

SHIFTING LANDSCAPES WITH MANAGED REPAIR PROGRAMS



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Managed Repair Defined



- Insurer provides incentives for policyholders to use insurer-approved contractors to perform repairs to damaged property covered under the policy
- Incentives are typically in the form of
 - Deductible waiver or credit when loss occurs
 - Premium credit when policy issued
 - Increased coverage if preferred contractor used

Goals of Managed Repair



- Better control of claims costs
- Reduce litigation risk
- Minimize abusive practices by unscrupulous public adjusters, attorneys and contractors
 - Water claims
 - Assignment of benefits

Development of Managed Repair Programs



- Mid 2000s - Rise in abusive claims practices coupled with one-way attorneys' fees
- 2008 - People's Trust Insurance Company formed with managed repair focus
- 2010 – Managed repair program filings with Florida OIR
- 2017 – Nine insurers with approved programs and two more asking for approval

Origins of Managed Repair



- Auto insurance – glass and collision repair
- Health insurance – HMOs and PPOs
- Evolution of insurer’s “Right to Repair” or “Election to Repair”

Insurer's Right to Repair



- Standard policy provision allowing insurer the option to repair, rebuild or replace damaged property with material or property of like kind and quality
- *Drew v. Mobile USA Ins. Co.*
 - When the insurer makes its election to repair, that election is binding upon the insured and creates a new contract under which the insurer is bound to restore property within reasonable time
 - Policy limits don't apply under "new" contract to repair

What Does the Florida Insurance Code Say?



- “627.7016 Insurer contracts with building contractors.
 - An insurer who offers residential coverage, as defined in s. 627.4025, may contract with a building contractor skilled in techniques that mitigate hurricane damage. Insurers may offer policyholders the option to select the services of such building contractors to repair damage covered by the insurance policy. The insurer must guarantee the building contractor’s work and may offer the policyholder any other terms, conditions, or benefits. The insurance company is not liable for the actions of the building contractor.”

Spectrum of Approaches to Managed Repair

- Preferred vendors suggested to policyholders (no incentives)
- Preferred vendors suggested to policyholders (with incentives)
- Preferred vendors required by insurer (with incentives)
- Election to Repair under standard policy provision (no incentives)

Contractor Networks



- Contractor credentialing
- Cost controls
- Customer service
- Warranties

Selected Managed Repair Programs



- People's Trust Insurance Company
- Florida Peninsula Insurance Company
- Heritage Property & Casualty Insurance Company
- Citizens Property Insurance Corporation

Disputes regarding Scope of Repairs



- Can insured refuse to allow repairs and file suit based on dispute as to scope of repairs?
- Conflicting precedent
 - 4th DCA – *Diaz v. Fla. Peninsula Ins. Co.*;
Robinson v. Fla. Peninsula Ins. Co.
 - 3rd DCA – *Fernandez-Andrew v. Fla. Peninsula Ins. Co.*
- Enforcing Appraisal – the right way to go?

Managed Repair Under Fire



- Common criticisms
- Risk of adverse legislation
 - SB 256 (Farmer)
 - CS/CS/SB 1168 (Steube)



Questions?

Wes Strickland
Colodny Fass

wstrickland@colodnyfass.com

850-321-3475