

When Your Insurance Won't Pay 7-2000

(Concerning Public Adjusters) Kimberly Lankford, Kiplinger's Personal Finance Magazine

Reprint from July 2000 issue of Reader's Digest

© 2000 The Reader's Digest Association, Inc.

When the firetrucks arrived, Howard Green of Valparaiso, Ind., was atop his house with a garden hose, trying to keep the roof from igniting. He had accidentally set the chimney on fire while attempting to remove a beehive, and the second floor was in flames.

The next day, Green says, his State Farm insurance agent delivered a \$5000 check. Green and his wife began to inventory the debris – 40 bags of "smelly, smoke-laden stuff" and burnt mattresses.

Seven months after the September 1997 fire, the bags were still in the garage and the Greens were still sleeping in the dining room. While State Farm had paid \$75,000 for structural damage, it still hadn't paid the \$70,000 claim to replace the destroyed contents. A company adjuster who disagreed with the Greens' adjuster, grilled them on the value of their damaged possessions. Then, during a six-hour interview under oath, a State Farm attorney required them to defend their claims in the value of nearly every shirt, suit and pair of shoes. Fortunately in many cases they still had the receipts.

A few weeks after the interview, State Farm still hadn't paid the bulk of the contents claim. The Greens' attorney then sent a letter threatening a lawsuit. About a week before the deadline set by the attorney – 11 months after the fire – State Farm sent a \$48,000 check. Another check arrived a few weeks later, bringing the total close to the disputed amount. "They owed me \$70,000 on my contents for 11 months," says Green, a State Farm policyholder for 30 years. "Did they earn interest on the money?" State Farm wouldn't comment on the specifics

of the Greens' case, but spokesman Edward Domansky said, "We only regret that the contents portion of the claim took longer than either State Farm or our policyholder would have liked."

Together, State Farm and Allstate own a third of the homeowners- and auto-insurance markets. In 1999 the State Farm group of companies earned net income of more than \$1 billion; the Allstate Insurance group netted \$2.7 billion. Both companies have better-than-average homeowners complaint ratios – the best measure of policyholder satisfaction – with state Farm ranking second in a recent survey. Still, a 1998 report by Legg Mason, an independent financial advisory company, showed how profitable it can be to put the squeeze on claims, which typically account for some three-fourths of an insurance company's expenses. "It seems that a lot of insurance companies intentionally drag their feet, hoping the insured will say 'Give me anything and I'll walk away'," says Gregory Geelan, a San Diego Lawyer who has handled many bad-faith claims.

Here's how to avoid a prolonged battle with a slow-moving insurer:

Shop Around. Companies look at claims as either an area to save money or an opportunity to provide superior service to gain loyalty," says Charles Brown, an independent insurance agent in Kennett, Mo. "It might be worth an extra \$50 in premiums each year to go with a company that makes it its business to pay the claim and make it as easy as possible."

Where do you find such companies? Learn which insurers have the fewest policyholder complaints lodged against them. Contact your state insurance department (check the blue pages in the phone book or the website of the National Association of Insurance Commissioners, www.naic.org) and ask for a list of complaint ratios for all the insurers licensed in your state. Inquire whether the department has taken any enforcement actions against an insurer.

As you shop around for a policy, ask independent agents – who can represent several insurers – which companies serving your area are known for hassle-free claims. If they're unhappy with a company, independents often send their clients elsewhere. "We've pulled our clients from a particular company because we didn't like the way they handled claims," says Ann Martin-Grimm, an independent agent in Lewiston, Idaho.

Before your purchase a policy, be sure you know what it covers. If anything is unclear, ask your agent for an answer in writing. After you sign up, inventory your possessions and keep receipts. "Go through the house with a video camera," Brown recommends. "Open closets, cabinets and drawers and describe the items, where you bought them and how much they cost." Then store the video outside your house. And in case you need to document an auto claim, keep a disposable camera in your car.

Stake Your Claim. Ivan Culbertson's Jeep Cherokee was totaled on an Oregon road when he was hit head-on in October 1998. Rescuers pried him out of his car and rushed him to the hospital. The medical bills exceeded \$16,000. The police found the other driver at fault, but that person's insurer, a small, high-risk company, denied Culbertson's claim. Saying that their customer said Culbertson was at fault. It was only with the help of a state insurance investigator that Culbertson collected the full amount.

As Culbertson's case illustrates, you may have to deal with an insurer you'd never choose yourself. Some tips on how to fight for a fair settlement: ? Report a claim quickly, and don't fix or clean up the damage until you contact your insurance company. Save police reports, receipts for major items and living expenses, and anything else that supports your claim.

Ask about deadlines – yours and the company's – and heed the stature of limitations. In many states you can't sue an insurance company more than one year after a claim is filed.

Document all phone calls and letters (certified receipts always help). "Get in writing from the company why they're denying a claim," says Robert Hunter of the Consumer Federation of America. "Once they've told you the reason, they can't come up with a new reason."

Do research to build your case. If you and the company disagree on your car's value, for example, check a used-car pricing guide (like the Kelley Blue Book, at kbb.com) or call some dealers and report your findings to the adjuster.

Pester the company if the claims process stalls. Start with the adjuster and work your way up to the president , if necessary.

Hire your own contractor or adjuster if you think the company's estimate is too low. While a contractor's estimate can help when the dispute is over the cost of repairs, an adjuster can help you submit and document claims and be your advocate when you and your insurer disagree over what your policy covers. (Get a referral for an adjuster through the National Association of Public Insurance Adjusters, at napia.com)

Hire a lawyer to assist you if you're asked to give a statement under oath. People go it alone because "they know they're not guilty and want to cooperate," says the Greens' lawyer, Tim Kelly. But many unwittingly say something that ends up hurting their case, he ads.

Avoid signing anything that releases the insurance company from further obligation. For example, it might take months before you realize that an earthquake has damaged your house's foundation.

Sue an insurer only as a last resort. Unless you have a bad-faith case – in which you could get your legal expenses paid and possibly receive punitive damages in addition to the amount of your claim – your costs will probably leave you in the red even if you win. So before you go this route, contact your state's insurance department for assistance. If your dispute involves just a few thousand dollars, try small claims court.

Rating Insurers

Average complaint score for major U.S. Insurers in 20 states. (*Scores of companies not operating in all 20 states were adjusted.*) The lower the number, the better.

The Homeowner's Score is based on complaints per \$100 million in premiums.

Homeowner

USAA	16
State Farm	22
Liberty Mutual	29
Nationwide	32
Allstate	33
SAFECO	59
Farmers	73
Prudential	115

Auto

Liberty Mutual	20
USAA	27
State Farm	29
GEICO	31
Allstate	40
Farmers	41
Progressive	47
Nationwide	49

SOURCES; STATE INSURANCE DEPARTMENTS, 1997 DATA; KIPLINGER'S PERSONAL FINANCE

MAGAZINE

END/

REPRINTED FROM THE JULY 2000 ISSUE OF READER'S DIGEST © 2000 THE READER'S DIGEST ASSOCIATION, INC., PLEASANTVILLE, N.Y. 10570 PRINTED IN THE U.S.A.; This reprint does not constitute an endorsement, implied or otherwise, by Reader's Digest. It may not be reprinted by anyone other than Reader's Digest or used in any way for advertising or promotional purposes without prior written permission of Reader's Digest. The reprint may not be sold by anyone other than Reader's Digest and no message, with the exception of the donor's name may be imprinted on it; Reader's Digest, The Digest and the Pegasus logo are registered trademarks of The Reader's Digest Association, Inc.