

Claims 101

Claims Adjusting 101

Education Series

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The Holy Trinity Of Adjusting

Every claim begins with an analysis of CLD: **Coverage**, **Liability**, and **Damages**. This analysis must always occur in that exact order.

Coverage involves determining the existence of a policy. Key questions must be answered:

- First, is there a policy in force?
- Has the policy lapsed?
- Is the policy eligible for reinstatement?

The company adjuster may not be the only party involved in answering these questions. The underwriter, agent, or even the mortgagee may weigh in, potentially influencing the decision. Most of the time, however, the answer is straightforward and affirmative: “Yes, Virginia, there is a policy.”

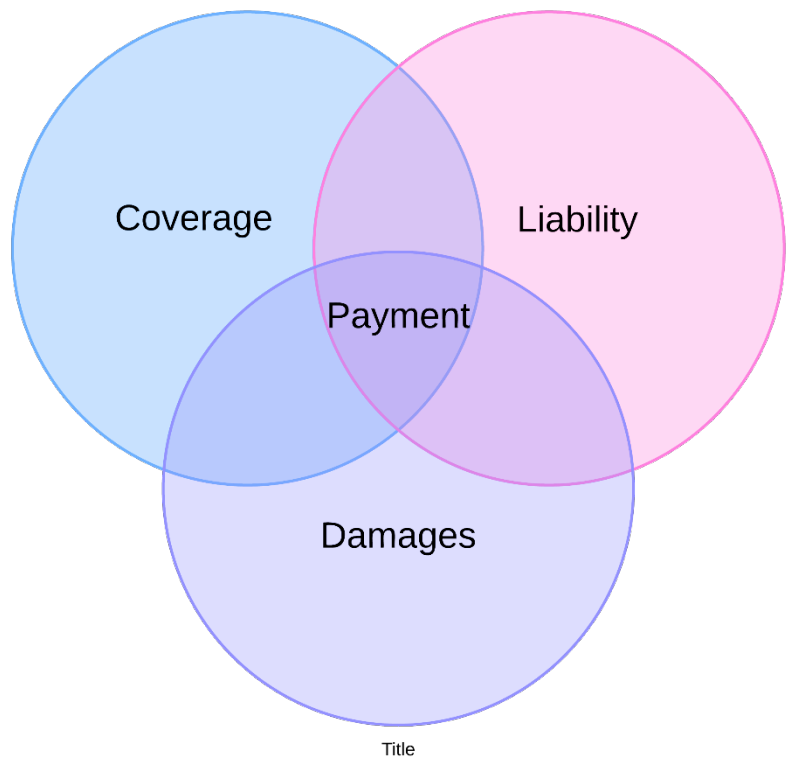
Liability is a different issue. While a policy may be in force and premiums fully paid, the policy might not cover the loss. For example, a policy may cover hurricanes, but if rising water from a hurricane causes damage, the policy might not respond to a claim. In short, the loss must be covered by the policy.

This may sound straightforward, but real-life scenarios are rarely that simple. Words and punctuation matter. Consider the phrase “backup of sewers and drains.” At first glance, it might suggest that if there is a backup of either, the policy would respond. But not necessarily: “sewers and drains” are plural, meaning more than one must be involved. Additionally, the word “and” implies that both must occur together for the coverage to apply.

Now, consider the phrase “backup of a sewer or drain.” Here, “sewer” and “drain” are separated by the word “or”, meaning either can occur independently, and only one backup is needed.

In cases where liability is in question, a legal opinion from an attorney or a judge may ultimately be required.

Damages are where most of the adjusting process takes place. Depending on the type of policy, the insured’s responsibility to demonstrate damages can vary widely. Under an “Open Perils” policy, the policyholder must prove the amount of damage and that it occurred within the policy period. In a “Named Peril” policy, the insured must prove both the amount of damage and that it occurred within the policy period and that it was caused by one of the perils named in the policy.



There are also instances where back-to-back events, such as two hurricanes, may occur. In these cases, the insured must prove which storm caused which damage. While this may seem tedious, it's a reality you must be prepared for.

Once **Coverage** and **Liability** are determined, **Damages** determine what gets paid. Interestingly, the term “damage” is often not defined in the policy, leaving room for interpretation. What you may consider damage could differ from the adjuster’s view. So, here’s a useful rule of thumb:

Damage is any change in the condition of property between the time immediately before the loss and any time after, where that change can be attributed to the loss.

In cases like fire, the change is immediately apparent. However, with water damage, the effects may take time to fully manifest. Be vigilant in recognizing potential damage and take steps to protect yourself.

Adjusters typically won’t consider what might happen or your concerns about possible future damage. A common phrase used by adjusters is, “It is what it is.” Instead of arguing, document your concerns about potential future damage in a letter to the company. By doing so, you create a record of the specific property at risk and the basis for your concerns. If the damage arises later, the claim can be reopened, rather than requiring a new claim.

Damage involves not only identifying the impairment to your property but also quantifying the cost of repair or replacement. As a policyholder, you may not have access to estimating software or detailed knowledge of restoration costs. This is where experts come in. Rely on water remediation professionals, general contractors, furniture restoration specialists, and other third-party experts for valuations. It’s important to use independent, unbiased professionals—avoid using family members, as even the appearance of impropriety can work against you.

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