

## When to File a Homeowners Insurance Claim

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You've probably seen the photos of New York City during and after Sandy. Some are fake, but here's some reality: The "superstorm" has left 40 people dead in the U.S., several million without power, and resulted in billions in losses.

Even if you weren't in Sandy's path, chances are disaster will strike in your area someday. We hope it's later rather than sooner, but all homeowners should understand how to file an insurance claim – and whether they should.

Given the cash you're forking out for coverage, you might think you're entitled to file a claim whenever you possibly can. But if you file more claims than average, you could see your rate go up, or your policy cancelled. Here's how to avoid the double whammy of natural and insurance disasters...

### 1. Assess the damage

Is a claim worth filing? First, you have to know roughly how much the damage will cost to repair and your deductible. If the fix is cheaper than the deductible, the solution is simple: Since you're on the hook for the expense anyway, pay out of pocket and avoid the insurer.

Although a high deductible will obviously mean greater expense in the case of a loss, the lower policy premiums may mean long-term savings. For example, bumping a deductible from \$250 to \$1,000 could lower your policy's cost by up to 30 percent.

### 2. Check your history

Even if the repair cost is higher than your deductible, some suggest weighing the benefits and risks before filing a claim. For example, in this article from CBS News, J. D. Howard, executive director of Insurance Consumer Advocate Network (ICAN), suggests avoiding claims unless the damage is *triple* the deductible.

That's because, as mentioned above, multiple claims could result in higher rates or even dropped coverage. So it's important to weigh the cost in the event of a loss (out-of-pocket expense from not filing a claim) against the long-term cost (higher rates or no coverage at all).

Should you lose your existing coverage or decide to switch companies, you won't start with a clean slate. Every time you file a claim, it goes into an industry database called the Comprehensive Loss Underwriting Exchange, or CLUE. Insurers use it a lot like potential lenders use your credit score – to evaluate how much risk you represent.

As with your credit file, CLUE tracks your history for seven years, and you can pull it free once per year. Go to LexisNexis for your free annual CLUE report. (You can get a similar report for auto claims for free too.)

ICAN recommends filing no more than two claims in three years, but your agent should be able to provide advice regarding the risk of a rising premium or being dropped in the event of a claim.

### 3. Consider using a public adjuster

If you have a significant claim, it's not unusual for the insurance company to offer less than you feel entitled to. If that should happen, you don't have to fight alone. A public insurance adjuster will represent you and negotiate on your behalf.

ICAN has a list of recommended public adjusters, and so does the National Association of Public Insurance Adjusters. They typically work for a percentage of the settlement they secure on your behalf.

### 4. Read your policy

Before filing a claim, always read your policy – declarations, riders, limits, exclusions. If you don't understand the details of your policy, call your insurance agent or company and ask for an explanation. Then make some notes for future reference: Check out the example spreadsheet from our story [The 5 Golden Rules of Saving on Insurance](#).

Your state's insurance department may also be able to help, especially when it comes to the law and your rights. Some states maintain consumer hotlines or even publish insurance guides to help – here is [Washington's](#), for example.

### **5. Document everything**

When you call your company's claims department to get started, you'll be assigned a claim number and a company insurance adjuster. Get their name and contact info, plus info for the adjuster's supervisor. Make it a habit to record names, numbers, email addresses, and make notes, including dates and times of every contact you have with your insurance company.

Hopefully you've also already documented everything you own with a home inventory. If not, now's the time to get started. Check out [The Most Important Thing You Can Do Today](#) for a step-by-step guide.