



IAQ RADIO BLOG

Show Number: 689

Scott Walden
COO of Vetcor

A Unique Perspective on the Current State of the Restoration Industry

This week we welcomed Scott Walden COO of Vetcor for his unique perspective on the current state of the restoration industry. We focused on an article he wrote in Cleaning & Restoration magazine title “The Squeeze”.

Scott Walden is the Chief Operating Officer for Team VetCor, LLC and VetCor, LLC; a veteran manned and managed insurance services franchise company specializing in emergency services for property damage. Scott holds a Bachelor of Science Degree from Black Hills State University (cum laude), and an MBA from the Florida Technical University. Prior to joining VetCor, he served as the Director of Training and Customer Support for M.I.C. Industries, Inc. Scott is currently an IICRC Master Water Restorer, and a Florida licensed Mold Remediator and Mold Assessor.

Scott Walden served in the United States Army from October 1983 until his retirement as a Sergeant Major in November 2006. He served throughout the United States and overseas in every leadership position from Team Leader to Brigade Operations Sergeant Major.

Nuggets mined from today’s episode:

Paul Huszar, CFE, PE the CEO, President of VetCor and Scott Walden served in the military together as Army Airborne Engineers. VetCor was founded 1n 2013 on Veteran’s Day. The business started as a single office disaster restoration firm and expanded to 3 offices, before deciding to franchise. There are currently 9 offices. While the majority of offices are owned by military veterans including a Naval

Academy Grad who owns the Cincinnati office. A nonveteran former adjuster owns the Lexington, KY branch.

Insurance Restoration Program Work has been and still is a reliable source for insurance restoration work in Florida.

In the past Insurance Companies tried to shield themselves from *bad actor contractors* who don't embrace education and a standard of care by taking charge of claims management. Insurance carriers would hire a vendor manager who would distribute claims among the network's trusted service providers. The system worked and strong business relationships were built.

Scott applauds the brilliance of the TPA business model. TPAs: find, qualify, hold contractors to performance standards and guidelines for FREE, and make their money by charging restoration contractors a fee. TPAs have grown from one to many, each vying for the love of insurance carriers by trying to differentiate themselves from the pack.

Some insurance companies continue to do business "the old way" these one-on-one business relationships are coveted.

The property insurance market in Florida is fractured. The big players pulled out in 2014 which led to the creation of small Florida only insurance carriers.

THE SQUEEZE

Scott opines that TPAs have inserted themselves into the claims process. He feels there are no advantages in working with TPAs and many disadvantages. Disadvantages include: added expenses of referral fees, unnecessary claims administration costs, daily contact, notifications of start and completion dates, etc. Some insurance carriers mandate contractors purchase and use Mitigation Management Software.

Change is hard. Change is much, much harder when it must be done franchise system wide.

Nonpreferred vendors have the advantages of not having to comply with burdensome TPA requirements and the opportunity to be more profitable by not

being required to pay fees and not offer discounts. Scott showed an example of a \$2K State Farm water loss that was run through Alacrity and cost the contractor (13.5%). On top of this, franchised restoration firms must pay an additional 8%-13% for marketing and advertising.

TPAs get involved in every trade.

Each program requires annual fees (\$2,500 +/-)

THE 2ND PART OF THE SQUEEZE

Program work has restrictive estimating guidelines for members such as not paying higher labor rates for after hour work and not paying for moving blankets on pack-outs.

Few TPAs get involved with mold claims.

As VetCor is a trusted and proven restoration service provider, their franchises can enroll in program work immediately rather than having to wait for extended periods of time.

Insurance Carriers want to mitigate risk. TPAs won't accept risk, but along with insurance carriers decide what they will or will not authorize payment for. TPAs use the Water Damage Standard in ways detrimental to restoration contractors.

Scott is proud of his industry education and credentials. He opines that industry knowledge, technology and equipment has advanced. He is an advocate of IICRC's prescriptive S500 Water Damage Restoration Standard. Prescriptive standards use current and accepted methods, materials and requires established techniques to achieve the goal.

While the Z-Man agrees that industry knowledge, technology and equipment has advanced, he points out that the knowledge long preexisted IICRC's use and adoption of it. The Z-Man is an advocate of performance based standards. A performance-based standard focuses on the intent and allows the designer, product manufacturer or contractor to employ the best design, assembly or method to achieve that intent. The Z-Man's concern is that prescriptive industry

standards remove creativity from the challenge, create parity among service providers which drives pricing downward.

Round-up

- Scott opines a good ratio of program to nonprogram work is (25% program-75% nonprogram)
- Scott's **biggest industry surprise** was after opening the VetCor's 3rd office in south Florida and encountering Florida's Cowboy Contractors who are untrained and don't follow industry standards. Florida pays 10% of US property insurance premiums and has 70% of US property related insurance litigation.

2022 Insurance Restoration Benchmark Survey Results

- Enrollment in TPA programs remains stable.
- Amount of work performed through TPAs has gone down.

New Florida Insurance Reform

Reduce premiums and make property insurance affordable.
AOB reform. One way insurance fee reform.

Citizen's is the largest insurer in Florida

[Radio Joe and the Z-Man thank Scott Walden for his military service!](#)

[Z-Man acknowledges Scott Walden's courage for writing his article the Squeeze in C&R Magazine](#)

Z-Man Signing Off

Trivia:

Who is credited with the first use of the term Sergeant Major?

Answer:

Giles Clayton, 1591