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## **Learning the Insurance Restoration Game**

It's an unfortunate fact of life, but disasters happen. Whether accidental or weather-related, structures get damaged and need to be restored.

That's where Melesh Construction Co. Inc. comes in. For nearly 20 years, the company has made its business in insurance restoration—putting the home back to the condition it was in before whatever incident struck it or after a remediation company has been in to take care of mold or smoke/soot damage, etc.

Melesh works on approximately 300 jobs a year, with prices ranging from \$200 to \$450,000. The average insurance claim in 2007 was \$7,000, and insurance companies pay up quickly.

### **Different set of rules**

Although what the company does is remodeling, it's a different bird than a regular project because there's an additional layer of the insurance company and/or insurance adjuster. Estimates have to be extremely detailed, treating every room as a separate entity, with line-by-line detail. An insurance company will not accept a lump sum estimate, nor will it accept a general description such as painting the living room. Instead, the insurance company wants the nitty-gritty details of the paint job, including painting the walls, ceiling and trim work of a room.

It's also a time-driven business. "Sometimes whole families are displaced," says Winnie Melesh, vice president of Melesh Construction. "Some [insurance] policies have a cap on how long they will pay for alternative housing, so you lose the luxury of time on a project." Every day there has to be activity on a job.

And although all remodeling projects are basically relationship-driven, here, too, there's a subtle difference in insurance restoration. Although the remodeler's contract is still with the homeowner in every case, the important relationships are actually built with the insurance agents and insurance adjusters and others, as they will be the ones who will help drive business your way. Oftentimes, the insurance adjuster or company is looked at as the enemy who will get in the way of a job and cause the remodeler a lot of headaches,

especially because of the level of detail that is needed, but Melesh says this is the wrong way to look at them.

“The insurance adjuster is another part of the team,” she says, “and they’re the ones who will throw you more work. You have to do a good job because if you make the adjuster’s life easier, he’ll want to work with you again.” And the insurance restoration world is small, so you run into the same people over and over again. When an adjuster changes companies, he or she will take the names of remodelers where there has been a successful relationship.

And there are a multitude of places to form relationships that are mutually beneficial to both parties. Remediation companies only deal with the actual damage from the event, not the rebuilding of the property, so that is a good source for referrals. Another example is a flooring company. “They might be removing carpeting and notice that there is drywall damage, which isn’t something they deal with,” Melesh says. “If we have a good relationship with them, they will give the homeowner our name.”

These relationships didn’t just spring up overnight, though. They take work to form—sometimes going as far as actually knocking on doors and introducing Melesh Construction’s work to an insurance agency or a remediation company. The company also works a lot with condo associations. Because the association has control of the policy for the common areas and the outside of a property, if Melesh can get the job for those areas, that gets them in the door to work with the individual condos damaged in that event.

### **Additional tips to be successful**

The beauty of insurance restoration work is that it’s not dependent on the economy, so the current financial and mortgage crisis doesn’t affect business. However, there is a learning curve and several items about which you need to train yourself before tackling this type of work. These include:

- The way a settlement is handled and how insurance coverage is handled. Many homeowners don’t really know what their policy covers and a contractor can get stuck if he/she just goes on the homeowner’s say so.
- How to get paid. Larger jobs have a threshold at which the mortgage company gets included in the claim, which can make collecting money tricky.
- The various roles of the players involved (the adjuster, contractor and homeowner) and how to ensure positive communication among the three. “Most problems are caused by unclear communication,” Melesh says. “The homeowner thinks decisions are between the adjuster and the contractor, but it’s not. The contract is between the homeowner and the remodeler.”
- Managed repair programs, which is a premium service to policy holders that works similarly to an HMO—the insurance company assigns an estimate to a particular remodeling contractor that it already has vetted so the insurance company can be sure to get the job done quickly at the price it’s willing to pay out to the homeowner.

- The ethical issues involved in insurance restoration, bearing in mind how much more stressful and difficult these jobs are for the homeowner. These people didn't make the conscious decision to redo their kitchen; you're often working with people who have lost everything except the clothes in which they ran out of their house. "They didn't ask for this," Melesh says. And everyone reacts differently to the situation. "We've worked with people whose homes burned down to the foundation, and they've been very calm and collected. Other times, we've had homeowners who were hysterical because some shingles have blown off their roof in a thunderstorm."

### **Opportunities for differentiation**

Insurance restoration might sound as if you have to be a full-service remodeling company, but really any remodeling company is set up to be successful in this niche because you already have the relationships with the suppliers and any subs you might need. If you're a company that specializes in kitchens and baths, you can market yourself to the insurance and remediation community as being able to restore kitchens and baths.

The other positive about insurance restoration is that there's still room for upselling. The insurance company is paying for the material in like kind (to what was there previous) and the installation, so it's not that much money for a homeowner to pay a little extra to upgrade the windows or flooring, and it adds a lot of value to their home. In fact, Melesh estimates that jobs are expanded about one-third of the time because a homeowner wants to fix another aspect of the house while the remodeling company already is in there restoring the home to its previous condition.

If anyone has any questions about insurance restoration, they can contact Winnie or John Melesh at Melesh Construction at (410) 263-0394 or visit their Web site at [www.melesh.com](http://www.melesh.com).