

Nonadversarial Claims Advocacy—A Way to Stabilize the Insurance Market

A new strategy is emerging that utilizes the services of a claims advocate. The advocate's compensation is not tied to the outcome of the settlement, and insurers are welcoming the advocate as a nonadversarial catalyst to quickly settle claims.

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Gary Reshefsky, left, and Jason Kaplan, right, of Century Risk Advisors.

The property insurance consumer in Florida is in a difficult regulatory and legal environment. The Florida Department of Insurance has the complicated task of providing consumer protection while balancing the needs of insurance

carriers on one side, and public adjusters and plaintiffs attorneys on another. The department has the duty of encouraging private insurers to deploy their capital and offer consumers affordable coverage and to ensure that consumers have the reasonable ability to redress unfair insurer claims practices. The conflict between these duties has led to dysfunction in the marketplace. The result has left the consumer with shrinking coverages, increased premiums, reduced market choices and poor customer service.

The common methods for the consumer to redress a poor claim experience is to engage a professional that will be compensated on a contingent basis. The compensation is typically a percentage of the claimed loss or an additional amount paid by the insurer for professional fees. This arrangement almost always puts the consumer at odds with the carrier. The process typically inflates the settlement to cover the cost of repairs, and the professional fees on both the consumer and insurer sides. A new strategy is emerging that utilizes the services of a claims advocate. The advocate's compensation is not tied to the outcome of the settlement, and insurers are welcoming the advocate as a nonadversarial catalyst to quickly settle claims.

There are many examples of how the adversarial claims environment in Florida has restricted insurance. These include limit caps on nonweather-related water damage claims, plumbing claims, dictating who makes repairs and exclusionary language that bars homeowners from presenting claims that historically have been afforded coverage. Such language can be found under the Section I Perils Insured Against, often reading akin to: "We do not, however cover damages—caused by; constant or repeated seepage or leakage of water or steam, or the presence or condensation of humidity, moisture or vapor, if any of these occurs over a period of 14 or more days whether hidden or not." Both the period of time and coverage for hidden

issues are contract differences approved for carriers in Florida. No such language appears in the Insurance Service Office (ISO) standard homeowner policy. Insurance is meant to address sudden, accidental loss, and to make the consumer whole. Restricting these types of coverage leaves the consumer with an expensive problem to address. Consumers have been forced to engage a public adjuster or plaintiff attorney to find coverage in the form elsewhere. These efforts drive up the cost of insurance because carriers may not have charged an actuarial sound premium for the types of claims being made.

From the carriers' position, Florida is a difficult market to operate. With natural disasters like hurricanes and sink holes already setting Florida apart from other states, Florida is also home to a sizable amount of insurance fraud in nearly every area of insurance. The judicial system has a reputation of sympathetic jurors that lead most cases to settle before final adjudication. Abuses by recovery service providers and contractors have driven the value of water damage claims to more than double. The average Floridian, already paying twice the national average for homeowner's insurance that provides less coverage, is suffering the most.

Some industry professionals recognize the current state of affairs is unsustainable. Below par practices coming from the carriers, and the abuses endured by carriers from unscrupulous players must be reduced. In an effort to disrupt current trends, insurance agencies like Century Risk Advisors, implemented a philosophy of creating, developing, and fostering true partnerships between the carrier and policyholder. To this end, they provide their clients with claim advocacy services from a licensed adjuster. The adjusting advocate counsels their clients through claims, and provides other services to ensure the carrier provides all the available benefits of the policy

and improved customer service. The insurance carriers benefit as aspects of the staff adjusters, who are often overloaded with claims, are alleviated by the claims advocate who can spend more time with policyholders to ensure the claims process is understood and easy.

Furthermore, it provides a nonantagonistic pathway for resolution, as there is no need to inflate the claim to cover the cost of these services as the services are provided to all clients as an added value. Policyholders are able to ensure they receive their due and carriers do not incur costs associated with litigation, or paying an inflated settlement.

Both carriers and policyholders are seeing that these types of services can bring stabilization to the insurance market.

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