

CLM LEADING OUT LOUD PROPERTY

HOW IS TECHNOLOGY IMPACTING THE PROPERTY CLAIMS RESOLUTION PROCESS? WHAT NEW TACTICS ARE PLAINTIFFS' ATTORNEYS ADAPTING AND ADOPTING? AND FINALLY, HAS THE PANDEMIC RESULTED IN AN INCREASE OF FRAUDULENT CLAIMS?

WHAT ARE YOU SEEING WITH LOSS COST AND SEVERITY TRENDS FOR PROPERTY CLAIMS, AND WHAT IS DRIVING THOSE TRENDS?

TOM CARSTENS, CRAWFORD & COMPANY:

As part of the independent adjusting industry, we have seen the assigned property claim average estimate value rise over the past five years. This is certainly attributed to both the construction cost trends as well as alternative methods of self-handling smaller value claims from the client's desk. General construction costs have sustained a steady increase over the past five years, impacting the average loss values for both residential and commercial claims.

ISAAC GAETZ, THE VERTEX COMPANIES, LLC:

There are multiple items that contribute to loss cost and severity trends for property claims, such as inflation, lack of available labor force, and lack of available materials. Material costs across the board have risen significantly in the last two years, along with labor costs. The economy has driven these trends along with the advancement of technology. Technology has provided employment opportunities that are not labor intensive in comparison to the construction trades and are paying similar rates. As a result, fewer people are seeking employment in the construction industry, so the labor pool is smaller while labor rates are relatively high.

TECHNOLOGY HAS PLAYED A BIGGER ROLE IN ASSESSING

AND RESOLVING PROPERTY CLAIMS IN RECENT YEARS. WHICH TECHNOLOGY TOOL WOULD YOU SAY HAS HAD THE BIGGEST IMPACT ON CLAIMS DEPARTMENTS, AND ARE THERE ANY SOLUTIONS ON THE HORIZON THAT YOU HAVE YOUR EYE ON?

J. PHIL WILBOURN II, RIMKUS:

I think the Matterport Pro3 3D camera has had the biggest impact on claims departments. It has revolutionized the documentation process through its ability to capture the "as-is" damaged and undamaged conditions in a room or on the exterior of the building in a "digital twin" environment. Because it accurately captures highly detailed 360-degree views, it has also eliminated the inconvenience of blurry or forgotten photographs. Additionally, the ability to import the 3D Matterport model directly into Xactimate has eliminated human field measurement errors. Furthermore, it provides an excellent demonstrative exhibit in court cases to place the judge and/or jury at the site, so they can get a better understanding of the conditions that existed at the time of the inspection. I'm looking forward to the advancements in the ability to perform more advanced Matterport scans with a cell phone instead of having to purchase the camera.

ISAAC GAETZ, THE VERTEX COMPANIES, LLC:

Vertex uses several technologies, including 3D scanning, which can produce dimensionally accurate renderings of buildings in minutes, including those with complex

roof geometries. These technologies have increased the speed and accuracy of material take-offs for roofing and building envelope claims, not to mention making the work safer. Many of these technologies utilize a cell phone for data collection, making them accessible to all adjusters and experts at low cost without a heavy, up-front investment in equipment. Vertex has also found thermal and moisture scanning technologies to be incredibly helpful in resolving property claims and should continue to play a key role in the early detection of moisture intrusion, reducing the need for expensive destructive testing.

TOM CARSTENS, CRAWFORD & COMPANY:

The various applications for measuring a structure's exterior and interior is improving the accuracy and efficiency of property loss adjustments. The applications that allow integration of the metrics and sketch to the estimating platform result in consistent scope and pricing among the participants in resolving the property loss adjustment. Detailed measurements of roofs and elevations are delivered through the utilization of aerial imagery and ground-level photography. The applications support best practices for the safety of adjusters and contractors during the inspections of property losses.

WHAT HAVE BEEN SOME OF THE IMPACTS OF INFLATION ON PROPERTY CLAIMS, AND ARE THOSE IMPACTS BEGINNING TO EASE, OR ARE THEY WORSENING?

ISAAC GAETZ, THE VERTEX COMPANIES, LLC: Inflation on property claims has impacted the progression of a claim pertaining to the retention of materials, cost of materials, and subsequent additional living expenses or business interruption costs. The inconsistency of costs has influenced contractors to increase their estimates to cover costs related to inflation and delays that they cannot always predict. Additionally, in some cases, inflation and the increase in repair costs have contributed to exhausting insurance proceeds, especially in situations where it is limited to begin with. While impacts relating to material availability have eased up some, the cost of labor and materials continues to moderately worsen.

TOM CARSTENS, CRAWFORD & COMPANY:

Inflation has impacted average loss values over the past five years, echoing an analysis of estimating platform pricing utilized in property loss adjustments. Prices for various materials and labor have both increased, impacting the property estimate. The recent 12-month material and labor indices continue to exhibit an overall rise at more moderate rates, while some specific material item costs have declined.

J. PHIL WILBOURN II, RIMKUS:

Between 2020 and 2022, we observed significant increases in the cost of labor and material prices in Xactimate. Although we have noted a decrease in material costs during the last six-to-eight months, labor costs are still elevated, depending on the trade. This is consistent with reports from the U.S. Bureau of Labor Statistics (BLS), which showed large cost increases in the construction industry since the COVID-19 pandemic began. For example, BLS reports that between April 2019 and April 2021, wood product manufacturing input costs increased by 22.6%, while related output costs increased by 44.6%. As stated by the BLS, "Throughout the pandemic, an increase in home improvement projects and new housing construction pushed demand for wood products to much higher levels than the

industry expected. Low timber supplies, delays in truck transportation, and worker shortages hindered sawmills and wood preservation companies, contributing to price pressures from the supply side." In our opinion, the pandemic effect and increased demand have created unusually high inflation in the construction industry. As demand begins to taper down, and as production stabilizes, we expect the impacts on construction costs to continue to ease.

WHAT IMPROVEMENTS, IF ANY, DO YOU EXPECT TO SEE FOR PROPERTY CLAIMS IN FLORIDA AFTER THE RECENT REFORMS UNDER SB 2-A?

TOM CARSTENS, CRAWFORD & COMPANY:

The insurance market should realize the ability and responsibility to best serve insureds to resolve their property claims and assist in restoring their property. Based on the terms of the bill, the time in process for claims handling will be reduced, with expanded focus on customer service. Claims filing deadlines, assignment of benefits, awards for attorney's fees, and changes in the prompt payment law all reflect efforts by the Florida Senate to protect and assist the policyholder in achieving fair and equitable settlements.

ISAAC GAETZ, THE VERTEX COMPANIES, LLC:

SB 2-A includes many provisions. One is a reduction in the allowable time for insureds to file claims and to file supplemental claims. At the same time, the time for insurers to respond to claims has been reduced. We should ultimately see a better claims experience for both insureds and insurers. Waiting several years to file property claims often results in disagreements, as critical evidence turns up missing or spoiled. For example, while physical dents and fractures from hail impacts to a property will not diminish, other forms of evidence of a hail event, such as marring or spatter markings, may fade and disappear before the claim has even been submitted. This can lead to disputes arising over policy periods and the timing of when the damage occurred. ■



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