/her opinion to the insurance company as to whether or not damage is present and claimable.

Unfortunately for thousands of insured property owners across the country every year, many of those 3rd party engineer's inspection reports – their supposedly "scientific" opinions, result in, according to wide ranging research that includes the opinions of several experienced insurance company paid CAT adjusters, an improper and sometimes criminal claims denial rate as high as 94%.

When a property owner with legitimate hail or other damage (or their attorney) complains to their insurance company about the suspected false denial or underpayment, the insurance company says they relied on an expert (3rd party engineer with an important sounding title). Since the insurance adjusters and engineers and the companies they work for are contracted with the P&C insurance company and the insureds are not a party to that contract, the P&C insurance companies as well as the insurance adjusting and engineering companies have, at least in the past, been able to hide behind the Doctrine of Privity.



In the past, the above would likely have been sued out as a bad faith breach of contract claim against the non-paying insurance company. As such, since neither the insurance adjuster company nor the engineering firm were a party to the contract between the insurance company and the insured, they believed themselves to be immune from being held liable and accountable for their improper actions. Denial of the existence of legitimate damage by an insurance adjusting company and/or engineering firm however, would rightly and properly be deemed a “breach of a societal duty not to affirmatively mislead or advise without a factual basis.”

In other words, a “fraudulent misrepresentation that constitutes a breach of duty of honesty imposed by society, and not contractual duties” that removes the Doctrine of Privity from the picture and opens the door to potential multi-million dollar individual and class action lawsuits against, not just the actual P&C insurance companies, but the offending insurance adjusting and engineering companies as well. I imagine that more than a few contractors, public adjusters and insured property owners from across the country would be more than happy to offer their testimony.

The doctrine of Conscious Avoidance (aka “willful blindness”) provides that a defendant (for purposes of this program, P&C insurance companies and their executives, 3rd party adjusting companies, or 3rd party engineering companies) who willfully shields him or herself from clear evidence of critical facts is considered to be just as culpable and liable as a defendant who has actual fact knowledge of a civil or criminal offense. *Mens Rea* is defined as the mental component of criminal liability. To be guilty of most crimes, a defendant must have committed the criminal act in a certain mental state (the mens rea). However, under the Doctrine of Conscious Avoidance, corporate officers who show a behavior pattern indicating they willfully tried to avoid (or intentionally “blinded” themselves to) knowledge about the (improper, illegal, and otherwise) activities of others employed by the company, may still be held personally accountable and liable for any damage caused by the actions of those under their ultimate supervision.

The above charge would/should clearly apply, in my opinion, to P&C insurance company CEO’s, independent insurance adjusting company CEO’s and engineering company CEO’s – for reasons that should be obvious to anyone who has ever sought to assist insured’s with their property damage claims.

△ *The Process* △

Review **Reposition** **Recapture**



*"Conventional wisdom is often long
on convention and short on wisdom"*
- Warren Buffet

On many occasions while working on a claim, adjusters who hadn't met me previously would ask me what the 3 R's in 3RSystems stands for. I could hardly resist replying that it meant "re-inspect, re-inspect, re-inspect". Sometimes I'd get at least a hint of a smile out of some of those guys.

As it applied to my financial services clients who were, in a number of cases, millionaires and multi-millionaires, the first step in finding areas of improvement was to review their current financial position. In doing so, I was able to ferret out weaknesses in their overall financial planning and address those weaknesses (often, misplaced assets) with the client. Next, based upon their personal and business needs and desires, I would show them how to reposition those weak assets to where they would much better serve the client. As a result, the client was able to recapture money that otherwise would have been lost to unnecessary taxes, poor performance and other forms of erosion.

In regards to the business of insurance claims repair contracting the same basic processes and principles apply. By reviewing your core business structure and practices and repositioning that structure and the practices according to a more successful model, the workplace is more conducive to getting work done, people are happier and more productive, and the company as a whole has a greater competitive advantage. In other words, you recapture that which may have been alluding you – more money, more freedom and more fun. As mentioned previously, that's exactly what "The Playbook"© was designed to help you do.

As the leader of your company you face unique challenges. Not only do you need to continuously pave a way that others will want to follow, you need to exude confidence and authority while doing it. And, you need to be able to transfer that confidence to those who rely and depend on you. One way to accomplish that goal is by making sure that you understand and live by the following three basic but key qualities; commitment – competence – character. As the owner, you already possess these qualities at some level but there is always room for improvement. Once you've improved and strengthened your own commitment, competence, and character, you can then teach and transfer those same qualities to others.

On the following pages, I'll cover several key areas of concern for review by you as a business owner. I'll then offer suggestions on how you might reposition your efforts so that your efficiencies are improved. It all comes down to good business planning plus training, learning, studying, experience and wisdom. The quality of the investment you make in yourself and your company (your investment in this program is a great example) will dictate the quality of your life and the success level you achieve.

Business Structure

Before considering anything else, one of the most important questions you need to ask yourself is; What is my “tipping” point? What is a “tipping” point? As it applies to independent construction contractors the “tipping” point is that point where you go from a small shop with zero to a couple of employee’s doing enough work to keep yourself busy and earning a decent income to taking on so much business that you can no longer handle it without “going corporate” – so to speak.

Inexperienced contractors who see storm damage as a windfall and decide to get in on all of the extra business before putting together a solid business plan that considers their own “tipping” point fail on a regular basis. They may run a lot of money through their company’s bank account but when all is said and done, they may not have much to show for all of their efforts. Experienced contractors who have run a successful retail shop for years before deciding to attempt storm or other property damage restoration contracting often make the same mistake.

Once a contractor reaches their “tipping” point they are forced to go from hands on to executive administrator who must leave their old more comfortable and familiar ways of doing business behind. If the “what if’s” have not been considered in the contractors business planning, dealing with all of the problems associated with rapid growth which exceeds the contractors “tipping” point puts the contractor through an often very expensive and painful learning curve. By making sure that your business planning takes into consideration your “tipping” point and what you will need to do if you reach that point, you’ll avoid the kinds of problems that can make you regret your decision to go after a bigger share of the tremendous profit and income potential of storm or other property damage restoration contracting.

Some “tipping” point considerations: What is my “tipping” point? How many new employees would I need to hire and for what jobs? Who would I trust to run my production department? Can my bank handle the extra business? Will I need a sales manager and who would that be? Will I need a new accountant and tax planner? Do I have good relationships with and commitments from enough top installation crews? Do I have the right amount of and types of insurances? Are my supplier credit lines big enough? What changes will I need to make regarding my marketing and training? Is my current attorney well versed in construction and insurance law?, etc.

Having a good business plan is no different than having a good insurance plan. Both will protect you and your business from potential disasters.

Marketing

There are some contractors whose ideas on marketing their services are not thought out much better than the aforementioned idea of putting an order pad on a dog's behind and sending it out in the hopes that someone will sign it. On the next few pages we'll review some of the different aspects of and approaches to marketing that should help you to increase your effectiveness and profit and income potential while decreasing your exposure and expense.

Of all of the different approaches storm damage contractors use to market their services, face to face door knocking is the most widely used. Is that the best approach? Depends...

It's easy enough to place an ad for sales reps, put them through a short storm damage sales rep training, then send them to the storm damage area with a few contingency agreement contracts to start knocking on doors. If working in a "red zone" with lots of damage, without fail, the reps will start bringing in signed contingencies in short order. While door knocking is effective, that doesn't necessarily make the approach the most efficient one. Again, depends...on a number of factors.

The first factor for any contractor to consider is their "tipping" point that I talked about previously. At what point do they go from hands on independent construction contractor to administrative executive who needs to start hiring staff to handle an ever increasing amount of business. Many contractors shoot themselves in the foot by trying to do too much with too little then find that their business and their expenses are out of control – they exceeded their "tipping" point. Soon after come the angry phone calls and threats of lawsuits from disgruntled customers and suppliers. Less money, less freedom, and NO fun!

This usually happens because the contractor didn't have a well thought out and written business plan that allowed for contingencies and considered their "tipping" point. Instead, he (or she) decided to follow the unwritten "fly by the seat of your pants" business model and hope that there will be enough income left over when all is said and done to clean up the mess.

Regardless of a contractors approach to marketing their services, a sound, written and well thought out marketing plan is as important as a good business plan. As cities place more and more restrictions on contractors who market their storm damage repair services through door knocking, other alternatives need to be considered. In recent years, many storm damage contractors are finding that radio in its "singleness" (unlike a news paper ad placed in a paper with many others) can be effective. Whether a first step to getting one's foot into a neighborhood or the only form of advertising used, radio can also be extremely cost effective.

I used radio because calls from potential customers would tell me where to find the storm damage rather than having to search for it. After

a few calls I was able to easily determine where the highest value properties were and go to work.

Some contractors still shy away from radio advertising because of a misperception of the “high” cost. While the up front cost may initially seem prohibitive, the actual overall cost is negligible when all things are considered and, in my opinion, is one of the best ways to get into the best and most profitable areas.

The primary reason I liked and used radio ads is because I knew what my “tipping” point was and had no desire to exceed that point. By advertising over a known time period at a known cost I could predict at what point I would near that “tipping” point. I knew that, if reached, although my profits would increase, so would costs for additional staff, overhead, general problems, etc. My goal wasn’t to sign up as many jobs as possible, my goal was to earn as much profit and income as possible in the shortest amount of time in order to have more than enough money with which to take good care of my family, invest for retirement, give to charity and take the occasional luxury vacation – all without exceeding my tipping point.

Consider these two different perspectives of a “tipping” point of \$1,000,000 when working an average size “red zone”:

Contractor A hires sales reps and sends them out to knock on doors and sign up work. With minimal training, the reps sign up \$1,000,000 worth of business at an average per job price of \$15,000. That’s 66.67 jobs. Because the reps signed up so many contracts, the contractor has to hire additional staff, installers, etc. in order to get all of the work done. It is guaranteed that due to the lack of training and experience on the part of many of the door knocking reps, thousands of claims dollars as well as GC O&P dollars will be left unpaid.

Contractor B, a 3RSystems, LLC trained restoration contractor, advertises on the radio and focuses, not on hiring and sending reps to canvass every possible neighborhood within and around the storm damage area, but rather focuses specifically on the highest bracket properties with damage and meeting personally with the owners. Because of the 3RSystems, LLC trained contractor’s credentials and ability to prove real insurance claims expertise (after completing this training program) the doors to those high bracket properties open much easier. Because the higher bracket properties are so much larger the settlement amounts are as well. Instead of 66.67 jobs at \$15,000 each (and an average underpayment of \$2,500 per job – pure profit never realized by Contractor A as the owner) Contractor B writes up 18.20 jobs at \$54,945 each that equal the same \$1,000,000 (around a 3 to 1 ratio) and on all jobs, all damage is accounted for and paid and, on most jobs, the highest possible GC O&P is paid.

While Contractor B’s per job costs were higher so was the overall profit that was earned. Contractor B reached the \$1,000,000 figure with 18.20 jobs and because of that lesser number of jobs, he never had to worry about reaching or surpassing any “tipping” point while Contractor A who contracted 66.67 jobs and earned less profit overall surpassed his “tipping” point long before reaching the \$1,000,000

mark. Estimated profit lost by Contractor A; \$200,000 and that doesn't include the sales commissions paid to his reps. Contractor B is sleeping soundly while Contractor A is spending his nights staring at the ceiling.

Now, it's easy enough to conclude the obvious – that being that you'll make more money contracting with owners of larger and more expensive properties. That is certainly true in theory but it's how things work in practice that really matter.

With a background in dealing with high level business owners and executives of high net worth I had no reason to fear going into the top bracket areas where many of them lived, presenting my provable credentials and asking for their repair business. Having the credentials that proved actual insurance industry experience, knowledge, and training, I made it a point to illustrate the difference between what I offered them in terms of experience and what the competition who only claimed insurance claims expertise was offering. Ninety-nine times out of a hundred, that got me the job. The one property owner who didn't go with me usually put the ACV insurance proceeds in his or her pocket.

The result was that by working with fewer property owners who owned properties of much higher value, I earned more money with less effort in less time. I would also get more insurance money and GC O&P out of each one than the competition.

When the young guy who didn't see the "FREE Hail Damage Inspections" lettering on my truck came knocking at my door offering me a free hail damage inspection, the only reason I talked with him was because he looked and dressed like a pro. I admit that I also wanted to have a bit of fun with him about missing the obvious. But, because of the way he presented himself, I was willing to spend a few minutes listening to what he had to say – then give him a few pointers to consider which included being able to support any claims of actual insurance claims expertise he was making.

Trust me when I say that owners of upper bracket properties are not going to easily open their doors and agree to do business with contractors or their sales reps who claim to have insurance claims expertise but can't back it up. They are more likely going to demand credentials that support such claims before they sign on the dotted line. With your completion of this program, you'll be able to present to those higher bracket owners the credentials necessary to persuade them to open their doors to and do business with you.

The best advice I can give on the subject is to, besides having your reps read through and internalize this material, spend the time and the money to properly train your people. If you have employee's or independent reps with potential, spend a bit of money to put them through a good sales course (after this one!). If the people you trained and sent through additional sales training remain loyal, you'll do better overall. If not, you'll at least have helped that person to improve themselves.

Also important – dress ‘em up! Nothing more ridiculous than watching a bunch of guys running around storm damage zones in torn up shoes, shorts and a ratty looking t-shirt hanging out while knocking on the doors of property owners with storm damage. That may work with the property owner who adheres to the same dress code and lives in the beat up property with an old Trans Am up on blocks on the side of the driveway but it will never work in the zones where you’ll find the higher bracket properties.

You do want to be seen as the contractor of choice who is most likely to get the job done, don’t you? Of course you do! You’re the boss...teach them to dress for success as they represent your company to the public. Looking good and professional and sounding good as a result of the substantive training provided by you will earn your reps and you the additional income, prestige, respect, and credibility worthy of a true professional.

Suggestion: Have your reps read through the entire playbook with an emphasis on the “The Process” section. When you do so however, always have them sign it out and in and never let it out of your office. If you do, they might make copies of the material and use it to compete against you later on.

A contractor may be the most organized, most efficient and most experienced business person who knows everything there is to know about running a retail construction/remodeling company and keeping it profitable over the long term. However, when it comes to successfully processing insurance claim restoration work and earning maximum profits and income, all of the retail contracting experience in the world won’t help him or her to do so without the proper training that you receive through this program.

Review: *study or examine current business practices and look for ways to improve*

Reposition: *when ways to improve practices are revealed, apply them – right away*

Recapture: *take control of (and deposit) the thousands of claims dollars you were leaving behind!*

Show me the Money!

The storm has come and gone and you're ready to do business. Having completed 3RS *Profit MAX* / The Playbook© you are now properly trained and prepared to rise to new heights never before attained. If you are hiring sales reps, train them according to what you have learned from The Playbook© before sending them on their way. What did they learn that will help you to increase your profit and income potential and bring you to your goal of more money, more freedom and more fun?

The Process

First of all, again...before they leave your office, dress 'em up. They are now trained and verifiable "insurance restoration specialist consultants" as a result of the training you provided to them through this program. Make sure they promote that fact and make sure they point out what that means to your potential customers. Whether door knocking or responding to a radio, newspaper, or other ad make sure they are prepared to present themselves in the most professional manner.

You've determined where the highest bracket properties are at and start to work the area or you send your reps there if not responding to telephone calls from your advertisements. Because of the professionalism of your or your reps presentation, the property owner has agreed to sign one of your contingency agreements.

Contingency Agreements (AKA legal and binding contracts)

Previously, the reasons property owners with storm damage should never agree to work with "free" estimate contractors were pointed out. Everyone knows that many attorneys work on a contingency basis and they understand how that process works. Pointing that out to initially reluctant property owners will usually help them over any objection. "You would like to make sure that the person and the company assisting you with your claim is trained to get the job done right, wouldn't you"? (shake head "yes"). Written properly to include an offer, consideration and acceptance, a contingency agreement is a legal and binding contract that best protects both the contractor and the insured property owner customer.

Once you or your rep has clearly explained the terms of the contingency agreement contract (Form # 17 CONTINGENCY AGREEMENT CONTRACT) and the property owner has signed it, you or your rep will attempt to get a claim number from the newly "inked" customer which will be written on the contingency agreement contract before giving the customer a copy. Writing their claim number on your freshly signed contingency serves to further "commit" them to doing business with you.

It's always an advantage to have a list of insurance company claim numbers with you (Form #19 CURRENT CLAIM NUMBERS) so you can find the customers insurance company claim department number and have them call and file their claim on the spot. The other alternative is to have the customer find their insurance company's claims number on their policy and call them while you wait, whenever possible.

Next, you or your rep will provide the customer with an instruction sheet that will direct the customer on what to do when their insurance company's claim department calls them with an inspection date. Below is a suggested example (Form #18 CLAIM INFORMATION AND INSTRUCTIONS).

Your Company Name Here

CLAIM INFORMATION AND INSTRUCTIONS

To get the telephone number of your insurance company claims department go online and type in the name of your insurance company and claims then click on the link or call your agent for help.

Claims Telephone # (____) _____ - _____ Date of Loss ____/____/____
 Insurance Company _____ Policy# _____

"Hello, I would like to file a claim for wind and hail damage to my property."

Important: In order to insure that the insurance company adjuster does not show up unannounced it is your right as the insured to insist on a **firm date and time** appointment.

When the insurance company claims representative gives you your claim number tell him or her to have the adjuster call you at least 72 hours in advance with a firm inspection date and time. **Note:** It is helpful but not mandatory that you be there when the adjuster inspects your property for damage. Sometimes, insurance adjusters will purposely arrive early or late in order to avoid supervision during their inspection. However, they will still have to pass our audit of their loss report and if necessary, they will have to conduct a re-inspection of the property if we are not satisfied with their settlement offer.

When the adjuster calls you to set the meeting date and time, call me right away with the claim number and the date and time at the numbers listed below. Please leave a message if I am not in.

Claim # _____
 Adjuster Name: _____
 Adjuster Telephone # (____) _____ - _____
 Adjuster Meeting Date ____/____/____
 Exact Meeting Time _____ : _____ AM PM

If you have a mortgage, your insurance company will probably list the mortgage company as a co-payee on your insurance check(s) and require you to complete "LOSS DRAFT" paperwork. As soon as we are sure your insurance company has paid you fully, we will assist you with your mortgage company's requirements.

Call REP NAME at REP NUMBER or REP NUMBER(2) with your claim number and the adjuster meeting date and time as soon as you receive that information and record it on this form. Please call if you have any questions.

NOTE: When you receive your insurance company's "scope of loss" report (what they offer to pay you for the repairs), make a copy of the entire report including a copy of the insurance check and call us right away to pick it up or fax the entire report to us at: your fax number.

Your company address and telephone number

With the signed contingency agreement contract in hand, you or your rep go back to the office and open a new file.

Since you have sought out the highest bracket properties within the storm “red zone” which means you’ll have to do less work (less number of jobs) while earning more money, you can afford to take the time do to the job right.

Next step, pre-inspect

You or your rep goes back to the property to measure, photograph, and document the entire loss. Everything that could possibly have been damaged, including collateral damage all the way down to a basket left on the rear deck, needs to be included. Even though some of the items may seem insignificant, you need to include them. You want to add as much “weight” to your estimate of the damage as possible. Photograph everything including all sides of the building – roofing and siding, and make sure to take good close up shots of the damage. Be sure to also document any and all pre-existing non storm related conditions such as rotted wood, any leaks or evidence of leaks, loose or damaged gutters, driveway cracks, fence damage, torn screens and broken glass, etc. Place this information in the CYA (Cover Your Ass-et’s) section of your job file.

If there is damage to the siding, take a small sample as proof, to find the brand and to settle any matching issues. Once all of this is done, go back to the office and write up a preliminary estimate of the repair costs. When doing so, if available, always use the highest paid insurance company loss report from previous jobs as your pricing guide. If you know that your suppliers have increased their prices, adjust your estimate based on that high loss report to reflect the additional supplier price increase. Once you have arrived at the correct price (materials sales tax included), add in your proper GC O&P per the schedule found in the Overhead and Profit Issues section on 100% of the total - not 100% minus roofing or painting, etc. Don’t forget to add for permits, dumpsters, RRP, supervisor, clean up, etc. NOTE: 3RStimax® automatically calculates proper GC O&P on your estimates according to the percentages you enter on the GC O&P lines.

Always figure siding at 100% of the total square footage, not 100% minus square footage of the openings (insurance companies often take out all of the openings and attempt to pay only on the actual square footage left over which leaves no payment for waste). Also charge for channels, corner posts, etc. You (or your customer) can “negotiate” (on materials needed) with the insurance company later if necessary. If they pay it however, take it. Once you’ve completed your preliminary estimate, prepare to present your findings to the adjuster after he or she has completed their inspection. Using Form #15 WHAT TO LOOK FOR CHARGE FOR as your reference, always account for everything including existing backers, utility boxes, address numbers, electrical work, etc. and always charge for it.

The reason for demanding a specific date and time appointment is so that you can keep control of the claim. Adjusters working a storm want to complete as many assignments as possible and if the adjuster knows no one will be present during their inspection they’ll get those inspections done that much faster. The problem is however, that this allows an adjuster to easily under record and under price the damage and allows them to do “drive by’s” as well. What that means is that the adjuster will step out of their vehicle just long enough to take

measurements and photos then get back in their vehicle and be on their way to the next claim. Their hope in those situations is that the insured never contacted a contractor who knew what he or she was doing and will accept the insurance company's insufficient settlement offer and look for "free" estimates based on the underpayment.

Even though an adjuster may have agreed with the insured to appear at a stated time, that doesn't mean they'll do so. What occasionally happens is that the adjuster, assuming that a contractor with some level of experience might be present at the inspection and will arrive at the stated time, arrives before the stated time, completes their inspection and then leaves before the contractor arrives – at the stated time. The way to prevent this from happening is to always arrive early.

Next step, the inspection

You or your rep are scheduled to meet an adjuster at a specific time. It doesn't really matter if the adjuster knows you'll be appearing and it's probably to your benefit if the adjuster doesn't know. If the appointed time is 2:00 PM, you arrive forty-five minutes early fully prepared with your file that includes your diagram(s), photos, repair estimate based on the insurance company's highest numbers, signed contingency copy (to prove your contractual relationship with the insured), damage area specifics, and a business card to hand to the adjuster. If you are an American Policyholder Association (APA) member, you want to wear your APA hat and pin, show the APA badge on your agreements, your truck and elsewhere and make sure the adjuster (or engineer) know you are an APA member.

Upon arrival, you refresh your memory by going over your paperwork, notes and photos. You then very lightly mark out the roof, siding and all other damage (driveway chalk works fine) so that you know exactly where the damage is but the adjuster is never sure what you believe is damage. Don't "show your cards" to the adjuster. If the adjuster arrives early, you'll already be there. If the adjuster arrives at the appointed time, you'll have already prepared (takes about fifteen to thirty of the forty five minutes) your "presentation" and had extra time to make calls or review your notes again.

I always recommend to contractors that, having arrived forty five minutes early, they complete their pre-inspection and put their ladder away before the adjuster arrives then leave the property and wait out of sight for the adjuster to appear. This leads the adjuster to believe that he or she is on their own and won't have to deal with another contractor. This has the effect of putting the adjuster slightly off balance when they see the contractor drive up.

Remember that adjusters are simply people doing a particular job. Some will be friendly and others, not so much. Some don't mind working along side a contractor and others can't stand contractors. Some will be more liberal in their damage assessments than others. Regardless of their disposition, always keep your cool and objectivity. Never let disagreements between you and an adjuster become personal but always stand firm regarding what you believe to be damage.

Before the adjuster (or engineer) begins their inspection they will introduce themselves to the property owner and explain the process to them. It is at that point that your customer needs to present the adjuster (or engineer) with the Adjuster/Engineer Questionnaire/Report and ask them to complete it, sign it then return it to your customer before they leave the claim site. Whether they complete, sign and return the questionnaire to the customer or not, they will have been put on notice that the insured and you as their contractor will be paying close attention to the process.

If they arrived before you were able to take your ladder down, let the adjuster know that he or she is free to use it if they wish. Some will, some won't. Some adjusters will set up their own ladders. If they do and you've put your ladder away, as a courtesy, always ask them for permission to use their ladder.

As the adjuster starts their inspection, determine as best you can, their disposition. Should you lead or follow or alternate between the two? Mirror them and get a feeling for their disposition. If they are less than friendly that doesn't mean you should become unfriendly, it means you stay objective, unemotional, and on business point. If they are friendly, be business friendly with them but never go beyond that point. They need to know they are working with a true professional who knows what they are doing. Take good notes of your conversations with the adjuster during the inspection so you can refer to them later on. Even record if legal in the state you are working in.

Insurance adjusters come across unprofessional contractors and contractor sales reps on a daily basis who obviously have little to no idea what they are doing. As you can imagine, dealing with those people can become quite frustrating. According to the adjusters who have often shared their thoughts with me on the subject, the contractors that cause them the most frustration are the ones who hire teams of sales reps, put them through basic "insurance claims sales rep" training and then send them out to start knocking on doors. They know that many of those contractors are simply "throwing mud up against the wall" hoping that some of it will eventually stick.

Because of their inexperience however, those newly minted to relatively "experienced" reps are continually claiming damage where there is none to speak of. As well, because of that inexperience, although the reps may be bringing in a lot of signed contingencies, many of them that do convert to actual repair contracts are often underpaid and are also often problematic. That's an upside down way of doing business – and a recipe for financial disaster. "Tipping" point? What's a "tipping" point? they ask as they run to and fro, trying to put out the seemingly endless business fires that they themselves created by their careless business practices.

Once you have completed this program and have learned the system, you will find that (most) adjusters will respect you for your professionalism. They know that as a 3RSystems, LLC trained restoration contractor, you know what you are doing and they will therefore be more inclined to properly pay your customers claims accurately. They know there will be plenty of other inspections where, if a contractor or contractor sales rep is present, he or she may not be very experienced or no contractor will be present during the inspection. Guarantee...the great majority of those claims will be underpaid.

Because you followed the advice given previously, and you ordered and studied the “bible” of roof damage assessment, HAAG’s “Composition Roofs Damage Assessment Field Guide”, you are already better prepared than 95% of other contractors or contractor sales reps out there when you get on the roof with the adjuster. You’re also better prepared to deal with the oft times, more aggressive adjuster who claims to be “HAAG certified”. When some adjuster would tell me they are “HAAG certified” I would simply respond with “that’s nice, good for you.” All that told me was that they, being “educated” (“HAAG certified”), were relying more on what they were taught than what they actually knew from experience and by applying the “truth/wisdom” principle mentioned earlier. Without going into detail, smile confidently as you let them know that you are also familiar with HAAG’s material.

As soon as the adjuster climbs up on the roof he or she will start looking for damage. Remember, you’ll have to decide, based upon the adjuster’s disposition, whether you should lead or follow. Initially however, just follow and observe. The adjuster may ask you to show them “what you think is damage” or they may just start looking. If they ask you to show them what you believe to be damage, they are testing your depth of experience and knowledge. Since you’ve already slightly marked what you think is damage, lead them to a few of the marks. As they inspect those marks they will offer their opinion of your assessment (you are, at this point, testing them as well). Always keep in mind what the independent adjusters said previously in the section on “Prejudicial Engineering Firms.” Whether the adjuster claims to be “HAAG certified” or not, what those adjusters said in that section still and always will apply.

On the roof, the first thing they’ll look for is damage to the “soft metals” which are usually the vents and vent caps and skylight casings. Smaller hail can cause slight damage to the soft metals without severely damaging the actual roofing materials but, if there is damage to the soft metals there is usually damage to the roofing itself. The next thing the adjuster will look at is the “harder” metals such as metal valleys and chimney caps. Depending on the size, hail that will damage asphalt roofing may or may not damage heavier (“harder”) metals such as those mentioned above or typical .032 gauge aluminum gutters. By now, you should have a good idea where the adjuster stands.

As required, the adjuster will outline a “test square.” A “test square” is usually a 10’ x 10’ area drawn out on the roof from which the adjuster will circle hail “hits” to be counted. Different insurance companies require different numbers of “hits per square” to determine whether or not there is sufficient damage to “total” the roof. If the adjuster circles at least 5 to 7 hail “hits” within their test square that’s a good indication that they have decided to “total” the roof (pay for full replacement). Or, they may draw a big zero in the test square with a line through it designating zero hail or wind damage and therefore, no payment on the claim. As a trained professional you know better than to mark damage where there is none so if the adjuster zeros out what you know to be damage, it’s time to take the lead.

A note about test squares: Beware of the adjuster who lines out a test square under the most protected part of the roof. They are, of course, attempting to deny damage to the whole roof by saying there is no damage found in their test square that just happens to be under the biggest tree in the neighborhood.

Staying on business point, you objectively but firmly argue your case with the adjuster for approving the damage. You also take good notes of what the adjuster says during the “debate”. By now, you should have a clear idea how to proceed and whether or not it is worthwhile debating the issues further with the adjuster.

Many adjusters will flat out deny obvious damage to roofing materials and approve payment only for the “soft metals” replacement. Since the cost to replace just the soft metals is usually under the insured’s deductible, the adjuster can turn in a report that requires no outlay by the insurance company. They know that most people will never replace just the soft metals because of the potential for additional collateral damage during the replacement process. All insurance companies will record in their files that the insured suffered soft metal damage so that if the insured submits a hail claim after a future storm the insurance company won’t have to pay for the soft metals even if they have to pay for a full roof replacement.

As well, some insurance adjusters will actually deny legitimate wind or hail damage after a new storm on a roof (with legitimate previous damage) that was previously denied by the insurance company using the excuse that the roof was damaged in a previous storm. All true... Even if replacement of the soft metals costs the insurance company something over the insured’s deductible they’ll still save a lot of money by not paying for the full roof replacement in any case.

Inspecting for damage to asphalt and wood roofing (most roofs) can be a somewhat subjective process whereas detecting damage to metal and tile roofing, for instance, is more objective. It’s either damaged or it’s not. Even so, with regards to asphalt and wood roofing, viewing the subjective from an objective perspective should put you on top the great majority of the time. Study the HAAG materials, re-read the adjuster comments from before and make your best case. However, never waste your time trying to turn what you aren’t sure is damage into damage (if an adjuster says it is damage however, don’t turn it down). But if you are certain that what you are looking at is damage, keep on fighting the good fight for both your customer and your company.

One way insurance companies attempt to avoid having to pay asphalt roofing claims is by blaming obvious storm damage on “manufacturers defects” (refer to your HAAG Field guide). The most widely known cases where this happens repeatedly is when the insurance adjuster comes across an old CertainTeed Shangle roof. Over the years, millions of squares of that particular roofing material were installed on properties all across the country. What was essentially a 3-tab shingle made to look like a dimensional shingle by applying a second layer of varied color asphalt and granules with a shadow line, this particular product did indeed have a manufacturers

defect. As a result of the defect, the second layer (sprayed on every so often) would crack, especially under extreme weather conditions. (Same thing with Atlas Chalet shingles in some areas)

A class action was brought against the manufacturer years ago that was eventually settled. Under the settlement, most property owners could claim a small percentage of the full roof replacement cost – if they were willing to jump through all of the hoops. Some were, many were not. So, there are still many thousands of properties across the country with one of those troubled roofs on it and several insurance companies have made it a point over the years to at least attempt to flat out deny each and every roof where that particular material was installed. One particular insurance company (one of the top five) will send an adjuster who will then deny any storm damage (per instructions from the insurance company). The insurance company will then notify the property owner that they will no longer provide coverage on their roof because of the condition of the roof.

Generally, if it becomes known to an insurance company that a property owner with a Shangle roof has been compensated under the terms of the class action settlement, although they may try, the insurance company cannot deduct what was paid to the property owner from their damage settlement. The class action settlement and storm damage claim are two different issues.



Shangle view looking down. Notice layer 1 and layer 2 then notice cracks (circled) and shadow lines. Even though there was an admitted defect in the manufacture of the shingles the (independent) adjuster ultimately agreed that there was no reason to deny the legitimate claim for hail damage. On completion of her inspection she said that the insurance company she was adjusting for had told her to consider Shangle roofs with light but sufficient hail damage deniable because of the manufacturers defects.

When you come across a Shingle roof (or any roof, for that matter) be careful not to embarrass yourself by claiming damage where there is none. Always look at the soft metals first but then, when looking at the Shingle, look at the first layer first and while doing so, also consider the slope (direction). Is there any sign of damage to the first layer? The second layer which consists of asphalt and granules is usually softer than the first layer which consists of granules over asphalt over what is essentially tar coated cardboard. Even though you may not find significant damage to the first layer that doesn't mean the first and second layers were not damaged by hail. Damage will simply show up better on the second layer.

If there is obvious damage to the second layer (obviously discounting the typical Shingle cracking) that matches the damage shown in the photos found in HAAG's field manual and/or what you know to be damage, you have a good case for pursuing payment from the insurance company. Just keep in mind what you might be up against when dealing with a Shingle roof. Damage is damage is damage. If it is there, regardless of any manufacturers defects or other "anomalies," the claim needs to be paid.

Several additional things to consider when dealing with a damaged Shingle roof: In regards to pricing a Shingle roof; although a 3-tab roofing made to look like a dimensional (architectural) style roof, the original pricing of the materials was higher than the pricing for a regular 3-tab shingle. Therefore, when you figure your comparison estimate, figure in the cost of CertainTeed's replacement product. Figure your estimate to include 30# felt instead of 15# when re-roofing the property. Also figure in the additional cost of special ridge material. Since (as all insurance companies are well aware) the original Shingle has not been made for years, any existing Shingle roof that does have damage has to be (should be) completely replaced (no match).

Some insurance companies direct their adjusters to attempt to approve payment only for individual roof slopes based on their reasoning that as long as other slopes (if not damaged, according to them) cannot be seen when looking at the replaced slopes there is no reason to replace the "undamaged" slopes. Several have attempted this even in cases where there is no match for the existing materials. The end result – an obviously mismatched roof that greatly lessens the total property value which is unacceptable.

Skylights damaged? Even if the seal is not broken, if the casing is dented the insurance company needs to pay for full replacement with a new skylight. Many adjusters will attempt to pay only for replacement of the casings. If it were possible to even accomplish that, any warranty from the manufacturer would be voided. When that point is brought up to an adjuster they will ask the age of the skylight and if old enough, will say that there is no longer a warranty to be voided.

Whether there is a warranty or not, attempting to recover the skylight casings may result in seal or other damage which would then expose the property to leakage. The insurance company would then risk exposure to a future claim due to their own error.

Another area of potential additional profit is roof decking. Depending on area codes, if the roof decking is spaced beyond a certain measurement, the spacing needs to be filled in or the roof needs to be re-decked (any bad boards replaced then new decking (plywood per code applied over the old) before a new roof is installed and the insurance company should pay the cost. If the problem with roof decking is simple age rot however, it is likely the responsibility of the property owner to pay for repair or replacement. When inspecting any asphalt roofing product for damage keep in mind that if the existing roof is organic (not a fiberglass matt - rare) or the material is an old metric shingle it is probably unavailable and the insurance company should pay for full replacement. ALWAYS CHECK THE BUILDING CODES IN YOUR WORK AREA.

Damage to siding is usually much less subjective because it is usually relatively easy to tell whether or not it has been damaged. Hardboard siding usually holds up well (at least against hail damage), wood will occasionally suffer dents and scrapes, cement fiber siding may have paint scraped off. The two types of siding that are easiest to inspect are metal and vinyl sidings. Vinyl siding is either damaged or it isn't. There's no in between since it doesn't dent.

When inspecting a property with vinyl siding you simply look for broken or cracked pieces. Total how many sides have broken or cracked pieces and how many "hits" are there per side. Is the siding available? If not, the insurance company under a full replacement policy, should pay to have all of the siding on the property replaced with new. However, several insurance companies have attempted to get by replacement by doing "repairs" which essentially consist of spreading warm color matched vinyl over the cracked or broken pieces of siding and letting it dry. With your help, no property owner will ever settle for such nonsense. The insurance companies who do still attempt to repair rather than replace do so because they've gotten away with it enough times in the past with unknowing property owners and ill-informed contractors.

The next thing to consider when inspecting vinyl siding for damage is whether or not (when the material is available) the insurance company will offer to replace entire sides or will they offer to only pay to replace damaged sheets? These days most will automatically replace full sides in order to avoid leaving the property owner with a patchwork job. If an adjuster attempts to pay just for individual sheets replacement, all the adjuster usually needs is a little nudge to get them to do the right thing which is to agree to at least replace the entire side or sides with the available siding – as long as it matches the other existing siding.

Although aluminum and steel sidings have fallen out of favor over the past few years there are still millions of squares of it on existing housing stock that may, at some point, become storm damaged. All it takes for a property owner with steel or aluminum siding that is no longer made to get it all replaced is to have a small wind or hail storm take out a couple of sheets. No match = no repair. There are several sources around the country that do have a "like" product available but if it doesn't match exactly in every way, it is unacceptable. When confronted with an adjusters loss report that claims availability from a "like" manufacturer or distributor, you'll have to do some legwork in order to determine whether or not the replacement recommended is acceptable. GET TO KNOW YOUR STATES MATCHING RULES!

A few years ago I was working on two homes in a neighborhood of sixty year old properties that had installed aluminum siding about forty years ago. Neither of the homes were in the higher bracket areas I usually focused on but both were referrals so I was happy to work with the property owners. Each property was insured by a different company and each had a different brand of eight inch white aluminum siding. Both insurance companies confidently claimed that a proper replacement siding was readily available and therefore offered only to replace the damaged sides. In both cases, much of the finish had come off of the sidings over the years.

Had I agreed to go with the adjusters and the insurance company's recommendations to use the sidings they said was a match, the property owners would have ended up with brand new (similar) white eight inch aluminum siding on two sides and beat up old, dirty, and worn out siding left on the other two sides.

Like many contractors out there today that do so, I could have shrugged my shoulders and chosen to accept the insurance companies offers and done the partial repairs thereby leaving the property owners less than whole. The property owners new siding would have looked great on two sides but the other two sides would have looked terrible and the corners would never have matched up. And, I could never have referred anyone to those properties.

On the other hand, instead of trying to make up the difference in profit by writing up other work, I could put forth the effort and rely on my years of experience to make the property owners (and me) whole and happy, and I did. That extra effort (which included sending a very pointed letter directly to one particular insurance company CEO), resulted in my being able to more than double the insurance companies initial settlement offers and double the profit earned.

Here is what made the difference between getting the property owners a partial repair job which I could never have shown to potential customers and a full exterior restoration (roof, siding, trim, etc,) that allowed me to more than double my profits.

The property in the left picture (next page) had a white eight inch aluminum siding (.024 gauge) with a particular PVC coating that showed a particular pattern on the face. Although the insurance company was correct in stating that there was another eight inch white aluminum siding of the same gauge with a PVC coating, when it was compared to the siding already on the property, it became obvious that the smooth PVC coating on the insurance company's recommended replacement siding did not match the wood patterned PVC coating on the existing siding. Therefore, all of the siding had to be replaced (per Minnesota's matching rule).

On the property on the right, again there was an eight inch white aluminum siding of the same gauge available somewhere on the planet (in this case, a smooth non PVC finish) but, when the panel recommended by the insurance company and the insurance adjuster in that

case was placed next to the existing panel it became apparent that there was at least a one eighth inch difference between the overall eight inch height of the panel. Therefore, again, no match and the insurance company was forced to pay for full replacement.



Contractors regularly run into this same problem when it comes to aluminum fascia and other trims.

I remember distinctly a few years ago talking on my cell phone to a troublesome young claims rep from Indiana who had repeatedly refused to pay a supplemental claim in the amount of \$2,500 to replace all of the aluminum fascia on the property of my golf course customer in Minnesota. He could have cared less about the fact that, at least in Minnesota, the insurance company was required by court order to pay for any materials that “do not or would not reasonably match in terms of color, quality, texture or type of materials already existing on the policyholders home.”

Fortunately, a friend and past insurance business associate of mine who runs the Minneapolis insurance general agency of a major non P&C insurance company had roomed in college with a guy who was, at the time, president of the insurance company that sold my customer his P&C insurance policy. One call to him which resulted in a call to the belligerent young claim rep got the balance of my customers claim paid in full.

On a number of occasions, insurance adjusters in various states have attempted to deny payment for damaged fascias, soffits, window and door trims, etc. by arguing that the full replacement rule only applies to roofing and siding. That, of course defies both logic and common sense. If anything is damaged and there is no reasonable match, it all has to be replaced and it all has to be paid for by the insurance company – period, in my opinion.

There remains many millions of lineal feet of aluminum and steel fascia on properties across the country. I regularly see properties where the siding and/or roofing has been replaced after a storm but the same old storm damaged fascia and trim still exists. The contractor missed out on substantial additional profit by either being to “busy” to look for the damage or simply not considering that the fascia and other trims might also be damaged. As you gather and catalog various materials from previous storm damage jobs in order to determine whether or not particular materials are still available, you’ll save yourself a lot of time and earn a lot more money.

Not sure if the aluminum or steel trim materials are damaged? One of the best ways to detect damage that is not easily seen directly is to spray it down with water. This also works quite well with metal sidings. If there is damage wetting down the materials should expose damage that may otherwise be missed. Sunshine and a close sideways glance down the wall works too.

Depending on the age of a particular property that has a metal soffit and fascia system, the likelihood that the trim materials are no longer available is quite high. Although it is rare that a typical wind and hail storm will damage soffits it does occasionally happen. In many cases, a tree branch or piece of lawn furniture might have been up drafted into a piece of soffit. If the damaged piece of soffit is no longer available, the insurance company should pay you to replace all of it. In that case, even if the fascia material was custom formed on the job from trim coil that is still available (and the existing is only damaged on one or two sides by the storm) all of it should be replaced and paid for by the insurance company since all of it will become damaged when the old soffits are removed and the new installed.

Window and door and similar trims that are damaged should always be fully replaced. Not doing so will result in a mismatched appearance that most property owners will understandably find unacceptable. When figuring your pricing on all of the trim replacement issues, always remember to charge for removal as well as replacement. Insurance companies regularly under pay on these items and what they do offer doesn’t usually even cover the cost of replacement. Never be afraid to charge the RTA rate for any of the work you propose to do regardless of what their insurance estimating software says the price should be (unless their price is the same or more than yours).

If you’ve done a thorough job of inspection per the above “rules” you should be ready when the loss report comes in.

Auditing the Loss Report – before corrections

If you are not familiar with the term, a loss report or “scope of loss” is the report put together by an insurance adjuster that states (according to the insurance company) what was damaged, the amount of damage, and what the insurance company is offering to pay to have the damage repaired. There will be those rare occasions when a loss report will come across your desk that is accurate and fully paid. More often than not however, there will be under and inaccurate measurements, missing items and, as a result, a substantial underpayment. The front of the loss report will usually look like what you see below.

BIG INSURANCE COMPANY				

Claims Service Operation 12345 Main Street Any City, St 67890 Phone: 1 800 555.6789 adjuster@biginsurance.com				
Insured	John & Mary Property Owner			
Address	1545 Their Street			
City, St, Zip	Oldtown, State 12345			
Claim Rep	I. C. Little			
	Claim #	Policy #	Loss Type	Deductible
	-----	-----	-----	-----
	00374-227	10EPA 02338	Wind Hail	\$ 1,000.
Summary for Dwelling				
	1. Line Item Total			22,327.68
	2. Matl Sales Tax Reimb	@ 7.00 x \$ 7,033.29		492.33
	3. Subtotal			22,820.01
	4. Replacement Cost Value			22,820.01
	5. Less Depreciation			6,846.00
	6. Actual Cash Value (ACV)			15,974.01
	7. Less Deductible			1,000.00
	8. Actual Cash Value (AVC) Settlement			14,974.01
	9. Total Recoverable Depreciation			6,846.00
	10. Net Claim if Depreciation is Recovered			\$ 21,820.01

From the previous page, line 1, the Line Item Total, is the insurance company's estimate of the total cost of the repairs (notice that General Contractor Overhead and Profit is not shown nor is it included as part of the estimate – more on that later).

Line 2 - is the Materials Sales Tax Reimbursement which is usually based on roughly $31.5\% \times 7\%$ (the 7% shown being a local MST) of the Line Item Total. The Line Item Total and the Material Sales Tax Reimbursement are added together to get to line 3, the Subtotal which should equal the Replacement Cost Value on line 4.

Line 5 - Less Depreciation, shows the dollar amount of depreciation (sometimes referred to as "holdback") that the insurance company "holds back" until all of the repairs have been completed.

Line 6 - Actual Cash Value (ACV), shows the value of the repairs after depreciating the value according to the age of the materials damaged.

Line 7 - Less Deductible, shows the property owners insurance deductible which is subtracted from the Actual Cash Value (ACV) amount from line 6 resulting in the dollar amount shown on line 8 – Actual Cash Value (ACV) Settlement. This is the total payment the insurance company will make if the insured does not complete the repairs and pockets the money (GC O&P should also be paid on this amount).

Line 9 - Total Recoverable Depreciation is the same number found on line 5 and will be added back into the total if the repairs are completed.

Line 10 – Net Claim if Depreciation is recovered, shows the total amount that the insurance company is offering to pay for the repairs assuming they are completed. Notice the difference between line 4 – Replacement Cost Value (\$22,820.01) and line 10 – Net Claim if Depreciation is Recovered (\$21,820.01).

Why the \$1,000 subtraction by the insurance company? That is the insured's deductible which they are responsible for paying. However, your total price to the property owner is still the full Replacement Cost Value before any add-ons (\$22,820.01).

The next several pages will compare what the insurance company offered and what they should have offered. Using your notes, diagrams, photos, etc. from your pre-inspection and the actual inspection conducted along side the adjuster, you should always be able to find the missing, omitted, and underpaid items then make the corrections to the insurance adjusters numbers.

SAMPLE LOSS REPORT (initial) using 30% depreciation, 15% waste factor on roof, and double steep & high roof

Description	Quantity	Unit Price	Replace Cost	Depreciation	Actual Cash Value
ROOFING					
Remove 3-tab 25 yr shingle, haul & dispose	25.00 SQ	49.84	1,246.00	373.80	872.20
Install 3-tab 25 yr shingle w/out felt	28.75 SQ	136.00	3,910.00	1,173.00	2,737.00
Roofing felt 15#	25.00 SQ	22.00	550.00	165.00	385.00
Ice and Water Shield	1,000 LF	1.40	1,400.00	420.00	980.00
Drip edge	270 LF	1.50	405.00	121.50	283.50
Exhaust cap through roof	3 EA	64.00	192.00	57.60	134.40
Step flashing	40 LF	6.00	240.00	72.00	168.00
Roof vent – Turtle type	8 EA	42.00	336.00	100.80	235.20
R&R skylight flashing kit	1 EA	95.00	95.00	28.50	66.50
Continuous ridge vent	60 LF	4.90	294.00	88.20	205.80
Valley metal	33 LF	3.56	117.48	35.24	82.24
TOTALS ROOFING			8,785.48	2,635.64	6,149.84
SIDING					
R&R siding – aluminum .024 gauge	28.00 SQ	399.00	11,172.00	3,351.60	7,820.40
House wrap (Tyvek type or similar)	28.00 SQ	33.00	924.00	277.20	646.80
Detach and reset light fixture(s)	6 EA	63.50	381.00	114.30	266.70
R&R light/elec j-blocks	4 EA	20.00	80.00	24.00	56.00
Aluminum fascia 6"	128 LF	5.90	755.20	226.56	528.64
A/C comb repair	1 EA	135.00	135.00	40.50	94.50
Adjustments – electrician	1 EA	95.00	95.00	00.00	95.00
TOTALS SIDING			13,542.20	4,034.16	9,508.04
TOTALS EXTERIOR			\$ 22,327.68	\$ 6,669.80	\$ 15,657.88

(depreciation # is slightly lower on this page because Material Sales Tax Reimbursement not yet added)

Auditing the Loss Report - corrections

After referring back to your paperwork, notes, diagrams, photos, etc. you make corrections and adjustments to the insurance company's loss report then present them (by fax to the 800 number listed on the loss report or by email PDF) to the insurance company adjuster or claims manager. The corrections you made are shown below. If the adjuster does not agree with your corrections when presented to him or her, you will have to call the customer and have them request a re-inspection of the property – preferably by a different adjuster.

Corrections, Roofing:

Roof was actually an old CertainTeed Shingle roof which costs more than a 3-tab (closer to a 30 yr dimensional price). Adjuster paid for full re-felt w/o deducting for Ice and Water Shield. But, because 30#, not 15# should be installed, you split the difference and will point that out to the adjuster. There was 12.25 SQ of roofing that was, at some point in time, roofed over so you added the additional tear off charge to the estimate. The roof was double steep and high so you added an additional charge for that. During your pre-inspection you noticed that the builder had “short sheeted” the roof decking. Because the decking was 8” short of the roof edge, the decking had to be cut back and new decking added to fill in the gap. The adjuster missed two chimney flashings so that was also added. The adjuster also missed a TV antenna that needed R&R.

Corrections, Siding:

The price on the aluminum siding R&R was too low and was therefore increased to the current RTA price. The insurance company through their adjuster had agreed to pay to R&R 128 LF of damaged aluminum fascia. However, since the material was no longer available the insurance company had to pay for full replacement with new. These days you'll find more and more that, because of EPA and various code changes, combing an A/C (straightening out the fins) may no longer be acceptable. If the A/C is an older model, it may have to be completely replaced. In that case, you need to negotiate with a dependable and qualified HVAC contractor. Make sure they pay you well for your referral to them or find someone else to make the repairs. The adjuster also missed the old drop in backer and he was charged accordingly. Also added were charges for four days of ladders and planks, shutter replacement, aluminum box end returns, a siding dumpster and permits.

Keep in mind that General Contractor Overhead & Profit (GC O&P) has not yet been added to your final estimate. The results of your adding for your corrections and GC O&P are shown on the following three pages.

SAMPLE LOSS REPORT (corrected) using 30% depreciation, 15% waste factor on roof, and double steep & high roof

Description	Quantity	Unit Price	Replace Cost	Depreciation	Actual Cash Value
ROOFING					
Remove 3-tab 25 yr (Shingle), haul & dispose	25.00 SQ	49.84	1,246.00	373.80	872.20
Install 3-tab 25 yr (Shingle) w/out felt	28.75 SQ	170.00	4,887.50	1,466.25	3,421.25
Additional layer shingle removal (rear)	12.25 SQ	35.00	428.75	128.63	300.12
Roofing felt 30#	25.00 SQ	22.00	550.00	165.00	385.00
Ice and Water Shield	1,000 LF	1.40	1,400.00	420.00	980.00
Drip edge	270 LF	1.50	405.00	121.50	283.50
Exhaust cap through roof	3 EA	64.00	192.00	57.60	134.40
Step flashing	40 LF	6.00	240.00	72.00	168.00
Roof vent – Turtle type	8 EA	42.00	336.00	100.80	235.20
Double steep and high roof 11/12	18.00 SQ	56.00	1,008.00	302.40	705.60
Add 16" sheet to edge of roof – all	270 LF	8.00	2,160.00	648.00	1,512.00
R&R skylight flashing kit	1 EA	95.00	95.00	28.50	66.50
R&R medium chimney flashings	2 EA	165.00	330.00	99.00	231.00
Continuous ridge vent	60 LF	4.90	294.00	88.20	205.80
Valley metal	33 LF	3.56	117.48	35.24	82.24
R&R TV antenna	1 EA	125.00	125.00	37.50	87.50
TOTALS ROOFING			13,814.73	4,144.42	9,670.31
SIDING					
R&R siding – aluminum .024 gauge	28.00 SQ	445.00	12,460.00	3,738.00	8,722.00
House wrap (Tyvek type or similar)	28.00 SQ	33.00	924.00	277.20	646.80
Detach and reset light fixture(s)	6 EA	63.50	381.00	114.30	266.70
R&R light/elec j-blocks	4 EA	20.00	80.00	24.00	56.00
Aluminum fascia 6" not available – replace all	270 LF	3.25	1,687.50	506.25	1,181.25
A/C comb repair – REPLACE UNIT	1 EA	3,200.00	3,200.00	960.00	2,240.00
R&R new drop in backer or similar	28.00 SQ	110.00	3,080.00	924.00	2,156.00
Ladders and planks 4 days = 4 sides	4 EA	115.00	460.00	138.00	322.00
R&R shutters – vinyl	6 EA	72.00	432.00	129.60	302.40
R&R aluminum box end returns	8 EA	35.00	280.00	84.00	196.00
Adjustments – electrician	1 EA	95.00	95.00	00.00	95.00
Siding dumpster	1 EA	395.00	395.00	118.50	276.50
City permits – all	1 EA	150.00	150.00	00.00	150.00
TOTALS SIDING			23,624.50	7,013.85	16,610.65
TOTALS EXTERIOR			\$ 37,439.23	\$ 11,158.27	\$ 26,280.96

Show me all of the money...

With corrections made to the adjusters loss report you turned a job priced incorrectly at \$22,820.01 into a job correctly and accurately priced at \$38,264.77 (GC O&P still not added on). Is it time to celebrate? Not yet. You still have to convince the insurance company and the adjuster to pay for all of your additions but because they are all valid corrections/additions, the insurance company should ultimately pay the insured per your corrected estimate. When using the term “estimate” in regards to storm damage repairs, I am always referring to the final price the insurance company should pay (therefore, not really an estimate).

BIG INSURANCE COMPANY				
Claims Service Operation				
12345 Main Street				
Any City, St 67890				
Phone: 1 800 555.6789				
adjuster@biginsurance.com				
Insured	John & Mary Property Owner			
Address	1545 Their Street			
City, St, Zip	Oldtown, State 12345			
Claim Rep	I. C. Little			
	Claim #	Policy #	Loss Type	Deductible
	00374-227	10EPA 02338	Wind Hail	\$ 1,000.
	Summary for Dwelling			Ins. Est. corrected
	1. Line Item Total			22,327.68 37,439.23
	2. Matl Sales Tax Reimb	@ 7.00	x \$ 7,033.29	492.33 825.54
	3. Subtotal			22,820.01 38,264.77
	4. Replacement Cost Value			22,820.01 38,264.77
	5. Less Depreciation			6,846.00 11,497.43
	6. Actual Cash Value (ACV)			15,974.01 26,767.34
	7. Less Deductible			1,000.00 1,000.00
	8. Actual Cash Value (AVC) Settlement			14,974.01 25,767.34
	9. Total Recoverable Depreciation			6,846.00 11,497.43
	10. Net Claim if Depreciation is Recovered			\$ 21,820.01 \$ 37,264.77

Addition of General Contractor Overhead & Profit

Using the formula illustrated in the “*Overhead & Profit Issues – How to defeat the denials*” section, you determine the correct dollar amount for GC O&P then add that amount to your final “estimate.” Most of the time, the insurance company will object to paying GC O&P on 100% of the claim and will try to deduct the roofing price from the total. In this illustration, we start with the “Sub-total” as shown on page 75 which is number 10. “Net Claim if Depreciation is Recovered” on your corrected “estimate.” (You submit on 3RStimax®, adjuster submits on XM8)

Claim #	Policy #	Loss Type	Deductible
00374-227	10EPA 02338	Wind Hail	\$ 1,000
Summary for Dwelling			corrected
10. Net Claim if Depreciation is Recovered			37,264.77
11. Total claim with \$ 1,000. deductible added back			38,264.77
12. 10% Overhead (amount on line 11 x 10%)			3,826.48
13. Sub-total			42,091.25
14. 10% Profit (amount on 13 x 10%)			4,209.13
15. Contractor total (total price of the job to you)			\$ 46,300.38

By knowing what to do and how to do it and by spending the small amount of extra time to do it you have increased the total job price from \$22,820.01 to \$46,300.38 – more than doubling the adjusters and the insurance company’s original offer. Allowing for a negligible decrease in profit on the A/C work because you essentially gave the \$3,200 A/C repair to the HVAC company (they paid you a “commission” for the referral and you earned GC O&P on the A/C) you were still able to increase your profit on just this one job by over \$9,300 and realize an approximate overall profit on the job of \$18,520 (assuming a 40% profit). BTW, 10 & 10% O&P shown is typically too low for most contractors.

One final note regarding insurance company objections to paying GC O&P: Some insurance companies will attempt to avoid paying GC O&P by demanding that you show invoices from sub-contractors showing they supplied both material and labor. This is what is known as a specious argument, “while having the ring of truth or plausibility it is actually fallacious”. The answer is NO! (See “How to use 3RStimax®”)

Expect that the insurance adjuster and the insurance claims department will fight you on the GC O&P and other issues. They will test you and try your patience in the hopes that you will give up and take what they are offering you. However, with all of the additional knowledge gleaned from this program, you'll have more ammunition with which to do battle with them and win. You will be in a stronger position than most if not all insurance adjusters and claims representatives out there once you've completely internalized the 3RS *Profit MAX*® training program. NOTE: Recently, it became apparent that the best way to avoid the GC O&P problem is by submitting lump sum bids that factor in proper GC O&P but do not mention it. See Form #7 – How to use 3RStimax® for more on that and review the actual 3RStimax® LUMP SUM BID.

With the additional numbers achieved as shown on the previous pages, you should now see the value in taking the time to learn this material then taking the time to present the “evidence” and “prosecute” your case as a powerful advocate for your customers. You may have spent more time than you used to on some claims but the additional profits and income as well as satisfaction achieved through your efforts is well worth it.

Assuming the insurance company has agreed to pay the claim according to your corrected “estimate” (or lump sum bid) you will want to meet with your customer to assist them with their mortgage loss draft processing paperwork. If they followed your direction previously they will have all of the necessary and required paperwork ready when you arrive. All you need to bring with is your “contractor authorization” form which should look like the form shown on the following page.

The loss draft paperwork will only be required if the property owner has a mortgage and typically only if the total dollar amount of the loss exceeds a certain threshold (usually \$10,000.)

After the property owner/insured (your customer) has sent in the required paperwork and their initial endorsed insurance check don't be surprised if there is a delay and don't be surprised to hear from the mortgage company's loss draft department that they never received the paperwork or can't find it. Remember the “float” talked about previously where money that is held by an insurance company or mortgage company (that really belongs to the insured's) is used to earn interest for them? Also, don't be surprised to hear from them that they never received your signed contractor authorization form from the property owner.

As mentioned earlier, aside from Countrywide Mortgage (Balboa) and Sterling National Corporation, most of the loss draft processing is done by Assurant Specialty Property which is a subsidiary of Assurant, Inc. (AIZ). This niche market earns ASP a lot of money, much of which, at least in my opinion and, likely, the opinion of every contractor in the country who has ever had to deal with them, is undeserved.

From “Assurant Specialty Property Workshop” June 7, 2007: (video portion of presentation featuring John Frobose, SVP, Creditor Placed Product Line) *“Because of the nature of our relationship, we really represent the lender to our borrower and because of that it's important for us to be very, very good at what we do because it's reflected in the entire relationship”.*

Unfortunately, they've repeatedly proven to be, in my opinion, not all that good. Always keep in mind when dealing with loss draft processing that, regardless of the actual name of the property owners mortgage company, e.g., "CitiMortgage," it is likely that the processing is being handled by Assurant Specialty Property or similar. You'll be provided with names and contact numbers later on.

MORTGAGE INSTRUCT & AUTHORIZATION

Mortgage Co. _____
 Account/Loan # _____
 Insurance Co. _____
 Claim Number _____
 Owner _____
 Owner Address _____
 City _____
 State _____ Zip Code _____
 Contact # _____
 Property address _____
 City _____
 State _____ Zip Code _____

Contractor Authorization

I/we , as the above named owner(s) do hereby authorize the above named mortgage company to speak to and with my/our contractor and provide my/our contractor with any and all necessary documentation pertinent to this matter without restriction or reservation and in a timely manner.

Owner Name _____ printed
 Owner Signature x _____
 Owner Name _____ printed
 Owner Signature x _____

Contractor your company name, address, city, state, contact information, contractor license # ,
 your printed name, and signature

Contractor Signature x _____ Date ____/____/____

If you have a notary in your office, have the authorization notarized just for good measure then send with the property owners other loss draft paperwork by overnight mail so you can track their receipt of the package.

Once you are sure the mortgage paperwork is on its way, meet with your customer to go over the pricing, materials, colors, schedules, etc. They may have already signed and sent in the initial insurance check to the mortgage company and received a portion of it back. They can use that money or their own as their down payment to you to start the job.

Never be afraid to ask for as much as 25% down payment. I rarely got objections to higher down payments that often exceeded 25% on insurance jobs. The reason for asking for “as much as 25%” down is that you never know when that final draft from the property owners mortgage company will show up. When your sub-contractors are done, they want their money as do your suppliers. You’re not trying to convince a customer to do business with you, you are their advocate who just more than doubled their initial insurance settlement for them. Your contingency agreement contract with them automatically converted into a full repair contract the day they accepted the insurance company’s settlement offer. Being “nice” (offering to start the job with little or no down payment) is as pointless as it is foolish and could put you in a serious (if only temporary) financial bind.

You made certain before signing up a customer that their policy is indeed a full replacement policy (RCV) and not an Actual Cash Value (ACV) policy. If you did not and you find that the customers policy is only a Actual Cash Value policy, they will have to agree to pay you the difference – at the total price they agreed to which was arrived at after you added the proper GC O&P. Always take care to note the distinction. If you find after reviewing a new customers loss report that they only have ACV coverage, you need to address that situation before moving ahead. Always remember to ask a potential customer the extent of their coverage – ACV or RCV?

During the process of assisting the customer to pick out colors, types, styles, brands, etc. you also want to present them with opportunities to upgrade, In nearly every case where a customer has a 3-tab roof (rare, these days) they will want to upgrade to at least a 30 year dimensional style roof. Do you offer to give them the upgrade at no additional charge, at cost, at cost + 10% or at full retail? The choice on that and all other upgrades is entirely up to you. If you’ve done your job right you have already achieved a substantial profit on the job before considering any upgrades so there is room to give the customer a break on all or some of their upgrades if you choose to do so. I always recommend that no contractor upgrades a customer for less than cost + 10%.

In cases where I knew it was a hardship for a customer to pay their deductible, such as a senior, or they had referred me to other profitable work, I was more than happy to give them a price break on upgrades. **THIS IS NOT A DEDUCTIBLE WORK AROUND.**

Besides the contingency-now-contract, I bring along three other important documents to the meeting. Included in that package are a “Roofing and Siding Replacement Upgrades” form, a general instruction form telling the customer what will take place during the restoration and what to be aware of, and a “Company to Do Customer to Do” form. On the “to do” form it is made clear who does what and for how much. It may take a few minutes of extra time but it is simply a necessary piece of CYA.

Below is a copy of the upgrades worksheet. Once you have filled in your pricing you'll use this sheet to cost out upgrades and calculate how much and what product(s) is/are needed before meeting with the customer or while with them. When you type out this sheet add a figuring box below the graph.

ROOFING AND SIDING REPLACEMENT UPGRADES

ROOFING	Cost	Retail		Calculate by
3 TAB to DIMENSIONAL			SQ	X FIELD + WASTE
SPECIAL RIDGE			LF	T - TEX TYPE + WASTE
RIDGE VENT			LF	KEEP T VNT COST
ICE AND WATER SHLD			SQ	IN ADDITION TO
DRIP EDGE			LF	+ WASTE
SIDERS EDGE			LF	+ WASTE
15 to 30 FELT			SQ	X FIELD + WASTE
NEW SKYLIGHTS			EA	REPLACE EXISTING
NEW SKYLIGHTS + CUT			EA	CUT NEW HOLE
OTHER				
SIDING	Cost	Retail		Calculate by
SCLP/SHAKE ACCENT			SQ	X FIELD + WASTE
HOUSE WRAP			SQ	TYVEK OR SIMILAR
1/4 " FANFOLD BACKER			SQ	NON FOIL + WASTE
1/2 " FOAM BACKER			SQ	NON FOIL + WASTE
WINDOW/DOOR TRIM			EA	EACH OPENING
GARAGE DOOR TRIM			EA	SINGLE W/SILL TRIM
GARAGE DOOR TRIM			EA	DOUBLE W/SILL TRIM
SOFFIT AND FASCIA			LF	UP TO 2' WIDE
SOFFIT AND FASCIA			LF	UP TO 3.5' WIDE
ALUMINUM FASCIA/FRZ			LF	UP TO 8" WIDE
GUTTERS/SPOUTS			LF	OFF AND ON NEW
SHUTTERS/VINYL			PR	R&R NEW
OTHER				
OTHER				

What you include in your general instruction sheet which you will have the customer sign (and keep) is up to you. Just make sure to add any necessary CYA information and warnings in good detail in order to protect yourself and your interests. The top half of your “COMPANY TO DO CUSTOMER TO DO” form looks like this. The bottom half is shown on the following page. Notice that the two biggest profit items – roofing and siding – do not appear in the “CUSTOMER AGREES TO DO” column.

COMPANY TO DO CUSTOMER TO DO					
CUSTOMER / INSURED / PROPERTY OWNER				DATE	
COMPANY AGREES TO DO			CUSTOMER AGREES TO DO		
ITEM	\$	PRICE	ITEM	\$	PRICE
ROOFING	\$		GUTTERS	\$	
SIDING	\$		DOWNSPOUTS	\$	
GUTTERS	\$		FASCIA/FRIEZE BRD	\$	
DOWNSPOUTS	\$		WINDOW/DOOR TRIM	\$	
FASCIA/FRIEZE BRD	\$		DECK RECONDITION	\$	
WINDOW/DOOR TRIM	\$		SCREENS	\$	
DECK RECONDITION	\$		DECK RECONDITION	\$	
SCREENS	\$		SCREENS	\$	
OTHER	\$		OTHER	\$	
OTHER	\$		OTHER	\$	
OTHER	\$		OTHER	\$	
OTHER	\$		OTHER	\$	
COMPANY TOTAL	\$		CUSTOMER TOTAL	\$	

Below is what the bottom half of the “COMPANY TO DO CUSTOMER TO DO” form looks like and reads. The statement on the bottom half should also be backed up in the fine print on the back of your contract as follows: (make sure your attorney concurs with the language)

Company retains the right and the option to allow property owner to keep insurance proceeds for certain repairs the property owner will do themselves but the property owner does not retain the right and option to withhold money for any items listed on the insurance company “scope of loss” and additional supplement payments and “contractor Overhead and Profit” payments .

THE “COMPANY TO DO” TOTAL ABOVE WILL BE THE INITIAL TOTAL AMOUNT SHOWN ON THE INITIAL AGREED TO INSURANCE COMPANY “SCOPE OF LOSS” WHICH INCLUDES THE FULL DEDUCTIBLE PLUS ANY CUSTOMER REQUESTED UPGRADES MINUS THE “CUSTOMER TO DO” TOTAL AS AGREED TO AND DIRECTED BY THE INSURED. THIS TOTAL DOES NOT INCLUDE ADDITIONAL MONIES THAT MAY BE PAID BY THE INSURANCE COMPANY FOR SUPPLEMENTS OR ITEMS THE INSURANCE ADJUSTER MAY HAVE MISSED NOR DOES IT INCLUDE THE COST FOR ANY ADDITIONAL UPGRADES REQUESTED BY THE CUSTOMER OR UNFORSEEN REPAIRS, CHANGES OR OTHER PROBLEMS. THE ACTUAL TOTAL FINAL PRICE OF THE CONTRACT WILL BE THE INITIAL TOTAL LOSS SHEET PRICE AT FULL REPLACEMENT COST INCLUDING INSURANCE DEDUCTIBLE PLUS ANY CUSTOMER REQUESTED UPGRADES MINUS “CUSTOMER TO DO” TOTAL ABOVE PLUS ANY ADDITIONAL SUPPLEMENTS, LOSS SHEET INCREASES, CUSTOMER REQUESTED CHANGES, ADDITIONAL UPGRADES. CONTRACTOR OVERHEAD AND PROFIT AND UNFORSEEN REPAIRS OR OTHER PROBLEMS (IF ANY). ALL ITEMS LISTED UNDER “CUSTOMER TO DO TOTAL” ARE THE RESPONSIBILITY OF THE CUSTOMER/PROPERTY OWNER/INSURED. IF THE CUSTOMER/PROPERTY OWNER/INSURED DECIDES NOT TO DO THE REPAIRS AND THE CUSTOMER’S INSURANCE COMPANY DECIDES TO WITHHOLD PARTIAL PAYMENT UNTIL THOSE REPAIRS ARE COMPLETED, THIS SHALL HAVE NO BEARING ON THE INITIAL/TOTAL/FINAL AMOUNTS DUE TO (YOUR COMPANY NAME). WITH YOUR SIGNATURE, THIS AGREEMENT BECOMES A PART OF THE ORIGINAL AGREEMENT/CONTRACT BETWEEN THE COMPANY AND YOU AS THE CUSTOMER(S).

CUSTOMER X _____ DATE ____ / ____ / ____

CUSTOMER X _____ DATE ____ / ____ / ____

CONSULTANT X _____ DATE ____ / ____ / ____

Address City, St, Zip License # Contact info

At this point you should be ready to write up the entire contract. In doing so, always pay attention to detail. The few extra minutes taken will always work towards your benefit overall. Once completed, leave a copy of the completed contract (page 3 of 3) and any pre-lien and/or other required notices with your customer and bring your copy (pages 1 and 2 of 3) and all other pertinent paperwork, including the initial check and payment for the upgrades, back to the office and turn the job into production.

When the job starts make an appearance at the job site and introduce your customers to the installers who will doing the work and answer any questions they or the installers might have. Every contractor has their own way of producing their jobs so that is entirely up to you. As the job progresses, “farm” the area you are working in for potential new customers and introduce yourself.

About a third of the way through the job, contact the customer and ask if they have any questions regarding the loss draft processing of their insurance proceeds. Have them (or you can call) their mortgage servicing company and ask for a progress report. About 50% through the job they should release another partial “progress” payment to the homeowner. If you know the job will soon be at that point, have the customer request the payment. Remind them to let you know if they run into any problems.

If you expect the job to be at 90% completion by a certain date, have the customer call the mortgage servicing company at least a week (or more) ahead of that time to schedule a final inspection. At the same time, be sure to complete any of the paperwork required of you as the contractor by the mortgage servicing company. You can fax or email that in but it’s always better to send it in by registered mail or special mail so that you have a record of when the paperwork was received by them.

If all goes well, the mortgage servicing company will eventually complete the 90% inspection and complete their paperwork, before 100% completion, as long as all parties (you and the mortgagee) have sent in the required paperwork. Contact the customer ahead of time and prepare them for the final invoice on their job while you prepare your company guarantees, warranties, lien waivers and other pertinent paperwork for presentation to them.

On completion, collect the final balance due, give them their paperwork and be on your way. As soon as possible, send them a short thank you note. From your “before” photos taken at your pre-inspect, make a copy and give that to the customer to keep in their file as well. In your note always remember to ask for referrals and offer to pay them at least a small amount for those referrals as a token of your appreciation. Never suggest or imply in any way that referrals payments are meant to or will help them with their deductibles, they are not.

Close your file on a job well done. You’ve accomplished on one job what it takes thousands of less experienced contractors across the country two to three or more separate jobs to accomplish.



CYA

△ *Covering Your ASS-ets* △

Recently, I searched the web for the “top ten least trusted professions” and to my surprise, at least on the two websites I visited, contractors were not included. It used to be that contractors were always found somewhere on that “top ten” list. Included on the two different lists I looked at however, were, among the others, lawyers and car mechanics – two of the people you least want to have to deal with but are guaranteed you will at some point in time. Although you never know which one of the two will cost you more, it should be obvious to any contractor working in today’s litigious environment that having a good lawyer who is familiar with and well versed in both construction and insurance law is a must. In fact, you should have two different lawyers – one who handles your general business needs and another who is well versed in insurance law.

With a disclaimer to CMOA (cover my own ass-ets), as I mentioned earlier in this book, I am not a licensed attorney. However, that lack of licensure has not prevented me from avoiding any potentially serious business related legal trouble. As a result of following and adhering to the truth/wisdom principle talked about much earlier in this program I simply gave no one any substantive reason to consider bringing legal action against me. That doesn’t mean that at least two different customers didn’t consider it though over a number of decades (both lost).

Having taken extra measures to insure that my interests were protected, any conflicts or misunderstandings between myself and my customers were easily settled once the customer (and in some cases, their attorney) was reminded of the customers legal obligations as clearly stated (sometimes necessarily over stated) within my contingencies/contracts and related legal documents. On the other hand, on the rare occasions when a customer might have attempted to get the better of me, it quickly became apparent to them that their attempts were in vain.

Quite a few years ago I went to the law office of Jim D., a friend and client of mine, to discuss one of his insurance policies. After doing so we planned to have lunch together. Jim, who had been an attorney in Minnesota for many years, had stories like nobody’s business. He was also a great golfer (and my occasional golf coach) who spent as much time as possible on the local courses with his Judge buddies.

After our meeting but before leaving for lunch, a Hennepin County District Court Judge who had also been a friend of Jim’s for at least several decades stopped by to join us. Before leaving for lunch however, he had to share with us a story about what happened in front of another Judge who was listening to two attorneys do battle a few days earlier. During the proceedings, the two attorneys got into a heated argument about a particular ruling that pertained to the case at hand. One of the attorneys who had become frustrated with the other attorney’s comments, turned to him and called him a “little prick.”



At that, the Judge told the offending attorney that he was in contempt and ordered the bailiff to take him into a holding cell where he could take some time to consider his actions and cool off.

After some time had passed, one of the bailiffs approached the Judge with a note from the offending attorney who was sitting in the holding cell that asked if he could be provided with a dictionary. The Judge, wondering exactly what the attorney wanted with a dictionary, honored the attorney's request. A short while later, the bailiff again approached the Judge with another note from the attorney asking the Judge if he could speak with him and explain himself. The confused Judge reluctantly agreed to allow the attorney to approach him with his explanation.

Having done some legal "research" (perusing through the dictionary for a definition of the word "prick"), the attorney was ready to explain to the Judge why he (the Judge) was mistaken in finding him in contempt. As the attorney approached the bench he proceeded to explain to the Judge, "Your Honor, according to this Webster's Dictionary, the word "prick" is defined as a minor irritation. Your Honor, all I meant to say when I called the opposing counsel a "little prick" was that I found him to be a minor irritation and, therefore, again, according to the reliable source that I'm sure you would agree Webster's dictionary is, I was not really in contempt in my statement made in front of you this day. Therefore, I ask for the courts mercy and apologize if the meaning of my words was misconstrued." Reluctantly, and with a stern warning to choose his words more carefully, the Judge agreed to release the attorney from the holding cell so he could continue representing his client.

Much like the frustration the offending attorney experienced at trial in dealing with the opposing attorneys comments, most of what contractors have to deal with on a daily basis can be summed up as "minor irritations." But, when it comes to dealing with legal issues that contractors face or are exposed to, minor irritations can quickly turn into major conflicts. That's when you need to know that you have a competent licensed attorney who is indeed qualified in the area of contractor vs customer disputes on your side.

In regards to those minor irritations however, I believe I can offer you some sound food for thought that will serve to keep you out of trouble and help you to prevent those minor irritations from indeed, turning into major and costly conflicts. In no particular order, they are listed below and on the following several pages.

Contingency Agreements / Contracts:

The word "contingency" is defined by Webster's Dictionary 1913 as follows; (Law) A certain possible event that may or may not happen, by which, when happening, some particular title may be affected.

Lawyers work on a contingency basis all of the time and everyone knows how the process works. Simply put, the attorney and the client



agree that if the attorney is successful in “prosecuting” the clients case or cause of action, the attorney will be paid per an agreed upon fee or on a percentage basis. If the attorney is not successful however, the client owes nothing to the attorney for the work the attorney might have done in preparing and prosecuting the clients “complaint.” In some cases the client may agree to pay certain administrative costs – win or lose.

As it applies to storm damage insurance claims processing, the contingency agreement contract between the contractor and the “client” or customer works much the same way. Simply put, under the standard contractor contingency agreement/contract, if the contractor/insured customer are successful in getting the customers insurance company to fully pay the customer’s insurance claim, the customer agrees to award the repair work exclusively to that contractor who assisted them. A key consideration that is often overlooked however, is whether or not the contractor did, in fact, help the customer to get their claim fully paid.

Although I’m sure it has happened, I have never heard of a situation where a contractor with a solid contingency agreement contract was “fired” by a customer who accepted their insurance companies final settlement offer and then found out that the contractor had missed damage and therefore caused the customer to remain underpaid. The additional training you receive from this program will further protect you from ever having to be concerned with that.

I have indeed seen many times over the years, cases where the customer was left underpaid by hundreds to thousands of dollars due to a contractors lack of experience. In most of those cases, the contractors or contractor sales reps who missed the damage falsely represented themselves as insurance claims experts. In other cases, the underpayments were a result of inexperienced “free” estimate contractors trying to underbid other contractors on the storm or other property damage work. The reason for the rarity of law suits brought against contractors in the above cases is that the property owner usually never finds out they were underpaid. That doesn’t mean you should not at least keep that in the back of your mind and insert a caveat into the fine print of your contingency agreement contracts.

Why get signed and dated contingency agreement contracts from potential customers with insurance covered damage rather than giving “free” estimates? As mentioned earlier, “free” estimates are fine for retail remodeling projects. The property owner decides what they want done, gets a few estimates then chooses which contractor they want to work with. If you are a “free” estimate contractor and you bid on the work, you either get the job or you don’t. The most you have invested in the process is a sales presentation.

On the other hand, when it comes to processing storm damage insurance claims, the investment made by the contractor is substantial – an investment that no reasonable business person would be willing to make without some sort of guarantee that if their efforts help towards getting the claim fully paid, they will be paid for their time, their risk, their efforts and their expertise.



That being the case, there really is no point to or logical reason why anyone would offer to bid on storm or other property damage insurance claim work without some sort of assurance they would also get the work. Your contingency agreement and the customers loss report that you approve make up the contract – nothing is hidden! If, under the terms of the typical contingency agreement with an attorney, the attorney who dedicated his or her time, effort, and expertise to successfully “prosecute” a client’s case was told by the client that they (the client) owed nothing to the attorney (typically, administration and percentage fees), the client would rightfully be sued by the attorney. Most people know better than to consider such an attempt against an attorney. Fortunately for the attorney(s), his/her name usually appears on the check!

Why then, given what are essentially the same set of circumstances, do some property owners attempt to do the same thing to contractors who have dedicated their time, effort and expertise to, as advocates for the property owners, and have successfully achieved the goal of making sure the property owners insurance company has paid them all they are owed? Because they think they can and because of misguided attorneys who advise them to do so. Among other things, my contingency agreements included the following important notices:

This contingency agreement/contract, technically, does not constitute an “in home purchase”. However, you, the property owner, may cancel this agreement/contract at any time prior to midnight of the third business day after the date of your signing (the date shown with your signature in the lower left hand corner) by contacting the company within the allotted time by email, fax or telephone call followed by a letter of cancellation. (many states are now requiring a separate cancellation notice)

If your insurance company approves payment for repairs this contingency agreement automatically converts into a contract.

Whether titled as a Proposal, Agreement or Contract, as long as a “Contingency Agreement Contract” contains an offer which is typically an offer to ensure the accuracy of the insurance company's claim settlement offer to make sure that all damage is accounted for and to complete the repairs as listed in the insurance company's final settlement offer that all parties have agreed to in exchange for consideration - the insured's promise to pay the contractor for the repairs and the insured's acceptance of and agreement to the terms, a legal and binding contract is established. That, of course, makes much more sense then obligating yourself to a straight contract based on a “free” estimate written prior to coming to an agreement with the insurance company on what will be paid and at what price if the insurance company legitimately denies payment for items written into the contract.

Although neither statement was required, both further clarified the intent, meaning and purpose of the contract and further strengthened it. On those rare occasions when a customer did attempt to renege on their contract with me, one of three things would happen. Depending on the situation and the size of the job, I would either allow them to cancel, accept a percentage payment as stipulated in the contingency agreement contract (where legal) or sue them for breach of contract. Obviously, none of the three options fulfilled the intended goal which was to complete the customers repairs and make them whole – and get me paid. As well, all of the options were at least, a minor irritation as well as a distraction.

If the job was relatively small and I had some reason to believe the property owner was under some sort of hardship, I would “let them off the hook” so to speak. If a bigger job where more time and effort was involved, I would demand a contractually stipulated percentage payment (where legal) for the breach. Upon receipt of notice, the customer would either pay the percentage and I would release them from their contract or they would make the right decision and allow me to complete the work.



In those cases where the job size and therefore the profit potential was substantial, I would threaten to sue the customer for breach of contract. There was one relatively large contract from a few years ago that I did release the insured only because suing for breach might have damaged the goodwill I had earned from a number of other customers who knew and had referred me to that particular customer. Other than that one and an occasional hardship case, I usually am not going to allow my time, efforts and expertise to be stolen by a property owner who attempts to do so. Below are several examples of attempts and how they were resolved.

On one particular case with a smaller property, the property owner couple told me that their insurance company had flat out denied their claim for storm damage to their 3-tab roofing, aluminum siding and accessories. They asked for my help and readily signed the contingency agreement contract. I met with the insurance adjuster on the scheduled date and time and got the \$16,000 claim fully paid. After auditing the insurance company loss report and making corrections I contacted the insurance adjuster with those corrections and submitted them as supplements. Reluctantly, the insurance adjuster agreed to pay the additional amounts I had requested.

I then met with the property owners (husband and wife) on a Saturday so they could pick out products and colors. After picking out their products and colors and thanking me for all I had done for them the wife turned to me and said that her father who was a handyman would be doing all of the repair work. My reminder to both the husband and the wife of their contractual agreement left the wife unimpressed. My next reminder to them that they were obligated to pay a percentage fee (not as a penalty and, at the time in MN, legal) of the total dollar amount of the repairs including the deductible for their breach did leave an impression however.

The husband was a nice and reasonable individual. The wife however, was neither. As I was leaving she promised to call the offices of the State Attorney General and State Commerce department the following Monday to complain. I told her, after doing so, to call me with the names and numbers of the people she spoke with and she did. When I called both agencies the next day the AG's office expressed a lack of interest (not their department) and the Commerce Department told me that they had told her they had no problem with my demand of her to pay the fee of \$4,250 (now, no more than 10% which is equivalent to a PA's fee). This did not sit well with the wife whose behavior had become "overly emotional", to say the least. Based partly on a hardship concern but mostly on my empathy for the husband and kids, I decided against taking any action against the property owners.

On another job, the owner attempted the same thing but after being reminded of his contractual obligations, he immediately wrote out a check for the full fee.

On still another, a property owner who was also a successful real estate agent attempted to cancel his agreement after I had doubled his insurance settlement for him. After receiving the Breach of Contract and Demand notice he apologized for the attempt and agreed to have the work to be completed. He referred other work to me afterwards.



What often happens in these cases of attempted breach is that the customer will call an attorney, provide them with a copy of the contract, then tell the attorney of their desire to cancel the contract. The ill-advised attorney will then send a letter to the contractor telling them essentially that “the contract is not worth the paper it is printed on.” I always found it curious that an attorney who probably learned about contingency agreements in their first year of law school would even consider such requests from property owners whose only reason for attempting to cancel is to save money by hiring another contractor, usually a “free” estimate contractor, so they can pocket some of the insurance proceeds thereby criminally defrauding the insurance company.

The few times I received one of those letters from a customer’s attorney I would immediately respond with a letter reminding the attorney that advising the customer that it is ok and legal to cancel (breach) the contract makes them a contributory to the breach, culpable and liable, and also threatens the status of their license to practice law. I would also remind them that advising the customer in such a manner would most likely be construed as an approval by the attorney of the customers attempt to defraud both the contractor and the customer’s insurance company. I would then close by asking for the attorney’s bar registration number that I promised would be included in a letter to the ABA, Lawyers Ethics Board and the head of his or her firm.

No good and honest attorney is ever going to support such attempts. Instead, they will truly serve their clients interests by advising them that they simply must adhere to the terms of the agreement. The reason a few attorneys of questionable integrity will support an attempted breach is because they’ll earn a small fee and they don’t think anyone will figure them out or expose them (many politicians are also attorneys).

A solid, legally proper, accurate and well written attorney approved contingency agreement contract completed by an honest, competent and experienced contractor should be impenetrable by any other attorney. That doesn’t mean that some misguided attorney won’t approve of the customers attempt. Never, ever be intimidated by any attorney.

In order to assist you in strengthening your agreements I have included some of the language I used in my contingency agreement contracts. Keep in mind that the laws in your state may vary and you should always have your attorney review anything provided to you before implementing my or anyone else’s recommendations.

Basic Terms **(always consult your attorney on these and any other legal issues)**

BY YOUR SIGNATURE(S) BELOW, YOU AUTHORIZE (YOUR COMPANY NAME) TO ACT TO ASSIST YOU IN MAKING SURE THAT YOUR INSURANCE COMPANY’S SETTLEMENT OFFER IS ACCURATE AND COMPLETE AND IS BASED UPON REAL, TRUE AND ACCURATE (RTA) PROFESSIONAL CONTRACTOR MARKET RATES FOR YOUR AREA AS DETERMINED BY (YOUR COMPANY NAME) AND TO START THE REPAIRS AS SPECIFIED ON THE INITIAL AND ALL SUBSEQUENT INSURANCE COMPANY “SCOPE OF LOSS” REPORTS WITHIN FIVE (5) DAYS OF YOUR RECEIPT OF THE FIRST INSURANCE CHECK AT THE PRICES LISTED



ON THE FINAL INSURANCE COMPANY "SCOPE OF LOSS" REPORT AS APPROVED BY (YOUR COMPANY NAME) AND TRANSFERRED ONTO THIS AGREEMENT/CONTRACT PLUS ANY UPGRADES, ADDITIONAL SUPPLEMENTS AND/OR OTHER ITEMS AGREED TO BY YOU AND/OR PAID BY YOUR INSURANCE COMPANY AND/OR YOU. ALL OF THE ABOVE TERMS AND CONDITIONS ARE CLEARLY UNDERSTOOD, SATISFACTORY AND ARE HEREBY ACCEPTED.

Acknowledgements

Unless waived by Company (your company name), payment of first insurance check or up to 50% of TOTAL INITIAL PRICE (including upgrades) will be due before start of work. Entire balance due on completion of work including any supplements and/or changes that, when added to TOTAL PRICE, equal ADJUSTED TOTAL less PAID ON APPROVAL. Issuance of warranty(s) and lien waiver(s) will follow after final payment of all money due Company.

If insurance company holds back monies for work not done by property owner/insured that property owner/insured agreed to do personally, such action shall have no bearing on any payments due to the Company for work done by them.

No verbal contracts agreed to. Company is not responsible for pre-existing or hidden site conditions, including but not limited to; roof deflections, rotted wood or sidewalls, ceiling cracks, nail pops, broken glass or screens, wall cracks, etc. Replacement of warped/rotted roof or sidewall decking charged at \$(price) Per 4' x 8' sheet - minimum. *(insert your price)*

Company will clean up and haul away all job related debris during restoration and upon completion of work. OSHA* requires that in lieu of placing a portable toilet facility on site, the property owner agrees to allow workers access to their onsite toilet facilities. I have read, understand, signed and agreed to the General Information form and the above acknowledgments and terms. *(I would tell installers to find the nearest McDonald's or gas station.)*

x _____ x _____ Date ____/____/_____

have property owner(s) initial and date

The "What You Should Know" form is the form you had them read, sign and place a copy in their file that tells them what to be aware of and what to look out for during the entire process . Example below.

NOTE: The OSHA reference is part of the OSHA rules. A reasonable person would assume however, that the reference applies to bigger construction jobs such a commercial buildings or road construction projects but it never hurts to include more than enough information then not enough.

"Things to Know" "Hidden Conditions on Site" "Payment Process" "Notice"

NOTICE: (your company name) is not responsible for any pre-existing conditions including but not limited to: Driveway/sidewalk cracks or indentations, oil spots, broken windows/torn screens, interior damage, stains, leaks, loose or damaged roofing, gutters, windows, gutters/spouts, doors, siding and/or soffits, fascias, roof/siding/window leaks, window trim, glass, patio covers and furniture, lighting, skylights, pools/spas, chimneys, flat roofing, roof decking, vehicles, etc. (your company name) has the right to order excess materials that



will not be charged above the agreed upon total price. All excess materials belong to and will remain the property of the company. Excess materials withheld from the company will be billed to the person in possession of those excess materials. Wood/sidewall repair - \$(price) per hour + materials - \$(price) minimum. Window/door installation - \$(price) minimum each – roof repair/re-decking - \$(price) minimum per 8' x 4' sheet after first 8' x 4' sheet. All final balances due on completion.

Legal Amendments / Change Orders

Always include these documents as part of your entire contract package when there are amendments or changes made to the original contract. No matter how tedious it may seem to pay attention to what sometimes seems like “extra” minor details, it is the attention paid to those details that will keep you out of trouble.

Responsibility for Meeting the Terms and Conditions and Lien Notices

YOU ARE RESPONSIBLE FOR MEETING THE TERMS AND CONDITIONS OF THIS AGREEMENT AND CONTRACT. IF YOU FAIL TO DO SO YOU MAY LOSE YOUR LEGAL OWNERSHIP RIGHTS IN YOUR PROPERTY. PLEASE READ THE IMPORTANT LEGAL INFORMATION BELOW WHICH IS PART OF THIS AGREEMENT/CONTRACT. THE AGREEMENT/CONTRACT ON THE FACE HEREOF AND ANY AGREEMENT/CONTRACT MADE PURSUANT THERETO BETWEEN THE COMPANY (YOUR COMPANY NAME) AND THE INSURED(S)/CUSTOMER(S)/PROPERTY OWNER(S) – WILL BE SUBJECT TO ALL APPROPRIATE LAWS, REGULATIONS AND ORDINANCES, AND TO THE FOLLOWING SPECIAL TERMS AND CONDITIONS. (YOUR STATES) LAW REQUIRES THAT WE GIVE YOU THE FOLLOWING NOTICE OF LIEN RIGHTS AFFORDED TO PERSONS OR COMPANIES FURNISHING LABOR AND/OR MATERIALS FOR IMPROVEMENT OF REAL PROPERTY.

NOTICE TO OWNER

(a) ANY PERSON OR COMPANY SUPPLYING LABOR OR MATERIALS FOR THIS IMPROVEMENT TO YOUR PROPERTY MAY FILE A LIEN AGAINST YOUR PROPERTY IF THAT PERSON OR COMPANY IS NOT PAID FOR THE CONTRIBUTIONS. (b) UNDER (YOUR STATES) LAW, YOU HAVE THE RIGHT TO PAY PERSONS WHO SUPPLIED LABOR OR MATERIALS FOR THIS IMPROVEMENT DIRECTLY AND DEDUCT THIS AMOUNT FROM OUR CONTRACT PRICE, OR WITHHOLD THE AMOUNTS DUE THEM FROM US UNTIL 120 DAYS AFTER COMPLETION OF THE IMPROVEMENT UNLESS WE PROVIDE YOU WITH A LIEN WAIVER SIGNED BY PERSONS WHO SUPPLIED LABOR OR MATERIAL FOR THE RESTORATION AND WHO GAVE YOU TIMELY NOTICE.

Although the laws in your state may be similar you need to make sure that your contracts are written according to the laws of your state. Your attorney will help you with this.

It is agreed that the amount of the agreement/contract shall be based on the amount equal to full replacement cost value (not Actual Cash Value – ACV) as stated on the property owner’s insurance “scope of loss” including deductible and all upgrades, supplements, general contractor overhead and profit charges and other extras/changes, unless otherwise noted. All additional supplement payments paid by the Insurance Company for additional labor, materials, permits, etc., needed beyond the original loss report (missed items) are due and payable to the Company. If insured is covered for actual cash value (ACV) only, insured shall pay balance personally.



Breach (contract language)

If payment for repairs is approved by the insurance company and the contingency agreement/contract is/was cancelled by the owner(s)/signer(s)/insured(s) later than three (3) business days from the date of execution (original signing date), but prior to the commencement of work, owner(s)/signer(s)/insured(s) shall pay to the Company no less than ten percent (10%) of the full and final insurance company "scope of loss" settlement offer and the Company agrees to accept such as reasonable and just compensation for services rendered which include insurance claim and construction consultant representation and estimation provided and not as a penalty. Emergency service charges will be in addition to any other payments due contractor and shall be paid to the contractor on demand. If, after the owner(s)/signer(s)/insured(s) three business day rescission rights have expired, owner(s)/signer(s)/insured(s) mislead(s) Company after Company has completed an initial inspection of the damaged property with or without an insurance adjuster present by telling Company that they have/has decided not to do the repairs but does so through another company after their insurance company has approved repairs, owner(s)/signer(s)/insured(s) is/are still liable to the Company for ten percent (10%) of the estimated RCV claim value of the final insurance company loss report per the above schedule. Failure by owner(s)/signer(s)/insured(s) to provide Company with the complete insurance "scope of loss" will be deemed a default and breach and illegal cancellation of the agreement/contract by the owner(s)/signer(s)/insured(s) who shall then pay to the Company the percent (10%) for services rendered as described above based on the RCV repair cost value as estimated using same insurance company settlement costs of similar properties. Company retains the right and the option to allow owner(s)/signer(s)/insured(s) to keep insurance proceeds for certain repairs the owner(s)/signer(s)/insured(s) will do themselves but the owner(s)/signer(s)/insured(s) does not/do not retain the right and option to withhold money for any items listed on the insurance company "scope of loss" and additional supplements payments and "General Contractor Overhead and Profit" payments. You, as the owner(s)/signer(s)/insured(s) of this agreement/contract agree to pay any and all legal fees and other costs associated with and incurred while enforcing this provision or any other provision contained herein and/or, if you as the owner(s)/signer(s)/insured(s) file suit against the Company and your complaint fails, you agree to additionally pay any and all legal costs incurred by the Company in defending themselves against such failed action.

NOTE: IT MAY BE OR IS ILLEGAL IN MOST IF NOT ALL STATES TO CHARGE THE ABOVE TEN PERCENT FOR A CONTRACT BREACH. MAKE SURE YOUR ATTORNEY APPROVES BEFORE INCLUDING AS PART OF YOUR CONTINGENCY AGREEMENTS/CONTRACTS.

Additional Legal Considerations

Although it might be tempting for some contractors who get the insurance company to pay RTA remodel market rates for replacement of steel or aluminum siding to a customer who wants to replace it with vinyl or other similarly priced siding, the contractor would be well advised to give the difference between what was paid for the existing metal siding and the RTA for vinyl or similar siding to the customer. That way, the onus is on the customer where it belongs instead of the contractor. The customer can use the difference for upgrades or whatever else they want. However, if the customer wishes to replace their existing damaged metal siding with a higher grade of vinyl siding or other siding such as a cement board and the cost is equal to the RTA R&R cost of the existing metal sidings, there should not be a problem.

Overpayments

If an adjuster overpays on your customers claim, call the adjuster and let them know. In some cases, an overpayment here and an underpayment there will equal out. But, if you know there is a substantial overpayment and let the adjuster know, you'll never get called on it and your reputation for integrity amongst adjusters and insurance claims departments will be elevated (i.e.), your claims paid ratios will likely improve.



Contracts

If you use standard “off the shelf” office products store contracts that you had your name printed on, you’d be well advised to throw them away and pay a good attorney to assist you in writing up a detailed CYA contract. All it takes to get sued is one small error or omission.

Breach of Contract and Demand for Payment - Part 1

SIGNER(S)/INSURED(S)/OWNER(S)			DATE
ADDRESS			TELEPHONE #
CITY	STATE	ZIP	JOB #
INSURANCE COMPANY	CLAIM #	AGREEMENT SIGN DATE	

LEGAL NOTICE CONCERNING YOUR CONTINGENCY AGREEMENT/CONTRACT

BREACH OF CONTRACT AND DEMAND FOR PAYMENT

THIS IS NOT AN IN HOME PURCHASE OF RETAIL OR WHOLESALE PRODUCTS

The Contingency Agreement signed by you that states as follows is a legal and binding contract:

BY YOUR SIGNATURE(S) BELOW, YOU AUTHORIZE (YOUR COMPANY NAME) TO ASSIST YOU IN MAKING SURE THAT YOUR INSURANCE COMPANY’S SETTLEMENT OFFER IS ACCURATE AND COMPLETE AND IS BASED UPON REAL, TRUE AND ACCURATE (RTA) PROFESSIONAL CONTRACTOR MARKET RATES FOR YOUR AREA AS DETERMINED BY (YOUR COMPANY NAME) AND TO START THE REPAIRS AS SPECIFIED ON THE INITIAL AND ALL SUBSEQUENT INSURANCE COMPANY “SCOPE OF LOSS” REPORTS WITHIN FIVE (5) DAYS OF YOUR RECEIPT OF THE FIRST INSURANCE CHECK AT THE PRICES LISTED ON THE FINAL INSURANCE COMPANY “SCOPE OF LOSS” REPORT AS APPROVED BY (YOUR COMPANY NAME) AND TRANSFERRED ONTO THIS AGREEMENT/CONTRACT PLUS ANY UPGRADES, ADDITIONAL SUPPLEMENTS AND/OR OTHER ITEMS AGREED TO BY YOU AND/OR PAID BY YOUR INSURANCE COMPANY AND/OR YOU. ALL OF THE ABOVE TERMS AND CONDITIONS ARE CLEARLY UNDERSTOOD, SATISFACTORY AND ARE HEREBY ACCEPTED.



Breach of Contract and Demand for Payment - Part 2

Furthermore, as stated on the agreement/contract;

YOU AND YOUR CONTRACTOR ARE RESPONSIBLE FOR MEETING THE TERMS AND CONDITIONS OF THIS AGREEMENT AND CONTRACT. IF YOU FAIL TO DO SO YOU MAY LOSE YOUR LEGAL OWNERSHIP RIGHTS IN YOUR PROPERTY. **Furthermore, also as stated within the agreement/contract;**

5 If payment for repairs is approved by the insurance company and the contingency agreement/contract is/was cancelled by the owner(s)/signer(s)/insured(s) later than three (3) business days from the date of execution (original signing date), but prior to the commencement of work, owner(s)/signer(s)/insured(s) shall pay to the Company no less than ten percent (10%) of the contract price as determined by the final insurance "scope of loss" full replacement cost value and the Company agrees to accept such as reasonable and just compensation for services rendered which include insurance claim and construction consultant representation and estimation provided. Emergency service charges will be in addition to any other payments due contractor and shall be paid to the contractor on demand. If, after the owner(s)/signer(s)/insured(s) three business day rescission rights have expired, owner(s)/signer(s)/insured(s) mislead(s) Company after Company has completed an initial inspection of the damaged property with or without an insurance adjuster present by telling Company that they have/has decided not to do the repairs but does so through another company after their insurance company has approved repairs, owner(s)/signer(s)/insured(s) is/are still liable to the Company for ten percent (10%) of the estimated RCV claim value of the final insurance company loss report per the above schedule. Failure by owner(s)/signer(s)/insured(s) to provide Company with the complete insurance "scope of loss" will be deemed a default and breach and illegal cancellation of the agreement/contract by the owner(s)/signer(s)/insured(s) who shall then pay to the Company a minimum of ten percent (10%) for services rendered as described above based on the RCV repair cost value as estimated using same insurance company settlement costs of similar properties. Company retains the right and the option to allow owner(s)/signer(s)/insured(s) to keep insurance proceeds for certain repairs the owner(s)/signer(s)/insured(s) will do themselves but the owner(s)/signer(s)/insured(s) does not/do not retain the right and option to withhold money for any items listed on the insurance company "scope of loss" and additional supplements payments and "General Contractor Overhead and Profit" payments. You, as the owner(s)/signer(s)/insured(s) of this agreement/contract agree to pay any and all legal fees and other costs associated with and incurred while enforcing this provision or any other provision contained herein and/or, if you as the owner(s)/signer(s)/insured(s) file suit against the Company and your complaint fails, you agree to additionally pay any and all legal costs incurred by the Company in defending themselves against such action.

BREACH OF CONTRACT

Yours is both a material and anticipatory breach. A material breach is so fundamental that it excuses the aggrieved party (the Company) from further performance and entitles that party to sue for damages. An anticipatory breach is an unequivocal indication that the party - signer(s)/insured(s)/owner(s) - will not perform when performance is due. An anticipatory breach gives the non-breaching party (the Company) the option to treat such a repudiation as an immediate breach and sue for damages.



Breach of Contract and Demand for Payment - Part 3

As agreed, at substantial risk, (your company name) inspected your property for damage, found damage and your insurance company has agreed to pay for the repairs. As a result, you, by your signature and oral promise, are now obligated to fulfill your obligation under the terms of the agreement/contract which supersedes any and all estimates you may have received from another contractor or contractors at anytime whether or not they show a higher, lower or same price as that of the insurance "scope of loss", but you have refused to honor your agreement/contract. Whether or not you might have received estimates at anytime from other companies regarding having your repair work done by them, those estimates, if any, have become null and void and are not to be considered.

DEMAND FOR DEFAULT PAYMENT

This is a demand for payment of ten percent (10%) \$ _____ of the total estimated RCV repair value as determined by your insurance company scope of loss report in the amount of \$_____ approved by your insurance company according to their insurance company scope of loss/loss statement/loss report document(s) for services rendered, or if you have withheld any or all of your insurance company "scope of loss/loss statement/loss report document(s) from the company, as estimated using your insurance company's loss payment schedule for similar properties in the area. If payment is not received in the office of (your company name) at the address listed below within ten (10) business days of the date listed below, legal action may be taken to collect the stated amount from you. Feel free to call the Company with any questions you may have concerning this notice at the number listed below. Please send payment to the address listed below.

Loss report total: \$ _____ Amount of Demand: \$ _____

Signature _____

By YOUR NAME

Title YOUR TITLE

Date ___ / ___ / _____

YOUR COMPANY ADDRESS AND CONTACT INFORMATION



Threats to Property Owners of Premium Increases

Although a majority of property owners do not know this, as a general rule, insurance companies cannot increase an individual's premium as a result of storm damage. Whether referred to as an "Act of God" or an "Act of Nature", storm damage, unlike a house fire, water leak or similar damage that presumably could have been prevented, is considered beyond the control of the insured. Therefore, the insurance company cannot increase the insured's premium individually. They can however, again, generally speaking, increase the rates of everyone within a class. For example, if a storm were to cause damage in a certain area, owners of properties within the damage area may be considered a class and their rates, as a class, may then be raised. Still, no matter how many storms a property owner may suffer, their rates generally cannot be raised on an individual basis.

Some insurance adjusters and claims representatives will occasionally attempt to intimidate property owners with legitimate claims from pursuing those claims by implying that filing a claim will increase their premiums or get them cancelled. I've seen it time and time again where property owners with thousands of dollars in damage refuse to file a claim for those two reasons.

Additional advice regarding property owners who attempt to breach

Whenever a customer even suggested that they might consider breaching their agreement with me I would tell them that if they did, I would have to contact their agent and their insurance company claims department to let them know of the attempt. The insurance company knows that the primary reason an insured would attempt to breach an agreement is so they can look for estimates at a lower price and then pocket the difference. That, of course, and as I would remind the customer, could be construed by the insurance company as an attempt to defraud them. That usually caused the customer to reconsider their attempt. These issues should always be addressed at the beginning of your presentation to the potential customer.

Dealing with reluctant claims managers

One of the most frustrating but ultimately most rewarding parts of working on behalf of insured property owners with storm damage and helping them to get their insurance companies to fully pay their claims is dealing with claims managers at insurance company claims offices. You've already read some of the stories from my own experiences which, in most cases, resulted in a positive result for the property owner as well as myself. When followed, these tips should help you to achieve the same positive results.

Again, never be intimidated by anyone. In regards to claims managers (after an adjuster has turned the claim over to them) who believe themselves to be insulated from the "outside world" (pesky contractors) and are concerned about staying employed, they are, more often



than not, ready and willing to do battle (refuse to fully pay your customers claim) – their job depends upon it. However, because of what you've learned through this program, you will be prepared to win both the battles and the war and get your customers (and you) fully paid.

Know that, when talking to anyone from an insurance company claims department, they will be recording (by typing and/or voice recording) everything you say. That being the case, it is incumbent upon you to do the same thing. Besides taking copious notes during the conversations I would also record the conversations (after letting them know and if legal in the state you are working in) so I could refer to my notes later on. Doing so took a little extra time but it also made me a lot of additional money. Whenever a claims rep would “re-state” something that was allegedly said by them previously, I could refer back to my notes and the recordings and call them on anything that was misrepresented. I won, they lost – and my customer got paid what the insurance company owed them.

If all else fails...

Whether CEO's Tom Wilson (Allstate), Michael Tipsord (State Farm), Kirt Walker (Nationwide/Allied), Steve Salzwedel (AmFam), Jeff Dailey (Zurich/Farmers Insurance Group), Michel Khalaf (Met Life), Alan Schnitzer (Travelers), David Long (LM) or whom ever else is head of various other P&C insurance companies, when your customers legitimate claim is being denied or underpaid and a insurance adjuster or claims representative is refusing to act, you need to know who to contact in order to get the insurance company to honor the claim.

While working on one of my last claims where it had become apparent that a particular P&C insurance company had decided to refuse to pay for all of the legitimate damage and close their file in spite of the proof provided to them that the replacement product they said existed did not, there was only one thing left for me to do – contact the CEO.

Ultimately, P&C insurance company CEO's don't need or want to hear, or at least don't want the public to hear, that their policy holders are being treated unfairly. It is likely that most of them are out of the claim loop and because they have delegated the responsibility for processing claims to individuals way down the ladder, and have entrusted oversight of the process to lower level executives, they may not even be aware of the extent of the problems. Those problems usually start with lower level executives who want to stay employed and get promoted. With that said however, keep in mind what I wrote about “Conscious Avoidance” and “Willful Blindness” on the part of top level executives.

The way they do that is by making sure the numbers look good. If too many claim dollars are being paid, that deviates from their goal and threatens their long term employment. What happens then is that each person below them, all who are also concerned about future employment and promotion, follow the edicts of the executives to do everything they can to keep claims payments as low as possible.



That message goes out from them to lower level executives to claims department heads to claims managers and finally to the adjusters as well as engineers, out in the field – who want to keep the assignments coming. Staff adjusters are under direct pressure from the insurance company they work for. Independent adjusters and engineers are under pressure from the insurance companies they are working for as well as the independent adjusting and engineering companies they work for. As a result of all the pressure to perform starting at corporate and going down many levels of people who want to stay employed and are therefore willing to follow the directions given (pay as little as possible), the insured ends up with less than the best. On the other hand, there are those CEO's who do know what is going on but don't seem to care, that is until someone confronts them with the truth.

The Letter

On that particular claim mentioned earlier, because the head of the insurance company's claims department had refused to pay the balance due on the my customers claim, there was only one thing left to do – confront the CEO directly. Shortly after the insurance company CEO received the following letter, the claim was paid in full. Below is a synopsis of the letter that was sent to the CEO and the P&C Division President.

“Our obligation is to earn a return for our shareholders” (a quote by the CEO)

Big P&C Insurance Company CEO
and P&C Division President

Re: Bad Faith Claims Practices; Case/Claim # 125887168 Insured Name

Gentlemen,



Apparently, neither Bradley nor Kellogg offered courses in business ethics while the two of you were attending college. If business ethics courses were offered it would appear that neither of you thought it important enough to attend them. Had either of you signed up for those courses of instruction you would have learned that the (insurance company) business practices described above and regularly practiced with your full knowledge and approval, are abhorrent and corrupt to the nth degree and are in direct opposition to known moral and ethical practices.

(CEO name), as President and CEO of (insurance company), your primary obligation is not and never has been to earn a return for your shareholders. Indeed, your primary obligation is and always has been to see that your promises to your real customers (policy holders) are fulfilled. An overabundance of reliable evidence suggests that you have failed miserably in that quest and that (insurance company) business practices and policies under your and (previous CEO's) supervision of putting the interests of shareholders ahead of policy holders are indeed practices and policies destined ultimately for severe economic failure.



Did you not learn anything from the failures of Enron, WorldCom, Adelphia and others and the life changing examples of the executives in charge of those companies who were responsible for the corruption – who put shareholder returns ahead of customer service? Something to think about. A graduate degree is not a prerequisite for understanding and doing what is right – all that's needed is a little bit of common sense. Neither of you however, seem to possess that valuable intuitive quality and it is likely that that lack will eventually become as legally troublesome for you as it has become financially troublesome for your real customers – (insurance company) policy holders – whose trust has been and continues to be betrayed. As well, your practice of using (insurance estimating software) that prices repairs at a rate substantially below true current remodel market rates is as transparent as it is fraudulent.

Case/Claim # 125887168

Insured Name

Storm Damage Claim for Loss

In July, this property was inspected by one of your adjusters. The adjusters assessment (loss report) listed the “Full cost of repair or replacement” at \$22,442.51. My calculations included payment to replace all of the existing aluminum siding along with other items that the adjuster had missed. Revealed in my audit of the insurance adjusters “scope of loss” was that (insurance company) had not agreed to replace all of the aluminum siding. My total estimated for the repairs to this property came to \$34,610.54. That price was based on replacing all of the damage at current real and true remodel pricing for the State of Minnesota.

As of today's date, according to (insured name), your claims managers have refused to pay for the replacement of all of the aluminum siding that, according to Siding Match is no longer available. Their assessment and identification sheet reads as follows; “This siding IS NOT available. Aluminum Industries (also known as Homestar Industries) is no longer in business.” There simply is no match to the insured's existing siding and your (insurance estimating software) pricing is fraudulently low. That being the case, (insurance company) is required to replace all of the aluminum siding and do so at current remodel market rates.

Your claims representatives, according to their (your) claims managers, have been told to refuse to fully pay this claim. This serious violation of trust and bad faith has exposed each and every claims representative involved and who have followed the edicts of your office has caused financial and other damage and hardship to the insured named above. Therefore, an investigation will ensue that is intended to expose and hold legally accountable each and every claims representative that has conspired, on behalf of (insurance company), to illegally withhold settlement monies from the insured. Once the names of the responsible individuals has been compiled, each will be subpoenaed to testify under oath as to their involvement in this matter. It is my hope and expectation that all culpable individuals will be prosecuted to the fullest extent of the law.

Sincerely,

Larry M. Burtis, President - 3RSystems, LLC



It is unfortunate that anyone should have to take such extreme measures in order to get the insurance company to do what it should have simply done in the first place – fully pay the claim. In this case, all other options had been exhausted which made directly confronting the insurance company CEO as appropriate as it was effective.

Was the time spent worth it? Absolutely! Although it took a bit more time than usual, the approximate additional eight hours spent on the phone with adjusters and claim reps and composing and sending the letter to the CEO resulted in an additional payment of \$12,168. At an approximate 40% profit on that amount I was paid about \$608 per hour for my time.



= \$608 per hour!

Besides gaining the additional profit I also gained additional respect from the insurance adjuster and claims representative “community.” I also gained tremendous good will with the customer which turned into additional referrals that turned into additional jobs that led to additional profits which ultimately lead to – *More Money, More Freedom, and More Fun* which, when all is said and done, is what all of the hard work is about anyway.

At this point, your training overview is completed. Continue with your training by studying all of what is included in 3RS PLAYBOOK PART 2 FORMS and 3RStimax©.

Thank you for your participation in this one of a kind program. I am confident that your completion of the program will advance you years and many thousands of dollars ahead of where you might otherwise be.

Sincerely,

Larry M. Burtis, President – 3RSystems, LLC

Pages 114 to 121 list the names and contact information of various insurance company and mortgage loss draft processing company CEO's, claims executives and associates.

P&C Insurance Company
Executive Names and Contact Information

P&C Insurance Company Executive Names and Contact Information (deemed to be accurate but not guaranteed)

INSURANCE COMPANY NAME	EXECUTIVE NAME	POSITION	TELEPHONE
AIG	PETER ZAFFINO	PRESIDENT/CEO	1 877 638.4244
ALLSTATE	TOM WILSON	PRESIDENT/CEO	1 847 402.5000
	MICHAEL ROCHE	SVP CLAIMS	1 847 402.5000
AMERICAN FAMILY	STEVE SALZWEDEL	PRESIDENT/CEO	1 608 243.4927
	MARTA CANTU	CLAIMS	1 608 243.4927
AMICA	ROBERT DIMUCCIO	PRESIDENT/CEO	1 401 334.6000
AUURANCE AMERICA	BUB STUMBAUGH	PRESIDENT/CEO	1 770 952.0258
AUSTIN MUTAL	JEFFREY KUSCH	PRESIDENT/CEO	1 763 657.8653
AUTO-OWNERS	JEFFREY TAGSOLD	PRESIDENT/CEO	1 517 323.1200
	R. RUPP	SVP CLAIMS	1 517 323.1200
BADGER	DAN NIGRO	PRESIDENT/CEO	1 414 383.4339
BALBOA	TRACY O'DONNELL	PRESIDENT/CEO	1 949 222.8000
CHUBB	EVAN GREENBERG	PRESIDENT/CEO	1 908 903.2000
CINCINNATI	STEVEN JOHNSTON	PRESIDENT/CEO	1 513 870.2911
COUNTRY MUTUAL	JIM JACOBS	PRESIDENT/CEO	1 309 821.3000
	BARBARA BAURER	COO	1 309 821.3372
COUNTRY-WIDE	MICHAEL JAFFE	CHAIR/PRESIDENT	1 818 225.3000
ERIE	TIM NECASTRO	PRESIDENT/CEO	1 814 870.2000
FARMERS INS GROUP	JEFF DAILY	PRESIDENT/CEO	1 323 932.3427
	BILL OWENS	CLAIMS	1 805 501.6430
	RUSS RICHARDS	CLAIMS	1 818 324.2682
	ANDY ZAG	LA/USA P&C HEAD	1 323 932.7592
	RAY LUNCHING	MINNESOTA EXECUTIVE	1 651 437.2687

P&C Insurance Company Executive Names and Contact Information (deemed to be accurate but not guaranteed)

INSURANCE COMPANY NAME	EXECUTIVE NAME	POSITION	TELEPHONE
FARM BUREAU	KEN MURPHY	PRESIDENT/CEO	1 515 225.5400
FEDERATED	JEFF FETTERS	PRESIDENT/CEO	1 507 455.5200
GEICO	TODD COMBS	PRESIDENT/CEO	1 800 824.5404
GMAC	BARRY KARFUNKEL	PRESIDENT/CEO	1 313 656.3672
GUIDE ONE	JESSICA CLARK	PRESIDENT/CEO	1 515 267.5000
HARTFORD	CHRISTOPHER SWIFT	PRESIDENT/CEO	1 860 547.5000
	DAVID ZWIENER	PRESIDENT CLAIMS	1 860 547.5000
HOMEOWNERS CHOICE	PARISH PATEL	PRESIDENT/CEO	1 888 210.5235
HOMESITE	FABIAN FONDRIEST	PRESIDENT/CEO	1 800 516.3175
	DOUG BATTING	PRESIDENT/COO	1 800 516.3175
HORACE MANN	MARITA ZURAITIS	PRESIDENT/CEO	1 217 789.2500
	TOM WILKINSON	EVP CLAIMS	1 217 789.2500
AMERIPRISE	JAMES CRACCHIOLO	PRESIDENT/CEO	1 612 678.5881
INDIANA FARMERS	WES SPRINKLE	PRESIDENT/CEO	1 317 846.4211
LIBERTY MUTUAL	DAVID LONG	PRESIDENT/CEO	1 617 357.9500
	TIM SWEENEY	PRESIDENT PERSONAL LINES	1 617 357.9500
MET LIFE	MICHAEL KHALAF	PRESIDENT/CEO	1 212 578.2211
	TRACY DEDRICH	INVESTOR RELATIONS	1 212 578.5140
MID CONTINENT	MICHAEL COON	PRESIDENT/CEO	1 918 587.7221
NATIONAL AMERICAN	BRENT LAGERE	PRESIDENT/CEO	1 405 258.0804
NATIONAL FARMERS UNION	LINDSAY SINCLAIR	PRESIDENT/CEO	1 303 337.5500
NATIONWIDE	KIRT WALKER	PRESIDENT/CEO	1 614 249.7111
NORTHSTAR MUTUAL	JEFF MAULAND	PRESIDENT/CEO	1 507 423.6323

P&C Insurance Company Executive Names and Contact Information (deemed to be accurate but not guaranteed)

INSURANCE COMPANY NAME	EXECUTIVE NAME	POSITION	TELEPHONE
OHIO CASUALTY	DAN CARMICHAEL	PRESIDENT/CEO	1 513 603.2400
OHIO MUTUAL	MARK RUSSELL	PRESIDENT/CEO	1 888 895.7725
PEMCO	STANLEY MCNAUGHTON	PRESIDENT/CEO	1 800 467.3626
PINNACLE	JOHN MITCHELL	PRESIDENT/CEO	1 763 767.2323
PROGRESSIVE	TRICIA GRIFFETH	PRESIDENT/CEO	1 800 776.4737
SAFECO	MATTHEW NICKERSON	PRESIDENT/CEO	1 206 545.5000
SECURA	DAVE GROSS	PRESIDENT/CEO	1 920 739.3161
SENTRY	PETER MCPARTLAND	PRESIDENT/CEO	1 715 346.6000
STANDARD MUTUAL	GREG NESS	PRESIDENT/CEO	1 217 546.2894
STATE AUTO	MICHAEL LAROCCO	PRESIDENT/CEO	1 614 464.5325
STATE FARM	MICHAEL TIPSORD	PRESIDENT/CEO	1 309 766.8864
	SANDRA WIRTZ	CLAIMS ASSIST	1 309 766.6393
	SUSAN HOOD	VP CLAIMS	1 306 766.8864
TEXAS WINDSTORM	JOHN POLACK	PRESIDENT/CEO/GM	1 512 899.4950
TRAVELERS	ALAN SCHNITZER	PRESIDENT/CEO	1 856 983.2400
UNITED FIRE & CASUALTY	RANDY RAMLO	PRESIDENT/CEO	1 319 399.5700
USAA	WAYNE PEACOCK	PRESIDENT/CEO	1 210 498.2211
UTICA	RICHARD CREEDON	CHAIR/CEO	1 315 734.2000
WEST BEND MUTUAL	KEVIN STEINER	PRESIDENT/CEO	1 262 334.5571
WESTERN NATIONAL	STUART HENDERSON	PRESIDENT/CEO	1 952 835.5350

List is not all inclusive. Not all insurance companies will be included on this list nor will all of the contact numbers. Some of the information may have changed due to changes in corporate structure, hiring and firing, etc. A key word search on the internet will also help you to locate contact information of various insurance company executives and employees, for example: To find State Farm CEO type in "State Farm Insurance Company CEO". Also helpful for basic information – www.hoovers.com (may require registration and/or a subscription). Use the above information to contact corporate. If you have a problem insurance adjuster and/or claims manager and you can't get any traction with them – start at the top (CEO's and even board members who oversee CEO's) and work your way down. If you are sure your customers claim has been underpaid or improperly denied, always be persistent and never give up.

***Mortgage Loss Draft Processors
Contact Names and Contact Information***

Mortgage Loss Draft Processors Contact Names and Contact Information (deemed to be accurate but not guaranteed)

COMPANY	CONTACT NAME	POSITION	LOCATION	TELEPHONE
AMERIQUEST				1 800 213.6762
ASSURANT SPECIALTY PROPERTY	MIKE CAMPBELL	PRESIDENT/GLOBAL	ATLANTA, GA	1 770 736.1015
ASSURANT SPECIALTY PROPERTY	DREW GUTHRIE	MEDIA RELATIONS		1 212 859.7002
ASSURANT SPECIALTY PROPERTY	GENE MERGELMEYER	PRESIDENT/CEO	ATLANTA, GA	1 770 763.1015
ASSURANT SPECIALTY PROPERTY	ATLANTA CORP OFFICE		ATLANTA, GA	1 770 763.1000
ASSURANT SPECIALTY PROPERTY	SEAN MOSHIER	INVESTOR RELATIONS	NEW YORK, NY	1 212 859.5831
ASSURANT SPECIALTY PROPERTY	ALAN COLBERG	PRESIDENT ASSURANT	NEW YORK, NY	1 212 589.5831
ASSURANT SPECIALTY PROPERTY	MIKE LAWSON	VP ASSURANT GROUP	SPRINGFIELD, OH	1 937 327.7700
ASSURANT SPECIALTY PROPERTY			DULUTH, GA	1 678 475.8460
ASSURANT SPECIALTY PROPERTY			FLORENCE, SC	1 843 413.2199
ASSURANT SPECIALTY PROPERTY			SCOTTSDALE, AZ	1 800 535.1333
ASSURANT SPECIALTY PROPERTY			MIAMI, FL	1 800 852.2244
ASSURANT SPECIALTY PROPERTY	JOHN FROBOSE	PRESIDENT	CUMMINGS/ATLANTA, GA	1 770 763.1000
BALBOA LOSS DRAFTS	CYNTHIA GOSHAY	LOSS DRAFT SPECIALIST	HUNTINGTON BEACH, CA	1 949 222.8000
BANK OF AMERICA	CHARLES MUIGAI	LOST DRAFT TEAM MGR	ALLEN, TX	1 214 383.4262
BANK OF AMERICA	ROBERT JAMES	MANAGING DIRECTOR	IRVINE, CA	1 949 451.5900
CAPITAL ONE	RICHARD FAIRBANK	PRESIDENT	SALT LAKE CITY, UT	1 877 383.4802
CHASE				1 866 742.1461
CITIMORTGAGE	JOHN GODINET			1 301 696.5069
COUNTRYWIDE				1 800 669.6076
HSBC				1 866 656.7678
MIDLAND MORTGAGE				1 800 654.4566
OPTION ONE				7 866.343.4346

Mortgage Loss Draft Processors Contact Names and Contact Information (deemed to be accurate but not guaranteed)

COMPANY	CONTACT NAME	POSITION	LOCATION	TELEPHONE
REGIONS				1 901 580.6559
SBA				1 800 659.2955
SELECT SERVICING				1 888 956.5206
SUN FINANCE				1 504 962.5626
US BANK				1 866 411.8890
US BANK				1 800 831.7524
WELLS FARGO				1 888 818.9147
QBE FIRST	KATHY AHERN	TEAM SUPERVISOR	PHOENIX, AZ	1 866 318.2016

The above information is deemed to be accurate but is always subject to change as employees and executives are hired, fired, transferred, etc. The key to getting results is finding out your customer's mortgage company then matching that company to the mortgaging servicing company that handles loss draft processing. Once that is known you need to track down the actual office from which the loss draft paperwork comes from then let them know you are aware of who you are really working with. If and when problems arise, look to this list to determine who is superior to whomever is handling the paperwork and contact them. Keep on looking until your concerns are resolved even if you have to make a number of calls. Unfortunately, until they are forced to comply with the same rules and regulations as everyone else, the problems will persist.

A majority of loss draft claims are run through Assurant Specialty Property (ASP), which is a division of Assurant, Inc. When your customers are directed to <https://insuranceclaimcheck.com> which is used by many mortgage companies and banks including Assurant Specialty Property (ASP).

Mortgage Servicing Companies – Loss Draft Processors

Although Countrywide Mortgage (Balboa) handles most of their own loss draft processing and QBE First handles a small percentage, much of the loss draft processing done throughout the USA is handled by Atlanta, GA based Assurant Specialty Property (ASP) which is a subsidiary of Assurant, Inc. (AIZ). This niche market earns ASP a lot of money, much of which, at least in my opinion and the opinion of probably every contractor in the country who has ever had to deal with them, is undeserved.

The software program ASP uses to track your customers loss drafts (ultimately, your money) and that they tell their investors and customers (i.e.) Citi, US Bank, Wells Fargo, etc., is so effective, is called “DraftTrac Enterprise tracking.” The reason they continue to do such a poor job is that they assume you and your customers will never figure out who is behind the delays – but you just did.

TOP ASP EXECUTIVES

Alan B. Colberg, President/CEO – Assurant, Inc. 1 212 859.5831

Gene Mergelmeyer, COO – Assurant, Inc. 1 770 763.1015

John Frobose – President, Assurant Specialty Property (ASP) 1 770 763.1000

Mike Campbell – President, Global Home Services – Assurant, Inc. 1 770 736.1015

Gary Turner – SVP Operations – Assurant Specialty Property (ASP) 1 770 763.1000

Mike Lawson – Assurant Group VP 1 937 327.7700

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Any "contests" which the author may consider holding at some point in time will be announced officially as a contest and are not to be confused with offering a rebate. Until a contest is announced on the authors websites as "official", there is no contest, even though the author may announce the potentiality of a contest sometime in the future. Further, 3RSystems, LLC, 3RStimax®, ICCOA and its affiliates shall not be liable for, and the homeowner/insured/property owner hereby disclaims and waives any rights and claims it may have with respect to, services provided by any company or contractor trained by 3RSystems, LLC, 3RStimax®, ICCOA or its affiliates. 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