

Personal Advantage  
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## **How Not to Be Devastated by Your Insurance Company**

**Though your home will probably never be blown away by storms as violent and destructive as hurricanes Andrew and Iniki, it is likely to be damaged by a lesser disaster - a blizzard, fallen tree, earthquake, fire or flood - during the time you own it.**

Determining whether you have an adequate amount of homeowner's insurance is an important first step. But there are also a number of problems that frequently occur between homeowners and insurance companies - after a catastrophe strikes. The most common ones:

**Problem:** The insurance coverage that you thought was sufficient to protect your home turns out to be inadequate. Two-thirds of American homeowners are underinsured in the event of a serious loss.

As a result, inadequate coverage is something that policyholders frequently confront. Most common reason: The policyholders relied on inaccurate information from their insurance company's advertising or agents to determine the amount of coverage needed for full protection.

Land cannot be insured, only the structures standing on it, so your home should be insured for the amount it would take to rebuild it. The mortgaged value, or market value, may be considerably lower. This information should be determined by a local contractor who would work for you-not by an insurance company's per-square-foot formula. Those figures may not reflect the rates in your area. It also shouldn't be determined by an agent who, in an effort to offer low premiums to attract your business, may leave you underinsured.

Be sure this information is updated yearly with your insurer. Don't leave it to the inadequate "automatic inflation guard" found in so many policies.

**Recourse:** Following the massive fire in Oakland, California, in 1991, over 1,000 homeowners who found themselves underinsured were able to win additions to their settlements from their insurance companies. Now, in the after-math of Hurricane Andrew in Florida and Louisiana, some insurers have agreed to review coverage where their programs were inadequate.

**Bottom line:** Don't be afraid to go back to the insurer and say, "Your program was wrong."

**Problem:** You disagree with the way in which damages have been assessed. People often find themselves in dispute with their insurance company over the types, quality and extent of repairs needed to restore their property to its original value. Most common reason: These people have relied on contractors, engineers or other personnel who are under contract to their insurance company

**Self-defense:** Always hire your own experts who clearly represent your interests - preferably fire- or water-damage restoration contractors. Compare their assessment with that of the insurance-company contractors. Discuss any discrepancies in cost or materials, with the insurer  
The relationship need not be adversarial. But if you decide to use the insurance company's contractor - who is likely to be less expensive since he/she receives a certain volume of work from the insurer - be sure to get a guarantee of quality from both the contractor and the insurer.

Recourse: In cases where there is a significant difference between the insurer's contractor and your own, most insurance companies will provide a third party to settle the dispute at policyholder's request.

Bottom line: Don't expect insurance-company personnel to perform in your best interests. Their aim is to save the insurer money.

Problem: You are dissatisfied with the settlement you are offered. People often find that their insurer has failed to acknowledge full extent of their losses.

Most common reason: Through the luck of the draw, these homeowners have been working with a poor adjuster.

Because there are no requirements for the licensing of insurance adjusters in most states, it is up to you to assess your adjuster's experience and attitude.

Caution: Disaster-team personnel are usually sent into an area to generate positive public relations by handing out cash advances against claims. The real struggle begins weeks later, when damages become evident. But many adjusters base their assessments on appearances, and they lack the expertise to recognize structural damages.

Recourse: Compare notes with your neighbors. Insurance companies hate this practice - they call it neighboritis. In the event of a shared catastrophe, such as a hurricane or earthquake, policyholders should meet in groups that share the same insurer to compare how their claims are being handled. This has been extremely successful in California following both the Oakland fire and the Loma Prieta earthquake in 1989.

Bottom line: Don't be afraid to request that your claim be transferred to another adjuster. If you are unhappy with what you consider to be a "low-balled" settlement, complain. After the Oakland fire, people who complained saw their settlements increased by an average of 20%.

Problem: Your "guaranteed replacement coverage" is limited. Many homeowners believe they are covered for the replacement value of their home - only to find that their policy has a limit on the amount of replacement coverage the policyholder is entitled to.

Better: Look for a policy that guarantees unlimited replacement coverage.

Problem: The contents of your home are underinsured. Most homeowner's policies assign an estimated value to personal belongings, generally a percentage of the value of the dwelling. Insurance-company formulas are usually reliable in this area.

Trap: The amount you can recover may be subject to a cap, even if your home has guaranteed unlimited replacement coverage. If your dwelling is underinsured, the contents are probably underinsured as well.

Example: If you've insured your home for \$100,000 and the cap on the contents is 70%, you'll get back \$70,000. But if your home will cost \$300,000 to rebuild, the contents are probably worth more, too.

Recommended: Try to get your home coverage increased. If the insurer denies your request, try to have the cap raised on the contents - or change to another insurer.

Problem: You believe you have plenty of time to sue. Many policyholders believe that their state's statute of limitations - usually two to three years - applies to their insurer. Trap: Many insurance policies have an internal one-year limitation. Many lawyers are unaware of that - and the courts have been upholding it. You may be strung along in negotiations only to find that you have lost your opportunity to sue.

Caution: Litigation is a consumer's only real clout. Don't lose this right! Be suspicious if your insurance company offers to extend its statute, and make sure you're not giving anything up in the process. The longer they can string you along, the more likely you will be forced to settle. And the extension may not apply to the insurance agent. If your claim is also against the agent, you may lose your right to full recovery.

Problem: You believe your claim has been closed. Bottom line: Although the amount of time available to sue is limited, you can always go back to an insurer to claim additional losses. Eight months after the Loma Prieta earthquake, 22% of the policyholders who had their claims reopened collected much more - some as much as 100% more.

The remaining 78% who did nothing, collected nothing more.