

# 10 Steps to Use when Negotiating with your Homeowners Insurance Company after a Loss



## A Road Map

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### A ROAD MAP-10 STEPS

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Teri's Story

#1 Know Your Policy

#2 Report your claim

#3 Make Temporary Repairs

#4 Document, document

#5 Hiring a Contractor

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Most of us never experience our home burning down. There is little written on what to do, how to proceed and how to stay calm while settling a large Insurance claim. Meet Teri and use the tips she shares while sifting through the damage done to her home from the fire, the smoke and the water damage. These 10 tips will help you **NEGOTIATE** with your **HOMEOWNERS INSURANCE** Company and adjustor after a fire loss. From knowing what's covered and what's not covered to receiving the final check will takes months of negotiation and patience. Be **PREPARED** and be your biggest advocate. Read Teri's story and follow the Road Map if you ever need help settling a large insurance loss.

**Karen Adams**, a California Insurance agent/broker for 30 years has many insured that have experienced devastating claims—collisions, burglaries, smoke and fire damage, earthquake damage, life insurance death claims and medical claims. She currently resides in San Diego where she protects her clients from loss due to unforeseen and unintended acts. **“Insurance is the one thing you can not buy after you need it. Insurance is the process of exchanging pennies for dollars—you may go you whole lifetime and not need it. But when you do need it, you will be thankful you are protected with the very best”.**



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## **Teri's Story and the Inspiration for this book!**

Can you imagine being on the ski slopes of Lake Tahoe on your families' winter vacation and getting a cell phone call from your neighbor who is watching the fire department put out huge flames engulfing your home? I can only imagine the horror my CPA felt when she received that call in early January 2007.

From the moment of my interview with Teri, I could feel the pain she was experiencing. "Having the fire in my home was like losing a family member," she said. "No one prepared me to deal with the loss of my home, twenty two years of family memories, the Insurance Company, the adjustor, the contractors and the day by day struggles of being in two rented homes while ours was being constructed after the fire. My life changed dramatically and it was a full time job coordinating and working with all the parties involved. It consumed my life for over a year."

As an insurance agent for 30 years, I have had many insured's that have experienced devastating claims---automobile collisions, homeowner burglaries, smoke and fire damages, earthquake damages, life insurance death claims and medical claims. Most can be handled quickly with little involvement by your agent. Some require a road map to navigate through the maze of curves and detours along with the red tape.

In negotiating a claim with your insurance company there are several parties involved--you and your family, the company and your agent, the adjustor, the contractor and subs you choose, the city and insurance inspectors plus various others. The most important of these is your adjustor.

The insurance adjustor (often an independent contractor) works on behalf of the insurance company. The adjustors job is to save money for the company they work with. At the same time, they need to make the customer happy--the line they walk between company and insurance client is a slippery slope. Your job is to work as closely as possible with your adjustor and be prepared.

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## #1. Know your Policy



It is important to understand what your policy covers. The policy is a contract between you and your insurance company. You are making a demand for payment on the benefits provided by the contract. Make sure you know what is covered, what is not and know the deductibles. Homeowners' policies usually cover replacement cost of the property but pay a depreciated value until the property is actually replaced. You can expect a settlement check for this reduced value until you physically replace the items. This requires the company to write multiple checks to you, your contractor, your mortgage holder and others that you work with. In California it is important your homeowners policy contain extended replacement cost for code upgrades since the city you live in will require you to upgrade to the newest codes which cost the insurance company more. If you have any questions about the policy, the time to ask is before you make a claim.

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## #2. Report your claim quickly!

Call your agent or your companies claims hotline as soon as possible. Your policy may require you make notification within a certain time frame. Getting your agent involved first may help speed things along and get you some personal attention. Do not sit back and wait--keep in touch with your insurance adjustor and contractor by phone or email. Insurance adjustors usually have hundreds of claims to settle at a time. Do not let your claim fall to the bottom of the list. Be patient and calm because an adjustor can work on your behalf or make your life miserable. If your policy contains additional living expenses, you will be given a check quickly for rent and other expenses you incur in the move. You will later have to reconcile these additional living expenses with the actual costs.



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### 3. Make temporary repairs

If your home is damaged make temporary repairs needed to protect your home from further damage. You will have damage done by the fire, the water, and the firemen. Call and hire a damage cleanup specialist, sometimes referred to as a remediation company to help sift through your contents. They will itemize, clean and relocate your contents. Make sure you take photos of the damage done in case it takes the adjustor a few days to get there. These cleanup specialists and repairs are covered by your policy. Just remember not to start any permanent repairs until you are authorized by the adjustor. If you make any temporary repairs make copies of all receipts for your records, in case the adjustor loses them.



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## 4. DOCUMENT, DOCUMENT, DOCUMENT

Write down dates, times and a summary of conversation every time you speak with the adjustor, meet with the contractor and talk with your agent. Save all receipts for items you buy. These will prove what you had to buy and how much those items cost. Photographs and/or videotapes of your home (both pre and post-disaster) are beneficial to settle the claim. These will help establish an inventory of your belongings should the need arise. It is your "burden to prove" what you had. Send everything the adjustor requests by certified, receipt requested mail and keep copies of everything.



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## 5. HIRING A CONTRACTOR

It is in your best interest to interview at least 3 different general contractors and get three bids before you select one. The remediation company and the insurance company may recommend a contractor—you do not have to use them. Find a contractor you have worked with or by recommendations from others who have remodeled or had good luck in the past. Interviewing applicants will give you an idea of how well they listen and follow up. They will be another advocate on your behalf with the adjustor. If you choose a flakey contractor, it is not the insurance companies fault so this part of the process is very important. Reimbursement checks will be made payable to you, your mortgage company and the contractor--expect delays in payments. The contractor you use should be aware of this.



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## 6. EXPECT SOME DELAYS

The city you live in, the mortgage company and the insurance company will schedule inspections during the course of the rebuild. This takes extra time. Do not expect the insurance company to authorize everything you need and want. The adjustor must justify your expenses to the insurance company they work for. Your policy will not automatically pay for upgrading your home—adding features you didn't have before the loss. You will pay for these upgrades yourself. If you plan on doing additional work, upgrading kitchen appliances, granite counter tops or wood shutters, be prepared and arrange a home improvement or line of credit with your mortgage company in advance of doing additional work.



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## 7. AVOID USING THE WORK LAWYER OR PUBLIC ADJUSTOR

Insurance companies get skittish when you threaten to get a lawyer involved. Once you hire an attorney, the adjuster, the insurance company and your agent will only be able to communicate with the lawyer. This all takes extra time. There are times when a lawyer or public adjustor can be beneficial (i.e. if you are a 3rd party, the mortgagee or not the named insured). You hire and pay for the public adjustor with your money, either in the final payout or out of pocket. They may or may not reduce the time you spend. You will be inundated with well intentioned ambulance chasers--be aware! If you have exhausted your agent, your contractor and your adjustor, call your State Department of Insurance (DOI) and file a formal complaint. Companies do not like complaints and will do all they can to avoid an investigation by the DOI. These DOI are benefits your tax dollar pay for



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## 8. MAKE A LIST OF DAMAGED ITEMS

Your list needs to include the item damaged, a description, make, model, where it was purchased, the date or age of the item, how many and the purchase price. Any receipts you can gather from prior purchases are helpful. If you have a large claim, this process alone can take weeks but is essential before your claim can be finalized. If you have 15 pairs of pants and 50 shirts, you will replace them with like kind (not suits or dresses). If you have a 30" TV and want a 50" TV you are not entitled to the upgrade without paying additional money from your pocket.



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## 9. GET EVERYTHING IN WRITING

When your company or adjustor makes a determination get it in writing. Never assume NO means NO! Negotiation is always part of the process and this is where both sides become frustrated and stubborn. Be patient, prepared and polite. You can reopen your claim and do not accept final payment until you are satisfied. By working closely with your adjustor, your agent and company, you can win without too many bumps in the road. Make a time line of when you expect things to be completed and follow through. You are your biggest advocate and asset.



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## 10. HOW LONG WILL IT TAKE?

Generally speaking, easy claims can be settled in a matter of weeks. Difficult cases may and generally do take much longer - especially when several estimates are needed or your contractor is not ready to perform the repairs right away. Determining an exact amount of time is difficult since every claim has its own facts and circumstances. Try not to have unrealistic expectations of when the matter will be resolved.

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When settling your claim remember, as with most things in life, **"it is harder than it looks, takes longer than you estimate and costs more than you think"**.



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In conclusion, Teri had a nightmare most of us never experience. She was in a rented home for over 11 months, had an extra full time job working with her insurance company, her adjustor and contractor. Her claim was settled for a total payment of over \$500,000 in a little over 2 years. She was her biggest advocate. She shares these tips because there is little written on how to work with and settle a large insurance loss. Hopefully you will never need this information. If you do, please call our office for advice and any additional information you may need. We have published a booklet, "A Road Map--10 Steps You Need to Know when Negotiating with your Homeowners Insurance Company After a Fire Loss". Contact [karenadams1@cox.net](mailto:karenadams1@cox.net) for go to [www.adamsinsuranceagency.com](http://www.adamsinsuranceagency.com) for copies.

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