

THE REPORT

Special issue: The Insurance Restoration Contractor

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Contractors make the difference with your client's recovery

When Gov. Arnold Schwarzenegger announced that he would take any steps to protect Californians from unscrupulous contractors after the recent wildfires, he cited a risk familiar to too many insurers and policyholders. Major disasters draw contractors from across the country. Most are legitimate, wanting to use their skills to help homeowners. But the few scam artists are a blight on the insurance restoration industry.

And that's why members of the National Institute of Restoration make such a big deal about their support of NIR's code of ethics.

Qualities of NIR member contractors

Your policyholders depend on you to send them to the right people who can aid in their recovery from a disaster. That's why you should consider the qualities that NIR member contractors offer. When you are recommending contractors, here are some qualities to consider:

EXPERIENCE

You don't want your clients to suffer through a contractor's on-the-job training. There's too much at stake. NIR member contractors are the leaders in the insurance restoration industry. With their network of experts, they can remediate damage from water, smoke, fire, wind, mold, chemical spills and other perils the right way the first time.

PROFESSIONALISM

NIR member contractors are business people who know their field and know how to provide excellent customer service. They can be counted on to respect your client's property and treat your policyholders professionally. They work according to production schedules and keep you and your clients informed with circumstances that may cause delays or changes in the budget.

ETHICAL CONDUCT

Every member of NIR subscribes to the code of ethical conduct (printed on page 4) that guides their professional life. The code lays out expectations the association has for them. In fact, NIR was founded 19 years ago after some leading restoration contractors saw the need to create an organization focused on ethical and professional business practices as a way to upgrade the profession. For nearly two decades, NIR has been an industry leader in promoting and branding ethical behavior as a standard for others to follow. After all, good ethics is good business.

SAFETY

NIR member contractors do not take shortcuts with their employees or with your clients' properties. Construction is dangerous work. NIR contractors will not sacrifice safety or quality workmanship in order to save a few dollars on a job. The old adage, "you get what you pay for" holds true in construction as well as in life.

COMPETITIVE PRICING

NIR contractors provide work at a fair price. You can always get a job done more cheaply, but if you want to be sure the work will be done correctly, look to a member of NIR to provide your policyholders excellent service at a fair price.



Finding the right restoration contractor

When your clients have a loss, they look to their insurer to make things right. Your partner is the restoration contractor.

This issue of *The Report* will help you advise your clients about finding the contractor who can best help them restore their property and recover from their loss.

Inside...

Choosing wisely	2
Disaster facts	2
Serving clients	3
Code of ethics	4

\$100 billion storm just a matter of time

Robert Hartwig, president of the Insurance Information Institute (III), recently told a group of insurance company executives that the prospect of a \$100 billion year of insured losses is not a matter of if but when.

The two major Category 5 storms that struck Central American this summer could have brought the industry to that \$100 billion mark if the storms had made landfall here according to Hartwig. That prospect makes hurricanes the single biggest threat that insurers face.

The problem of buildup

Development along coastal areas continues at a frenzied pace despite the threat of major storms.

A 2003 study based on U.S. Census data found that 53 percent of the nation's population – 153 million people – lived along or near the coast. That land area accounts for only 17 percent of the country's land mass.

Twenty-three of the 25 most densely populated areas sit along the coast and there's no sign that the pace of development will slow.



Expect your restoration contractor to:

- Have all local licenses and registrations.
- Readily provide prospects with a permanent place of business, telephone number, tax I.D. number and copies of a business license.
- Get all necessary permits for work.
- Readily offer client references and a list of completed projects.
- Be comfortable discussing the unique features of insurance restoration including mold remediation and water damage.
- Present credentials to exemplify his or her professional ethics such as membership in NIR or a similar professional organization.
- Explain the needed repairs and provide quality control procedures.
- Provide certificates of insurance and other documents to protect the homeowner from liability because of the use of subcontractors.

Contractors question benefits of new third-party provider system

An emerging trend of insurers using third party providers could change the traditional working relationship between agents, adjusters and contractors. In this new model, the insurer contacts a third-party provider to handle a damage claim. That provider then selects the contractor who will call on the policyholder and document the loss. The arrangement is more efficient by eliminating the need for an adjuster. But some contractors fear that the process will become the insurance industry's version of the HMO, a system widely criticized for disrupting the traditional doctor-patient relationship in medical fields.

Steve King, a member of the NIR Board of Directors and owner of Missouri Contracting and Cleaning, says that the third party providers set the standards and often ask contractors to make price concession before they can be considered for a referral.

King believes that the traditional system, where agents or adjusters know the contractor personally, results in better service for the homeowner.

"As a contractor, I am going to make sure I do a good job and take good care of their insured," he said. "The third-party provider adds a broker into the relationship which may not improve service. And good service is the ultimate goal of the insurer."

Questions your clients should ask a contractor

Do you work as a full time or part time contractor?

How long have you been in business?

Is your license in good standing?

What kind of experience do you have in working with water damage and mold remediation?

How many insurance restoration projects have you done? What type were they?

What kind of insurance do you carry? (Look for evidence of liability and workers' compensation coverage.)

Who will do the actual work – you and your employees or other subcontractors?.

How long will it take to complete my project?

What hours do you regularly work?

What permits will be necessary?

Will you be supervising the job entirely or delegating that task to others?

2007 homeowners insurance survey

How satisfied homeowners are with their insurers depends on five key areas related to customer service according to the latest survey by J.D. Power and Associates. Those areas are:

- policy offerings
- price
- billing and payment convenience
- interaction
- claims.

What was most important? Interaction with agents ranked at the top and price ranked last in terms of importance to policyholders. Not surprisingly, agents played a key role in that measure.

Agents account for 72% of the industry's interaction score and exclusive agents outperform independent agents by 33 index points. That figure suggests that policy holders are positively influenced by the fact that exclusive agents spend more time on policy issues than their independent counterparts. The survey of 100,000 households is conducted each year and returns sufficient data to identify customers of the nation's 25 largest insurers. The survey also provides information about year-to-year changes. The single largest factor affecting customers' impressions of their

insurer is their most recent interaction which could come from call centers, claims departments or web sites. Only about five percent of those surveyed had filed claims within the past three years. For those who filed their first claim, the response they received accounted for 46% of their total experience with the insurer. The study also found that about 70 percent of homeowners are engaged in bundling services, buying more than one policy from their insurer. With each additional policy or financial product purchased, customer satisfaction and loyalty continue to increase.

The average homeowner paid just under \$800 for his annual insurance policy – about the same as a six-month auto insurance premium for a two-car household.

Marketing to clients according to personality type

There are many ways to categorize personality types. Psychologists rely on the Myers-Briggs Type Indicator as the most widely known system for rating people according to personality traits. Customers also fall into broad categories depending upon how they respond to certain situations according to industrial psychologist Scot Claiborne.

He says that marketing can be tailored according to how potential customers respond to the qualities of power/status, competition/cutting edge, connectedness/sense of community and money/price.

Power/status

People who are strongly motivated by power or status need acknowledgement that they are important. They look for products and services that reinforce that image. This group is an ideal target for marketing high-value items or services with prestige.



Celebrity endorsements carry weight with the power/status crowd. They are usually technically savvy and have the latest computer equipment which gives more options for reaching out to them.

Competition/cutting edge

People in this group seek challenge and creative outlets. They wear the latest fashions and are sophisticated consumers of technology. A sales message to these people should emphasize the latest, greatest or most unique features of an offering or service.

Connectedness/community

These people are what Claiborne calls the caretakers of the world. They are concerned with the environment, social issues, friends and family. They like familiar, accepted products and are likely to wait until an item is well established before selecting it. They respond to information and advice.

The community-minded are willing to pay more for items or services that are environmentally or family friendly.

Money/price

These people are motivated primarily by price and will shop around to get the best deal. They need to be motivated to take action quickly. Limited-time offers work well with the price-conscious. They also appreciate charts comparing features and are likely to be turned off by pitches they consider extraneous or extravagant.

Even if you're on the right track, you'll get run over if you just sit there.

– Will Rogers

Web sources for more information

To check on complaints about contractors:

Better Business Bureau
www.bbb.org

Office of the Attorney General in your state:
www.naag.org

To check on a contractor's license:
www.contractors-license.org/

or check the state treasurer's website in your state.

For disaster assistance and readiness information:
www.redcross.org

Code of Ethics for members of the National Institute of Restoration

We, the owners of this firm, are proud of our profession and of the professionalism we display in reconstruction and restoration work we perform.

We are committed to our obligation to provide the best possible service to all our customers.

We pledge to steadfastly avoid any false or misleading representation of our products or services.

We value our place in the community and recognize our responsibilities as local business people.

We support the aims and objectives of the National Institute of Restoration in reconstruction and restoration, and participate in efforts leading to the advancement of our industry through its programs and services.

We therefore subscribe to this Code of Ethics, and will conduct our business affairs accordingly.

Building support

Research has shown that having nationally recognized standards for building codes can provide a tremendous level of protection for homeowners.

The Louisiana State University Hurricane Center has estimated that of the \$10 billion in damage to homes in Louisiana after Hurricane Katrina, modern building codes would have spared 80 percent of the damage.

– National Association of Mutual Insurance Companies

News for the Insurance and Construction Industries

