

## Best's Insurance Law Podcast

### The Challenges of Catastrophic Claims Handling - Episode #195

Posted: Thurs., Sept. 29, 2022



**Hosted by:** John Czuba, Managing Editor

**Guest Expert:** Brian Schneider, president of [Schneider & Associates Claim Services](#)

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**SCHNEIDER & ASSOCIATES CLAIM SERVICES**

**John Czuba:** Welcome to “Best’s Insurance Law Podcast,” the broadcast about timely and important legal issues affecting the insurance industry. I’m John Czuba, Managing Editor of *Best’s Insurance Professional Resources*.

We’re pleased to have with us today Brian Schneider, RPA, and the president of [Schneider & Associates Claims Services](#), a multi-line, independent adjusting company founded in 1993, based in California and with offices in several states. Prior to forming that company, Mr. Schneider was employed in a variety of managerial roles with leading insurers.

Brian, we’re very pleased to have you with us today.

**Brian Schneider:** Good to be here.

**John:** Thanks very much, Brian. Today’s discussion is the challenges of catastrophic claims’ handling. Brian, for our first question today, what do you consider the greatest challenge as it pertains to the successful adjusting of catastrophic claims from the perspective of an independent, catastrophic adjusting company?

**Brian:** That’s a tough question because there are so many, and they do change depending on where you are in the arc of any given storm season. If I had to pick one, it would be ensuring that you have enough experienced adjusters who you’re familiar with, and they’ve proven themselves during prior seasons.

The best adjusters are going to be pinged by multiple other CAT firms in the lead up to a storm. You're in open competition for a finite number of those folks. The best adjusters, from my perspective, are going to be attracted by three things. First, obviously, it's the fee schedule.

Now, most CAT adjusters are compensated based on a percentage of the fee. Firms will offer a higher percentage to attract the best talent, but percentages, they can often be misleading. Some IAs, in order to secure as many customers as possible, they'll agree to work for what I would consider fees that are too low.

A poor fee schedule will end up not attracting the type of adjusters who are going to produce the best work. What we try and do is work for companies that place an emphasis on the end product rather than the price, and who understand that the fee schedule has to be sufficient to support that end product.

After compensation, it would be the process that you've put in place that the field adjusters have to work within. Even if the compensation looks excellent initially, if you burden your team with too much paperwork as a part of that, they find themselves spending way too much unproductive time dealing with the process and not turning claims.

That might make some middle managers happy, but for me it usually ends up in lower compensation for the field adjuster, because they can't handle as many claims because they're dealing with the process. It also results in insureds that aren't very happy, and they end up waiting longer than necessary for their claims to be taken care of.

What we try and do, is we try and work with the same core team because these men and women that we work with, they already know the game plan. They need less direction. 90 percent of everyone I work with on our core team, they started out with the company handling daily claims in different states, so they know what's expected of them.

**John:** Now, Brian, how about the other arena from the insurer's perspective? What do you consider the greatest challenge for the insurers when dealing with a catastrophic claim?

**Brian:** It's very much the same as with adjusting firms. It's staffing, especially in the leadup when the storm first hits. There's the calm before the storm, literally. [laughs] Then, all of a sudden, all heck breaks loose, and call volume can overwhelm any insurer.

The State Farms of the world, they can handle a spike because they've got all kinds of people, but medium sized insurers, smaller insurers, boutique insurers trying to manage a tenfold increase in call volume, that's very difficult.

What a lot of insurers are going to do, is they're going to partner with firms that can take first loss reports, and, importantly, know how to manage an insured's expectation. When the insured calls, they could be standing in a foot of water. It might be their first claim. They expect somebody at their house tomorrow, and that's not going to happen with a large event.

If you're an insurer that is adept at doing it yourself or can partner with a company that knows how to take these first losses and manage insured's expectations, it takes a lot of pressure off the insurer's claims team, and they can focus on processing claims rather than fielding calls.

That's a very important component of...People forget that it's the telephone that takes up almost more time than being in the field. If you don't manage those calls in the beginning that first wave of calls reporting claims that is going to be dwarfed in a week or two by insureds calling asking, "Hey, where's my adjuster? Why hasn't anyone come to see me?"

Then, you're paralyzed. It's an avalanche. Like I said, setting your insured's expectations, and following through on those expectations and your promises is critical. If you don't, then that's a recipe for a completely different kind of disaster.

Also, reserving is a huge issue for insurers for obvious reasons. If you rely on a company that's going to be in the field for you, whether it's your own adjusters or it's an IA like us, accurate reserves are critical. Many insurers, they'll have preliminary reserves. They're set, but once you're in the field, communication with your field team to set updated reserves is very important.

Where a lot of companies fall down, on the company side and on the IA side, is this bottleneck. You've got adjusters out climbing up on roofs or wading through water in basements, and they're seeing 10, 15 risks a day. They see that for two weeks, and they don't transmit reserves to anybody. [laughs]

All of a sudden, so then you're getting reserves late. What we try to do to work around that is that, our system, we have our adjusters send four overview photos and preliminary reserves by coverage to the desk adjuster before they even leave the loss location. That, at least, gets critical information to them in real time. What they do with it, that's up to them. Some companies are better than others. That's a very, very big challenge, is reserving. I would say those are the two.

**John:** Brian, states could vary in terms of what requirements are as far as adjusting is concerned. How do the states regulate catastrophe adjusters versus adjusters who work primarily on a daily, day to day claim?

**Brian:** Generally, they're regulated in the same way, except in the event of a catastrophe, the governor of a particular state declares a state of emergency for a hurricane or a flood. That will trigger the ability of adjusters who may not be licensed in a particular state where the loss occurs to adjust claims on an emergency basis.

That works with companies, too. States, they do not have uniform rules or procedures, so it's important to check with whichever state you're going to be deploying to, to make sure that you're in compliance. Some states don't even require adjusters to be licensed at all. Others require only the firm to be licensed, and then the adjuster can work under that firm's license. California is a state like that. Other states like Arizona, Nevada, need the firm and the individual adjuster to be licensed.

A lot of it is just paperwork. If an adjuster's already licensed in another state, especially California and Texas are the gold standards for that. Most states have reciprocity agreements, so you file your paperwork, and then within a matter of hours sometimes or days, you can adjust in that state.

There are some states that that doesn't work. For instance, if you're licensed in California and you want to adjust in Alabama, California and Alabama apparently don't like each other because they don't have reciprocity. You have to go to Alabama with a California license and sit for the test.

If you have a license in Texas, you can readily get your Alabama license. You have to keep up with all the changes because they change all the time. Before deploying anybody, you've got to make sure that you're in compliance.

**John:** Brian, how do catastrophe companies address requests for re inspections that arise months, or sometimes even years, after a CAT team has left the area of the storm?

**Brian:** This is a pretty sore issue for a lot of insurers because very often your CAT team, they parachute in, they see many, many homes, and then they're gone. A year later, you've got a PA with a supplement request that's far beyond what's reasonable.

You call the IA and the IA says, "Well, my CAT adjusters, they're in France right now. [laughs] They can't re inspect." The insurance company is left with trying to desk adjust it or assign to a local IA that may or may not have the right experience. If it's a flood, they might not have a flood adjuster.

If it's a fire or an earthquake, they might not be earthquake certified.

The larger IA firms, they don't have a problem with that so much because they've got people everywhere. Larger insurance companies don't have that problem as much either. What we try and do is, we're not the biggest company. We're about a medium sized IA firm, but we have enough staff, and we have them in areas that are prone to storms. If we need to conduct a re-inspection, I usually have somebody close enough that we can handle that. People do it in a variety of different ways.

Again, at the end of the day, the way to keep from having to do a lot of re inspections is have experienced adjusters that are writing an accurate estimate the first time, and maintaining a good relationship with the insured off the jump, and then you don't have those problems.

**John:** Speaking of estimates, given the immense volume of claims generated by a catastrophe, how do you ensure that damage estimates are completed in an accurate manner?

**Brian:** You got to hire people that know what they're doing. You got to hire experienced field adjusters, and you have to vet them. You can't look at a resume and think, "Oh, this person has experience because they've handled all these other storms." That's a recipe for disaster.

We get around that. My core team has been working with us for years, and I don't have to worry about that. If I do have to hire someone new, I make sure that they're watched closely. They handle a finite number of claims in the beginning to make sure that they do a good job. When we know that they can handle more, then that's when they get more.

You need a team that needs less supervision because they're well trained, but [laughs] within that, you still have to have competent supervisors to review the estimates, because no estimate can go right from the field adjuster to the end user. They need to be vetted because people get tired. You're working sometimes 24 hours a day.

Sometimes you don't sleep, and mistakes can be made. You need good supervision, and you also need a streamlined system within which all of this can take place so that people aren't bogged down by the process.

**John:** Brian, how does a successful, independent catastrophe adjusting company attract talent that doesn't need too much hand holding along the way?

**Brian:** We touched this on this earlier, but to expound a bit, that occurs over time. It's a cliché to say this is a small industry, but it's a cliché because it really is a small industry. [laughs] It's true.

CAT adjusters talk to each other. They know which IA has the preferred customers. They know which insurers or TPAs are easiest to work with, which offer the best compensation. Finally, they know which companies are going to treat them with respect that they can rely on that they're going to get paid. Some adjusters they work long hours, and they end up waiting months to get paid.

I can't tell you how many times I've heard about experienced adjusters, people I know personally, who worked storm that we were not involved in, so they worked for other companies. They were treated so poorly by that particular company, they'd never, ever work with that company again. Word spreads, and when that happens, it becomes very difficult to be successful in attracting talent. Once again, it's just from word of mouth, experience, knowing people over time, and reputation.

**John:** Brian, one final question today. What changes, if any, do you think are in store for this segment of the industry?

**Brian:** I wish that I knew [laughs] because I have an idea, but it never seems...Who could have predicted the pandemic? At the carrier level, artificial intelligence is going to be used more and more to predict climate patterns, to better underwrite and prepare for catastrophic events. We're going to see that.

The kind of AI. There are so many competing insurtech companies. It's hard to know who's going to win.

Speaking of the pandemic, it's accelerated the notion among some at the carrier level, especially in the C suites in the personalized space, that you don't need an on the ground adjuster.

They think that they can do this remotely. They see what we do as a commodity, instead of what I think it is, which is a vital component to maintaining customer satisfaction and persistency. More carriers are moving that way.

They feel like, "We can hand the insured a cell phone, and the insured can take a few pictures, then we can write an estimate remotely." My sense is that that's going to be short lived because when loss ratios begin ratcheting up, reflecting that strategy, they'll revert back to the human factor.

Of course, augmented by new, whatever it's going to be, management software like, automatic triaging, weather verification technology, especially aerial imagery advances. That's basically what's going to happen.

**John:** Brian, thank you very much for joining us today.

**Brian:** My pleasure.

**John:** You've just listened to Brian Schneider, president of [Schneider & Associates Claims Services](#). Special thanks to today's producer, Frank Vowinkel.

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I'm John Czuba, and now this message.

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