

SECRETS

**OF THE
INSURANCE
GAME**



WHAT YOU NEED TO KNOW ABOUT
**PROPERTY DAMAGE
CLAIMS**

BY **SEAN M. SCOTT**

AUTHOR OF THE RED GUIDE TO RECOVERY

SECRETS OF THE INSURANCE GAME

Secrets of the Insurance Game: What You Need to Know About Property Damage Claims

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*For those who have lost so much to
disasters and later couldn't find
their way back home,
this book is dedicated to you.*



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INTRODUCTION

Buying homeowners' insurance is one of the easiest and most important purchases you can make. You march into an insurance agent's office, plop down in a chair, answer a few questions and in about an hour, you are shaking hands and walking out the door with a policy. Many people assume that insurance policies are relatively the same and cover pretty much the same types of perils or damages, with the only real difference being the premium. This is far from the truth and the old saying, "*You get what you pay for*" applies here.

Whenever I speak at conferences about disaster preparedness or recovery, I usually ask this question: "*By a show of hands, how many people in this room have homeowners' insurance, have read their policy from cover to cover, understand what is included and excluded, and what your limits are?*" In most cases I'll get one or two people in an entire room of hundreds raise their hand. What this tells me is that people trust that their agents have sold them a policy that will cover whatever a typical home needs and that there is no need to take the time to read through all that exhausting legal mumbo jumbo. Then, when a disaster strikes and you have to file a claim, you suddenly find yourself in uncertain territory, completely unprepared, and wondering if what you were told and sold is really going to make you whole again or if there is going to be some loophole the insurance company will use to deny or minimize your claim. Make no mistake, there is reason to be concerned and a lot of people find out the hard way that they didn't have sufficient insurance or get what they expected.

A dear friend of mine Vincent Davis, author of *Lost & Turned Out* and the *Native Family Disaster Preparedness Handbook*, is a Certified Emergency Manager, who has worked for FEMA, the American Red Cross, and a number of fortune 500 companies as a business continuity manager. Vince identified four reasons that hinder people from preparing for disasters and these hold especially true for people with insurance. First, people don't think a disaster will ever happen. Second, they think if it does happen, it won't happen to them. Third, they think that if it does happen, there is nothing they can do about it, and fourth, they think if it does happen, they will just deal with it at that time. I believe there is a fifth notion that hinders people, which is, in the event a disaster strikes, I have nothing to worry about, FEMA or my insurance will take care of me. If you are someone who trusts that your insurance policy will take care of everything you need to rebuild your life after a disaster, you may be in for a rude awakening.

In the following pages, you and I are going to take a walk together down a precarious and often treacherous road that no one wants to travel down. Here you will discover that there are many dead end trails, traps and even land mines buried along the way. You will also get to hear the stories of those who traveled this road ahead of you, but couldn't find their way back home. At the end of our journey, you will be better prepared to navigate this road on your own and have the knowledge you'll need to guide others who may find themselves stranded on their path to recovery.



I

ARE YOU REALLY IN GOOD HANDS?

When you think about buying insurance for your home, the first thing that comes to mind are those catchy ads you see on TV: “You’re in good hands with Allstate,” “Like a good neighbor, State Farm is there,” “Nationwide is on your side,” etc. These slogans with their little jingles are designed to give consumers the sense that if you ever experience a fire, flood, or other disaster, they will take care of everything. Then, once you decide to take the plunge and buy a policy, your agent will have formulas he or she will use to figure out

your coverages and premium. These formulas are meant to establish a general replacement value of average homes, based on a dollar figure per square foot, plus additional factors for unusual or more expensive building features and components.

The limits of insurance are typically based on the size of your home, age, location, how it's constructed, and other factors. Keep in mind that the formulas most insurance companies use don't work for everyone, since not every home is built the same. All homeowners' insurance policies have gaps, conditions, and exclusions that leave you exposed to certain risks and perils. It's up to you to ask the right questions and it's up to the agent to help you assess your risks and provide answers and solutions so you get the most comprehensive coverage for the best price.

Once the agent enters all the pertinent information about your home into their computer, a quote will be generated that tells you how much you'll get to replace your home and personal property, how much you'll get for additional living expenses, building code upgrades, debris removal, landscaping, etc. Most agents will also go over the basics of what isn't covered in a typical homeowners' policy, like damages caused by earthquakes, floods, mold, terrorism, or items that have to be itemized and scheduled separately like expensive artwork, jewelry, coin collections, etc. These require the purchase of separate policies, riders, or endorsements.

Before you purchase a homeowners' policy, consider getting an estimate from a contractor to determine what it would cost to rebuild your home from the ground up, as if it were completely destroyed. Then you should compile an inventory



of all your personal property so you have a clear idea of how much insurance you may need to replace everything if it was lost. Without these two figures, you won't really know whether the limits of coverage your agent is offering with their formulas will be enough.

The problem with insurance these days is that coverages and conditions continually change and there are a lot of circumstances and situations that you might assume would be covered that aren't. If you are like most people, once you purchase a policy, you feel like your precious nest egg is protected and you'll just tuck that policy away in a safe place and never think about it again until it's time to renew. However, when (not if) a disaster strikes and you have to file a claim, your agent, who sold you the policy and who you may have trusted for years, has to step aside and hand off the claim baton to an adjuster. The adjuster will come out to your home and begin the process of documenting the claim, which includes putting together an estimate of the costs and tasks needed to restore or repair the damages, compiling an inventory of damaged or destroyed personal property, determining additional living expenses, and so forth. Now here is where things can get dicey, especially if you haven't dealt with an insurance claim before and don't understand what your coverages include or how to navigate the process.



“Before you purchase a homeowners’ policy, consider getting an estimate from a contractor to determine what it would cost to rebuild your home from the ground up, as if it were completely destroyed.”

Are you really in good hands?

Will your adjuster be on your side? Are you ready to handle the insurance claim process? Most people buy insurance to protect their homes from catastrophes such as fire, floods, tornadoes, earthquakes, etc. However, most homeowners' insurance claims are the result of everyday events, such as a pipe that bursts under a sink, a toilet overflows, or that Chicken Kiev turns into Chicken Chernobyl. Most people assume everything will be taken care of if they ever have a claim, but don't realize that there are a lot of pitfalls along the road to recovery.

In the *Secrets of the Insurance Game*, you'll learn about:

- The role insurance adjusters play
- The importance of an accurate estimate and inventory
- Overhead and profit and what it means to you and your contractor
- Things your adjuster may not pay for
- Pitfalls of content pack outs and cleaning companies
- Pros and cons of using public insurance adjusters
- Depreciation and how it affects your recovery
- Flood remediation and dry out companies
- Tips on hiring restoration contractors
- Disaster chasers
- And much more...



Sean Scott is a contractor who has been involved with literally thousands of property damage claims. In this book, Sean shares many of the secret tips and tricks he has gleaned over the years working in the insurance restoration industry. The *Secrets of the Insurance Game* levels the playing field and gives homeowners the tools they need to navigate a property damage claim.

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