

# What to Do if a Home Insurer Says You're Inflating a Claim

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Reuters

The average value that home insurance policyholders claim for many stolen or damaged belongings is more than double their average retail price, a recent analysis shows.

Although that doesn't prove that people are lying about their stuff to collect more insurance money, such findings could prompt insurers to take a closer look at claims.

Enservio Inc. in Needham, Mass., which helps insurers settle and pay home insurance contents claims, discovered the pattern in a statistical analysis of its data warehouse. The warehouse contains terabytes of information about billions of dollars worth of settled claims.

CEO Jon McNeill says the company compared average claim values of items against average retail prices updated daily from hundreds of retailers, and studied the frequency and timing of claims to search for new insights for its insurance company clients.

### **Pricey purses**

In many cases the contrasts between the claimed values and the retail prices were stark. The average settled home insurance claim for a purse, for instance, was \$448.

"We thought, that can't be the average retail price for a purse," McNeill says.

And they were right. A purse retails for an average of \$65.

Enservio then looked at other commonly claimed items.

Here are some of the findings:

- Rings: The average settled claim value was \$834, more than twice the average retail price of \$350.
- Laptops: The average settled claim value was \$772, 69 percent more than the average retail price of \$456.
- Briefcases: The average settled claim value was \$199, more than triple the average retail price of \$60.
- Rifles: The average settled claim was \$578, 34 percent higher than the average retail value of \$430.

Dishonesty - policyholders inflating values to collect extra insurance money - may not explain the entire difference between claim values and average retail prices.

"Other factors coming into play include policyholders moving towards higher deductibles to lower their premiums [which could mean fewer claims for less expensive items]," McNeill says. "Similarly, agents may advise against a policyholder filing small claims because of the potential premium increase."

Enservio also looked closely at the frequency and total value of home insurance theft claims. In recent years the value of burglary claims has grown annually, outpacing inflation by 2 to 3 percent. The claims spike in April, September and December, according to the company's data.

Those months happen to coincide with the annual income tax filing deadline, back-to-school season when tuition payments are due and the holidays, McNeill says.

### **A closer look at home insurance property claims protocol**

The standard industry practice is to fast-track high-volume, relatively low-value claims, but Enservio recommends that insurers slow down the settlement process during the busiest months.

The company also suggests that insurers flag claims as questionable when the claim values are much higher than average retail prices and to ask policyholders for receipts or credit card statements in those instances.

In the last few years insurance companies have been referring more property claims to the National Insurance Crime Bureau (NICB) for investigation. The number of suspicious personal property insurance claims reported by insurers increased 46 percent from 2010 to 2012, according to a bureau report released in October. Almost three-quarters of the claims were associated with [homeowners insurance](#) policies.

Insurers flag claims as questionable for a variety of reasons, such as suspected inflated damage or lack of cooperation by policyholders.

"Every insurance company looks at claims differently," NICB spokesperson Frank Scafidi says. "They have different thresholds of what they'd call a questionable claim."

## **Steps for filing a home insurance property claim**

So what can you do to make sure your claim goes through without a hitch?

- Complete an inventory.

Check out the Insurance Information Institute's KnowYourStuff.org website, which provides free online tools to catalog all your stuff. Some insurers also provide free tools for completing household inventories.

"If you have an inventory of everything you have in your home, it allows your insurer to provide you with an accurate policy, one which specifically meets your needs," says Tully Lehman, a spokesman for the Insurance Information Network of California. "And the more accurate the inventory, the more accurate the policy. ...As long as the inventory is updated annually and your policy reflects these changes, claims tend to go much more smoothly."

The inventory should include photos or videos of your belongings, which can help support your claim. Without an inventory, it's impossible to remember everything you own.

Store the inventory list in a safe place outside the home or take advantage of free cloud storage services to keep the inventory safe, McNeill says.

- Make sure you have enough coverage.

"You don't want to wait until you have a claim to find out if you have enough coverage," McNeill says.

Many people who downsized to smaller homes are underinsured on total contents coverage, according to Enservio.

In addition, you could be underinsured for specific items. Standard home insurance policies limit coverage for theft of valuables, such as fine art, jewelry, antiques and electronics. The typical dollar limit is \$1,000 to \$2,000, according to the Insurance Information Institute. If your items exceed those limits, then you'll need to purchase more coverage through a floater or endorsement. A thorough inventory will help you determine whether such additional coverage is necessary.

- Save receipts.

"Make sure you've got receipts and credit card statements for those high-value items," McNeill says.

For special treasures such as antiques, get the items appraised.

- If your home is burglarized, file a police report.

Send a copy of the report with the claim, McNeill says