



RESTORER-INSURER **BUILD BRIDGES,**

By Ken Larsen, CR, WLS



COMMUNICATION: **NOT WALLS**

Be it an effort to control wildlife, livestock or even immigrants, contentious views surround the idea of controlling a problem with the erection of a wall. Perhaps a more civil way of dealing with a problem is to build a bridge by attempting to improve relationships rather than eliminate them.

Over the last two decades, the restoration industry has seen an obtrusive figurative “wall” erected that effectively silences all communication between restoration contractors and insurance adjusters. This wall is the insurance industry’s latest solution to avoid dealing directly with restoration companies and is called a managed network program, more commonly referred to as today’s third party administrator (TPA).

Insurers tended to paint all restorers with a broad brush and began to demand pricing concessions from reputable restoration contractors as they developed the opinion most contractors were not to be trusted, and every invoice included “fluff” that must be trimmed for a fair insurance claim settlement.

Tensions between the contractor and insurance community became increasingly stressed, and therein existed the unique business proposition that evolved into the TPA industry that exists today.

In the beginning of the TPA evolution, it started innocently enough. A third party service was offered to the insurance community whereby they would force the contractor to provide a more consistent series of

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WHAT INSPIRED THE NEED FOR THE 21ST CENTURY TPA?

An entrepreneurial business basic is to first identify a consumer’s need and then provide them with a unique business proposition. While reflecting upon the state of the restoration industry from about 20 years ago, the insurance community was faced with a broad scope of quality and practices within the restoration industry. To be clear, some contractors would perform remarkable restoration practices with charges reflective of such workmanship. In contrast, less experienced contractors would perform an unskilled “clean-up” service while charging similar prices.

Documentation of the projects ranged from expertly prepared and comprehensive reports supporting the contractor’s processes, to handwritten “chicken scratch” on a paper towel; yes, *really!*

Equipment usage also varied from contractor to contractor. Some examples included techniques that were clearly not supportable, damaging an insurer’s trust in the industry. (See figures 1, 2 and 3) Additionally, contractors didn’t factor economies of scale or length of rental period into their billing. Consequently, the

documents for the insurance representative to review. This would reduce the time necessary to review the file, and insurance claims could be closed faster. Additionally, the TPA offered to pre-qualify contractors so that they met stringent quality control demands, thereby filtering the less skilled and unethical contractors from the vendor pool.

Who pays for this service? At first, the costs were shared between the contractor and the insurer. The insurance company might pay a small fee for each claim processed, and the contractor often paid the TPA to be on their referral list.

The idea was quickly embraced by both the insurers as well as contractors looking for a bigger piece of the insurance claim pie. Thus emerged the slippery slope that eventually became the “wall” between restorers and insurance company claims personnel.

GREASING THE SLOPE

Competitive TPA models naturally emerged, each promising the insurance companies more desirable service and price concessions than the next.



Some of those concessions may include, but are not limited to the list below:

- Waive the costs to the insurer for the service and obligate the contractor to pay for the TPA's services
- Price caps (non-standard of care three-day drying demands)
- Waived overhead and profit charges (10 percent + 10 percent)
- No base service charges
- Faster service calls with penalties to the contractor for even short delays
- Micromanagement of the contractor by an off-site basic skills IICRC WRT technician "certified" claims administrator
- Significant price reductions from industry standard rates
- Non-standard of care practices, resulting in reduced insurance claim settlements
- Mandated non-communication about costs with either the insurance claimant or the insurer — only the TPA communication was permitted
- Mandated use of drying software programs that often fail to reflect the industry's standard of care, but may produce a consistent square foot price

And the list of contractor concessions continues to grow.

Understandably, after 20 years of accumulated TPA program demands, many restoration contractors are at a breaking point and choosing to opt out of TPA program. Sometimes the most profitable word in their vocabulary is "no" — as in no, I choose not to participate in a relationship that is win-lose.

To make matters worse, as a result of the years of observing all the concessions contractors were willing to accept, this pattern may have indicated to the insurers that the contractors have enormous discretionary revenue that they can afford to forfeit. This is simply not true and only forced the contractor to find creative ways to either reduce their costs or find the revenue necessary to keep their doors open.

While the contractor may not like this barrier to direct communication with the adjuster or in-house insurance claims representative, many have simply conceded to the TPA's business models and rules as an unchangeable state of the industry.

We invite you to reconsider such a defeatist conclusion.



“TPAs seek the most qualified restoration contractors to service their leads.”

In reality, TPAs seek the most qualified restoration contractors to service their leads. This is because unskilled services frequently deliver serious performance and competency deficiencies. Insurance companies would quickly learn that the TPA's list of contractors used on their claims resulted in unhappy policy holders. The TPA would then lose their account with the insurance carrier. Furthermore, the lesser quality restoration firms who agree to the TPA's unreasonable stipulations are likely to eventually fail in business. Responsible restoration professionals should take comfort in this knowledge. You must leverage this in your negotiations with the TPA.

“Negotiations with the TPA? Really?”

Absolutely! It's time to let the TPA know that after years of participation and experience in these programs, the restoration community has identified which program elements can be accommodated and which ones are neither reasonable nor acceptable. How can the restoration industry communicate this to the TPAs?

RESTORERS ARE SICK AND TIRED — AND CAN'T TAKE IT ANY MORE!

Before a contractor enters into a TPA program agreement, be sure the terms of participation are carefully considered and agreeable. Take the time to understand what they mean and reflect on the

long-term implications. Remember, the original intent of the TPA programs was to provide a complete set of documentation so that the insurance representative could efficiently settle the assigned claim. Hold the TPA to that mission and reject elements that exceed it.

Are there price reduction demands? Reject them.

Are there price or service caps? Reject them.

Are there micromanagement demands? Reject them.

They are neither fair, nor should they be part of a TPA's mission. Industry observers believe such stipulations are reflective of price control and a fair pricing shortfall in the claims settlement.

Consider crossing the program line items that are unacceptable out on your agreement, sign the document and return it to your TPA representative. If the TPA agrees to the contractor's changes, then the program has been successfully negotiated, producing a win-win deal.

But what if the contractor has already signed an agreement and is stuck for months or even years with the win-lose arrangement? Consider consulting an attorney to assist in notifying the TPA of the desired changes to the agreement. An attorney can advise the follow-up procedures necessary for the contract renegotiation stipulations to take effect.

LEVERAGE YOUR LICENSES

Give serious consideration to the nature and content of the conversations currently conducted between the contractor and the TPAs. The contractor may have much more leverage than is realized.

A business requires a business license in most states and municipalities. If the TPA represents themselves as the contractor, thus making you the restorer a subcontractor, the restorer can request a copy of the TPA's contractor's license for their files. An attorney can advise how to respond to the unlicensed entity operating as a contractor in their state.

Many TPA representatives will negotiate and try to settle insurance claims with the contractor, serving as a "middleman" for the carrier. An attorney can advise you if a TPA that negotiates and settles insurance claims requires an adjusting license in the state where the work is performed.

RESTORE MORE THAN PROPERTY, RESTORE COMMUNICATIONS

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TPA programs — in the creation of the TPA “wall” designed to silence their communications with the insurer. Contractors who deliver quality work, fair business practices and ethical conduct should be exempt from many of the TPA's program stipulations designed to limit those who would abuse the insurer's trust. It is possible that the TPA's “wall” can be applied to those contractors who fail to meet those high performance standards, while a bridge would be made available to the contractors who provide excellence. Such a development would be a healthy benefit for all the stakeholders involved in an insurance claim. [RIA](#)



Ken Larsen, CR, WLS, CSDS has been in the restoration industry since 1978. He holds RIA, ACAC and IICRC advanced designations. His career includes 18 years as an independent property restoration contractor, consultant to restorative drying during catastrophes and large loss drying coordination, expert witness, director of education for North America's largest disaster restoration contracting organization, and author of one of the industry's leading technical resource books on structural restorative drying, Leadership in Restorative Drying. He is currently an IICRC-approved instructor of WRT, ASD and CDS certificate courses. Larsen is also a RIA instructor of the restoration industry's advanced certification credentials: water loss specialist (WLS) and certified restorer (CR). He serves as chairman for RIA approved Instructors, Trainers and Subject Matter Experts, a sub-committee of RIA's Education Committee. Larsen presently serves as senior technical director for the International Dry Standard Organization (IDSO) and director of education for the Restoration Leadership Institute (RLI) and lead consultant for the Restoration Expert Panel (REP). Ken lives with his wife Barbie (yes, really!) in Santa Rosa Beach in Northwest Florida. He can be contacted at ken@drystandard.org.



Ken Larsen’s “Bridges” Article

Three missing photos from the Nov./Dec. issue of C&R magazine

The Nov./Dec. issue of *C&R* magazine featured an article written by Ken Larsen titled, “Restorer – Insurer Communication: Build Bridges, Not Walls.” The article addressed how and why the TPA gained industry traction and suggests solutions to unfair TPA demands and practices.

As stated by Larsen in the article, restorers have allowed — and in some cases, assisted through agreement to participate in the TPA programs — in the creation of the TPA “wall” designed to silence their communications with the insurer. Contractors who deliver quality work, fair business practices and ethical conduct should be exempt from many of the TPA’s program stipulations designed to limit those who would abuse the insurer’s trust. It is possible that the TPA’s “wall” can

be applied to those contractors who fail to meet those high performance standards, while a bridge would be made available to the contractors who provide excellence. Such a development would be a healthy benefit for all the stakeholders involved in an insurance claim.

On page 18, the article referenced three important photos in support of Larsen’s position: “Equipment usage also varied from contractor to contractor. Some examples included techniques that were clearly not supportable, damaging an insurer’s trust in the industry.” These photos along with captions are included in this edition along. We apologize for this omission.



A supplemental generator was required to power the unnecessary air movers on this project. Such abuses inspired the need for the TPA.



Contaminated structures? Some were substituting an air mover for an air scrubber carrying six times the unit price of an air mover. Adjusters were rightfully skeptical of the skill and ethics of such contractors.



Each of the 7 air movers were running and being charged to dry the small cavity below the water heater. Furthermore, the silver ductwork between the air mover and the wall cavities were being charged at rates reflective of \$4000 specialty wall drying equipment.