How Insurance Companies USED to Pay vs. How They Pay NOW

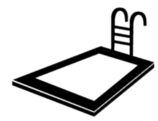
USED to:

- Ask homeowner to collect 3 bids

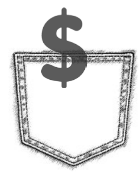
- Would choose the lowest one & write 1 single check for the total amount

- Unfortunately, some people then used the check meant to replace their roof to go on vacation/buy a car/pool/etc.





- OR, had their uncle/neighbor/or Joe Schmo do the job for a fraction of what the insurance paid, not pay their deductible and pocket the rest....which is insurance fraud.


NOW:

- Adjuster writes the estimate using fair market pricing software. They no longer accept "bids." (i.e., bids are irrelevant)

Total claim RCV: $10,000
Homeowner's out of pocket deductible: $1,000
Insurance funds available: $9,000

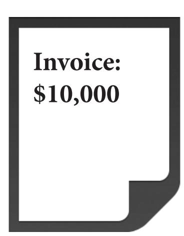
- Insurance writes 2 checks: 1st = only a fraction of the total claim (**ACV** check). They withhold the rest as "**depreciation**." Homeowner is responsible for out of pocket **deductible**.

Deductible: $1,000
[out of pocket]

1st ACV: $6,000
[issued immediately]

2nd Depreciation: $3,000
[WITHHELD]

- This 2nd check is only paid AFTER **full claim amount** has been invoiced. (Similar to a deposit: imagine you were a homeowner putting in a swimming pool. You would pay a deposit up front [ACV], and when the work was done, you'd pay the rest [depreciation].)

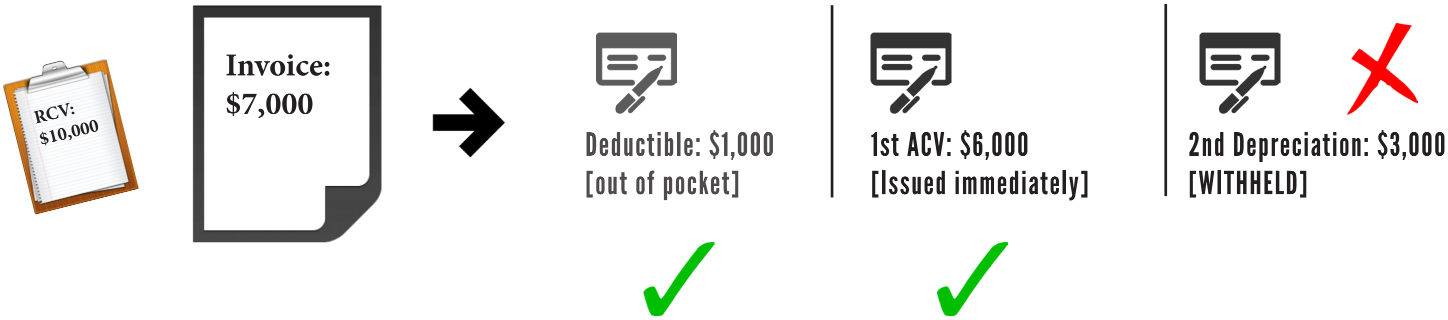


Full Depreciation of $3,000 released to cover full cost.

$1,000 + $6,000 + $3,000 = total RCV coverage of $10,000

SO...

- If invoice reflects a **lower amount than the original estimated total**, insurance releases **ONLY enough to cover the invoiced amount**, nothing more.



Deductible $1,000 + ACV $6,000 = $7,000 to cover invoice.

....Depreciation NOT owed. Regardless, homeowner's out of pocket cost remains the same $1,000. Insurance company saves $3,000.

- In the end, homeowner ONLY pays their deductible out of pocket, nothing more. So they can't save or pocket any money by "bid shopping." In fact, it only benefits the insurance company!

- It only makes sense that the homeowner gets the best quality work done for the amount allowed. Their out of pocket expense remains their fixed deductible amount regardless of the final price, so wouldn't they rather get a $10,000 roof for $1,000 instead of a $7,000 roof for the same $1,000?

If you could pick a brand new car for just $1,000, would it make more sense to choose a Honda Civic or a brand new BMW?

$1,000

$1,000

It makes the most sense to get the maximum VALUE for the amount you would personally be spending.

Deductibles

The **deductible** is the fixed amount out-of-pocket expense that a policyholder must pay before the insurance company will cover expenses above and beyond that cost for an incurred loss. (Think: co-pay at the doctor's office.)

Example: a homeowner may have a replacement cost policy with a $1,000 deductible that covers their property against loss for up to $500,000. If a tree fell on the house and caused $10,000 worth of damage, the homeowner would pay just their $1,000 deductible toward the repairs in their claim, and the insurance company would pay for the remaining $9,000. Likewise, if a tornado came and wiped out the entire house, leaving $500,000 worth of "repairs," the homeowner would still only be responsible for the $1,000 deductible out of pocket, and the insurance company would pay the remaining $499,000.

Property insured up to $500,000 with fixed deductible of $1,000

Claim: $10,000
Out of pocket: $1,000

Claim: $500,000
Out of pocket: $1,000

Note: some policies may have percentage deductibles typically ranging from 1-2% of the total value the home is insured for. In this case, a 1% deductible on a $500,000 home would equal $5,000.

Policy & Premium

The deductible is part of the "policy," which is a contract a homeowner has with their insurance company. For example, the policy (contract) a homeowner may have with their insurance company says that in exchange for an annual premium payment of $1,750, their homeowners insurance policy will cover up to $500,000 in losses toward their home, with a deductible of $1,000. This means that per the contract, the homeowner's obligations are to pay the annual insurance premium, and in exchange, in the event of a loss the insurance company will cover any losses above and beyond the first $1,000. That being said, for a minor loss that results in $800 in damages, filing a claim would be unnecessary, because it does not even exceed the deductible amount which the homeowner would be responsible for.

Keys to Closing

- **Make sure both decision-makers are present.** (e.g. husband and wife)
- **Sit at the kitchen table.** This is the most natural and comfortable place to cover material.
- **FOLLOW THE PRESENTATION SCRIPT!** Word-for-word. It works!
- Be very calm, confident, direct, and read everything slowly and clearly. Be confident, act like it's not a big deal.
- **Mirror your customer.** If they're leaned back and relaxed, conduct yourself more casually. If they are excitable and enthusiastic, reflect more energy.
- Don't pull out agreement paperwork or have it in front of the customer until the moment you start going over details on it – otherwise they are staring at the fine print the whole time instead of listening to you speak – they will miss important details!
- If you act nervous or afraid to ask, then they will feel weird and nervous for no reason.
- **Ask,** "Does that make sense?" and "Okay?" or "Does that sound fair?" and get a verbal response to confirm understanding of the agreement after each section.
- Hand over the pen and **BE QUIET** after you ask them to sign. Lean back and remain neutral.
- **Expect them to sign.** Why wouldn't someone? They've got nothing to lose and everything to gain.
- Natural human response is to ask questions before saying "yes" – asking questions about the process before they sign is normal; people just want to make sure they understand everything correctly.

AFTER they sign write the following directions on their copy of the agreement that you leave with them:

1) Call 1-800# on your policy and file your claim. Write down your claim #.
2) Get adjuster's name and cell phone #
3) Get adjuster meeting date & time ***important!
4) Call me!

Notes: