

## IDENTIFYING MITIGATION EXPENSE RED FLAGS

Water loss claims are on the increase, and with this comes the increased use of mitigation services. Unfortunately mitigation and restoration vendor invoices are often inflated and can result in significant Loss Adjustment Expense leakage.

An experienced examiner can sometimes identify a bad invoice by comparing the billing to the scope of loss and noting the disparity (also known as the “smell test”). But as complexity of dealing with water losses increases and volume grows, claims professionals could use some additional assistance in pinpointing inflated invoices.

I present below a discussion of mitigation billing Red Flags that will assist the claims professional in identifying bad billing practices and in getting an inflated mitigation invoice corrected.

### 1. Prior Bad Invoices (the leopard does not change his spots):

One-off errors from mitigation vendors, an error that is easily corrected and not repeated, are rare. More commonly, if you see one inflated invoice from a vendor, the next one that company sends you will also be inflated. For some companies, billing outside and above industry standards appears to be the policy. To the degree that such invoices go unchallenged it is a policy that enriches the vendor’s bottom line at your expense.

The first and foremost defense is to KEEP A LIST OF EVERY MITIGATION VENDOR THAT SENDS YOU AN INFLATED OR EXCESSIVE INVOICE. Give any invoice from such a company special attention.

### 2. Lack of documentation:

- No or insufficient photos of affected rooms (pre-demo, during demo, after demo)
- No photos of equipment
- No drying logs or incomplete drying logs
- No documentation of demolition completed
- Missing information as to why certain things were done

### 3. Violation of Xactimate and/or IICRC (Institute of Inspection Cleaning and Restoration Certification) guidelines and references as to procedure and pricing for equipment and labor. If a person has not written many mitigation invoices, Xactimate can be daunting to understand, and many examiners do not have easy access to the S500 and S520 books published by IICRC. Nonetheless, excesses in invoices can be detected. Here are some examples:

- Many days of drying equipment with no justification, or days significantly higher in one area while days in other areas are much lower
- Equipment billed does not match drying logs or the square footage of the loss
- Excessive amount/types of equipment above IICRC standards or the actual needs of the loss; XL or L dehumidifiers in small rooms; high numbers of air movers in a small room
- Use of dehumidifiers and heat units together, or use of different types of blowers when not needed in the same area
- Using air movers on mold/asbestos jobs before proper abatement is complete
- Excessive labor hours for demolition, general labor, content manipulation or equipment set-up, exceeding what is actually needed
- Excessive line items or double billing for line items (for example, billing cleaning hours and additional "different" cleaning items; or billing for items that are already included in other trade items)
- Mitigation bill/work looks high compared to repairs needed, such as many days of drying but the actual repair work was minimal or not needed
- High billing for many days of drying to "save" and then ripping it out anyway
- Excessive labor minimums or trade-specific line items, like using labor hours per trade when this is covered in line items
- Xactimate pricing changed by contractor, such as changing a dehumidifier pricing from \$79.96 to \$90.00 per day, changing pricing on removing carpet from \$3.63/sf to \$4.13/sf, or changing labor from \$41.03 to \$55.00 per hour
- Adding Overhead and Profit

At the conclusion of this white paper, we include some sample invoice pages with notations on what charges are used to inflate the billing.

While mitigation invoices involving water losses will be the billing you most commonly see, the above Red Flags apply to greater or lesser degree to contents losses, claims involving fire and/or smoke, mold, lead and asbestos.

I am hopeful that this White Paper will assist you in identifying and handling inflated mitigation and restoration vendor invoices.

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15. Apply plant-based anti-microbial agent to more than the floor - apply disinfectant to affected areas	262.97 SF @	0.27 =	71.00
<b>&gt;EQUIPMENT</b>			
16. Dehumidifier (per 24 hour period) - Large - No monitoring - 1 Unit x 8 Days	8.00 EA @	125.00 =	1,000.00
Placed on: 05/20 Picked up: 05/29			
NOTE: Dehu was placed 3 days prior to start of job until we awaited response from insurance.			
17. Negative air fan/Air scrubber (24 hr period) - No monit. - 1 Unit x 5 Days	5.00 DA @	74.56 =	372.80
Placed on: 05/23 Picked up: 05/29			
18. Add for HEPA filter (for negative air exhaust fan) - used in conjunction with air scrubber since the kitchen was directly across and the tenants were using it to cook their meals	1.00 EA @	187.47 =	187.47

16. Dehu pricing at \$125, should be \$80

17. Neg Air on site 5 days, only 1 justified

18. Filter at 1, only .25 justified

Kitchen			
DESCRIPTION	QTY	UNIT PRICE	TOTAL
5. Air mover (per calendar day 3x1 day) - No monitoring	3.00 EA @	30.30 =	90.90
6. Air mover (per calendar day 2x4 days) - No monitoring	8.00 EA @	30.30 =	242.40
7. Dehumidifier (per calendar day 1x6 days) - XLarge - No monitoring	6.00 EA @	132.00 =	792.00
8. Apply plant-based anti-microbial agent to the surface area	184.00 SF @	0.30 =	55.20
9. Cabinet - lower (base) unit - Detach	12.00 I/F @	21.32 =	255.84
10. Range - electric - Remove & reset	1.00 EA @	43.82 =	43.82
11. Refrigerator - Remove & reset	1.00 EA @	43.82 =	43.82
12. Placed Temp Sink For Temporary Water Service	1.00 EA @	312.00 =	312.00
13. Material Only Sink faucet - Kitchen	1.00 EA @	212.63 =	212.63
14. Dishwasher - Detach & reset	1.00 EA @	279.35 =	279.35
15. Contents - move out then reset	0.50 EA @	45.47 =	22.74
16. R&R Angle stop valve	1.00 EA @	41.11 =	41.11
<p>5/6. Air mover pricing over Xactimate</p> <p>7. Dehu pricing over Xactimate</p>			
Guest Bedrooms			
DESCRIPTION	QTY	UNIT PRICE	TOTAL
17. Air mover (per calendar day 3x1 day) - No monitoring	3.00 EA @	30.30 =	90.90
18. Air mover (per calendar day 2x3 days) - No monitoring	6.00 EA @	30.30 =	181.80
19. Air mover (per calendar day 1x2 days) - No monitoring	2.00 EA @	30.30 =	60.60
20. Dehumidifier (per calendar day 1x7 days) - XLarge - No monitoring	7.00 EA @	132.00 =	924.00
21. Negative air fan/Air scrubber (per calendar day 1x6 days) - No monit.	6.00 DA @	91.30 =	547.80
22. Add for HEPA filter (for negative air exhaust fan)	0.25 EA @	223.36 =	55.84
23. Protect - Cover with plastic	10.00 SF @	0.34 =	3.40
24. Apply plant-based anti-microbial agent to the surface area	210.00 SF @	0.30 =	63.00
25. Equipment decontamination charge - per piece of equipment	5.00 EA @	39.07 =	195.35
26. Contents - move out then reset	0.50 EA @	90.84 =	45.42

17/18. Air mover pricing over Xactimate

20. Dehu pricing over Xactimate

21. Negative air pricing over Xactimate

Labor Minimums Applied			
DESCRIPTION	QTY	UNIT PRICE	TOTAL
27. Plumbing labor minimum	1.00 EA @	0.22 =	0.22

27. Labor min not needed

Summary for Dwelling	
Line Item Total	5,773.36
Material Sales Tax	31.83
Subtotal	5,805.19
Overhead	580.52
Profit	580.52
Equipment Tax	255.71
Labor Tax	167.48
Replacement Cost Value	\$7,389.42
Net Claim	\$7,389.42

Overhead and Profit not needed