

Understanding Insurance- Tips and Facts

Deciding to file a claim

- Insurance companies are in business to make money, so they may not be working in the best interest of their insured (you).
- Many insurance companies **do not** cover long term damage. For some insurers, this is a water loss that occurred for over two weeks.
- Most insurance **does not** cover water damage as a result of ground water or flooding. If it hits the ground outside before entering your home, it would likely require flood insurance to get your claim covered.
- Insurance companies can deny part or all of your claim if you knew about the problem and delayed repairing it.
- It may be wise to have your water damage looked at by a water mitigation contractor to get a rough estimate of the repair costs before filing a claim.
- Some insurers will raise your insurance premiums if you file a claim
- A denied claim is often treated like an accepted claim by your insurer. The insurer doesn't need to pay out on a claim for it to increase your premiums.
- Having the same insurance for 30 years without a claim may not give you preferential treatment. An insurer will typically use the same criteria for accepting a claim for everyone.
- Most insurers have a limit on mold damage coverage. This is typically \$5,000, though has been known to go over \$20,000 for some larger, high-end policies. Many homeowners have no mold coverage at all. For those with coverage, mold is only covered if it results from a covered loss. Mold created due to poor ventilation or a long-term leak are typically excluded by insurers.
- Personal property has its own coverage limits. Furniture and property of a tenant residing in a rental is not typically covered by the homeowner's insurance policy. Landlords should require tenants to carry a renter's insurance policy.



Getting Started

- Mitigation and drying should begin immediately and should not be delayed to wait from an approval from your insurer. It is your responsibility to preserve your property, not theirs.

- It can often take up to a week after you file a claim before an adjuster is available to inspect the property. They often will want all demolition complete prior to their visit, so they can see what needs to be repaired.
- It is the mitigation contractor's job to provide a work scope based on their inspection, measuring tools, and experience. The insurer is not usually the one to determine what needs to be done to dry your home.

Insurance Adjusters

- Different from your insurance agent, an adjuster is someone who handles claims. It is rare that the claims handler and insurance agent are the same person.
- Some insurance companies have adjusters that strictly work for them and are an employee of the insurer. They are called company adjusters. Other insurance companies utilize Independent Insurance Adjusters (IIA). Many IIAs are independent contractors and work for themselves or an adjusting firm. Some are able to make decisions on coverage while others are just there to get information to the main adjuster.
- It is the mitigation contractor's job to provide the necessary documentation to justify their work and that of the reconstruction team.
- Insurance adjusters **are not** usually experts on water damage, mold damage, or construction unless specially trained. It is often better to seek the recommendations of building professionals when it comes to determining work scope.
- It is not uncommon to have multiple adjusters handling a claim. The inspector who visits your property may not have authority to make decisions on claims. They would typically report to the main adjuster. Some insurers also have a water mitigation department with adjusters that strictly deal with the drying and clean-up work.
- Insurance adjusters should not dictate water mitigation work scope, drying procedures, or equipment needs to customers and contractors. They may voice concerns that should be responded to immediately by the contractor or customer to prevent issues with re-imbursment for work performed.
- Some adjusters get raises and company advancement by their ability to reduce the size of insurance claims.
- Understand that claims handling can be stressful. Adjusters are typically following the instructions of your insurer and are not always responsible for denying your claim. Being courteous and nice to your adjuster can help facilitate your claims processing.

Claims Process

- The adjuster will typically inspect your property and put together an estimate for the reconstructing needed to return the property to pre-loss condition. This will typically be lower than the cost to do the work.
- Typically the mitigation contractor will be provide the insurer with their own estimate. It is not common for insurance companies to estimate mitigation costs.

- Most insurance companies will send their insured a check for the repair cost, represented on their estimate. In most cases the insured can deposit this check without agreeing to the adjusters estimate.
- Once demolition is complete, you should seek the services of a general contractor familiar with insurance work. The sooner they can produce an estimate for the repairs, the quicker you can get the insurance money. Some insurers will have a list of preferred vendors and may assist with payment or warranties of their work.
- Insurance companies may request more than one estimate from a customer. This may not be feasible though does help to justify your contractor's estimates. The insurer will typically pay out on the lower of the two estimates.
- Some insurers will deduct depreciation for the replacement costs on your estimate. Some insurers will pay this back at the end of the project, called recoverable depreciation. Others only pay the depreciated value.
- Replacement value does not mean that you can replace anything you want in your home. It must be visibly damaged and be unable to be easily restored. Of course the damage needs to be as a result of the loss.
- Insurance claims often take over a month to get a payment and much longer to get a full payment. This could delay your reconstruction months unless you are willing to pay for the reconstruction prior to a settlement.

What do I do if my insurer is denying my claim or not paying enough to make the repairs?

- Most states have an insurance commissioner that provides assistance to homeowners having issues with their insurance. We operate in California and Nevada and have contact information below for the respective state in which your property is located.

California Department of Insurance

1-800-927-4357 (HELP)

www.insurance.ca.gov

Sacramento Office- 300 Capitol Mall, Suite 1700, Sacramento, CA 95814

Nevada Division of Insurance

Phone: (775) 687-0700

Fax: (775) 687-0787

www.doi.nv.gov

Carson City office- 1818 E. College Pkwy., Suite 103, Carson City, NV 89706

- A public adjuster is a type of adjuster who represents the insured or homeowner on a claim. It is not usually required to use a public adjuster to get a fair settlement. This person will execute an agreement with the insured with the purpose of getting a

reasonable settlement from the insurer. They often take a percentage of the total negotiated settlement. To provide the needed fee and give the insured a fair settlement, a public adjuster will often settle for a number that includes both. This is essentially an inflated price on the project. Often characterized as insurance fraud by company adjusters, they provided a needed services for particular circumstances.

- When left with no options, a lawyer can be used as a last resort. You will want to make sure that your lawyer is not only familiar with insurance claims, but that they handle many every year. Without knowledge about insurance dealings or structural damage, the typical lawyer is not well suited to insurance negotiations and may even delay the process. Once a lawyer becomes involved you are often unable to qualify for free legal assistance and unable to talk directly to your insurer without the lawyer. This can become an expensive proposition, especially if you lose.