

**Investigating
Kitchen Fire
Claims** P16

**A DEFINING MOMENT
FOR BAD FAITH** P32

**THE REALITY OF
VIRTUAL ACCIDENT
RECONSTRUCTION** P24

**IN THE C-SUITE:
A LOOK BACK AT 2016**
P42

Claims Management

DECEMBER 2016 // ISSUE 12 // VOL. 5

STRATEGIES FOR SUCCESSFUL RESOLUTION



THE IMPACT OF INSURANCE ADVERTISING ON JURORS

**How a Lizard, Flo, and Mayhem
Caused a Revolution** P20

A publication of
CLM
TheCLM.org

Inside

DECEMBER 2016 // ISSUE 12 // VOL. 5

FEATURES

COVER STORY

20 The Impact of Insurance Advertising on Jurors

How a lizard, Flo, and mayhem caused a revolution.

By MATTHEW J. SMITH, OF COUNSEL, SMITH, ROLFES & SKAVDAHL CO. LPA

24 It's About Time

The reality of virtual accident reconstruction.

By TIMOTHY A. LOGSDON, ASSOCIATE, PETER R. THOM AND ASSOCIATES INC.

28 The Art of Identifying Scams

Understanding the relationship between automated fraud detection and customer satisfaction.

By TODD FANNIN, SENIOR DIRECTOR, CLAIMS, LEXISNEXIS RISK SOLUTIONS

32 A Defining Moment

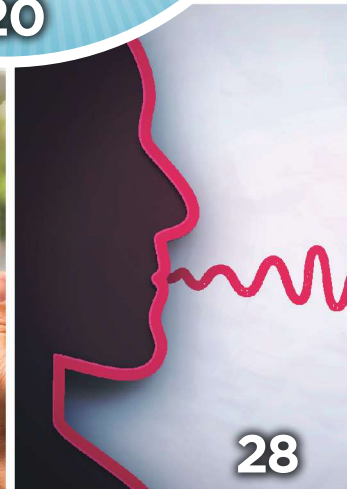
Moving toward an objective and reversible definition of insurance bad faith.

By BURKE A. CHRISTENSEN, DIRECTOR, RISK MANAGEMENT AND INSURANCE PROGRAM, ROBERT B. MORGAN CHAIR OF INSURANCE, EASTERN KENTUCKY UNIVERSITY

42 In the C-Suite: A Look Back

We celebrate the season by revisiting top claims leaders' thoughts on why claims is all about helping people.

By TAYLOR SMITH, PRESIDENT, CLM ADVISORS



COLUMNS

EXTRACONTRACTUAL

10 How to Protect Your Company From Charges of Bad Faith

By PATRICIA TROMBETTA

FORENSICS

14 A Systemic Approach to Building Component Roles and Failures

By DAVID P. AMORI

INVESTIGATION

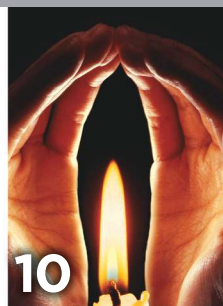
16 Kitchen Fire Claims: The Cost of Reliability

By DAVID E. BRIDGES

TECH

18 Four Ways Virtual Presence Is Transforming the Claims Process

By CHARLIE NEAGOY



DEPARTMENTS

4 Front Desk

6 Exposure

8 Between the Lines

9 Inside Risk

38 Around the Nation

December 2016 digital edition sponsored by:



CRANE ENGINEERING

A publication of

CLM



Fraud Squad. Kitchen Fire Claims: The Cost of Reliability

By David E. Bridges

Kitchen fires present serious challenges for insurers and their claims professionals, actuaries, SIU personnel, forensic accountants, and property and liability teams. Per the U.S. Fire Administration and National Fire Protection Association (NFPA), every year, cooking equipment fires in one- or two-family homes and apartments or other multifamily housing account for about 46 percent of all reported fires, 5,190 injuries, 480 fatalities, and more than \$1.1 billion in property

damage. Not surprisingly, the NFPA says that the majority of those fires, roughly 94 percent (or more than \$970 million in damages), originate in the kitchen. It also says that ranges or cooktop appliances, with or without integrated ovens, are implicated in more than 73 percent (or \$828 million in damages) of those fire losses. “Unattended cooking” is the leading factor in roughly 33 percent (\$363 million in damages) of home cooking fires. The numbers include fires where cooking equipment is involved in the ignition sequence or where the fire did not progress beyond the device itself. The average range or cooktop fire results in \$8,000 in property damage.

With this kind of money and damage at issue, we must analyze the steps taken to investigate the legitimacy of cooking equipment fires or, alternatively, to eliminate the possibility that these fires are incendiary. For claims professionals, it can be a relatively easy decision to complete the origin and cause investigation of cooking-related fires that result in injury and/or death. But, in the higher frequency, low property damage kitchen

fire claims, sound investigative principles sometimes fall by the wayside when a business decision is made to simply pay the claim. Small monetary thresholds, high caseload volume, and internal pressures to close claims files increase the likelihood that the actual origin or cause will be missed.

There is no dispute that claim decisions should be based on reliable, relevant, and complete data. The scientific method is the cornerstone to achieving that level of reliability. For years,

we’ve been taught to apply this problem-solving framework to our fire and explosion origin and cause investigations because it allows us to advance our investigation, acquire new information, prevent mistakes, and avoid confusion. Unfortunately, the logistics involved with sound investigative principles do not always comport with the high-volume, low-dollar kitchen fire claims that may overwhelm insurers on a daily basis. In the rush to close the file, insurance claims professionals may very well diary incomplete data or unsupported opinions. For insurers, the impact



Modern-day fire incident statistics show that kitchen area, cooking-related appliances cause or contribute to more property damage each year than anywhere else within the home

of inherently unreliable claims file decisions can impact their effectiveness for all fire claims, kitchen or otherwise.

The statistics alone suggest that it is beneficial to determine what really happened with these types of fire claims. But there are times when an insurer’s decision to pay its insured has nothing to do with the ability to identify the origin or cause of the fire. Even if the fire’s origin is precisely defined to the kitchen, it can become next to impossible to distinguish between an occupant who became distracted during a cooking operation and

accidentally started a fire from an occupant who intentionally placed cooking oil in a pan on an energized burner and intentionally allowed the fire to develop. The uncertainty of human intent makes the dividing line between “accidental” and “incendiary” fires difficult to distinguish and, short of a confession, perhaps even impossible. Because it’s a difficult case to make, insurers sometimes pay the claim and move on, realizing that additional time and expense puts them no closer to being able to eliminate an intentional act. The point is, an insurance claims professional can spend money and resources on an investigation and still be unable to know if there is fraud involved.

If the claims professional moves forward with a forensic investigation of a kitchen fire claim, the investigation has to be grounded in reliability. In other words, even though it’s difficult to eliminate the possibility of an incendiary fire, what level of reliability are you operating under to deny or pay the claim? If an investigation is pursued, it is paramount that the insurer has properly vetted, qualified, and certified competent

subject matter experts for the specific causation issues at play. Those issues are as varied as the specific types of properties damaged. Kitchen fire claims do not always follow logical paths, and they can have many causes. Often, the incident itself will destroy or significantly diminish crucial evidence. For example, in assessing ignition source competency, some investigators may ignore forensic indicators or simply overlook the role of an electric range or cooktop (rangetop) based on witness statements alone. Further, an improperly vetted and selected expert can have devastating effects on the claims outcome and can invite unfounded demands and litigation from other parties attempting to shift the risk of their own insured’s loss.

Once the certified, qualified, and competent expert is selected, the claims professional must make use of the data from the expert. To effectuate that, the expert must be able to relay the information in a way that makes sense and can be readily applied to the overall decision-making process. Moreover, the claims professional needs to understand the information and issues at hand. As a

result, fire investigation-related training for the claims professional can have a significant impact on the process, too. A qualified expert working with a well-trained claims professional can increase the level of reliability.

Modern-day fire incident statistics show that kitchen area, cooking-related appliances cause or contribute to more property damage each year than anywhere else within the home. Individual kitchen fire claims present small risks for claims professionals, and it can be difficult to eliminate the possibility of fraud. Nonetheless, the aggregated impact of kitchen fires should motivate insurers to, at the very least, question the reliability of their claims decisions and seek to assemble qualified and competent experts and claims professionals to make their claims decisions. **CM**

David E. Bridges, IAAI-CFI, is an attorney, fire scientist, and certified fire investigator with CLM Member Firm Meagher & Geer P.L.L.P. He is a member of CLM’s Insurance Fraud Committee and can be reached at dbridges@meagher.com.

Earning Your Trust One Claim at a Time. That Will Never Change.”

-William “Bubba” Ryan, CEO

Trust
RYTECH - The Industry Leader in
Water Mitigation & Mold Remediation.

We Do It Differently. We do it *better*- and our Insurance Industry Partners love us for the money we save them and the service we provide to their satisfied customers.



RYTECH Advantages

- Centralized Administration/ Call Center.
- IICRC, WRT and ASD certified field production staff on every job.
- Controlling Severity, from Rapid Response & Restoration to Cost Containment.
- **RYTRAC** In-Field Mobile Communications – Provides real-time overview to specific claims.



**FRANCHISE
OPPORTUNITIES AVAILABLE**

1.800.865.8787 | RYTECHinc.com

