



## Corporate Exposure: Public Adjustors

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Property claim settlements can consume a great deal of time and patience and necessitate much paperwork—leaving many stressed and beaten victims in their wake. As a result, some claimants retain the services of public adjustors to help them through the settlement maze. Fees for the majority of public adjustors are negotiable although usually tied to the settlement figure. For example, in New York State the fee is approximately 12.5 percent of the settlement amount; thus, unless the claim is in excess of \$20,000 a public adjustor may not want to get involved. Some public adjustors claim to get their clients up to 25 percent more than unrepresented claimants receive. Whenever anyone is hired for a fee based on settlements, however, the system is vulnerable to abuse.

Here in New York, one of the largest insurance fraud investigations in history is under way. Losses are overstated perhaps in excess of \$1 billion. Reportedly there are 400 public adjustors throughout the state; so far 200 have been investigated and more are scheduled to follow. Several public adjustors have pleaded guilty to deliberately incurring or inflating losses to defraud the carrier. In some cases, bribes were paid to insurance representatives for more favorable claim treatment, while in other claims pipes were deliberately broken and water hoses employed to increase water damage losses. Ceilings were ripped down to simulate collapse and numerous other situations were created to distort the claim settlement process.

### The Bigger Picture

Unfortunately, this investigation and its headlines have painted all public adjustors with the same brush. This is grossly unjust. The public adjustor can

provide a valuable service to the claimant. For example, policy language has become increasingly intricate and policy holders often do not understand what is covered. Whether items are insured under a "repair" or "replacement" basis can substantially affect the cost of the claim. In addition, some states have established a specific time frame for submitting a proof of loss (in New York the time limit is 60 days). Failure to satisfy these time stipulations can result in rejection of the claim.

*The right public  
adjustor can save  
you from a variety  
of headaches.*

Not surprisingly, developing the information for claim submission can be confusing, and the public adjustor can in such cases be a valuable resource. A professional public adjustor will perform a number of beneficial services: reviewing coverage to make sure no aspect of the claim is overlooked; helping prepare an inventory of the loss (a traumatized claimant may not be able to remember or substantiate all covered items without assistance); working with engineers, manufacturers, etc., to prepare estimates and even recommend vendors to provide necessary temporary services to keep operations functioning; and presenting claims to the carrier and ultimately fielding questions.

All of these services can make your claims experience less stressful while at the same time helping you become financially whole. But public adjustors

should not be employed to experience a "profitable" loss. Any adjustor who intimates such an experience should be reported.

### Additional Pointers

Before hiring a public adjustor, check to be certain the adjustor is licensed in your state and verify references by calling at least the last three clients. Ask past clients how quickly their claims were settled and whether they would employ the public adjustor again.

Obviously, your agent/broker can also assist in determining the need for a public adjustor and guide you toward the more reputable practitioners. Your corporate counsel or accountant may be another useful reference source.

What about insurance company reactions? Suffice it to say that many insurance company adjustors become defensive when they realize a public adjustor is working on the claim. As a result, they may react by requiring more documentation; it may even take longer for you to satisfy your loss should the company adjustors choose to over-investigate obvious points.

Maintain good records—receipts, accounts receivable ledgers, building valuation reports, insurance contracts, etc.—all of which will be extremely valuable in the event of a loss. In addition, videotape your inventory and property if possible.

A good carrier adjustor will work with you to research these documents to be certain your claim is handled speedily.

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