

FISCALLY FIT | December 12, 2002

## Why Insurance Mediators Help When Disaster Strikes

By TERRI CULLEN

Ah, the holidays. Fresh-cut trees adorned with festive ribbons and ornaments, the sweet smell of cinnamon and nutmeg from scented candles waft through the house, a crackling fire warms the room while hundreds of twinkling bulbs light up the neighborhood outside.

And not a fire extinguisher in sight.

'Tis the season for homeowners insurance claims. Combine a dried-out tree and aging decorations with the crackling spark of flames or electricity, and many homeowners get themselves one nightmarish holiday display. Fire (along with the water to put the flames out) is the cause of one out of every 25 homeowners property claims, with the heaviest losses coming during the holiday season, according to Marlene Ibsen, spokeswoman for insurer Travelers Property Casualty Corp. in Hartford, Conn.

In the wake of a disaster, homeowners' natural response is to grab their policy and call their insurance agent pronto. But spend a few moments perusing consumer Web sites like [Allstateinsurancesucks.com](http://Allstateinsurancesucks.com) and [StateFarmSucks.com](http://StateFarmSucks.com) (are you noticing a trend here?) and you'll quickly see that plenty of homeowners who have gone that route have lived to regret it.

The reason? Most homeowners, it turns out, have only a vague idea of what their homeowners insurance actually covers. Once a claim is filed, the insurance company will send over an independent adjuster to evaluate the claim. But these independent adjusters aren't so independent. Their job is to represent the insurance company's

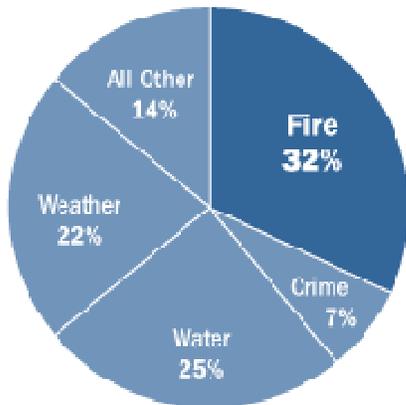
interests first, and yours second. After all, the insurance company is paying the independent adjuster.

Paul Cohen, founder of New York-based consumer advocacy Web site, Fight Bad-Faith Insurance Companies, says insurance companies pay close attention to their bottom line. Thus, when a customer files a claim it's not uncommon for independent adjuster to tell the homeowner that certain claims aren't valid due to certain clauses or omissions in their insurance coverage. And homeowners, already distraught due to the disaster, don't have the desire to argue with the insurance company representatives' estimate of their loss.

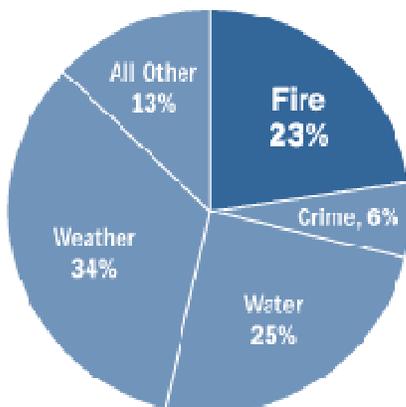
So when disaster strikes, it may very well be worth hiring a professional public adjuster as your advocate in an insurance claim. These adjusters specialize in combing over your damaged property and your homeowners policy, and they make sure the insurer doesn't snake away from a valid claim. Public adjusters many times are veteran insurance company claims adjusters who know how insurance companies operate and have expertise in negotiating property claims to make sure you get the most out of your policy.

## 'TIS THE SEASON

Over the past three years, in November, December and January, homeowners fire losses over \$10,000 have accounted for 32% of claims. The rest of the year that figure is only 23% — a 40% increase in the likelihood of a major fire loss in the holiday season.



**November, December, January**



**February thru October**

Source: Travelers Property Casualty

"Generally a good insurance company will honor its commitments, but what we've found is there are a whole lot of not-so-good insurance companies out there," Mr. Cohen says. "If you have any sort of significant homeowner property claim, we recommend

that you not file a claim without having a public adjuster to represent your interests."

Even when an insurance company is working hard to make you whole following a disaster, insurers often take the easiest -- and least expensive -- route, and ultimately the homeowner is short-changed. For example, in homes with catastrophic fire damage, insurers often will recommend bringing in professional cleaning services to clean furniture, clothes, rugs and the like, rather than pay replacement costs, says **Wes Baldwin**, acting president of National Association of Public Adjusters in Potomac Falls, Va.

"Then after all the said is done the house still smells smoky, but the insurance company will argue it's made a good faith effort to address the problem," he says. By hiring your own claims adjuster, you'll have a more objective opinion of what property can and can't be salvaged, he says.

But be warned, public adjusters aren't all licensed professionals. In times of tragedy or widespread storm damage, con artists claiming to be public adjusters often canvass neighborhoods hoping to convince homeowners to allow them to "manage" their insurance claims -- only to abscond with the insurance money once the claim is made.

Indeed, just a week after the Sept. 11 attacks that devastated real estate in lower Manhattan last year, Gregory V. Serio, the superintendent of the New York State Insurance Department, warned consumers to be wary of public adjusters who were out in force looking to exploit the tragedy.

So who can you trust? Well, let's state the obvious: If someone claiming to be a public adjuster comes knocking on your door soon after your home has suffered damage, take a

pass. Expert adjusters don't go begging for business door-to-door.

As with hiring any professional to oversee your finances, it's crucial to do your homework and find out all you can about the individual before signing any contracts.

The Web site of the National Association of Public Adjusters offers a search engine to help you locate certified professionals in your area by state or by company name. But the organization currently is comprised of a little over 100 member companies, and there are thousands of registered public adjusters nationwide, so it's best to check with your state insurance commissioners office for a complete list of licensed public adjusters in your area. You can find contact information by state at the Web site of the Insurance Information Institute, an industry trade group based in New York. Word-of-mouth also is a good way to find local public adjusters, so ask your accountant or lawyer if they can recommend a good one.

Once you've contacted a licensed public adjuster in your area, ask to see a copy of the adjuster's credentials to ensure they're current and demand a list of up to five references with contact information of former clients who have suffered property damage that is similar to your own.

Now that you've ascertained that the adjuster is on the up and up, make sure you know exactly what type of services he or she will be handling. Expect the public adjuster to provide a written assessment of the property damage and a ballpark estimate of the size of the total claim. Adjusters also typically handle all the paperwork involved in filing the claim, and, perhaps most importantly, will negotiate with your insurer if the company disputes the claim.

Once you've settled on a good adjuster, it's time to negotiate the fee. Typically, a licensed adjuster will charge a percentage of the total claim. The NAPA's **Mr. Baldwin** says 10% to 12.5% of the total claim is customary, but "the percentage tends to go down as the size of the claim increases." Be sure to negotiate, and never have an adjuster start any work on your behalf before the fee is agreed upon and a contract is signed. (Remember, we're talking public adjusters here -- the independent adjuster sent by your insurance company to evaluate your claim gets paid by the insurance company.)

As a final protection, ensure that the contract specifies that you have several business days to back out of the contract if you have any second thoughts.

Be aware, as well, that a number of states, including Missouri and Louisiana, don't license public adjusters at all. In this case, it's imperative that you check a public adjuster's references thoroughly. Take all the precautions I've outlined above, and take the additional step of checking out the Better Business Bureau's Web site to see if any complaints have been filed against the adjuster.

It's probably not worth the bother to hire a public adjuster to handle your claim unless the amount of damage is significant, or unless the damage to your property has caused a major disruption in your life, Mr. Cohen says. "The amount keeps dropping, but typically you'll find that it's worth it to hire a public adjuster when your claim is likely to be more than \$15,000," he says.

But even if your claim is potentially insignificant, the honest opinion of a public adjuster can be invaluable even if he or she finds that your insurer probably won't cover

any damages. Many reputable public adjusters will give you a free estimate of the damage to your property, and knowing when *not* to file a claim can protect you from financial headaches down the road, since many insurers follow a "two-strikes-and-you're-out" rule.

"File more than two claims in two years, and many insurers will drop you," says Jeffrey

Hall of Coastal Construction Inc., a public adjuster in Beachwood, N.J. Even if you never receive a dime from your insurer for damages to your property, just filing the claim counts as a strike against you. After you've been dropped by your current insurer, you'll be charged a much higher premium by your new insurance company because of your claims history.

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