Loss Proceed Pitfalls

How a Name
Can Wreck a Claim

sureti

Only the names (and some details) have been changed to protect those involved.

It was probably an electric fire. Those can get out of hand fast. Calls were made, sirens sounded, and thousands of gallons of water doused the flames. Mr. and Mrs. Stevenson weren't even home. They wanted a couple of weeks away.

Instead, they spent the next four months living in a hotel, waiting for the check that was supposed to restore their lives.

Including lenders on loss proceeds checks can slow repairs, send insurers on wild investigations, and lead to tens of thousands of dollars in unnecessary additional living expenses. Don't believe us? Keep reading.

This case study explores a meandering, real-life insurance claim that followed the fire described above. It's a story of good intentions met with life-altering delays, wasted time and money, and a dispirited policyholder.

All because of a name.

Act 1 / The Calm Before the Storm

The Stevensons made their calls to their insurer, General Assurance Insurance of America ("GAIA" for short) right away. They had their policy number, police reports, and photos ready. Sarah, an adjuster with GAIA, was assigned the case.

Sarah had seen this movie before. She listened, empathized, and then carefully explained the next steps to the Stevensons. Sarah found a nice hotel not too far from the loss address. It wasn't home, but it had a hot tub. She made the first **additional living expense (ALE)**. It was enough to tie the Stevensons over for a couple of weeks.

It costs **9 times more** to acquire a new policyholder vs. retaining a current one.

Or so she thought. Sarah had years of claim management experience, and she was well-aware that every claim had its finicky parts and complications. Multi-parties are especially tricky and frustrating for the policyholder, as well as banks and lenders. Despite having the renowned digital tools and technical resources for managing claim proceeds, **Sarah still found herself running into unprecedented problems**. She felt the doubt trickle in.

"This one may take some time," Sarah lamented.

The bids came in fast. Sarah skillfully guided the Stevensons through the information. She adjusted the Xactimate sheet, reconciled with the restoration company, and totaled up the estimate. $139,269.25. The Stevensons thanked her, signed the contracts, and began to see the silver lining.

They always wanted granite countertops anyway.

Act 2 / Questions & Confusion

Sarah took a deep breath as she prepared the payment. She expected to see a mortgage lender on the check (they're always involved) as she opened the policy declaration page. Of course. Staring back at her was not one, but **two lienholders.**

Sarah prides herself in prepping her policyholders for the "mortgage lender" conversation. But one lender is difficult enough. Two? This could take a while. She hoped the Stevensons were enjoying the hot tub.

Sarah requested the accounting team to issue a paper check. She entered the information: Pay to the Order of: Chris Stevenson, Cheryl Stevenson, Hometown Community Bank, and FedFund Federal Credit Union.

Sarah called Mr. Stevenson to explain what to expect next. That's when the confusion and questions began.

"Yes, they will require you and your wife to sign the check, fill out an affidavit, and possibly have it notarized before sending them the check and the paperwork."

Adding a lender or a lienholder to a payment can draw out a property claim for **8+ weeks**.

The next question.

"Yes, you'll have to call your bank and find out where the information needs to go."

And the next one.

"Once they endorse it, they will likely send it back to you to send to the next bank."

Another one.

"Yes, they will likely have different requirements. Each lender processes these things differently."

Finally, the golden ticket question.

"It's not clear how long this will take. Keep in mind, too, that once they all endorse they will likely require an inspection before sending a loss draft to your contractor."

Act 3 / The Missing Check

Six weeks passed. Sarah made another ALE allotment. The costs were racking up, and the hotel was about to increase their weekly rates. Mrs. Stevenson called Sarah that afternoon.

“What do you mean FedFund won’t endorse the check?” FedFund had sent the check back to GAIA — but no one was sure which address it had gone to. Mrs. Stevenson explained that FedFund didn’t have a “Chris Stevenson” on file. Christian was his full name. Christian Stevenson. FedFund couldn’t risk endorsing the payment.

On average, **15% of loss draft checks** are lost, misplaced or never received.

Wait a minute. The GAIA accounting department said the check had been cashed. But by who?

Sarah couldn’t cancel a check that had been cashed. At the same time, the ALE allotments ballooned enough that, by now, her claim number landed on her director’s desk.

“Hold on… you want me to call the FBI?”

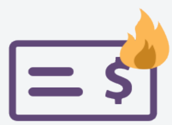
She heard him right. Her director had seen this once before — likely a fraud case. Sarah wasn’t convinced but called the FBI anyway. They talked about procedure, and she spoke with the special investigative unit. A conversation summarized by a shoulder shrug. No progress.

Act 4 / You're Kidding, Right?

The Stevensons were despondent. Nearly two months later, and their house hadn't been touched. The only way to get a contractor to work on it would have been to take out a loan or pay out of pocket. Who has $139,269.25 laying around? Why couldn't GAIA figure this out, they asked?

Sarah felt their pain. She worked tirelessly, calling on favors and looking up historical records.

Finally, the dots connected... **GAIA had cashed their own check**.



1 in 4 claim checks is reissued when a lender is included.

Heaven knows where FedFund found the address they used. GAIA hadn't been at that location in at least 10 years. Miraculously, the check got to the accounts receivable desk. Sarah was told that when checks come in there, checks get cashed. Facepalm.

She called the Stevensons and told them the news. A new check would be coming. Sarah braced herself.

"I'm afraid so. You'll have to go through the process again, and all banks will need to endorse."

Wrong names, wrong banks. From her experience, Sarah knew that **one in every four claim checks was reissued due to similar mishaps**. Mortgage lenders change hands like a 4x100 meter relay. It must cost GAIA millions, she thought. But not accepting a "Chris" for a "Christian"? She'll be sure to share this one on the company #crazy_claims Slack channel.

Weeks pass with more ALE allotments. $26,457 so far. Sarah has to explain why claim #GAIA-3485024 won't leave the Directors Dashboard. At least the contractors are making progress now.

But the Stevensons? They won't be renewing with GAIA. Sarah was proactive, but the process was destructive. Sarah thought about that hotel.

She could use a hot tub.

Epilogue /

If only the lender wasn't involved.

As unique as this story seems, it's just one of the nonsensical wild-goose-chase scenarios that can occur when a lender is on a check. Bad outcomes all over the place. Four months is extreme — but not eight weeks. Even when adjusters do all the right things — prep the policyholders, set expectations, and help navigate the process — it's taking impossibly long to extract funds from the lender.

Vendors who collect claim packets, accost the lenders to release payments, and coordinate inspections are only scratching the surface. When a third party, like a bank or lender, has no vested interest in the policyholder experience, process improvements can only be measured in pennies, not dollars.

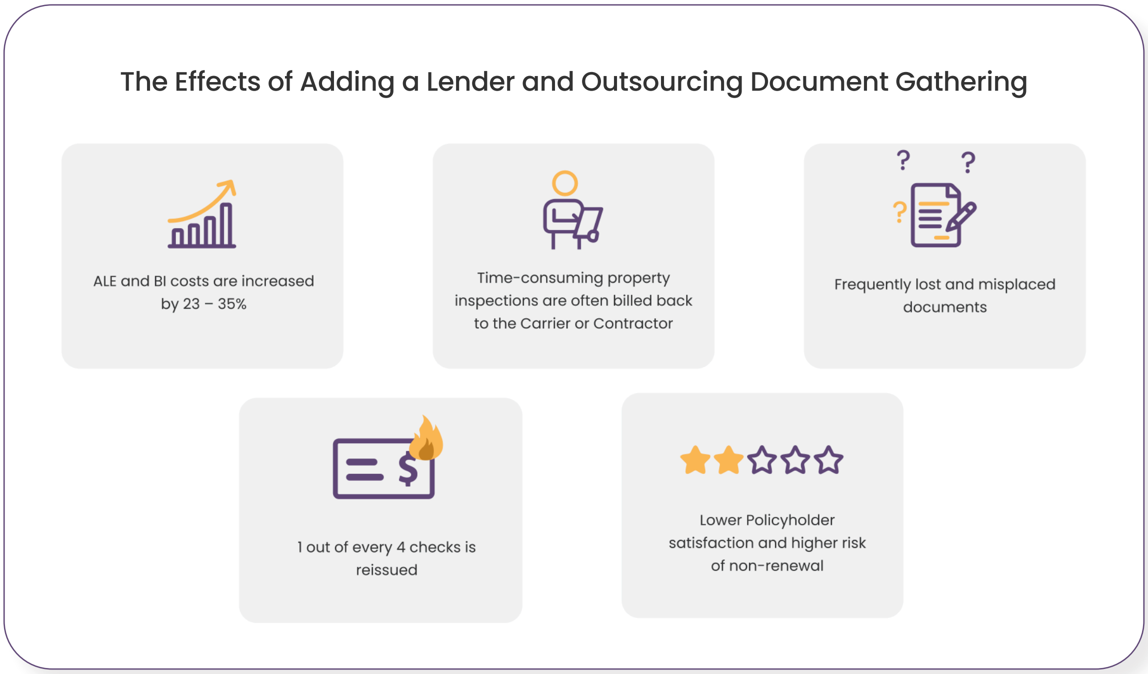
An article by *Insurance Journal* found a **27% increase in ALE** in Q1 2023.

Maybe management does not want to admit that this is a problem. It's just the cost of doing business, they may think. But the cost of losing a policyholder after a claim is **9 times the cost** of keeping them.

If policyholder experiences matter, why settle for an outdated claims process that risks dissatisfaction and non-renewals? For carriers who have not had to consider the topic, Sarah's story should sound a deafening alarm. There's no one-size-fits-all software or claims management system that can alleviate the complexity of property claim proceeds when a lender is included on check.

> "Customer experience and retention is everything. It needs to be the most critical consideration we make as an insurance company. When we keep that in mind, the financial benefits quickly follow. So many things we do as an industry are rooted in decades-old necessities and technology. Creating the best customer experience means starting from where they are at, not where our industry has been."
>
> *- Kent Peterson, Director of Claims at CFM Insurance Company*

Insurtechs and claim payment vendors have tried to move the needle within the current model to push stubborn claims ahead, but it's the same song and dance. **Efficiency hits a wall.**



The Bottom Line /

Adding mortgage lenders and lienholders to claim checks creates bad outcomes. Sure, it may sound like a big leap to remove the lender altogether. But by not pursuing opportunities for optimization, we're doing an injustice to everyone involved in property claim proceeds.

Real disruption comes when businesses are willing to look deeper into the long standing habits often overlooked and break apart the process from its origins.

Let's put it this way: this story could have been condensed to three sentences and concluded with a happy ending.

It's your story to write.

sureti

hey, it's your money

Introducing sureti /

A payment rail service between insurance carriers & contractors

sureti, a third-party fund control service that accelerates claim payments, is a pioneer in this mission to remove the mortgage lender from the claim proceeds equation altogether. sureti has identified the mortgage lender as the culprit of slow flow of funds, and is rebuilding the process where Sarah's story never has to happen again.

With sureti, insurance carriers:

- Omit the lender *and* the possibility of paying the claim twice
- Reduce additional living expense or business interruption severity
- Eliminate the misappropriation of deductibles
- Allow policyholders a second-chance to select their contractor of choice
- Provide real-time progress via geospatial scans (interior) and an aerial image suite (exterior)

How does sureti Fund Control work?

sureti accelerates the flow of funds without compromising financial risk.

Select Fund Control and enter payee info

Select a contractor network (if any) and issue a digital check

Policyholder receives an email to digitally endorse the payment and select the preferred contractor

Contractor receives a notification and initial partial payment to get started

Jobsite is documented with 3D imaging

Monitor progress until the work is completed to satisfaction

Claims adjusters and managers have enough tasks to worry about; making the payment shouldn't be one of them. It's time for insurance carriers to finally take control the control of claim proceeds, lower expenses, and make exceptional Policyholder experiences the standard.

If this sounds like you, let's have a conversation.

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Learn more at sureti.com