



Via email
Scott Johnson
c/o Johnson Strategies
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Dear Scott:

Thank you for your reply. In answer to your questions, there are major differences between Direct Pay and Assignment of Benefits. Direct Pay correlates more closely with a direction to pay, for which the insurance industry has been advocating as an alternative to restoration contractors utilizing an assignment of benefits clause in their retainer agreements.

The reason we are advocating for Direct Pay has less to do with public adjusters and more to do with streamlining the payment process for policyholders and mortgage companies. Currently, when a policyholder retains a public adjuster and a settlement is achieved due to the public adjuster's efforts that public adjuster is listed on the loss draft as a payee along with the policyholder and the mortgage company. The process requires all the payees to get individual signature guarantees from their banking institutions and subsequently the policyholder is required to send the fully endorsed draft to their mortgage company to escrow the funds. Further, once the mortgage company releases the funds to the policyholder that new draft from the mortgage company then relists all the original payees and the policyholder has to re-collect signature guarantees from the payees all over again prior to depositing the funds. This takes an unwarranted amount of time away from the insured being able to complete the repairs in a timely manner. As utilized in New York for many years the Direct Pay statute simply allows for the issue of a separate check in the amount of the public adjuster's fee in the name of the policy holder, the public adjuster and the mortgage company. The portion of the settlement not related to the public adjuster's fee can then be issued without the public adjuster being listed as a payee, thereby allowing the policyholder the ability to immediately send and receive their insurance proceeds with their mortgage company in the most efficient manner that still protects everyone's interest.

Moreover, a Direct Pay statute is even more beneficial after losses resulting from declared catastrophic disasters. Efficient payment processes after declared disasters have positive implications for policyholders and all interested stakeholders. I am sure you and the insurance industry would support policyholders being able to repair their homes in the most efficient manner possible after suffering a covered loss.

I hope you found this information useful.

Best regards,
Gene Veno

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