

# WILDFIRE CLAIM HQ: A CRASH COURSE IN OVERCOMING CLAIM PITFALLS

A POA EXCLUSIVE

One thing you can always count on from insurers is a repeat performance. Looking back at previous disasters, Policyholders of America (“POA”) has identified some of the most common tricks used by insurers to deny or lowball your covered loss. Included in this list are some proactive measures you should take to help counter insurance bad faith.



## 1. Lack of documentation:

If you're like most, you neither photographed nor properly documented the items lost. If you did, chances are fairly good that these documents were also consumed by the fire.

If items are not documented, you didn't own them and cannot get reimbursed. Here are some tips on how to recreate documentation:

A. Ask reliable and independent associates (workmen, interior designers, housekeepers, babysitters, acquaintances, etc...) to sign an affidavit stating that they were at your home on a regular basis and were familiar with your furnishings, clothing, etc... and describe the items as specifically as possible (manufacturer, year purchased (if an antique, year made), size, upholstery/material, store where the item was purchased, and value).

B. Retrace your purchases by calling the store/vendor from which

the item was purchased. They may have retained the records.

C. Ask family members and friends to send you any and all photos taken at or of your home. Once in hand, these photos will help prove what you had in the home.

D. If an appraisal was done on the property within a five year period, ask the licensed appraiser who did the appraisal to send you a copy.



POA offers two terrific documents that are extremely important and can be accessed for *free*. The first document helps you *document the status of the claim* and can be accessed at:

[http://policyholdersofamerica.org/claims\\_form.pdf](http://policyholdersofamerica.org/claims_form.pdf)

The second document is a home inventory form that can help *recreate and/or document your contents* on a room by room basis. This document can be downloaded and personalized online by going to:

<http://policyholdersofamerica.org/HomeInventoryForm.doc>



## 2. Under/over insured:

All insurance policies contain mechanisms that help insurers cheat their policyholders if the coverage limits are not plus- or

minus 80% of the actual replacement value. In other words, if today's replacement cost of a home is \$500,000, and the policy limits on the dwelling is \$250,000 (only half the actual replacement cost value) the insurer could get away with penalizing the policyholder by a whopping 50% on the claim payout. Same holds true if you are over-insured.

There is a way around this terrible mistake if the policyholder relied on his or her insurance agent to establish coverage limits. Most insurers stress the importance of following the advice given by their agents and a sound argument could be made that you abided by your agent's advice and such a penalty should not be levied against you. Furthermore, insurers automatically increase policy limits based on cost of living increases, inflation, etc... -- another reason why you may have relied on *them* to establish accurate coverage limits.



### 3. Xactimate -- The Holy Grail for insurers:

When any and/or all of the above tricks are exhausted by the insurer, the insurance adjuster may well rely on a pricing program called Xactimate to spit out lowball prices for repair and/or replacement. This allegedly “*independent*” program actually is based on insurer-inputted prices that are woefully low. These lowballed prices benefit the insurer because they adjust claims and make

payouts based on the phony pricing program.

To combat Xactimate, POA urges its members to get bids from vendors who use *Marshall & Swift* – a truly independent, trusted and reliable company used by real estate appraisers to determine real value and replacement costs. When a vendor produces a repair and/or replacement bid, he or she must provide supporting material from Marshall & Swift to counter the insurer's Xactimate pricing.

The very expensive and detailed Marshall & Swift pricing program (calculated on a city by city basis) is available to POA members. (Email POA at:

[info@policyholdersofamerica.org](mailto:info@policyholdersofamerica.org) to inquire about accessing it. In subject line, put M&S.)

Remember, the insurance policy is a contract between the policyholder and the insurance company. It not only specifies duties of the insurer, but also *duties of the policyholder*. Some of the policyholder's duties include: the duty to *mitigate* (stop further damage by making temporary repairs), and the duty to *cooperate* with the insurer (be available to the insurer and allow inspections, provide information about the claim if and when such information becomes available including additional living expense receipts, repair and/or replacement estimates, etc., submit to an “examination under oath” if the insurer requires one, etc...). *Do not violate any of your duties* as that only gives the insurer any wiggle room to void coverage.



It probably goes without saying but always let your insurance company know where you can be reached (*including mailing address and phone numbers* if you are not living at the property insured in the policy). And, always *document, in writing, any activity on your claim and communicate with the insurer in writing* in order that there is a written record. (Please download and use POA's free documents listed above because they help organize the important information required.)

**Other questions POA is frequently asked after a disaster:**

Q: Does the insurer have to put my mortgage company on the check?

A: Yes. You will have to send the check(s) to the mortgage company and they will issue you the money as repairs are made or at certain strike points in the reconstruction process.

Q: Does the insurer pay me in advance for additional living expenses ("ALE")?

A: Not usually. Most policies state that ALE is to be reimbursed (not paid in advance). And, it's important to know that ALE is for any living expense over and above the household's normal expenses. If you spent \$1000 per month on utilities before the loss and are now spending \$1,500 on utilities, ALE is \$500. ALE includes things like rent, hotel, rental of furnishing, additional mileage driven because of your displacement (miles traveled over and above what you drove while residing in your home) and any other expense, not including replacement of items lost, that are required to maintain your lifestyle and are over and above the expense incurred while living in your home. (A special note to those in hotels: if you are staying in a hotel for more than 30 days, you may be exempt from sales tax. Ask the hotel manager about this as it can be a big savings.)

Q: If I have a replacement cost policy, why is the insurer deducting depreciation?

A: Check your policy but most policies allow the insurer to pay you replacement cost less depreciation until the item is actually replaced. The language was put in policies so that policyholders would use the claims payouts appropriately. Once the item is replaced (purchased) send the insurer proof of replacement and ask the insurer to send you the amount they deducted for depreciation.

Q: From whom do I get bids?

A: You will find that local contractors are in short supply because of the increased demand but avoid hiring a Johnny-come-lately contractor. It's always best to hire someone with long term roots in the community. Ask for references and call each reference provided. And, hire only contractors who've performed similar jobs of similar scope. Make all contractors show you some of their completed jobs.

Q: Should I hire a public adjuster?

A: Maybe, but typically, our answer is "no".



There will be many public adjusters who will swoop down on disaster victims, promising large payouts. While some are worth their weight in gold, most are a bunch of bottom feeders that prey on vulnerable victims. We constantly hear horror stories about policyholders who sign contracts with public adjusters who charge 10% or more of the actual payout and do nothing to earn it. Even if the public adjuster is fired because of non-performance, many policyholders are forced to pay them their fee. We always suggest that policyholders use the proven resources available through POA to settle the claim without having another mouth to feed.