



# HVAC Investigators

## Large Loss Claim Case Study

**Abstract** - HVAC Investigators (HVACi) is the nation's leading provider of HVAC and refrigeration damage assessments. Its thorough investigations, swift turnaround time, and actionable reports enable insurance carriers to settle HVAC claims more quickly and with a higher degree of accuracy. After a recent examination of the traditional large loss claim process, HVACi discovered that these high exposure claims were not receiving the level of service that they warranted. To address this void, HVACi developed an investigation process specific to large loss claims. The following case study shows the impact of how these processes and procedures, along with well-equipped resources, improve how large loss HVAC claims are brought to a successful and equitable settlement.



# Large Loss Claim Case Study



## Background

An independent adjusting firm was assigned to a large loss claim in South Texas that included hundreds of rooftop HVAC systems across multiple loss locations. This claim concerned the handling adjuster because of the complex nature of HVAC systems, coupled with the fact that the insured was seeking nearly \$5 million to replace each of the systems. Like any other property claim, the adjuster was looking for an easy way to arrive at a fair settlement quickly...without over or under paying

## Problem

Traditionally, large loss claims have been challenging for the insured, adjuster, third party consultants - everyone involved. Despite their size and scope, large loss HVAC claims very often receive the same level of service afforded to small commercial claims. Unfortunately, applying traditional assessment processes and best practices do not adequately address the complexity or scope that accompany large loss claims. As a result, turnaround times can stretch from months to weeks, documentation is often fragmented and incomplete, and loss re-inspections become the rule, rather than the exception. Moreover, little effort is applied to reconciling local contractor estimates to independent assessments, making ultimate settlement determinations (with any degree of confidence) virtually impossible.

## Solution

In order to address the unique challenges associated with large loss claims, HVACi developed a set of best practices and processes designed to deliver maximum value to carriers without impacting claim accuracy or turnaround time. HVACi's large loss process is built around improving service delivery for the following areas:

### Improved Turnaround Times

- Inside/Outside team approach pairs onsite resources (Project Manager, Large Loss Technician, and Field Associate) with in-office personnel (Inside Associate, Claims Processor, and Claims Concierge) to upload data, verify information, match source and target systems, price parts, and research system availability, simultaneously and in real-time
- Assigned teams complete pre-assessment worksheets prior to deployment to reduce redundant steps
- Technology enabled field-based tools speed up diagnosis, evidence collection, and real-time reporting.

### Resource Organization and Management

- A specialized workforce composed of subject matter experts in HVAC diagnosis, technology, claims processing, report writing, and pricing research.
- Detailed project planning and pre-inspection preparation meetings ensure smooth transitions and complete deliverables
- Pre-built system inventories with direct field access and real-time validation reduce errors and the likelihood of re-inspections

### Validated Accuracy

- Senior-level management visibility, and detailed, regular process updates ensure accountability of each team member
- Multi-step data validation drastically reduces report errors
- Direct-from-field data uploads increase speed of report and system validation
- Post-claim discussions with adjuster, insured, and insured's contractor enable faster settlement and reduce future supplements

## Claim Information

### Loss Location

This loss location was located outside of Corpus Christi, TX. In the summer of 2014, Southeast Texas was hit with a severe storm that was accompanied by baseball-sized hail. The hail storm caused a significant amount of damage to the insured's property, including HVAC systems at 12 different campus locations.

### Scope of Assessment

Across these 12 different locations, the insured claimed damage to 497 HVAC systems. Most of these systems were commercial rooftop package units, and according to the insured, all 497 units needed to be replaced to return the systems to the pre-loss condition. A full replacement as requested would have cost more than \$4.5 million to complete.

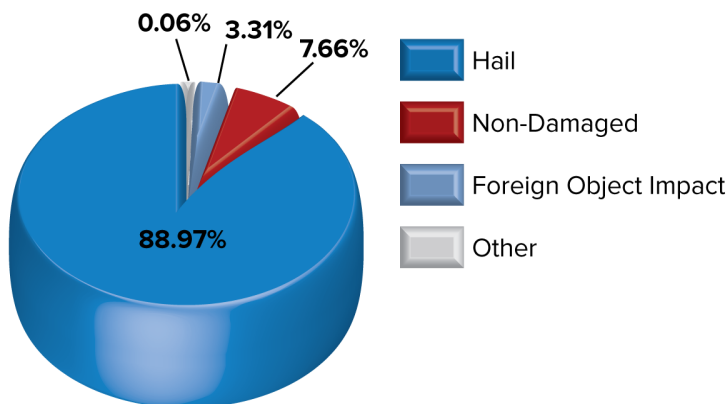
### HVAC Investigation Process

HVAC Investigators received the assignment and immediately engaged the large loss team. A project manager was assigned, and shortly thereafter, the technician, field associate, inside associate, claims processor, and claims concierge were selected for the assignment. Following HVACi's large loss protocol, the project manager initiated a debrief with the adjuster and insured's contractor to begin the pre-assessment prep work, and within four business days of receiving the assignment, the team was onsite.

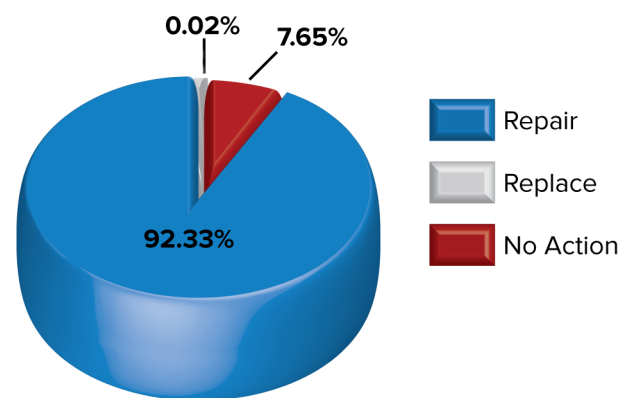
### Results

As seen in Figure A, not all 497 systems sustained hail damage. HVACi found that while 442 systems (88.97%) were damaged due to hail, 37 systems (7.66%) were not damaged, 15 systems (3.31%) were damaged by foreign object impact, 2 systems (0.04%) were damaged due to age-related wear and tear, and 1 system was due theft or vandalism. HVACi determined that (as seen in Figure B) 458 systems (92.33%) required repair, 38 systems (7.65%) required no action, and *only 1 system* (0.02%) required a full replacement in order to return the insured to pre-loss condition. "The complex nature of HVAC systems increases the risk of any large loss claim, particularly with a claim of this size and scope," said the assigning adjuster. "If it were not for HVACi's objective assessment, we would have grossly overpaid for the replacement of many systems that could have easily been repaired, and some that were not damaged at all!"

**Figure A: Cause of Loss**



**Figure B: Recommended Action**

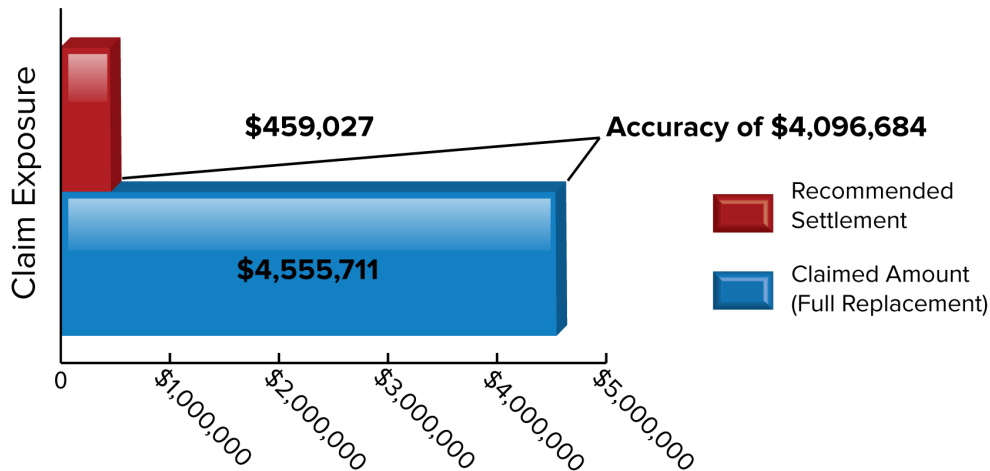


“If it were not for HVACi's objective assessment, we would have grossly overpaid for the replacement of many systems that could have easily been repaired, and some that were not damaged at all!”

## Turnaround Time / Accuracy

From claim assignment to final report issuance, the entire assessment process took a mere 9 business days to complete. Moreover, this nine day investigation resulted in a significant accuracy for the carrier. As previously indicated, the insured had originally claimed more \$4.5 million dollars to replace all 497 HVAC systems. Following HVACi's assessment, it became evident to the adjuster that the replacement of every system was not required to bring the insured back to pre-loss condition. The recommended repairs to 458 systems and replacement of a single HVAC system totaled only \$459,027, as shown in Figure C, and resulted in an accuracy (savings) of \$4,096,684.

**Figure C: Claim Accuracy**



## Summary

### Turnaround Time

- Assignment to Inspection: 4 business days
- Assignment to Report Completion: 9 business days

### Organization

- Specialized Inside/Outside team
- Unique process
- Validated best practices

### Accuracy

- Insured's Claimed Amount: \$4,555,711
- Recommended Settlement: \$459,027
- Accuracy (Savings): \$4,096,684

