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## **A discussion on who should handle a utilities companies' damage expense claims**

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### **In-House Utility Claim Organizations**

A utility's core work is providing or delivering utility products and services to their customers and to achieve a profit. An in-house claim organization's core work product is facilitating a 100% recovery of expenditures incurred for damage repairs on owned facilities to the respective outside plant budget. The claims organization's primary focus should be recovering 100% of dollars spent on damage repairs. To be effective, an in-house claim organization goals and objectives should also be related and correspond to the outside plant goals and objectives. The in-house claim organization employee work force is motivated by employment and a permanent salary. The time frame to collect is dependent on the ability to negotiate a full settlement before the statute date. Mainly because of the prolonged time frame, an in-house organization is more effective on high dollar, low volume, and out-of-period claims since these claims take a long time period to settle and there are available employees dedicated to handle them. In contrast, an in-house claim organization is least effective on high volume, low dollar claims, due to sizeable manpower to facilitate, which in turn is not cost effective.

Some of the benefits of having an in-house claims organization are both experience in company work processes, in addition to internal work groups, and experience in understanding field technical issues related to the damaged facility. This experience may help in understanding the reported cause of damage and assessing the evidence submitted by the outside plant personnel on the cause of the damage when determining the person or entity responsible for the damage. There is also an opportunity to be included in the outside plant damage reporting procedures. The flow of information could also be easier due to having an employee relationship with their fellow outside plant personnel. With staffing the appropriate personnel in the claims organization, the ability to answer the "Who, What, Where, When, and How," questions can be completed. The talent to determine the contributing factors leading to the damage event, both technical and work related, can also minimize any counter claims.

However, an in-house organization may not be cost effective due to employee overhead expenses to staff such an organization to manage just facility damage claims. The expense dollars collected should go back to the outside plant budgets, which incurred the repair expense for proper accounting of the expense collection. When additional dollars over the expense amount are collected they traditionally do not cover the cost of staffing and managing the in-house expenses. It is important to note that in-house organization have more difficulty in collecting additional administration fees than a third party collection person or company. Moreover, an in-house claims organization may be considered a extra unessential expense because employees handling claims are not doing the company's core functions.

### **Outside Vendor Utility Claim Companies**

A collection vendor's core work is collecting money to achieve a profit. A collection vendor's core work product is on collecting fee dollars on multiple client claims. Their primary focus is to collect a fee on every claim worked. A collection vendor's goals and objectives are related and correspond to collection performance. Their employee work force is motivated by

monetary incentives, rewards, and continued employment. The time frame to collect is dependent on the quickness to achieve settlements and collect fees and move on to the next claim, similar to a production first environment. A collection vendor is most effective on high volume, low dollar, non technical, in period claims, where the manpower is focused on collections for multiple clients. In contrast, a collection vendor is least effective on high dollar, low volume claims where time, expert knowledge, and long term attention is required.

Outside vendor organizations provide experienced in collection techniques and experience in working with insurance companies, which is based on established contacts with insurance companies. An outside vendor organization can be cost effective solution when assigning or dedicating several employees to handle high volume low dollar claims on one customer account. Fees are based on a contracted percentage of the damage claim dollar amounts and time frames become a contracted item for turn back to every client. Negotiated settlements will try to get the outside vendor fees paid by the damager.

Vendor organizations are dependent on the client utility for the liability investigations and information and have to establish processes to acquire the necessary liability and expense information in order to facilitate the claim delivery to the damaging party. In house training is geared to improving their employees' ability to collect in volume and managing those employees to collect quickly, since the entire company is focused on collecting dollars. A collection vendor may need to manage a potentially high turnover in a high pressure collection atmosphere. With an off the street hired work force, a controlled work environment is required. There may be a need to provide additional incentives to motive employees to collect more dollars. Since they need to manage multiple customers, the work force may need to be spread over several customers. A dedicated work force may only be available for large volume customers since it is not cost effective assigning dedicated employee(s) to handle low volume high dollar claims on one customer account.

The bigger the Outside Vendor Organization gets the more it focuses on making a collection and less on the individual customer claims, especially high dollar claims that in most cases have unique circumstances. In addition, vendor fees will need to increase to fund new development and improvements in their collection support functions. Investments will need to be made in both new technology and in acquiring and training the necessary manpower. However, because of the core focus on collection, vendor organizations have the opportunity to employ process improvement activities quickly and efficiently, which in turn benefit their clients.

## **Independent Contractor**

An independent contractor's core work is contracted to client damage claim expense recoveries. An independent contractor's primary focus is acting on behalf of the client to get the full recovery of a client's claim for damage repair expenses. An independent contractor's goals and objectives are related and correspond to their client's expectations on achieving a full expense recovery on each claim worked. An independent contractor is motivated by monetary fees and continued employment by the client. The time frame to collect is dependent on the ability to negotiate a full settlement before the statute date. Because of the extended time frame, an independent contractor is most effective when handling high dollar, low volume, and out-of-period claims since these claims take a long time period to settle and can dedicate the necessary time to handle them. In contrast, an independent contractor is least effective on high volume, low dollar claims, due to sizeable manpower needed to facilitate, which in turn is not cost effective for either the client or the independent contractor. It is important that the independent contractor have the necessary industry expertise and negotiation skills to address liability issues and settlement concerns.

**Conclusion**

In conclusion, the choice between an in-house organization, an outside vendor organization, or an independent contractor, should be made based first on the comparison of the true cost (including overhead) of employees versus the fees charged by an outside vendor or contractor and second on performance in collecting 100% of the damage repair expenses. It is important to understand that who ever is facilitating the damage claim recovery effort; there are four main objectives to achieve on every damage claim. The objectives are:

1. To determine proper demonstrable liability
2. To present a all-inclusive claim to the damaging party
3. Negotiate for 100% of the damage repair expenses
4. Avoid a costly legal action to collect

If these objectives are achieved, then the chosen organization or person to facilitate the damage claim recoveries was a good choice.