

These Are The Worst Home Insurance Claim Mistakes

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Since home insurance can be a complicated thing, it's no surprise that filing a claim on your homeowners insurance can be, too—especially if you have extensive damage or a complex claim. But you can avoid some of the worst home insurance claim mistakes.

Your odds of filing a claim in 2020 might seem higher than ever. The eastern United States is heading into the peak of hurricane season, and the western U.S. has already started its annual fight against wildfires and whatever else Mother Nature throws in its path.

Nearly 6% of insured homeowners filed a claim in 2018, according to the most recent data from the Insurance Information Institute. About 98% of those claims were related to property damage (including theft).

If you suffer a loss and have to file a claim, there are a few things you can do on your end to help make the process run as smoothly as possible. Here are some common home insurance claims to avoid.

Home Insurance Claim Mistake No. 1: Failing to Read Your Policy

You could be forgiven for not reading your home insurance policy. After all, insurance policies can be impossible to read. But that doesn't let you off the hook. At the very least, understand what the coverages in your policy mean, says Charlie Wendland, head of claims at Branch, an online insurance startup.

For example, some policyholders assume that "water backup" coverage is the same as flood insurance. It isn't.

"Water backup is very specific to only limit coverage to damage caused due to a backup of a sewer drain or a sump pump," he says. Misunderstanding (or failing to read) your policy can lead to disappointment and almost always results in a poor customer experience during the claims process, says Wendland.

Home Insurance Claim Mistake No. 2: Not Having the Right Coverage

“One of the worst mistakes a homeowner can make happens *before* a loss occurs,” says Gina Clausen Lozer, a partner at the law firm Berger Singerman. “It’s not having the right coverage.”

If you don’t have the right insurance, you could find yourself in a significant financial hole. A thoughtful conversation with an insurance agent can help you avoid these errors.

For example, if your policy has only actual cash value coverage for your possessions, and you’re expecting to be paid replacement cost, you’ll be very disappointed.

Some homeowners assume that damage from hurricane wind and flood water is covered by their home insurance policies. But that assumption could be a costly mistake. Insurance companies in hurricane-prone regions might exclude wind damage, and flood damage is generally excluded from a standard home insurance policy. A good hurricane insurance plan might actually be made up of three separate policies to ensure you have the right coverage in place.

The bottom line is that a policy’s exclusions can come back to bite you, especially if you live in an area that’s affected by natural disasters.

Home Insurance Claim Mistake No. 3: Not Having a Home Inventory

Another claim mistake that starts long before you have any damage: Not having a home inventory. This complete list of your possessions will be especially crucial if you have extensive damage. If you have to work from memory, you’re likely to forget some items and fail to include them in your claim.

Sure, you’ll remember your living room furniture. But will you remember all your kitchenware and items stored in drawers and closets? A home inventory will make your claim easier and faster.

Home Insurance Claim Mistake No. 4: Failing to Maintain Your Property

Home insurance is for unexpected damage, not problems that could have been dealt with.

Neglecting to maintain your home can lead to problems that won't be covered by home insurance. For example, damage from a water pipe that suddenly bursts is covered. But a roof leak that you don't fix could be denied because you didn't take action to stop damage.

"Not noticing and reporting a potential claim, like a slow leak, can lead to a claim denial," says Sarah Loy, an agent with American National Insurance in Las Vegas.

Home Insurance Claim Mistake No. 5: Poor Communication

Most home insurance claim mistakes are the result of poor communication, according to Tim Barziza, a senior vice president at Chubb. "When filing a claim, homeowners can oftentimes be unclear when describing the damage to their property," he says.

Poorly communicated claims by the homeowner typically result in delays, says Barziza, which can bog down the entire claims process. He recommends homeowners be as clear as possible about the damage when reporting the claim.

Home Insurance Claim Mistake No. 6: Waiting

Tim Felks, head of property claims at Farmers Insurance, says another mistake is waiting to file a claim. "Damage doesn't get better with time," he says. "Reporting a claim as soon as possible can help get repairs going sooner, lessening the time the insured is dealing with the repair process."

You may have up to one year to file a claim (it depends on the state). But Felks says there's no benefit to waiting. If your house gets hit by a tornado or singed by a wildfire, don't wait.

Home Insurance Claim Mistake No. 7: Trying to Tackle a Big Claim Alone

Large and expensive claims can be very complex and take months to resolve. In the meantime, you can be dealing with multiple insurance adjusters and stacks of paperwork.

If you have extensive house damage, you may want to hire a public claims adjuster early in the process. This is someone who works on your behalf to deal with the insurance company's adjusters, make sure you have the right documents and to meet deadlines.

A typical fee for a public insurance adjuster is 20% of the insurance settlement. Since they'll help you get what you're entitled to and lower your stress, it can be well worth it.

Home Insurance Claim Mistake No. 8: Not Documenting the Damage

A failure to document damage is the No. 1 error Jason Christiansen sees in claims. "It's not taking pictures—documentation at the moment the damage is discovered," says Christiansen, the co-CEO of Young Alfred, a home insurance site.

Photos are your friend when you're filing a claim. Ideally, you'll have "before" and "after" photos that show the extent of the damage to your home.

"This can go a long way in processing the payout," says Christiansen.

Home Insurance Claim Mistake No. 9: Cleaning Up Too Fast

After an accident, you might be in a rush to clean up the mess. But cleaning up too fast can be a big financial mistake.

Homeowners sometimes throw away items that were damaged in a fire or flood before the total damage is documented. And they discard receipts that they need to support a claim. If you're filing a claim for a damaged item, keep it until you have sufficient documentation that it's been damaged, such as photos or repair estimates.

It's important to keep a thorough paper trail during a claim. Not doing so could be a serious home insurance claim mistake.

Home Insurance Claim Mistake No. 10: Filing Too Many Claims

Insurers will take a look at your claims history when setting your rates. Homeowners and auto insurance claims submitted in the past seven years can be found by insurers in what's called the Comprehensive Loss Underwriting Exchange (CLUE) database. The more home insurance claims in your history, the more expensive your home insurance premiums will likely be.

That's because insurers correlate claims to a higher risk of filing more claims in the future. Risky customers get higher premiums. So, if you can, it may be better in the long run pay for small repairs yourself rather than filing an insurance claim.