PART 5
Case Studies - First-Party Property Claims

1. Cover This!

You complete your investigation of the cause of a large loss and find it's excluded under the insured's policy. Company policy requires you to contact the agent with a "heads up" prior to issuing a declination of coverage letter to the insured.

You call and the agent is very upset. First he tries to "sweet talk" you into covering the claim. This is a very large account and it will keep the insured happy.

You hesitate and he starts moving into "threat" mode. If we don't pay the claim we may lose the account and company officers will hear about it. He'll recommend the insured complain to the Department of Insurance. He may even pull his accounts from the carrier and place them somewhere else. He is adamant the claim should be paid and he'll make trouble if it isn't.

Should you "cave and pay" or adhere strictly to the terms of the policy and decline coverage?

2. Relativity

Everything is going smoothly as you investigate and evaluate a claim for heavy wind damage to the roof of the insured warehouse. You prepare a scope of damages and your own estimate, and pay the insured the ACV of damages. The commercial policy stipulates that if the insured completes, you will remit the balance of the replacement cost. The insured is also encouraged to proceed with repairs promptly to mitigate the loss of business income.

All appears to be on track as you receive notice that the insured has retained a contractor and work is proceeding. However, when you look a little closer you realize that the contractor is Citywide Roofers.

You've heard of the company because Brad, your brother-in-law, is V.P. of Operations for Citywide. The insured is completely unaware of this connection.

In your experience, Citywide does slow and sometimes substandard work, failing to pass inspection. They are also notorious for change orders and supplements. You wouldn't hire them, but the insured didn't ask your opinion.

This claim could well cost more with Citywide on the job. Should you say something to the insured? What if that got back to Brad? Should you just keep quiet and handle this claim as you would with any other insured and contractor?

What will you decide?
3. What's Cooking?

As a field adjuster you routinely visit peoples' homes to inspect and document causes of losses, and to scope and estimate damages. You've seen a lot of folks with broken hearts who were obviously stressed-out in the face of devastating losses. You've seen others who seemed overly concerned about quick monetary compensation. There are a wide range of people and situations you encounter in the field.

This particular insured's residence is in one of the nicer parts of town. You're inspecting water damage to the kitchen floor and the lower portions of the adjacent walls. The damage claimed appears to correspond to the reported cause of loss – a failed angle-stop valve for the icemaker line behind the refrigerator.

Experience tells you that a thorough inspection requires checking the room on the opposite side of the damaged kitchen wall to assess any damages there. You reach for the door you believe goes to that room and begin to open it. The insured stops you and says bluntly, "There's nothing in there. It's OK," and quickly shuts the door. "It's only the kitchen."

You can't really see into that room, but you detect an unusual strong odor when the door is opened and shut.

You finish the kitchen estimate and go on your way. But you remember the room and the smell. It doesn't seem like that kind of neighborhood, but you've heard that drug labs have a strong smell.

Should you report your concerns? If so, what should you report and to whom?

Or should you "mind your own business" and honor the insured's privacy?