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'Hurricanes Harvey and Irma' Bad Faith Survival Kit

In the wake of Hurricanes Harvey and Irma, another storm looms for insurers — the flood of hurricane and weather-related claims which will follow.

Here is a quick bad faith survival kit which insurers can use to efficiently process claims and minimize the risk of complaints of poor claims handling or worse, claims-related bad faith.

1. Sympathize

Claims staff should be trained and prepared to be met with anxious and often angry insureds. It is a time of extreme high stress for policyholders, and a large early heap of TLC and empathy will start the claims adjuster/insured relationship off on the right foot. As with any other endeavor in life, people form first impressions rather quickly, which oftentimes overshadow the duration of the relationship. It is better to have the claims' relationship colored with a positive first encounter than a negative one.

It can be as simple as a kind, sympathetic word, or some free or useful information on disaster relief or other basic necessities.

2. Get Boots On The Ground

Most major insurers have pre-planned claims teams to move in quickly to storm-afflicted areas, and there is good business purpose behind it. Insurers want to be visible and to be seen as helpful in the wake of a crisis. The more staff sent in to help, the more reachable the insurer is going to be and less waiting customers will have to do. So too, it is important to have specialists in the claims process — such as appraisers, inspectors, water remediation vendors, and special investigators — available in the afflicted areas as well.

Insurers can be certain that, as soon as the storm passes, the plaintiffs' bar and public adjusters are going to be combing the same territory hunting for dissatisfied insureds. Insurers will reduce such bad faith exposure and provide plaintiffs' lawyers and public adjusters less happy hunting by promptly getting boots on the ground to begin the healing and helping and starting the claims process.

3. "Be Quick, But Don't Hurry"

This saying was originally made famous by legendary UCLA basketball coach John Wooden, but it is also excellent advice when it comes to hurricane and disaster relief claims processing. There is no greater time in the life of a claim at which promptness will be more welcomed by policyholders — their lives have been disrupted in major, and sometimes catastrophic, ways. Helping to begin to return a sense of normalcy and reparation to their daily life is good customer service which tends to reduce later criticism of claims handling.

At the same time, claims staff should not be so quick that customers feel overlooked or short-timed, or that the claims work is poorly done. It is important to be thorough so as not to miss or overlook payable aspects of weather-related claims. Not only is this good customer service, but thorough claims attention will also cut down on policyholder complaints, breach of contract, and bad faith claims.

4. Know The Coverages And Educate The Insured, Accurately

Many bad faith suits arising out of natural disaster claims have in them an unfortunate and annoying commonality: early promises allegedly made by claims representatives about coverage which later turn out to be over-generous or inaccurate. Claims staff should already have been long since trained on the homeowners or other property/casualty policy coverage sold by their companies, and how the gears and internal mechanisms of that policy operate to put claims dollars in the hands of insureds victimized by hurricanes and storms.

Claims representatives should always remind insureds that the written policy language controls when expressing their understanding of the applicable coverage and offer to supply copies of declarations pages, or the policy terms and conditions themselves. Claims personnel should never represent that a coverage element will be paid, or how much will be paid, if he or she is uncertain about the accuracy of that representation. It is far better for a claims professional to tell a customer that she is unsure about a coverage and will consult and get back to the insured than to bluff or guess at an answer, only later to be proved wrong.

As part of this element, it is also important to be frank and honest, tactfully, as to the particular limits of coverage, or if exclusions may potentially apply. The early phases of the claims process in the wake of a hurricane are NOT the time to be making outright denials of coverage, but neither is it a time not to be up front with customers about what limitations in the policy may apply.

As is so often the case, good business and courtesy go a long way toward minimizing an insurer's bad faith exposure arising out of the handling of hurricane and disaster-related claims.



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