

## **Cutting Your Losses When Fire Strikes**

**(Concerning Public Adjusters) Business Week, July 4, 1983, Personal Business Supplement**

Each year, more than half a million American families suffer the trauma of a fire of some seriousness in their homes, and the annual bill for damages is edging close to \$3 billion. But as people discover every day, the fire is only the beginning. Assessing the damage, negotiating a fair reimbursement with the insurance company, and arranging for adequate repair and rebuilding is a major headache. The process can last for months.

If such a disaster should strike your home, some advance knowledge of what's involved in picking your way through the insurance-claim system can save you a lot of heartache -- and probably a significant amount of money. The first piece of advice is probably the hardest to follow, because it involves a good deal of boring legwork: Make a record of what you own, when you bought it, and what it cost. As a rule of thumb, household and personal possessions are insured for half the amount of insurance on the structure.

This means that if your home is insured against fire for \$200,000, the contents automatically are insured up to a maximum of \$100,000. If you have especially valuable furnishings, your insurance agent may already have persuaded you to take out special coverage that boosts the maximum payoff on house contents to about 70% of the insurance on the structure.

### **GUESSWORK**

But these numbers don't mean that you will be reimbursed to the maximum. And exactly how much you get is subject to a degree of proof and a certain amount of negotiation.

Adequate records are only the beginning of the claim settlement process. "From the moment of the first flame," says Lenore Berck, a New Jersey educator and musician who suffered through a disastrous fire some years ago, "you and your `supportive' insurance company become adversaries." What you must be prepared for is to discover that the insurer wants to settle as fast as possible and as cheaply as possible.

Your lawyer is a key actor in the drama, one who will keep you from making potentially damaging mistakes. For one thing, make no statements and sign no papers -- especially if proffered by a representative of the insurance company -- unless your lawyer approves. Remember that the company's interest is in getting a settlement going as fast as possible. As one expert puts it, "the faster you settle, the less money you get." So take your time and let the lawyer handle it.

One key service your attorney can perform: finding a public adjuster. A public adjuster is a quasi-professional (some 30 states require a licensing examination to practice) who represents you "on contingency" in negotiations with the insurance company. That means the adjuster gets a percentage of the settlement. Insurance adjusters such as Ed Reilly are hired by the insurance company to negotiate in their behalf, so don't confuse the two.

What does the adjuster do for this money? Plenty. In the first place, points our Herman Roth, a New York-based public adjuster, the adjuster knows how to read an insurance policy, which is no easy matter. Basically, homeowners are covered by one of several types of policy, designated with the symbol HO. Chances are you are insured either under HO2 OR HO3. The higher the number, the broader the coverage. And the adjuster knows the provisions as well as he knows his own name. For example, Roth says, "if a guy in a tank truck comes and delivers a load of heating oil when you no longer have a tank, since you switched to gas, he floods the basement. HO3 covers that; HO2 does not.

**The adjuster also is invaluable in taking inventory of the charred remains after a fire. What he does is walk you through the house and ask questions: What was hanging on that wall? Was this a couch or a chair? What was the material? How many dresses do you think were in that closet?**

### **SHORTCUTS**

On structural matters, the adjuster can tell by looking at the rubble whether you had finished plaster walls. If so, he will not let the insurance company make an offer to replace them with drywall, which costs a fifth as much. Nor will he accept an estimate for replacing floor beams 24 in. apart rather than the standard 16 in., another common shortcut. He also tends to be fussy about such things as matching sections of bathroom tile that must be replaced. "We get a detailed breakdown of every proposed expense," says Roth. "The client usually cannot be bothered."

When it comes down to the wire in negotiations, the adjuster is the one who mediates between the company's designated contractor and your own renovator, if you have engaged one. When he has brought them together on costs and both you and the company representative have approved the final figure, his job is done.

Roth agrees with other experts that patience in claims adjustments is a virtue. If your adjusters in a tearing hurry to negotiate and make a settlement, take that as a warning signal: The adjuster may be more interested in saving time than in extracting the last \$1,000 of settlement. "I tell people, 'Don 't rush me'" says Roth.

He also makes another point that clients often forget: You can never collect more money than the value of the insurance policy. And some companies automatically chop 25% from the initial claim amount as a starting point for negotiation. If you are underinsured in the first place, that's courting trouble. In fact, if your insurance is written for less than 80% of the appraised value of the home, the insurance company considers you a co-insurer. That means that legally you accept a prorated share of the risk, and the company pays off only on its share. The moral: Keep your homeowner's insurance up to date by increasing the face value of the policy periodically.

### **WHAT TO DO AFTER THE FIRE TRUCKS LEAVE**

Call your lawyer, who will find and engage a public adjuster to handle negotiations, and who will advise you on any settlement.

Previously published in Business Week - July 4, 1983, Personal Business Supplement