

CRACKDOWN!

Know Your Fauxs: Prevent Problems with Procedures

By Wayne M. Wudyka

The temptation is there. It may be in the back of one's mind or a premeditated plan just waiting for the right situation. Whether it's a tax form or an insurance claim, there can be an inclination to consider taking advantage of "the system."

Just like the IRS, the insurance industry understands the importance of reducing opportunities for those determined to benefit at the industry's expense.

On insurance claims, the largest and fastest growing category is contents. Clothing and other fabric items (those that a textile restoration specialist can restore) are typically the largest component of contents listed on insurance claims. Accordingly, garments and textiles oftentimes create the greatest opportunity for fraud after a loss.

Some homeowners can completely justify substituting a designer brand name for a department store label on a suit affected by smoke. Others see no harm in adding a few extra pairs of jeans or a sweater or two when there has been a flood. Yet the costs of such padding can dramatically impact the cost of a claim. Multiply these little costs in a claim by the number of claims handled each year, and the total can be significant.

While homeowners have been relied upon to compile and submit a list of fabric items damaged by fire, smoke, water or mold, this practice can be replaced with an effective, proven alternative that enables adjusters to close claims more quickly while reducing discrepancies between the homeowner and the insurance company.

The solution is a thorough room-by-room inventory, backed by documentation and electronic tracking at each step and performed by a professional textile restoration specialist.

When used in a consistent and uniform manner, the following forms and procedures can eliminate discrepancies between the homeowner and the insurance company:

- Work Authorization
- On-site Inventory
- Specialty Items Inventory
- Non-salvageable List
- Satisfaction Survey

The process begins with a trained customer service representative who can thoroughly explain to the homeowner how professional textile restoration can return many parts of the loss back to normal. In the midst of a traumatic experience involving their most personal space, homeowners oftentimes need

clarification or reassurance about the steps that must be taken to remove and restore their textiles.

A trained professional will be sure to inquire about the presence of money, jewelry, guns, and other valuables in the affected area, which should always be removed and secured by the homeowner.

The homeowner then is given a work authorization form to read and sign, granting permission to the restoration drycleaner to scope the job and remove textiles affected by the loss. This document also helps the homeowner understand that the work to be performed does not cover pre-existing deficiencies or normal wear and tear, as restoration is designed to return items to their pre-loss condition. Properly communicating this to the homeowner assists with preventing additional fraudulent monies being spent to provide new items for ones damaged prior to the loss. Communication with the adjuster also is a key component in order to confirm what items should be removed.

The value of an on-site inventory cannot be underestimated. When done properly, this inventory describes each item and notes the number of items packed out. It is imperative to pay special attention to the condition of the

textiles, making detailed notes about previously stained items or damage not caused by the current fire or water damage. This step clarifies any question about returning the item to its pre-loss condition.

An on-site inventory with the homeowner's signature also reduces chances that issues will arise later. This is particularly important when there are multiple vendors on a site, such as contents cleaning companies, contractors, structural repair companies, art restoration experts, etc. The role of a professional textile restoration specialist is to be one of the first vendors at the site so clothing and fabric items can be tallied, document and removed expeditiously. This enables the other vendors to begin remediation as soon as possible and unencumbered by textiles.

A detailed listing signed by the homeowner confirms what is being removed from the home and serves as the master checklist against which all other steps of the restoration process are compared.

An additional step for the restoration drycleaner is the use of a stand-alone form for specialty items such as leathers, suedes and furs. A specialty items inventory sheet adds another layer of verification and protection, identifying items of greater value and sentimental significance. Similarly, this form is reviewed and signed by the homeowner as well as the person responsible for handling the items. This inventory is cross-referenced at delivery to confirm the return of each specialty item.

Next, a non-salvageable list is compiled. This part of the inventory includes a reference to the brand name of those items affected but not able to be restored. Examples include items burned, scorched, melted or otherwise damaged beyond repair. Detail is imperative; one pair of pants

isn't like the next. The list of specific total loss items enables the adjuster to efficiently determine the costs for replacement and prevents the homeowner from over-stating the values of total loss items.

These documents and procedures also reduce the time the claim remains open because it relies less on the policyholder to complete inventories. When an insured is required to create an inventory, the process can take up to several months to document all of the content items in the home, an especially daunting task when they have to find time in their already full days to compile such a list.

Alternatively, there are also times when the adjuster is required to complete inventories, which can be challenging because the homeowner may believe that the insurance company is determined not to pay. In addition to the significant time required of the adjuster for this extra work, a nearly adversarial relationship can develop with the homeowner. A non-biased third party in conjunction with the homeowner's verification provides for the most efficient and accurate solution.

Open files mean "creep," an increase in claims handling expense due to the length of time it takes a homeowner to complete an inventory. Removing the burden from the homeowner creates a win-win situation that streamlines the claims process.

Once restoration is complete and the homeowner is ready for textiles to be returned, the inventory and control forms from the original pack-out are used to verify the satisfactory return of each and every item. The homeowner's signature again confirms receipt, and a Customer Satisfaction Survey provides an additional measure to verify acceptance of the order.

The forms and processes used by textile restoration specialists essentially

create an audit trail, a paperwork comparison between the printed invoice and the original on-site inventory. This audit trail enables the adjuster to ensure an exact match of unit counts in addition to the brand and pricing. By comparing the field inventory to the billing inventory, the adjuster can confirm, for example, that 20 pairs of pants were signed for by the homeowner and 20 pairs of pants were billed and ultimately returned by the restoration drycleaner.

This step prevents any potential manipulation of the situation, such as a subcontractor who originally secures a job based on a lower unit cost then adds to the total number of actual units to make up the difference. Without a proper item count, there is no accountability.

In today's world, multiple factors have created a challenging environment for settling insurance claims. Sensationalist news media have created a mindset that insurers do not want to pay claims. We also live in an opportunistic and entitled society where an insurance loss is the seemingly perfect and often easiest scenario to fraudulently acquire something for nothing. The solution is straightforward: Document thoroughly and communicate concisely. While such measures cannot eliminate temptation, they can go a long way toward protecting you and your company.



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textiles and fabric items damaged by fire, smoke, water, mold and other contaminants. He can be reached at 1-888-DryClean. The organization's web site is located at www.CRDN.com.
