



RECOMMENDED STANDARD FOR: **BACKGROUND SCREENING**

Introduction Letter

Re: PIRC proposed industry standard for background screening

You are receiving this information as someone who has expressed interest in or has direct connections to the background screening practices within the property restoration industry, particularly in the area of program work for insurance carriers and TPAs.

This document serves as an introduction to the Property Insurance and Restoration Conference (PIRC) Background Screening Committee's proposal for an industry background screening standard, including the anticipated parameters and specifications needed to unify and simplify the process for which program work is currently performed.

This is the draft of in-depth work done by the committee, who researched not only current industry implementations within programs but also between screening entities, restoration contractors, third-party administrators and insurance companies. It also looked at how an improvement to the current cumbersome process could happen in a meaningful way. The committee itself represents participants from every segment.

Our goal is to provide a streamlined standard for background screening related to program work, that will minimize effort and cost for the contractor while still giving the insured the highest level of protection.

We respectfully submit this work to your team for review as to the functionality, implementation and general practices related to your organization.

Our committee would look forward to your thoughts, directives, and specific areas in which you feel that this proposed solution could work – or not work – for your company. Should this feedback necessitate confidentiality, we are prepared to receive under those guidelines. Our hope is that we can garner your support of this endeavor.

Please feel free to reach out with any questions or discussion and we look forward to your response.

Respectfully submitted,

Jordan Hendler, on behalf of

PIRC Background Screening Committee



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1. Background and Purpose

Right from the outset, PIRC meetings have been dominated by discussions about the effort and expense of maintaining compliance with multiple carriers and/or TPAs' different background screening requirements. The primary objective of each carrier or TPA is to protect the insured, and that isn't changing. Our goal is to provide a streamlined standard for background screening related to program work, that will minimize effort and cost for the contractor while still giving the insured the highest level of protection. Many service providers suggest that the duplication of effort and cost involved could be streamlined by a standardized format. Introducing a standard would help solve problems caused by differing requirements among insurers and third-party servicers, as well as inconsistencies in how vendors implement these requirements.

Challenges with the current system include:

- confusion, subjective interpretation and risk caused by multiple approaches
- disparate client requirements, and varying interpretations
- no consistent background screen review process
- multiple background screens required due to a lack of visibility/inability to share
- time and money wasted on complex processes
- hinderance of contractor conversion to TPA for fulfilment of program needs

Recruitment in the current economic climate is also a challenge. Service providers believe that clearer background screening requirements would create a bigger pool of available, qualified candidates, many of whom are ruled out unnecessarily because the uncertainty in the current system calls for extremely conservative interpretations of background screening reports.

The Background Screening Committee was established to research and present a possible solution for the friction between industry segments caused by the processes of performing and reporting on background screening information. The results of this Committee's work is outlined in the recommendations contained within this document.

This standard is not for pre-employment or employment purposes.

Attorney Executive Summary

From Larry Henry, Attorney: The background screening landscape is changing quickly which requires an assessment of existing practices. The emergence of a new wave of litigation based upon ultra-technical interpretations of the Fair Credit Reporting Act ("FCRA") mandates a review of current processes. Finally, with most FCRA claims being brought as class action, the financial risk of FCRA claims has become magnified.

The following proposes modifications to existing processes that address obvious risks and creates a uniform system that will make the screening process more streamlined, thus encouraging more contractors to become certified.

<<Full Attorney Response Available Upon Request>>



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2. Steps and Procedures Required to Create and Implement a Standard

Based on its research, the Committee agreed on the following steps to implement a background screen standard:

- a. **Insurer Requirements:** Gather current requirements from as many insurers as possible.
- b. **Interpretation of these Requirements:** Analyze and compare these requirements and propose a summary consistent with most insurers. (Section 3 below outlines the Committee's recommendations).
- c. **Interpretation of Results:** Interpret results based on a model that has been adopted successfully in the mortgage field services industry. (See section 4 for an outline of the Committee's recommendations).
- d. **Common Scoring:** Introduce a common scoring mechanism, including a score that is easy to understand. (This has also been effective in the mortgage field services industry). More details are available in section 4.
- e. **The Scoring Process:** Create a process that engages with background screening companies and trains them to interpret the results of the background screen, grade the results in line with the PIRC-recommended standard, and systematically assign a score to that background screen. More details on this process and the benefits of implementing it are included in section 5.
- f. **Unique ID:** Allocate a unique ID to all individuals who are background screened under the PIRC-recommended standard.
- g. **Agreement on Requirements:** Seek agreement and sign off on requirements.

3. Background Screen Requirements

The first stage in any background screening process is deciding who should be background-screened and what instructions should the background-screening company follow in relation to the searches to be completed. The Committee compiled the table below, based on a review of insurer requirements outlined in individual vendor contracts. The differences identified among the various insurers' levels of detail for contracts and for specific instructions reinforced the need for a single, agreed standard across the industry.

In most instances, the Committee has taken the highest insurer requirement against each line item. The Committee has highlighted where this is not the case (as "Rec:1" etc.), with a reason for the Committee's recommendation.



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REQUIREMENT	PROPOSED STANDARD
Summary	Screen all personnel providing services, either on site or with access to customer data. Include contractors <u>and</u> subcontractors
Time	Any state and county of residence in the prior seven (7) years (Where available looking back to conviction date or end of probation or sentence) <i>* (Rec:1)</i>
Names Searched	Primary, plus any applicable AKAs
Verification of the individual	SSN address history. If SSN is not validated, then request Consent-Based Social Security Number Verification (CBSV) or similarly robust tool to verify the individual's ID
Primary Criminal Record Sources	Federal districts (where lived and worked) Counties (where lived and worked)
Supplemental Databases <i>* Note (1)</i>	State-wide criminal record database Multi-jurisdictional criminal database 50 state sex offender Prohibited parties including: - Government Watch List - Office of Foreign Assets Control (OFAC) - Terrorist Watchlist - Specially Designated Nationals List and - Blocked Persons List
Type of Disposition Reported	Convictions; Deferrals and Pre-Trial Diversion Programs would be within existing grading for individual scoring with a re-screening option upon completion. Need to get input by an FCRA/HR attorney, and insurer input for liability to the participants. (Handling of pending or suspended charges needs further discussion)
Showing	All felonies & misdemeanors
Address	All residential addresses
Frequency	Every three (3) years
Motor	Reported for anyone who has or has ever had a driver's license. Exception for administrative roles or anyone who has never obtained a driver's license
Exclude (from work) if	MATRIX TBD through Committee work
Other FCRA Obligations	Disclosure and authorization forms must be signed by each candidate and retained. Adverse Action process must be properly followed.

** Note 1: For criminal records that show up on a supplemental database search only, per the FCRA, the background-screening firm must reverify the criminal record at the primary source to get the most up-to-date criminal record information.*

** Note 2: All the above are limited to the extent that applicable laws permit.*

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** Rec1: Some insurers have recently required all background searches to go back thirty (30) years or to the age of eighteen (18) years old. The Committee's understanding is that this is based on an interpretation of the Violent Crime Control and Law Enforcement Act (18 U.S.C. 1033) and this act's reference to "the business of insurance." The Committee has written to the Office of Insurance for each state requesting their interpretation. Seventeen (17) states have responded to date with more than 60% of these stating they don't believe insurance restoration contractors are in the business of insurance and while the remainder did not provide a definitive response, none of the respondents suggested that insurance restoration should be included in the business of insurance. Many states limit how far back the search can go. For this reason, the Committee recommends going back 7 years as a standard guideline across all states.*

4. Charge Categories

With consumer (policyholder) safety remaining the primary focus of any background screening requirement, the purpose of this aspect of the standard is twofold:

- a. To allow for greater flexibility and fairness in making a judgement on the precise details of a background screening report
- b. To provide clarity and guidance for all to ensure consistent application within an agreed set of rules.

Criminal charges reported on a background screen report will generally fall into one of the charges and charge categories listed in Appendix 1 below. The grading summary referred to is explained further in Section 5. The Committee recommends adopting the approach taken by the mortgage field services industry as follows:

- a. Some charges that appear on a background report are so serious that the person should always be given the worst possible result, no matter how old the charge, e.g. murder. ("Always Report Charge")
- b. Some charges are considered less serious and should not prevent the individual from working in this industry, e.g. disturbing the peace. ("Never Report Charge")
- c. For all other charges, the recommendation is to consider the type of charge (misdemeanor or felony), the number of charges and the age of the charge(s) before assessing the final result. ("Grade based on Age and Quantity")

The Committee recommends taking the same approach as the mortgage field services industry, but it has made its own recommendations for each of the criminal charge categories, i.e., the same methodology but a different interpretation.

5. Scoring Process and Benefits

When the background screen is completed, an expert adjudicator from the background-screening company will read the report, interpret the results, and use the PIRC-recommended standard to assign a score to each charge and to the report as a whole.

This score is then electronically stored and shared with the person or company who requests the background screen. (Section 6. below explains this further).

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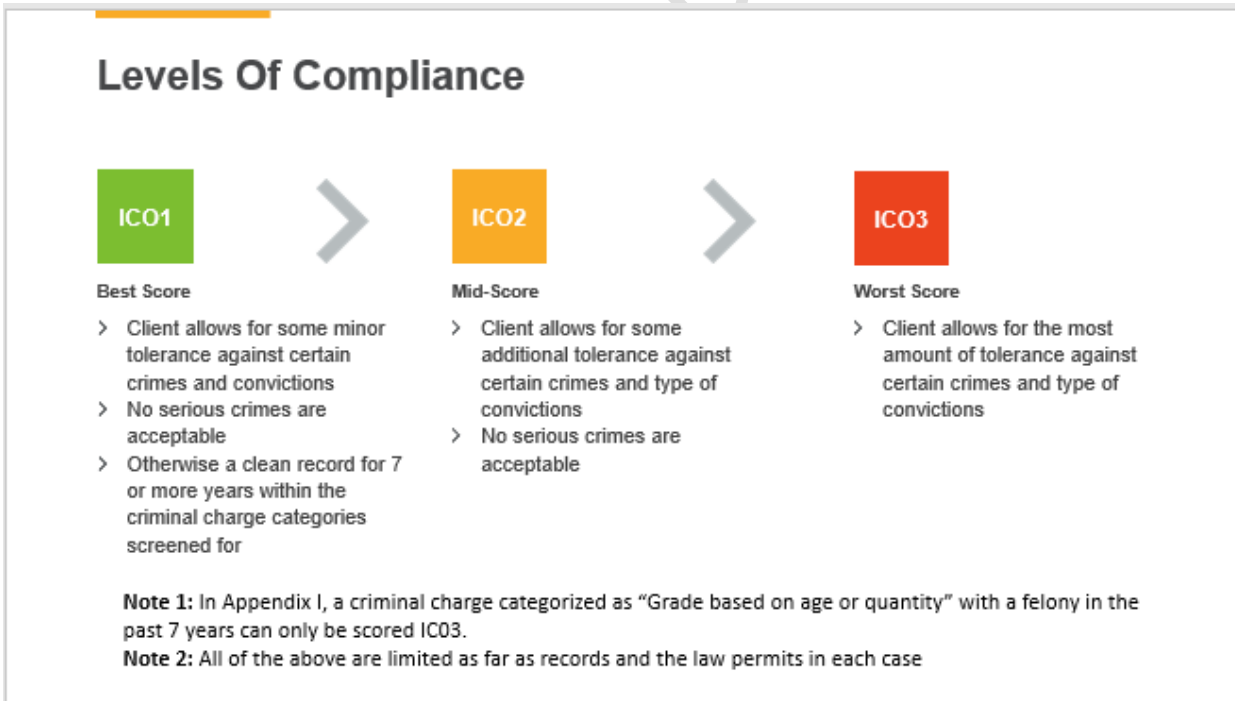
The vision for reporting under this standard would be that a contractor receives the same screening details as today in addition to the individual score based on the standard as outlined. The score will be stored electronically and can be made available across multiple integrated systems to the various authorized parties throughout the supply chain. The score is what is presented to insurance carriers or third-party administrators for satisfactory compliance of the program requirements.

Applying a score to each background screen report has several advantages:

- The interpretation of the report is completed by a professional from the background screen industry and not by individuals from the property restoration industry, who may have varying degrees of expertise.
- Consistency is maintained across all vendors and background-screen companies.
- A score is easily understood throughout the industry and lends itself more easily to the application of insurer or TPA rules.
- Personal and confidential information is available only to the first-party requestor, reducing the risk associated with this information being shared in an uncontrolled manner.

The Proposed Scoring Levels:

Each individual score (ICO) has an associated risk tolerance for scoring, with the least amount of risk for ICO1 and highest being ICO3. A client has the ability to determine the levels of acceptable risk for their program.



As outlined above, scoring is first based on the charge category;

- **Note:** In Appendix I, a criminal charge categorized as “Grade based on age or quantity” with a felony in the past 7 years can only be scored IC03.
- Some charges are considered “**Never Report Charge**” and will immediately be scored **IC01**.

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- Some are considered “**Always Report Charge**” and will immediately be scored **IC03**.
- All other charges are considered “**Grade based on Age and Quantity**” and have been assigned a severity level of A, B or C to facilitate this, with A being considered the least severe, up to C which is the most severe. Depending upon the circumstances of the charges reported, such charges may result in a score of **IC01, IC02 or IC03**.

It is important to note that the application of a standard and a standard scoring methodology does not mean that every insurer must take the same view of risk. Each insurer is free to choose the scoring level and the timing of the implementation of that scoring level that is appropriate to their business.

6. Implementation Process (Including Allocation of Unique ID)

The following steps are recommended to complete the process and enable ease of implementation across the industry:

- a. Assigning a unique ID to each individual who is background screened.
This is known as an ABC# (Approved Background Compliance number) within the mortgage field services industry.
- b. Using technological solutions to enable selected data to be shared securely through the supply chain, from the individual background-screened employee or contractor right up to the insurers.

A unique ID has several operational advantages:

- a. A means of validating the standard has been met
- b. It enables a person to use the same background screen to do work for different businesses.
- c. It facilitates tracking and sharing through technology.
- d. It creates an accumulated background-screen history for each individual.

7. Adoption of the Standard

[For further discussion: how to get the standard adopted and rolled out, including an adjudication process for less than IC01 scores. This includes an appeal mechanism through a working Committee.]