

GuideOne Insurance Complaints

GuideOne Insurance, 1111 Ashworth Road, West Des Moines, IA, owns a construction company called GuideOne Taylor Ball (hereinafter GTB). Due to employee complaints of the preferential treatment given to GTB, GuideOne conducted the GuideOne/GTB claims study.

Pasted in below is the actual GuideOne/GTB Claims Study.

At the conclusion of the GuideOne/GTB Claims Study is the email response from Mr. Billy Owens, a former GuideOne employee, to Mr. Dave Sours, the Vice President of Claims. Ironically, Mr. Owens is now an employee of GTB.

GuideOne/GTB Claim Study

The Claims Department is responding to a request to study our current program with GTB. We were asked to solicit input from our property specialists in HO, then to submit our proposal for any recommended changes in the program.

To start, each property specialist in Dave Hanson's unit was asked what's working, and what could be improved. Some of the specialists have worked much closer with GTB than others, so there are varying opinions. Here is a list of the actual responses.

What Is Working Well?

- I think that the implementation of the GTB program was visionary when it was set up. I think this is a great service to our insured's and a good cost control for the company.
- Provides quick/prompt service for work and construction to PH.
- Provides a vendor associated with PH insurer and promotes excellent relations.
- We are charged at cost plus basis. This ensures we are paying exactly what is being charged.
- Little or no complaints about service. Every time I call GTB, they are able to provide exact status on claim. They are always available.
- They are familiar with policy and can provide limited guidance to customer at jobsite
- Vital to assistance with CAT claims as GuideOne may not have enough personnel or resources to inspect the volume of properties initially after storm for re-insurance purposes.
- Provide vendors (engineers, architects) to PH and GuideOne as resources.
- Provides direction on initial reserves.
- Good quality product, separates GuideOne in the insurance industry with unique approach to reconstruction.
- I really like the program with GTB and the customers I work with do as well.

What Can Be Improved?

On claims where the PH does not want to use them, let's not require them to do a scope/estimate, especially in a serious cat situation. This leaves them with much more time to concentrate on the jobs they do get. Between Katrina and Rita, GTB had over 200 claims for which they were responsible for either doing the work or writing a scope/estimate; that is a lot to ask of them.

- Write estimates the same way. Drop the GMP concept as it does nothing for us. I would have GTB write their estimates on the same Integri software that our claims people use as well as do many of the I/As and contractors that we use. This would help verify that the pricing is in line

with the market and make it much easier for G1 personnel to compare apples to apples. The program that they currently use is much more complicated for our staff and for our PHs to review and understand. Their program has benefits, but they are outweighed by the simplicity and consistency of using the same program we use.

- I would have them report directly to Dave Hanson with all claims related issues prior to going to Dave's superiors that are two to four levels above Dave. Dave should be able to resolve the vast majority of the issues that come up and do so in a manner that is fair to all parties involved. If they are not satisfied with Dave's responses, then this should be brought at the regularly scheduled board meetings, which Dave should sit on. Dave probably has more working knowledge of the GTB program, both past and present, than any non-GTB person on the board and could provide a lot of insight to the others on the board and give a G1 position on issues that are addressed to the board.
- I would ask that the GTB staff and the G1 staff use a great deal of caution and discretion in how much socializing is done together, especially when alcohol is involved. Too many comments have been made about this over the past few years and even more so with the cat effort in New Orleans. From my observations and comments from a couple of the guys in our unit that work with GTB a lot, they have less conflict when working with GTB than those that don't do as much, if any, drinking/socializing with them. I think this could make it much more difficult for our staff to confront GTB's staff on legitimate issues. Even though we are technically the same company, we often have differing goals: claim's goal may be to repair more items and their's may be to make more money, which may cause GTB to be more liberal in their scope and or pricing. I think the same basic guidelines we would ask of any of us when dealing with vendors should be in order when GTB is involved, especially if GTB is paying for all the drinks.
- There needs to be an audit program for all the jobs that GTB does get, at least for a while. This audit would be to verify that their actual costs are in line with what we're paying on other claims in similar locations and with similar type losses. Currently, there is no audit process to really know how their actual costs compare to the market. This audit process should be done utilizing an outside vendor to prevent any possible conflict between claims and GTB and to obtain an unbiased opinion. Once the audit has been completed on a good number of GTB jobs and a certain level of confidence is obtained with their pricing, the audit could be scaled back to only a certain percentage of their jobs so that we are not spending money unnecessarily on too many audits.
- Disband the entire program, credibility and trust are serious issues not to mention the financial ramifications.
- Hire more HO reps who can do exactly the same job for a fraction of the cost. An added plus is control of indemnification.
- All requests go through Hanson. They are used when needed and approved by Hanson as being necessary versus them dictating to Hanson and the HO reps.
- Would like to see the scope completed with GTB and the specialist on the initial inspection.
- Would like to see GTB help out more on claims in which they don't get the job.
- Would like to have GTB use an estimating system we are familiar with, so we can tell if pricing has been changed, and if changed give an explanation.
- Would like to see the repair of roofs if possible instead of replacing them automatically.
- Would like to get rid of the GMP and have one estimate. Do not have a GMP for GTB and have another estimate for the insured's contractor.
- Have GTB write a detailed scope, with estimating software, the same as an IA or staff adjuster.
- All scopes and estimates are reviewed and approved by G1 staff.
- If GTB disagrees with the adjuster, disputes go to Hanson for final say. They should not be allowed to go to senior management.
- If they can do their program on a 10 and 10 margin (the same as any other contractor) including salaries and all expenses, then that is a good program for all. Consulting services excluded and would be billed on a time and expense basis the same as a vendor.
- After I started, because of my background in commercial construction I wrote estimates and handled losses in a gap between \$100-250k. We did that because of the decision that the size of those losses was not as cost effective to have GTB handle where I could do the scope and negotiate the construction contract. I think that went very well.
- Have a more active role in the engineering analysis of a building for matter of repairs. Often GTB will get their engineer in there. I have had excellent results negotiating with the engineer on methods and extent of repair that has saved large amounts of money.

- Be aware before any changes to the interior of a building are made that are different than the condition of the building before the loss occurred.
- Change from a GMP estimate to something more in line with a competitive bid type estimate. Any jobs GTB gets are ones we sell. Their pricing on open market bids (if our claims were such) are high. We also often get project refunds or the project comes in below GMP. I would rather have a bid more reflecting actual market costs and take a supplement. I would reserve for a contingency based on the size of the project and what I am seeing. That contingency may be 10-20% depending.
- If GTB does not get a project, I would like to see direct general conditions written to the job with the over head and profit written as 10&10% per typical. When the job supervision is written into the bid, it is often higher than would typically be incurred for a local contractor. Also, if they don't get a job, I would like to see sub-contract bids to support the price for the job. If we get into a situation with a public adjuster or appraisal, those hard numbers are crucial.
- Have the scopes written with more precise detail. They are often general, where there is a specific area of a wall taken out, I would like to see the specifics, or when it is a mechanical, electrical, framing repair, I would like precise detail in there. If we are giving the scope to the insured to get competitive bids, there is often not enough detail to precisely tell what we are going to pay for.
- Provide quicker turn around on scopes/bids on losses they do not get. Many losses turn bad when we cannot obtain the needed information to process the claim.
- Look into GMP for more accurate pricing. In doing this, GTB would need to obtain sub bids quicker and we would be able to determine closer costs of entire project.
- Look into reviewing roofs on a repair basis versus always looking to total. This ties back into GTB wanting to warranty project. Many roofers will not warranty repairs.
- Work better with other vendors within the large loss unit (i.e. Precision, Charter Roofing, Billy Powers)
- When an issue is presented call Dave Hanson versus going directly to Tom Farr or Dave Sours.
- To summarize, G1 adjuster controls the file, not GTB. Hanson has the final say.

Conclusions

Each specialist took the time necessary to express their opinions. As stated earlier, there are significantly different opinions from these specialists, even on the some of the same issues. Nevertheless, this study helps us identify a few key areas on which we can focus.

Between the property specialists and Dave Hanson, there seems to be a consensus on a few main points. The use of a Guaranteed Maximum Price does not benefit GuideOne. In fact, when we get into a dispute over damages and our estimate was written as a GMP, we are exposing GuideOne to more severity than necessary.

It sounds like another prevailing topic is how GTB tends to bypass Dave Hanson when seeking authority for something. Things could run smoothly if GTB staff went directly to Dave. Perhaps we just need to remind them that Dave Hanson manages our property claims, including any involving GTB.

Below is the response from former GuideOne employee Billy Owens. Mr. Owens sent this email to Mr. Dave Sours, the Vice President of Claims. The fourth paragraph in **BOLD**, was omitted by GuideOne Senior Management.

From: Owens, Billy
Sent: Tuesday, January 31, 2006 11:03 AM
To: Sours, Dave
Subject: RE: King For A Day

Dave,

Pretending to be "King for a Day" could cause me to really let the imagination run wild. I might even dream of running GTB. Better yet, let's have our own roofing company and I'll run it. We'd focus on roof losses from \$10K and up and if there are other damages besides roofing we'll work in conjunction with GTB, TC3, the I/As, our staff, etc.

OK, I'll rein in my imagination and focus on GTB for now.

On claims where the PH does not want to use them, let's not require them to do a scope/estimate, especially in a serious cat situation. This leaves them with much more time to concentrate on the jobs they do get. Between Katrina and Rita, GTB had over 200 claims for which they were responsible for either doing the work or writing a scope/estimate; that is a lot to ask of them. I feel that the scope/estimate on these losses are placed at the lower end of their priority pile and I can't really blame them. It would be better for us to use an I/A and/or a local contractor to determine the correct scope and estimate. I realize that they could potentially miss a job, but I really am uncomfortable with the way it comes across that if the PH had contracted with GTB things would have moved much more quickly, but since they didn't, the process seems to stall out. This could be seen as putting undue pressure on the PH to contract with GTB.

Always write the estimate the same way without regard for whether or not they will possibly get the job. I hate knowing that I was told by GTB that they write their estimates more liberally or conservatively depending on whether they are getting the job and that this has always been their practice. It concerns me that a savvy attorney could make this look like an act of bad faith in that we pay a higher amount when our contractor gets the job and less when they don't.

I would have GTB write their estimates on the same Integri software that our claims people use as well as do many of the I/As and contractors that we use. This would help verify that the pricing is in line with the market and make it much easier for G1 personnel to compare apples to apples. The program that they currently use is much more complicated for our staff and for our PHs to review and understand. Their program has benefits, but they are outweighed by the simplicity and consistency of using the same program we use.

I would have them report directly to Dave Hanson with all claims related issues prior to going to Dave's superiors that are two to four levels above Dave. Dave should be able to resolve the vast majority of the issues that come up and do so in a manner that is fair to all parties involved. If they are not satisfied with Dave's responses, then this should be brought at the regularly scheduled board meetings, which Dave should sit on. Dave probably has more working knowledge of the GTB program, both past and present, than any non-GTB person on the board and could provide a lot of insight to the others on the board and give a G1 position on issues that are addressed to the board.

I would ask that the GTB staff and the G1 staff use a great deal of caution and discretion in how much socializing is done together, especially when alcohol is involved. Too many comments have been made about this over the past few years and even more so with the cat effort in New Orleans. From my observations and comments from a couple of the guys in our unit that work with GTB a lot, they have less conflict when working with GTB than those that don't do as much, if any, drinking/socializing with them. I think this could make it much more difficult for our staff to confront GTB's staff on legitimate issues. Even though we are technically the same company, we often have differing goals: claim's goal may be to repair more items and their's may be to make more money, which may cause GTB to be more liberal in their scope and or pricing. I think the same basic guidelines we would ask of any of us when dealing with vendors should be in order when GTB is involved, especially if GTB is paying for all the drinks.

There needs to be an audit program for all the jobs that GTB does get, at least for a while. This audit would be to verify that their actual costs are in line with what we're paying on other claims in similar locations and with similar type losses. Currently, there is no audit process to really know how their actual costs compare to the market. This audit process should be done utilizing an outside vendor to prevent any possible conflict between claims and GTB and to obtain an unbiased opinion. Once the audit has been completed on a good number of GTB jobs and a certain level of confidence is obtained with their pricing, the audit could be scaled back to only a certain percentage of their jobs so that we are not spending money unnecessarily on too many audits.

Dave, these were not written in order of importance, but if you would like for me to prioritize them, I'll be happy to do so. Thanks for allowing me to express my thoughts. Hopefully, we can all see positive steps on both sides from all this.