

Ten Things About Your Insurance That Your Insurance Company May Not Want You to Know

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The average American spends thousands of dollars per year on insurance for homeowners, automobile, medical, life, business, disability, umbrella and other coverages. Because most of us never suffer the large losses that everyone worries about, people have very little experience in dealing with insurance companies on large claims. Those that do are often in for a bit of a shock. Delay, the use of complex policy language to deny claims, and substantial underestimating of losses by carriers are common. Many people don't realize that insurance companies, like banks, earn their profits from investments, stocks, bonds, venture capital and real estate. The profitability of a company depends on how much money they have available to invest. If a company owes X million to all claimants at a given point in time, it can save 8% or more of that per year in investment profits by merely engaging in delay. It can save another 30 to 40% by engaging in low-balling. Another 20 to 30% can be saved by wrongful claim denials on confusing policy language.

Whether an uninsured will recover for a legitimate claim at all, and if so, the amount he or she will be paid, depend largely on the policyholder's own knowledge of his or her rights and responsibilities. Policyholders are often at the mercy of their insurance company. The company wrote the policy, the company interprets the policy, the company evaluates the claim and the company holds the money.

So the policyholder is really at a substantial disadvantage to the insurer. However, there are ways to begin to level the proverbial playing field. To do so, you must familiarize yourself with important principles of insurance law, which judges and legislators have fashioned over the years for your protection.

Here are ten such principles:

1. An insurance company must act in utmost good faith in the interpretation of their policies, and in the investigation and payment of claims.
2. If an insurance company unreasonably denies a claim or breaches its duty of "Good Faith and Fair Dealing," and you must sue them in order to recover your policy benefits, the insurance company must pay for your legal costs and attorney's fees.
3. If an insurance agent misrepresents the coverage being provided at the time the agent sells you your policy, the insurance company will have to honor the coverage representations made by their agent.
4. If the amount of your insurance coverage is not sufficient to cover your actual loss because the insurance agent recommended that you insure for less than the amount you actually needed, the insurance company may be responsible for paying your entire loss, not just the amount of the policy benefits.
5. Any ambiguity in your policy must be interpreted in your favor and against the insurance company.
6. The insurance company, not the policyholder, has the obligation of providing the applicability of a "limitation" or "exclusion" in the policy.
7. In cases involving your insurance company's duty to defend, its duty to defend is broader than its duty to indemnify.

8. An insurance company that tries to rescind (eliminate) your policy coverage once you have made a claim, on the grounds that you made a misrepresentation on your insurance application, may be violating the law.

9. Punitive damages are awardable against insurance companies of engaging in oppressive, fraudulent or malicious conduct. Use this fact in negotiations where applicable.

10. You can usually get free legal advice from an insurance law expert so that you know your rights before you talk to your company, rather than after it is too late.

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