TECHNICAL EXAMPLE A CONTRACT OF 2 THOUGHTS ON REKEYING ESTIMATES: PART 1 OF 2

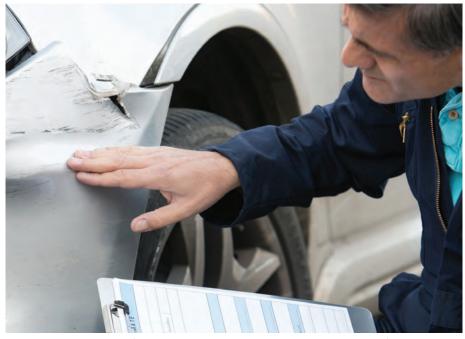
Rekeying is the process of manually copying an estimate originally written by an insurance company or authorized insurer photo estimating service into the collision facility's estimating system. Generally, a customer service representative (CSR) or estimator at the facility will copy the original insurer estimate into their system, which could be different than the one the facility uses. The Big Three (CCC, Mitchell and Audatex) all have their differences, but with some practice and understanding of labor hours, operations, overlap and the P-Pages, the estimates can be matched in labor hours to the dollar. In some cases, a manually inputted line (line adjustment) may be needed to make the actual dollar amount equal. This line adjustment is generally needed for taxed and non-taxed item/operation differences between systems.

This process is not only tedious and time-consuming, but it requires skill to be able to check the math and make each line match. Each line must be inputted one by one, then labor hours in each category must be matched exactly. Additionally, replacement costs, materials and sublet charges must be matched. The copied (or rekeyed) estimate is "locked" and a supplement can now be created, utilizing the matched insurer's estimate. Now, there may be some of you wondering why this needs to be done. To be honest, there are really only a few scenarios where this process would be advantageous, and it is my opinion that only one is acceptable.

SCENARIOS

There are three scenarios when the rekeying of an estimate occurs. In all of them, the estimating systems may or may not be the same (but they are different most of the time).

Scenario #1: "The Drive-In Estimate" A customer walks in with an estimate from the insurance company (and many



times, they have the check). This estimate was most likely written at a DRP shop, at the customer's home/job or at the insurer drive-in claim facility. (In the past two years, it may also have been written via an independent third-party photo estimating service and based on a customer taking photos and an estimate being written off those images.) Once the customer signs all the paperwork and leaves the vehicle at the facility for repairs, someone there rekeys the estimate into their estimating system. Now, a supplement can be created on the rekeyed copy of the insurer estimate so that any and all the changes and/or additional items will have an "S1" in the column. This makes the changes easily recognizable.

Scenario #2: "Live In-Person First Write"

This would occur when the facility did not write its own damage report (estimate) prior to the insurance adjuster arriving there. (Maybe the facility did not write a damage report because they didn't have time, they forgot or they never do it.) A staff/field appraiser or independent appraiser inspects the vehicle at the shop, the facility estimator negotiates the repairs with the appraiser and the appraiser writes their estimate and hands the CSR or estimator a copy. (Sometimes they send it by email or fax.) This in-person scenario is generally the most popular reason to rekey an estimate. Again, someone at the shop rekeys the estimate into the facility's estimating system. Now a supplement can be created, with S1s denoting all changes.

Scenario #3: "Live In-Person"

In this scenario, the repair facility did the proper procedure and the vehicle was washed, photographed, scanned, partially disassembled and pre-measured. The damage report (estimate) was written, and all part prices were checked during the blueprinting/triage. A staff/field appraiser or independent appraiser inspected the vehicle at the shop, the facility's damage assessor negotiated the repairs with the appraiser, the appraiser wrote their estimate and handed the CSR or estimator a copy. (Sometimes they send it by email or fax.) This in-person scenario is generally the second most popular reason to rekey an estimate. This time, there are choices for the shop:

Someone at the facility rekeys the estimate into the facility's estimating system. This person creates a supplement and adds

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in all the operations, materials, not-included items and any deficiencies. The S1 denotes all changes.

Someone at the facility "back-keys" the estimate into the facility's estimating system. Back-keying is the process of taking your estimate and removing all the operations, materials or procedures not on the insurance estimate, then locking the estimate. You would create a supplement and add back in all the deleted items. Once again, the S1 denotes all changes.

In all three scenarios, the insurance company estimates were rekeyed. Who benefited from this? How much did it cost you to rekey? Think about the time spent on this when you could have been doing something more productive.

Now ask yourself, after rekeying the estimate and creating Supplement 1, how successful were the supplement negotiations with the appraiser? For example, let's say the insurance appraiser originally wrote a \$2,000 estimate of repair, and the supplement you wrote was an additional \$1,500. Now, after negotiations on Supplement 1, the appraiser paid only \$1,000 of the \$1,500 supplement. After Supplement 1, did you need to rekey the insurer estimate *again*?

Look at the questions I asked in the previous two paragraphs. If you answered them in order by saying "the adjuster," "a lot"/ "too much," "not very" and "yes," then you may want to read this...

There is no benefit to a repair facility to rekey an estimate - except in the case of Scenario 1 (where it may be a slight advantage to rekey). It would not be advantageous in any other situation. Scenario 2 should never be a reason to rekey, because it should never happen. You should always write your own damage analysis report (estimate). The damage assessor dropped the ball and did not do their job - no excuses. Additionally, the scheduling for the inspection was not properly reviewed; the CSR didn't check with the assessor to see if the vehicle was written or not. The only time you would not write a vehicle is when it is an obvious total loss. In Scenario 3, the assessor wrote, by all accounts, what would be a complete and accurate cost of repairs. So why the need for a supplement? Why did they (the shop) not get

the vehicle owner reimbursed for all the procedures you are charging them for? Why didn't the insurer pay the customer for all the procedures the facility was charging that customer for? We will not discuss the reasons why this happened.

In many cases after rekeying or backkeying, the cost for repair still is not agreed upon the second time and you must rekey or back-key again for Supplement 2. As we discussed earlier, Scenario 1 may be a reason to rekey and then create a first supplement.

Next month, I will further discuss the rekeying topic and offer a fix for your facility to stop working harder and start working smarter and more efficiently. Additionally, I'll revisit the topic of photo estimating and explain why I think this has become a critical issue for our industry. **H&D**

Executive Director's Thoughts

What Larry is talking about is your time. "Time is money," right? If you're spending time to rekey an estimate that isn't necessarily accurate, then aren't you better served to write your own? There's a lot to be said for doing your own research on the repair estimate, when operations are more understood by your team than an insurance rep. Think of all the operations, or not-included items, that could have been missed in that process! - Jordan Hendler



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